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Attachments: Final-ComplianceDivisionBusinessPlan2019-2020_Aug.2019.docx

Melissa,

Atatched is the final business plan for your review.

Thank you,

Sean

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THE ATIA
A-2019-115630

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**HEADQUARTERS
LEGISLATIVE POLICY AND REGULATORY
AFFAIRS BRANCH
CHARITIES DIRECTORATE
COMPLIANCE DIVISION**

BUSINESS PLAN
2019-2020

Last Update: August 27, 2019

000565

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Section 1 Executive Summary

The Charities Directorate (the Directorate), of the Canada Revenue Agency (CRA), is responsible for all program activities related to the provisions of the Income Tax Act regarding registered charities, and other qualified donees. The Compliance Division (the Division) contributes to the overall mission of the Directorate through a variety of education and enforcement activities, thereby contributing to the integrity of the charitable sector and the social well-being of Canadians.

The 2019-2020 fiscal year will see the Division continue to grow its relationships with other areas of CRA, in an effort to address overlapping areas of non-compliance that impact the integrity of the tax system in Canada. This will likely involve taking increased enforcement action against high risk charities that are clearly not fulfilling the obligations of registration as a charity.

Nonetheless, the Division will not neglect its commitment to provide an education first approach to compliance with registered charities. During 2019-2020, the Division will continue to address lower risk non-compliance outside of the audit process, through an established array of compliance treatments. This approach allows increased sector coverage using the same amount of resources, when compared with solely addressing non-compliance via audit.

The 2019-2020 fiscal year will see the culmination of the Directorate's Charities IT Modernization (CHAMP) project, with the deployment of the Charity One/Bienfaisance Un (C1/B1) system. This will include new electronic services, including online filing of Form T3010, "Registered Charity Information Return". The online filing of the T3010 is intended to promote voluntary compliance by making it easier for charities to meet their information reporting obligations. The C1/B1 system will also have a major impact on how some sections of the Division perform their duties and provide service to the charitable sector.

Section 2 Division Overview

2.1 Mandate

The Directorate is responsible for all activities related to the provisions of the Income Tax Act regarding registered charities, and other qualified donees. The Directorate's mission is to promote compliance with the income tax legislation and regulations relating to registered charities through education, quality service, and responsible enforcement.

The Division contributes to the overall mission of the Directorate by enforcing compliance with the legislation administered by the CRA, and by encouraging and assisting registered charities to comply with the requirements of the legislation. In order to meet these objectives the Division has developed a range of compliance treatments to make meaningful compliance contact with registered charities based on various levels of risk and complexity. These compliance treatments include quality audits, various educational and outreach actions, and other enforcement activities.

2.2 Compliance Division Structure

The Division is comprised of seven sections located at Headquarters (HQ) and charity teams located in five Tax Service Offices (TSOs) across the country. A brief summary of the responsibilities of each HQ section and of the charity teams in the TSOs is provided below:

The Filing Enforcement Section is responsible for administering the processes related to all types of revocations of registered charities and RCAAAs, administering the Part V/revocation tax provisions for revoked charities, and handling returned mail.

The Monitoring Section is the expert on the processing of the Registered Charities Information Return (T3010), and provides HQ support to the keying centre in Summerside. This section addresses a high volume of low risk non-compliance in regard to the T3010, which includes ensuring charities file the correct version of the T3010.

The Workload Development and Quality Assurance Section (Workload) is responsible for risk assessing and screening files for all of the Division's compliance treatments. Also, it develops and provides the necessary budgets, planning documents, training, business tools, and other relevant information to support the Division's operations.

The Assisted Compliance Section (ACS) is responsible for promoting compliance through variety of compliance actions. This includes restricted desk audits of high risk charities, and targeted education and outreach interventions for lower risk files. In addition, ACS oversees the Charities Education Program (CEP), which includes the creation of all procedures, tools and resources for the CEP Officers who are located in the TSOs.

The Audit and Field Support Section (AFSS) provides ACS and the TSOs with advice and guidance on technical issues related to ongoing audits and to the outcomes of audits, including overseeing the application of sanctions.

The Technical Audit Section (TAS) is a specialized team responsible for providing advice and guidance on technical issues related to high-risk non-compliant files that are at the AU03 level. The TAS was created this year to work collaboratively with the High Net Worth Compliance Directorate within the International, Large Business and Investigations Branch to address these files through the 16(1)(c) and Aggressive Tax Planning.

The Operations and Policy Support Section (OPSS) is the primary point of contact for advising the auditors in the TSOs during their audits. They provide guidance and advice on the application of charity related policies, legislation and case law to aid in evaluating whether organizations under audit operate charitably. Also, the OPSS is the Division's primary representative in addressing audit trends or concerns with respect to charity related policies, legislation and case law.

The Charity Teams in the TSOs (the TSOs) are comprised of auditors and officers from the Domestic Compliance Program Branch (DCPB), and are located in the five regional TSOs across the country. The TSOs are responsible for conducting field audits at the AU01/SP06 level and at the AU02 level, and for conducting the CEP visits.

2.3 Sector Coverage

There are approximately 86,000 registered charities, 120 registered Canadian amateur athletic associations (RCAAA) and approximately 4,350 other qualified donees.

Historically, the objective of the Division was to maintain approximately 1% audit coverage of the population of registered charities on an annual basis. This was consistent with coverage rates for other CRA audit programs.

As illustrated in Appendix 1, we know that the majority of the charity population seeks to voluntarily comply with the requirements of registration, though may require some degree of education or assistance to do so. By contrast, the proportion of charities involved in serious, egregious and/or repeat non-compliance, which can only be effectively addressed through audit, is significantly smaller. The Division in recent fiscal periods has re-allocated its resources in order to increase its compliance coverage by employing a range of compliance treatments aimed at a broader segment of the charitable sector. This is consistent with a CRA wide approach to broadly encourage voluntary compliance via educational measures while targeting audit resources to areas of greatest risk.

As a result of using the combination of audits and other compliance actions, the Division's coverage of the charitable sector increased to 1.2% in 2018-2019. Continuing with this approach, the plan is to increase coverage to approximately 1.5% of the population for 2019-2020. (see Figure 1)

Compliance Action	Planned Number of Compliance Actions
Audits	520
Charities Education Program	494
Non-Audit Interventions	285
Total Compliance Actions	1299

Figure 1

In addition to the above-described compliance coverage, the Division anticipates contact with a further 7% to 10% of the charitable population in 2019-2020, through other enforcement and education activities. These activities are undertaken in reaction to various actions, or inactions, of the charitable population. For example, registered charities that request voluntary revocation of their registered status.

Section 3 Division Changes

The Division underwent a re-organization beginning in 2016-2017, which introduced a new approach to compliance. As a result, the fiscal periods subsequent to 2016-2017, have seen many changes to the Division's structure, priorities, and processes. As the major changes have been adopted and integrated, the Division enters the 2019-2020 fiscal year on a stable platform.

Yet even when operating on this stable platform, the Division is not static. It continually searches for new tools, increased efficiencies, and new partnerships to better address non-compliance with the legislation administered by the CRA, and to better encourage and assist registered charities to comply with the requirements of the legislation.

For 2019-2020, there will be new issues, new partnerships formed, and new tools introduced to assist the Division and the charitable sector.

3.1 Compliance Issues and Partnerships

The Division undertook an evaluation of several potential non-compliance trends during the 2018-2019 fiscal year. For 2019-2020, the Division will seek to examine and/or address areas of greatest concern including: specific issues relevant 16(1)(c)

16(1)(c)

In an effort to address these issue, the Division will collaborate with other areas of the CRA. In particular, the Division will expand its capacity to conduct audits at the AU03 level in order to address more complex instances of non-compliance. ATP auditors from ILBIB will conduct audits, in partnership with the Division, on registered charities who are involved in international tax evasion and aggressive tax avoidance strategies.

3.2 Compliance Tools

The 2019-2020 fiscal year will see the introduction of the C1/B1 system that will assist the Division to conduct its activities. This will have a significant impact on how the Filing Enforcement Section and the Monitoring Section conduct their work going forward.

Section 4 Non-audit Interventions

The message from the Division, and from the Directorate as a whole, has always been that we take an education first approach to compliance for registered charities. Historically, this has meant a high proportion of the Division's audits resulted in educational outcomes.

The CRA has invested in the development of methods of addressing potential non-compliance issues outside of the audit process. This includes the development and implementation of the successful Liaison Officer Program introduced to maintain and enhance voluntary compliance

with the Income Tax Act among small T1 businesses through a balance of service, and education.

Emulating this approach, the Division reallocated existing resources from its Charity Audit Program to develop a broader range of compliance treatments outside of the standard audit process. These are referred to as non-audit interventions and are explained in detail below. The purpose of the non-audit interventions is to address lower risk and lower complexity non-compliance issues, among a larger population of charities through education and outreach, before issues become more serious. If serious non-compliance is identified during these interventions, such as failing to provide books and records, the necessary consequences will still be applied.

In addition, the development of the non-audit interventions is consistent with our understanding of how the risk of non-compliance is distributed within the charitable sector. The majority of registered charities wish to be voluntarily compliant, and a lighter approach to compliance is a more appropriate method of addressing non-compliance within this segment of the charitable population. This allows the Division to maximize the impact of our audit resources, so that they can be focused on the areas of highest risk non-compliance. Please refer to Appendix 1, for a visual representation of the charitable sector and the Division's approach to addressing potential non-compliance.

The compliance treatments that make up the Division's non-audit interventions for 2019-2020 include the following:

4.1 Monitoring

The Monitoring Section works with registered charities to ensure that they meet the legislative requirement to file an annual information return that is complete and accurate. This involves evaluating and processing amendments to the original returns that are requested by a registered charity. Also, it involves contacting registered charities to request documentation or amendments to their information return. For example, the Monitoring Section will contact a charity if they failed to provide financial statements, or if they filed the incorrect version of the information return.

4.2 ACS: Non-audit Interventions

The ACS initiates contact with registered charities through various letters and requests for information outside of an audit. These contacts occur where low-to-moderate risk of non-compliance has been identified. The common outcome of this compliance treatment is that the charity will be referred to available information in order to help them comply voluntarily with the requirements of registration. In certain instances, the charities will be required to respond to specific questions and inquiries.

Please refer to Appendix 2 for more information about the compliance treatments that are under the purview of ACS, including a summary of the resources dedicated to each compliance treatment and the primary issues to be addressed.

4.3 Charities Education Program

The CEP is designed to conduct in-person visits with registered charities, providing them with information and assistance in understanding their obligations. Early support and guidance make it easier for charities to meet their obligations and to maintain their registered status. The CEP is directly modeled after the Liaison Officer Program, described previously.

A CEP visit involves information sharing (which will include a discussion about the charity's books and records, as well as its purposes and activities), a books and records review (the officer provides feedback on their accuracy and completeness, and advice on how to address potential issues), and concludes with a Summary of Findings and Recommendations. To conclude the visit, an authorized representative of the charity will be asked to sign the document to confirm they understand their responsibilities and have received information to help them comply with their regulatory obligations, which will outline the findings of the visit.

The CEP visits are conducted by the charity teams at the TSOs across the country. Please refer to Appendix 3, for more information about the compliance treatments that are under the purview of the TSOs, including a summary of the resources dedicated to each compliance treatment and the primary issues to be addressed.

Section 5 Charity Audit Program and Other Enforcement Activities

5.1 Charity Audit Program

The Charity Audit Program for 2019-2020 is focussed on instances where the identified risk of non-compliance is high, and there is greater complexity around the potential compliance issues to be addressed. This means there is a greater chance of more severe outcomes because of the identified issues and the risks involved. The Charity Audit Program is comprised of several distinct treatments, identified below.

5.1.1 Restricted Audits

The ACS conducts restricted audits. Due to the nature of the non-compliance issues, these audits will be undertaken as desk audits. The audits will be restricted to charities that are identified to have specific compliance concerns, and do not require access to a charity's complete books and records.

Please refer to Appendix 2 for more details concerning the compliance treatments that are under the purview of the ACS, including a summary of the resources dedicated to each compliance treatment and the primary issues to be addressed.

5.1.2 Field Audits conducted by the TSOs

The majority of the Division's field audits are conducted by the TSOs across the country. The audits are generally conducted at the charity's premises. The audits are divided between SP06/AU01 level auditors and AU02 level auditors. The audits selected will all be high risk files, and the level of the auditor assigned will be determined by examining the complexity of the issues identified in each file.

Please refer to Appendix 3 for more details concerning the compliance treatments that are under the purview of the TSOs, including a summary of the primary issues to be addressed and the resources dedicated to each compliance treatment.

5.1.3 Field Audits conducted by HQ

AU03 level audits were formally introduced as part of the planning for the Charities Audit Program in 2018-2019. These audits will continue, and are planned to increase, in 2019-2020.

The purpose of these audits is to increase the Division's ability to address issues that are more complex or sensitive and to enable the Division to initiate audits of larger sized charities. In order to increase audit capacity at the AU03 level, the Division will access several sources of funding:

- Technical Audit funding – Funds have been reallocated from within the Branch to provide technical audit support and guidance to auditors from Aggressive Tax Planning who will be conducting audits of registered charities.
- 16(1)(c)

Please refer to Appendix 4 for more details concerning the compliance treatments that are the responsibility of the AFSS, including a summary of the primary issues to be addressed and the resources dedicated to each compliance treatment.

5.2 Advisors and Subject Matter Experts

5.2.1 Activities and Audit Advisors

Integral to the success of the Charity Audit Program is the contributions of the advisors from the OPSS and the AFSS. The OPSS is comprised of activities advisors, while AFSS consists of audit advisors.

An advisor is assigned to an audit to provide guidance and support in conducting, completing and closing an audit. An advisor's role includes, but is not limited to:

- assisting the auditor with technical and legislative issues;
- acting as a liaison between the auditor and other areas within the Directorate;
- assisting the auditor with audit work to ensure there is sufficient support for the outcome identified (e.g. working papers, reports, letters, etc.);
- reviewing and developing complex arguments in compliance agreements and proposals to revoke charitable registration relating to charitable purposes and activities; and
- preparing a file for the Director General, for audit outcomes that involve sanctions, annulments, or revocations.

5.2.2 Subject Matter Experts

The Subject Matter Experts (SMEs) are specialized advisors located on both the OPSS and the AFSS. There are SMEs for each of the following compliance outcomes:

- Voluntary Revocation, requested during an audit;
- Annulment; and
- Sanctions.

The SMEs responsibility is to ensure consistency in decisions for audit outcomes across the Charity Audit Program.

5.3 Other Enforcement Activities

The Filing Enforcement Section is responsible for identifying the organizations that no longer qualify for charitable registration outside of the audit process. Specifically, it revokes the registrations of registered charities and RCAAAs that fail to file their annual return, that have lost their corporate status, or that have requested voluntary revocation.

Also, the Filing Enforcement Section determines and raises the Part V tax assessment on all revocations of registered charities, which includes the instances described in the preceding paragraph, as well as those organizations revoked as the result of an audit.

Section 6 Interactions with the Directorate, Agency and Other Government Departments

The Division works with other areas of the Directorate, and other areas both inside and outside the CRA, to address compliance issues in regard to registered charities. These interactions include the following:

- The Division has a Business Transformation Coordinator (BT Coordinator). The BT Coordinator, along with the Monitoring Section and the Filing Enforcement Section, contributed to the development of the new IT tools under CHAMP. This was to ensure the new tools would meet the needs of the charitable sector and of the Division.
- The OPSS has an embedded policy function as they look at the common law and legislative issues arising from audits and assess needs and gaps in the context of the

mandate of the Division. This entails being the Division's voice in discussing issues of common interest with other areas, such as the Policy, Planning and Legislation Division (PPLD) and the Department of Finance.

- The Division provides advice and direction on compliance issues as they pertain to applications in the Assessment, Determinations and Monitoring Division (ADM), and to requests received by the Client Service Section.

Section 7 Measuring Divisional Success

The success of the Division is a result of the efforts of each of the sections at HQ and each of the charity teams in the TSOs. This success can be measured through various quantitative and qualitative factors, over both the short term and the long term.

7.1 Monitoring Section and Filing Enforcement Section

The work undertaken by the Monitoring Section and by Filing Enforcement Section is generally a reaction to something a registered charity has failed to do. This work is not planned, because it is dependent on the behaviour of the charitable population. While it is not planned, the work done by the Monitoring Section and the Filing Enforcement Section increases our coverage of the charitable sector and the volume of non-compliance that is addressed by the Division.

The Monitoring Section tracks the number of times contact is made with charities to address issues with their annual information returns. As 2019-2020 progresses, the Division will evaluate how the introduction of the C1/B1 system impacts the Monitoring Section's responsibilities and processes.

The Filing Enforcement Section maintains up-to-date reports on the number of registered charities and RCAAAs that are revoked for failure to file, that have lost their corporate status, that have voluntarily revoked, and that have been revoked as a result of an audit. They also maintain reports for organizations that have been annulled and for revocation of other qualified donees.

7.2 Non-Audit Interactions, and Charity Audit Program

The Division's planned contact with registered charities, through its non-audit interventions and the Charity Audit Program, have several measures of success.

7.2.1 Non-Audit Intervention

The primary measure of success of the non-audit interventions, such as CEP, is through the Division's increased coverage of the charitable sector and more efficient use of the Division's resources. The Division plans to reach a wider segment of the sector using proportionally minimal resources, relative to the time, effort and reach of the Charities Audit Program. The

Division intends to provide education and outreach to more charities in 2019-2020 than was possible in the past, while using the same amount of resources.

In addition, the charities that receive a CEP visit are invited to complete a survey about their experience. The Division is able to gather intelligence to potentially modify and improve CEP, based on the feedback received from the charities.

7.2.2 Restricted Audit

The success of this compliance treatment can be measured in two ways:

- as a measure of the effectiveness of various other compliance or audit tools (i.e. Do compliance agreements help us move charities along the compliance continuum?); and
- as a way to increase audit coverage on charities with indications of particular non-compliance, without the need of a more time consuming and costly field audit.

7.2.3 Field Audits conducted by the TSOs and HQ

The success of the field audits for 2019-2020 can be measured through an increase in the rate of severe audit outcomes, which includes compliance agreements or higher. This supports the Division's goal of using the more time consuming and costly field audits to address files with more serious indications of non-compliance, as opposed to using audits to primarily provide education.

In addition, the Division has developed and improved its Audit Quality Assurance (AQA) process. The Division is able to assess whether or not quality audits are being completed. The Division can modify and improve all parts of the Charities Audit Program, based the intelligence gained from the AQA process.

7.3 Issue Development

The Division's enforcement and education efforts should not only be measured by the impact on the individual charities and other qualified donees that are directly contacted. The Division's efforts are successful when there is a better understanding of the charitable sector as a whole.

The Division's enforcement and education results can be measured by their contribution to other Division and Directorate priorities, such as:

- New or revised products from PPLD;
- Proposals for improved and/or clearer legislation based on the Division's efforts;
- New, and/or clearer case law as the result of our audits; and
- Increased knowledge of the sector to help identify areas of non-compliance that should be the focus of our education and enforcement in future years.

Appendices begin on next page.

16(1)(c)

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Appendix 2 – Assisted Compliance Section

Compliance Treatments	Planned FTEs	Planned Hours per File	Total Files
Non-Audit Intervention	2.5	10	285
Restricted Audit	4.5	30	171
TOTAL	7		456

Non-Audit Intervention

The primary issues and sources of files to be addressed by the ACS, through non-audit interventions, in 2019-2020 will include:

- Follow-up letters on low risk Compliance Agreements;
- Issues/Projects – such as Inactive Charities and 16(1)(c) [REDACTED]
- Responding to correspondence received from registered charities, which was sent as the result of a compliance action (i.e. change in purposes); and
- Other Qualified Donees.

Restricted Audits

The restricted audits will be conducted on registered charities, which are identified to have specific high risk compliance concerns that can be addressed via a desk audit. The primary issues and sources of files to be addressed by restricted audit in 2019-2020 will include:

- Compliance Agreement Follow-ups;
- Leads and Referrals; and
- Projects – such as testing of the Risk Model.

Please refer to Appendix 5, for a more detailed description of the sources of files and the issues that will be addressed by the Division in 2019-2020.

Appendix 3 – TSOs: CEP and Field Audit

Compliance Treatments	Planned FTEs	Planned Hours per File	Total Planned Actions	ATLANTIC - HALIFAX	QUEBEC-MONTREAL	ONTARIO-KITCHENER	PRAIRIES – EDMONTON	PACIFIC-VICTORIA
CEP	6.5	15	494	114	95	95	114	76
SP06/AU01 Audits	22.72	90	288	14	63	106	59	46
AU02 Audits	5.64	140	46	8	11	16	0	11
TOTAL	34.86		828	136	169	217	173	133

Charities Education Program

The primary issues and sources of files to be addressed via CEP in 2019-2020 will include:

- Project - Newly Registered Charities from 2016; and
- Files with low risk issues pertaining to official donation receipt issues, T3010 errors, and books & records, from various sources that includes Leads and Referrals.

SP06/AU01 Audits

The audits will be conducted on high risk files. The audits pertain to well defined audit and activity issues that can be addressed within the budgeted amount of hours. The primary issues and sources of files to be addressed via SP06/AU01 audits in 2019-2020 will include:

- Leads and Referrals;
- Compliance Agreement Follow-ups;
- Other Required Reviews; and
- Projects – such as testing of the Risk Model 16(1)(c)

AU02 Audits

The audits will be conducted on high risk files. The audits include more complex compliance issues, which may involve various donation arrangements and complicated share transactions. The primary issues and sources of files to be addressed via AU02 level audits in 2019-2020 will include:

- Leads and Referrals; and
- Projects – such as 16(1)(c)

Please refer to Appendix 5, for a more detailed description of the sources of files and primary issues that will be addressed by the Division in 2019-2020.

Appendix 4 – Field Audits conducted by HQ

Compliance Treatments	Planned FTEs	Planned Hours per File	Total Planned
HQ – Technical Audit Section	8*	380	15**
HQ Audit - 16(1)(c)	16(1)(c)		
TOTAL			

AU03 Audits

The objective of the AU03 level audits is to increase the Division's capacity and coverage of more complex high risk issues. The primary issues and sources of files to be addressed via AU03 level audits in 2019-2020 will include:

- Leads and Referrals; and
- Projects/Issues – such as Offshore, Specific Issues Related to 16(1)(c)
16(1)(c)

*The FTEs associated with this compliance treatment are Aggressive Tax Planning (ATP) auditors from the High Net Worth Compliance Directorate that are being used to conduct high risk AU03 level audits on behalf of the Division. The Division is responsible to ensure the completion of the planned number of audits.

**The auditors associated with the funding for the Technical AU03 audits are projected to be trained, and in place by the beginning of Q2 for 2019-2020. The planned outputs for the fiscal year are projected to be half the full fiscal year total. This is to account for delays in the planned start date. Regardless of the projected outputs, the plan is ensure enough files are available to commence 16(1)(c)

16(1)(c)

16(1)(c)

Please refer to Appendix 5, for a more detailed description of the sources of files and primary issues that will be addressed by the Division in 2019-2020.

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Appendix 5 – Source of files and Issues to be addressed in 2019-2020

For 2019-2020, the Division plans to focus on files from the following sources, populations and/or issues:

Leads and Referrals

These files are identified as the result of an analysis of information from various sources, such as informant leads from the public, media articles, and information from within the Division, the Directorate and from other areas of CRA. This represents the most prominent source of files for the Division, and contains issues at a variety of risk levels that can be addressed by each of the Division's compliance treatments.

Compliance Agreement Follow-up

Compliance agreement follow-ups are a prominent source of files for a variety of compliance treatments. The primary purpose of these reviews is to ensure that charities have resolved the specific non-compliance issues that were identified during a prior audit.

Other Required Reviews

There are various other sources of files that the Division has committed to address through its compliance treatments. These sources do not represent large populations of files, but when they are identified or received by the Division they must be addressed in a timely manner. The sources of files involved include:

- Pre-registration and re-registration audits;
- Part V tax assessment audits;
- Voluntary disclosures; and
- Responding to correspondence received from registered charities, which was sent as the result of a previous compliance action.

Other Qualified Donees

According to Budget 2011's legislative changes, qualified donees are required to maintain proper books and records and provide access to those books and records to the CRA when requested. These qualified donees include municipalities, prescribed universities outside of Canada, low-cost housing corporations for the aged, municipal or public bodies performing a function of the government in Canada; and gifts to certain charitable organizations outside of Canada. The Division's contact with these other qualified donee will focus on education. However, new provisions in the Income Tax Act allow for more severe compliance action in applicable situations.

Projects

The Division is constantly evaluating new and existing issues and populations for potential non-compliance. Based on the evaluation of Division staff, certain issues and populations are developed into projects each fiscal year. The risk assessment and screening for each project is done through a combination of data analysis using computerized risk assessment queries based on information in the T3010, information from other CRA systems, and on evaluation by experienced staff at HQ. The identified issues and populations for each project has the potential to be addressed by a variety of compliance treatments.

The issues and populations that have been developed into projects for 2019-2020 include:

- Newly Registered Charities – This is a population of files that was registered in 2016, and is to be addressed via the CEP. The goal is to provide education to low-risk charities early in their existence as a registered charity, so that minor issues can be corrected before they become more serious non-compliance issues.
- Testing of the Risk Model – The Division began development of a risk model during 2018-2019. The purpose of the risk model is to develop a more efficient way of identifying and assessing risk within the charitable sector. The Division will test the risk model during 2019-2020, through the selection of files with various levels of risk that will be addressed via various compliance treatments.

- 16(1)(c)

16(1)(c)


Issues of Concern

As above, the Division is constantly evaluating new and existing issues and populations for potential non-compliance. The Division is not able to pursue all identified issues as the focus of a project during a given fiscal year. This is primarily because of resource limitations, but can also be because the evaluation of an issue is not yet complete. The Division still maintains its interest and awareness in these new and existing issues, through its risk assessment and screening of files from the other populations of files outlined above. The specific issues of interest identified for 2019-2020 include:

- Inactive Charities – This is a population of files that has been the subject of a project during previous fiscal years. The Division makes contact with inactive charities outside of the audit process. The purpose is to reach out to registered charities that have not reported charitable activities for at least three years. These contacts may result in action being initiated by the charities. The actions can include the commencement of charitable activities, or the winding up of the charity through voluntary revocation.
- Ineligible Individuals – The ineligible individual legislation was developed to prevent individuals who may pose a risk to the assets and beneficiaries of a charity from being a board member or controlling or managing a registered organization.

The Division, during the 2018-2019 fiscal year, conducted a project to determine the prevalence of ineligible individuals that continue to be active within the charitable sector. While resources do not allow the continuation of the project in 2019-2020, the Division will continue to try and identify ineligible individuals as part of its risk assessment, screening and audit activities in files from other sources.

16(1)(c)



As part of the Division's on-going evaluation process, new issues and populations may receive priority during 2019-2020, at the expense of the issues and populations identified above.