



APPENDIX H

International Relief Fund for the Afflicted and Needy (Canada)

Due Diligence Findings

Appendix H – Absence of Due Diligence

Review of Schedule E and Amended Schedule E

While IRFAN-Canada provided the CRA with copies of proposed due diligence procedures in the form of Schedule E on November 19, 2004,¹ our audit has been unable to find any supporting documentation to suggest that IRFAN-Canada implemented these procedures in a routine or systemic working capacity. This is evidenced by IRFAN-Canada's failure to:

- observe publicly available adverse findings on a number of its funding recipients;
- conduct checks with Israeli authorities;
- cease relationships with organizations that had been raided;
- cease relationships with organizations that had been listed as unlawful associations; and
- avoid partner relationships with Hamas-controlled Ministries.

The CRA has reached the same conclusions regarding the amended Schedule E which was provided to us during a January 14, 2009 site visit. Once again, our audit did not reveal any supporting documentation to indicate that the Ramallah office documented due diligence activities or that it provided any findings to IRFAN-Canada on a regular basis.² We note however, that in amending Schedule E, IRFAN-Canada removed the wording "unlawful associations". It is noteworthy to mention that IRFAN-Canada itself was listed³ as an unlawful association in Israel effective December 30, 2004.⁴

During the CRA's January 2009 site visit to IRFAN-Canada's Mississauga office, Mr. Kaoud also provided a signed Memo to File dated January 14, 2009 outlining amended due diligence procedures. The memo states that IRFAN-Canada will "set up a new Excel Spreadsheet Titled 'Regular Due Diligence Verification Schedule - Year 2009.'" IRFAN-Canada was unable to produce this spreadsheet or any other documents supporting that it had implemented any of the measures set out in the memo.⁵ The memo also lists organizations which IRFAN-Canada is to be "regularly verified". Further, IRFAN-Canada represented to the CRA during our audit that it was satisfied that all of the organizations with which it associated were, in the words of its due diligence procedures, "clean" and that it did not have any concerns in this regard that it wished to

¹ See IRFAN-Canada's November 19, 2004 letter (Appendix A)

² IRFAN-Canada's Ramallah office representative, Mr. Al-Sheikh, represented to the CRA that written records on due diligence were not kept. IRFAN-Canada represented to the CRA that written due diligence records are not kept and any adverse findings are destroyed

³ www.justice.gov.il/MOJEng/Halbanat+Hon/Terrorist+Organizations.htm and www.mod.gov.il/pages/general/terror.asp

⁴ The CRA first advised IRFAN-Canada of our knowledge of its listing as an unlawful association in our January 18, 2010 Proposal to Suspend Receipting Privileges. In response, IRFAN-Canada's representative to the CRA that "the Charity emphatically denies that it knowingly failed to disclose this information or knowingly attempted to conceal this information from the CRA".

⁵ During our May 25 to 28, 2010 site visit to IRFAN-Canada's Mississauga office, _____ provided due diligence spreadsheets (reportedly created on his own initiative) on May 19, 2010 for three organizations. It would appear that _____ disregarded open source information that one of these organizations had its bank account confiscated for links to Hamas.

identify. Our own analysis indicates, however, that many of these “regularly verified” and “clean” organizations have ties to Hamas.

IRFAN-Canada’s Agency Agreement, Article 4 – Due diligence and Schedule B, Principles of Oversight, Verification and Due Diligence

Following the closure of the CRA’s audit of IRFAN-Canada’s 2002 fiscal year, the charity amended its agency agreements to include an Article⁶ and Schedule B⁷ on due diligence. Once again, however, the audit did not reveal any documentary evidence of consultation with or direction provided by IRFAN-Canada to any of its partner organizations regarding due diligence.

We note that Schedule B places the onus on IRFAN-Canada’s International Partner to conduct due diligence:

...the International Partner shall have provided to IRFAN Canada a written declaration certified by an authorized officer of the International Partner's (a "Due Diligence Certificate"), that the International Partner has undertaken sufficient due diligence to satisfy itself, acting conscientiously and reasonably, that its participation in that given project is not and will not be in contravention of the applicable laws relating to Anti-Terrorism and Money Laundering in its jurisdiction. Thereafter, as long as a given project is continuing, the International Partner shall provide to IRFAN-Canada at intervals of not less than 3 months, a current Due Diligence Certificate for each project.

The CRA requested that IRFAN-Canada provide copies of all Due Diligence Certificates its international partners would have been required to submit in accordance with Schedule B of its agency agreements. In reply, IRFAN-Canada represented to the CRA that the Due Diligence Certificates did not exist. Further, IRFAN-Canada failed to produce any correspondence or other documentary evidence from any of its international partners in respect to due diligence conducted by its partners on behalf of IRFAN-Canada. In any event, IRFAN-Canada’s arrangement to have its international partners self-assess and certify that they are not violating any anti-terrorism laws in their own jurisdictions is a completely unreliable and ineffectual method of conducting due-diligence. This process lacks the independent and disinterested evaluation that meaningful due diligence would require and, importantly, does not account for the need to regard Canadian law and public policy. For example, while Hamas is not considered an unlawful entity in Gaza, it is a listed terrorist entity in Canada.

⁶ Article 4 of IRFAN-Canada’s agency agreement states that “completion of all projects will conditional upon satisfactory due diligence reviews by IRFAN-Canada” and that “the parties shall follow the general principles of oversight, verification and due diligence as outlined in Schedule B”.

⁷ Schedule B states that: “the International Partner, in consultation with IRFAN-Canada, shall be **primarily responsible for establishing local oversight procedures for each international project**”; and “Subject to independent verification by IRFAN-Canada, **the International Partner shall also be primarily responsible for conducting ongoing due diligence** or audits of such overseas projects commensurate to the value of the funds, materials, efforts and risks related to each project.”

We note that the main recipient of IRFAN-Canada funding now is Ard El Insan (AEI), an organization based in Gaza, which has received over \$9.8 million in funding from IRFAN-Canada from March 2006 to December 2009.⁸ According to information provided by CIDA and articles found on the website of the United Nations Information System on the Question of Palestine, the Hamas government requires international and local aid organizations to coordinate relief efforts with it and monitors their distribution of funds by asking that they disclose their beneficiaries to the Ministry of Social Affairs. The Ministry is headed by Ahmad Al-Kurd,⁹ who was one of the individuals who first established JFHS and IRFAN-Canada's presence in the West Bank and Gaza.

It is significant to us, therefore, that at no time has IRFAN-Canada provided the CRA with any information to show how, in the context of this organizational history and the current political environment, it has ordered its affairs with AEI in such a way as to comply with Canadian law and policy regarding Hamas.

On the contrary, our audit findings and open source information provide evidence that AEI has facilitated the transfer of IRFAN-Canada resources to the control of Hamas Ministries in Gaza and, prior to that, in the West Bank.¹⁰ For example, we were able to trace monies wired to AEI from IRFAN-Canada to vouchers issued by Post Offices administered under the authority of the Ministry of Telecommunications in the West Bank during the time it was under the control of Hamas. Media reports as well as information obtained from the website of the Hamas Ministry of Telecommunications in Gaza state that Hamas uses this method of payment (i.e. cash payments administered through the Ministry-run post offices) to make payments to civil servants and disbursements for social assistance to the families of martyrs.

We also note that AEI has been the major facilitator of IRFAN-Canada's provision of goods to the Hamas Ministry of Health and of Ramadan food packages purchased through the use of commodities firms. These firms include the Abu Aker for Export & Marketing, a food importer, which has been identified as having engaged in trade-based money laundering schemes used to provide financing to terrorist groups. This firm was listed as an Unlawful Association by Israel on December 28, 2005 and, as a consequence, has been banned from doing business in Israel.

We note that IRFAN-Canada has now itself opened an office in Gaza, indicating a shift in its operational focus in favour of the Hamas-controlled Gaza strip. The new office is to be managed by I'tidal al-Khatib, Executive Director of AEI, who now has signing authority for IRFAN-Canada's new Bank of Palestine account opened in April 2010.

⁸ Based on wire transfers and IRFAN-Canada's own project sheets.

⁹ See Appendix C for details on Ahmad Al-Kurd and the JFHS's early partner, the Al Salah Society in Gaza.

¹⁰ Monies designated for orphan sponsorship transferred to the Ministry of Telecommunications and Information Technology and goods supplied to the Ministry of Health