



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

Standing Committee on Public Accounts

PACP • NUMBER 123 • 1st SESSION • 42nd PARLIAMENT

EVIDENCE

Monday, December 10, 2018

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Chair

The Honourable Kevin Sorenson

Standing Committee on Public Accounts

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• (1530)

[English]

The Chair (Hon. Kevin Sorenson (Battle River—Crowfoot, CPC)): I call the meeting to order.

Good afternoon, colleagues. This is meeting number 123 of the Standing Committee on Public Accounts for Monday, December 10, 2018.

Today we are in public and we are being televised. I would encourage those of you in the audience and around the table today who have a cellphone or any kind of communication device to please mute it or put it on vibrate.

We're here today in consideration of "Report 7—Compliance Activities—Canada Revenue Agency", from the 2018 fall reports of the Auditor General of Canada. We're honoured to have with us again today, from the Office of the Auditor General, Mr. Jerome Berthelette, assistant auditor general of Canada, and Mr. Martin Dompierre, principal.

From the Canada Revenue Agency, we have Mr. Bob Hamilton, commissioner of revenue and chief executive officer, and Ted Gallivan, assistant commissioner, international, large business and investigations branch.

We welcome you here.

We will turn to Mr. Berthelette at this time for opening statements, and then we'll go into questions.

Thank you.

[Translation]

Mr. Jerome Berthelette (Assistant Auditor General, Office of the Auditor General): Mr. Chair, thank you for this opportunity to discuss our fall 2018 report on compliance activities of the Canada Revenue Agency. Joining me at the table is Martin Dompierre, who was the principal responsible for the audit.

Part of the agency's mandate is to ensure that taxpayers comply with the income reporting requirements of the Income Tax Act. The agency aims to protect the integrity of the tax system by identifying and deterring those who do not comply.

We found that the Canada Revenue Agency inconsistently applied tax rules when it audited or reviewed taxpayers' files, even though the Taxpayer Bill of Rights requires the agency to apply the rules in the same way to taxpayers in similar situations.

There were a number of reasons for these inconsistencies. In some cases, the judgment of agency staff conducting compliance activities resulted in inconsistent treatment of taxpayers in the same situation.

[English]

For example, if the agency caused delays in conducting compliance activities, it had the discretion to charge interest and penalties to the taxpayer or to waive them. We found that some of the agency's auditors waived interest and penalties for the time it took them to get information from the taxpayer's banks; other auditors charged interest and penalties because they considered that time to be the taxpayer's fault for not providing the information. These discretionary decisions resulted in inconsistent treatment of taxpayers in the same situation.

According to the agency's own internal audit, the agency waived penalties and interest differently, depending on where the file was processed. Moreover, staff from different program areas considered different criteria for similar situations when granting requests for taxpayer relief.

We also found that the agency waived \$17 million in interest and penalties despite the fact that the taxpayers were identified as at risk for non-compliance and were undergoing an audit at the time they asked for relief.

We found regional inconsistencies in file reassessments. Taxpayers in one region waited an average of seven months longer than those in another region for the agency to complete an audit. In one region, the agency took over 40 weeks to process a taxpayer's request for an adjustment, whereas in another region it took 12 weeks.

We also found differences in how the Canada Revenue Agency treated taxpayers, depending on how the agency classified them. The agency had different compliance programs for individuals, small or large businesses and taxpayers with offshore investments. Because each program had different compliance procedures, not all taxpayers were treated consistently. For example, the time the agency gave a taxpayer to comply with a request for information and whether or not the agency offered the taxpayer some relief from penalties and interest depended on the type of taxpayer.

•(1535)

[Translation]

Each year, the Canada Revenue Agency sets targets for additional revenues from compliance activities. For the five-year period we examined, we found that the targets increased each year and were almost always met or exceeded. This may mean that the targets were set too low. At some point, targets should be harder to achieve and should start to decrease if the agency's compliance activities effectively promote taxpayer compliance. Yet the agency could not explain why its targets continued to rise and were always met or exceeded.

Finally, we found that the additional revenue the agency reported as a result of its compliance activities did not reflect the taxes actually collected. This discrepancy occurred because in its calculation of additional revenue, the agency measured results only partway through the revenue cycle. Therefore, results from additional revenues did not take into account the taxpayers who filed objections with the agency or who appealed through the court system.

[English]

In most cases, these taxpayers were successful and therefore did not pay the taxes in dispute. In other cases, the agency was unable to collect taxes because the taxpayer was unwilling or unable to pay, and the agency wrote off the taxes owing. Without accounting for objections, appeals and writeoffs, the agency's calculation of additional revenue was incomplete.

We are pleased to report that Canada Revenue Agency has agreed with all our recommendations and that it has prepared a detailed action plan.

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 very much, Mr. Berthelette.

We will now turn to Mr. Hamilton, please.

Mr. Bob Hamilton (Commissioner of Revenue and Chief Executive Officer, Canada Revenue Agency): Thank you, Chair, for the opportunity to appear today in front of the committee in my capacity as the commissioner of revenue and the chief executive officer of the Canada Revenue Agency.

[Translation]

I am accompanied by Ted Gallivan, assistant commissioner of the International, Large Business and Investigations Branch.

I am here to speak to you about the Auditor General's fall 2018 report that considered the compliance activities of the CRA.

[English]

Before discussing our action plan in response to the Auditor General's recommendations, I'd like to provide some very brief context around the increasingly complex environment in which we are operating at the CRA.

The scope of our compliance activities from one case to another varies greatly, from audits of large multinational corporations to reviewing or validating an individual Canadian's T1 tax return. In each case, we structure our activities to promote awareness of, and ensure compliance with, the laws we administer, so as to uphold the public's trust and confidence in Canada's tax system.

The level of effort required to complete a compliance activity depends on the case and its level of complexity. Our workloads vary from region to region in terms of their complexity and the sectors they represent. We need to recognize this variation as we look to implement the changes to improve our compliance efforts.

Audits of sophisticated high-net-worth taxpayers, for example, can require that the CRA resort to court action to obtain the necessary records and information from taxpayers and their representatives. Given the complexity and potential legal challenges, these audits can take much longer to complete, which gives the CRA time to collect the evidence needed to ensure sophisticated taxpayers pay their fair share.

•(1540)

[Translation]

This environment becomes even more complex when tax schemes cross borders. In fact, a significant compliance challenge for tax authorities around the world has been addressing the effects of base erosion and profit sharing.

[English]

This is why we are working closely with other countries on better exchange of information and through partnerships such as the joint international task force on shared intelligence and collaboration.

In relation to the detailed management of our audits, reviews like the OAG's provide important information for the agency on areas that require more of our attention to better serve Canadians.

Mr. Chair, the Auditor General's report number 7 examined how consistently the CRA applied its compliance activities for various types of taxpayers across Canada, as well as how the performance indicators for compliance activities were measured, monitored and reported to Parliament.

The Auditor General made recommendations in the areas of consistent treatment of taxpayers, timely processing of reassessments, and performance measures for compliance activities. The agency agrees with these recommendations and is undertaking concrete actions to implement them, while recognizing the differences in our compliance issues and challenges across the various taxpayers with whom we interact.

The CRA's action plan, a copy of which was provided to the committee, identifies how the agency will implement the Auditor General's recent recommendations. The action plan also outlines our approach to review the CRA's internal processes and procedures.

The CRA has committed to acting in all areas identified by the Auditor General within 18 months, and at no additional cost to the government.

For example, the CRA is taking steps to provide information to Canadians about timelines associated with audit activities, as well as developing guidelines for seeking court orders to compel sophisticated taxpayers' co-operation, developing clear guidelines for the administration of taxpayer relief provisions, and establishing guidelines to determine delays attributable to the agency, as opposed to those attributable to the taxpayer. These are a few examples of what we are proposing to do.

Since I became commissioner a little over two years ago, I believe that the agency has demonstrated that we follow through on our commitments following the Auditor General's reports. The agency is realigning its operations and approaches consistent with the recommendation in the Auditor General's fall 2016 and fall 2017 reports.

[Translation]

For example, based on the Auditor General's fall 2016 report on income tax objections, the CRA took steps to improve the timely processing of objections. As a result of these actions, the CRA has reduced its inventory of regular objections by 25% since September 2016.

[English]

Also, the Auditor General's fall 2017 report provided recommendations to improve the service to Canadians offered by CRA's call centres. Since then, the CRA has focused its improvements on modernizing technology, increasing agent training and updating service standards.

These updates led to Canadians having improved access to call centres for the 2017 T1 filing season. Seventy-four per cent of calls were answered, 45% by an agent and 29% by automated service, compared to 37% for the 2015 tax filing season.

We are making progress in these areas and we will continue to focus on improvements. The same attention will be paid to the recommendations made in report 7. We will take similar concrete steps to address these most recent recommendations.

As I mentioned earlier, the CRA recognizes the value of audit in providing information and insights that are enabling us to improve our service to Canadians. To this end, we have taken steps to improve our practices through our own internal audits, which the Auditor General just referred to, by implementing comprehensive and systematic self-assessments to identify strengths and areas for improvement within the agency.

Also, promoting a service culture across all areas of the agency to better serve Canadians is a high priority for me personally and throughout the organization. Service includes our compliance activities, where we are putting an increasing emphasis on education and fostering long-term compliance, in addition to our enforcement actions.

I know there's still more work to do in regard to the CRA's compliance activities. The CRA has been actively pursuing and investing in improvements in recent years, including a focus on

improved data, analytic tools and a risk-based approach. For example, as the Auditor General noted, the CRA took steps to expand its business intelligence as a means to detect taxpayers who posed a higher risk of non-compliance.

We will continue to explore ways to provide our 6,300 auditors with additional tools and resources to assist them in their important work. What this means is that increasingly the CRA is able to identify taxpayers involved in tax evasion and aggressive tax avoidance, both domestically and internationally, and to ensure that those who choose not to comply with the law face the appropriate consequences.

These efforts, at the end of the day, will help ensure that Canadians have trust and confidence in the fairness and integrity of our administration of Canada's tax and benefit system.

Thank you, Mr. Chair. I welcome any questions the committee may have.

•(1545)

The Chair: Thank you very much, Mr. Hamilton.

We'll move to the first round of questioning. It's a seven-minute round.

Go ahead, Madam Mendès, please.

[Translation]

Mrs. Alexandra Mendès (Brossard—Saint-Lambert, Lib.): Thank you very much, Mr. Chair.

Thank you to all of you for being with us today to discuss the Auditor General's report.

Mr. Hamilton, I would like to start with you. I would like to speak specifically to this perception that the CRA is targeting taxpayers and ordinary citizens much more than companies or those trying to evade taxes.

We know that the Government of Canada has made considerable investments to improve these types of investigations and audits in order to find those who are trying to avoid paying taxes.

I would like to see with you and possibly Mr. Dompierre what progress has been made in these efforts to go after people or businesses trying to evade the Canadian tax system, to counter the idea that the CRA focuses only on individual taxpayers, that is, citizens.

Mr. Bob Hamilton: Thank you for the question.

I will start to answer, then I might ask Mr. Gallivan to add a few points.

The perception that large companies are able to avoid paying taxes, unlike individuals or small companies, is certainly a very important issue for us in two respects.

First, it is very important to ensure that Canadians have confidence in the system and that everyone knows that everyone is paying the right amount of tax. This is very important to ensure the integrity of our system. In this context, we are doing two things. First of all, we have partnerships in other countries around the world, and we put a lot of effort into international and global companies. Also, we have many more auditors and analytical tools. This allows us to achieve a better perception. We can do a better risk analysis and, as a result, better focus our efforts on high-risk cases.

Second, it is important to have good conversations with small companies and individuals. It's important to raise this awareness to ensure long-term compliance with the act. It is always possible that we may have to take action and strengthen afterwards, but we start with a conversation. We try to mention what information we need, why we need it and explain a little bit about the tax system.

Perhaps Mr. Gallivan would like to add something.

[English]

The Chair: Go ahead, Mr. Gallivan.

[Translation]

Mr. Ted Gallivan (Assistant Commissioner, International, Large Business and Investigations Branch, Canada Revenue Agency): Thank you, Mr. Chair.

I would like to highlight three points. The first is about coverage; the second is about the results; the third is about what the OAG found.

In terms of coverage, I can confirm that for the 1,200 multinationals operating in Canada, we have 100% risk coverage each year. We conduct a thorough review of these multinationals, and all high-risk ones are audited annually.

The second point I want to mention concerns the results. In exhibit 7.2 of the report, the OAG confirms that the agency's audit results increased by 60% during the audit period. In the last fiscal year, there was \$4.6 billion more than in the first. We have sought most of these gains from GST fraudsters, the underground economy, multinationals and those engaged in abusive tax planning overseas.

The third point I would like to make is that the OAG noted a difference in the time required to conduct the audits. Complex audits take longer, but the Income Tax Act itself recognizes that these files are more complicated and, as a result, allows the agency to take up to three years to finalize audits for average Canadians. In addition, the act allows the agency to take three more years—twice the time—if it involves transfer pricing, tax on income earned overseas or these famous overseas trusts. In these cases, the act itself gives three more years to finalize the audits because it recognizes that these files are much more complex.

• (1550)

Mrs. Alexandra Mendès: Mr. Dompiere, would you like to add anything?

Mr. Martin Dompiere (Principal, Office of the Auditor General): I don't have any comments on that. Mr. Gallivan described the process used by the agency clearly, including the time required to complete the audits.

[English]

Mrs. Alexandra Mendès: Could we make a distinction here between an audit and a review? I think this also is something that's not quite clear in the minds of most people who read about taxes.

Does it cause the impact that everyday citizens are penalized because they are given much less time to produce documents or to produce proof of something than a company or a small enterprise is given? Is that something that causes that issue?

Mr. Bob Hamilton: From my perspective, I can certainly say that it's a contributing factor. Oftentimes people use the two terms interchangeably—"review" versus "audit"—but in our world, there's a process of verification and review.

A taxpayer sends information to us, and we check that information. It could be against a third party source or against another piece of information that we have. That can be a relatively straightforward exercise as compared with an audit, which is much more in depth and probes into particular books and records to make sure we understand totally what's going on.

They are two different things, then. One, understandably, would take a longer time than another. It can contribute to a perception of how much of a review or how much of a burden a small enterprise or an individual has.

At the same time, I don't want to diminish the fact that it is something we are thinking about—i.e., whether we have the right risk process in terms of where we focus our activities. There is something to be said, certainly, at the small individual end of things, about whether we could move toward the world where we put a little bit more emphasis on education—we have a liaison officer initiative—and try to get compliance right from the start instead of a process whereby something gets submitted and then we have a conversation afterwards.

It is an area that I think we're sensitive to in terms of substance and impacts on taxpayers but also with respect to perception, as you mentioned. This issue of review versus audit is probably something we need to better explain to people. Again, what are we doing, why are we doing it, and how do these things differ?

The Chair: Thank you, Mr. Hamilton, and thank you, Ms. Mendès. We're a minute over.

Mr. Kelly is next, please.

Mr. Pat Kelly (Calgary Rocky Ridge, CPC): Thank you.

Thank you to the Auditor General for this report and to the commissioner and deputy commissioner for appearing here to answer our questions. Indeed, thank you to all of you for your service to Canadians.

There are a lot of troubling elements in this report. There are many things that I think many Canadians would be quite rightly concerned about. I want to focus first on one that I think many Canadian taxpayers would find very troubling. This is the discrepancy in time allowed for compliance for the production of documents. It's the discrepancy between what's categorized in the report as individual Canadians, people who are filing a T1 general on behalf of themselves, versus other categories of tax filers.

I think I'll go straight to you, Mr. Hamilton. I'd like you to explain why an individual Canadian gets 90 days to produce a document, and if they fail to produce it, immediately has their benefit or credit, as the case may be, struck, yet other categories of tax filers—including, it would appear, any with offshore transactions—are given additional time.

This report states “Sometimes, the Agency did not obtain information at all, and the file was closed without any taxes assessed.” Please explain.

•(1555)

Mr. Bob Hamilton: I would say that as I read this report, I read other items that say there may be inconsistencies across the agency in what we do and how we're treating different taxpayers. It's something that we need to pay attention to, and we need to learn whatever lessons we can from the observations.

I would just say in this area that if we have a deadline of 90 days, for example, to get records, which may be reasonable in most cases, and a taxpayer finds that is unreasonable, we also have the flexibility, if they call us, to come up with an alternative arrangement. We can show some flexibility when we know about it. That's on the smaller end, if you like, for the individuals.

On the other side, I think it's just a fact of life for us that some of the complex structures and transactions that we run into in the international or multinational space are just going to take more time to go through in order to get the information we need. It's a challenge that Ted's auditors face all the time.

We like to think that we've built some flexibility into the system to be able to accommodate when more time is required so that we can get to the right result, but it is something that we're taking a look at, based on this audit, to see whether there's some room for improvement or something that we can do better to get a better result for the taxpayers.

Mr. Pat Kelly: The report left no question that there are inconsistencies. It didn't say that there “may be” inconsistencies; it said that there are inconsistencies. This isn't a matter of speculation, according to the report, and the report is quite clear that it's in the case of individuals, as opposed to other types of filers.

I don't think anybody disagrees that for a corporate entity or an individual or anyone with complicated affairs it may take more time to conduct and to conclude an audit, but when you ask for a document.... I'm sorry, but I do not find it acceptable that just because it is international, you would be given a longer period of time to comply. My answer would be that if you cannot comply with the law in the same way as an individual Canadian, then your problem lies in your strategy of tax filing or tax management, not in something that the CRA ought to roll over and accept as a reason. It's

unfair to other Canadians; when they get a letter from the CRA that tells them they must drop everything and produce something for you, they do so.

Getting on to the inconsistencies that we find, this goes to the types of questions that I'm sure all members hear in their constituency offices when they take calls from taxpayers. In some parts of the country, it's taking up to 40 weeks, while in other areas it would take 12.

I want to focus on small business filers. I have heard complaints from taxpayers and from tax preparers about the length of time. I appreciate your saying that there's a reduction now in the time period for objections, but what about simple corrections for small business filers? I've heard from tax preparers that it's up to 18 months now in some instances, just for a keystroke error type of change.

Can you comment on corrections and what the timelines are on that? Do we have regional discrepancies in corrections?

•(1600)

Mr. Bob Hamilton: I'll respond to that question for sure, but on your previous question, just to close the loop, looking at the time frames for large, sophisticated taxpayers is something we have committed to looking at. Is there room for greater guidance, greater consistency, in that regard?

Similarly, on the individual side of things, we are trying to take some actions, such as calling people if we haven't heard from them, to try to have more of a conversation and defuse disputes before they arrive. It is an area we're looking at.

On the issue of corrections, I think in that space there can be differences across regions. One point we noted in our response was that the workloads vary across regions as well. To the extent that one region is doing a particular national workload for the whole agency, or that one has very complex sectors operating within their region, you can see some regional variations. I put that as a caveat on this whole thing.

As we look at it, we need to find substantively if we have variations. There's no doubt about that. We also need to recognize that we need to compare like with like. If there is a difference in a particular region for a good reason, we need to factor that into what we see.

In terms of how quickly we're processing reassessments, we have improved in that area. Last year we experienced some delays, for sure, in processing reassessments. It was due to a combination of factors. One was a reorganization we did within the agency. It had a transition period, so we were slower last year. I think now we've moved up to our service standard. If it's in paper-based form for a non-complex case, we endeavour to get that done within eight weeks 80% of the time. We're back on track.

I'd like to see us go even better and faster. Certainly, as you say, for a very simple change, we need to make sure those are finding their way into our system and processed as quickly as we can.

Again, those are areas we continue to look at as we try to make sure we're providing as good a service as we can to the taxpayers.

The Chair: Thank you very much, Mr. Hamilton.

We'll now move to Mr. Christopherson.

Mr. David Christopherson (Hamilton Centre, NDP): Thank you, Chair.

Thank you to all for being here today. We appreciate it.

To start off, Chair, I'd like to ask Mr. Hamilton if there's a particular reason he didn't do us the courtesy of giving us a copy of his opening remarks.

Mr. Bob Hamilton: No, there's no reason. Indeed, I thought we had. I certainly finalized them in time to make sure you had a copy.

Mr. David Christopherson: You thought it was done and it wasn't done.

Mr. Bob Hamilton: Yes. I'll find out why it wasn't.

Mr. David Christopherson: Okay.

This is your third visit in the last little while. Your first one wasn't very good. You made some reference to things you've done about it.

Your last one was really good. You were the shining light in the whole example.

Now you're back to bad again—really bad. Now we're mucking around with taxpayers' rights. Let's just lay the groundwork. This is from page 20 of the Auditor General's report:

Audit objective

The objective of this audit was to determine whether the Canada Revenue Agency applied the Income Tax Act consistently during compliance activities and accurately reported the results of its compliance activities.

This is from page 19:

Conclusion

We concluded that the Canada Revenue Agency did not apply the Income Tax Act consistently during its compliance activities. It treated taxpayers in similar situations in different ways. The Agency also did not accurately report the results of its compliance activities, and its reporting was incomplete.

That's pretty much a failure across the board, Mr. Hamilton. What's most troubling for me is what looks like a complete disregard for the Taxpayer Bill of Rights. Now, maybe it's not that bad—I'll listen to what you have to say—but the evidence tells me that it's not a priority.

Here's what I want to know. I have lots of stuff I can reference here, but I want to get straight to it. In things like the Taxpayer Bill of Rights, you're at the top of the house. If anything was your job, it was to make sure that the rights that Canadians have are protected. You failed. Why? Why did you fail in your personal job to make sure that the rights guaranteed in writing to Canadians were not upheld? Why did you fail Canadians?

• (1605)

Mr. Bob Hamilton: To address that head-on, the Taxpayer Bill of Rights is something that's very, very important to me and to the agency. When we see an instance that we're not respecting it, we take actions to make sure that we do.

I don't consider it necessarily as a complete failure. I see it as a challenge that we have to overcome. There may be cases out there when the tax system we run—with over 30 million Canadians and 40,000-plus employees—has something happen that needs to get

corrected. I view it as my job to try to prevent those where I can, but when they happen, to fix them.

When we talk about things like consistency and inconsistency, it's very important for me to disentangle that to understand if it's comparing the same with the same. If two people are treated differently—or two corporations—that's not necessarily inconsistent, because they might be in different circumstances. As the AG referenced, if they are in similar circumstances, then they should be treated similarly.

I think that's what you see in the action plan that we put together, not only dealing with any inconsistencies that might be out there and trying to have systems in place that ensure we get rid of all of those, but also in our reporting—

Mr. David Christopherson: That's sufficient. Thank you. I respect that you attempted to answer that, but not satisfactorily, I have to tell you.

When I look at this report and at your obligations, I see those rights as being at the top and in the middle and at the bottom and going through everything. I don't get a sense that you see it that way.

What did the Auditor General say? It's that you throw around “consistent” and “inconsistent” easily. The Auditor General, in paragraph 7.22, states:

Our analysis supporting this finding

—that you didn't give taxpayers their rights—

presents what we examined and discusses the following topics:

Inconsistent time given to respond to requests for information

Inconsistent offering of proactive relief to taxpayers

Inconsistent waiving of penalties and interest

Different audit completion times across Canada

Untimely and incomplete processing of results of compliance activities

Fail, fail, fail. What I don't understand—and you're still not helping me—is where is the filter, the lens, for the highest responsibility you have, which is to protect Canadians' taxpayer rights?

Remember, your outfit scares the hell out of people. This really, really matters. Help me understand how we got to this point where you weren't applying those rights. Why was this not flagged by you or by that internal audit committee? Why did it take the Auditor General coming in and doing this report? My reading of this is that if the Auditor General hadn't come in, you would still be violating taxpayers' rights.

Why wasn't that part—a big part—of how you manage the Revenue Agency? Why? I'm not hearing a clear answer, sir, and you're not saying that you failed. You want to defend that, so this is not going well.

Mr. Bob Hamilton: Mr. Chair, let me say a couple of things.

First, obviously the Taxpayer Bill of Rights is something that's front and centre for us—

Mr. David Christopherson: Talk, talk, talk—

Mr. Bob Hamilton: I have a lot of obligations as the head of the agency in terms of generating revenue, being fair, and respecting the Taxpayer Bill of Rights. What you will see, in my opinion, in every response we have to what the AG has raised when they have pointed to something is that we've said we're going to address it and we're going to fix it.

I think I would even say, based on my experience here, is that when the Auditor General has said something and we've agreed with it, we've taken action. We've stuck to our plan.

Mr. David Christopherson: But why do you think the Auditor General—

Mr. Bob Hamilton: No, no; if I could just finish one thing—

Mr. David Christopherson: Yes, all right.

Mr. Bob Hamilton: That's a good thing. I don't want to let that go by without noting it.

The other thing I would really like to get to do more of is uncovering things on our own. We don't necessarily have to have the Auditor General come in. I think there is an example here on taxpayer relief, and I think it's even referenced in the Auditor General's report. We did our own work. We uncovered something that was perhaps inconsistent across the agency and needed to be addressed. We looked at it more horizontally.

That's the place where I want to be. If something gets raised with us, not only are we responsive and we correct it, but we also do a good job of uncovering those things ourselves in advance of somebody else coming in.

This is work in progress that we have to do. It's important for me and the agency to provide good service to Canadians, to respect taxpayers' rights and to fix issues when they come to our attention.

• (1610)

Mr. David Christopherson: I'm listening to you—I actually am—but I'm still not hearing where the Taxpayer Bill of Rights was before this report.

I saw you hold up the paper. Is that all that happened inside the agency—you just held up the paper and then proceeded to ignore it?

Where was the bill of rights in the management decisions, in your decisions, in the internal audit reviews? Why wasn't the charter of rights for taxpayers front and centre long before the Auditor General rolled in?

I'm not hearing that.

Mr. Bob Hamilton: Well, I think I can give you some evidence that it is front and centre for us, and it was before.

One of the key initiatives that we're undertaking in the agency is to provide better service for Canadians. We have established a chief service officer to help us look horizontally at all of the things we provide to Canadians and to make sure that we are respecting the Taxpayer Bill of Rights and all of the other commitments we have to Canadians.

We have been on a mission to try to improve service, to improve consistency and to improve places where we need to make sure that we're fulfilling the obligations and meeting Canadians' expectations

around this Taxpayer Bill of Rights. It is there. It's present in what we do. It has led to our making changes to provide a better service culture within the agency and institute a chief service officer.

I'm very hopeful—and confident, actually—that these changes are going to take us down a very good path to improve services to Canadians, which will put us in compliance with the Taxpayer Bill of Rights.

The Chair: Thank you very much, Mr. Hamilton.

Thank you, Mr. Christopherson. I'm not sure if it will make you feel a lot better, but with regard to the text for the speech today, we've just been told that it wasn't CRA's problem. It might have been with our offices.

We apologize for that. We want to make sure that we give them credit.

Mr. David Christopherson: I apologize to you for accusing you.

The Chair: We'll go back to the government side.

[*Translation*]

Mr. Massé, you have the floor for seven minutes.

Mr. Rémi Massé (Avignon—La Mitis—Matane—Matapédia, Lib.): Thank you, Mr. Chair.

I would like to thank the Auditor General and the representatives from the Canada Revenue Agency for taking part in this committee meeting.

Mr. Hamilton and Mr. Gallivan, I know the agency officials are working very hard to provide you with the information you need for any questions we might have. For my part, I am neither a tax expert nor an accountant, but I am a member of the Standing Committee on Public Accounts, and several things are obvious to me. My colleagues have told you this as well.

This is the case for the amount of debt write-offs carried out year after year by the agency. Basically, we are talking about \$3.2 billion or \$3.3 billion a year. There was a slight decrease in 2016-17.

In his report, the Auditor General states the following, at paragraph 7.59:

We found that the Canada Revenue Agency did not know the full results of its compliance activities. Its calculation of the additional revenues generated from compliance activities, beyond the initial taxes assessed, was incomplete.

I would like the Office of the Auditor General to tell me what led to this observation that the information provided by the agency is incomplete. I would like a little more detail on this observation.

Mr. Martin Dompierre: At paragraph 7.87, it states that the reports are incomplete, as you mentioned. With respect to the calculation of the agency's additional revenues, it is said that the amounts presented in its public reports do not take into consideration the amounts that have not been recovered. You mentioned write-offs. Reference is also made to objections where the decision is in the taxpayer's favour, in whole or in part. When calculations are made, these amounts are not exactly subtracted from the additional income. For example, the agency can report \$100 million in additional revenue, but amounts corresponding to write-offs or objections earned by taxpayers are not deducted from additional revenue. That is the explanation I can give regarding the mention that the reports are incomplete.

•(1615)

Mr. Rémi Massé: Thank you very much for that answer.

I will now ask the Canada Revenue Agency representatives how it is that we aren't able to obtain clarifications on such important issues as debt write-offs and assessment processes. This information is important to us, but also to Canadians.

How is it that this important information can't be collected?

[English]

Mr. Bob Hamilton: Perhaps I'll start, Mr. Chair, and then Ted can elaborate, because it is an important point.

I think the issue that's been raised is that when we put more resources into audit activity, for example, and we say that we will generate \$100 from those audits, we give that figure to the Department of Finance and the Treasury Board. We're very transparent about that, but there is an important element there, which is that while that's how much we might identify through the audit, a bunch of things can happen after that.

It could be sent to our appeals division, which could overturn it or not. It could be fought out in court and we might lose the court battle, so we could lose some of that revenue there. Also, at the end of the day, in terms of how you started your question, there's the amount that gets written off. If somebody goes bankrupt or we can't collect that money for some reason, we don't get it. You might start with that \$100 at the beginning and end up with something less.

I think we certainly have been truthful in that, but one of the things the Auditor General pointed to is actually something that we've been working on, which is constructing a better measure to explain what's going on to everyone. It's not always possible to trace from an individual audit what happened and calculate it at the end of the day, but we do have some figures that we can use to make generalizations about how much we might expect to lose in a court case.

We're doing those calculations now. I think the Auditor General was right to say that it's incomplete information. We're looking to make it complete. There will have to be assumptions made in that process, but I think we can provide a more complete picture of that whole spectrum from audit through to appeals, court cases and collections.

Ted is in the middle of all this. Maybe I'll ask if he wants to elaborate.

[Translation]

Mr. Rémi Massé: The answers you've provided are acceptable to me.

You mentioned that the Canada Revenue Agency has 40,000 employees. It is the largest department in the federal government. The agency therefore has the necessary expertise to determine the possibilities of recovering funds. Year after year, it can determine the amount of money that can be collected, compared to the amount that must be written off.

I'll come back to debt write-offs. This is something I consider important because it represents \$3.2 billion. Of course, you are the largest department. That said, the debt write-off for all departments, year after year, amounts to \$4 billion.

The debts contracted represent a lot of money. What I want to know, basically, is whether the Canada Revenue Agency, based on the acts and regulations that govern it, is doing enough to recover the debts incurred and to recover as much as possible.

Mr. Chair, perhaps the agency's representatives can answer.

[English]

The Chair: Mr. Massé, there are two questions there: one for Mr. Gallivan on the last round, and then this last one in regard to the—

Mr. Rémi Massé: Mr. Chair, we're satisfied with the first answer that Mr. Hamilton gave me. I'm more preoccupied by my second question.

The Chair: Okay. Let's do the second question first. We'll give Mr. Gallivan just a little time at the end.

Mr. Rémi Massé: Thank you.

Mr. Bob Hamilton: Thank you, Chair.

On the second question, it is something we're concerned about as well in trying to maximize the amount of debt we can collect. We always want to be fair with people in terms of particular circumstances, but if you look at it globally—the \$3 billion or \$4 billion you calculated—we'd obviously like to take that number down and be able to collect more of the debt that is owed.

We face some challenges in terms of taxpayers who may not have access to their funds anymore or might be bankrupt. Generally, my sense is that time is not on our side in this matter, so where we can move more quickly to establish the debt and take action to collect it, I think we're going to do better. We're taking action on that front.

We're also involving some of the debt collections people in an earlier stage of the process with audit so that we can take that longer view, if you like—a more horizontal, comprehensive view of the audit-to-collection stage to see if we can increase our chances.

There will always be some amount of debt that gets written off, but we're putting a considerable amount of effort into trying to maximize the amount that we do collect.

• (1620)

Mr. Ted Gallivan: I have two points of clarification.

The first is that the debt writeoff number there is not just for our compliance work; it's for all debts that the agency has. When you put that in relation to the \$460 billion to \$480 billion the agency administers every year, it's actually a very small percentage, given that we don't pick our clients and we're not a preferred creditor.

The second point of clarification relates to the difference between management accounting and financial accounting in terms of your question about net versus gross. The Department of Finance, in its financial statements for the Government of Canada, does take into account things like litigation and adverse losses at Tax Court. From a financial accounting perspective, this concern with netting down adverse outcomes after audit is taken into account in the Department of Finance's financial statements. However, as the commissioner said, we need to do better from a performance management perspective.

The Chair: Thank you, Mr. Gallivan.

Mr. Kelly is next, please.

Mr. Pat Kelly: Obviously, there's just so much in this report when it comes to the questions and answers that Canadians need, but I want to ask Mr. Hamilton to address something he said in his opening remarks.

You described improvement at the agency's call centre following the previous AG report in 2017. This is a concern that has come up from people who have spent more time at public accounts than I have—people like Mr. Christopherson, who have been here for years and years and have seen issues come up over time.

You cited some statistics on improvement to the call centre, yet the internal audits at the CRA failed to detect the problems at the call centre. In fact, it reported the opposite—that it had been functioning perhaps not perfectly well but at a 85% or 90% call answer rate. It took the Auditor General's report to actually establish that there was a horrific problem going on in the call centre.

The troubling part is perhaps the internal audit. Can you explain how we can take confidence that internally you are accurately measuring the improvement so that we don't end up in a situation two years, five years, or however many years down the road with another Auditor General's report that in fact there are still the same problems that were already flagged in the past?

Mr. Bob Hamilton: Yes, you and I have the same objective there. I'd like to be seen...and to deliver on improvements that were flagged in the AG's report.

As to why you would have confidence, I guess I would say a couple of things. We are measuring things very much in line with the

way the Auditor General came in and measured how many calls were getting answered or not, etc. We have adopted a methodology. As to whether it's perfect or not, I think it's understandable. I think it's pretty good. I think it's consistent with what the AG said.

We're definitely not changing the type of measurement we're doing. What we're seeing in terms of results, with about three-quarters of the calls being answered in the T1 filing season, is a marked improvement from the 37% we saw in 2015. We're using a consistent measurement and we're being more transparent. We're putting these numbers out there for people to look at. Now, they will go up and down from one week to the next, but overall we've seen some improvement.

This is with the old technology. If you recall from when we were talking about it before—

• (1625)

Mr. Pat Kelly: Yes.

Mr. Bob Hamilton:—this is very old technology we're using, and we're looking forward to the day when we would have new technology—

Mr. Pat Kelly: Thank you. What I heard was that you changed your methodology to be more in line with the Auditor General. That was the answer. That's great—

Mr. Bob Hamilton: I would just say—

The Chair: Be very quick, because his time is limited.

Mr. Bob Hamilton: I know.

I'll let you continue.

Mr. Pat Kelly: In response to the recommendation the Auditor General made following the aggregated tracking of the use of budgetary financing, your agency says "Agreed" here. However, it doesn't actually sound like you agree. This talks about how the Treasury Board and the Department of Finance were already "satisfied" with your reporting methodology.

The point on this section, on pages 16 and 17 of the report, is that the Auditor General, if I understood correctly—and also from his remarks when the report was tabled—said there's no way to even track the efficacy of extra funds that the agency has received. That's troubling.

Can you address the issue around new funding and tracking what new funding has been able to accomplish? Most of the new funding hasn't actually been expended yet, or it hasn't been delivered yet. It's mostly coming in subsequent years.

Mr. Bob Hamilton: There are a couple of questions there. I'll leave one for Ted to elaborate on.

We do agree with the Auditor General's recommendation. In fact, we had started some work on this ourselves, but this has given us extra impetus to move it forward quickly.

We do believe we provide the Department of Finance and Treasury Board with proper statistics. They're good. As Ted said, they take those as being revenue earned by audit and factor it into their fiscal projections about what might come forward.

I think we're fine from that perspective, but we do agree with the AG when they say it's incomplete and that there's something that happens after that. We are looking for a better way to explain this to people in a way that's not confusing but is transparent.

On that, point taken. We're looking for something.... I actually think it's an important exercise not only to tell Canadians but for us to understand better what's happening and how we can improve.

On the tracking, we have spent a significant amount of the new money that has been given to us for increased compliance. There's always a debate about how one takes that incremental amount and separates it from the rest. We believe we have a good methodology, but we're certainly open to looking at it in more detail. On that methodology, I'll let Ted give a very brief elaboration.

Mr. Ted Gallivan: Quickly, the expectation was that for the billion dollars, we would yield \$5 billion. In the first two fiscal years, the lift was \$2.6 billion, so we saw clearly that the value was going to be achieved.

Our concern was that when we were tagging individual files, we were worried that.... If we had six multinationals to audit, we would pick two that looked the most likely and give them to the revenue generation group and give four to the not-incremental funding group. Then you have this distorted behaviour with people trying to meet a revenue generation target, but the base goes down.

We could have found ourselves in a situation in which, on the billion for \$5 billion, we would have exceeded, but our base funding that delivers year in and year out would have gone down. Then we would be in the awkward position of trying to explain to you how it is that we got extra money for rev-gen and we're saying we're exceeding on that, but our base program year over year is going down.

What we worked out with Finance and Treasury Board is that if we get 5% extra dollars, then 5% of our incremental results can be attributed to that. That's what we worked out with Finance and Treasury Board. We tried to actually make it simple and be more transparent to this committee and other stakeholders.

Mr. Pat Kelly: Mr. Berthelette, are you satisfied with that explanation and that answer?

Also, can you address and explain the difference between "found" and "collected"? Finding taxes is one thing, and collecting, as we see in this report, is something different as well.

The Chair: Thank you, Mr. Kelly.

Answer very quickly, please, Mr. Dompierre.

Mr. Martin Dompierre: Mr. Chair, the information provided—Mr. Hamilton also made a reference to that—is that they agree with the recommendation specifically and will look to find other ways or other measures to accurately measure the money that's being collected through the new dollars that are budgeted.

Mr. Pat Kelly: On "collected" as opposed to "found", he said \$5 billion was found.

• (1630)

Mr. Martin Dompierre: I would say it's found. It's an estimate of what they anticipate specifically, Mr. Chair, to collect or identify as part of their compliance activity. It's found; I'm not sure exactly....

They will find that additional revenue. I think it's part of their own process to define specifically their own targets.

The Chair: Thank you. We can come back to that if we have to.

Now we will go to Mr. Arya.

Mr. Chandra Arya (Nepean, Lib.): Thank you, Mr. Chair.

Mr. Hamilton, yesterday night at 9:23 my office received an email from one of my constituents that said the family's in bankruptcy.

The two children, Lucas, 10, and Chloe, 9, were diagnosed with autism in the spring of 2017. They made their first call to CRA in July 2017 for the disability tax credit and the child disability. They were told it would be processed. Consistently throughout this story the call centre agents performed quite well compared to the last time when we discussed the performance of the call centre agents; that is not the issue here.

She contacted CRA, and CRA said it needed confirmation from the trustee, and the trustee did make a request to CRA for the retroactive payment in January 2018. In February the mother contacted CRA again to find out the status of the refund. The agent told her the refund should be sent by April 2018.

At the beginning of May 2018 nothing else had arrived. She called CRA again. She was told that reassessments and refunds were being processed and would be sent by June 2018. In June 2018, nothing happened. She called again. The agent at CRA told her that a cheque had been made at the beginning of June for around \$12,000. This is a family that is in bankruptcy, with two children diagnosed with autism. In June a \$12,000 cheque had been made. Nothing happened.

Again she contacted CRA to confirm. The cheque was sitting in the accounting department. She was told that by the end of July 2018 she would get it. At the end of July 2018 she contacted CRA once again. She was informed it was still with the accounting department, as they're just busy, and it should definitely arrive by September 2018.

In September 2018 the money did not come. She called CRA again. The agent was confused as to why it was still sitting with the accounting department, and she was told to call back in three to four weeks if she hadn't heard anything.

At the beginning of October 2018 she called CRA again. This time the CRA agent informed her it was still being held, and that the trustee needed to send a request, which had already been sent in January 2018.

In early November 2018 she called CRA again. The agent had no answers and said she would send a message again to the accounting department and advised that she would send them a message to prompt them to release the funds.

She called CRA again last week and was told by this agent that everything was completed and a cheque should be issued soon. Now she's being told that if she doesn't receive anything by December 28, 2018, she should call back.

The cheque has been with the accounting department since 2018.

As the member of Parliament for Nepean, I do receive quite a number of requests from constituents. Some of them I don't worry about much. Last year I had a constituent whose income was in the range of \$300,000 plus. He had a refund of about \$30,000 or \$40,000 or more. I didn't bother much if there was a bit of delay, but this is one of the first emails I read this morning, and it has been paining me still. After this committee meeting, the first thing I'm going to do is call my staff and ask if you guys were able to process it.

Why this? There is no review. There is no audit. There is no objection. There is no appeal. Why is the cheque still with the accounting department? It should go to a family that is in bankruptcy and whose children are diagnosed with autism.

• (1635)

Mr. Bob Hamilton: While I can't obviously comment on any specific taxpayer, you've told a troubling story, and I would like the opportunity to check into what, as you've described, seems like a very inappropriate delay. I don't have any answers for you here today and I couldn't discuss them in detail because of taxpayer confidentiality. Thank you for raising it. I will definitely take it back and find out what I can.

The Chair: I will give you a little extra time, but you have to summarize fairly quickly. It's a five-minute round.

Mr. Chandra Arya: I'm done with this. I have other questions, but I'm done.

The Chair: We will come back, then.

Go ahead, Mr. Nuttall, please.

Mr. Alexander Nuttall (Barrie—Springwater—Oro-Medonte, CPC): Thank you, Mr. Chair.

Thank you to representatives from the CRA for coming today.

Mr. Hamilton, you have probably one of the hardest jobs around. By reason of what you represent, there are not too many Canadians who love the CRA, but that is what it is. It's a necessary thing to have, and you hopefully use all the tools you can and do the best job you can on behalf of all the taxpayers, with the taxpayers.

I think the issue that we constantly face with CRA is one of legitimacy, credibility and faith. If you are tasked with essentially—I'm going to use the word "auditing" for my own structure here—auditing every single Canadian when the time is right to determine whether they are following the rules intentionally or unintentionally, but you're unable to follow the rules intentionally or unintentionally yourself, it leaves a very difficult position for you as an entity, and certainly for Canadians to have faith in the process.

It's funny. As you go through the audit, you go, yes, this is pretty much what I hear. I get that there's variability between regions, but I think we see those variances even within our own ridings. It's very difficult as a member of Parliament, or for our staff, to give advice to individuals, because it's a constantly moving target.

How do you restore that faith? I don't want the bureaucratic answer, right? The bureaucratic answer is that we're going to do better next time; we're going to put the necessary changes in place that we've already talked to the Auditor General about.

There is such a deficit when it comes to faith in the CRA. Some of that's going to be there implicitly, but there's a lot of it that has been caused by this variance or the bad experiences that have taken place, and the inability for the CRA to be able govern itself without need of outside governance to ensure that the job is done right.

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

I don't know if I would say that it's the hardest job, but it's a job that has many rewards and many challenges.

One of the most important things I can do, that we as an organization can do, is to give people trust and confidence in us. Because we run a self-assessment system, it's extremely important for me to not only to generate money that is owed and expected, but that people feel that everybody is paying their fair share, that we are auditing and enforcing appropriately, and explaining ourselves and being as consistent as possible.

This report has certainly shown that we have to improve in the area of consistency. However, we've already started to do a number of things to try to restore that faith and trust, because it's an absolutely critical part of what we do.

We have increased our efforts on the offshore area. There has been additional money. We're also trying to make sure that we're being as clear in communicating what we do as well as possible. We have a service agenda, which is asking our auditors to not only collect money but to also think about the relationship they have with taxpayers—to be educating them, talking to them, and that there are early interventions to try to get long-term compliance. We're seeing some benefits in that.

Each time an issue gets raised with us, we're trying to change that service culture within the CRA to give people more confidence in us.

It is true that when we look over time in our public opinion research, we see that not everybody thinks we're doing a perfect job, so we have miles left to go. However, I don't think we are just sitting around and saying the future is going to be bright; we are saying that we are taking some actions right now. Some of them have borne fruit, and we expect to take more in response to either issues that we uncover, or that the Auditor General or somebody else uncovers.

I do know, in terms of the tough part of the job, that it's an agency that touches a lot of Canadians' lives. We have a lot of people who work at the CRA, and it's going to be a never-ending task to make sure that we operate with the highest level of integrity to give Canadians the trust and confidence they need.

I take it very seriously.

• (1640)

The Chair: We're out of time, unfortunately, Mr. Nuttall.

We'll go to Mr. Arya.

Mr. Chandra Arya: Thank you, Mr. Chair.

Mr. Hamilton, in budgets 2016 and 2017, the federal government gave CRA an additional \$1 billion. The expectations were that additional revenues of \$5 billion would be generated over a period of five years.

After I was elected about three years ago, I was once in a discussion with one of the union officials. The numbers I heard were that for every \$1 invested in an auditor, \$4 to \$8 of revenue is generated if the auditor deals with the average Canadian. If the same dollar is invested in an auditor who focuses on, say, offshore tax havens or transfer pricing, the revenue generated will be much more. It may be more than \$20 for every dollar invested.

What numbers are we talking about here?

Mr. Bob Hamilton: I'll let Ted respond in detail to that, but I the number of 5:1—\$1 billion for \$5 billion, say—that you referenced in public documents is the commitment we make. If the Department of Finance gives us another dollar, we have said that we would be able to generate \$5 of additional revenue through the audit.

I just want to make it clear, as per our earlier conversation, that some of that \$5 could be reduced if we have appeals or court cases or can't collect, but that is the broad number that we have given and have had publicly put out there.

Now, what you're raising is on different segments of our auditing and how much we would expect from, say, the offshore segment versus large business versus the domestic segment. I'll ask Ted to talk a bit about that.

Mr. Ted Gallivan: To give you a sense of it, both on the individual side—that is, regular T4 tax filers who just get a letter asking for evidence—and on the multinational side, those are relatively high ROIs, at 20:1. On the individual Canadian side, the investment is relatively low: a stamp, a letter, some follow-up back and forth. On the multinational side, both numbers are high. There are hundreds of millions of dollars coming in, but there are audits that could cost \$2 million or \$3 million.

Then you get into small and medium-sized enterprises or offshore. Those are closer to 5:1, 6:1 or 7:1. Small and medium-sized enterprises are relatively costly, with relatively low yields.

What we're finding on offshore enterprises, which have only been a focus for five years for us, is that those are very litigious. Those types of taxpayers are resisting our audit efforts. That's why the OAG talked to us about being more disciplined in going to court, because we're going to court during the audit with those taxpayers, and there the ROI is relatively low.

What we have to do is decide how we're going to advance overall compliance. Coverage is a factor for us and ROI is a factor, but there's also the deterrence impact. We very much balance all of those factors in making our resource allocation decisions. We don't blindly put all our money on the regular T4 filer and the multinationals, because that would let the underground economy or the offshore thrive. We try to balance all of them to drive the kind of behaviour that we want from taxpayers.

• (1645)

Mr. Chandra Arya: I thought this money was being invested by our government to certain CRA audit groups that were sort of weakened, I believe, before we came to power.

Mr. Ted Gallivan: It's definitely true that the new funding didn't force us to make those choices. In the past, if we wanted to ramp up on the underground economy, we had to reduce other efforts. When we receive incremental funding from government, it does allow us to expand in multiple areas.

The money we received in budgets 2016 and 2017 allowed us to ramp up on the underground economy—where, for example, we're focused on B.C. real estate and those types of issues—to build our offshore capacity, to look at multinationals and also to look at some of what's called “carousel fraud”, which is refund fraud in the GST space where organized crime is involved.

We grew all four of those areas at the same time, but to go back to your question, the ROIs on those are very different, and if we had wanted to maximize ROI, we would have invested it differently.

Mr. Chandra Arya: For the four categories you mentioned, on an average, the ROI of 1:5 is quite low.

Mr. Ted Gallivan: Again, when we were asked to produce those estimates, one of the concerns we had... For example, with the multinationals that are within my responsibility, I would like to see declining returns to scale. Today, with the number of audits we do, we have 20:1. If I do more audits, hopefully I will see a deterrent impact and the identified audit issues going down because taxpayers are getting the message and I'm looking at less risky taxpayers.

When we estimated 5:1, we were hoping there would be declining marginal yields, but as you can see here in the chart, exhibit 7.2 shows we are up \$4.3 billion in the last year that the OAG looked at, compared to the first year. There's a 60% increase, with only a 5% increase in resources.

What we are finding is that better data and better tools are allowing us to identify more non-compliance more effectively than we could in the past. The additional resources have given us the horsepower, but it's not just auditors; the \$1 billion has also given us more data analytics, and we're using things like country-by-country reports from multinationals, CRS data that has offshore bank accounts from taxpayers and electronic funds transfers over \$10,000. There is a strategy behind how the OAG is attacking this high-end non-compliance, and it's not all boots on the ground. A lot of it is advanced analytics and how we're using those analytics.

To go back to investments, it's really how we've made use of those investments, and I'd say first that we've expanded in a number of areas at once, and second that roughly \$60 million in IT builds and better data is driving those outcomes.

The Chair: Thank you very much, Mr. Gallivan.

Thank you, Mr. Arya.

Now we'll move to Mr. Christopherson, please.

Mr. David Christopherson: Thank you, Chair.

Just to follow up on that last point, ROI is important, but I have to say that for the purpose of this audit, it's the fairness that's the issue. This has reinforced the street-level opinion, as was alluded to, that if you have offshore accounts and you have enough money and enough high-powered accountants, you're going to do okay, as opposed to being a little guy who is easy to push around, and it's easy to garnishee your wages. It just feels like it's easy to push the little guy around, but if you have all the protection in the world that money will buy you, even in Canada that still sings.

I'm glad to hear you saying that there is some change. You know we're going to be back. We're going to check that, but this fairness element has to be reinforced throughout, and we need to dispel this

feeling by Canadians that the lower you are on the socio-economic scale, the more outfits like Revenue Canada are going to push you around and ignore your rights. That has to be a concern for you, I hope.

Chair, if you'll allow me, I want to pick up where Mr. Kelly went and just drill down a little further. Mr. Arya touched on it as well. I'm referencing page 16, paragraph 7.82,

Budget 2017 invested an additional \$524 million over five years to reduce tax evasion and improve tax compliance. The investment was to fund new initiatives and extend existing programs to ensure an equitable tax system for all Canadians.

However, in the next segment, paragraph 7.83, we read:

However, we determined that the Agency could not track the exact amount of additional revenues resulting from this funding. Instead, the Agency used a proportional...

I've heard your arguments and your submissions, but when it doesn't pass the AG, for us it doesn't work. Therefore, the first thing I want to do is ask Mr. Berthelette to describe the difference between what the agency said in terms of how they are monitoring the return on that investment versus what you think ought to be done and why you believe their argument doesn't hold water.

• (1650)

The Chair: Mr. Dompierre, go ahead.

Mr. Martin Dompierre: Thank you, Mr. Chair.

Basically, in the report, as you pointed out, in paragraph 7.83 we talk about the fact that there is no exact measurement of the additional revenues that are generated by the compliance activity.

The agency used a pro-rated approach to calculate the amount, so we have not seen specifically an exact amount or the dollars that are collected or returned to the agency. Basically, what the agency told us as well was that they found the tracking they had established was too cumbersome and complex.

We felt they should reassess that and then consider other potential measures to come up with a more exact measurement, specifically to show what the return is or what dollars are coming back, as opposed to going specifically with an estimate.

Mr. David Christopherson: Is it fair to say that you think a different approach would result in a more accurate reflection?

Mr. Martin Dompierre: Mr. Chair, we can't state what the approach is, but as I said, we did recommend that they should reassess or assess what types of other measures they could consider. I believe, yes, there is probably another way of doing this, and for the agency to explore.

Mr. David Christopherson: That's very good.

Now here's where I want to go, and Mr. Kelly touched on it too.

In the agency's response—and I boxed this—it has, “Agreed”, as always, “While both the Treasury Board of Canada Secretariat and the Department of Finance Canada are satisfied with the Canada Revenue Agency's current reporting methodology...”, etc. I want to take this problem one more step. If I'm reading this correctly, why is it that the Treasury Board and the Department of Finance—but more importantly, the Treasury Board, the people the agency has to be accountable to in ensuring it follows government policy—saying that what you're doing is okay, but you're not?

Mr. Martin Dompierre: Mr. Chair, as part of this audit, we did not speak to the Treasury Board specifically or to the finance department. The agency gave us some documentation that explained the position of these two organizations specifically. We did not assess or try to understand specifically why Treasury Board, as well as the finance department, agreed with that approach.

Mr. David Christopherson: I don't normally do this very often, but could I ask why? It seems to me that's a logical extension of what you're doing. If you find the agency isn't doing something as well as it could be transparent and accountable and accurate, but they tell you that Treasury Board gave them a sign-off, why didn't you go to Treasury Board to ask how come you're telling them this is okay when we think they can up their game? I'm just curious as to why you didn't take that step.

Mr. Martin Dompierre: Mr. Chair, these two organizations were not part of the scope of this audit. We would have needed to include them at the beginning of the audit to either consult them or to audit these organizations specifically.

Mr. David Christopherson: I see. It was outside the scope, the parameters of what you originally...

Mr. Martin Dompierre: It was outside the scope, yes.

Mr. David Christopherson: Maybe that should have been looked at a little.

I have to say, Chair—I know I'm done—that in our report writing I'm going to be seeking an answer from Treasury Board, or at least urging colleagues to ask Treasury Board why it's saying something's okay. The agency, to some degree, is off the hook when Treasury Board says they like the way they're doing it. Then the Auditor General says to the commission that they don't think that's as good as it can be and that they could up their game here. We're still left with Treasury Board, which is a higher body, saying they're okay with it. It seems to me that Treasury Board has some questions to answer.

I'm assuming I'm out of time.

• (1655)

The Chair: Yes, you were—about three minutes ago.

Mr. David Christopherson: I thought so. Okay. Thank you, Chair.

The Chair: Thank you, Mr. Christopherson.

Mr. Kelly is next, and then Mr. Massé.

Mr. Pat Kelly: Thank you, Mr. Chair.

The Chair: Oh, just a second. Mr. Sarai is on there.

Mr. Pat Kelly: All right. Do I still have the floor, Mr. Chair?

The Chair: Go ahead, Mr. Kelly.

Mr. Pat Kelly: Okay. Thank you.

I completely agree with Mr. Christopherson that fundamental fairness is critical to the system being able to function. Canadians need to believe they are being treated fairly by the agency, or they will not feel compelled to comply with the law. It is incredibly important.

The other thing that's perhaps equally important is for the agency to be accurate in its work. The agency is not a for-profit corporation or enterprise whose goal is to simply collect as much as it can; the goal is to collect exactly the correct amount that a taxpayer owes—not more, not less.

My first question, then, is about accuracy. Note that the majority of those who file objections find that the objection is sustained, either wholly or in part, in favour of the taxpayer. What percentage of overall reviews or audits are objected to? You said 60% are in favour of the taxpayer. I just want that quick answer, if you have it.

Mr. Bob Hamilton: I don't know that particular percentage. I remember the 60%, which came up in the context of the Auditor General's report, but in terms of audits that go to objection, I don't have that figure off the top of my head.

Mr. Ted Gallivan: We can get that. I think the key point would be that it varies tremendously from payroll audits and regular filers, which is down at 5% or 10%, to multinationals, where close to 100% take us to court.

Mr. Pat Kelly: Okay. Thank you.

On the issue of fairness and consistency, I'm certain that it's going to be quite troubling to any Canadian tax filer who reads this report to know that there are inconsistent applications of penalties and delay is actually a function of the agency itself not responding on a timely basis or of it losing information or not executing its own functions properly in any way. That's a really troubling revelation through this report.

I'd like to know what is happening right now to make sure that if you screw up as an agency, Canadian taxpayers are not going to be penalized when you make a mistake.

Mr. Bob Hamilton: That's a very good point. Can I just come back to where you started?

Yes, fairness is very, very important. We talked about returns on investment, but it is about fairly applying the tax. That's what we need to do at CRA. You're absolutely right when you say that it's not to get as much as one possibly could or as little as one could, but to get the right amount for the right circumstance. That's obviously key for us. We're trying to put in place systems across the whole organization, across the diverse set of taxpayers, that take us there.

On the issue of where we can waive penalties and interest and where that may have been inconsistent, that is something we need to take a careful look at, and we are; we've agreed in the Auditor General's report.

I would say that one of the things it's a symptom of, or a potential symptom of, is something that we are trying to address within the agency, and that is our operation sometimes in silos. Because it's a big place, we can find ourselves from time to time operating in one silo that isn't as connected as it needs to be with others.

That's been something that I've been pushing since the time I've been here. We're making progress, but you can see that it happens sometimes that a silo-type approach gives us the wrong results. We are very serious about trying to make sure that we have a better-integrated approach across the agency. That's what we're trying to do with our chief service officer. That's what we're trying to do through some of our work with clients.

• (1700)

Mr. Pat Kelly: Commissioner, if I may repeat the question, I asked what you are doing right now to ensure that a Canadian will not be penalized when you have made the mistake.

Mr. Bob Hamilton: What we are doing right now, Mr. Chair, is analyzing the cases that we know about where that might have happened, understanding them and making sure that we are communicating with our people that these are the rules. We'll look at whether we have the right policies and procedures—

Mr. Pat Kelly: You say it as though you doubt that this happens.

Mr. Bob Hamilton: —and we are in the process of fixing that.

Mr. Pat Kelly: Okay. Your answer there was phrased in a way such that you doubted that this happens—that this may happen—and the Auditor General said that it does happen.

Mr. Bob Hamilton: No, I didn't mean to imply that it may.... I accept the fact that it has happened and that we need to be on top of it. I'm just saying that I, or we as an agency, need to look at the cases in which it did happen to understand them and figure out how we can fix them.

Mr. Pat Kelly: Okay. Thank you.

Mr. Bob Hamilton: No, I'm not disputing that it can happen.

The Chair: Just on that, we're looking for remedies. We take the action plan and your response and we build on that, but I think Mr. Kelly's question is a fair one.

Right now, what can we do so that we can see a difference right now? What about an amendment to the Taxpayer Bill of Rights to have interest, etc., automatically waived when the CRA fails to meet the set time limits? Would you support something like that? If money is owed to CRA but CRA isn't meeting time limits, what about if that interest is waived across the board? If it works the other way, such that there's actually a penalty in some regard so that CRA feels the crunch, would you accept something like that?

Mr. Bob Hamilton: Mr. Chair, I'm not really in a position to accept or reject particular ideas right now. We could take a look at them and then see what we can do. That's the process we're in at the moment, but as you know, we operate in a fairly complicated space and we need to make sure that we understand the full implications of anything we might change.

I'm happy to take more of a look at it—we are looking at it—but I know that Ted was looking to jump in with a response that's maybe a little bit more tangible.

The Chair: We're pretty well out of time.

I looked up the Taxpayer Bill of Rights. There are 16 points to it. I so much appreciated Mr. Arya giving us an example, because we've all had those types of examples. I've had shoeboxes of paperwork brought into my constituency office so our staff could pore through this before it went to CRA. Then you get the calls of timelines not being met.

Maybe one other question is that in some ways the OAG is asking you to set these time limits and to make them very clear, but if there are other parts of the bill of rights that aren't being met, I wonder what good timelines are if the whole principle of the bill of rights isn't being met.

Anyway, our time is up.

Mr. David Christopherson: Do we have time to ask questions?

The Chair: Yes. That wasn't the conclusion. I still have Mr. Sarai. Go ahead, Mr. Sarai.

Mr. Randeep Sarai (Surrey Centre, Lib.): Thank you, Chair.

This question is for the commissioner, but perhaps the Auditor General's office might want to take heed if it hasn't been looked at in this round.

My riding is Surrey Centre. I'm from British Columbia, from Vancouver, where high home prices are a huge factor. A lot of media reports have been focusing on offshore money coming in and homes worth millions and millions of dollars being bought by students, housewives, etc., with no significant taxable income.

I see you've been doing a lot of audits on a lot of the larger corporations, the multinationals. However, a study done by the provincial government a few years back showed almost \$1 billion a month coming into the country just in residential real estate in the Lower Mainland. That wasn't even commercial. It wasn't outside of greater Vancouver. It was simply residential real estate. I think it was over \$10,890,000,000 a month that was coming in—astronomical numbers.

Has the CRA office looked into net worth audits or audits of that nature, and how many have they done? Have they recovered any funds from those audits?

I'm not saying in a stereotypical manner that anyone bringing in offshore money is bad; it's those who are not reporting their incomes and not legally bringing in those funds that I'm particularly concerned about.

• (1705)

Mr. Bob Hamilton: Mr. Chair, I will ask Ted to elaborate. As he mentioned earlier, this is one of the areas where we are focusing additional effort. It's real estate transactions in Vancouver in this particular case.

I would say that it's part of... We talked about fairness and how we try to make the tax system resonate as being fair for others. We are looking at places where there are risks. Part of what we're doing with the additional people we hire, the additional analytic tools and data, is a better job of assessing risk. We think that through those sophisticated techniques, we will be able to focus on the areas where our energy can be best deployed for the good of all Canadians. They can see that this is a fairer tax system, one that is focused on risks.

We are focusing additional effort in that area. Indeed, we publish on our website statistics about what we're doing—and not just in Vancouver, but in Toronto—as a result of our real estate audits.

I'll let Ted explain briefly the point that you raised.

Mr. Ted Gallivan: On the real estate, again, to go back to the ROI and some of the discussion here, we've looked at thousands of files. I think we're well north of \$200 million in identified tax through these projects. I think part of the thinking was about the fairness of the regime and the concern of Canadians about some tax non-compliance helping fuel the situation.

We stepped up our resources in that space. That ROI may not be as high as if we'd made the investment in another sector of the economy, but we thought it was important for other reasons to send a message of deterrence.

I would also mention that some referrals to criminal investigations are coming out of that work, and some focus on developers. It's been a broad-based focus at the agency. It includes one neighbourhood in B.C. where we looked at every single home and owner of the home and did exactly what you said in net worth assessment. If it is the case of a student, is that a tax compliance situation or not? That idea

of coverage of neighbourhoods where the average home is worth more than \$3 million is exactly what we're trying to do.

All of that is reported on our public website. To get back to the point of fairness, we are trying to report to the public.

I'd like to come back to the question of taxpayer relief and the question of inconsistency. There are two important points of clarification. The first is that we're talking about proactive relief. Any Canadian today, if they feel there's a CRA delay, can request taxpayer relief. That will be given consideration. If the agency does cause delays, we'll be accountable and we'll consider a taxpayer relief situation. What we're talking about in the OAG audit is proactive relief. When you have a human auditor assigned to you and an audit goes on for 100 to 200 hours, it is the procedure of the agency to proactively consider that request and not wait for the taxpayer to ask for it.

Where the OAG has pause is when it's a five-minute interaction, an automated letter, a smaller-touch situation. That's where we have to get better at putting the client at the focus, thinking, "Could we, or should we, do it there?" We hadn't done it on the low-touch interactions. We had done it on the high-touch interactions.

The Chair: Thank you, Mr. Gallivan, for that clarity.

You have more time, Mr. Sarai. Go ahead.

Mr. Randeep Sarai: Thank you.

With regard to penalties and interest, there seems to be a discrepancy in terms of some officers giving more interest and penalties and other officers giving less weight. I'm surprised no consistent methodology or guidelines are given to officers so that everyone has the same. For example, is it a delay due to processing of the audit itself? Is it based on medical issues? Are there certain economic drivers at the time?

What are those guidelines? If we do have them, then why are they not being applied evenly across the board?

Mr. Ted Gallivan: It starts with the legislation. It's fairly broad. It says that the minister "may", and then it kind of stops there. The agency does have criteria and does have procedures to follow, but we want to, and have to, leave room for judgment. These requests are subject to judicial review. Because the law allows for this discretionary waiving of penalty and interest, we can't prescribe that it's exactly six days for a bank balance or exactly 25 days if there's a flood.

We have to, and I think we want to, leave it to the discretion of individual auditors to think about the client, put the taxpayer at the centre of the decision, and make a judgment that's particular to the circumstances of that taxpayer.

• (1710)

Mr. Randeep Sarai: I'm fine with that. What concerns me is what's sensitive to one adjuster versus another. That's my issue. One might be much more sensitive to a flood or a health issue, while another might be super-hard and say, "I don't give a damn if you had a heart attack, if your husband was in the hospital, or if you had a flood you had to deal with. I just care about my taxes."

How is the adjuster given guidelines on how to weight those issues?

Mr. Ted Gallivan: That's why our own internal audit, in bringing to our attention this risk of inconsistency, led us to our need to clarify the guidelines—specifically, for example, in the financial institution delays. We'll put in examples: "This is clearly a serious situation. This is a less serious situation."

You're right that we can always improve and tighten the guidance. The caveat I was leaving was that we just can't prescribe it. It can't be a formula. I think we definitely need CRA officials to exercise their judgment. We want to avoid the types of situations you heard about from your colleague, situations of somebody waiting an unacceptable period of time. We want them to have some discretion, even at the risk of having some inconsistency.

The Chair: Thank you, Mr. Gallivan, and thank you, Mr. Sarai.

Mr. Christopherson is next, please.

Mr. David Christopherson: Thank you, Chair. I appreciate another round.

I want to say to Mr. Gallivan that I really liked what I heard you say about being proactive with the smaller amounts. If there's an example of exactly what we are talking about—and I thank Mr. Sarai for focusing on that—it's the thing about unfairness. On the one hand there's lots of money, and part of the process is that we'll take a look and see if you should get some of that back, and on the smaller stuff—again, the little guy, the one who's easy to push around—we say, "Nah, we won't do that." Introducing that element of fairness is really the key, at least for me. That's what's missing—fairness.

As you know, that's a major Canadian trait. We like to think we're fair-minded people. I think people have a right to expect that from a powerful, important and potentially intrusive agency like the one you both operate, so I thank you for that. That was good news.

On page 7, in paragraph 7.41, again this speaks directly to what we were just talking about. It reads:

We also found that Agency policies and procedures defined circumstances to waive or cancel interest, but did not define the period of time considered to be an undue delay. The Agency left this to the auditors' discretion.

Any time there's discretion, there is the opportunity for corruption.

My question is to the Auditor General's office. I would assume—or you would have said something, but I want to reinforce it—that you found absolutely no evidence or concern around potential corruption on the part of individuals who have the power to waive big amounts of money that someone either pays or doesn't have to pay.

Please just give me some assurances.

Mr. Jerome Berthelette: Mr. Chair, if the team had found that, we would have reported it.

Mr. David Christopherson: Then you found no evidence whatsoever. Okay. I just wanted that on the record. I suspected that.

This is my last question, Chair. All these inconsistencies obviously are big enough to form the focal point of an Auditor General report. It doesn't get much bigger than that.

I'm going to ask both entities to respond to this question: Where were the internal audit committees? Why didn't they find this before the AG had to roll in and find it?

I'm going to ask Mr. Hamilton why, and then I'm going to ask Mr. Berthelette to comment on what you found when you looked at the internal audit function. I'm assuming you had to touch on that.

Mr. Bob Hamilton: As I referenced earlier, part of our goal is to not wait until the AG points something out to us, but to actually proactively uncover it. I think this is a good example.

You were at paragraph 7.41. If we go down to paragraph 7.43, we see a reference to our internal audit in this area where we had already done some work to uncover this issue.

We haven't solved it yet, but it was an area where we worried, as I talked about earlier, that we may be leaving a bit too much scope for inconsistency.

As Ted said, it's true we can't necessarily prescribe everything, but we can be much clearer with our employees about what our expectations are and what the guidelines are. We have committed here to do that. This was something that we found in our internal audit. My hope going forward is that we find more and more things internally that can then be verified, checked or elaborated on by the Auditor General.

This is one example. I wish we didn't have the problem, but we did uncover the problem, and we agree with the Auditor General.

• (1715)

Mr. David Christopherson: If I'm clear, you're suggesting that your internal audit committees did identify some of these things, but just not everything. Will you be upping the game of the audit committees too, to make sure they can do a more comprehensive job?

You're right that in a perfect world, you wouldn't make any mistakes. If you did make any mistakes, your internal audit committee would find it. In a worse case, they don't, and luckily the AG rolls in.

I assume you're going to try to beef up that capacity so they would find more of these kinds of things, because they slipped through the cracks of your audit committee, obviously.

Mr. Bob Hamilton: Yes, and to be fair, I believe we have one of the best internal audit shops I've seen. We actually have a management board that has directors, and an audit committee.

We can always up our game for sure, but I think the group does a pretty good job of looking at the agency, looking at the risks we face and our risk tolerances, and deciding where to focus their efforts.

This is one they identified. Could we do a better job of making sure we identify all of the high-risk areas? Probably yes, but I would say it is generally a high-functioning internal audit team. I don't know if the AG would agree with that or not, but that's my perception of it.

We do, though, need to think about how we proactively uncover those areas that are high risk or could become high profile.

Mr. David Christopherson: Or unfair.

Mr. Berthelette, would you comment, please?

Then I'll have finished, Mr. Chair.

The Chair: Mr. Berthelette—no, it's Mr. Dompierre.

Mr. Martin Dompierre: Mr. Chair, to echo what Mr. Hamilton just said, we are attending the audit committee, for example, and we are sitting in on and hearing these audits that are presented. One example, as mentioned in paragraph 7.46, was an audit specifically on taxpayer relief. We did look at that audit and the methodology they used, and we identified that they had done a good job in identifying some of these inconsistencies. Therefore, I think when we have reports like that, we can use these reports and quote them, as we did in this report.

Mr. David Christopherson: Just to make sure I understand, in a layperson's words, basically you're agreeing with Mr. Hamilton that they do a pretty good job. They caught some of this stuff. They were looking at it. Obviously they didn't get it all—you did—so I think it's still fair to say that they could do a better job, because some of it fell through.

You are acknowledging that on some of these things, they did catch it. Let's hear it specifically, because I think the answer is yes.

Mr. Martin Dompierre: Yes.

Mr. David Christopherson: I like to end on a positive note. I actually do.

What I heard was that Mr. Hamilton thought they had a pretty top-flight internal audit process. Do you feel the same way?

Mr. Martin Dompierre: I will always feel the same way, Mr. Chair.

Mr. David Christopherson: That's good to hear.

Mr. Martin Dompierre: I think we complement each other as organizations. They do a certain audit based on their own risk assessment, and we try to do other audits that are not duplicating theirs but are looking at similar issues. At the end, we and they both produce some good results.

Mr. David Christopherson: That's very good to hear.

Thank you, Mr. Chair.

The Chair: On that, does their internal audit ever get counsel from an Auditor General? Is that a conflict, or is that good practice? Is your internal audit by CRA people, or do you bring in...? You have an internal one, meaning CRA does it. Do you ever counsel with the OAG and say that something is problematic or...I don't know, whatever they may do on their internal one? Is there ever consultation back with the OAG?

Mr. Bob Hamilton: Mr. Chair, I'll take a stab at answering that.

It is internal. Our internal audit is by CRA employees, a team that reports to me and to the audit committee of the board. There is a fair amount of back-and-forth with the Auditor General, so I would say there is consultation about particular issues, things they might see or things that we're seeing.

I'm not sure if I'd go so far as to say we're seeking their advice on a particular issue, but that may have happened in the past. I don't know. I'll ask the AG staff if they know. Otherwise, I can check back in, but I would characterize it as two independent groups that try to coordinate, where possible, so they're not duplicating each other's work.

The Chair: Thank you.

Madam Mendès is next.

• (1720)

Mrs. Alexandra Mendès: Thank you very much, Mr. Chair.

I'd like to refer you all, because I'd like this to be on the record, to a report from the Professional Institute of the Public Service of Canada, called "Shell Game: How Offshore Havens, Loopholes, and Federal Cost-Cutting Undermine Tax Fairness, A Survey". It was a survey done of CRA professionals.

I'm going to quote three little parts of it.

I'll start my first one with an attempt to translate it to French, because I'd like this to be on the record in French.

[Translation]

According to the survey, only 16% of the agency's professionals feel that the agency has adequate audit coverage capacity to ensure tax laws are being applied fairly across the country. The 2012 budget cuts are still being felt today.

I'll move on to the next excerpt.

[English]

The CRA by comparison has surprisingly limited resources. In 2012, sweeping budget cuts were introduced to the agency. As a result, spending levels and staff counts have yet to return to pre-2012 levels. When adjusted for inflation, a \$500-million annual budget shortfall exists between 2012-13 and today. This level of underfunding doesn't make sense. Not only does tougher enforcement result in a fairer system, it also more than pays for itself. The finance department's own numbers show a ten-dollar return for every dollar invested in combating international tax evasion and aggressive tax avoidance.

Here is the final quote.

When asked in our survey, over 8 out of 10 CRA tax professionals (81%) who responded agreed that "Tax credits, tax exemptions, and tax loopholes disproportionately benefit corporations and wealthy Canadians compared to average Canadians."

If I could get your reactions to these quotes—if you were able to listen to them—I would really be grateful. I think, from the professionals themselves, we also have a measure of the challenges they face to reach this fairness that we want for the Canadian taxpayer.

Thank you.

Mr. Bob Hamilton: I'll respond to some of that.

Obviously that was a survey of one of our unions within the agency, or we have a part of that union. I take it seriously when our employees are surveyed and voice those opinions.

What I would say is that we try to do the best job we can at the agency with the money that we are given. Frankly, as we've talked about in this session, recently we have received additional money, largely for compliance but also to increase services.

With that money we have at our disposal, we try to make the best use out of it. That's not just to generate additional money for the government, as we have talked about earlier, but also to do so in a fair way, to look at our procedures and ensure that we're collecting the right dollar of tax—not too much, not too little.

I take the point that with more money maybe we could do more audits and we could do more activity, but my job is to make sure that with the money we have we are doing an efficient job—making maximum use of technology, making the best use of the data that we have, hiring the best people.

We are also instilling the idea in the audit community that, yes, there's a job to go out and generate money through audit to make sure we're getting the right amount, but there is also a service element in what we do. In some cases it might even be more expensive to run, but that element is to educate people. We have a complex tax system and people can have complex business structures, so we need to try to explain to them what we're doing. That's a part of the audit as well.

My comment on the study is that obviously we need to make sure we're making the best use of the money we have to get the best tools for our people and make sure that our auditors and other employees at CRA are as well equipped as they can be to do the job that we're giving them.

The Chair: Thank you.

There are two things.

First of all, I'm going to give Monsieur Massé about a minute here at the end. It was requested from the government side, and there was the question about the consultation back and forth.

Mr. Dompierre, it looked as though you were prepared to answer. I limited the time on the previous question because it was my question, but they wanted you to have the opportunity to answer.

Mr. Martin Dompierre: Thank you, Mr. Chair.

We do have meetings and discussion with the internal audit folks. We do have discussion with them, for instance, to define what they're going to do in the future in terms of their own plans. We share our own activities that we will perform. We do have a good collaboration with the internal audit function in order to, as I said before, complement each other in the way we do our work.

As Mr. Hamilton said, we are independent, as they are independent in their own activity. That is what I wanted to add.

● (1725)

The Chair: Thank you, Mr. Dompierre.

Monsieur Massé, can you finalize in a minute?

[Translation]

Mr. Rémi Massé: Thank you, Mr. Chair.

This report from the Auditor General is important because of the conclusions and findings. The questions we have asked clearly demonstrate the importance we parliamentarians attach to a report like this.

I have a question for the Canada Revenue Agency representatives.

What is agency management doing to explain the conclusions of this report? As you said earlier, 40,000 public servants is a lot of people. Most of the time, public servants focus on the work entrusted to them.

What is being planned to make all public servants at the Canada Revenue Agency aware of the importance of the findings? I would also like to know what your action plan will be in this regard.

Mr. Bob Hamilton: It is a challenge for us to ensure that the message sent to our 40,000 employees is clear and consistent throughout the organization. I spent a lot of time talking to everyone in every corner of the country to make sure the message was clear. It is important that Canadians have confidence in the system and that we apply our rules or guides consistently. This is very important to me.

I put a little emphasis on the service culture within the agency, even with regard to auditors. It is certainly important to maintain people's trust in the agency, but it is equally important to have good relations with taxpayers from the outset and to discuss with them to raise their awareness. If we don't reach an agreement, we'll have to strengthen our practices in this area.

It is important for us to communicate the changes to public servants and to act on the Auditor General's recommendations, which we have accepted and on which we agree.

[*English*]

Ted, is there anything else you want to add?

[*Translation*]

Mr. Ted Gallivan: I would just like to add that an email has been sent to all employees. In addition, in our action plan, we have

planned a consultation to ensure we inform employees. It's not enough to change the procedures; they must be explained better. It's set out in the action plan.

Mr. Rémi Massé: Excellent. Thank you.

Thank you, Mr. Chair. I've finished.

[*English*]

The Chair: Thank you very much, Mr. Massé.

I want to thank all our guests from the OAG and the CRA for being here today. We wish you well as you try to comply with the action plan and meet these deadlines.

It's frustrating to the average Canadian any time they get a call or a letter from the CRA. In fact, with the scams that are going on out there now... We have people calling in who are being scammed over the phone by what they think is the CRA. It puts everybody into a mode of uncertainty and panic.

I think most Canadians understand the importance of complying with the CRA, but they expect to be treated fairly. We wish you all the best as you try to meet these needs, and we thank the Auditor General's office for another audit well done.

Thank you, committee.

We're now adjourned.

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