



# COVID-19 PANDEMIC

REPORT 10

## Specific COVID-19 Benefits

Independent Auditor's Report

2022

Reports of the Auditor General  
of Canada to the  
Parliament of Canada



Office of the  
Auditor General  
of Canada

Bureau du  
vérificateur général  
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# Table of Contents

<b>Part 1—Key Findings</b>	<b>1</b>
<b>Introduction</b>	<b>1</b>
<b>Background</b> .....	<b>1</b>
<b>Focus of the audit</b> .....	<b>3</b>
<b>Findings and Recommendations</b>	<b>4</b>
<b>Outcomes and effectiveness</b> .....	<b>5</b>
COVID-19 programs supported Canada’s economic recovery.....	7
COVID-19 benefits went to people and employers in the economic sectors most impacted by the pandemic.....	11
Employment and Social Development Canada adjusted benefit programs to try to address disincentives to work .....	16
<b>Program delivery and controls</b> .....	<b>18</b>
The trade-off between expediency and confirming eligibility resulted in payments to ineligible recipients.....	19
<b>Post-payment verification and collection</b> .....	<b>25</b>
Employment and Social Development Canada and the Canada Revenue Agency were planning to do few post-payment verifications.....	25
The Canada Revenue Agency performed limited collection activities on COVID-19 programs.....	30
<b>Conclusion</b>	<b>33</b>

<b>Part 2—Additional Information and Findings on Specific COVID-19 Programs</b>	<b>35</b>
A—Canada Emergency Response Benefit	35
B—Canada Recovery Benefit	45
C—Canada Recovery Caregiving Benefit	52
D—Canada Recovery Sickness Benefit	59
E—Canada Worker Lockdown Benefit	66
F—Canada Emergency Wage Subsidy	74
About the Audit	82
Recommendations and Responses	86

# Part 1—Key Findings

## Introduction

### Background

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#### Responding to the COVID-19 pandemic

10.1 In March 2020, Canada faced the global coronavirus disease (COVID-19) pandemic. To protect Canada's population and help prevent the spread of the disease, all levels of government asked Canadians to isolate and many employers in Canada to close their doors to face-to-face services or to adopt a work-from-home model when possible. These prevention efforts resulted in business closures and slowdowns, which led to reduced working hours or unemployment for many Canadians.

10.2 To minimize the impacts of the COVID-19 pandemic on the health of Canada's population, businesses, and economy, the Government of Canada announced emergency income support programs for Canadian residents and employers in Canada. The federal public service was mandated to develop, implement, and deliver the new COVID-19 benefit programs, which were unprecedented in size and urgency. Federal organizations responded by relying on their existing systems and processes, which were repurposed to deliver the new COVID-19 benefit programs. Within weeks, many programs were up and running. Historically, programs of this size would have taken months, if not years, to roll out.

10.3 Like all Canadians and Canadian businesses, the federal public service delivering the COVID-19 benefit programs had to overcome its own pandemic challenges. For example, federal workplaces had to adjust operations to have hundreds of thousands of employees switch quickly to working from home while continuing to deliver all other programs and services that are part of regular government operations.

10.4 The original programs were expected to last only a few months. However, additional waves of the pandemic occurred, and the government extended existing programs and introduced new support programs. This, in turn, necessitated flexibility and changes to program plans, as benefit payments were made well into 2022. For benefits to individuals, recipients could receive only 1 COVID-19 benefit per period, while employers had access to multiple emergency relief programs simultaneously.

10.5 To simplify and accelerate the application process for COVID-19 benefits, both Employment and Social Development Canada and the Canada Revenue Agency—the federal organizations delivering the programs—relied on applicants’ attestations of eligibility. This allowed the government to meet 1 of its goals to quickly get financial support into the hands of those affected by the pandemic. In so doing, the government accepted the risk that some recipients might not be eligible for benefits received. Some pre-payment controls were built into program designs to confirm eligibility. However, the department and agency made an early decision to put more effort into reviewing eligibility after payments were issued and recovering overpayments or payments to ineligible recipients.

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**Previous audit work and a new act**

10.6 The Office of the Auditor General of Canada has conducted numerous performance audits related to COVID-19, including 2 audit reports in spring 2021 on specific benefit programs: Report 6—Canada Emergency Response Benefit and Report 7—Canada Emergency Wage Subsidy.

10.7 On 17 December 2021, *An Act to provide further support in response to COVID-19*, also known as Bill C-2, received royal assent. This act served to extend or create specific benefits and programs related to COVID-19. The act also required that the Office of the Auditor General of Canada complete a performance audit of specific COVID-19 benefits during the first year after Bill C-2 came into force, so no later than 17 December 2022, and submit a report to the Speaker of the House.

10.8 As required by the act, we audited the following COVID-19 benefit programs for individuals:

- Canada Worker Lockdown Benefit
- Canada Recovery Benefit
- Canada Recovery Sickness Benefit
- Canada Recovery Caregiving Benefit
- Canada Emergency Response Benefit, including the Employment Insurance Emergency Response Benefit

10.9 We also audited, as required by the act, the following COVID-19 program for employers:

- Canada Emergency Wage Subsidy

10.10 Additional information and some of our findings on each program are provided in Part 2 of this report.

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## Roles and responsibilities

10.11 **Employment and Social Development Canada.** The department is responsible for

- policy development and program design of the COVID-19 benefits for individuals
- administration of the Employment Insurance Emergency Response Benefit, including accepting applications, verifying and validating the eligibility of applicants, authorizing payments, and preventing non-compliance

10.12 **The Canada Revenue Agency.** The agency is responsible for

- administration, on behalf of Employment and Social Development Canada, of the other COVID-19 benefit programs for individuals and the Canada Emergency Wage Subsidy, which included accepting applications, verifying and validating the eligibility of applicants, authorizing payments, and preventing non-compliance
- collection of overpayments and payments made to ineligible recipients for all benefit programs for individuals and employers

## Focus of the audit

10.13 This audit focused on whether Employment and Social Development Canada and the Canada Revenue Agency

- ensured that COVID-19 benefit payments were accurate and paid to eligible applicants
- undertook timely procedures to recover overpayments and payments made to ineligible recipients

The audit also focused on whether the department and the agency

- managed the COVID-19 programs efficiently
- measured their administrative effectiveness

Finally, the audit examined whether the programs achieved their objectives and provided value-for-money outcomes.

10.14 More details about the audit objective, scope, approach, and criteria are in **About the Audit** at the end of this report.

# Findings and Recommendations

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## Overall message

10.15 With its response to the COVID-19 pandemic, the Government of Canada set an objective of helping Canadians as quickly as possible. The COVID-19 emergency programs that we audited achieved that objective. They quickly offered financial relief to individuals and employers, prevented a rise in poverty, mitigated income inequalities, and helped the economy to recover from the effects of the pandemic.

10.16 To expedite issuing payments, the Canada Revenue Agency and Employment and Social Development Canada relied on personal attestations. They decided early on to focus less on confirming the eligibility of applicants up front and more on reviewing eligibility after payments were issued and recovering overpayments or payments made to ineligible recipients. The risk that some recipients might not be eligible for benefits they received made verifying eligibility after payment all the more important.

10.17 We found that the department and agency's approach to limit pre-payment controls, as well as the lack of timely data at the time of application, resulted in a significant amount of payments made to recipients who were ineligible or whose eligibility needs to be verified. We found \$4.6 billion of overpayments made to ineligible recipients of benefits for individuals. In addition, we estimated that at least \$27.4 billion of payments to individuals and employers should be investigated further. A more definitive estimate of payments made to ineligible recipients and amounts to be recovered by the government will be determined only after the agency and the department have completed their post-payment verifications.

10.18 The department and agency did not develop rigorous and comprehensive plans to verify the eligibility of recipients. We found that their post-payment verification plans did not include verifying payments made to all identified recipients at risk of being ineligible for all COVID-19 benefit programs. Given the limited pre-payment controls and the early decision to focus on post-payment verifications, we expected the department and the agency to perform extensive post-payment verifications to identify payments made to ineligible recipients.

10.19 There have also been delays in conducting post-payment verifications and the collection of amounts owing has just started. The department and agency are at risk of not completing all planned post-payment verifications within the applicable timelines. This means they may be unable to identify and recover amounts owing. According to the information provided by the department and agency, they have recuperated approximately \$2.3 billion.

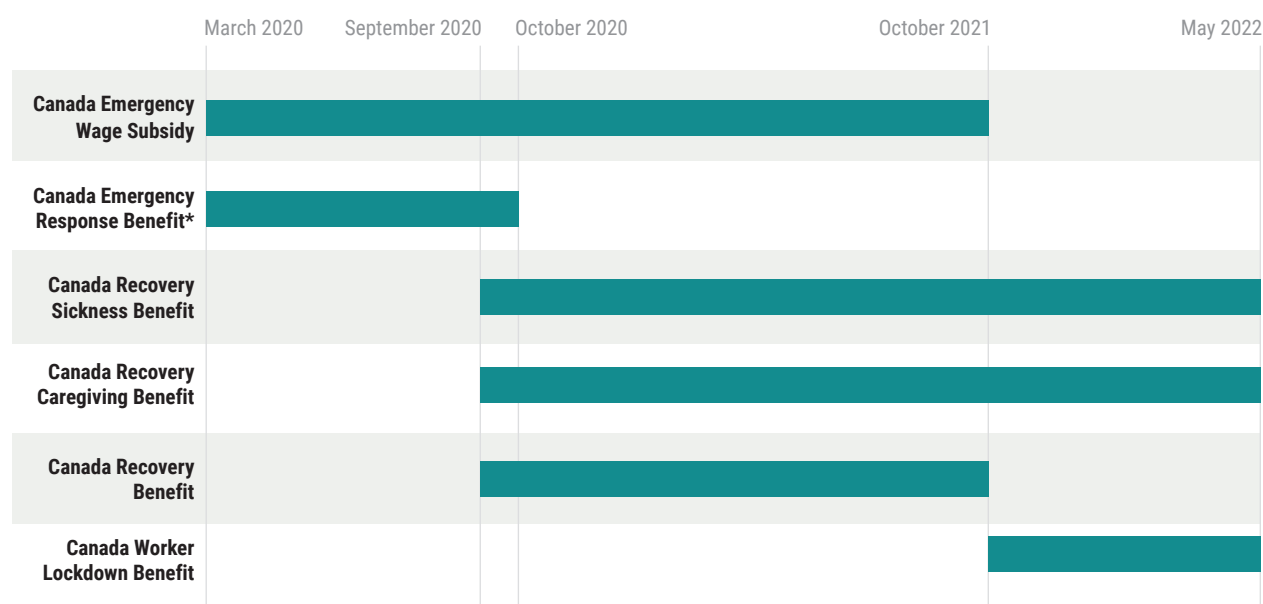


## Outcomes and effectiveness

### Context

10.20 The Government of Canada's COVID-19 benefit programs were put in place to support Canadians and Canadian businesses throughout the pandemic. Exhibit 10.1 shows when the benefits included in this audit were available to individuals and employers in Canada, including all extension periods.

### Exhibit 10.1—Periods of availability of COVID-19 benefit programs



\* Includes the Employment Insurance Emergency Response Benefit

10.21 Exhibit 10.2 shows the total benefit payments made to recipients for each COVID-19 subsidy and program.

### Exhibit 10.2—Payments to recipients for COVID-19 benefit programs

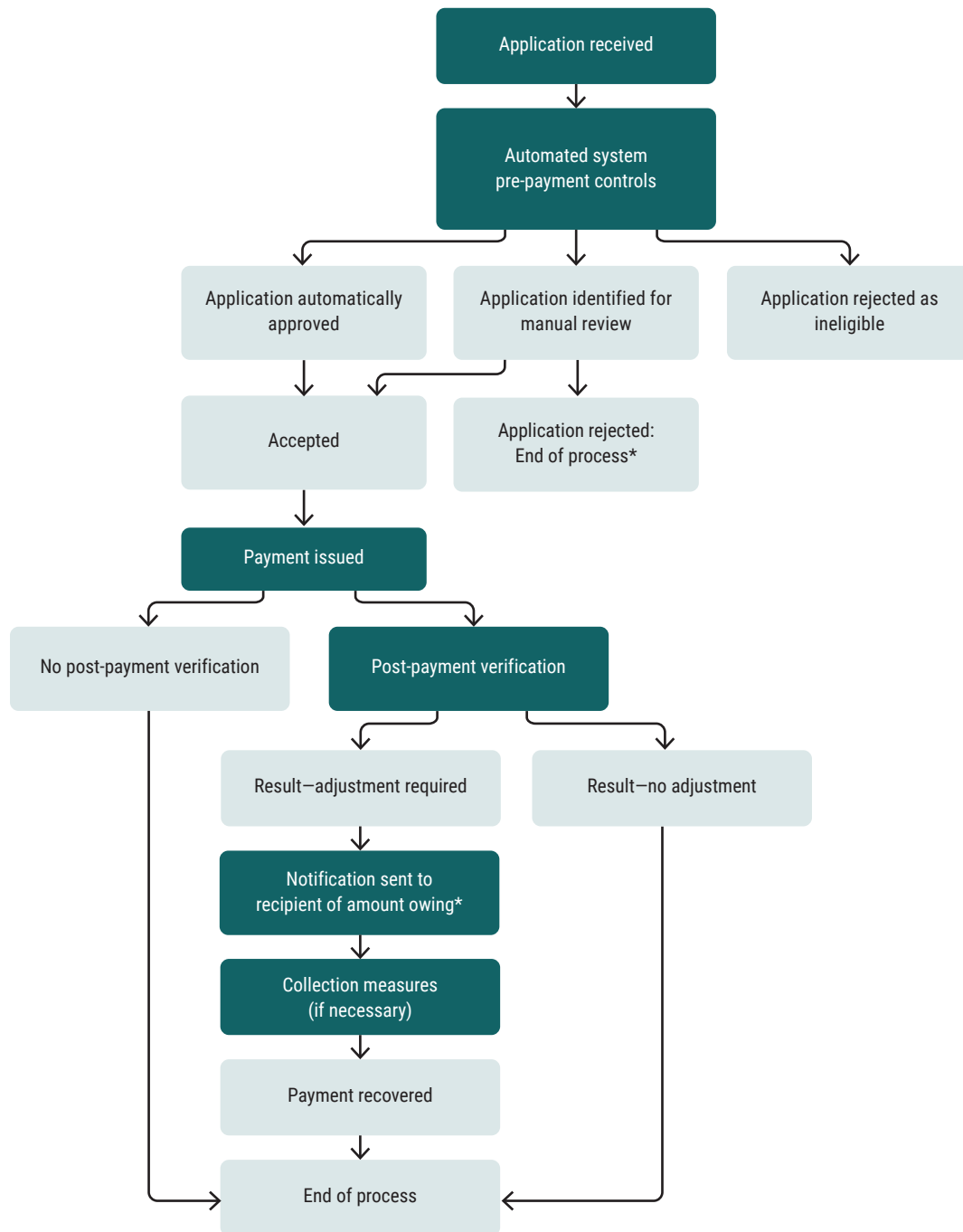
COVID-19 benefit program	Total payments at program end (in millions)
Canada Emergency Wage Subsidy	\$100,738
Canada Emergency Response Benefit and Employment Insurance Emergency Response Benefit	\$74,815
Canada Recovery Benefit	\$28,390
Canada Recovery Caregiving Benefit	\$4,370
Canada Recovery Sickness Benefit	\$1,500
Canada Worker Lockdown Benefit	\$914
<b>Total</b>	<b>\$210,727</b>

Note: Programs ended on different dates, and applications could be submitted for a specific time period once a benefit program ended. This exhibit reflects all payments made for the Canada Emergency Wage Subsidy up to May 2022 and for each benefit program for individuals up to July 2022.

Source: The Canada Revenue Agency and Employment and Social Development Canada

10.22 Exhibit 10.3 provides a simplified overview of the application process for the COVID-19 subsidy and benefit programs.

**Exhibit 10.3—Simplified COVID-19 benefit application process for individuals and employers**



\* If applicant disagrees with decision, a recourse process exists.

## COVID-19 programs supported Canada's economic recovery

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### What we found

10.23 We found that the COVID-19 programs achieved their objective to help Canada avoid a more severe contraction of the economy and the social consequences of, for example, a significant increase in poverty. This financial support allowed the economy to rebound and return to its pre-pandemic level.

10.24 The analysis supporting this finding discusses the following topics:

- Economic rebound
- Mitigation of poverty and income inequality

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### Why this finding matters

10.25 This finding matters because it is important that the government demonstrates that the COVID-19 benefit programs supported Canadians and employers in need.

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### Context

10.26 The objective of the COVID-19 benefit programs for individuals was to directly support individuals who lost income as a result of the COVID-19 pandemic. For example, the programs were intended to help affected workers meet their financial obligations while reducing the disease's toll on individuals and the health care system.

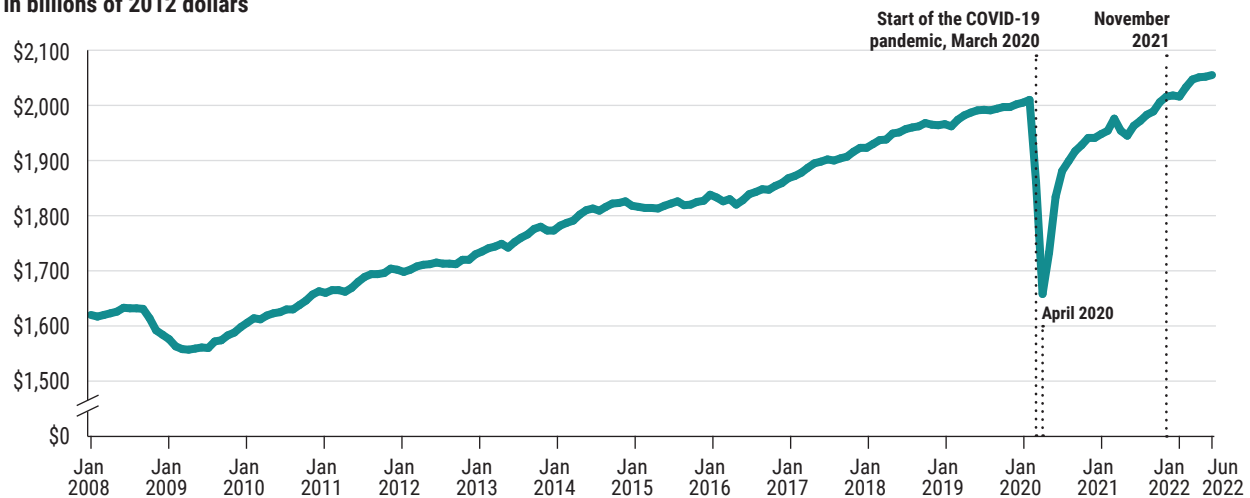
10.27 Along with the benefit programs for individuals, the government introduced COVID-19 support for employers, including the Canada Emergency Wage Subsidy. This program's objective was to

- help employers retain their employees during the pandemic
- ensure that workers were able to count on a source of income despite some sectors of the economy being shut down
- encourage employers to rehire workers who were laid off as a result of the pandemic
- help position employers to resume normal operations more easily when economic activity fully resumed

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**Analysis to support this finding**
**Economic rebound**

10.28 Statistics Canada reported that between February and April 2020, Canada's **gross domestic product**<sup>1</sup> decreased, after adjusting for inflation, by \$350 billion—a 17% reduction in economic activity. But by November 2021, 20 months after the beginning of the pandemic, economic activity was back to its pre-pandemic level (Exhibit 10.4). In terms of magnitude, the reduction of gross domestic product caused by the pandemic was thus not comparable to the most recent economic recession of 2008–09.

**Exhibit 10.4—After a 17% reduction in 2020, economic activity bounced back to its pre-COVID-19 level by November 2021**
**Gross domestic product in billions of 2012 dollars**


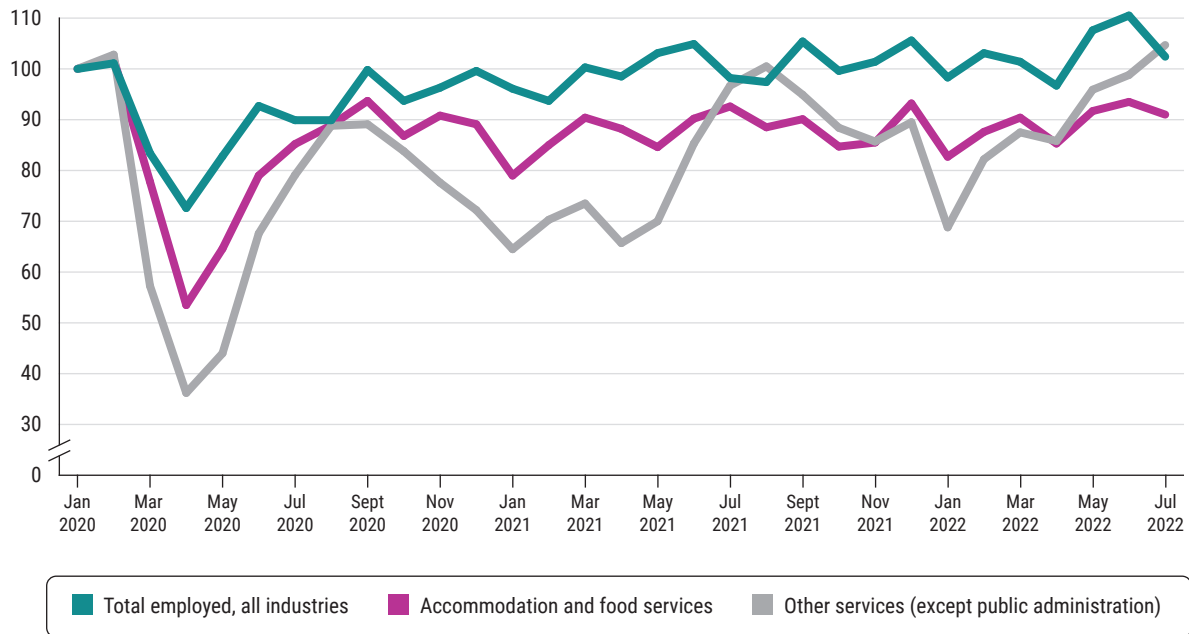
Source: Statistics Canada data, released August 31, 2022

10.29 With health measures put in place to limit the spread of the virus that causes COVID-19, many Canadians transitioned to working from home. Others were unable to work. This explained a reduction in the number of hours worked and highlighted the importance of these programs supporting workers who lost income. Hours worked diminished by 28% between February and April 2020 (Exhibit 10.5) but returned to their pre-COVID-19 level by May 2021. The most significant impacts were concentrated in the service sector, such as accommodation and food services, where non-essential business activities were closed and where physical distancing and alternative work arrangements were more difficult or impossible.

<sup>1</sup> **Gross domestic product**—The total value of goods and services produced in a year. Also commonly referred to as GDP, it is 1 of the indicators traditionally used to measure the size of the economy.

**Exhibit 10.5—After a major decrease between February and April 2020, the number of hours worked went back to pre-COVID-19 level as of May 2021, with some service industries still affected**

**Evolution of hours worked using  
January 2020 = 100 as the baseline**



Note: We used Statistics Canada data and established an index number (January 2020 = 100, which is a statistical technique for measuring changes in the magnitude of a group of related variables) to measure the change from a point in time. "Other services" include activities not classified to any other sector, such as personal care services, funeral services, and car repair and maintenance. For a complete definition, see Statistics Canada.

Source: Statistics Canada

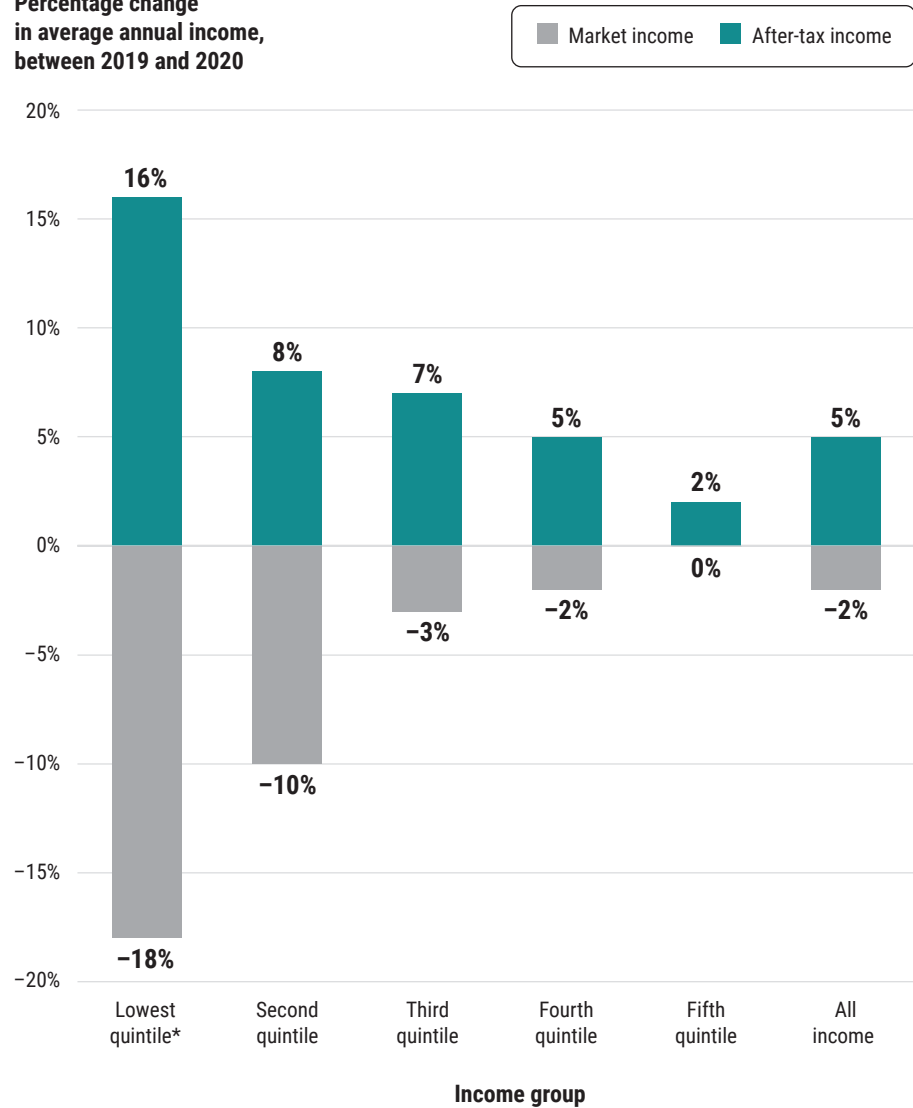
### Mitigation of poverty and income inequality

10.30 Statistics Canada data revealed that without benefit programs, the poverty rate in Canada would have reached 11.6% in 2020, more than 5 percentage points higher than the observed 6.4% rate. This data showed that the COVID-19 benefits had a notable impact on preventing a spike in the poverty rate in 2020.

10.31 Statistics Canada data also showed that workers with relatively lower income were among those who received the most benefit payments, which compensated their loss of income. For families with the lowest level of income, their combined income from employment, private pensions, and investments—known as market income—decreased on average by \$700 (or 18%) between 2019 and 2020. However, when we combined this income with government transfers (cash benefits such as child benefits, tax credits, as well as emergency response and recovery benefits for 2020)—known as after-tax income—we saw an annual income increase of \$2,900 (or 16%) in the same period. Although individuals from all income groups observed a growth of this income, the increase was substantial for lower-income families (Exhibit 10.6).

**Exhibit 10.6—Annual after-tax income increased among the lowest-income earners between 2019 and 2020 due to government payments for COVID-19 benefits**

**Percentage change in average annual income, between 2019 and 2020**



Note: An income quintile is a measure that divides the population into 5 income groups (from lowest income to highest income) so that approximately 20% of the population is in each group. Market income is employment income and private pensions plus income from investments and other market sources. After-tax income is the total of market income and government payments, less income tax. For 2020, government transfers included emergency response and recovery benefits.

The exhibit above illustrates that people in the lowest quintile were those who had the highest decrease in their market income. It also illustrates that COVID-19 benefits represented a higher proportion of the total after-tax income for the people in the lowest quintile.

Source: Statistics Canada



Goal 1: End poverty in all its forms everywhere

Source: United Nations



Goal 10: Reduce inequality within and among countries

Source: United Nations

10.32 According to Statistics Canada, from 2019 to 2020, the **median income**<sup>2</sup> of combined employment, pensions, and investments for Canadians declined by \$1,600. However, the median government transfers doubled from \$8,200 to \$16,400. This was due mainly to COVID-19 income support programs. Overall, these increases in government transfers to households exceeded losses in wages and salaries and self-employment income. This income compensation through the COVID-19 programs helped to financially support the population.

10.33 These findings are aligned with the government's targets regarding 2 United Nations' sustainable development goals—Goal 1, No Poverty, and Goal 10, Reduced Inequalities. Thus, we found that the COVID-19 benefits under audit for individuals contributed to reducing poverty and inequalities in Canada in 2020.

## COVID-19 benefits went to people and employers in the economic sectors most impacted by the pandemic

### What we found

10.34 We found that individuals from the groups most impacted by the pandemic were able to benefit from the programs. Women, visible minorities, Indigenous groups, and youth aged 15–24 accessed programs at slightly higher rates than other groups did. In addition, we found that benefit payments supporting individuals were made in a timely manner, particularly during periods of public health restrictions.

10.35 Regarding the Canada Emergency Wage Subsidy, we found that it supported employers in sectors that suffered the biggest employment declines. However, it was difficult to assess the impact of the program and how effectively the program met its objectives because of the limited information employers were required to provide upon application. For example, the program did not require employers to submit any information on rehiring.

10.36 The analysis supporting this finding discusses the following topics:

- Benefits paid to the most-impacted Canadians
- Unclear impact on business resilience
- Missing data for assessment of Canada Emergency Wage Subsidy effectiveness

<sup>2</sup> **Median income**—The amount that divides the income distribution into 2 equal groups.

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## Why this finding matters

10.37 This finding matters because it is important that the government demonstrates that the COVID-19 benefit programs—which cost Canadians about \$211 billion—supported Canadians and employers that were in need.

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## Analysis to support this finding

### Benefits paid to the most-impacted Canadians

10.38 We found that COVID-19 programs for individuals provided income support to a large number of people who lost their jobs or had their working hours significantly reduced because of the pandemic. Based on available data from Statistics Canada, mostly on the Canada Emergency Response Benefit, we calculated the following:

- 41.7% of recipients were household major income earners (3.46 million people)
- almost 25% of recipients were sole income earners in their household (1.9 million people)
- 69% of women working in the accommodation and food sector received the Canada Emergency Response Benefit (while women represented 56% of the people employed)

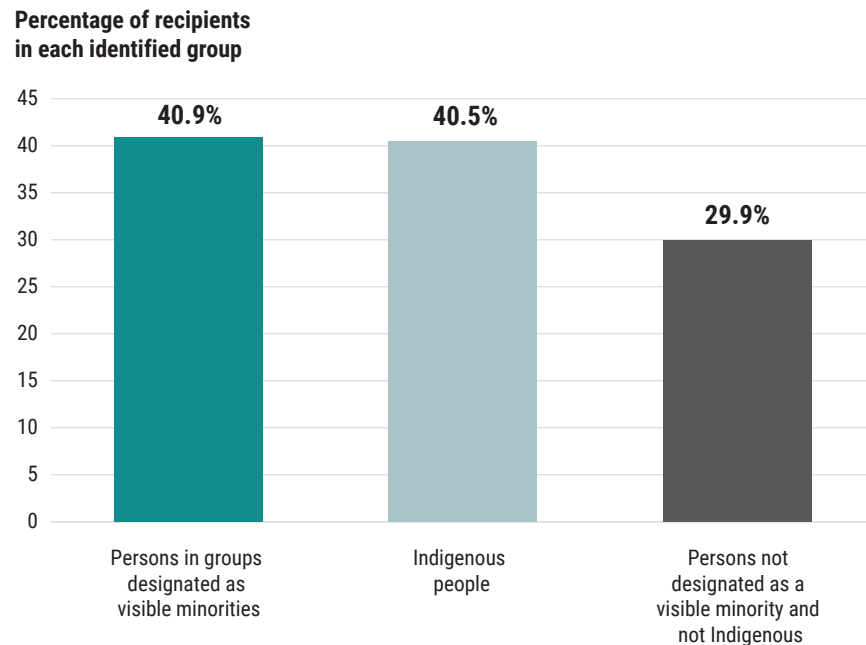
10.39 We also found, based on Statistics Canada information, that a higher proportion of workers who were visible minorities or Indigenous received the benefits compared to those who were not members of a group designated as a visible minority or Indigenous (Exhibit 10.7).

10.40 In the case of the Canada Emergency Response Benefit, we also noted that workers in groups designated as a visible minority or Indigenous received benefits for slightly more weeks than those who were not. For instance,

- people who identify as a visible minority received the benefit for 18.5 weeks on average (compared to 16.2 weeks for people who did not identify as visible minorities)
- Indigenous people received the benefit for 17.4 weeks on average (compared to 16.8 weeks for non-Indigenous workers)



**Exhibit 10.7—A higher proportion of people in visible minority and Indigenous groups received benefits than in groups not designated as such**



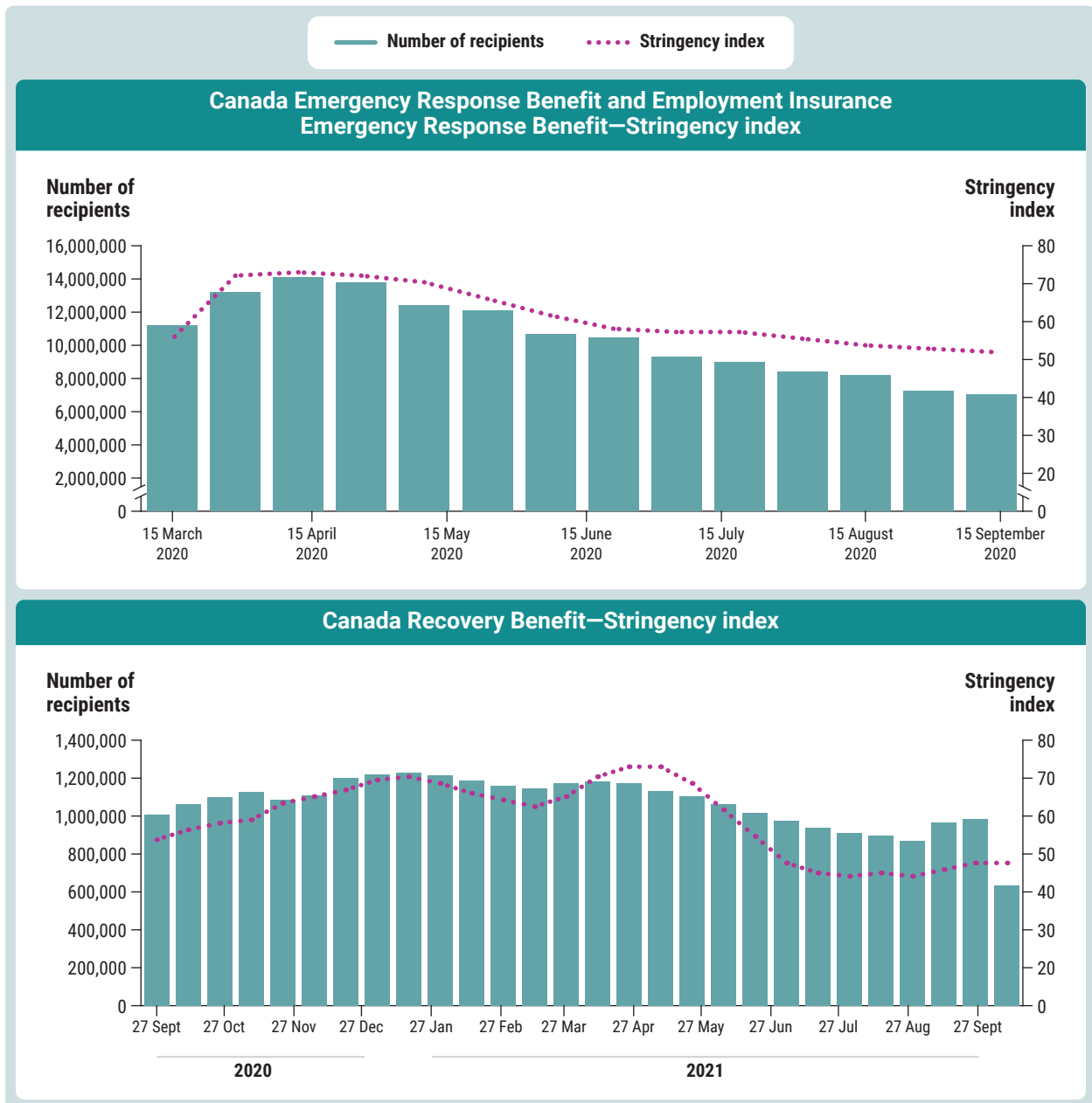
Note: Federal COVID-19 benefits include the Canada Emergency Response Benefit, the Canada Emergency Student Benefit, the Canada Recovery Benefit, the Canada Recovery Caregiving Benefit, the Canada Recovery Sickness Benefit, and a 1-time payment made to Canadians with disabilities.

Source: Statistics Canada

10.41 We found that Canadians received benefits in a timely manner, notably during lockdown periods. The number of recipients of the benefits was aligned with the severity of public health restrictions in response to COVID-19, as measured by the **stringency index**<sup>3</sup> (Exhibit 10.8). For the Canada Emergency Response Benefit and the Canada Recovery Benefit, the more severe the health restrictions, the higher the number of recipients. However, as illustrated in the case of the Canada Recovery Benefit, we noted that, starting in June 2021, the number of recipients diminished less quickly with the lifting of restrictive public health measures, showing that individuals did not return to work.

<sup>3</sup> **Stringency index**—A measure of the severity of policies governments put in place to protect people against the transmission of COVID-19 (for example, school and workplace closures, stay-at-home requirements, and restrictions on travel) tracked over time throughout the country. A higher index score indicates a higher level of COVID-19-related restrictions on individuals and employers. Values shown for the stringency index are averages of the daily scores for the 2-week periods for the programs.

**Exhibit 10.8—The trend in the number of people receiving benefits aligned with the level of severity of COVID-19–related restrictions**



Note: The stringency index measures the severity of policies governments put in place to protect people against the transmission of COVID-19. A higher index score indicates a higher level of COVID-19–related restrictions on individuals and employers. Values shown for the stringency index are averages of the daily scores for the 2-week periods for the programs.

Source: Stringency index—Bank of Canada; number of recipients based on data provided by the Canada Revenue Agency and Employment and Social Development Canada

10.42 With regard to COVID-19 support for employers, we also found that the Canada Emergency Wage Subsidy went to sectors in need. Employers and sectors that suffered the biggest employment decline from the introduction of the lockdowns used the Canada Emergency Wage Subsidy the most. About 36% of all active employer businesses

received the subsidy. According to Statistics Canada, the top 3 industries that received the subsidy as at June 2021 were

- accommodation and food services (66% of businesses in this industry)
- arts, entertainment, and recreation (56% of businesses in this industry)
- manufacturing (55% of businesses in this industry)

### **Unclear impact on business resilience**

10.43 According to Statistics Canada data released in June 2022, the number of active businesses went back to the pre-pandemic level in October 2021. However, the influence of the Canada Emergency Wage Subsidy in this resilience is unclear because the businesses that existed pre-pandemic were different from the businesses that existed as of October 2021.

10.44 Statistics Canada also reported that there were fewer business closures for those businesses that received the Canada Emergency Wage Subsidy. Among the businesses that received the subsidy, 10.3% of them closed by February 2022 compared to 32.8% of businesses that did not receive the subsidy. However, these closure patterns could not be interpreted as reflecting the impact of the Canada Emergency Wage Subsidy because pre-existing and other emergency support government programs were running at the same time to support businesses through the pandemic. Therefore, we could not conclude on the impact of the subsidy on business resilience.

### **Missing data for assessment of Canada Emergency Wage Subsidy effectiveness**

10.45 We found that the Canada Revenue Agency did not have the data needed to measure the effectiveness of the Canada Emergency Wage Subsidy. For example, the application form did not require employees' social insurance numbers. These employees were supposed to be the ultimate beneficiaries of this program through their employers. Without data, we could not accurately determine

- the exact number of employees who benefited from this program
- whether employees remained working for the same employers, changed to another employer, or moved to work in another sector
- the exact number of employees who were rehired (as the program aimed to encourage employers to rehire workers who were laid off as a result of the pandemic)

10.46 Sound management of public funds requires that data collection and analysis be a key aspect of program administration. In our view, this missing data highlights a broader issue of missed opportunities to assess the effectiveness of programs, in this case the Canada Emergency Wage Subsidy.

10.47 **Recommendation.** In the administration of future programs, the Canada Revenue Agency should engage with its partners, such as Statistics Canada and relevant departments, to ensure it collects pertinent data from applicants to better monitor and measure the effectiveness and outcomes of programs.

**The agency's response.** *Agreed.*

See **Recommendations and Responses** at the end of this report for detailed responses.

## Employment and Social Development Canada adjusted benefit programs to try to address disincentives to work

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### What we found

10.48 We found that the government was aware from the onset of the pandemic that the introduction of COVID-19 benefits to individuals would create a disincentive to work for some recipients. Employment and Social Development Canada announced changes to the Canada Emergency Response Benefit program to counter the disincentive.

10.49 We also found that some lower-income recipients of the benefits replaced their previous annual earning by more than 100% using the Canada Emergency Response Benefit and by 119% by staying on the Canada Recovery Benefit for all periods. The government assessed the impact and took steps to mitigate these issues. These included introducing incentives to get more people working, especially when the economy was reopening.

10.50 The analysis supporting this finding discusses the following topic:

- Benefits' disincentive to work

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### Why this finding matters

10.51 This finding matters because, at a time when businesses needed employees, some employees had more income by receiving the COVID-19 benefits than they would have had by rejoining the workforce.

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**Analysis to support this finding****Benefits' disincentive to work**

10.52 We found that Employment and Social Development Canada did an analysis in June 2020 on the impact of the Canada Emergency Response Benefit on the labour market and made changes to the program. Early on in the pandemic, employers in some sectors were having difficulty finding workers, which was confirmed in the department's analysis that the Canada Emergency Response Benefit had created a disincentive to work. This benefit was developed to encourage people to stay at home while public health restrictions were in place. The program as initially administered did not allow recipients to have other earnings while receiving benefits. In mid-April 2020, the department and agency began administering the program so as to allow workers to earn a maximum of \$1,000 while still being eligible to receive benefits if they met other program eligibility criteria.

10.53 We looked at the department's analysis of challenges to the labour market created by the benefits programs. The department's analysis showed the following:

- Individuals in the lower income brackets—earning less than \$500 per week—represented the largest number of applicants to the Canada Emergency Response Benefit.
- The amount of benefit they received could impact their return to work since they could receive an equal or greater income without working.

10.54 The department's analysis also determined that people whose pre-pandemic weekly earnings were \$500 or less represented 44% of individuals that lost their employment between February and April 2020. However, between April and May 2020, only 11% of people earning \$500 or less returned to work. In our view, the department's analysis showed that the Canada Emergency Response Benefit created a disincentive to go back to work, especially for more than one third of applicants who earned less than \$500 per week. For them, the Canada Emergency Response Benefit represented more than 100% of income replacement. This may explain why approximately 2 million people stayed on the benefits for all 7 periods for a total of 28 weeks.

10.55 The Canada Emergency Response Benefit ended in October 2020. The Canada Recovery Benefit succeeded that program for Canadians without Employment Insurance insurable hours. It had the same benefit amount as the Canada Emergency Response Benefit but did not necessarily limit earnings to \$1,000. The Canada Recovery Benefit could be collected for a maximum of 54 weeks. For applications for a benefit period beginning before 18 July 2021, the maximum benefit was \$500 per week for the first 42 weeks. After this, and as a means to

encourage people to return to work, the benefit amount was reduced to \$300 per week. These changes applied to new claimants for a benefit period beginning on or after 18 July 2021.

10.56 As with the Canada Emergency Response Benefit, we found that the lowest-income recipients of the Canada Recovery Benefit could earn more from receiving the benefit than from working. Low-income earners (with gross earnings of \$20,000 or less per year) who received the recovery benefit for all periods (54 weeks) effectively replaced their annual income by 119%.

10.57 In our opinion, the ability for low-income individuals to earn more on the Canada Recovery Benefit represented a disincentive to work, which impacted some labour markets at a crucial time when the need for employees was trending upwards.

## Program delivery and controls

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### Context

10.58 The urgency of responding to the impacts of the pandemic meant that government programs that would normally have taken months or years to design and implement had to be operational within weeks. Although the original programs were expected to last only a few months, additional waves of the pandemic led to the government extending existing support programs and introducing new ones.

10.59 In our spring 2021 audits, Report 6—Canada Emergency Response Benefit and Report 7—Canada Emergency Wage Subsidy, we found that the design of COVID-19 benefit programs relied on applicants attesting to eligibility and on some automated and manual pre-payment controls. This decision allowed for quicker processing times, which, in combination with the short turnaround time, also limited confirmation of eligibility.

10.60 The Canada Revenue Agency and Employment and Social Development Canada decided to put emphasis on verifying recipients' eligibility after payment to compensate for the initial limited rigour at the pre-payment stage. This approach is consistent with best practices promoted by the International Public Sector Fraud Forum and its principles for fraud control in emergency management.

## The trade-off between expediency and confirming eligibility resulted in payments to ineligible recipients

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### What we found

10.61 We found that Employment and Social Development Canada and the Canada Revenue Agency’s approach to limit pre-payment controls and rely on applicants’ attestations to expedite payments meant that a significant amount of payments were made to ineligible recipients or to recipients with high risk indicators of ineligibility for the programs. We found that the government made \$4.6 billion of overpayments to ineligible recipients. We also estimated that at least \$27.4 billion was paid to recipients that should be investigated further through **post-payment verification**<sup>4</sup> to confirm eligibility.

10.62 The analysis supporting this finding discusses the following topics:

- Limited pre-payment controls
- Limited performance standards and measures
- No real-time business revenue data
- No real-time payroll data

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### Why this finding matters

10.63 This finding matters because the benefit programs to individuals and employers were significant emergency measures that, in order to issue payments within days of receiving an application, relied upon the good faith of Canadians and Canadian employers.

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### Analysis to support this finding

#### Limited pre-payment controls

10.64 Despite the fact that the Canada Revenue Agency and Employment and Social Development Canada added some pre-payment controls over time, there were still eligibility criteria for each program for which no pre-payment controls were implemented. We found that \$4.6 billion was overpaid to ineligible recipients. We also estimated that at least \$27.4 billion was paid to recipients that have an indicator of ineligibility and should be investigated further.

10.65 In estimating this amount, we used information available up to March 2022. Much of that information was not available to the agency and department when the payments were issued because it either was not requested on the applications or was not readily available through income tax return information. For example, the \$5,000 income criterion

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<sup>4</sup> **Post-payment verification**—Confirmation of eligibility and accuracy after the benefit has been paid.

could be calculated using earnings from the 12 months prior to the application date. This information was not available to the agency and department unless they contacted the applicants, which would have hindered payment expediency. In addition, during the pandemic, the 2019 income tax return deadline was extended to June 2020, which further delayed the availability of some of the information. Therefore, in most instances, the available data we used in our assessment could not alone confirm ineligibility. In most cases, only post-payment verifications can establish ineligible amounts, as recipients will need to be contacted to provide additional information.

10.66 See Exhibit 10.9 for a summary of amounts paid to ineligible recipients and recipients that should be investigated further. The exhibit shows payments before individuals and employers repaid an estimated \$2.3 billion, as reported by the agency and the department.

10.67 We found that the agency added several pre-payment controls over the course of the COVID-19 benefit programs for individuals. For example, in July 2020, once most income tax information was available, the agency implemented a check to verify that applicants met the eligibility criterion of a minimum income threshold of \$5,000. If the criterion was not met, applicants were prevented from receiving benefits until they provided more information to prove eligibility. While the agency estimated that this pre-payment control prevented billions in benefit payments to ineligible recipients, we found that this control was ineffective for the following reasons:

- The agency did not request additional information from every identified applicant at risk of being ineligible as soon as they were identified, but did so over many months.
- The agency was limited to using the tax information available at the time, which alone could not confirm eligibility.

10.68 The agency stopped payments and requested additional information from over 544,000 applicants. Based on our analysis using 2019 to 2021 income tax information, we found an additional 366,000 recipients that were not identified by the agency and who did not appear to meet the income threshold of \$5,000. These should now be investigated further to confirm eligibility.

10.69 Regarding the Canada Emergency Wage Subsidy, we found that the agency made few additions or improvements to pre-payment controls to address risks of ineligible payments. This was to maintain the speed of processing applications. For example, prior to payment, the agency did no automated validation of the revenue decline submitted by applicants, which was an eligibility criterion. At a minimum, the agency could have compared the submitted revenue decline against historical goods and services tax/harmonized sales tax (GST/HST) data (even if only on a sample basis). Also, instructions given to pre-payment



reviewers were limited and relied on a reviewers' discretion in accepting or denying a claim. Multiple opportunities to improve pre-payment controls were available but not taken when

- the program was extended multiple times
- business intelligence tools were used in December 2020 to identify risks and select recipients for post-payment audits
- our 2021 audit of the Canada Emergency Wage Subsidy recommended that available information should be better used to improve controls

**Exhibit 10.9—Benefit and subsidy amounts paid to ineligible recipients or recipients that should be investigated further**

Benefit program and amounts paid to ineligible recipients or recipients that should be investigated further	Program requirement not met or at risk of not being met <sup>1</sup>	Total payment amount (in billions)
<p><b>Overpayments to ineligible recipients</b></p> <p>Individual benefit programs</p> <ul style="list-style-type: none"> <li>• \$3.1 billion paid to 1.8 million recipients</li> <li>• \$1.5 billion paid to 711,000 recipients</li> </ul>	<ul style="list-style-type: none"> <li>• Recipients received an advance lump-sum overpayment for EI-ERB<sup>2</sup></li> <li>• Recipients received more than 1 benefit per period</li> </ul>	<b>\$4.6</b>
<p><b>Payments that should be investigated further</b></p> <p>Individual benefit programs</p> <ul style="list-style-type: none"> <li>• \$8.3 billion paid to 627,000 recipients</li> <li>• \$3.8 billion paid to 1.4 million recipients</li> </ul> <p>Canada Emergency Wage Subsidy</p> <ul style="list-style-type: none"> <li>• \$15.5 billion paid to recipients that should be investigated further</li> </ul>	<ul style="list-style-type: none"> <li>• Recipients earned less than \$5,000</li> <li>• Recipients earned more than \$1,000 during a 4-week CERB period<sup>3</sup></li> <li>• Recipients showed insufficient revenue decline based on GST/HST filing data</li> </ul>	<b>\$27.4<sup>4</sup></b>
<b>Total</b>		<b>\$32</b>

<sup>1</sup> See Part 2 of this report for more information on assumptions made for each program to determine these amounts as well as information about additional payments to recipients that should be investigated further that are excluded from this exhibit.

<sup>2</sup> For the Employment Insurance Emergency Response Benefit (EI-ERB) program, the lump-sum payments issued to recipients were not related to program requirements, and Employment and Social Development Canada knew it would need to recover these overpayments.

<sup>3</sup> Program requirements are based on eligibility information as administered by Employment and Social Development Canada and the Canada Revenue Agency at the time of program delivery. CERB is the Canada Emergency Response Benefit

<sup>4</sup> Some payments have been identified as ineligible in more than 1 program requirement. Therefore, we adjusted our finding of \$27.4 billion so that duplicates were excluded.

10.70 In addition to the \$4.6 billion in overpayments and \$27.4 billion of payments that should be investigated further identified in Exhibit 10.9, we found other limitations to pre-payment controls that suggest more payments and recipients should be further investigated. In our opinion, the \$27.4 billion is the minimum amount that should be investigated. Notably, the following examples were not included in the \$27.4 billion either because we could not quantify the amount or because the information had not been validated to confirm its reliability:

- For the Canada Emergency Response Benefit program, we identified 190,254 recipients who received \$1.6 billion in payments for which Employment and Social Development Canada has information indicating recipients quit their employment. This information needs to be verified, as quitting may have made them ineligible for benefits. (See additional information on the Canada Emergency Response Benefit program in Part 2 of this report.)
- For the Canada Emergency Wage Subsidy, as noted in our spring 2021 Report 7—Canada Emergency Wage Subsidy, a lack of detailed employee information (for example, not requiring social insurance numbers on application forms) prevented the Canada Revenue Agency from using a control that would have identified instances of businesses inaccurately reporting information about employees (number and remuneration) in their claim and employees who were also claiming individual benefits.

10.71 Our recommendation for this area of examination is in paragraph 10.101.

### **Limited performance standards and measures**

10.72 We found that Employment and Social Development Canada established performance standards by focusing solely on the speed of payment. For all programs for individuals audited, we found that payments were timely, usually within 4 days of the application being received. We also found that the Canada Revenue Agency provided input to the department regarding improving the administrative efficiency of the programs. However, the department's following performance indicators were, in our view, simply volume metrics:

- total number of unique applicants for the stated benefit
- total number of approved applications for the stated benefit
- total gross dollar value of the stated benefit

10.73 We found that the department did not develop other performance indicators to measure results related to the administrative efficiency, effectiveness, and outcomes of the programs.

### No real-time business revenue data

10.74 We found that the Canada Revenue Agency did not have timely and sufficient data in its systems to reliably assess the Canada Emergency Wage Subsidy eligibility criteria at the time of application. In the absence of real-time data, we found that the agency did not use the available GST/HST information to assess the eligibility criteria for demonstrating revenue decline.

10.75 GST/HST filing requirements are not in real time and may be submitted monthly, quarterly, or annually. This meant the agency could only do analyses after businesses submitted GST/HST returns, which was not in time to assess employers applying for the subsidy. After the subsidy ended, we analyzed the GST/HST return filings the agency received throughout 2020 and 2021. We estimated \$15.5 billion in benefits were paid to recipients whose GST/HST filings did not demonstrate a sufficient revenue decline to be eligible for the subsidy. A more definitive estimate of payments to ineligible recipients and amounts to be recovered by the government will be determined only after the agency has completed its post-payment verifications.

10.76 Other jurisdictions have implemented electronic invoicing and reporting to collect sales tax information in real time. In Spain, the tax administration receives real-time data on sales from certain businesses. In Quebec, the sharing of real-time sales data is being implemented on an industry-by-industry basis: for example, sales in the remunerated passenger transportation sector are submitted to Revenu Québec as they happen.

10.77 More broadly, real-time GST/HST reporting could also

- reduce the reporting burden on businesses
- reduce errors and improve compliance on tax assessments
- help in informing, designing, and assessing public policies

10.78 **Recommendation.** In order to improve the efficiency of the tax and programs administration and to follow good practices, the Canada Revenue Agency should assess the value of implementing a real-time business revenue data requirement.

**The agency's response.** *Agreed.*

See **Recommendations and Responses** at the end of this report for detailed responses.

### No real-time payroll data

10.79 We found that the Canada Revenue Agency and Employment and Social Development Canada did not have a modern real-time payroll data requirement for businesses. Real-time data could have been used

to assess program eligibility, calculate the benefit payment, and improve the overall efficiency of managing the COVID-19 programs as reported in the above section on limited pre-payment controls.

10.80 Other jurisdictions have implemented systems and reporting requirements to collect payroll information in a timely manner. We noted that the United Kingdom and Ireland used their real-time payroll data to help manage their COVID-19 benefits.

10.81 More broadly, real-time payroll data could also

- reduce the reporting burden on businesses
- reduce errors and improve compliance on tax assessments
- help provide benefits for citizens that can adapt more quickly to evolving situations (such as loss of employment)
- support the collection of timely data to better inform, design, and assess public policies
- help the government to more efficiently and accurately manage the benefits it provides to Canadians and Canadian businesses

10.82 We also noted that in 2017, the Employment Insurance Service Quality Review recommended that Employment and Social Development Canada engage with key stakeholders in the co-creation of a real-time payroll information-sharing solution. In the mandate letter to the Minister of National Revenue in 2019, the responsibility to implement a voluntary, real-time electronic payroll system with an initial focus on small businesses was transferred to the Canada Revenue Agency.

10.83 At the time of our audit, limited progress had been made. The agency planned to develop a business case in 2024 to request additional funding for a real-time e-payroll system. According to the agency's plan, the project was facing delays—for example, the period for official consultations was initially set to end in March 2022 but was extended to March 2023.

10.84 **Recommendation.** In order to improve its efficiency of delivering benefit programs, the Canada Revenue Agency, with the collaboration of Employment and Social Development Canada, should pursue the development and implementation of a real-time payroll system with clear timelines and deliverables.

**The agency's response.** *Agreed.*

See **Recommendations and Responses** at the end of this report for detailed responses.

## Post-payment verification and collection

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### Context

10.85 The COVID-19 benefit program design required Employment and Social Development Canada and the Canada Revenue Agency to rely on personal attestations and minimal controls to confirm eligibility before issuing benefit payments. This meant that verifying eligibility after payment became very important. As a result, the department and agency developed plans to verify the eligibility of approved recipients.

10.86 According to legislation, for most COVID-19 benefit programs, verifications of eligibility must be completed within 36 months after the benefits have been paid. If either the department or the agency suspects that recipients misrepresented information, then the verification time frame could be extended to a maximum of 72 months. To illustrate, for a payment issued in October 2020, in the absence of misrepresentation and other specific circumstances that could extend the timeline, the last possible date to conduct a post-payment verification is October 2023.

10.87 In 2020, for some of the COVID-19 individual benefit programs, the department identified eligibility criteria that would not be investigated due to the subjective nature of the criteria, the difficulty of proving eligibility after the fact, and the undue burden investigation could create. Examples of eligibility criteria where no post-payment verification would be performed are if a recipient

- was caring for ill family members or in self-isolation due to COVID-19
- stopped working due to school closures or daycare closures, or voluntarily due to COVID-19

### Employment and Social Development Canada and the Canada Revenue Agency were planning to do few post-payment verifications

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#### What we found

10.88 We found that Employment and Social Development Canada's and the Canada Revenue Agency's plans for verifying eligibility of recipients of benefits after payments for individual programs were incomplete. These plans did not include post-payment verification of all the overpayments or payments to recipients that either were ineligible or should be investigated further to verify eligibility.

10.89 In addition, the department's and agency's plans were not aligned with the early decision to focus on verifying eligibility after payment, given the low number of post-payment verifications to be performed. We also found that, as the COVID-19 pandemic evolved, the

department and agency delayed their post-payment verifications of recipients' eligibility. As a result, the department and agency are at risk of not completing planned post-payment verifications within the legislated time frames.

10.90 We also found that for benefits to individuals, both the department and the agency were delayed in conducting post-payment verifications and notifying recipients because of the need for legislative changes.

10.91 The analysis supporting these findings discusses the following topics:

**Benefits for individuals:**

- Incomplete post-payment verification plans and delays in conducting verifications for individuals
- Low percentage of post-payment verifications to be performed on programs for individuals

**Benefits for employers:**

- Risk that post-payment verification will not be completed within the legislated time frame

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**Why this finding matters**

10.92 This finding matters because the government needs strong post-payment verifications to mitigate the risks created by the limited pre-payment controls. Post-payment verifications are also important because they are the means through which the government will confirm whether recipients were eligible for the payments and will identify the amounts to recupere.

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**Analysis to support this finding**

**Incomplete post-payment verification plans and delays in conducting verifications for individuals**

10.93 In our spring 2021 Report 6—Canada Emergency Response Benefit, we recommended that Employment and Social Development Canada and the Canada Revenue Agency finalize and implement their post-verification plans for the benefit. At the time of the audit, we found that this recommendation was not fully addressed, as both organizations' post-payment verification plans were incomplete. For example, the following were not included in the plan:

- The agency had identified more than 375,000 recipients for follow-up because they did not respond to a request for further information regarding their eligibility.

- The department had identified more than 1.8 million recipients of Employment Insurance Emergency Response Benefit lump-sum payments to be recovered.

10.94 We also found that for COVID-19 benefit programs for individuals, the agency and the department started post-payment verification of applicants' eligibility later than stated in the timelines of their initial plans. The following are examples:

- The agency was delayed in notifying individuals who received more than 1 benefit during a benefit period because it was waiting for legislative amendments. The amendments, which were passed in June 2022 as part of the *Budget Implementation Act, 2022, No. 1*, determined how amounts owed were to be calculated for overpayments for this group of recipients. We also found that the follow-up on these overpayments had not been included in the department's and agency's post-payment verification plans.
- The department's initial plan for post-payment verifications for the Employment Insurance Emergency Response Benefit was scheduled to review 44,920 cases in 2021–22. However, the post-payment verifications only started in 2022–23.

10.95 Such delays mean that the department and the agency will face significant challenges completing all of their verifications before the expiry of the legislated time frames for most of the individual benefits. Given that payments for some of the individual benefit programs started in spring 2020, and considering the delays in starting post-payment verifications, there is limited time left to conduct post-payment verifications of cases that do not represent suspected fraud or misrepresentation. Even for cases of fraud or misrepresentation, for which the timeline is extended to 72 months, a significant amount of time has already elapsed and both the department and the agency have just started the post-payment verifications.

### **Low percentage of post-payment verifications to be performed on programs for individuals**

10.96 Based on the information obtained during the audit and the agency's current plans, we estimated that approximately 12% of individuals who received a benefit would be selected for post-payment verification. In addition, the agency identified \$1.5 billion in payments to recipients that received more than 1 benefit for the same period. The agency planned to notify all of these recipients.

10.97 We noted that the Canada Revenue Agency started post-payment verification work on 1 specific criterion for the Canada Emergency Response Benefit in January 2022 using data available from their Business Intelligence Division. The agency identified over 2.1 million recipients that potentially did not meet this eligibility criterion. However, according to the post-payment verification plan dated

April 2022, only 150,000 recipients of these 2.1 million recipients (or 7%) would be selected for verification. As of 12 May 2022, the agency had contacted around 104,000 recipients requesting additional information but had to pause this work due to a recent decision of an appeal by an Employment Insurance Emergency Response Benefit recipient. This highlighted the need for analysis of the alignment of post-payment verification activities related to the Canada Emergency Response Benefit and the Employment Insurance Emergency Response Benefit. An additional 150,000 verifications are planned at a later date, across all benefit programs for individuals. However, few details on those additional verifications, such as the criteria to be verified, were included in the agency's plan.

10.98 For Employment and Social Development Canada, we estimated that around 4% of individuals who received a benefit would be selected for post-payment verification. The department made Employment Insurance Emergency Response Benefit payments to a total of 3.7 million recipients. We found that the department's most recent post-payment verification plan included verifying approximately 130,000 of these recipients. In addition, the department identified \$3.1 billion in Employment Insurance Emergency Response Benefit lump-sum payments. The department planned to notify all recipients of these payments.

10.99 In our opinion, the department and agency had not adopted a rigorous and comprehensive approach to post-payment verifications considering the limited pre-payment controls and the decision made at the onset of these programs to focus on verifying eligibility of recipients after payment. We believe that the low number of post-payment verifications planned was insufficient to address all payments at risk of being ineligible. Given the limited pre-payment controls in place, we expected the department and the agency to conduct extensive and comprehensive post-payment verifications.

10.100 According to the International Public Sector Fraud Forum, given the limited ability to implement pre-payment controls in an emergency situation, it is important that verifications following payment are carried out to uphold the stewardship of public funds. In addition, considering the Treasury Board's policy on financial management, organizations should follow up and recover payments made in error. Therefore, we are of the view that all cases identified as representing a risk of not meeting program criteria must be followed up and verified for fairness to all recipients and Canadians.

10.101 **Recommendation.** The Canada Revenue Agency and Employment and Social Development Canada should

- update their post-payment verification plans to include all activities to identify payments to ineligible recipients of COVID-19 benefit programs, taking into account the legislated time frames



- increase the extent of post-payment verifications for COVID-19 benefit programs for individuals to include all cases identified as being at risk of being ineligible

***The agency and department's response.*** *Partially agreed.*

See **Recommendations and Responses** at the end of this report for detailed responses.

**Risk that post-payment verification will not be completed within the legislated time frame**

10.102 While the post-payment verifications for the Canada Emergency Wage Subsidy started in August 2020, we found that the agency is at risk of not being able to complete all the planned post-payment verifications. This is because of their complexity, as well as the significant amount of time and effort required to conduct them. Subject to exceptions, the agency normally has 36 or 48 months, depending on the type of recipient, to complete the verifications. See Exhibit 10.10 for the status of post-payment verifications for the Canada Emergency Wage Subsidy.

**Exhibit 10.10—Status of post-payment verifications for the Canada Emergency Wage Subsidy**

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The Canada Revenue Agency began the process of verifying the eligibility of recipients of the Canada Emergency Wage Subsidy in August 2020.

In phase 1 of its post-payment verification plan, the agency selected a total of 730 audits with \$1.5 billion in subsidies paid from eligibility periods 1 to 4. Employers to be verified were selected in several ways: through data analytics, manual identification during pre-payment controls, and random selection. This phase included a limited sample number in order to gain insights and develop a more thorough audit program for the next phase.

Phase 2 verifications began in May 2021. Audits were selected based almost entirely on data analytics (using risk indicators identified in phase 1) and manual identification during pre-payment controls. A total of 2,770 audits with \$10.7 billion in subsidies paid were selected for phase 2 verifications.

As of May 2022, 712 (98%) of phase 1 verifications had been completed. Of completed verifications, 42% resulted in adjustments totalling \$81.5 million (6% of the amounts audited). Phase 1 verifications took an average of 341 days to complete. Given the complexity of some audits, 18 were still in progress for phase 1.

As of May 2022, only 487 (18%) phase 2 verifications had been completed, while 49% were in progress and 33% were not started. Of the completed verifications, 61% resulted in adjustments totalling \$40 million (13% of the amounts audited). Phase 2 verifications took an average of 195 days to complete.

The agency is planning to conduct an additional phase of verifications depending on the outcomes of current phases and the availability of resources. Considering the above, the agency is at risk of not completing phase 2 and any additional phase within the time frames referred to in paragraph 10.102.

While the number of employers selected for verification in the first 2 phases totalled approximately 0.8% of the unique recipients, the value of subsidies being verified represented about 12% of the value of Canada Emergency Wage Subsidy paid.

(See Part 2 of this report for a breakdown of Canada Emergency Wage Subsidy recipients and verifications by business size.)

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## The Canada Revenue Agency performed limited collection activities on COVID-19 programs

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### What we found

10.103 We found that because of the delays in post-payment verification work, the Canada Revenue Agency's collection activities were at the early stages for the COVID-19 programs we audited. The agency had sent few notices of amounts owed, with the exception of notices to recipients of lump-sum advance payments, which were sent by Employment and Social Development Canada. We also found that once notifications were sent, the agency's collection activities were limited to answering incoming calls from individual recipients or employers. For benefits to individuals, the information the department and the agency provided showed that approximately \$2.3 billion of ineligible payments have been repaid: \$1.35 billion as of July 2022 for Employment and Social Development Canada, and \$925 million as of June 2022 for the Canada Revenue Agency. We were unable to audit the amounts the agency received from individuals and businesses for each of the COVID-19 programs under audit because the agency could not provide detailed and disaggregated reporting data.

10.104 At the time of the audit, we found that it was too early to assess with certainty the unrecoverable amounts related to the COVID-19 programs we audited given the limited number of post-payment verifications and collection activities completed.

10.105 The analysis supporting this finding discusses the following topics:

- Few cases in collection for most COVID-19 benefit programs
- Unrecoverable amounts

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### Why this finding matters

10.106 This finding matters because undertaking collection activities quickly will increase the chances of repayment and maximize the recovery of overpayments and amounts paid to ineligible recipients. This, in turn, will reduce the government's loss of public funds.

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### Context

10.107 When a post-payment verification is completed and results in an amount to be repaid to the government, Employment and Social Development Canada and the Canada Revenue Agency send notices to advise the recipient of the amount to be repaid. Collection efforts can then begin. The agency is responsible for collecting overpayments and ineligible payments of COVID-19 benefits to individuals and employers.

10.108 The agency told us that its COVID-19 collections approach is to be empathetic and client-focused and to provide flexible payment arrangements. The agency has different levels of collection actions:

- COVID-19 payments in collection are first given to the agency's debt management call centre to give individuals time to proactively pay their amounts owed. The call centre receives and makes calls, sends reminders to individuals and businesses, and makes payment arrangements.
- If individuals do not repay their amount owed in full or do not contact the agency call centre to make a payment arrangement within 90 days of the notice date, the agency can move to enforcement actions. Examples of enforcement actions include garnishing wages and bank accounts, putting liens on personal property, and seizing and selling assets.

10.109 For most of the COVID-19 benefit programs, the timeline to collect an amount owed has been established in legislation at 6 years from the date the notice is issued to the recipient of the amount owed or when the debt became payable.

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**Analysis to support  
this finding**

**Few cases in collection for most COVID-19 benefit programs**

10.110 We found that the delayed and slow progress of post-payment verifications for most COVID-19 benefit programs limited the collection work that could be done.

10.111 At the time of the audit, the agency's collection activities for the individual benefit programs were limited to responding to calls received from recipients wanting to repay or make payment arrangements for COVID-19 amounts owed. We found that no other collection actions occurred because very few notices were sent to recipients, with the exception of Employment Insurance Emergency Response Benefit lump-sum advance payments, for which all notices had been sent to individuals.

10.112 For benefits to individuals, approximately \$2.3 billion of COVID-19 benefit overpayments had been repaid by recipients. This amount is composed of repayments of \$1.35 billion as of July 2022 for Employment and Social Development Canada and of \$925 million as of June 2022 for the Canada Revenue Agency. We were unable to confirm the amounts the agency received from individuals and businesses for each of the COVID-19 programs under audit because of a lack of detailed and disaggregated reporting data. For example, the capabilities of the agency's information technology system were limited and could not provide disaggregated information on amounts owed and amounts repaid for each benefit program.

10.113 We also found that the agency's information technology system did not have the capability to apply future government payments against a COVID-19 benefit amount owed by an individual, whereas the department's system had this functionality. For example, the agency could not apply income tax refunds or GST payments against the amounts owed. Such a tool would help to support efficient collection activities for high-volume, low-dollar value amounts. The agency told us that it expected its system would have this capability by fall 2022, but the current information provided did not have a specific time frame for implementing this new functionality. In our view, implementing this system function would increase the agency's ability to collect amounts owed by individuals for COVID-19 benefits.

10.114 **Recommendation.** To increase the recovery of COVID-19 amounts owed and reduce the administrative burden, the Canada Revenue Agency should, before the end of December 2022, put system functionalities in place to apply refunds against COVID-19 amounts owed.

*The agency's response. Agreed.*

See **Recommendations and Responses** at the end of this report for detailed responses.

10.115 **Recommendation.** To improve the usefulness of information and the transparency of COVID-19 reporting, the Canada Revenue Agency should improve its information collection and reporting capabilities to accurately report for each benefit program how much has been collected for each individual and business.

*The agency's response. Agreed.*

See **Recommendations and Responses** at the end of this report for detailed responses.

### **Unrecoverable amounts**

10.116 Our findings above highlight the importance of post-payment verifications and of sending notifications of amounts individuals and businesses owe the government as soon as possible so the collection process to recuperate amounts can start. During the collection process, situations may arise that limit recovery of amounts owed by businesses and individuals (for example, bankruptcies, inability to repay, inability to locate recipients, or potential fraudulent activities). During the audit, we were told that Employment and Social Development Canada and the Canada Revenue Agency had identified cases and referred some of them to law enforcement for investigation:

- As of June 2022, the department identified approximately 13,000 cases of identity theft in Employment Insurance Emergency Response Benefit payments worth \$7.9 million.

- As of July 2022, the agency identified more than 23,000 cases of identity theft in COVID-19 benefit payments for individuals worth \$131 million.
- As of September 2022, the agency and the department had identified employees that claimed COVID-19 benefits.
- As of June 2022, for the Canada Emergency Wage Subsidy, 36 referrals worth \$60 million were under criminal investigation for suspicious activities, and payments to 179 business accounts worth \$39 million were identified as amounts paid as a result of unauthorized access.

10.117 We did not carry out additional audit procedures on the cases identified above because they were being internally reviewed or were already referred to law enforcement for investigation.

10.118 When the agency and department have exhausted all avenues of collection, the amount still owed on cases that could not be collected will be reported either as **write-offs**<sup>5</sup> each year in the Government of Canada's consolidated financial statements, or in volume 3 of the **Public Accounts of Canada**<sup>6</sup> under loss of public money. At the time of our audit, the agency had not reported any write-off amount or loss of public money related to COVID-19 benefits. The department had reported \$9.7 million for 2020–21 and \$75,000 for 2021–22 as written-off, and had also reported \$7.6 million for 2021–22 in the public accounts as a loss of public money.

10.119 We found that it was too early to assess the total potential unrecoverable amounts related to COVID-19 programs that we audited given the limited number of post-payment verifications and collection activities completed. It will take many years to have an accurate and complete summary of unrecoverable amounts.

## Conclusion

10.120 We concluded that COVID-19 programs offered quick financial relief to individuals and employers. In this way, they prevented an increase in poverty and income inequalities and helped the economy bounce back from the effects of the pandemic.

10.121 Offering quick financial relief to individuals and employers, as requested by the government, was made possible by the early decision

<sup>5</sup> **Write-off**—Cancellation of an amount owed, removal from official records, and acknowledgement of the loss or failure to recover by reporting it in the financial statements.

<sup>6</sup> **Public Accounts of Canada**—The government's annual report, which includes the audited consolidated financial statements of the Government of Canada and other unaudited financial information, such as the financial statements discussion and analysis and supporting tables.

to rely on attestations and limited pre-payment controls. However, we found that this approach resulted in \$4.6 billion of overpayments made to ineligible recipients of benefits for individuals. We also estimated that this resulted in at least \$27.4 billion of payments that were made to individuals and employers that should be investigated further to verify eligibility. We concluded that the Canada Revenue Agency and Employment and Social Development Canada did not manage the selected COVID-19 programs efficiently given the significant amount paid to ineligible recipients, the limited adjustments as programs were extended, and the slow progress on post-payment verifications.

10.122 Finally, we concluded that the department and the agency were not performing a sufficient number of post-payment verifications to be able to identify payments made to ineligible recipients. While, the department and agency had received approximately \$2.3 billion in repayments, collection activities had only just begun and much work remains once post-payment verifications are completed. The actions taken by the department and the agency to identify and recover overpayments or payments made to ineligible recipients have not been timely. Significant unrecoverable amounts are likely to materialize.

## Part 2—Additional Information and Findings on Specific COVID-19 Programs

### A—Canada Emergency Response Benefit

#### Overview of the program

##### Objective

10.A.1 The purpose of the Canada Emergency Response Benefit was to support individuals who lost income as a result of the COVID-19 pandemic. That support was to

- help affected individuals meet their financial obligations
- allow individuals to stay home to help stop further spread of the virus
- reduce the disease’s toll on individuals and the health care system

10.A.2 Individuals could apply for the benefit either through the Canada Revenue Agency or through Employment and Social Development Canada. The applications for the benefit received by Employment and Social Development Canada were known as the Employment Insurance Emergency Response Benefit.

10.A.3 In this report, we refer to the combined Canada Emergency Response Benefit and Employment Insurance Emergency Response Benefit as the Canada Emergency Response Benefit, unless there is a need to distinguish between them.

##### Roles and responsibilities

10.A.4 Policy development and program design: Employment and Social Development Canada

10.A.5 Administration: Employment and Social Development Canada (Employment Insurance Emergency Response Benefit) and Canada Revenue Agency (Canada Emergency Response Benefit)

##### Period of availability of the benefit

10.A.6 From 15 March 2020 to 3 October 2020

**Support to recipient**

10.A.7 The support was as follows:

Gross amount per week:	\$500.00
Tax withholding at source:	None
Net amount per week:	\$500.00
Income tax impact:	<ul style="list-style-type: none"> <li>• Canada Emergency Response Benefit: taxable through T4A slip (RL-1 for Quebec residents)</li> <li>• Employment Insurance Emergency Response Benefit: taxable through T4E slip (T4E(Q) for Quebec residents)</li> </ul>
Interest on erroneous payments or overpayment:	None

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**Program delivery and controls**
**Eligibility conditions and pre-payment controls**

10.A.8 The pre-payment controls were different—both in type of control and in number of controls implemented—for the Employment Insurance Emergency Response Benefit and the Canada Emergency Response Benefit. As this was an emergency benefit, the program was designed to rely on applicants' attestation of eligibility, with limited pre-payment controls. This was to allow benefits to be paid to Canadians as quickly as possible. In addition, much of the information needed to put pre-payment controls in place, such as income tax information, was not available at the time payments were being issued.

10.A.9 Benefit applications were processed by either the agency or department using different information technology systems. Exhibit 10.A-1 summarizes the controls implemented for pre-validation of criteria for the Canada Emergency Response Benefit program. Some eligibility criteria were not verified through pre-payment controls, as shown in Exhibit 10.A-1. As with other COVID-19 programs, Employment and Social Development Canada and the Canada Revenue Agency decided to put the emphasis on post-payment verifications to confirm the eligibility of recipients.



### Exhibit 10.A-1—Summary of pre-payment controls for eligibility criteria for the Canada Emergency Response Benefit (CERB) and the Employment Insurance Emergency Response Benefit (EI-ERB)

Eligibility criteria <sup>1</sup>	CERB— Pre-payment control applied	EI-ERB— Pre-payment control applied
Is a resident in Canada	 <sup>2</sup>	 <sup>3</sup>
Is at least 15 years old at the time of application <sup>4</sup>		
Earned at least \$5,000 in the 12 months leading up to the application or in 2019 from 1 of the following sources: <ul style="list-style-type: none"> <li>• employment income</li> <li>• self-employment income</li> <li>• maternity and parental benefits from Employment Insurance or a provincial plan</li> </ul>	 <sup>5</sup>	
Did not quit or voluntarily cease their employment		
Is affected by the COVID-19 pandemic in 1 of the following ways: <ul style="list-style-type: none"> <li>• had work hours reduced because of the pandemic and, as of mid-April 2020, does not expect to receive more than \$1,000 over a period of at least 14 consecutive days during the 4-week period the application covers</li> <li>• stopped working because of the pandemic for at least 14 consecutive days within the 4-week period the application covers</li> <li>• is unable to work because of the pandemic, including because of the need to take care of a dependant</li> <li>• received regular Employment Insurance or fishing benefits for at least 1 week since 29 December 2019 and exhausted those benefits</li> </ul>		

 Yes     Partial     No

<sup>1</sup> This exhibit is intended to summarize some of the eligibility information as administered by Employment and Social Development Canada and the Canada Revenue Agency at the time of program delivery. The complete list of detailed criteria is included in the *Canada Emergency Response Benefit Act* and the *Employment Insurance Act*.

<sup>2</sup> Control was limited to restricting applicants without a social insurance number.

<sup>3</sup> Control was limited to redirecting applicants with selected types of social insurance numbers to contact Employment and Social Development Canada.

<sup>4</sup> This criterion was not required for all applicants for EI-ERB.

<sup>5</sup> Control was limited as discussed in paragraphs 10.67 and 10.68 in Part 1 of our report.

### Limited pre-payment controls

10.A.10 The following are additional examples supporting our finding of limited pre-payment controls. These examples of pre-payment controls that were added during the programs should be read with paragraphs 10.67 to 10.70 in Part 1 of our report.

10.A.11 **Finding.** We found that the Canada Revenue Agency and Employment and Social Development Canada added some pre-payment controls throughout the Canada Emergency Response Benefit program. Examples include the following:

- Days after the benefit program was launched, a pre-payment control was put in place to prevent applicants from receiving more than 1 benefit at the same time.
- In July 2020, the agency automatically stopped payments to applicants once they had reached the maximum number of periods allowable for the benefit.
- The agency and the department also increased pre-payment controls by stopping applications considered high risk or suspicious.

10.A.12 However, the department's and agency's systems did not track all the applications they automatically stopped. As a result, we could not determine the effectiveness or the number of applications stopped by these controls. We also noted that several payments were made to ineligible recipients despite those additional pre-payment controls.

10.A.13 **Finding.** Over the course of the program, the Canada Revenue Agency added a control related to the minimum \$5,000 earning criterion.

- Starting in July 2020, the agency stopped some applicants from receiving benefits who did not appear to meet the income eligibility criterion and asked them to provide additional information to confirm eligibility.
- In fall 2020, the agency reviewed benefit payments made and identified over 1 million recipients that did not appear to meet the income eligibility criterion. Instead of stopping these applicants from receiving benefits as soon as they were identified, the agency chose to contact approximately 440,000 of those individuals via letters to inform them of the program eligibility criteria. In our view, these 440,000 recipients, whom the agency estimated received \$5.8 billion in payments, should have stopped receiving payments as soon as they were identified. See our recommendation in Part 1 at paragraph 10.101.

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### Summary information

10.A.14 Exhibit 10.A-2 summarizes information about the Canada Emergency Response Benefit, including about payments, overpayments, and payments to ineligible recipients or to recipients that should be investigated further.

10.A.15 The payments identified in Exhibit 10.A-2 are based on the best information available to the Canada Revenue Agency and Employment and Social Development Canada as at 31 March 2022. Note that much of the information was not available to the department and agency when the payments were issued unless they contacted the applicants, which would have hindered payment expediency. This was because it was not requested on the applications and was not readily available through income tax return information. For example, the \$5,000 income criterion could be calculated using earnings from the 12 months prior to the application date. Additional information would be provided to the agency or department if requested as part of post-payment verification work.

#### Exhibit 10.A-2—Summary information for the Canada Emergency Response Benefit program

	Number of unique recipients (in millions)	Total amount (in billions)
Recipients who received a benefit payment and total amount paid as at 31 March 2022	8.5	\$74.8

	Days (average)
Amount of time between receipt of application and issuance of payment (for Canada Revenue Agency–managed program only)	3

Overpayments or payments to recipients that either were ineligible or should be investigated further <sup>1</sup> (as at 31 March 2022)		
Program requirement at risk of not being met	Number of unique recipients	Total amount (in billions)
Recipients earned less than \$5,000	562,540	\$5.2
Recipients received an advance lump-sum overpayment for the Employment Insurance Emergency Response Benefit	1,845,073	\$3.1
Recipients earned more than \$1,000 during a 4-week period <sup>2</sup>	1,414,835	\$3.8
Recipients received more than 1 benefit per period	655,066	\$1.4
<b>Total overpayments or payments to recipients that either were ineligible or should be investigated further</b>	<b>4,063,965<sup>3</sup></b>	<b>\$13.4<sup>3</sup></b>

<sup>1</sup> See paragraphs 10.A.16–10.A.22, which explain how we determined our findings of overpayments or payments to recipients that either were ineligible or should be investigated further. The results specific to the Canada Emergency Response Benefit are included in the overall findings from Part 1, Exhibit 10.9.

<sup>2</sup> Findings are based on eligibility information as administered by Employment and Social Development Canada and the Canada Revenue Agency at the time of program delivery.

<sup>3</sup> Some payments have been identified as ineligible in more than 1 program requirement. Therefore, we adjusted our findings to exclude duplicates.

Other instances of payments to recipients that should be investigated further <sup>1</sup> excluded from the total above (as at 31 March 2022)		
Program requirement at risk of not being met	Number of unique recipients	Total amount (in millions)
Recipients quit their employment	190,254	\$1,601
Recipients received duplicate benefit payment	692	\$4.6
Recipients were incarcerated for the entire benefit period	1,522	\$6.1
Recipients did not reside in Canada	704	\$3.3
Recipients were below 15 years old at the time of application <sup>2</sup>	434	\$2.2
Recipients were deceased	391	\$1.2

<sup>1</sup> See paragraphs 10.A.16–10.A.22, which explain how we determined our findings of payments to recipients that should be investigated further.

<sup>2</sup> All instances relate to payments made under the Employment Insurance Emergency Response Benefit.

Post-payment verifications and collections as at June 2022 for the agency and July 2022 for the department	Number of unique recipients	Total amount (in billions)
Amounts owed established following post-payment verification by the agency	Unable to confirm	Unable to confirm
Amounts owed established following post-payment verification by the department	Unable to confirm	\$3.2
Benefit payments in collection	0	0
Benefit repayments for the agency and department <sup>1</sup>	Unable to confirm	\$2.2

<sup>1</sup> Benefit repayments are unaudited—see paragraphs 10.A.27–10.A.28.

## Assumptions

10.A.16 Below we list some assumptions and provide further explanations on our findings of overpayments and payments to recipients of the Canada Emergency Response Benefit that either were ineligible or should be investigated further as summarized in Exhibit 10.A-2. Given the assumptions used in our analysis, the amounts reported in Exhibit 10.A-2 are the minimum amounts that should be investigated further through post-payment verifications.

### **Amount paid to recipients who earned less than \$5,000**

10.A.17 To be eligible for the Canada Emergency Response Benefit, most applicants had to have earned at least \$5,000 in the 12 months leading up to the application or in the 2019 calendar year. We performed an analysis and relied on personal income tax returns filed by individuals to assess if the eligibility criterion was met. We identified recipients as ineligible or at risk of being ineligible if their combined 2019 and 2020 earnings (gross earnings for self-employed) were below \$5,000. A less conservative approach would have been to use an average of the 2019 and 2020 earnings instead of combining them. This would have led to an increase in ineligible recipients being identified in our analysis.

### **Amount paid to recipients who received more than \$1,000 during a 4-week period**

10.A.18 As of mid-April 2020, Employment and Social Development Canada and the Canada Revenue Agency began to administer the program to permit Canada Emergency Response Benefit recipients to earn up to \$1,000 during a 4-week period and still receive a benefit payment. We performed our analysis in the same way that both the department and agency administered this eligibility criterion at the time of program delivery. In order to assess this eligibility criterion, we relied on the disaggregated income information employers were required to report on the employee's T4 for 2020. The reliability of the information included on the employee's T4 will be determined only once post-payment verification activities occur. Given that the additional information on the T4 combined 2 benefit periods, it is impossible to determine during which of the 2 periods the income was earned unless additional information is obtained from the recipient.

10.A.19 For example, income earned during benefit period 1 and period 2 were combined in the additional information reported on box 57 of the T4. For the purpose of our audit, we performed an analysis and made the presumption that all of the earnings in box 57 applied to period 1. As a result, we identified the period 1 payment as ineligible and the period 2 payment as eligible. A less conservative analysis would have been to assume that the earnings in box 57 were earned equally between benefit periods 1 and 2 and to deem both payments as ineligible. This would have increased payments to ineligible recipients to \$6.8 billion. The results of the more conservative approach have been shown in Exhibit 10.A-2.

### **Amount paid to recipients who quit their employment**

10.A.20 In order to apply for a benefit, applicants had to attest that they had not quit their employment. To expedite payments, applicants were not required to submit a record of employment (ROE) to receive

the Canada Emergency Response Benefit, as is typically the case when receiving regular Employment Insurance benefits. Employees whose ROE includes their status as having quit are usually unable to receive Employment Insurance benefits unless Employment and Social Development Canada performs validation activities to determine that benefits should be paid to them. Employers continued to submit ROEs to the department as required.

10.A.21 For the purpose of our work, we considered the information about ROEs to be an indicator of risk and payments that should be investigated further given that this information has not been validated to confirm its reliability. The department collects the ROE information to manage regular Employment Insurance benefits. At the time of our audit the department had not shared this information with the agency.

#### **Amount paid to recipients who did not reside in Canada**

10.A.22 Applicants had to attest that they resided in Canada to be eligible for the benefit. We identified recipients who had both their home and their mailing addresses on record at the Canada Revenue Agency as being outside of Canada. We considered them as recipients of payments that should be investigated further to confirm eligibility.

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#### **Post-payment verifications and collection**

#### **Incomplete post-payment verification plans and delays in conducting verifications for individuals**

10.A.23 **Finding.** We found, as noted in Part 1 of this report, that Employment and Social Development Canada's and the Canada Revenue Agency's post-payment verification plans were incomplete. The plans did not include all the post-payment verification work. In addition, the department and agency delayed their post-payment verifications.

10.A.24 We found that Employment and Social Development Canada's post-payment verifications for the Employment Insurance Emergency Response Benefit, initially planned to start in November 2021, were delayed. The initial post-payment verification plan, dated January 2021, covered a period of 4 years starting in 2021–22 and a total of 157,000 verifications. The revised version of the plan included fewer than 130,000 verifications starting in 2022–23 to be completed by 2024–25. Issuance of post-payment verification letters started in May 2022. As of August 2022, the department had no results to report on its post-payment verifications.

10.A.25 We found that the Canada Revenue Agency's post-payment verification plan dated April 2022 focused mostly on the Canada Emergency Response Benefit. It included 3 phases of review and a total

of 300,000 cases to be reviewed for all COVID-19 benefit programs for individuals. After multiple delays, the agency started phase 1 of its post-payment verification work for the Canada Emergency Response Benefit in January 2022, using its Business Intelligence Division and available data. We found that this work permitted the agency to identify over 2.1 million cases where individuals had potentially received more than \$1,000 in employment and/or self-employment income during the benefit period and could potentially be ineligible. From the 2.1 million cases identified, the agency contacted only around 104,000 recipients and asked them to provide additional information to confirm eligibility. Only 10,743 (10.3%) replies were received by the agency as of 12 May 2022.

10.A.26 In addition, as of August 2022, post-payment verification work was ongoing related to individuals who were stopped from receiving any further benefits and were asked by the agency to provide additional information. For example, 475,495 individuals who received \$5 billion in Canada Emergency Response Benefit payments were requested to provide additional information to confirm that they met the \$5,000 income threshold. The agency told us that it would complete any remaining verifications as part of its post-payment verification work. While the agency intended to perform post-payment verifications on those payments, this work had not been included in its post-payment verification plan.

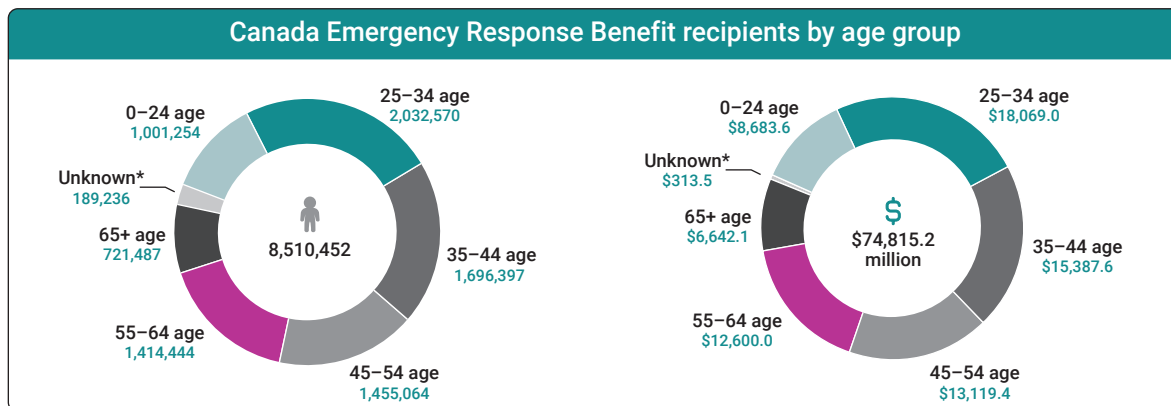
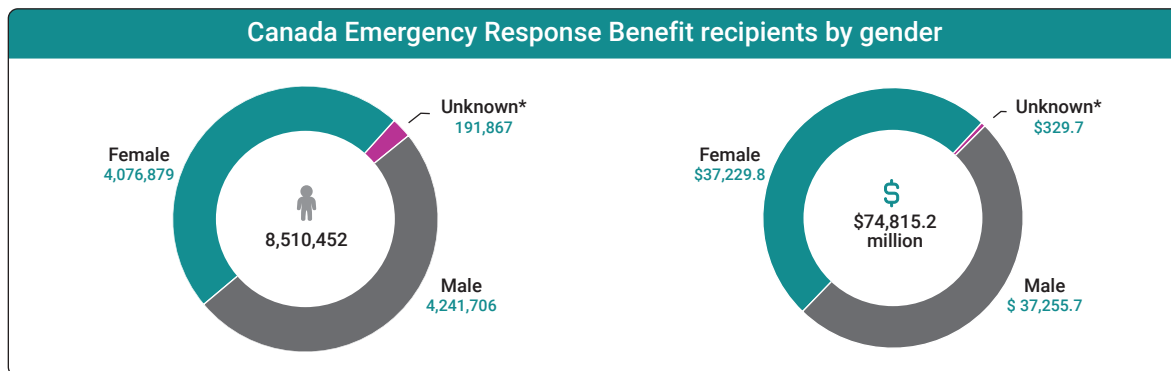
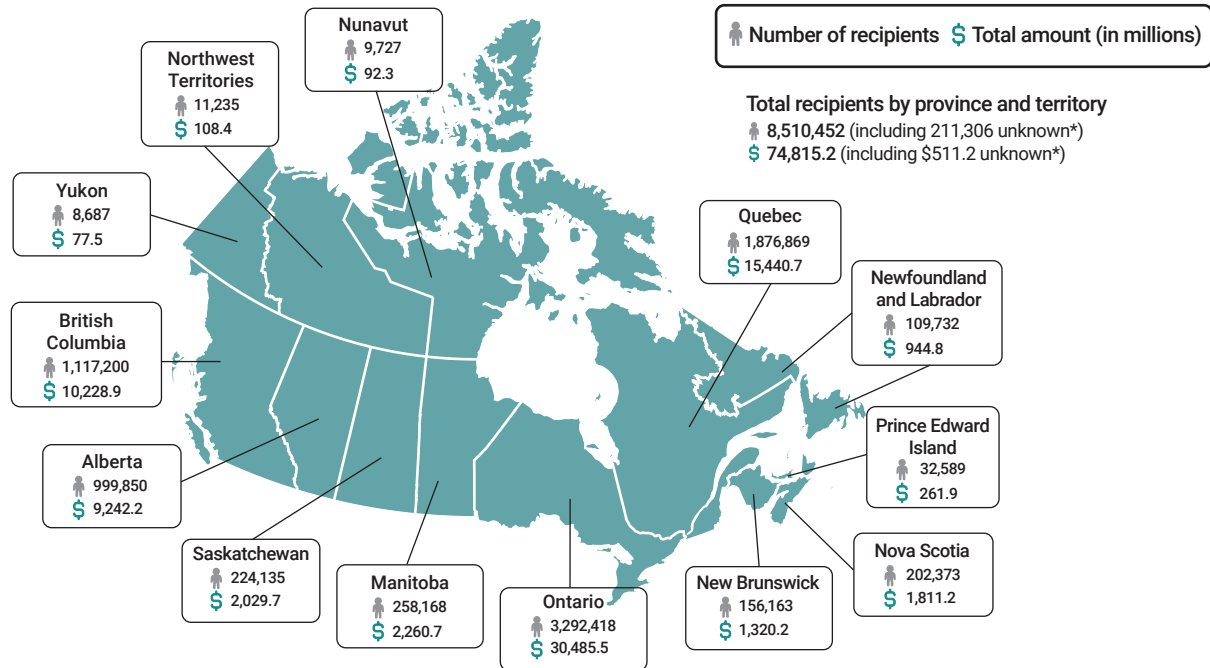
#### **Collection work status**

10.A.27 Collection activities had not started on Canada Emergency Response Benefit payments as of July 2022. The agency and department respectively reported repayments of benefits of approximately \$2.2 billion composed of \$1.3 billion as of July 2022 for Employment and Social Development Canada, and \$900 million as of June 2022 for the Canada Revenue Agency. We were unable to confirm the amounts the agency received from individuals for each of the COVID-19 programs under audit because of a lack of detailed and disaggregated reporting data. For example, the agency told us that over 25,000 notices, totalling over \$71 million, were issued as of July 2022, but those numbers included the Canada Emergency Response Benefit and other amounts owed that were not part of this audit. See our recommendation in Part 1 at paragraph 10.115.

10.A.28 Similarly, while there is \$3.2 billion of amounts owing following post-payment verifications (identified in Exhibit 10.A-2), we were unable to confirm when the agency and department sent notifications to recipients because of a lack of detailed and reliable reporting.

Demographic information

Exhibit 10.A-3—Demographic information about recipients of the Canada Emergency Response Benefit as at 31 March 2022



\* Unknown means that gender, age, or province of residence was either missing or not specified in the information provided by the Canada Revenue Agency.

Note: Dollars in the exhibit are rounded.

Source: Data provided by the Canada Revenue Agency and Employment and Social Development Canada



## B—Canada Recovery Benefit

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### Overview of the program

#### Objective

10.B.1 The Canada Recovery Benefit succeeded the Canada Emergency Response Benefit and gave income support to employed and self-employed individuals who were directly affected by COVID-19 and were not entitled to Employment Insurance benefits.

#### Roles and responsibilities

10.B.2 Policy development and program design: Employment and Social Development Canada

10.B.3 Administration: Canada Revenue Agency

#### Period of availability of the benefit

10.B.4 From 27 September 2020 to 23 October 2021

#### Support to recipient

10.B.5 The support was as follows:

Gross amount per week:	\$500.00, reduced to \$300.00 for individuals who received payments for a total of 42 weeks or applied for the first time for a benefit period beginning on or after 18 July 2021
Tax withholding at source:	10% (\$50.00 or \$30.00)
Net amount per week:	\$450.00 or \$270.00
Income tax impact:	Taxable through T4A slip (RL-1 for Quebec residents)
Interest on erroneous payments or overpayment:	None

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### Program delivery and controls

#### Eligibility conditions and pre-payment controls

10.B.6 For the Canada Recovery Benefit, several eligibility criteria were not verified through pre-payment controls, as summarized in Exhibit 10.B-1. The program was designed to rely on applicants' attestation of eligibility, with limited pre-payment controls. This was to

allow benefits to be paid to Canadians as quickly as possible. In addition, much of the information that was needed to put pre-payment controls in place was not available at the time payments were being issued. As with other COVID-19 programs, the emphasis would be put on post-payment verification to confirm the eligibility of recipients.

### Exhibit 10.B-1—Summary of pre-payment controls for eligibility criteria for the Canada Recovery Benefit

Eligibility criteria <sup>1</sup>	Pre-payment control applied
Has a valid social insurance number	
Is a resident in Canada	 <sup>2</sup>
Is present in Canada	
Is at least 15 years old on the first day of the benefit period	
Earned at least \$5,000 in the 12 months leading up to the application or in 2019 or 2020 (depending on the timing of the application) from 1 of the following sources: <ul style="list-style-type: none"> <li>• employment income</li> <li>• self-employment income</li> <li>• maternity and parental benefits from Employment Insurance or a provincial plan, or regular or special benefits from Employment Insurance if the claim began on or after 27 September 2020</li> </ul>	 <sup>3</sup>
Is not receiving benefits under other programs	
Is not required to isolate as a result of travel	
Has met all conditions related to quitting or voluntarily ceasing to work	
Filed a tax return <sup>4</sup>	
Experienced a reduction of at least 50% of average weekly employment or self-employment income during the period covered by the application	

 Yes     Partial     No

<sup>1</sup> This exhibit is intended to summarize some of the eligibility information as administered by the Canada Revenue Agency at the time of program delivery. The complete list of detailed criteria is included in the *Canada Recovery Benefits Act*.

<sup>2</sup> Control was limited to restricting applicants without a social insurance number.

<sup>3</sup> Control was limited as discussed in paragraphs 10.67 and 10.68 in Part 1 of our report.

<sup>4</sup> Filing of a tax return was required for some applicants starting in July 2021.

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**Summary information**

10.B.7 Exhibit 10.B-2 summarizes information about the Canada Recovery Benefit regarding payments to recipients that either were ineligible or should be investigated further.

10.B.8 The payments identified in Exhibit 10.B-2 are based on the best information available to the Canada Revenue Agency as at 31 March 2022. We noted that much of the information was not available to the agency when the payments were issued unless the agency contacted the applicants, which would have hindered payment expediency. This was because the information was not requested on the applications and was not readily available through income tax return information. For example, the \$5,000 income criterion could be calculated using earnings from the 12 months prior to the application date. Additional information would be provided to the agency if requested as part of post-payment verification work.

**Exhibit 10.B-2—Summary information for the Canada Recovery Benefit**

	Number of unique recipients (in millions)	Total amount net of taxes (in billions)
Recipients who received a benefit payment and total amount paid as at 31 March 2022	2.3	\$25.6

	Days (average)
Amount of time between receipt of application and issuance of payment	4

Payments to recipients that either were ineligible or should be investigated further <sup>1</sup> (as at 31 March 2022)		
Program requirement at risk of not being met	Number of unique recipients	Total amount net of taxes (in millions)
Recipients earned less than \$5,000	194,558	\$2,147
Recipients received more than 1 benefit per period	68,095	\$88
<b>Total payments to recipients who were either ineligible or should be investigated further</b>	<b>259,5022</b>	<b>2,231<sup>2</sup></b>

<sup>1</sup> See paragraphs 10.B.9–10.B.13, which explain how we determined our findings of payments to recipients that either were ineligible or should be investigated further. The results specific to the Canada Recovery Benefit are included in the overall findings from Part 1, Exhibit 10.9.

<sup>2</sup> Some payments have been identified as ineligible in more than 1 program requirement. Therefore, we adjusted our finding to exclude duplicates.

Other instances of payments to recipients that should be investigated further <sup>1</sup> excluded from the total above (as at 31 March 2022)		
Program requirement at risk of not being met	Number of unique recipients	Total amount net of taxes
Recipients were below age 15 on the first day of the benefit period	0	0
Recipients were not present in Canada	85	\$368,100
Recipients quit their employment	64,922	\$563,419,170
Recipient were incarcerated for the entire benefit period	384	\$640,980
Recipients were deceased	141	\$360,810
Recipients received duplicate benefit payment	1,661	\$4,003,740
Recipients failed to file a tax return	0	0

<sup>1</sup> See paragraphs 10.B.9–10.B.13, which explain how we determined our findings of payments to recipients that should be investigated further.

Post-payment verifications and collections as at June 2022	Number of unique recipients	Total amount
Amounts owed established following post-payment verifications	Unable to confirm	Unable to confirm
Benefit payments in collection	0	0
Benefit repayments <sup>1</sup>	Unable to confirm	\$44,685,717

<sup>1</sup> Amounts of benefit repayments were provided by the Canada Revenue Agency but could not be audited because of a lack of detailed and disaggregated reporting data. See our finding in Part 1, paragraph 10.112.

## Assumptions

10.B.9 Below we list some assumptions and provide further explanations on our findings of payments to recipients of the Canada Recovery Benefit that either were ineligible or should be investigated further, as summarized in Exhibit 10.B-2. Given the assumptions used in our analysis, the amounts reported in Exhibit 10.B-2 are the minimum amounts that should be investigated further through post-payment verifications.

### Amount paid to recipients who earned less than \$5,000

10.B.10 To be eligible for the Canada Recovery Benefit, applicants had to have earned at least \$5,000 in the 12 months leading up to the application or in the 2019 or 2020 calendar year, depending on the timing of the application. We performed an analysis and relied on personal

income tax returns filed by individuals to assess if the eligibility criterion was met. We identified recipients as ineligible or at risk of being ineligible if their combined 2019 and 2020 earnings were below \$5,000. A less conservative approach would have been to use an average of the 2019 and 2020 earnings instead of combining them. This would have led to an increase in ineligible recipients being identified in our analysis.

### **Amount paid to recipients who quit their employment**

10.B.11 In order to apply for a benefit, applicants had to attest that they had not quit their employment. To expedite payments, applicants were not required to submit a record of employment (ROE) to receive the Canada Recovery Benefit, as is typically the case when receiving regular Employment Insurance benefits. Employees whose ROE includes their status as having quit are usually unable to receive Employment Insurance benefits unless Employment and Social Development Canada performs validation activities to determine that benefits should be paid to them. Employers continued to submit ROEs to the department as required.

10.B.12 For the purpose of our work, we considered the information about ROEs as an indicator of risk and payments that should be investigated further, given that the information has not been validated to confirm its reliability. The department collects the ROE information to manage regular Employment Insurance benefits. At the time of our audit, the department had not shared this information with the Canada Revenue Agency.

### **Amount paid to recipients who were not present in Canada**

10.B.13 Applicants had to attest that they were a resident and present in Canada to be eligible for the benefit. We identified recipients who had both their home and their mailing addresses on record at the Canada Revenue Agency as being outside of Canada. We considered them as recipients of payments that should be investigated further to confirm eligibility.

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## **Post-payment verifications and collection**

### **Incomplete post-payment verification plans and delays in conducting verifications for individuals**

10.B.14 **Finding.** We found, during our review of the Canada Revenue Agency's post-payment verification plan, that the plan was incomplete. It did not include all post-payment verifications the agency intended to perform. For example, the plan excluded individuals who had already

received benefit payments and who were subsequently prevented from receiving further benefits until they provided additional information needed to assess their eligibility.

10.B.15 In addition, the post-payment verification plan was developed based on eligibility criteria and not on individual programs. Therefore, we could not find specific information related to post-payment verifications for the Canada Recovery Benefit. The only information the agency included in the post-payment verification plan was that a total of 150,000 cases would be reviewed including the Canada Recovery Benefit and the other COVID-19 programs for individuals. The number of cases that will be reviewed for each of these individual COVID-19 programs was not specified, nor was the time frame in which they would be done.

#### **Post-payment verification work status**

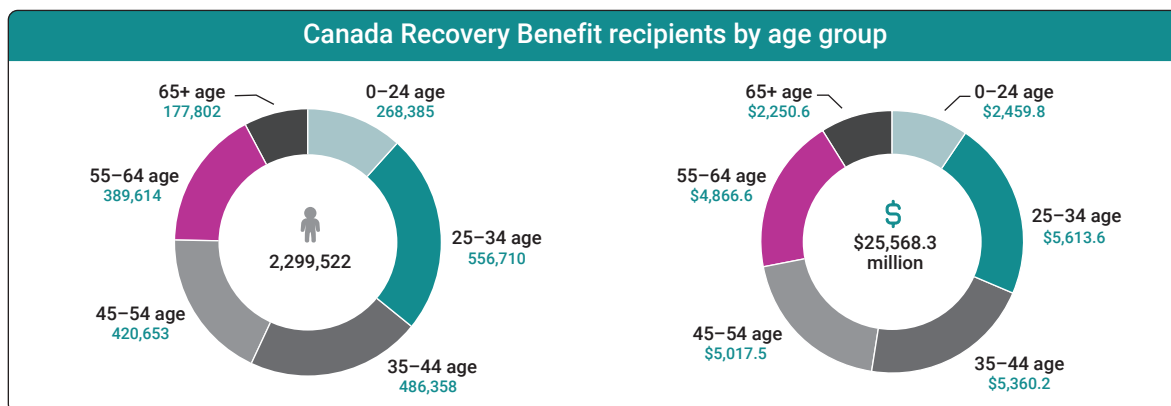
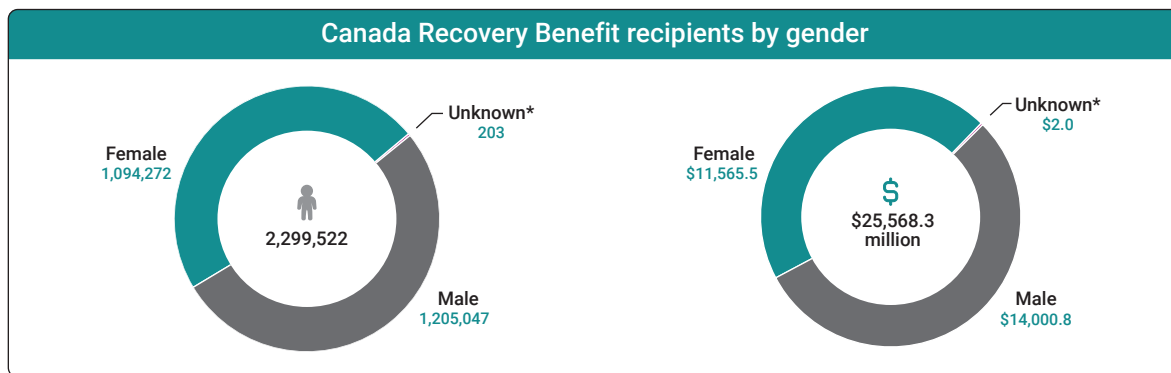
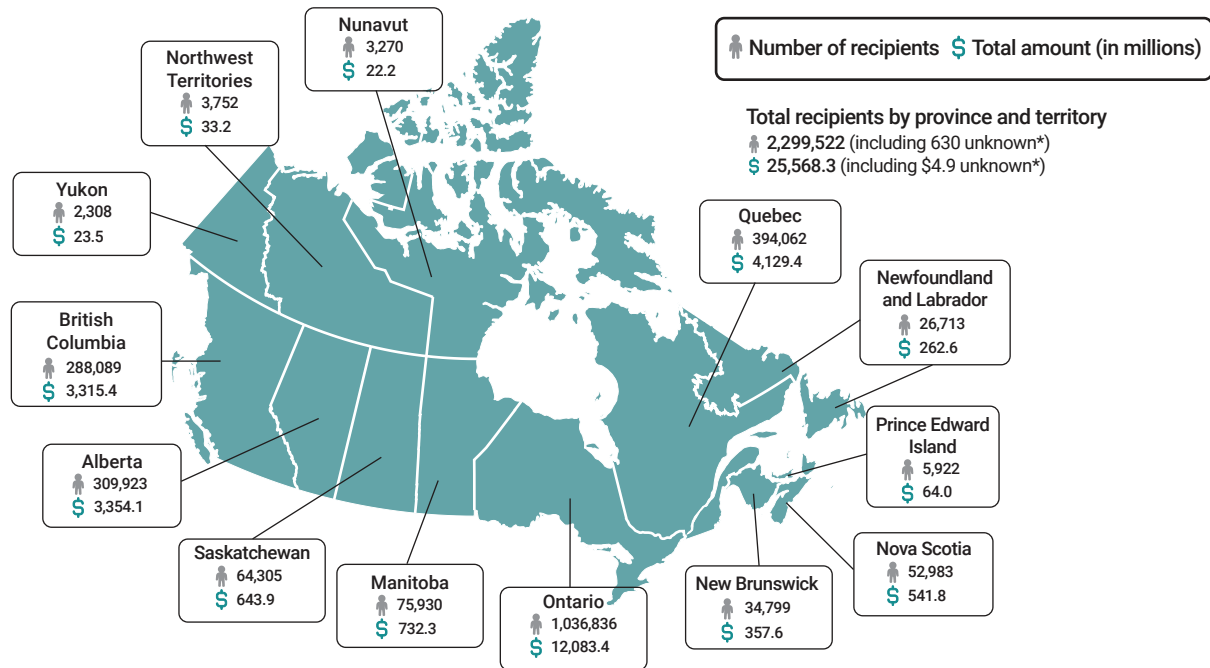
10.B.16 As of August 2022, post-payment verification work for the Canada Recovery Benefit was limited to individuals who were stopped from receiving any further benefits as part of pre-payment controls and were asked by the Canada Revenue Agency to provide additional information. For example, 270,300 individuals who received \$2.7 billion in Canada Recovery Benefit payments were requested to provide additional information to confirm that they met the \$5,000 income threshold. The agency told us that it would complete any remaining verifications as part of its post-payment verification work.

#### **Collection work status**

10.B.17 Collection activities had not started on Canada Recovery Benefit payments as of July 2022. The agency reported that repayments of these benefits of approximately \$44.7 million were received as of 30 June 2022. We were unable to confirm the amounts the agency received from individuals for each of the COVID-19 programs under audit because of a lack of detailed and disaggregated reporting data. See our recommendation in Part 1 at paragraph 10.115.

Demographic information

Exhibit 10.B-3—Demographic information about recipients of the Canada Recovery Benefit as at 31 March 2022



\* Unknown means that gender, age, or province of residence was either missing or not specified in the information provided by the Canada Revenue Agency.

Note: Dollars in the exhibit are rounded.

Source: Data provided by the Canada Revenue Agency

## C—Canada Recovery Caregiving Benefit

### Overview of the program

#### Objective

10.C.1 The Canada Recovery Caregiving Benefit gave income support to employed and self-employed individuals who were unable to work because they were caring for their child under 12 years old or a family member who needed supervised care. This applied if the child's or family member's school, regular program, or facility was closed or unavailable to them due to COVID-19 or if they were sick, self-isolating, or at risk of serious health complications due to COVID-19.

#### Roles and responsibilities

10.C.2 Policy development and program design: Employment and Social Development Canada

10.C.3 Administration: Canada Revenue Agency

#### Period of availability of the benefit

10.C.4 From 27 September 2020 to 7 May 2022

#### Support to recipient

10.C.5 The support was as follows:

Gross amount per week:	\$500.00
Tax withholding at source:	10% (\$50.00)
Net amount per week:	\$450.00
Income tax impact:	Taxable through T4A slip (RL-1 for Quebec residents)
Interest on erroneous payments or overpayment:	None

### Program delivery and controls











#### Eligibility conditions and pre-payment controls

10.C.6 For the Canada Recovery Caregiving Benefit, several eligibility criteria were not verified through pre-payment controls, as summarized in Exhibit 10.C-1. The program was designed to rely on applicants' attestation of eligibility, with limited pre-payment controls. This was to allow benefits to be paid to Canadians as quickly as possible. In addition,



much of the information that was needed to put pre-payment controls in place was not available at the time payments were being issued. As with other COVID-19 programs, the emphasis would be put on post-payment verification to confirm the eligibility of recipients.

### Exhibit 10.C-1—Summary of pre-payment controls for eligibility criteria for the Canada Recovery Caregiving Benefit

Eligibility criteria <sup>1</sup>	Pre-payment control applied
Has a valid social insurance number	
Is a resident in Canada	 <sup>2</sup>
Is present in Canada	
Is at least 15 years old on the first day of the benefit period	
Earned at least \$5,000 in the 12 months leading up to the application or in 2019, 2020, or 2021 (depending on the timing of the application) from 1 of the following sources: <ul style="list-style-type: none"> <li>• employment income</li> <li>• self-employment income</li> <li>• maternity and parental benefits from Employment Insurance or a provincial plan</li> </ul>	 <sup>3</sup>
Is not receiving benefits under other programs	
Is not required to isolate as a result of travel	
Is the only individual in the household to receive the benefit	
Is not on paid leave from employer for the weeks covered by the application	
Is unable to work at least 50% of regular scheduled workweek for 1 of the following reasons: <ul style="list-style-type: none"> <li>• caring for a child under 12 years of age</li> <li>• caring for a family member who requires supervised care</li> </ul>	

 Yes    Partial    No

<sup>1</sup> This exhibit is intended to summarize some of the eligibility information as administered by the Canada Revenue Agency at the time of program delivery. The complete list of detailed criteria is included in the *Canada Recovery Benefits Act*.

<sup>2</sup> Control was limited to restricting applicants without a social insurance number.

<sup>3</sup> Control was limited as discussed in paragraphs 10.67 and 10.68 in Part 1 of our report.

## Summary information

10.C.7 Exhibit 10.C-2 summarizes information about the Canada Recovery Caregiving Benefit regarding payments to recipients that either were ineligible or should be investigated further.

10.C.8 The payments identified in Exhibit 10.C-2 are based on the best information available to the Canada Revenue Agency as at 31 March 2022. Note that much of the information was not available to the agency when the payments were issued unless the agency contacted the applicants, which would have hindered payment expediency. This was because it was not requested on the applications and was not readily available through income tax return information. For example, the \$5,000 income criterion could be calculated using earnings from the 12 months prior to the application date. Additional information would be provided to the agency if requested as part of post-payment verification work.

### Exhibit 10.C-2—Summary information for the Canada Recovery Caregiving Benefit

	Number of unique recipients	Total amount net of taxes (in billions)
Recipients who received a benefit payment and total amount paid as at 31 March 2022	557,617	\$3.82

	Days (average)
Amount of time between receipt of application and issuance of payment	4

Payments to recipients that either were ineligible or should be investigated further <sup>1</sup> (as at 31 March 2022)		
Program requirement at risk of not being met	Number of unique recipients	Total amount net of taxes (in millions)
Recipients earned less than \$5,000	93,581	\$879
Recipients received more than 1 benefit per period	11,532	\$13
<b>Total payments to recipients that either were ineligible or should be investigated further</b>	<b>104,115<sup>2</sup></b>	<b>\$891<sup>2</sup></b>

<sup>1</sup> See paragraphs 10.C.9–10.C.11, which explain how we determined our findings of payments to recipients that either were ineligible or should be investigated further. The results specific to the Canada Recovery Caregiver Benefit are included in the overall findings from Part 1, Exhibit 10.9.

<sup>2</sup> Some payments have been identified as ineligible in more than 1 program requirement. Therefore, we adjusted our finding so that duplicates were excluded.

Other instances of payments to recipients that should be investigated further <sup>1</sup> excluded from the total above (as at 31 March 2022)		
Program requirement at risk of not being met	Number of unique recipients	Total amount net of taxes
Recipients were deceased	71	\$142,650
Recipients were incarcerated for the entire benefit period	143	\$202,050
Recipients were below age 15 on the first day of the benefit period	0	0
Recipients were not present in Canada	10	\$13,050
Recipients received duplicate benefit payment	8	\$18,000

<sup>1</sup> See paragraphs 10.C.9–10.C.11, which explain how we determined our findings of payments to recipients that should be investigated further.

Post-payment verifications and collections as at June 2022	Number of unique recipients	Total amount
Amounts owed established following post-payment verifications	Unable to confirm	Unable to confirm
Benefit payments in collection	0	0
Benefit repayments <sup>1</sup>	Unable to confirm	\$8,260,001

<sup>1</sup> Amounts of benefit repayments was provided by the Canada Revenue Agency but could not be audited because of a lack of detailed and disaggregated reporting data. See our finding in Part 1, paragraph 10.112.

## Assumptions

10.C.9 Below we list some assumptions and provide further explanations on our findings of payments to recipients of the Canada Recovery Caregiving Benefit that either were ineligible or should be investigated further, as summarized in Exhibit 10.C-2. Given the assumptions used in our analysis, the amounts reported in Exhibit 10.C-2 are the minimum amounts that should be investigated further through post-payment verifications.

### Amount paid to recipients who earned less than \$5,000

10.C.10 To be eligible for the Canada Recovery Caregiving Benefit, applicants had to have earned at least \$5,000 in the 12 months leading up to the application or in the 2019, 2020 or 2021 calendar year, depending on the timing of the application. We performed an analysis and relied on personal income tax returns filed by individuals to assess if the eligibility criterion was met. We identified recipients as ineligible or at risk of being ineligible if their combined 2019 and 2020 earnings were below \$5,000. A less conservative approach would have been to use an

average of the 2019 and 2020 earnings instead of combining them. This would have led to an increase in ineligible recipients being identified in our analysis.

### **Amount paid to recipients who were not present in Canada**

10.C.11 Applicants had to attest that they were a resident and present in Canada to be eligible for the benefit. We identified recipients who had both their home and their mailing addresses on record at the Canada Revenue Agency as being outside of Canada. We considered them as recipients of payments that should be investigated further to confirm eligibility.

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## **Post-payment verifications and collection**

### **Incomplete post-payment verification plans and delays in conducting verifications for individuals**

10.C.12 **Finding.** We found, during our review of the Canada Revenue Agency's post-payment verification, that the plan was incomplete. It did not include all post-payment verifications the agency intended to perform. For example, the plan excluded individuals who had already received benefit payments and who were subsequently prevented from receiving further benefits until they provided additional information needed to assess their eligibility.

10.C.13 In addition, the post-payment verification plan was developed based on eligibility criteria and not on individual programs. Therefore, we could not find specific information related to post-payment verifications for the Canada Recovery Caregiving Benefit. The only information the agency included in the post-payment verification plan was that a total of 150,000 cases would be reviewed including the Canada Recovery Caregiving Benefit and the other COVID-19 programs for individuals. The number of cases that will be reviewed for each of these individual COVID-19 programs was not specified, nor was the time frame in which they would be done.

### **Post-payment verification work status**

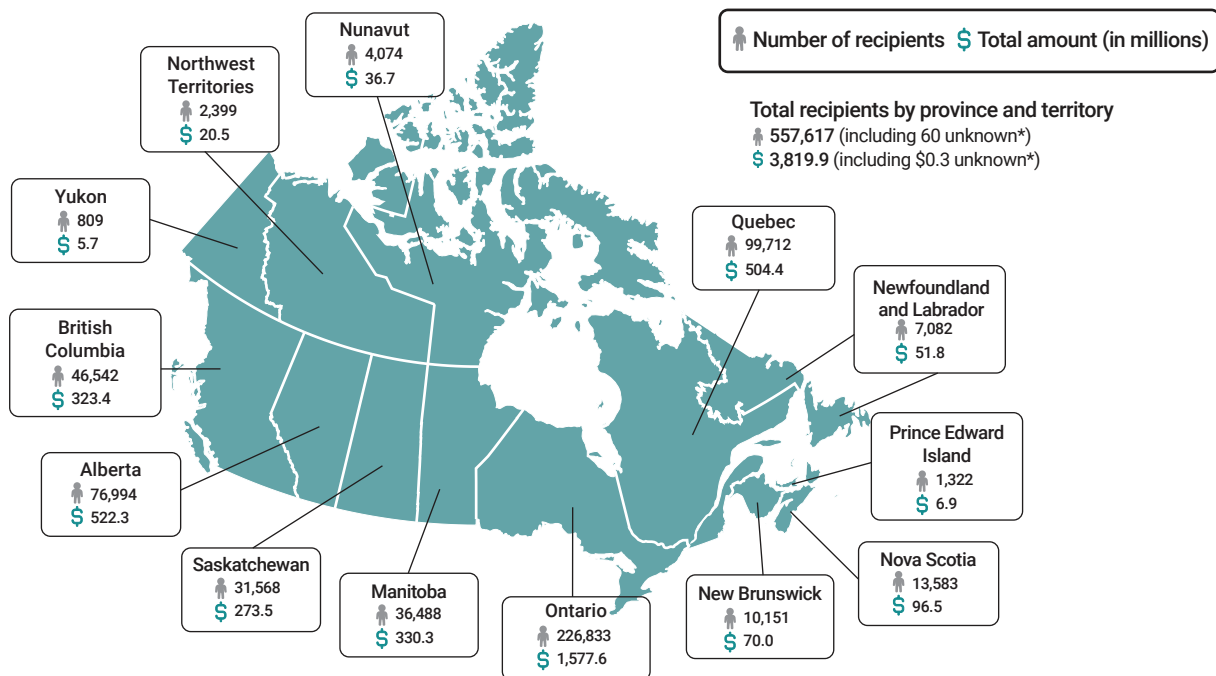
10.C.14 As of August 2022, post-payment verification work for the Canada Recovery Caregiving Benefit was limited to individuals who were stopped from receiving any further benefits as part of pre-payment controls and were asked by the Canada Revenue Agency to provide additional information. For example, 113,797 individuals who received \$888 million in Canada Recovery Caregiving Benefit payments were requested to provide additional information to confirm that they met the \$5,000 income threshold. The agency told us that it would complete any remaining verifications as part of its post-payment verification work.

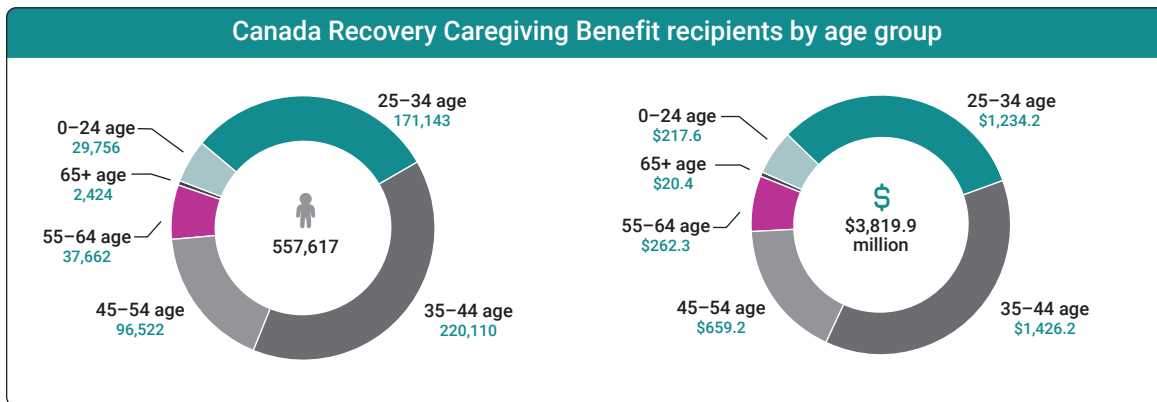
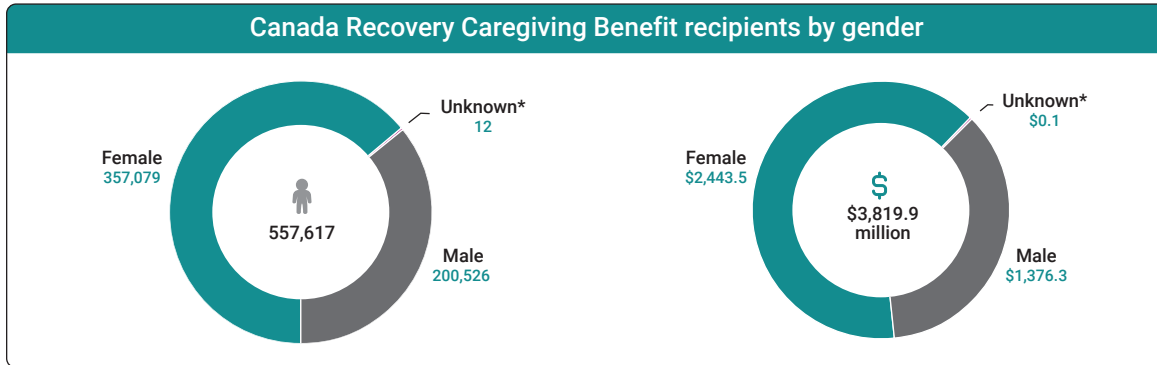
### Collection work status

10.C.15 Collection activities had not started on Canada Recovery Caregiving Benefit payments as of July 2022. The agency reported that repayments of approximately \$8.3 million were received for the benefit program as of 30 June 2022. We were unable to confirm the amounts the agency received from individuals for each of the COVID-19 programs under audit because of a lack of detailed and disaggregated reporting data. See our recommendation in Part 1 at paragraph 10.115.

### Demographic information

**Exhibit 10.C-3—Demographic information about recipients of the Canada Recovery Caregiving Benefit (as at 31 March 2022)**





\* Unknown means that gender, age, or province of residence was either missing or not specified in the information provided by the Canada Revenue Agency.

Note: Dollars in the exhibit are rounded.

Source: Data provided by the Canada Revenue Agency

## D—Canada Recovery Sickness Benefit

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### Overview of the program

#### Objective

10.D.1 The Canada Recovery Sickness Benefit gave income support to employed and self-employed individuals who were unable to work because they were sick or needed to self-isolate due to COVID-19 or had an underlying health condition that put them at greater risk of getting COVID-19.

#### Roles and responsibilities

10.D.2 Policy development and program design: Employment and Social Development Canada

10.D.3 Administration: Canada Revenue Agency

#### Period of availability of the benefit

10.D.4 From 27 September 2020 to 7 May 2022

#### Support to recipient

10.D.5 The support was as follows:

Gross amount per week:	\$500.00
Tax withholding at source:	10% (\$50.00)
Net amount per week:	\$450.00
Income tax impact:	Taxable through T4A slip (RL-1 for Quebec residents)
Interest on erroneous payments or overpayment:	None

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### Program delivery and controls

#### Eligibility conditions and pre-payment controls

10.D.6 For the Canada Recovery Sickness Benefit, several eligibility criteria were not verified through pre-payment controls, as summarized in Exhibit 10.D-1. The program was designed to rely on applicants' attestation of eligibility with limited pre-payment controls. This was to allow benefits to be paid to Canadians as quickly as possible. In addition, much of the information that was needed to put pre-payment controls in

place was not available at the time payments were being issued. As with other COVID-19 programs, the emphasis would be put on post-payment verification to confirm the eligibility of recipients.

### Exhibit 10.D-1—Summary of pre-payment controls for eligibility criteria for the Canada Recovery Sickness Benefit

Eligibility criteria <sup>1</sup>	Pre-payment control applied
Has a valid social insurance number	
Is a resident in Canada	 <sup>2</sup>
Is present in Canada	
Is at least 15 years old on the first day of the benefit period	
Is unable to work at least 50% of regular scheduled workweek for 1 of the following reasons: <ul style="list-style-type: none"> <li>• sick with COVID-19 or suspected COVID-19</li> <li>• advised to self-isolate due to COVID-19</li> <li>• has an underlying health condition putting them at greater risk of getting COVID-19</li> </ul>	
Earned at least \$5,000 in the 12 months leading up to the application or in 2019, 2020, or 2021 from 1 of the following sources: <ul style="list-style-type: none"> <li>• employment income</li> <li>• self-employment income</li> <li>• maternity and parental benefits from Employment Insurance or a provincial plan</li> </ul>	 <sup>3</sup>
Is not receiving benefits under other programs	
Is not required to isolate as a result of travel	
Is not on paid leave from employer for the period covered by the application	

 Yes     Partial     No

<sup>1</sup> This exhibit is intended to summarize some of the eligibility information as administered by the Canada Revenue Agency at the time of program delivery. The complete list of detailed criteria is included in the *Canada Recovery Benefits Act*.

<sup>2</sup> Control was limited to restricting applicants without a social insurance number.

<sup>3</sup> Control was limited as discussed in paragraphs 10.67 and 10.68 in Part 1 of our report.



## Summary information

10.D.7 Exhibit 10.D-2 summarizes information about the Canada Recovery Sickness Benefit regarding payments to recipients that either were ineligible or should be investigated further.

10.D.8 The payments identified in Exhibit 10.D-2 are based on the best information available to the Canada Revenue Agency as at 31 March 2022. Note that much of the information was not available to the agency when the payments were issued unless the agency contacted the applicants, which would have hindered payment expediency. This was because it was not requested on the applications and was not readily available through income tax return information. Also, recipients may have additional information that could confirm their eligibility. This information would be provided to the agency if requested as part of post-payment verification work.

### Exhibit 10.D-2—Summary information for the Canada Recovery Sickness Benefit

	Number of unique recipients (in thousands)	Total amount net of taxes (in millions)
Recipients who received a benefit payment and total amount paid as at 31 March 2022	1,132	\$1,215

	Days (average)
Amount of time between receipt of application and issuance of payment	4

Payments to recipients that either were ineligible or should be investigated further <sup>1</sup> (as at 31 March 2022)		
Program requirement at risk of not being met	Number of unique recipients	Total amount paid net of taxes (in millions)
Recipients earned less than \$5,000	47,916	\$46.6
Recipients received more than 1 benefit per period	11,909	\$7.4
<b>Total payments to recipients that either were ineligible or should be investigated further</b>	<b>59,427<sup>2</sup></b>	<b>\$53.8<sup>2</sup></b>

<sup>1</sup> See paragraphs 10.D.9–10.D.11, which explain how we determined our findings of payments to recipients that either were ineligible or should be investigated further. These results specific to the Canada Recovery Sickness Benefit are included in the overall findings from Part 1, Exhibit 10.9.

<sup>2</sup> Some payments have been identified as ineligible in more than 1 program requirement. Therefore, we adjusted our finding to exclude duplicates.

Other instances of payments to recipients that should be investigated further <sup>1</sup> excluded from the total above (as at 31 March 2022)		
Program requirement at risk of not being met	Number of unique recipients	Total amount paid net of taxes
Recipients were below age 15 on the first day of the benefit period	0	0
Recipients were deceased	37	\$31,500
Recipients were incarcerated for the entire benefit period	39	\$30,600
Recipients were not present in Canada	18	\$15,750
Recipients received duplicate benefit payment	10	\$12,600

<sup>1</sup> See paragraphs 10.D.9–10.D.11, which explain how we determined our findings of payments to recipients that should be investigated further.

Post-payment verifications and collections as at June 2022	Number of unique recipients	Total amount
Amounts owed established following post-payment verifications	Unable to confirm	Unable to confirm
Benefit payments in collection	0	0
Benefit repayments <sup>1</sup>	Unable to confirm	\$5,870,028

<sup>1</sup> Amounts of benefit repayments was provided by the Canada Revenue Agency but could not be audited because of a lack of detailed and disaggregated reporting data. See our finding in Part 1, paragraph 10.112.

## Assumptions

10.D.9 Below we list some assumptions and provide further explanations on our findings of payments to recipients of the Canada Recovery Sickness Benefit that either were ineligible or should be investigated further, as summarized in Exhibit 10.D-2. Given the assumptions used in our analysis, the amounts reported in Exhibit 10.D-2 are the minimum amounts that should be investigated further through post-payment verifications.

### Amount paid to recipients who earned less than \$5,000

10.D.10 To be eligible for the Canada Recovery Sickness Benefit, applicants were required to have earned at least \$5,000 in the 12 months leading up to the application or in the 2019, 2020 or 2021 calendar year, depending on the timing of the application. We performed a conservative analysis and relied on personal income tax returns filed by individuals to assess if the eligibility criterion was met. We identified recipients as ineligible or at risk of being ineligible if their combined 2019

and 2020 earnings were below \$5,000. A less conservative approach would have been to use an average of the 2019 and 2020 earnings instead of combining them. This would have led to an increase in ineligible recipients being identified in our analysis.

### **Amount paid to recipients who were not present in Canada**

10.D.11 Applicants had to attest that they were a resident and present in Canada to be eligible for the benefit. We identified recipients who had both their home and their mailing addresses on record at the Canada Revenue Agency as being outside of Canada. We considered them as recipients of payments that should be investigated further to confirm eligibility.

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## **Post-payment verifications and collection**

### **Incomplete post-payment verification plans and delays in conducting verifications for individuals**

10.D.12 **Finding.** We found, during our review of the Canada Revenue Agency's post-payment verification plan, that the plan was incomplete. It did not include all the post-payment verifications the agency intended to perform. For example, the plan excluded individuals who had already received benefit payments and who were subsequently prevented from receiving further benefits until they provided additional information needed to assess their eligibility.

10.D.13 In addition, the post-payment verification plan was developed based on eligibility criteria and not on individual programs. Therefore, we could not find specific information related to post-payment verification activities for the Canada Recovery Sickness Benefit. The only information the agency included in the plan was that a total of 150,000 cases would be reviewed including the Canada Recovery Sickness Benefit and the other COVID-19 benefit programs for individuals. The number of cases that will be reviewed for each of these individual COVID-19 programs was not specified, nor was the time frame in which they would be done.

### **Post-payment verification work status**

10.D.14 As of August 2022, post-payment verification work for the Canada Recovery Sickness Benefit was limited to individuals who were stopped from receiving any further benefits as part of pre-payment controls and were asked by the Canada Revenue Agency to provide additional information. For example, 109,466 individuals who received \$122 million in Canada Recovery Sickness Benefit payments were

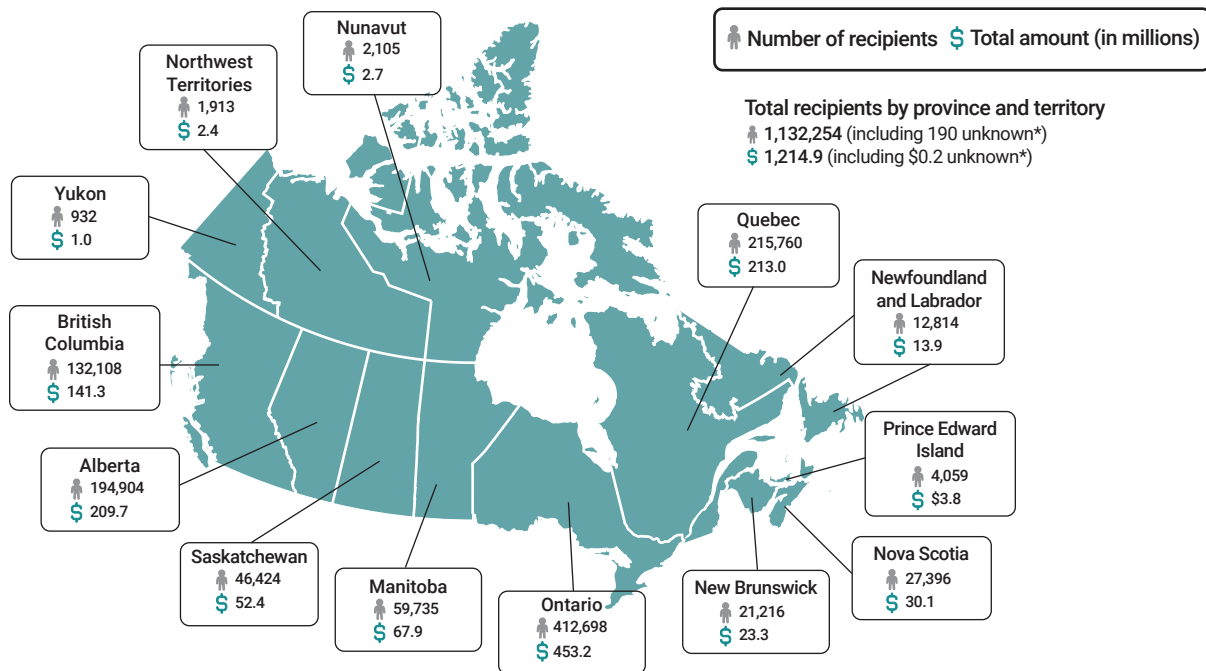
requested to provide additional information to confirm that they met the \$5,000 income threshold. The agency told us that it would complete any remaining verifications as part of its post-payment verification work.

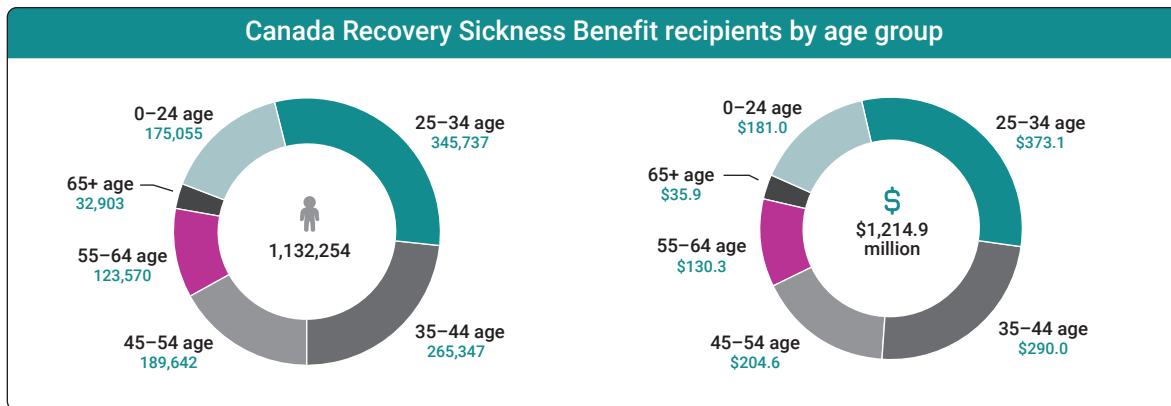
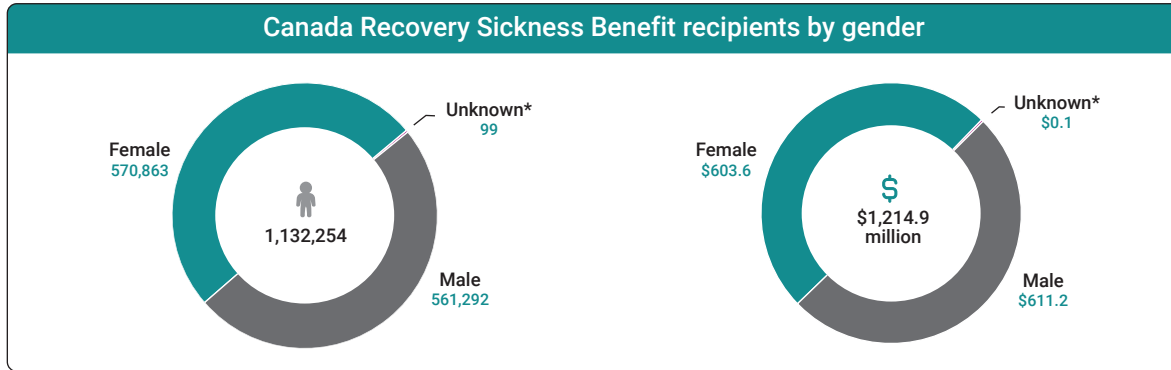
**Collection work status**

10.D.15 Collection activities had not started on the Canada Recovery Sickness Benefit payments as of July 2022. The agency reported that repayments of approximately \$5.9 million were received for the benefit program as of 30 June 2022. We were unable to confirm the amounts the agency received from individuals for each of the COVID-19 programs under audit because of a lack of detailed and disaggregated reporting data. See our recommendation in Part 1 at paragraph 10.115.

**Demographic information**

**Exhibit 10.D-3—Demographic information about recipients of the Canada Recovery Sickness Benefit (as at 31 March 2022)**





\* Unknown means that gender, age, or province of residence was either missing or not specified in the information provided by the Canada Revenue Agency.

Note: Dollars in the exhibit are rounded.

Source: Data provided by the Canada Revenue Agency

## E—Canada Worker Lockdown Benefit

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### Overview of the program

#### Objective

10.E.1 The Canada Worker Lockdown Benefit gave temporary income support to employed and self-employed people who could not work due to a COVID-19 lockdown. The benefit was available to them only when a COVID-19 lockdown order was designated for their region.

#### Roles and responsibilities

10.E.2 Policy development and program design: Employment and Social Development Canada

10.E.3 Administration: Canada Revenue Agency

#### Period of availability of the benefit

10.E.4 From 24 October 2021 to 7 May 2022

#### Support to recipient

10.E.5 The support was as follows:

Gross amount per week:	\$300.00
Tax withholding at source:	10% (\$30.00)
Net amount per week:	\$270.00
Income tax impact:	Taxable through T4A slip (RL-1 for Quebec residents)
Interest on erroneous payments or overpayment:	None

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### Program delivery and controls

#### Eligibility conditions and pre-payment controls

10.E.6 For the Canada Worker Lockdown Benefit, several eligibility criteria were not verified through pre-payment controls, as summarized in Exhibit 10.E-1. The program was designed to rely on applicants' attestation of eligibility with limited pre-payment controls. This was to allow benefits to be paid to Canadians as quickly as possible. In addition, much of the information that was needed to put pre-payment controls in place was not available at the time payments were being issued. As

with other COVID-19 programs, the Canada Revenue Agency decided to put the emphasis on post-payment verification to confirm the eligibility of recipients.

### Exhibit 10.E-1—Summary of pre-payment controls for eligibility criteria for the Canada Worker Lockdown Benefit

Eligibility criteria <sup>1</sup>	Pre-payment control applied
Has a valid social insurance number	
Is a resident in Canada	 <sup>2</sup>
Is present in Canada	
Is at least 15 years old on the first day of the application period	
Earned at least \$5,000 in the 12 months leading up to the application or in 2020 or 2021 from 1 of the following sources: <ul style="list-style-type: none"> <li>• employment income</li> <li>• self-employment income</li> <li>• maternity and parental benefits from Employment Insurance or a provincial plan</li> </ul>	 <sup>3</sup>
Is not receiving benefits under other programs	 <sup>4</sup>
Is not required to isolate as a result of travel	
Has met all conditions related to quitting or voluntarily ceasing to work	
Filed a 2020 tax return	
Experienced a reduction of at least 50% of average weekly employment or self-employment income during the period covered by the application	
Works or provides a service in a region designated as a COVID-19 lockdown region during the 1-week period covered by the application	

 Yes    Partial    No

<sup>1</sup> This exhibit is intended to summarize some of the eligibility information as administered by the Canada Revenue Agency at the time of program delivery. The complete list of detailed criteria is included in the *Canada Worker Lockdown Benefit Act*.

<sup>2</sup> Control was limited to restricting applicants without a social insurance number.

<sup>3</sup> Control was limited as discussed in paragraphs 10.67 and 10.68 in Part 1 of our report.

<sup>4</sup> Control was paused during the program—see paragraphs 10.E.7–10.E.8.

### Limited pre-payment controls

10.E.7 The following example supports our finding of limited pre-payment controls. This summary should be read with paragraphs 10.67 to 10.70 in Part 1 of our report.

10.E.8 **Finding.** We found that the pre-payment control performed to prevent applicants from receiving regular Employment Insurance benefits from Employment and Social Development Canada and the Canada Worker Lockdown Benefit at the same time was paused from 30 December 2021 to 31 January 2022 because of capacity issues. This led to an increase in payments made to ineligible recipients. We noted that 1,300 recipients of the Canada Worker Lockdown Benefit were paid a total of \$838,000 as a result of this pre-payment control being paused. See our recommendation in Part 1 at paragraph 10.101.

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### Summary information

10.E.9 Exhibit 10.E-2 summarizes information about the Canada Worker Lockdown Benefit regarding payments to recipients that either were ineligible or should be investigated further.

10.E.10 The payments identified in Exhibit 10.E-2 are based on the best information available to the Canada Revenue Agency as at 31 March 2022. Note that much of the information was not available to the agency when the payments were issued unless the agency contacted the applicants, which would have hindered payment expediency. This was because it was not requested on the applications and was not readily available through income tax return information. For example, the \$5,000 income criterion could be calculated using earnings from the 12 months prior to the application date. Additional information would be provided to the agency if requested as part of post-payment verification work.



**Exhibit 10.E-2—Summary information for the Canada Worker Lockdown Benefit**

	Number of unique recipients	Total amount net of taxes (in millions)
Recipients who received a benefit payment and total amount paid as at 31 March 2022	450,743	\$811

	Days (average)
Amount of time between receipt of application and issuance of payment	4

Payments to recipients that either were ineligible or should be investigated further <sup>1</sup> (as at 31 March 2022)		
Program requirement at risk of not being met	Number of unique recipients	Total amount net of taxes (in thousands)
Recipients earned less than \$5,000	1,692	\$3,121
Recipients received more than 1 benefit for the same period	1,515	\$892
<b>Total payments to recipients that either were ineligible or should be investigated further</b>	<b>3,205<sup>2</sup></b>	<b>\$4,012<sup>2</sup></b>

<sup>1</sup> See paragraphs 10.E.11–10.E.15, which explain how we determined our findings of payments to recipients that either were ineligible or should be investigated further. These results specific to the Canada Worker Lockdown Benefit are included in the overall finding from Part 1, Exhibit 10.9.

<sup>2</sup> Some payments have been identified as ineligible in more than 1 program requirement. Therefore, we adjusted our findings so that duplicates were excluded.

Other instances of payments to recipients that should be investigated further <sup>1</sup> excluded from the total above (as at 31 March 2022)		
Program requirement at risk of not being met	Number of unique recipients	Total amount paid net of taxes
Recipients quit their employment	11,719	\$17,915,310
Recipients received duplicate benefit payment	0	0
Recipients were incarcerated for the entire period	3	\$2,430
Recipients were deceased	6	\$5,400
Recipients were not present in Canada	1	\$540
Recipients were below age 15 on the first day of the application period	0	0
Recipients failed to file a 2020 tax return	0	0

<sup>1</sup> See paragraphs 10.E.11–10.E.15, which explain how we determined our findings of payments to recipients that should be investigated further.

Post-payment verifications and collections as at June 2022	Number of unique recipients	Total amount
Amounts owed established following post-payment verifications	Unable to confirm	Unable to confirm
Benefit payments in collection	0	0
Benefit repayments <sup>1</sup>	Unable to confirm	\$854,064

<sup>1</sup> Amounts of benefit repayments was provided by the Canada Revenue Agency but could not be audited because of a lack of detailed and disaggregated reporting data. See our finding in Part 1, paragraph 10.112.

## Assumptions

10.E.11 Below we list some assumptions and provide further explanations on our findings of payments to recipients of the Canada Worker Lockdown Benefit that either were ineligible or should be investigated further as summarized in Exhibit 10.E-2. Given the assumptions used in our analysis, the amounts reported in Exhibit 10.E-2 are the minimum amounts that should be investigated further through post-payment verifications.

### Amount paid to recipients who earned less than \$5,000

10.E.12 To be eligible for the Canada Worker Lockdown Benefit, applicants had to have earned at least \$5,000 in the 12 months leading up to the application or in the 2020 or 2021 calendar year, depending on the timing of the application. We performed an analysis and relied on personal income tax returns filed by individuals to assess if the eligibility criterion was met. We identified recipients as ineligible or at risk of being ineligible if their combined 2020 and 2021 earnings were below \$5,000. A less conservative approach would have been to use an average of the 2020 and 2021 earnings instead of combining them. This would have led to an increase in ineligible recipients being identified in our analysis.

### Amount paid to recipients who quit their employment

10.E.13 In order to apply for a benefit, some applicants had to attest that they had not quit their employment. To expedite payments, applicants were not required to submit a record of employment (ROE) to receive the benefit, as is typically the case when receiving regular Employment Insurance benefits. Employees whose ROE includes their status as having quit are usually not able to receive Employment Insurance benefits unless Employment and Social Development Canada performs validation activities to determine that benefits should be paid to them. Employers continued to submit ROEs to the department as required.

10.E.14 For the purpose of our work, we considered the information about ROEs as an indicator of risk and payments that should be

investigated further given that this information has not been validated to confirm its reliability. The department collects the ROE information to manage regular Employment Insurance benefits. At the time of our audit, the department had not shared this information with the Canada Revenue Agency.

### **Amount paid to recipients who were not present in Canada**

10.E.15 Applicants had to attest that they were present in Canada to be eligible for the benefit. We identified recipients who had both their home and mailing addresses on record at the Canada Revenue Agency as being outside of Canada. We considered them as recipients of payments that should be investigated further to confirm eligibility.

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## **Post-payment verifications and collection**

### **Incomplete post-payment verification plans and delays in conducting verifications for individuals**

10.E.16 **Finding.** We found, during our review of the Canada Revenue Agency's post-payment verification plan, that the plan was incomplete. It did not include all post-payment verifications the agency intended to perform. For example, the plan excluded individuals who had already received benefit payments and who were subsequently prevented from receiving further benefits until they provided additional information needed to assess their eligibility.

10.E.17 In addition, the post-payment verification plan was developed based on eligibility criteria and not on individual programs. Therefore, we could not find specific information related to post-payment verification for the Canada Worker Lockdown Benefit. The only information the agency included in the post-payment verification plan was that a total of 150,000 cases would be reviewed including the Canada Worker Lockdown Benefit and the other COVID-19 benefit programs for individuals. The number of cases that will be reviewed for each of these individual COVID-19 programs was not specified, nor was the time frame in which they will be done.

### **Post-payment verification work status**

10.E.18 As of August 2022, post-payment verification work for the Canada Worker Lockdown Benefit was limited to individuals who were stopped from receiving any further benefits as part of pre-payment controls and were asked by the Canada Revenue Agency to provide additional information. For example, 32,544 individuals who received \$50 million in Canada Worker Lockdown Benefit payments were requested to provide additional information to confirm that they met the

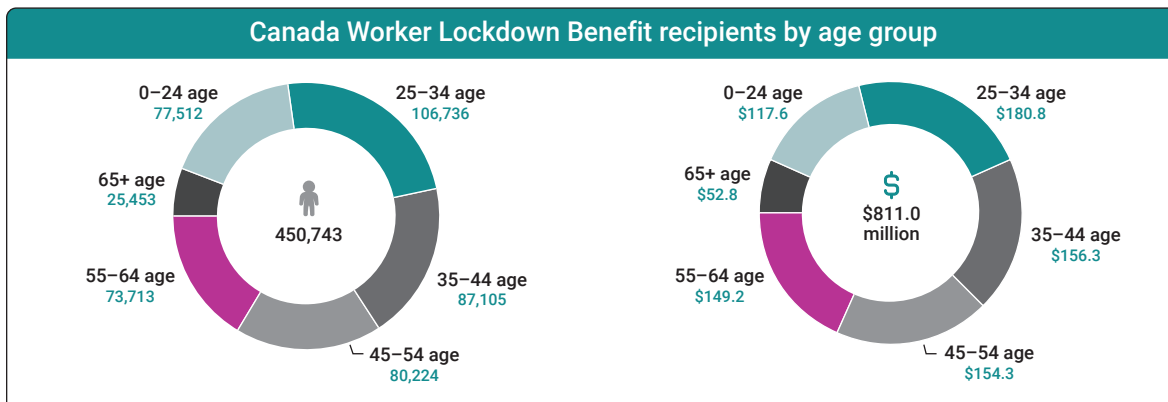
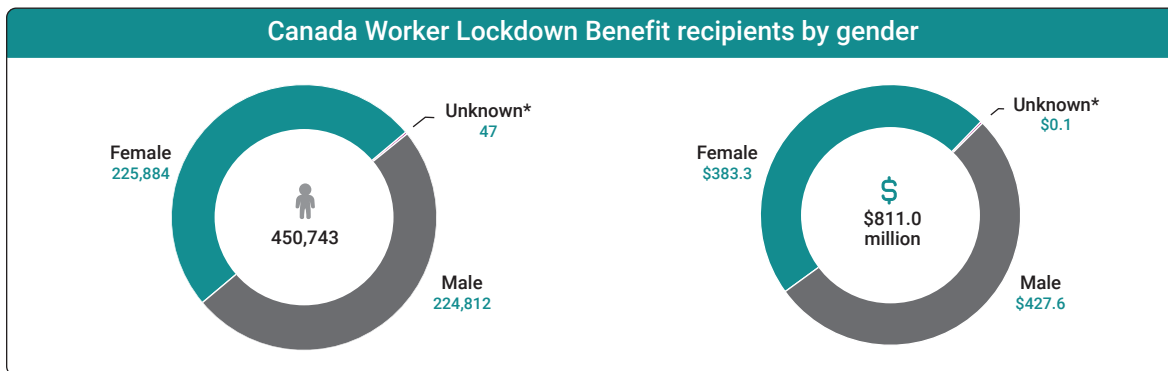
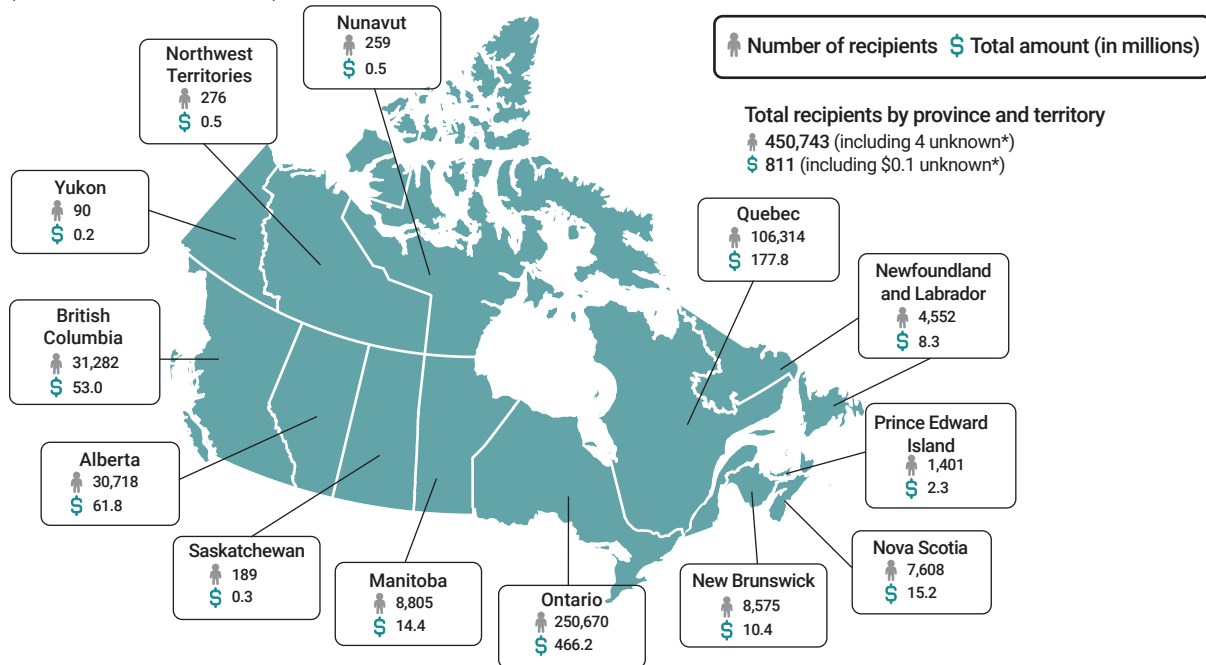
\$5,000 income threshold. The agency told us that it would complete any remaining verifications as part of its post-payment verification work.

**Collection work status**

10.E.19 Collection activities had not started on the Canada Worker Lockdown Benefit payments as of July 2022. The agency reported that repayments of the benefit of approximately \$850,000 were received as of 30 June 2022. We were unable to confirm the amounts the agency received from individuals for each of the COVID-19 programs under audit because of a lack of detailed and disaggregated reporting data. See our recommendation in Part 1 at paragraph 10.115.

Demographic information

**Exhibit 10.E-3—Demographic information about recipients of the Canada Worker Lockdown Benefit (as at 31 March 2022)**



\* Unknown means that gender, age, or province of residence was either missing or not specified in the information provided by the Canada Revenue Agency.

Note: Dollars in the exhibit are rounded.

Source: Data provided by the Canada Revenue Agency

## F—Canada Emergency Wage Subsidy

### Overview of the program

#### Objective

10.F.1 The Canada Emergency Wage Subsidy was provided to eligible employers for up to 75% of eligible remuneration. The objective of the program was to help employers avoid layoffs and terminations by keeping employees on their payrolls.

#### Roles and responsibilities

10.F.2 Administration: Canada Revenue Agency

#### Period of availability of the subsidy

10.F.3 The program started on 15 March 2020 and was extended multiple times. The program ended on 23 October 2021, for a total of 21 qualifying periods.

10.F.4 As of 24 October 2021, the Canada Emergency Wage Subsidy was replaced with 2 new programs offering wage and rent support to employers: the Tourism and Hospitality Recovery Program and the Hardest-Hit Business Recovery Program. These newer programs were not part of our audit.

### Summary information

10.F.5 Exhibit 10.F-1 summarizes the total number and amounts of applications received and approved for the Canada Emergency Wage Subsidy program.

#### Exhibit 10.F-1—Summary information of applications for the Canada Emergency Wage Subsidy

Applications processed	Number of applications	Percentage of total applications	Amount (in millions)	Percentage of total amount
Total applications received	5,077,613	100%	\$102,249	100%
Total applications approved	5,069,698	99.8%	\$100,738	98.5%

10.F.6 Exhibit 10.F-2 summarizes the number of unique Canada Emergency Wage Subsidy recipients and the amounts that they received. Over 98% of subsidies were paid to employers with fewer than 100 employees. This represents 62% of the total dollar value of paid subsidies. In comparison, employers with 100 or more employees received 38% of the total dollar value of paid subsidies.

**Exhibit 10.F-2—Breakdown of Canada Emergency Wage Subsidy recipients by employer size**

Employer size based on number of employees	Number of unique recipients	Percentage of total recipients	Subsidy paid (in billions)	Percentage of total subsidy paid
0 to 5	253,231	56.62%	\$9.8	9.73%
6 to 19	140,609	31.45%	\$21.8	21.65%
20 to 99	46,409	10.38%	\$30.8	30.59%
100 to 499	6,154	1.38%	\$22.1	21.95%
500 to 999	462	0.10%	\$5.6	5.56%
1,000 to 4,999	260	0.06%	\$8.2	8.14%
5,000+	24	0.01%	\$2.4	2.38%
<b>Total</b>	<b>447,149</b>	<b>100%</b>	<b>\$100.7</b>	<b>100%</b>

Note: Percentages are rounded.

**Assumptions**

10.F.7 Below, we list some assumptions we made in determining payments made to employers that appear to have an insufficient revenue decline and that should be investigated further.

10.F.8 As noted in Part 1, Exhibit 10.9, we estimated that total payments of \$15.5 billion were made to employers that had an indicator of ineligibility based on the revenue decline criterion for the Canada Emergency Wage Subsidy. In order to perform this analysis, we focused on monthly goods and services tax / harmonized sales tax (GST/HST) filers (Exhibit 10.F-3).

**Exhibit 10.F-3—Canada Emergency Wage Subsidy recipients and GST/HST filing frequency**

Frequency of GST/HST filing	Percentage of subsidy recipients	Subsidy amount received (in billions)
Monthly	20%	\$64.2
Quarterly	51%	\$26.7
Annually	20%	\$5.9
Non-filers or exempt	9%	\$3.9
<b>Total</b>	<b>100%</b>	<b>\$100.7</b>

10.F.9 We were aware of a difference between the GST/HST reporting periods and the subsidy's claim periods. We used the recipients' reported GST/HST revenue in the month that had the largest number of overlapping days with the subsidy program's claim period. We compared it with the reported GST/HST revenue in the prior reference period (the month or average of months against which the revenue in the current period is compared). In addition, our analysis excluded recipients that did not file a GST/HST return.

10.F.10 We were aware of differences between the revenue reported for GST/HST purposes and the specific definition of **qualifying revenue**<sup>7</sup> according to the Canada Emergency Wage Subsidy. In addition, employers could make use of choices to modify how they calculated their qualifying revenue for their subsidy claim. These differences could result in employers being eligible for the subsidy even if their GST/HST reported revenue did not show the expected decline. However, we are of the view that, in the absence of other sources of information, the revenue reported on a GST/HST return could have been used as a source of data to assess the reasonableness of the revenue decline claimed on the application. This assessment could have been used for the purpose of either halting future claims or identifying applicants for post-payment verification.

10.F.11 Our analysis identified 51,049 employers that received \$9.87 billion in Canada Emergency Wage Subsidy payments whose monthly GST/HST filings did not demonstrate a sufficient revenue drop to be eligible for the subsidy. Based on monthly GST/HST data alone, this represents 15.37% of payments made to monthly filers. It follows logically that if this estimated potential ineligibility rate were applied to the full population, this would amount to \$15.5 billion of payments that represent a risk of being ineligible. We noted that the Canada Revenue Agency targeted Canada Emergency Wage Subsidy claimants with an insufficient revenue drop based on GST/HST returns (as well as other risk factors) when selecting claims for post-payment verification. See Exhibit 10.F-6 for additional details on post-payment verification.

10.F.12 Our analysis of Canada Emergency Wage Subsidy payments that should be investigated further based on GST/HST revenue decline is an estimate. Actual ineligible amounts will only be determinable once comprehensive post-payment verifications are completed.

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<sup>7</sup> **Qualifying revenue**—The inflow of cash, receivables, or other consideration arising in the course of an eligible entity's ordinary activities (generally, from the sale of goods, the rendering of services, and the use by others of the eligible entity's resources) in Canada in a particular period.



## Eligibility and pre-payment controls

10.F.13 In order to validate Canada Emergency Wage Subsidy applications prior to issuing subsidy payments, the Canada Revenue Agency applied a number of controls. In Exhibit 10.F-4, we have outlined the controls the agency applied at various stages of the validation process.

### Exhibit 10.F-4—Stages of pre-payment controls for Canada Emergency Wage Subsidy applications

Stage	Description	Controls applied by the Canada Revenue Agency
Automated pre-validation	A series of automated validation controls were applied to the application. If the application did not pass, the applicant received a denial message. If the application passed, the applicant was permitted to enter information related to the claim amount.	<p>Validation checks included confirming the employer met the following criteria:</p> <ul style="list-style-type: none"> <li>• was an eligible employer type based on the business operating type code</li> <li>• had an active business number as at 15 March 2020</li> <li>• had an active payroll account as at 15 March 2020</li> <li>• had no duplicate claims for the same period</li> <li>• had no claims submitted after the 180-day cut-off period</li> <li>• had a valid business number<sup>1</sup></li> </ul>
Automated risk assessment	The agency's systems assessed application information to determine if certain risk indicators existed. Applications without risk indicators were approved automatically. All others were redirected for manual review.	<p>Risk indicators included the following:</p> <ul style="list-style-type: none"> <li>• employer included on various high risk lists maintained by the agency</li> <li>• application received above a specific dollar value</li> <li>• reasonableness of number of employees and remuneration compared to previous T4 summaries</li> <li>• changes in direct deposit or address information after 15 March 2020 or the last claim</li> </ul>
Manual review	The agency performed manual validations of high risk files.	<p>Different groups within the agency developed their own manual review processes to review the following:</p> <ul style="list-style-type: none"> <li>• most aspects of the application information for reasonableness</li> <li>• the history of the employer for any previous compliance issues</li> </ul>

<sup>1</sup> Employers whose applications were denied at this stage could contact the agency and be placed manually on a valid business number list to allow them to submit their application in exceptional circumstances).

### Assessment of pre-payment controls and audit findings

10.F.14 Exhibit 10.F-5 is a summary of the eligibility criteria for the Canada Emergency Wage Subsidy that we tested as part of our audit, a description of the Canada Revenue Agency pre-payment controls, and our audit findings.

#### Exhibit 10.F-5—Summary of eligibility criteria, pre-payment controls, and audit findings for the Canada Emergency Wage Subsidy program

Eligibility criteria	Description of pre-payment controls	Audit findings
Eligible employer	The Canada Revenue Agency automatically compared the operating type code of the applicant to a list of acceptable codes to validate the applicant was an eligible employer. Operating type codes are numbers attributed to every employer to describe the type of operations (for example, a hospital or a financial institution).	Although this control was generally well designed, the operating type code list was not aligned with employers eligible for the subsidy. For example, the list could not identify employers controlled by public institutions, which were ineligible for the subsidy. The agency identified this concern and updated pre-payment controls in late 2020. The agency estimated that, prior to that date, approximately \$73.5 million were paid to 136 employers that the agency suspects were ineligible. The agency is currently reviewing these 136 entities as part of its post-payment audits.
Revenue decline	There was no automated pre-payment control used to test this eligibility criterion.	See paragraphs 10.F.7–10.F.12 for details.
Eligible employees (remuneration)	The agency performed a reasonableness test by comparing remuneration claimed with historical payroll remittances.	We performed a reasonableness test and did not find significant instances of overpayment on the basis of historical T4 summaries.
Active payroll account as at 15 March 2020	The agency performed a validation check to ensure the applicant had an active payroll account as at 15 March 2020.	We performed a targeted sample to assess this eligibility criterion and found that despite the inactive status of certain accounts, evidence of activity justified the payments in the sample we selected. See paragraph 10.F.15.
Application received within the 180-day deadline	The system prevented an application from being submitted after the 180-day deadline. To be processed after this time, an application required manual approval. Each case was evaluated individually.	We noted that \$100 million were paid to applicants who submitted their application past the deadline. We performed a targeted sample and found that in 20% of cases, the agency's documentation on file lacked justification for the payment.

Note: This exhibit summarizes key eligibility information administered by the Canada Revenue Agency at the time of program delivery. The complete list of detailed criteria is included in the *Income Tax Act*.

### Missing up-to-date information on business status

10.F.15 **Finding.** Up-to-date information on business closures was unavailable to the Canada Revenue Agency. This information would have helped the agency assess the active status of employers and improve the efficiency of the Canada Emergency Wage Subsidy program. We found that 3,724 employers representing \$564 million received the subsidy while being registered inaccurately as inactive or closed businesses in the agency's system. This is a consequence of the agency not having or updating its information on businesses that are inactive, closed, non-operating, or bankrupt. The consequence of outdated account status information (that is, active versus inactive) reduced the agency's ability to efficiently deliver the Canada Emergency Wage Subsidy program, as well as other programs for businesses.

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### Post-payment verifications and collection

#### Post-payment verification and collection work status

10.F.16 The Canada Revenue Agency used a risk-based audit selection approach. Exhibit 10.F-6 shows that a higher percentage of claims and claim values were being audited by the agency for employers with 100 or more employees. A total of 0.8% of the unique recipients and 12% of the value of the subsidy paid were being audited.

**Exhibit 10.F-6—Allocation of the Canada Revenue Agency’s post-verification audits of the Canada Emergency Wage Subsidy program by employer size**

Employer size based on number of employees	Number of unique recipients	Number (percentage) of unique recipients under audit	Subsidy paid (in billions)	Value in millions (percentage) of the subsidy paid under audit
0 to 5	253,231	868 (0.34%)	\$9.8	\$59.2 (0.60%)
6 to 19	140,609	662 (0.47%)	\$21.8	\$103.0 (0.47%)
20 to 99	46,409	1,151 (2.48%)	\$30.8	\$1,388.8 (4.51%)
100 to 499	6,154	553 (8.99%)	\$22.1	\$3,317.9 (15.01%)
500 to 999	462	92 (19.91%)	\$5.6	\$1,328.1 (23.72%)
1,000 to 4,999	260	85 (32.69%)	\$8.2	\$4,350.1 (53.05%)
5,000+	24	10 (41.67%)	\$2.4	\$1,636.5 (68.19%)
<b>Total</b>	<b>447,149</b>	<b>3,421 (0.8%)</b>	<b>\$100.7</b>	<b>12,183.6 (12%)</b>

Note: Percentages are rounded.

10.F.17 Exhibit 10.F-7 summarizes information on the phases of post-payment verification and collections for the Canada Emergency Wage Subsidy program. The Canada Revenue Agency was unable to provide detailed and disaggregated data to confirm the total amounts collected for the program. The agency’s reporting noted \$76.7 million currently in collections as of June 2022. We were unable to confirm the amounts the agency received from employers for each of the COVID-19 programs under audit because of a lack of detailed and disaggregated reporting data. In addition, we have not audited the amounts in collection resulting from post-payment verifications shown in Exhibit 10.F-7 because of the timing of the completion of the post-payment verifications.

### Exhibit 10.F-7—Post-payment verification and collections for the Canada Emergency Wage Subsidy program

Status on post-payment as at 30 May 2022	Number of audits	Total claim amount (in billions)
<b>Post-payment verification: Phase 1<sup>1</sup></b>		
Number of audit files	730	\$1.52
Audits completed	712	\$1.29
Audits still in progress	18	\$0.22
Claims denied as a result of post-payment verification	298	\$0.08
<b>Post-payment verification: Phase 2<sup>2</sup></b>		
Number of audit files	2,770	\$10.66
Audits completed	487	\$0.31
Audits still in progress	2,283	\$10.36
Claims denied as a result of post-payment verification	298	\$0.04
Amounts owed established following post-payment verifications	Unable to confirm	Unable to confirm

Status on collection as of June 2022	Number of employers	Total claim amount (in millions)
Accounts in collections <sup>3</sup>	Unable to confirm	\$77
Repayments	Unable to confirm	Unable to confirm

<sup>1</sup> Average file completion time in phase 1 was 341 days.

<sup>2</sup> Average file completion time in phase 2 was 195 days.

<sup>3</sup> Amounts of benefit repayments were provided by the agency but could not be audited because of a lack of detailed and disaggregated reporting data. See our finding from Part 1, paragraph 10.112.

10.F.18 The agency told us that as of June 2022, 179 employers were impacted by unauthorized account access. Of these, \$72 million in payments were prevented from being issued, \$39 million were paid in error, and \$60 million worth of payments were under criminal investigation. As a result of data issues and data being combined with another subsidy program, the agency could not provide a clear total of how many identity theft cases were identified for the Canada Emergency Wage Subsidy program only. See our recommendation in Part 1 at paragraph 10.115.

## About the Audit

This independent assurance report was prepared by the Office of the Auditor General of Canada on specific COVID-19 benefits. Our responsibility was to provide objective information, advice, and assurance to assist Parliament in its scrutiny of the Government of Canada's management of resources and programs, and to conclude on whether the specific COVID-19 benefit programs complied in all significant respects with the applicable criteria.

All work in this audit was performed to a reasonable level of assurance in accordance with the Canadian Standard on Assurance Engagements (CSAE) 3001—Direct Engagements, set out by the Chartered Professional Accountants of Canada (CPA Canada) in the CPA Canada Handbook—Assurance.

The Office of the Auditor General of Canada applies the Canadian Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

In conducting the audit work, we complied with the independence and other ethical requirements of the relevant rules of professional conduct applicable to the practice of public accounting in Canada, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

In accordance with our regular audit process, we obtained the following from entity management:

- confirmation of management's responsibility for the subject under audit
- acknowledgement of the suitability of the criteria used in the audit
- confirmation that all known information that has been requested, or that could affect the findings or audit conclusion, has been provided

Employment and Social Development Canada confirmed that the audit report is factually accurate.

The Canada Revenue Agency confirmed that the audit report is factually accurate with the exception of our estimate of payments that require further investigation for the Canada Emergency Wage Subsidy estimated at \$15.5 billion. The agency disagreed with our use of monthly GST/HST information to assess the revenue decline criteria of the subsidy program. We used this information because monthly revenue information was not gathered upon application. Based on the results of the limited post-payment verifications completed to date, the agency's view was that ineligible subsidy payments will be significantly lower than our estimate.

### Audit objective

The objective of this audit was to determine the following:

- whether the Canada Revenue Agency and Employment and Social Development Canada, according to their roles and responsibilities, ensured that COVID-19 benefit payments were accurate, paid to eligible applicants, and undertook timely procedures to recover payments made to ineligible recipients and overpayments

- whether the Canada Revenue Agency and Employment and Social Development Canada managed the COVID-19 programs efficiently and measured their administrative effectiveness. Furthermore, the audit will examine whether programs' objectives were achieved and provided value-for-money outcomes

The COVID-19 benefit programs covered by this audit are the following:

- Canada Worker Lockdown Benefit
- Canada Recovery Benefit
- Canada Recovery Sickness Benefit
- Canada Recovery Caregiving Benefit
- Canada Emergency Response Benefit, including the Employment Insurance Emergency Response Benefit
- Canada Emergency Wage Subsidy

### Scope and approach

The audit scope included the Canada Revenue Agency and Employment and Social Development Canada and covered the benefits and programs listed above.

This audit included the following 3 lines of enquiry for all the benefits and programs subject to the audit:

- **Compliance.** This line of enquiry provided assurance that recipients of COVID-19 benefits met the eligibility criteria, according to the programs' requirements, and that the payments made were accurate.
- **Recovery of ineligible payments.** This line of enquiry examined the post-payment verification plans and processes in place as well as the actions undertaken to recover in a timely way payments made to ineligible recipients and overpayments.
- **Efficiency, measures of effectiveness, and outcomes.** This line of enquiry examined the efficiency of the agency's and department's management of the programs under audit, as well as the means to measure the effectiveness of the programs' delivery.

The audit also sought to determine whether the programs provided value-for-money outcomes by analyzing various metrics and statistics. The assessment of value-for-money outcomes is not the responsibility of the Canada Revenue Agency.

The audit did not examine

- other COVID-19 programs put in place by the federal government that are not identified in *An Act to provide further support in response to COVID-19*
- COVID-19 provincial and municipal support programs offered to individuals, businesses, and organizations

## Criteria

We used the following criteria to determine the following:

- whether the Canada Revenue Agency and Employment and Social Development Canada, according to their roles and responsibilities, ensured that COVID-19 benefit payments were accurate, paid to eligible applicants, and undertook timely procedures to recover payments made to ineligible recipients and overpayments
- whether the Canada Revenue Agency and Employment and Social Development Canada managed the COVID-19 programs efficiently and measured their administrative effectiveness. Furthermore, the audit will examine whether programs' objectives were achieved and provided value-for-money outcomes

Criteria	Sources
<p><b>Compliance</b></p> <p>The Canada Revenue Agency and Employment and Social Development Canada ensured that COVID-19 benefits payments were accurate and that recipients met eligibility criteria.</p>	<ul style="list-style-type: none"> <li>• Taxpayer Bill of Rights, Canada Revenue Agency</li> <li>• Related Amendment to the Canada Recovery Benefits Regulations, <i>An Act to provide further support in response to COVID-19</i></li> <li>• <i>Canada Worker Lockdown Benefit Act</i></li> <li>• <i>Canada Recovery Benefits Act</i></li> <li>• <i>Canada Emergency Response Benefit Act</i></li> <li>• <i>Income Tax Act</i></li> <li>• <i>Employment Insurance Act</i></li> </ul>
<p><b>Recovery of ineligible payments</b></p> <p>The Canada Revenue Agency and Employment and Social Development Canada have developed and are implementing post-payment verification plans and processes and are taking timely actions to recover payments made to ineligible recipients and overpayments.</p>	<ul style="list-style-type: none"> <li>• Related Amendment to the Canada Recovery Benefits Regulations, <i>An Act to provide further support in response to COVID-19</i></li> <li>• <i>Income Tax Act</i></li> <li>• <i>Canada Worker Lockdown Benefit Act</i></li> <li>• <i>Canada Recovery Benefits Act</i></li> <li>• <i>Canada Emergency Response Benefit Act</i></li> <li>• <i>Employment Insurance Act</i></li> <li>• Taxpayer Bill of Rights, Canada Revenue Agency</li> </ul>
<p><b>Efficiency, measures of effectiveness, and outcomes</b></p> <p>The Canada Revenue Agency and Employment and Social Development Canada managed the COVID-19 programs efficiently and measured their administrative effectiveness.</p> <p>Employment and Social Development Canada monitored, analyzed, and reported on policy outcomes for the benefits covered by this audit, with the exception of the Canada Emergency Wage Subsidy.</p>	<ul style="list-style-type: none"> <li>• Related Amendment to the Canada Recovery Benefits Regulations <i>Income Tax Act, An Act to provide further support in response to COVID-19</i></li> <li>• <i>Policy on Results, Treasury Board.</i></li> <li>• <i>Canada Worker Lockdown Benefit Act</i></li> <li>• <i>Canada Recovery Benefits Act</i></li> <li>• <i>Canada Emergency Response Benefit Act</i></li> <li>• <i>Employment Insurance Act</i></li> <li>• <i>Income Tax Act</i></li> <li>• Transforming Our World: The 2030 Agenda for Sustainable Development, United Nations</li> </ul>



## Period covered by the audit

The audit covered the period from 15 March 2020 to 30 September 2022. This is the period to which the audit conclusion applies. However, to gain a more complete understanding of the subject matter of the audit, we also examined certain matters that preceded the start date of this period.

## Date of the report

We obtained sufficient and appropriate audit evidence on which to base our conclusion on 1 November 2022, in Ottawa, Canada.

## Audit team

This audit was completed by a multidisciplinary team from across the Office of the Auditor General of Canada led by Mélanie Cabana, Principal. The principal has the overall responsibility for audit quality, including conducting the audit in accordance with professional standards, applicable legal and regulatory requirements, and the office's policies and system of quality management.

## Recommendations and Responses

In the following table, the paragraph number preceding the recommendation indicates the location of the recommendation in the report.

Recommendation	Response
<p><b>10.47</b> In the administration of future programs, the Canada Revenue Agency should engage with its partners, such as Statistics Canada and relevant departments, to ensure it collects pertinent data from applicants to better monitor and measure the effectiveness and outcomes of programs.</p>	<p>Agreed. As the administrator of future government programs, the Canada Revenue Agency will continue to engage with program departments to discuss the data required to measure and report on the effectiveness of these programs, as well as the framework to exchange this information in a timely and secure manner. While the program departments are responsible for measuring and reporting on the outcome of initiatives under their responsibility, the agency will be an active partner, supporting them in their data needs.</p>
<p><b>10.78</b> In order to improve the efficiency of the tax and programs administration and to follow good practices, the Canada Revenue Agency should assess the value of implementing a real-time business revenue data requirement.</p>	<p>Agreed. The Canada Revenue Agency continuously strives to enhance its program administration through the review of new international best practices. The agency is already advancing its understanding of real-time business revenue data requirements to support program administration and increase business efficiencies. Within its legislative authority, the agency will assess the value of implementing a real-time business revenue data requirement, including the necessary infrastructure analysis, completion of a cost benefit analysis, and required policy and legislative changes to implement such a requirement.</p>
<p><b>10.84</b> In order to improve its efficiency of delivering benefit programs, the Canada Revenue Agency, with the collaboration of Employment and Social Development Canada, should pursue the development and implementation of a real-time payroll system with clear timelines and deliverables.</p>	<p>Agreed. Budget 2021 announced funding of \$43.9 million over three years, starting in 2020–21, for the Canada Revenue Agency and Employment and Social Development Canada to develop options for the implementation of an ePayroll solution for the Government of Canada that will increase the speed and accuracy of services and benefits to Canadians. Now in its second year, the current phase of the project will deliver a fully costed implementation plan consisting of 3 deliverables: a business case that will recommend an ePayroll solution, supported by a transformation blueprint and a project management framework, with a view to moving to the implementation phase beyond March 2024.</p>

Recommendation	Response
<p><b>10.101</b> The Canada Revenue Agency and Employment and Social Development Canada should</p> <ul style="list-style-type: none"> <li>• update their post-payment verification plans to include all activities to identify payments to ineligible recipients of COVID-19 benefit programs, taking into account the legislated time frames</li> <li>• increase the extent of post-payment verifications for COVID-19 benefit programs for individuals to include all cases identified as being at risk of being ineligible</li> </ul>	<p>Partially agreed. Employment and Social Development Canada and the Canada Revenue Agency have ensured that their plans include both reconciliation activities such as the collection of lump-sum payments as well as post-payment verifications of potentially ineligible applicants. As part of their integrity work, the department and agency have assessed all COVID-19 benefit programs against the eligibility criteria and will leverage a risk-based approach to verifications that focuses on the highest risk files and the greatest dollars at risk.</p> <p>The department and the agency were provided funding by the government to conduct risk-based post-payment verifications at a level that balances the number of resources required to investigate a potentially ineligible recipient against the amount paid to an individual. It would not be cost effective nor in keeping with international and industry best practices to pursue 100% of all potentially ineligible claims. This approach is evergreen, and will be adapted as the circumstances warrant.</p>
<p><b>10.114</b> To increase the recovery of COVID-19 amounts owed and reduce the administrative burden, the Canada Revenue Agency should, before the end of December 2022, put system functionalities in place to apply refunds against COVID-19 amounts owed.</p>	<p>Agreed. The functionality to automatically apply refunds from other tax lines (such as T2 income tax, GST/HST, etc.) to Canada Emergency Wage Subsidy debts has been operational since the subsidy was first implemented. Beginning 17 October 2022, the agency has had the ability to apply T1 refunds to COVID-19 individual benefit debts. The functionality to apply GST credits to COVID-19 individual benefit debts is currently planned for February 2023.</p>
<p><b>10.115</b> To improve the usefulness of information and the transparency of COVID-19 reporting, the Canada Revenue Agency should improve its information collection and reporting capabilities to accurately report for each benefit program how much has been collected for each individual and business.</p>	<p>Agreed. The Canada Revenue Agency has continually enhanced its systems since it began the administration of COVID-19 benefits for individuals and subsidies for businesses in an iterative fashion. This includes enhancements to support post-issuance compliance, reporting, and collection activities. As part of this ongoing process, the agency will continue its efforts to accurately report how much has been collected for each COVID-19 benefit and subsidy program.</p>

