General description of the CRA's audit program for charities and specifics on the CRA's Review and Analysis Division (its mandate, activities and other information)

Registered charities have certain obligations under the Income Tax Act. The CRA's Charities Directorate monitors the operations of registered charities to make sure they comply with these obligations in order to uphold the integrity of the charitable sector.

The CRA also contributes to the government's efforts to combat terrorism and terrorist financing by protecting the Canadian charitable sector from terrorist abuse, a mandate that stems from the Anti-Terrorism Act. This responsibility lies with the Review and Analysis Division (RAD) of the CRA's Charities Directorate, which reviews all applications for charitable registration and conducts audits of registered charities to determine if there is a risk of terrorist financing. This work also supports the government's commitment to implement the recommendations of the Financial Action Task Force (an international standard setting body) and expectations as one of many partners in Canada's anti-money laundering and anti-terrorist financing regime.

The CRA promotes compliance through a balanced program of client services, education and responsible enforcement. As the majority of charities are compliant and only need guidance at times, a risk-based approach is used to promote and enforce compliance within the charitable sector. This involves various types of audit and non-audit interventions based on the risk of non-compliance.

Educating registered charities about the risks of terrorist financing abuse and how they can protect themselves is a responsibility that we take very seriously. If, as a result of an audit, the CRA identifies non-compliance under the Income Tax Act, including risks related to terrorism, it chooses the most appropriate course of action, taking into consideration the circumstances of each case. The CRA uses an education-first approach where appropriate. This means the CRA generally gives charities the chance to comply through education or a compliance agreement before moving to sanctions or revocation. In all cases, a charity will be able to make representations before the CRA comes to a determination on an appropriate compliance outcome. If the CRA finds it is reasonable to impose a sanction or to annul or revoke the charity's registration, it will send the charity a letter by registered mail outlining its decision.

Where a charity believes the CRA has not interpreted the facts or applied the law correctly, it can avail itself of its recourse rights by filing an objection with the Appeals Branch of the CRA. If a registered charity disagrees with a decision resulting from the objection process, it can appeal to the Federal Court of Appeal or the Tax Court of Canada, depending on the type of appeal.

Reviewing a charity's continued eligibility for registration under the Income Tax Act is an administrative process and relates solely to the tax treatment of registered charities and their donors. The Charities Directorate's role does not include criminal investigations, nor does it involve the confirmation or validation that a criminal activity, such as terrorism, has occurred.

The Charities Registration (Security Information) Act also allows the CRA to deny registration or revoke the registration of a charity involved in supporting terrorism through a certificate process, signed by the Minister of National Revenue and Minister of Public Safety. This special administrative process protects the use of classified information, where it must be relied upon to reveal an organization's ties to terrorist groups and allows the use of this information in assessing an organization's eligibility for obtaining or maintaining charitable registration.

The CRA also has the authority to exchange information, in accordance with the Income Tax Act, the Charities Registration (Security Information) Act, and the Proceeds of Crime (Money Laundering) and Terrorist Financing Act, with its Canadian intelligence and law enforcement partners to assist their investigations.

Number of charity audits (including pre-reg) the CRA closed in each year of the last five years

Please see below a table which breaks down the Charities Directorate's completed audits by fiscal year, audit outcome, and program (Compliance audits vs. RAD audits).

Note that in cases where an audit may have led to multiple outcomes (i.e. a penalty and a compliance agreement), only one outcome is counted. Also, the "revocation" outcome figures include situations where the audit is finished and the CRA has proposed to revoke the charity's registration, but may not yet have done so because there is a pending objection or appeal. The "other outcome" figures capture post-revocation audits (e.g., to ensure the revocation tax has been paid).

While there has been a decrease in formal charity audits, part of which can be attributed to the impacts of the COVID-19 pandemic on the CRA's operational capacity and audit-related activities in the last two fiscal periods, the CRA has actually increased its compliance coverage for registered charities through other initiatives. As part of its ongoing efforts to ensure charities meet the requirements of registration, the Charities Directorate uses a multi-streamed approach to compliance. This involves various audit and non-audit interventions, depending on a registered charity's risk of non-compliance:

- Non-audit interventions focus on early education and provide charities with the opportunity to resolve lower-risk cases of non-compliance before they get worse. These interventions are **not** reflected in the table below.
- Audits are reserved for isolated cases where charities demonstrate a risk of engaging in more serious non-compliance.

Audit outcome	**2017-2018**		**2018-19**		**2019-20**		**2020-21**		**2021-22**		**Total**
-	**Compliance**	**RAD**	**Compliance**	**RAD**	**Compliance**	**RAD**	**Compliance**	**RAD**	**Compliance**	**RAD**	-
No change	8	0	6	0	2	0	1	0	7	0	**24**
Education letter	192	0	160	1	131	0	90	0	81	0	**655**
Compliance agreement	91	0	76	4	43	1	35	2	44	1	**297**
Notice of Intention to Revoke	21	2	18	3	7	0	0	0	28	0	**79**
Voluntary revocation	12	0	4	0	4	0	5	0	5	0	**30**
Annulments	0	0	1	0	1	0	1	0	1	0	**4**
Sanctions	5	2	1	1	0	1	0	0	5	1	**16**
Re-reg / Pre-reg reviews	1	0	1	0	3	0	0	0	4	0	**9**
Other outcome	11	0	12	0	17	0	8	0	5	0	**53**
Total	**345**		**288**		**210**		**142**		**182**		**1,167**

Number of audits undertaken to address risks related to terrorism abuse

Since 2017-18, the CRA has completed 19 charity audits to address risks related to terrorism abuse.

The only information publicly available about compliance actions resulting from any charity audits (i.e. revocations and sanctions) are the Notice of Intention to Revoke and Notice of Sanction letters that were issued to the organizations. Regarding the RAD audits specifically, it is important to note that not all of these letters will necessarily include concerns relating to terrorist financing. While concerns relating to the risk of terrorism abuse can be a risk indicator used by the CRA to select a charity for audit, these concerns would not in and of themselves necessarily form part of the CRA's reasons for revoking or imposing a sanction on a particular charity. It is also important to note that as a standard practice, the CRA does not disclose information regarding its risk assessment related to an organization under audit and/or audit and review techniques.