



CRA audit statistics released through freedom of information in 2022

By Mark Blumberg (July 8, 2022)

The Charities Directorate of CRA recently released an Access to Information document which discusses audits of registered charities. The document is below my comments.

The document discusses:

1. Audit outcomes
2. Findings of non-compliance
3. Audit hours
4. Designation
5. Category codes of those who are audited

In terms of the category codes the disclaimer provided by CRA is useful. For example, don't draw too much from the listing that identifies that CRA audited 19 Islamic religious groups over four years. In fact, CRA probably audited many more Islamic groups than that but the groups labeled as Islamic religious groups would probably be more like mosques and not for example an Islamic group that does international development work under relief of poverty.

Here is the CRA disclaimer:

Disclaimer regarding charitable category codes

When considering charitable category codes, it is important to note that these codes are assigned by the CRA at the time of a charity's initial registration and are based on information about a charity's primary purpose, which is supplied during the application process. Many charities operate a variety of programs that fall into more than one purpose category (i.e. poverty, education, religion, or "other"). In these cases, a charity's assigned codes will not necessarily reflect all

aspects of its programs and activities. Further, category codes may not necessarily be up to date where a charity has changed its purposes and/or activities after registration and has neglected to properly inform the CRA. Therefore, the categories identified in the above table may not necessarily reflect the primary purposes of the organizations at the time of compliance action.

In regard to religious organizations, it is important to note that some charities have religious motivations but are advancing purposes under other categories of charity. For example, a charity with religious motivations that operates a food bank as its primary purpose would generally be categorized under a relief of poverty category code, as opposed to an advancement of religion code. As a result, these codes do not always reflect all aspects of a charity's operations.

In the context of audits and compliance actions, the CRA does not maintain audit statistics based on the particular denominations of registered charities or their leadership. As evidenced by this table, the CRA is able to link audit information with a charity's registration data, such as its category code. However, given the limitations described above, the CRA does not formally prepare or maintain audit statistics based on category codes, nor does it select charities for audit based on their assigned category codes. For external reporting purposes, the CRA's Charities Directorate maintains and tracks its audits statistics based on the year, number of audits, audit findings, and outcomes.

The findings of noncompliance are interesting and include

- Almost no charities were found to be non-compliant with the political activities rules from 2017 to 2021;
- The highest degree of noncompliance was in issuing donation receipts and filing incomplete or incorrect T3010 forms which is not surprising;
- Not having adequate books and records was probably the third most important compliance finding;
- Some of the other big problems were making gifts to nonqualified donees, having non-charitable objects and activities, and carrying out foreign activities inappropriately.

The CRA list the average time spent on each audit in each of the years and it ranged from 123 hours per audit to 173 hours in the last year (2020-2021). Obviously if you have more complicated audits, they tend to take more hours.

You can notice as we have covered before the drop off in the number of audits. For example, there were 345 audits in the 2017–2018 year and only 142 audits in the 2020-2021 year. Even in the year before COVID the number of audits dropped down to 210 for that fiscal year. Only a few years before these numbers, CRA was averaging about 700 or 800 audits per year. Even the 700 or 800 audits is inadequate in my view so these low numbers of audit are grossly inadequate for a \$300 billion per year sector. We have written on the topic of the [dramatic decline](#) in the number of CRA charity audits here and it has been also been covered by the [National Post](#).

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Data		2017-18	2018-19	2019-20	2020-21
Completed audits		345	288	210	142
Audit outcomes	No change	8	6	2	1
	Education letters	192	161	131	90
	Compliance agreements	91	80	44	37
	Notices of intention to revoke*	23	21	7	0
	Voluntary Revocations	12	4	4	5
	Annulments	0	1	1	1
	Suspensions/Penalties	7	2	1	0
	Re-reg/pre-reg reviews	1	1	3	0
	Other outcome	11	12	17	8
	Total Audit Outcomes	345**	288	210	142
Findings (% of completed audits with this finding)	Books and records	44%	51.6%	47.6%	55.0%
	Business activities/non-related business activities	0%	1.1%	1.4%	1.4%
	Control of a corporation	0.0%	0.4%	0.0%	0.7%
	Undue benefits	7.3%	8.2%	13.5%	10.0%
	Donation receipts	60.4%	50.5%	52.9%	42.1%
	T3010 issues - filing late, etc	2.9%	8.6%	3.4%	7.9%
	T3010 issues – incomplete/incorrect	58.1%	55.2%	55.8%	60.0%
	T3010 issues – DQ shortfall	2.6%	2.9%	1.4%	2.1%
	Fundraising	3.5%	2.9%	4.3%	2.9%
	Foreign activities	12.6%	11.1%	7.2%	10.7%
	Political Activities	0.3%	0.4%	0.0%	1.4%
	Non charitable objects/activities	13.8%	18.6%	18.8%	21.4%
	Gifting to non qualified donees	13.8%	12.2%	7.7%	13.6%
	Foundations - General	0.6%	0.7%	1.4%	0.0%
	Private foundation-non qualified investments	0.0%	0.4%	0.5%	0.0%
	Loanbacks	0.3%	0.0%	0.0%	0.0%
	Non qualified securities	0.3%	0.7%	0.0%	0.0%
	Non filing of T4/T4A slips	6.7%	7.2%	4.3%	8.6%
	Foundation - excess holdings	0.3%	0.4%	0.5%	0.0%
	Salary and Benefits	1.2%	0.4%	0.0%	0.0%
Bank Accounts	0.0%	0.0%	0.0%	0.0%	
Ineligible Individual	0.0%	3.2%	1.0%	0.7%	
Audit hours (average per audit)		123.64	132.52	141.7	173.92
Designation	Public foundation	30	23	22	12
	Private foundation	43	41	34	22
	Charitable organization	256	218	154	107
	RCAAA	1	0	0	1
	Other Qualified Donees	15	6	0	0
	Total by Designation	345	288	210	142

	Data	2017-18	2018-19	2019-20	2020-21
Selection reasons	16(1)(c)				
Level/Compliance Treatment					
Summary: Level/Compliance Treatment					

Audit outcomes

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.

*These 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.

**In responding to this request, it was noticed that the audit results and totals for this fiscal period on the CRA website were not accurate. The results on the website combined the audit and non-audit intervention totals for 2017-2018. In response to this request, only the audit results have been included.

Name of Category Codes*	2017-2018	2018-2019	2019-2020	2020-2021
WELFARE/Org. providing care other than treatment	8	9	5	2
Disaster fund	0	0	3	0
Charitable corporations	36	48	31	22
Charitable trusts	6	4	3	3
Welfare Organizations not elsewhere categorized	34	21	22	12
HEALTH - Hospitals	1	0	1	2
Services other than hospitals	14	5	9	6
(Health) Incorporated foundations	4	3	5	1
(Health) Non-incorporated trust	0	0	1	1
Health Organizations not elsewhere categorized	1	2	2	3
EDUCATION - Teaching institutions or institutions of learning	16	9	9	4
Support of schools and education	15	9	12	3
Cultural activities and promotion of the arts	13	3	6	5
(Education) Incorporated foundations	3	4	3	2
(Education) Non-incorporated trusts	2	1	1	1
Educational organizations not elsewhere categorized	1	4	3	0
RELIGION/Anglican Parishes	2	0	1	1
Baptist Congregations	5	4	2	1
Lutheran Congregations	0	2	1	1
Baha'is Religious Group	1	0	0	0
Mennonite Congregations	0	1	1	1
Buddhist Religious Groups	0	0	1	0
Pentecostal Assemblies	4	7	3	0
Presbyterian Congregations	2	1	1	1
Roman Cath. Parish & Chapl	7	5	1	2
Other Denomination & Congregations not elsewhere categorized	48	41	26	19
(Religion) Incorporated foundations	8	2	4	1
(Religion) Non-incorporated trusts	1	0	3	1
Convent and Monasteries	1	0	0	0
Missionary organizations and propagation of Gospel	15	21	14	10
Hindu Religious Groups	5	3	2	0
Religious organizations not elsewhere categorized	15	12	3	5
BENEFITS TO THE COMMUNITY / Libraries, Museums and other repositories	7	2	3	2
Preservation of sites, beauty and historical	5	2	2	4
(Community) Incorporated foundations	4	2	1	1
Protection of animals	8	14	5	4
(Community) Non-incorp. Trusts	0	0	0	1
Recreation, Campgrounds and Vacation Camps	6	10	5	2
Temperance Associations	0	1	1	0
Community organizations, not elsewhere categorized	11	9	3	9

Islamic Religious Groups	4	10	3	2
Sikh Religious Groups	7	1	1	0
Service Clubs and Fraternal	2	0	1	0
Service Clubs and Fraternal Societies Projects	1	2	0	0
RCAAA	1	0	0	1
RNASOs	1	0	0	0
Other - not elsewhere categorized	1	0	0	0
Other Qualified Donees	15	6	0	0
Data Entry Errors - Cat Code not captured	4	8	6	6
Totals	345	288	210	142

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Further information related to compliance numbers

The Charities Directorate Compliance Program is driven by a risk-based approach, allowing for audit and non-audit interventions depending on the level of risk. Wherever possible, the Directorate uses an education-first approach in order to address low to medium level risk non-compliance issues. For the higher risk non-compliance issues, audits would be conducted to assess and determine corrective actions in addressing non-compliance.

Each year, we connect with approximately 5,000 charities through these non-audit interventions. Only a very small proportion of charity audits conducted by the CRA result in serious consequences such as sanctions or revocation.

Although this approach results in a smaller number of formal audits, balancing our compliance program in this manner enables us to proactively promote compliance by reaching out and supporting an increasing number of registered charities to voluntarily comply with their obligations. It also allows us to focus our audit efforts on the charities that are potentially engaging in the most abusive conduct, where corrective measures are more likely required to protect tax-assisted charitable assets and charitable beneficiaries.

The CRA is committed to increasing the transparency and accountability of charitable organizations by providing relevant information about them to the public.

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