



HOUSE OF COMMONS  
CHAMBRE DES COMMUNES  
CANADA

# **CANADA EMERGENCY WAGE SUBSIDY**

**Report of the Standing Committee on Public Accounts**

**Kelly Block, Chair**

**JUNE 2021**  
**43<sup>rd</sup> PARLIAMENT, 2<sup>nd</sup> SESSION**

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**Kelly Block  
Chair**

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## **NOTICE TO READER**

### **Reports from committees presented to the House of Commons**

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

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# **THE STANDING COMMITTEE ON PUBLIC ACCOUNTS**

has the honour to present its

## **TWENTY-FIFTH REPORT**

Pursuant to its mandate under Standing Order 108(3)(g), the committee has studied Report 7, Canada Emergency Wage Subsidy, of the 2021 Reports of the Auditor General of Canada and has agreed to report the following:





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# LIST OF RECOMMENDATIONS

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*As a result of their deliberations committees may make recommendations which they include in their reports for the consideration of the House of Commons or the Government. Recommendations related to this study are listed below.*

## **Recommendation 1 – on the evaluation of wage subsidy programs**

**That, by 31 March 2022, the Department of Finance Canada provide the House of Commons Standing Committee on Public Accounts with an evaluation report on wage subsidy programs, including the Temporary Wage Subsidy and the Canada Emergency Wage Subsidy. The report must include an assessment of all the measurable economic impacts of these programs, including any unintended impacts, as well as the total amount of dividends payed out by companies that received the Canada Emergency Wage Subsidy. .... 9**

## **Recommendation 2 – on Goods and Services Tax/Harmonized Sales Tax (GST/HST) compliance**

**That, by 31 May 2022, the Canada Revenue Agency provide the House of Commons Standing Committee on Public Accounts with a report outlining the results of its work regarding the following: (1) the review of workload selection and prioritization criteria within the GST/HST Delinquent Filer Program; (2) the review of the GST/HST Delinquent Filer Program resources; (3) the identification of legislative changes to support the realization of filing compliance; and (4) the identification of additional ways to educate businesses and raise awareness regarding GST/HST obligations. A final report should also be presented to the Committee by 31 May 2023..... 12**

## **Recommendation 3 – on creating a unique identifier**

**That, by 31 May 2022, the Canada Revenue Agency provide the House of Commons Standing Committee on Public Accounts with a report outlining the results of its multi-factor authentication service. A final report should also be presented to the Committee by 31 May 2023, including an update on the agency’s use of the Sign-In Canada platform, as well as how the agency could use Sign-In Canada’s unique identifier to help audit government programs. .... 14**

**Recommendation 4 – on Canada Emergency Wage Subsidy payment audits**

**That, by 31 January 2022, the Canada Revenue Agency provide the House of Commons Standing Committee on Public Accounts with a report outlining the preliminary results of its post-payment audits for the Canada Emergency Wage Subsidy, including the amounts recovered. A final report should also be presented to the Committee by 31 January 2023. .... 16**

**Recommendation 5 – on the use of sub-annual data**

**That, by 30 June 2022, the Canada Revenue Agency provide the House of Commons Standing Committee on Public Accounts with a report outlining its plans to use more real-time sub-annual data, including the result of any consultations held on this topic. .... 17**



## INTRODUCTION

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### A. ABOUT THIS COMMITTEE REPORT

On 25 March 2021, the Office of the Auditor General of Canada (OAG) tabled an audit report in the House of Commons entitled “Canada Emergency Wage Subsidy,” which was referred to the House of Commons Standing Committee on Public Accounts (the Committee) for consideration.<sup>1</sup> The Committee met twice, on 22 and 27 April 2021, to consider this report, with the following in attendance:

- OAG – Karen Hogan, Auditor General of Canada; Andrew Hayes, Deputy Auditor General; Philippe Le Goff, Principal; and Mathieu Lequain, Director.
- Canada Revenue Agency (CRA or the agency) – Bob Hamilton, Commissioner of Revenue and Chief Executive Officer; Ted Gallivan, Assistant Commissioner, Compliance Programs Branch; Marc Lemieux, Assistant Commissioner, Collections and Verification Branch; and Frank Vermaeten, Assistant Commissioner, Assessment, Benefit and Service Branch.
- Department of Finance Canada (the department) – Michael Sabia, Deputy Minister; Andrew Marsland, Senior Assistant Deputy Minister, Tax Policy Branch; and Maude Lavoie, Director General, Business Income Tax Division, Tax Policy Branch.<sup>2</sup>

### B. BACKGROUND

In response to the COVID-19 pandemic, the federal government announced the implementation of the Canada Emergency Wage Subsidy (CEWS or the subsidy). Its purpose is to “help employers retain their employees during the pandemic and to ensure that workers are able to count on a source of income despite some sectors of the economy being shut down. The subsidy also encourages employers to rehire workers

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1 House of Commons, *Journals*, 25 March 2021.

2 The meeting was suspended on 22 April and continued on 27 April. House of Commons, Standing Committee on Public Accounts, *Minutes of Proceedings*, 2<sup>nd</sup> Session, 43<sup>rd</sup> Parliament, 22 and 27 April 2021, [Meeting No. 27](#).



who were laid off as a result of the pandemic and helps position employers to resume normal operations more easily when businesses can fully resume.”<sup>3</sup>

According to the Fall Economic Statement 2020, the CEWS was “expected to cost approximately \$97.6 billion by the end of the 2021–22 fiscal year, making it one of the largest initiatives the government has ever undertaken. The subsidy will be available until June 2021.”<sup>4</sup> Budget 2021 proposes to extend the program until 25 September 2021.<sup>5</sup>

Initially, the program “was designed to subsidize up to 75% of qualifying wages (up to \$847 per week and per employee) for all employers facing a minimum 15% decline in revenue in March or a minimum 30% decline in April, May, or June,”<sup>6</sup> and was set to run from 15 March to 6 June 2020.<sup>7</sup>

On 15 May 2020, the government announced that the program would be extended for an additional 12 weeks (from 7 June to 29 August 2020) and that more types of employers could qualify.<sup>8</sup> Then, on 17 July, “the government announced further changes to the program, including another extension from 30 August to 19 December 2020. In its new form, employers no longer needed to have experienced a minimum percentage of revenue drop to qualify for a base subsidy. Furthermore, an additional top-up subsidy was introduced for those hit the hardest by the pandemic.”<sup>9</sup>

### C. AUDIT OBJECTIVE

The objective of the OAG’s audit was to determine whether Finance Canada “provided analysis on the Canada Emergency Wage Subsidy program and whether the Canada Revenue Agency limited abuse by establishing appropriate controls in its administration

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3 Office of the Auditor General of Canada (OAG), [Canada Emergency Wage Subsidy](#), Report 7 of the 2021 Reports of the Auditor General of Canada, para. 7.1.

4 Ibid., para. 7.2.

5 Finance Canada, [Extending Business Support Measures Through the Pandemic](#).

6 OAG, [Canada Emergency Wage Subsidy](#), Report 7 of the 2021 Reports of the Auditor General of Canada, para. 7.11.

7 Ibid., para. 7.12.

8 Ibid., para. 7.13.

9 Ibid., para. 7.14.

of the program.”<sup>10</sup> The audit covered the period from 1 March 2020 to 12 January 2021, to which the audit conclusion applies.<sup>11</sup>

## D. ROLES AND RESPONSIBILITIES

Finance Canada “is responsible for providing analysis and advice to the Minister of Finance and Government of Canada on the [CEWS] program.”<sup>12</sup> Meanwhile, the CRA “is responsible for the program’s administration, which includes the service delivery, compliance, and collection activities.”<sup>13</sup>

In its report, the OAG indicated that it was “unable to provide Parliament with details regarding the analyses provided to [it] during the course of this audit because they were in secret and Cabinet documents and must be kept in strict confidence.”<sup>14</sup> During the meeting, Karen Hogan, Auditor General of Canada, repeated that even though the OAG was “given access to all documents, [it was] unable to provide Parliament with details of these analyses because they were in secret and cabinet documents.”<sup>15</sup> To better understand the nature of the analyses provided by Finance Canada and the CRA with regard to the CEWS, the Committee adopted the following motion:

That the committee request that the Department of Finance and the Canada Revenue Agency provide the committee with all studies, data and analysis used for the implementation of the Canada Emergency Wage Subsidy, that these documents be provided to the committee with redactions for Cabinet confidence and personal information, and that these documents be provided to the committee no later than May 27, 2021.<sup>16</sup>

These documents were received by the Committee on 27 May 2021 and were made available on the [Committee’s website](#). On 8 June 2021, the Committee held another meeting with representatives from the OAG, the CRA and Finance Canada to discuss the

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10 Ibid., para. 7.5.

11 Ibid., [About the Audit](#).

12 Ibid., para. 7.3.

13 Ibid., para. 7.4.

14 Ibid., para. 7.17.

15 House of Commons, Standing Committee on Public Accounts, *Evidence*, 2<sup>nd</sup> Session, 43<sup>rd</sup> Parliament, 22 April 2021, [Meeting No. 27](#), 1105.

16 House of Commons, Standing Committee on Public Accounts, *Minutes of Proceedings*, 2<sup>nd</sup> Session, 43<sup>rd</sup> Parliament, 22 April 2021, [Meeting No. 27](#).



contents of these documents.<sup>17</sup> Some Committee members pointed out that certain documents seemed to have been redacted with a heavy hand. CRA and Finance Canada officials assured the Committee that the redacted parts would have revealed personal information or audit strategies, which is considered to be sensitive information. Committee members also had the opportunity to discuss specific points of the analyses conducted by the CRA and Finance Canada.

The Committee thanks the CRA and Finance Canada for providing these documents. However, outstanding documents relating to the implementation of the CEWS were received by the Committee from the Department of Finance on the afternoon of 11 June 2021, fifteen days after the original deadline. This was noted in the Department of Finance's transmittal letter and by the Deputy Minister during his testimony. As the documents total over 1,600 pages and were received well beyond the Committee's receiving deadline, the Committee does not have ample time or opportunity to meaningfully review them in time for the presenting of this report in the House of Commons. The Committee would like to express its disappointment with the Department of Finance's inability to provide the requested documents in a timely fashion. As a result of these circumstances, the Committee may choose to present another report on the CEWS program.

Given that the 8 June 2021 meeting primarily covered the new documents, the rest of the report will focus on the one document referred to the Committee by the House of Commons – that is, the OAG's audit report – and on the evidence given during the meetings of 22 April and 27 April 2021, where this report was discussed in great detail.

## FINDINGS AND RECOMMENDATIONS

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### A. PROGRAM ANALYSIS BY FINANCE CANADA

The OAG noted that Finance Canada performed a partial analysis of the initial design of the CEWS, and it later “provided a sound and complete analysis to inform adjustments to the program. The department's proposed changes to the program reflected what it learned during public consultations.”<sup>18</sup>

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17 House of Commons, Standing Committee on Public Accounts, *Minutes of Proceedings*, 2<sup>nd</sup> Session, 43<sup>rd</sup> Parliament, 8 June 2021, [Meeting No. 37](#).

18 OAG, [Canada Emergency Wage Subsidy](#), Report 7 of the 2021 Reports of the Auditor General of Canada, para. 7.16.



## 1. High-level analysis of the initial emergency wage subsidy

According to the OAG, Finance Canada performed a partial analysis of the initial program because it “had only a few days and did not have the full information required to provide a formal analysis.”<sup>19</sup> Michael Sabia, Deputy Minister, Finance Canada, made the following statement:

In the department’s work in designing the wage subsidy, it collaborated with the Canada Revenue Agency to assess how the program could be implemented quickly and develop the legislation related to the subsidy. The analysis was done rapidly. The imperative at that time was to get help to our workers and businesses quickly. And it was the right imperative.<sup>20</sup>

The OAG also found that the speed with which the program was implemented “could explain some concerns that the Canada Revenue Agency had about its design. For example, the agency may disburse the subsidy to an applicant even if the applicant owes the government tax arrears. According to the agency’s previous research, employers with tax arrears also have a high likelihood of insolvency.”<sup>21</sup>

Moreover, the CEWS was paid to applicants “despite their history of penalties for failure to remit and other advance indicators of potential insolvency. Indeed, the agency held no legislative authority to deny access to the subsidy on the basis of an employer’s history of non-compliance with tax obligations.”<sup>22</sup> According to the OAG, “this situation presented a risk that the subsidy program would not achieve its goal of maintaining the employee-employer relationships needed to support economic recovery because it may have subsidized applicants that were operating non-viable organizations.”<sup>23</sup>

## 2. Program modifications made following consultations

Finance Canada guided the changes to the subsidy introduced on 17 July 2020, and these changes were in line with the feedback gathered during public consultations. According to Andrew Marsland, Finance Canada, the department “consulted broadly with a number of groups and associations representing both large and small businesses,

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19 Ibid., para. 7.27.

20 House of Commons, Standing Committee on Public Accounts, *Evidence*, 2<sup>nd</sup> Session, 43<sup>rd</sup> Parliament, 22 April 2021, [Meeting No. 27](#), 1120.

21 OAG, [Canada Emergency Wage Subsidy](#), Report 7 of the 2021 Reports of the Auditor General of Canada, para. 7.28.

22 Ibid., para. 7.29.

23 Ibid.



as well as with individual associations and businesses in general.”<sup>24</sup> Earlier, the department had analyzed the initial program design and noted that it had unintended disincentives for employers to grow and rehire employees.<sup>25</sup> Because of the public consultations, it was found that “one way to correct this problem was to gradually reduce the subsidy rate as employers’ revenues increased.”<sup>26</sup>

Furthermore, some stakeholders expressed concerns to Finance Canada “that the Canada Emergency Response Benefit could be an obstacle for employers that wanted to rehire unspecialized workers and students. Many expressed concern that workers would accept work only up to 15 hours per week so as to not exceed the monthly income cap for the benefit. The benefit-subsidy interaction was identified as particularly challenging to seasonal businesses that operate primarily in the summer months and rely heavily on unspecialized labour.”<sup>27</sup>

### 3. Recommendation

In light of these issues, the OAG made the following recommendation:

The Department of Finance Canada should complete and publish an economic evaluation of its wage subsidy programs.<sup>28</sup>

In addition to the CEWS, wage subsidy programs included the Temporary Wage Subsidy, launched in the early days of the pandemic.<sup>29</sup> In its detailed action plan, the Department of Finance Canada committed to publishing the findings of its evaluation of wage subsidy programs in the 2022 Report on Federal Tax Expenditures, which is usually published in February.<sup>30</sup> According to Andrew Marsland, the department will do as much

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24 House of Commons, Standing Committee on Public Accounts, *Evidence*, 2<sup>nd</sup> Session, 43<sup>rd</sup> Parliament, 22 April 2021, [Meeting No. 27](#), 1205.

25 OAG, [Canada Emergency Wage Subsidy](#), Report 7 of the 2021 Reports of the Auditor General of Canada, paras. 7.30 and 7.31.

26 *Ibid.*

27 *Ibid.*, para. 7.33.

28 *Ibid.*, para. 7.35.

29 *Ibid.*, para. 7.10.

30 Department of Finance Canada, [Detailed Action Plan](#), p. 1.

as it can and be as comprehensive as it can to “publish [the report] probably in February or March next year [in 2022].”<sup>31</sup>

Hence, the Committee recommends:

**Recommendation 1 – on the evaluation of wage subsidy programs**

**That, by 31 March 2022, the Department of Finance Canada provide the House of Commons Standing Committee on Public Accounts with an evaluation report on wage subsidy programs, including the Temporary Wage Subsidy and the Canada Emergency Wage Subsidy. The report must include an assessment of all the measurable economic impacts of these programs, including any unintended impacts, as well as the total amount of dividends payed out by companies that received the Canada Emergency Wage Subsidy.**

**B. SUBSIDY IMPLEMENTATION AND USE OF CONTROLS BY THE CANADA REVENUE AGENCY**

According to the OAG, the CRA “was able to effectively build an information technology solution that allowed for the quick delivery of the Canada Emergency Wage Subsidy.”<sup>32</sup> However, the CRA “was able to conduct only limited pre-payment validations”<sup>33</sup> for the CEWS, as it “did not have all up-to-date earnings and tax data or sub-annual data—that is, for multiple points in time throughout a year.”<sup>34</sup> Moreover, it “did not ask subsidy applicants for their employees’ social insurance numbers.”<sup>35</sup> Instead, the CRA “will have to rely on costly comprehensive audits, which will start in 2021.”<sup>36</sup>

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31 House of Commons, Standing Committee on Public Accounts, *Evidence*, 2<sup>nd</sup> Session, 43<sup>rd</sup> Parliament, 22 April 2021, [Meeting No. 27](#), 1400.

32 OAG, [Canada Emergency Wage Subsidy](#), Report 7 of the 2021 Reports of the Auditor General of Canada, para. 7.36.

33 *Ibid.*, para. 7.37.

34 *Ibid.*

35 *Ibid.*, para. 7.38.

36 *Ibid.*



## 1. Wage subsidy implemented rapidly

The OAG found that the CRA “did a large amount of work that would have taken much longer under normal circumstances. The agency developed a risk register and established many committees to facilitate the exchange of information between the numerous branches involved in delivering the subsidy. The agency collaborated with the Department of Finance Canada to develop the legislation and analyzed potential problems related to the subsidy. It also implemented information technology solutions that helped it deliver the subsidy payments rapidly. In addition, agency officials published frequently asked questions on its website to help employers understand this evolving subsidy program. The agency also conducted outreach activities.”<sup>37</sup>

## 2. Data gaps for pre-payment validations

In performing its pre-payment validations, the CRA verified some basic information. For example, in “some cases, agency officials asked employers to verbally validate information in the application. In other cases, agency officials requested additional written documentation.”<sup>38</sup> Of the 1,741,919 applications at the pre-payment validation stage, 6,201 were disallowed and 8,854 were approved at a different rate than what the applicant requested. The remaining applications were approved without changes.<sup>39</sup>

The OAG also found that the CRA “lacked the up-to-date information it needed to have the ability to carry out pre-payment validations to assess the reasonableness of all the applications.”<sup>40</sup> For example, as of June 2020, “about 28% of the subsidy applicants (around 62,000 applicants) had not filed a GST/HST [Goods and Services Tax/Harmonized Sales Tax] return.”<sup>41</sup>

Moreover, the CRA “did not have any information on the 10% Temporary Wage Subsidy for Employers (March to July 2020) calculated per employee because the agency did not require the names or social insurance numbers of the employees for whom the temporary subsidy was paid. Even after employees’ tax slips have been filed in spring 2021, and even though the agency administered both subsidies, the agency will still not

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37 Ibid., para. 7.45.

38 Ibid., para. 7.47.

39 Ibid., Exhibit 7.1.

40 Ibid., para. 7.46.

41 Ibid., para. 7.49.

know for which employees the temporary subsidy was paid to employers unless the agency performs comprehensive audits.”<sup>42</sup>

## Recommendation

Consequently, the OAG made the following recommendation:

The Canada Revenue Agency should strengthen its efforts toward tax compliance for the GST/HST to ensure that it has the information needed to do validations for the programs that it is administering.<sup>43</sup>

In response to this recommendation, Bob Hamilton, Commissioner of Revenue, made the following statement:

One of the commitments that we have in our action plan is to take a look at the delinquent filer program to make sure that we’re allocating resources appropriately, that it’s meeting expectations, and to look forward to whether we need to make any changes to increase the efficiency and the output of that program. We identified a potential, and we can see that with the resources we had, we were able to generate additional revenues. We always look at continuously improving our programs.<sup>44</sup>

In its action plan, the CRA outlined the four steps it plans to take in response to this recommendation:

- 1) Reviewing workload selection and prioritization criteria within the GST/HST Delinquent Filer (DF) Program to identify areas of improvement as applicable.
- 2) Reviewing program resources to determine if they are allocated optimally and are sufficient to deliver on program expectations.
- 3) Identifying legislative changes (additions or amendments) to support the realization of filing compliance.

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42 Ibid., para. 7.54.

43 Ibid., para. 7.51.

44 House of Commons, Standing Committee on Public Accounts, *Evidence*, 2<sup>nd</sup> Session, 43<sup>rd</sup> Parliament, 27 April 2021, [Meeting No. 27](#), 1210.



- 4) Identifying additional ways to educate and support businesses regarding GST/HST registration and filing obligations in order to promote future compliance.<sup>45</sup>

The first three actions should be completed by May 2023, and the fourth by May 2022. Therefore, the Committee recommends:

### **Recommendation 2 – on Goods and Services Tax/Harmonized Sales Tax (GST/HST) compliance**

**That, by 31 May 2022, the Canada Revenue Agency provide the House of Commons Standing Committee on Public Accounts with a report outlining the results of its work regarding the following: (1) the review of workload selection and prioritization criteria within the GST/HST Delinquent Filer Program; (2) the review of the GST/HST Delinquent Filer Program resources; (3) the identification of legislative changes to support the realization of filing compliance; and (4) the identification of additional ways to educate businesses and raise awareness regarding GST/HST obligations. A final report should also be presented to the Committee by 31 May 2023.**

### **3. No social insurance numbers on the applications for two subsidies**

When employers applied for the CEWS, they were required to declare, for each four-week subsidy period, the total number of employees and the total payroll for which they were requesting the subsidy, but they did not have to provide the employees' names or social insurance numbers. At the hearing, Bob Hamilton explained the following:

We thought about asking the employer to include the social insurance numbers of the employees, but it was felt at that time that this was going to significantly slow down the implementation of the program and delay the benefits to the businesses that were looking to support their employees, so we made a decision to not require that.

Instead, on the T4 slip now, the employees include statistics on when they earned money through the course of 2020. We can use that information to go back and check whether there was an instance of somebody claiming the CEWS and also claiming the CERB [Canada Emergency Response Benefit], for example.<sup>46</sup>

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

46 House of Commons, Standing Committee on Public Accounts, *Evidence*, 2<sup>nd</sup> Session, 43<sup>rd</sup> Parliament, 22 April 2021, [Meeting No. 27](#), 1130.

According to the OAG, the lack of specific information “limited the Canada Revenue Agency’s ability to conduct automated validations before payments were issued, which could have reduced overpayments that will need to be recovered later.”<sup>47</sup>

Since the CRA “does not use a unique identifier in the administration of the various programs, it does not have the ability to automatically cross-match data for each program by individual.”<sup>48</sup>

The OAG found that this demonstrates “the importance of using a unique identifier for each individual to link applications across different programs and data sources. At the moment, the only unique identifier for individuals is their social insurance number, but this identifier comes with limitations, such as privacy issues and the risk of identity theft.”<sup>49</sup>

During the meeting, Karen Hogan added that “a unique identifier that would allow a Canadian to interact with many departments or many programs across the government is an option that the government should be looking at. It is available in other countries. It would allow the government to protect identity as well as facilitate interaction between an individual and its government.”<sup>50</sup>

## Recommendation

The OAG thus made the following recommendation:

To improve the integrity and validation efficiency of any future emergency programs, the Canada Revenue Agency should use automated validations with a unique identifier that can be used in all programs.<sup>51</sup>

Bob Hamilton mentioned a federal government project that would address this matter:

[T]he biggest thing on the horizon is the Government of Canada-wide initiative to look at Sign in Canada, which provides an identifier, a digital ID, that could be used across the

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47 OAG, [Canada Emergency Wage Subsidy](#), Report 7 of the 2021 Reports of the Auditor General of Canada, para. 7.52.

48 Ibid., para. 7.55.

49 Ibid., para. 7.57.

50 House of Commons, Standing Committee on Public Accounts, *Evidence*, 2<sup>nd</sup> Session, 43<sup>rd</sup> Parliament, 27 April 2021, [Meeting No. 27](#), 1255.

51 OAG, [Canada Emergency Wage Subsidy](#), Report 7 of the 2021 Reports of the Auditor General of Canada, para. 7.58.



government. That's a project that's in train. It will take a little bit of time to come to fruition, but it provides a great opportunity.<sup>52</sup>

In its action plan, the CRA explained it will be working on two fronts:

The CRA is working in partnership with Treasury Board Secretariat (TBS) on their Sign-in Canada platform under the PanCanadian Trust Framework. Sign-in Canada will give Canadians one 'door', through which they can access any secure government service that requires robust identity proofing and authentication.

In the meantime, we continue to enhance our own authentication and credential management systems through the addition of services like Multi-Factor Authentication (MFA).<sup>53</sup>

The CRA plans to shift to the Sign-In Canada platform 12 months after early on-boarders. Its multi-factor authentication service is being rolled out, with full roll-out anticipated in June 2021.

It is important to note that the OAG's recommendation stated that the CRA should "use automated validations"<sup>54</sup> with a unique identifier for its programs, not just have a unique identifier for users to access their government files.

Therefore, the Committee recommends:

### **Recommendation 3 – on creating a unique identifier**

**That, by 31 May 2022, the Canada Revenue Agency provide the House of Commons Standing Committee on Public Accounts with a report outlining the results of its multi-factor authentication service. A final report should also be presented to the Committee by 31 May 2023, including an update on the agency's use of the Sign-In Canada platform, as well as how the agency could use Sign-In Canada's unique identifier to help audit government programs.**

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52 House of Commons, Standing Committee on Public Accounts, *Evidence*, 2<sup>nd</sup> Session, 43<sup>rd</sup> Parliament, 27 April 2021, [Meeting No. 27](#), 1255.

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

54 OAG, [Canada Emergency Wage Subsidy](#), Report 7 of the 2021 Reports of the Auditor General of Canada, para. 7.58.



#### 4. Missed opportunity to do early and targeted post-payment audits within a restricted scope

The OAG found that the CRA “missed an important opportunity by not conducting targeted post-payment audits during summer and fall 2020 on the basis of the June 2020 findings of its business intelligence exercise.”<sup>55</sup> Targeted audits are restricted-scope audits performed only on specific aspects. For example, the CRA’s June 2020 exercise showed that, for “42% of the subsidy applications, applicants for which the data was available had an average of 18% more GST/HST collected in 2020 than GST/HST collected in 2019.”<sup>56</sup>

According to the CRA, “it was not able to conduct a greater number of targeted post-payment audits because of time constraints and the urgency of releasing the payments to support Canadian employers.”<sup>57</sup> Ted Gallivan, CRA, explained that although the agency did not act in June, it started its verifications in August and September, so “it didn’t take long for [the CRA] to introduce measures once [it] had the information.”<sup>58</sup>

In the OAG’s opinion, “targeted audits could have prevented taxpayers’ money from being disbursed for the next subsidy claim period to employers that did not meet the eligibility criteria. Instead, the business intelligence results will inform only the risk assessment for the comprehensive audits that will start in 2021.”<sup>59</sup>

#### Recommendation

Consequently, the OAG made the following recommendation:

The Canada Revenue Agency should strengthen the integrity of the Canada Emergency Wage Subsidy program by using business intelligence information as soon as it is available in order to conduct targeted audits.<sup>60</sup>

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55 Ibid., para. 7.60.

56 Ibid., para. 7.61.

57 Ibid., para. 7.60.

58 House of Commons, Standing Committee on Public Accounts, *Evidence*, 2<sup>nd</sup> Session, 43<sup>rd</sup> Parliament, 22 April 2021, [Meeting No. 27](#), 1135.

59 OAG, [Canada Emergency Wage Subsidy](#), Report 7 of the 2021 Reports of the Auditor General of Canada, para. 7.60.

60 Ibid., para. 7.64.



In its action plan, the CRA stated that it had started phase 1 of CEWS payment audits in August 2020, which was the preliminary phase. Phase 2 will incorporate phase 1 results and be launched in September 2021. A report based on lessons learned and opportunities for improvement should be completed in December 2021.<sup>61</sup>

Therefore, the Committee recommends:

#### **Recommendation 4 – on Canada Emergency Wage Subsidy payment audits**

**That, by 31 January 2022, the Canada Revenue Agency provide the House of Commons Standing Committee on Public Accounts with a report outlining the preliminary results of its post-payment audits for the Canada Emergency Wage Subsidy, including the amounts recovered. A final report should also be presented to the Committee by 31 January 2023.**

### **5. Lack of data to set efficient controls on programs administered by the agency**

According to the OAG, the CRA “did not have all the information it needed to set efficient controls. The agency would have benefited from additional information about other emergency response payments as well as from tax and payroll data that was more frequent and up-to-date than what it had.”<sup>62</sup>

Additionally, as “the agency did not have the social insurance number and wages paid per employee and per subsidy period at the time of application, it planned to rely on employees’ statements of remuneration paid (T4 slips) to ensure that no overpayments were issued. Therefore, the agency amended the T4 form for the 2020 tax year in order to obtain employees’ earnings at multiple times during the year.”<sup>63</sup> However, according to the OAG, “the information in the amended T4 form was not detailed enough to be really useful in cross-referencing Canada Emergency Response Benefit and Canada Emergency Student Benefit payments with wages paid and subsidized, at least in part, under the [CEWS].”<sup>64</sup> In the OAG’s view, “this situation demonstrates the need for the agency to have sub-annual data and up-to-date earnings and tax data when it

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61 CRA, [Detailed Action Plan](#), pp. 2–3.

62 OAG, [Canada Emergency Wage Subsidy](#), Report 7 of the 2021 Reports of the Auditor General of Canada, para. 7.65.

63 *Ibid.*, para. 7.66.

64 *Ibid.*, para. 7.67.

administers income support programs with eligibility criteria based on sub-annual earnings.”<sup>65</sup>

## Recommendation

The OAG did not make a recommendation in this area. However, Bob Hamilton spoke about the importance of having real-time data:

On the issue of real-time data, obviously it would always be better to have real-time data. We do need to think about our systems and the burdens on Canadian businesses, etc., but as you noted, in the budget there is funding provided to start some work on what would be an e-payroll system to get more timely payroll data, which would be beneficial in a circumstance of the kind we just went through. Hopefully the consultations will show that it will be beneficial in the longer term, even without a pandemic.

We look forward to launching those consultations and finding out what people think about that and where the opportunities are. It won't be something that can come very quickly, but I think it does have at least potential at this stage.<sup>66</sup>

Given the OAG's observations on the importance of the CRA having sub-annual data in real time, the Committee recommends:

### Recommendation 5 – on the use of sub-annual data

**That, by 30 June 2022, the Canada Revenue Agency provide the House of Commons Standing Committee on Public Accounts with a report outlining its plans to use more real-time sub-annual data, including the result of any consultations held on this topic.**

## CONCLUSION

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The Committee concludes that, even though Finance Canada performed a partial analysis of the initial design of the Canada Emergency Wage Subsidy program, it subsequently performed a sound and complete analysis to inform the changes to the program. In addition, while the Canada Revenue Agency delivered the subsidy payments rapidly, it chose not to establish tighter controls, and it lacked the sub-annual and up-to-

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65 Ibid., para. 7.68.

66 House of Commons, Standing Committee on Public Accounts, *Evidence*, 2<sup>nd</sup> Session, 43<sup>rd</sup> Parliament, 27 April 2021, [Meeting No. 27](#), 1255.



date earnings and tax information it needed to efficiently assess applications. Therefore, it will have to rely mainly on costly comprehensive audits starting in spring 2021.

Given that the cost of the subsidy is estimated to be nearly \$98 billion, the Committee has made five recommendations to ensure that the program is evaluated properly and that the Canada Revenue Agency can improve the integrity and efficiency of the programs it oversees.

## SUMMARY OF RECOMMENDED MEASURES AND TIMELINES

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**Table 1 – Summary of Recommendations and Timelines**

Recommendation	Recommended Measure	Timeline
Recommendation 1	Finance Canada should provide the House of Commons Standing Committee on Public Accounts with an evaluation report on wage subsidy programs, including the Temporary Wage Subsidy and the Canada Emergency Wage Subsidy. The report must include an assessment of all the measurable economic impacts of these programs, including any unintended impacts, as well as the total amount of dividends payed out by companies that received the Canada Emergency Wage Subsidy.	31 March 2022
Recommendation 2	The Canada Revenue Agency should provide the Committee with reports outlining the results of its work regarding the following: (1) the review of workload selection and prioritization criteria within the GST/HST Delinquent Filer Program; (2) the review of the GST/HST Delinquent Filer Program resources; (3) the identification of legislative changes to support the realization of filing compliance; and (4) the identification of additional ways to educate businesses and raise awareness regarding GST/HST obligations.	31 May 2022 31 May 2023
Recommendation 3	The CRA should provide the Committee with a report outlining the results of its multi-factor authentication service, and a final report including an update on the agency’s use of the Sign-In Canada platform, as well as how the agency could use Sign-In Canada’s unique identifier to help audit government programs.	31 May 2022 31 May 2023



<b>Recommendation</b>	<b>Recommended Measure</b>	<b>Timeline</b>
Recommendation 4	The CRA should provide the Committee with reports outlining the results of its post-payment audits for the Canada Emergency Wage Subsidy, including the amounts recovered.	31 January 2022 31 January 2023
Recommendation 5	The CRA should provide the Committee with a report outlining its plans to use more real-time sub-annual data, including the result of any consultations held on this topic.	30 June 2022

## APPENDIX A LIST OF WITNESSES

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

Organizations and Individuals	Date	Meeting
<p><b>Canada Revenue Agency</b></p> <p>Bob Hamilton, Commissioner of Revenue and Chief Executive Officer</p> <p>Frank Vermaeten, Assistant Commissioner, Assessment, Benefit and Service Branch</p> <p>Marc Lemieux, Assistant Commissioner, Collections and Verification Branch</p> <p>Ted Gallivan, Assistant Commissioner, Compliance Programs Branch</p>	2021/04/22	27
<p><b>Department of Finance</b></p> <p>Michael J. Sabia, Deputy Minister</p> <p>Andrew Marsland, Senior Assistant Deputy Minister, Tax Policy Branch</p> <p>Maude Lavoie, Director General, Business Income Tax Division, Tax Policy Branch</p>	2021/04/22	27
<p><b>Office of the Auditor General</b></p> <p>Karen Hogan, Auditor General of Canada</p> <p>Andrew Hayes, Deputy Auditor General</p> <p>Philippe Le Goff, Principal</p> <p>Mathieu Lequain, Director</p>	2021/04/22	27
<p><b>Canada Revenue Agency</b></p> <p>Bob Hamilton, Commissioner of Revenue and Chief Executive Officer</p> <p>Ted Gallivan, Assistant Commissioner, Compliance Programs Branch</p> <p>Maxime Gu�nette, Assistant Commissioner and Chief Privacy Officer, Public Affairs Branch</p>	2021/06/08	37

<b>Organizations and Individuals</b>	<b>Date</b>	<b>Meeting</b>
<b>Department of Finance</b> Michael J. Sabia, Deputy Minister Andrew Marsland, Senior Assistant Deputy Minister, Tax Policy Branch Isabelle Jacques, Assistant Deputy Minister, Law Branch Maude Lavoie, Director General, Business Income Tax Division, Tax Policy Branch	2021/06/08	37
<b>Office of the Auditor General</b> Andrew Hayes, Deputy Auditor General Philippe Le Goff, Principal	2021/06/08	37



## REQUEST FOR GOVERNMENT RESPONSE

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

A copy of the relevant *Minutes of Proceedings* ([Meetings Nos. 27, 37 and 39](#)) is tabled.

Respectfully submitted,

Kelly Block, M.P.  
Chair



## **Supplementary Opinion of the New Democratic Party of Canada: Report 7 – Canada Emergency Wage Subsidy.**

The Canada Emergency Wage Subsidy (CEWS) represents one of the largest transfers of public money to private businesses in our country's history. As of June 6, 2021, over \$81.5 Billion in support has been accessed by more than 447 000 businesses. While the CEWS is intended to support millions of workers across Canada, there were no restrictions placed on how businesses could use CEWS funds and many businesses used these funds in ways other than retaining workers. Therefore, it is important that parliamentarians be allowed to conduct a thorough review of the program so we can understand how certain decisions establishing the CEWS were made and what measures were put in place to prevent the CEWS from abuse by businesses.

New Democrats are concerned that the Standing Committee on Public Accounts was unable to obtain answers to clear questions posed to the Department of Finance, and that a significant portion of the more than 2000 pages of documents requested by the committee were redacted. This inability to obtain information on the Department of Finance's analysis of the CEWS prevents the committee from being able to fully conduct its work to evaluate whether the CEWS met its objectives, whether the Department of Finance adequately assessed risks to the program, or what conditions were established to prevent the program from being exploited by profitable companies.

Therefore, the New Democratic Party would like to submit the following recommendation:

That, as part of its analysis of the Canada Emergency Wage Subsidy (CEWS), the Department of Finance and Canada Revenue Agency report: a) the number of companies that either paid executive bonuses, paid dividends to shareholders, or who engaged in share buyback programs while also receiving CEWS funding; b) the total value of CEWS payments these companies received; c) the number of businesses who laid off employees after receiving CEWS; and that this information be made public in its unredacted form.

