



# Charities Directorate: Activities Section II Audit Process & Partnership

October 2012

003787



Canada Revenue  
Agency

Agence du revenu  
du Canada

Canada

# Budget 2012

- Budget 2012 provided funds for Compliance to conduct increased screening, monitoring and auditing of charities that engage in political activities.

003788

- Our mandate includes the audit of 60 charitable organizations involved with political activities.
- Over the next four years, the audits will commence as follows:
  - 10 files in year 1 (2012-2013)
  - 20 files in year 2 (2013-2014)
  - 20 files in year 3 (2014-2015)
  - 10 files in year 4 (2015-2016)

# Compliance Framework

## Purpose:

- To develop a process of file selection in a fair, consistent and transparent manner.
- The framework describes (a) the source from where files will be selected, (b) the screening criteria used to select files for audit and (c ) the screening decisions.

# Source

- T3010
- Leads and referrals
- Internal transfers
- Related files/research
- Media analysis
- Registration letters with a political activities caution

003791

# Screening Criteria

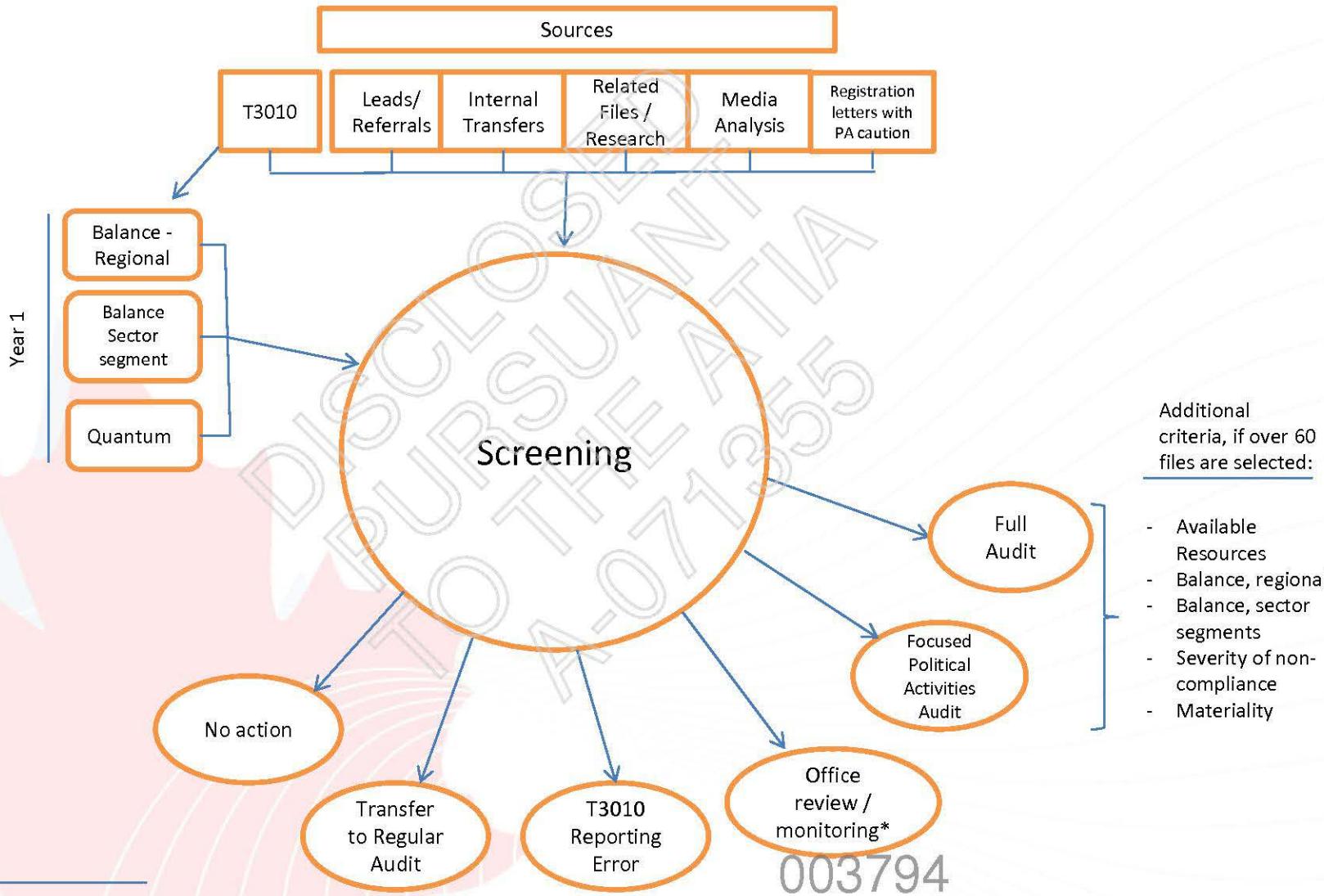
- Over the next 4 years, all organizations engaged in political activities identified through the sources noted above will be screened. In view of the time remaining in this fiscal period, additional criteria is established to select files to be screened from the T3010 source:
  - Balance – regional
  - Balance – sector segments
  - Quantum - materiality

# Screening Decisions

- Full audit
- Focused audit
- Office review / monitoring
- T3010 reporting errors
- Transfer to regular audit
- No action

003793

## Compliance Framework for Files Identified with Political Activities



\* Reminder letters

- To date, 100 files have been screened and 35 files have been selected for full or focused audits.
- 6 audits of files with political activities are currently in progress, and will count as part of our quota: <sup>24(1)</sup>
- 5 were chosen to start this fiscal, 1 in each of the following TSOs: <sup>24(1)</sup>

# **Distribution of Files per Category of Charity**

## **Year 1**

	<b>Poverty</b>	<b>Education</b>	<b>Religion</b>	<b>Fourth Category</b>
Halifax	24(1)			
Montreal				
Kingston				
Kitchener				
Edmonton				
Victoria				

003796

# Advisor & Auditor Partnership

- The audits of files for this initiative will be performed in partnership (at least initially) between the TSO auditor and an HQ advisor

003797

# Auditor Responsibilities

- As in a regular audit, the auditor will be responsible for all aspects of the file, including:
- Working papers (maintaining accurate and detailed records)
- Contact and correspondence with the organization
- Work cooperatively with HQ
- Provide HQ with briefing notes, fact sheets, updates as requested, in a timely manner
- Consult with the HQ advisor before making travel plans
- Have HQ review all conclusion letters, including AFLs, Education letters and Compliance agreements

# Advisor Responsibilities

- Participate in the audit
- Research and analyse the activities/purposes and write up the working papers (in partnership with the auditor)
- Knowledge transfer with the auditors
- Review the correspondence /conclusion letters and help guide the auditor with writing correspondence
- Write HQ briefings, fact sheets, updates with input from the auditor
- Liaise between HQ senior management and the auditor/team leader

# Dos and Don'ts

- Do keep the communication open
- Do keep detailed & accurate records
- Do provide requested information in a timely manner
- Do ask questions if you don't know
- Do provide recommendations or suggestions
- 21(1)(a) and 21(1)(b)

003800

# Walking the tightrope



003801

- We will encounter problems
- Our work is high profile and will be scrutinized
- We will have pressure from senior management
- We may encounter resistance from organizations
- ATIP requests will be frequent

003802

# What we may ask of you

- Audit organizations outside of your province
- Help develop working papers, tools or guidance
- Help with developing processes
- Office reviews and reporting errors
- Be patient

003803

# What you can expect from us

- Help & support
- Assistance with analyzing the activities & purposes
- Assistance with writing conclusion letters
- Assistance with any audit issues
- Cake & goodies ... when in Ottawa ☺ (maybe)

003804

# Activities Section II

**Marie-Lou Fortin (B)**

**Heather Hopkins**

**Félix- Antoine Simard (B)**

**Karla Muise**

**Dan Davies-Ostrom**

**Jennifer Fraser**

**Ba-Quy Cao**

003805

# Questions ?



003806