

Mr. John Williamson, M.P.
Chair
Standing Committee on Public Accounts
House of Commons
Ottawa, ON K1A 0A6

Dear Colleague:

The following information is further to the Government's Response (tabled in the House of Commons on June 8, 2022, pursuant to Standing Order 109) to the Seventh Report of the Standing Committee on Public Accounts – 44th Parliament, 1st Session – entitled: *Report 7, Canada Emergency Wage Subsidy, of the 2021 Reports of the Auditor General of Canada*.

I am pleased to provide the final report on progress in response to recommendations 2 and 3 of the Seventh Report.

The Government thanks the members of the Committee for their continued interest and attention to the Canada Revenue Agency's (CRA's) efforts to address the issues identified in the Auditor General's audit.

Please find enclosed the CRA's report on progress.

Sincerely,

The Honourable Diane Lebouthillier, P.C., M.P.

**FINAL REPORT ON PROGRESS: SEVENTH REPORT OF THE
STANDING COMMITTEE ON PUBLIC ACCOUNTS – 44th PARLIAMENT, 1st SESSION
(RESPONSE TO RECOMMENDATION 2 & 3)**

INTRODUCTION

On behalf of the Government of Canada, on June 8, 2022, the Minister of National Revenue tabled the Government's Response to the recommendations contained in the Seventh Report of the Standing Committee on Public Accounts entitled: *Report 7, Canada Emergency Wage Subsidy, of the 2021 Reports of the Auditor General of Canada*.

As requested, the Canada Revenue Agency (CRA) is pleased to provide its final report on progress related to recommendation 2 and 3.

Recommendation 2: “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.”

Government Response (as tabled on June 8, 2022): “The GC (Government of Canada) supports this recommendation. The information in the following paragraphs represents the May 31, 2022 report requested by the Committee.

In its report on the CEWS, the OAG recommended that the CRA strengthen its efforts toward tax compliance for GST/HST to ensure that it has the information needed to do validations for the programs that it is administering. The CRA agreed with the OAG’s recommendation.

In light of the new COVID-19 benefit programs and the OAG’s recommendations, the CRA has developed an action plan to strengthen its efforts to improve filing compliance on the part of GST/HST registrants. As part of its action plan, the CRA is undertaking a review of its workload selection and prioritization criteria, an examination of the level and allocation of program resources, the identification of potential legislative changes, and increasing outreach to improve GST/HST filing compliance. The CRA is anticipating the completion of its action plan by September 2023.

The CRA is pleased to share with the Committee its progress in implementing its action plan as of May 31, 2022. The CRA can report that it has met all of its key interim milestones in the action plan which were identified for completion by May 2022. Specifically, this included:

- 1. The completion of the review and analysis of the current GST/HST Delinquent Filer Program risk scores and automated strategies, including the selection and prioritization criteria.*
- 2. The preparation of recommendations on enhancements to risk scoring and automated strategies, and the development of the related system requirements.*
- 3. The completion of a review of current outreach plans and the identification of possible new outreach initiatives.*
- 4. The development of a communication strategy and an action plan to enhance current initiatives and create new outreach opportunities.*

As part of meeting commitment (1) “the review of workload selection and prioritization criteria within the GST/HST Delinquent Filer Program”, the CRA can confirm it has completed the review and analysis of the current GST/HST Delinquent Filer Program risk scores and automated strategies, including the selection and prioritization criteria. Through the completion of this key milestone, the CRA has identified gaps in the current program as well as changes that will be required to address them.

Furthermore, the CRA has prepared recommendations on enhancements to risk scoring and automated strategies, and has developed the related system requirements to begin putting some of these recommendations in effect to address some of the identified gaps. This will enable the CRA to begin implementing the changes to its systems needed to strengthen the CRA’s GST/HST filing and registration compliance activities.

The CRA has also made significant progress in meeting commitment (4) “the identification of additional ways to educate businesses and raise awareness regarding GST/HST obligations.” The CRA has conducted a review of current outreach plans, and has identified possible new outreach initiatives to educate businesses and raise awareness of GST/HST registration and filing obligations.

To support future outreach, the CRA has developed a communication strategy and an action plan to enhance current initiatives and outreach opportunities to support GST/HST compliance. With these two milestones met, the CRA has begun developing outreach and educational initiatives to improve taxpayer awareness and knowledge of GST/HST obligations.

The four key milestones listed above are critical prerequisites to implementing the remaining deliverables in the CRA’s action plan that will enable the Agency to meet its commitments to strengthen GST/HST registration and filing compliance. In addition to the completion of all four of the milestones it had targeted to implement by May 2022, the CRA is currently working to complete the key milestones relating to commitment (2) “the review of the GST/HST Delinquent Filer Program resources”, and commitment (3) “the identification of legislative changes to support the realization of filing compliance”.

The CRA will continue to implement its action plan, and will submit a final report to the Committee by May 31, 2023. This final report will outline the milestones of the action plan that have been met by that date, as well as the progress that has been made on the remaining deliverables from the CRA’s action plan on GST/HST filing.”

Report on Progress:

The CRA is pleased to provide an update on its work to strengthen its efforts toward tax compliance for GST/HST, further to those provided in the Government Response noted above. As of tabling of the Government Response, there remained two milestone dates for CRA’s commitments to the OAG: December 2022 and May 2023, with the anticipated completion of the action plan by September 2023.

The CRA can report that, of its key interim milestones in the action plan that were identified for completion by December 2022, all have been met. The achievement of these milestones will enable the CRA to meet OAG commitment 2 (related to the review of program resources) and commitment 3 (related to possible identification of legislation changes) as identified previously in the Government Response. Specifically, the latest milestones completed included:

- For commitment 2: Completing the review of program resource allocation and production targets set for the program to determine if resources are aligned to production targets and sufficient to achieve the mandate of the program.
- For commitment 3: Identifying possible legislative changes to the Excise Tax Act to address gaps and support program performance while ensuring the application of the Taxpayer Bill of Rights.

The GST/HST Delinquent Filer Program completed the review of program resource allocation and production targets in relation to commitment 2 through the:

- development of business intelligence requests to help analyze trends within program inventories;
- completion of a process improvement review exercise involving front-line staff to help identify inefficiencies to ensure that resources are being optimized;
- collaboration with another key program area in the GST/HST filing continuum to update referral procedures so that chronically non-compliant accounts receive a more thorough review in order to increase compliance;
- review of corporate reports, budgets, and production targets to determine changes needed in staffing levels required to increase efficiency in working accounts in the inventories and to reduce inventory overages as a result of the pandemic;
- submission of a business case for temporary additional funding to increase field staff volumes to address the age of the inventory and the inventory overages.

The GST/HST Delinquent Filer Program and Reporting Working Group are continuing to work collaboratively to achieve better reporting allowing the CRA to make earlier, more effective changes in the Program and achieve stronger compliance results.

The CRA is also working to meet the final milestone commitments to the OAG, due for completion by the end of May 2023:

- System changes, related to commitment 1 (related to review of workload selection and prioritization criteria), are scheduled to be implemented in May 2023 through the CRA's release process to enhance how accounts are prioritized and actioned.
- Based on the current review for the December 2022 milestone for commitment 3, recommendations will be prepared and the appropriate steps will be taken, if needed.

Although the CRA will be able to implement a number of the identified changes to strengthen the GST/HST Delinquent Filer Program, certain individual milestones may not be fully implemented until after September 2023 due to evolving technology needs and the volume of concurrent systems changes that can be made.

The system change requests related to commitment 1 were implemented in May 2023.

The CRA has continued to pursue additional research, based on findings in the initial research projects, to identify further opportunities for improvement within its strategies and risk scores related to commitment 1.

Further to commitment 2, improvements to the GST/HST Delinquent filer Program's procedural operations manual are underway per feedback from the process improvement review and other sources to increase efficiency and accuracy in field officers' work. Additional staff are being hired in the field offices to address the age of accounts in the inventories and the inventory volume overages as a result of the pandemic.

Also, while commitment 4 (related to additional ways of business education and outreach) was completed in May 2022, the CRA continues to look for new educational opportunities to support registrants and promote GST/HST filing compliance. It actively makes use of the CRA's various social media platforms as well as email distribution lists to relevant stakeholder organizations to provide messaging to the public. It also provided filing-specific messaging for use in the annual small business campaign that the CRA participates in each October and plans on continuing involvement in this campaign each year. The CRA also presented a webinar in March 2023 that focused on GST/HST filing obligation.

The achievements to date, the continued work on the remaining milestones, and the CRA's commitments to continue regular reviews in areas within the GST/HST Delinquent Filer Program, will strengthen GST/HST filing compliance to ensure that this aspect of compliance continues to improve and be a key factor in achieving the CRA's overall compliance objectives and protecting the Crown's assets.

Recommendation 3: *“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.”*

Government Response (as tabled on June 8, 2022): *“The GC supports this recommendation. The information in the following paragraphs represents the May 31, 2022 report requested by the Committee.*

The CRA is implementing a multi-factor authentication (MFA) service in order to enhance its existing authentication and credential management system. When enrolled in MFA, users are required to enter a one-time passcode in order to access CRA online services. By providing this one-time passcode, users provide additional evidence to prove their identity, thereby strengthening the overall security of the CRA online services.

On October 30, 2020, the CRA launched MFA using an approach of gradually adding users over time. This was done to minimize the risk during the implementation as well as to ease the operational impact, for example to ease the call volumes at the contact centres. For MFA, users need to enter a one-time passcode (OTP) that is sent by voice or text message to their cell or landline phone before gaining access to their account. Given that not everyone has access to a cell or landline phone, the CRA implemented an additional option for using MFA called a Passcode Grid (PCG). This alternative allows users to refer to a grid of letters to create the OTP instead of receiving it over the phone.

The gradual addition of users to MFA continued until October 2021, when all users were required to use MFA. When users sign in to their account, they are required to enroll with no option to opt-out. As of the end of February 2022, the CRA has had all 14.557M users added to MFA and thus far 11.037M, which represents 76%, are enrolled. This percentage of enrolled users will continue to increase as more and more users sign in to their accounts. The CRA has sent over 100M one-time passcodes.

The implementation of MFA has been a success at the CRA. The CRA was able to implement MFA in a progressive manner without having a negative impact on operations. By implementing the PCG, the CRA addressed the need of a subset of users with a viable alternative.

The CRA agrees to return to the Committee by May 31, 2023, with a final report that includes an update on the CRA's plans to use the Sign-In Canada platform, as well as an assessment of how this, combined with the use of unique identifiers, can be used to ensure the integrity of government programs.

Currently, the CRA is working in partnership with Treasury Board Secretariat (TBS) on its Sign-in Canada platform. Sign-in Canada will give Canadians a single entry point through which they can access secure government services. It will provide a digital identity ecosystem that can be leveraged by all federal government departments and agencies. By consolidating credential providers on the Sign-in Canada platform, it will make it easier for the GC to deploy security and privacy features. The Sign-in Canada platform will significantly reduce duplication of efforts, modernize external credential management systems, and will be standards-based and capable of evolving and scaling to the needs of the GC. Sign-in Canada, while contingent upon many factors, is expected to become available in the next 24 to 36 months. The CRA will begin to onboard once the performance of the platform is proven in production with smaller departments.”

Report on Progress:

Since the Government Response, the CRA has worked to continually improve and strengthen its multi-factor authentication (MFA) service. In support of these efforts, a major step was taken in February 2023 when the CRA migrated from the previous MFA vendor platform – which was awarded a contract on an emergency basis in 2020 – to the Government of Canada's Multi-Factor Authentication as a Service (MFAaaS) platform.

The MFAaaS platform contract is managed centrally for the Government of Canada by Shared Services Canada (SSC) and brings several advantages, including:

- Lower monthly cost of service when compared to the previous contract.
- Unlimited number of transactions, to support future growth.
- Improved support for international numbers.
- A user experience for CRA MFA flows that is more consistent with the rest of government.

In addition to the immediate tangible benefits that this change brings in terms of lowering costs for the CRA, it also offers certain strategic advantages to both the CRA and Government of Canada over the medium to long term. It further aligns CRA's MFA service with both CRA and Government of Canada IT Strategic plans. These strategic plans stipulate that the CRA is to re-use Government of Canada functionality whenever possible.

As an SSC managed contract, this will allow other Government of Canada departments to benefit from the service improvements made to support CRA needs. For example, the MFAaaS solution added Passcode Grid (PCG) functionality to its capabilities to support CRA's onboarding. The PCG is a randomly generated grid of characters, formatted like a Bingo card, used as an alternative for multi-factor authentication. It is intended for use by those who do not have a mobile phone, or by employees of tax preparation firms who are not allowed to use their mobile phones while working. After initial setup, users who choose the PCG option will be prompted to enter characters from three locations on the grid in order to complete their login to the secure portals. The CRA had made this part of its own multi-factor authentication solution to meet all user's needs; adding it to the MFAaaS ensures seamless migration to the new solution for CRA users. Now this is a capability available to other Government of Canada departments through the central platform, should they require it.

Since the Government Response, Treasury Board Secretariat's (TBS) work on the Sign in Canada (SIC) project has been moved under the umbrella of TBS' broader digital credentials workload. The CRA continues to be actively engaged with TBS on a range of initiatives under the broader project mandate. This includes regular meetings and planning sessions with TBS' SIC platform team, as well as participating in TBS Digital Credentials Working Group and their related Government of Canada forums. TBS has undertaken public engagement activities as one of the main pieces of work within their digital credentials scope. These engagements are not specifically SIC focused, but digital credentials more broadly.

As the SIC solution has not yet been fully developed, the CRA continues to work with TBS on ensuring the requirements needed by the CRA are understood by TBS, as well as discussing timelines for the release of the SIC solution for partners. The CRA is committed to working with TBS to ensure that a viable solution for the CRA is defined, and that the CRA will migrate to the new solution when it is ready for use.

The CRA will continue to enhance solutions in the systems to ensure that the CRA is well positioned to use a new SIC unique identifier. This will be done in combination with CRA's existing program identifiers, to best ensure the integrity of CRA services and programs and their appropriate use by qualified individuals and businesses. For example, the CRA is working to add Open ID Connect (OIDC) capabilities within its authentication flows. This open standard for authentication aligns with the TBS's latest specifications and simplifies the onboarding of new digital identities. This an essential part of the long-term SIC/ Government of Canada digital identity landscape. The CRA is also planning to implement a Digital Identity Validation (DIV) solution. This DIV service will give new users of CRA's digital solution the option of validating their identity in real-time, rather than having to wait for a CRA Security Code letter in the email. This DIV service will be completed through a trusted third party.