

THE MUTTART FOUNDATION

Consultation on Sector Integrity

29 April - 2 May 2025

Ottawa, Ontario

A Summary of the Discussion

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This report is a summary of one of a series of periodic discussions convened by the Muttart Foundation on voluntary sector regulatory issues. The session was held to promote an exchange of ideas and to develop a fuller understanding of the concerns of both sector groups and government regulators. Any remarks included in the report are intended to reflect the discussions. Written summaries of the presentations on international jurisdictions were provided by the international guests following the consultation and this content may vary slightly from the oral presentations. No undertakings or commitments from either regulators or sector participants are expected or made, notwithstanding any of the wording in the report.

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A Summary of the Discussion

Day 1 - PM

This 56th Muttart Consultation convened a diverse group of leaders from the charitable sector, legal experts, regulators, researchers, and international guests to examine and explore the theme of sector integrity. Building on decades of Muttart-facilitated dialogue, the session was grounded in principles of trust, transparency, shared learning, and respectful dissent, guided by the Chatham House Rule to ensure candid, generative exchange.

OPENING REMARKS AND FRAMING

Bob Wyatt (Muttart Foundation) welcomed participants and underscored the goal of creating a space where divergent perspectives on sector challenges could surface safely, creatively, and with a shared commitment to public benefit. He reminded the group that there is no predetermined agenda or outcome; rather, the consultation is a process to uncover possibilities.

Bob offered reflections on the Consultation's history, emphasizing that it was born from the need to bridge understanding between regulators and the charitable sector, particularly when community economic development was not initially accepted as a charitable purpose. He reaffirmed the intent to protect sector integrity not through prescriptions, but through co-created insights.

ROUNDTABLE INTRODUCTIONS

Participants introduced themselves and were invited to share, in turn, their initial reflections on what protecting and enhancing sector integrity means to them. Key themes emerged:

Trust as Foundational—but Elusive and Contested

Participants widely agreed that public trust underpins the legitimacy and effectiveness of the charitable sector. Yet many highlighted how trust is fragile, variably understood, and unequally distributed—particularly:

- Between the public and charities (especially lesser-known ones),
- Between charities and government,
- Among funders, donors, and organizations serving marginalized communities.

Some cautioned against idealizing trust as a stable asset; rather, it must be continuously earned, demonstrated, and supported by a culture of transparency, sound governance, and effective communication.

The Need for Balance in Regulation

Both sector representatives and CRA officials emphasized the delicate balance between:

- Enabling charitable innovation and impact;
- Ensuring compliance and addressing abuses of charitable status; and
- Targeting resources toward high-risk cases while supporting education and outreach for the rest.

CRA officials stressed that misuses of charitable status, though rare, carry real costs. Their evolving risk model is helping identify systemic vulnerabilities, yet limited resources force trade-offs. Several participants called for proportionality in enforcement, paired with sector-led standards and self-regulation where feasible.

Internal vs. External Threats to Integrity

Many echoed that breaches of integrity often begin within organizations—whether through mismanagement, poor governance, or unethical leadership. However, the damage tends to be external and sector-wide, especially when fuelled by media narratives, political agendas, or systemic failures. Historic scandals were cited as case studies of how entire sectors can suffer from isolated or misunderstood events.

The Role of Narrative, Brand, and Education

Participants pointed to the lack of a cohesive “sector brand” or narrative as a vulnerability. Unlike business or government, the charitable sector’s value proposition is often under-articulated or taken for granted. Calls were made for:

- Proactive public education about the role, diversity, and impact of the sector;
- Tools to help charities demonstrate their trustworthiness and value; and
- Reframing charity as infrastructure essential to civil society, not just a vehicle for service delivery.

PRESENTATION BY CRA - CHARITY COMPLIANCE: A SHARED RESPONSIBILITY

The CRA representatives shared a slide deck that summarized three areas: 1) the current operating reality; 2) issues and case studies; and 3) enhancing integrity. (The deck is attached as an appendix.)

The current operating reality includes constraints, such as the resource intensive nature of audits and the amount of time it can take to complete an audit, as well as risk within the sector that is disproportionate to audit capacity. Issues and case studies included in the presentation reflect what is seen in recent audits. Enhancing integrity includes a multi-faceted approach, strengthening governance and board oversight, enhancing transparency and reporting, improving regulatory oversight, preventing fraud and misuse of charitable assets, and encouraging collaboration and education.

Questions and Observations from Participants

- **Distinction between Financial Statements and Annual Reports:** One participant asked the CRA to clarify whether they were referring to *financial statements* or *annual reports* in their calls for improved transparency. The CRA responded that both were relevant but acknowledged they don't enforce submission of financial statements as mandatory due to administrative costs.
- **Submission and Enforcement Ambiguity:** Participants challenged the CRA's administrative position on filings, noting that failure to submit financial statements technically constitutes an incomplete filing. This led to a broader discussion about capacity limits and selective enforcement.
- **Limits of Watchdog Interpretations:** Concerns were raised about the reliance on data from self-appointed watchdogs, noting their limited sampling and potential to distort public perception.
- **Effectiveness of Public Access:** There was debate over whether making financial statements publicly available meaningfully improves oversight or just satisfies a transparency checkbox—especially if the public lacks the tools to interpret the data.
- **Auditor Obligations:** One participant suggested that financial auditors should be obligated to report suspicious activity to regulators, on pain of deregistration, as a more scalable and cost-effective measure than post hoc CRA enforcement.
- **Ineligible Individuals (II) Designation:** Several asked for clarification on how and when someone becomes an ineligible individual under the Act. The CRA explained that the designation does not require a separate CRA declaration if conditions (e.g., relevant convictions, governance of revoked charities) are met, but admitted that enforcement is inconsistent and reliant on limited search tools.

Thematic Concerns and Sector Reflections

- **Transparency vs. Reputational Risk:** Some expressed concern over what can or should be disclosed from audits, especially if partial disclosures harm reputations without full context. There were calls for balance between transparency and protection from misinterpretation.
- **Burden on Small Charities:** Participants highlighted that increased expectations around governance and transparency disproportionately affect small or volunteer-run organizations. Suggestions were made that umbrella organizations and funders help support shared back-office infrastructure.
- **Trust and Compliance Are Not the Same:** While CRA emphasized compliance as a tool to maintain sector integrity, several speakers argued that trust is not synonymous with technical compliance. Integrity, they said, must be built through consistent values, cultural alignment, and reciprocal accountability.
- **The Role of Perception and Narrative:** Multiple participants observed that the public's perception of the charitable sector is often shaped by scandal or failure. There was a call for a cohesive sector-wide narrative or "brand" that could proactively shape public understanding and appreciation for the sector's contributions.
- **Equity and Structural Critiques:** Participants expressed that regulatory practices may be experienced as disproportionately punitive or politically driven in marginalized contexts. There were also concerns about systemic risks—like disbursement inequities and elite philanthropy—undermining sector credibility more than isolated cases of noncompliance.

INTERNATIONAL PERSPECTIVES

Following the roundtable introductions, participants from three international jurisdictions provided context from their respective countries.

Australia

Background

Australian colonies received English law on settlement, including the law relating to charitable trusts and the Statute of Charitable Uses of 1601 (Statute of Elizabeth). As Australian states were formed, they adopted or closely followed the English definition of charity based on the Preamble to the Statute of Elizabeth. The classification of four heads of charitable purposes from Pemsel's case has been the foundation upon which Australian courts and legislatures have built Australian charity jurisprudence.

Until the introduction of a Federal income tax with exemptions and concessions for charitable organisations, the State Attorneys-General acted as the primary regulators of charities. They still have the prime responsibility under their constitutions and the Federal constitution to regulate charities. They are not publicly very active in their regulation, with the occasional case concerning the alteration of the purposes of a charity when they are made impossible or frustrated. They do not maintain any registers of charities. The state-based trust legislation may contain minor legislative provisions in respect of trusts.

The Australian Tax Office (ATO) became an accidental regulator of charities through the supervision of tax exemptions and concessions. There was no register of charities until the early 2000s with status being by private ruling and/or self-assessment.

In 2013, the *Charities Act 2013* (Cth) was passed by the Commonwealth parliament to standardise the definition of charity for the purposes of Commonwealth statutes, including income tax legislation. This significant legislative reform has led to expansion and clarification of the definition of charity. A year earlier, the Commonwealth government had established an independent regulatory commission known as the Australian Charities and Not-for-profits Commission (ACNC) as a one-stop registration gateway for charities accessing Commonwealth entitlements, including fiscal concessions.

The ACNC maintain a public register of charities that wish to be considered for federal taxation exemption and concessions. It requires the filing of an annual financial statement and return according to size thresholds.

The ACNC has adopted a typical regulatory pyramid style approach to the regulation of charities. The legislation requires regulatory investigations to be carried out in private, and only a few details are released upon conclusion of the investigation. This state of affairs is currently being amended to allow for greater disclosure of details.

In terms of North American-style charity fraud and tax abuse, from details made public, there appear to be minimal schemes. Australia does have other tax-abusive schemes from time to time.

A rare public example is a \$1.5 million penalty issued to a Canadian adviser and his related companies for their role in a tax exploitation scheme involving donations of pharmaceuticals to charities in Africa.

In 2015, the Federal Court determined that the adviser, as well as companies Leaf Capital and Donors Without Borders, engaged in conduct that resulted in them being promoters of a tax exploitation scheme. The adviser brought the scheme to Australia in 2009 and 2010, marketing it to a number of financial advisers as well as directly to investors.

The adviser, a Canadian citizen, previously engaged in similar schemes in Canada, which resulted in the Canada Revenue Agency revoking the registration of an entity involved in the schemes.

As to why there appear to be fewer mass market charity tax-abusive schemes, there is no one clear answer.

Some considerations may be:

- The ATO has significant administrative powers to deal swiftly with tax abuse schemes;
- The ATO has significant scrutiny and control over tax preparers who prepare the majority of income tax returns in Australia, and conducts close scrutiny of any tax agent involved in preparing tax-abusive claims;
- The onus of proof is switched to the taxpayer in many cases, which is difficult to meet;
- Taxpayers who participate in schemes once they are called out in an ATO Taxpayer Alert will face heavier penalties; and
- Gifts in kind charitable deductions are limited, and valuation is closely controlled by the ATO, often in-house.

Further material on tax schemes in general is available at:

<https://www.ato.gov.au/about-ato/tax-avoidance/understanding-tax-schemes/tax-schemes>

Questions and Observations from Participants

- Is Australia using AI and other data tools? Answer: While the ACNC is a small agency, it operates within a federal system investing heavily in AI. The ACNC is experimenting with AI triage tools to enhance its risk identification and assessment capabilities, though its resources remain modest.
- What is the rationale for integrating peak body standards into regulatory frameworks? Answer: The goal is to reduce redundant compliance demands. The ACNC's governance standards were designed to ensure that meeting one credible code likely satisfies broader legal requirements. By partnering with influential sector bodies, the ACNC supports a system where participation in sector-developed standards helps charities meet regulatory expectations efficiently by emphasizing influence and trust over coercion.

USA

The presentation began by noting the bifurcation of charity oversight in the US, with the Internal Revenue Service (IRS) having responsibility for ensuring that charities are operating within the boundaries of the Internal Revenue Code and the Attorneys General of the various states having jurisdiction over fundraising by charities, as well as fiduciary duties of charitable trustees and directors. As a result, similar concerns are shared by both IRS and state authorities about the behavior of charities.

IRS resources have been significantly reduced in recent years, resulting in efforts by the IRS to increase compliance by other means. The IRS has attempted to make up for the reduction in resources, particularly staffing, by streamlining the process for assessing the eligibility of new organizations for tax-exemption as charities by using a very streamlined, abbreviated, application for tax-exempt status known as the Form 1023-EZ, coupled with a shortened, “postcard” length annual return, the Form 990-N, for smaller charities. As a result, for the latest year for statistics are available, the IRS received approximately 130,000 applications for tax-exempt status, 90,000 of which used the Form 1023-EZ. While the streamlined procedures have been effective in minimizing processing backlogs, the procedures have, however, resulted in less information being made available to the IRS to evaluate the eligibility of new entities for tax-exempt status. For several years, the IRS has also made its procedures, known as examination guidelines, for handling particular compliance issues publicly available, thus effectively using the attorney and accounting professions to convey IRS concerns about particular practices. In addition, the IRS makes its enforcement letters, including those revoking tax-exempt status, public with identifying information redacted. As of the time of the Muttart Consultation, the full extent of structural and legal changes being promoted by the Trump Administration is not yet known, although indications are that significant changes will be made.

Day 2

INTERNATIONAL PERSPECTIVES – cont’d

England and Wales

Transparency

In 1992 following major charity scandals, *Charities Act 1992* introduced transparency measures;

- Mandatory filing of accounts and Trustees’ Annual Report for charities with income over £25K;
- Audit for charities with income over £1m with independent examination for charities under that;
- Accounts available on Register of Charities. Where accounts or annual return are late, number of days late shown in red; and
- When Inquiry opened usually press release. Reports of inquiries and some compliance cases published with background, action taken and issues for wider sector as learning points.

Public Trust and Confidence

Charities Act 2006 introduced first objective of Charity Commission to increase public trust and confidence in charities. This became their first KPI which is measured by regular public opinion polls. The last one held in July 2024. This showed:

- Overall trust was 6.5, highest for 10 years, highest after doctors
- Knowing Register exists reassures although most people don't look at it
- Financial information drives trust
- Key drivers of trust are that most of money is spent directly on causes and makes real difference to people it serves

Wider duty of charity trustees to uphold trust and confidence

- About 2018 Charity Commission introduced the concept that charity trustees had duty or moral responsibility not only to uphold reputation of their own charity but to maintain the reputation of Charity as a whole. This idea has now been dropped.

Regulation and Risk Framework

The Charity Commission always describes itself as a risk based, proportionate regulator.

- The Charity Commission Regulatory and Risk Policy paper sets out its regulatory approach including how risks are identified and evaluated.
- The 2023-2024 Charity Commission Annual Report states that they focus resources effectively on the highest risk cases. They identify trends to get better understanding of evolving threats and use changes to the environment in which charities operate.
- The Charity Commission is going to publish their first risk assessment of the charity sector which will look at charities abusing charitable status for personal gain.
- The Charity Commission Head of Intelligence told a conference recently that although there are only a small number of charities set up by bad actors for private benefit this has increased by 22%

What in practice triggers Charity Commission regulatory action, and what role does the sector play in that?

Looking at inquiry reports published over roughly the last year; these are the triggers mentioned:

- Failure to file accounts/annual returns. The Commission has an ongoing class inquiry for “double defaulting” charities i.e. charities which have failed to do their filings within 2 of the last 5 years. See for example this [summary of the year to March 2024](#). A recent example is [The Saint George Educational Trust](#) which was registered in 1994 to carry out activities that advance the Catholic religion and education about the faith. So far, so good. In fact:
 - The charity's bank account was being used as a conduit for money from unknown sources
 - The charity was wrongly claiming tax refunds (what we call Gift Aid) on these funds.
 - Some charitable assets were also being held as gold bullion by individuals unconnected to the charity.

- The charity's website and social media were also found to have posted content linked to the leader of a far-right political group, not in furtherance of its charitable purposes, as well as an Islamist terrorist organisation.
- Issues spotted at the registration stage – This was mentioned by CRA, in terms of making better use of warnings at the registration stage. The Charity Commission can register with conditions. It's used fairly rarely. See Commission publication [CC21b](#) which says:

"If the commission has registered your charity on condition its trustees take certain actions, it may:

- *monitor your charity's activities after registration;*
- *ask you for evidence that the trustees have taken the required actions.*

The commission may take [regulatory action](#) if the trustees have not taken the required actions".

An example is the Captain Tom Foundation – the Commission continued to engage with the charity because of concerns raised during the registration process about separate companies and trusts to exploit the Captain Tom brand.

Again, another recent example. In August 2023 the Commission received nine charity registration applications which were linked to a company called MWA Management Advisory Services Ltd which had a sole director and member, a Mr. Lorrison. The Commission then identified four already existing registered charities which also appeared to be connected to Mr. Lorrison and his company. A Commission investigation found that the annual reports for all four had very similar and in some cases identical wording about how the charity had carried out public benefit. False gift aid claims had been made totalling £270k. There was no evidence of any donations to support the gift aid claims. There were other trustees who Mr. Lorrison had recruited on job recruitment sites, appointed as trustees and then never contacted again. At no stage during the entire investigation did Mr. Lorrison engage.

There are some triggers which come from within the sector itself – and these handily mirror some of the suggestions from the CRA yesterday:

- [Serious Incident reports](#) from charities - since 2007 the Commission has expected charities to report certain serious incidents. There's no statutory basis. In the year to March 2024, there were just over 3,000 reports. A similar self-reporting regime was also recently introduced by our Fundraising Regulator, which is a part of a self-regulatory regime funded by charities.
- [Whistleblowing](#)/Complaints from within the charity itself – this may be similar to your Leads programme. In the year to March 2024, the Commission received just over 560 reports, which was up 72% on the previous year. Over 50% are from disgruntled employees. Double edged sword. The Commission has arranged for an independent charity, Protect, to operate a confidential advice line service on the Commission's behalf to enable potential whistle-blowers to access expert support and guidance.
- Auditors reporting matters of material significance – since 2017 charity auditors and independent examiners have a legal duty to report matters of material significance. We've been told this has been slow to take off but is becoming more valuable to the Commission. Recent stats show around 120 reports a quarter.
- We know the Commission carefully monitors the press for content about charities. An example here is mentioned in the article that was circulated about the outgoing Charity Commission chair Orlando Fraser. He referred to the Jewish community complaining

about hate speech from mosques and he cited the case of the Islamic Centre for England. This is a charity which the Commission had announced it had put under inquiry, but Mr. Fraser possibly indiscreetly shared in the Times that the charity “was taking instructions from Iran’s Ayatollah Khamenei” and said the Commission “took it over from the trustees”.

Alongside all these, we know the Commission exchanges information with other regulators (like our separate Fundraising Regulator, our data protection regulator) and works with the National Crime Agency.

Charity Commission Compliance, Sanctions and Regulatory Tools

So, the Commission is concerned about something, what tools does it have?

This seems particularly relevant to bad actors in the sector, the Commission has no power to fine a charity, or individuals involved with a charity like trustees. Revocation of charitable status is also not an option – either the Commission will appoint an Interim Manager who will manage a transfer to new trustees, or if it’s not viable for the charity to continue, the Commission will look at winding it up and distributing assets to another charity with similar purposes.

So, what are the Commission’s tools?

Transparency is a big tool – our Register of Charities is publicly accessible online. You can see what a charity’s purposes are, who the trustees are, whether the charity is up to date with filings, see a copy of the latest accounts. You will also see a warning in red on the home page if the Commission is currently taking regulatory action against the charity. See for example Islamic Centre for England.

If the Commission has particular concerns, it can:

- Open what it calls a compliance case and engage with the charity. In the year to March 2024, the Commission concluded around 3700 cases.
- Where there are serious concerns, open a statutory inquiry – again for the same period, the Commission opened 89 inquiries. Usually, the Commission publishes a detailed report at the end of each inquiry. Includes section on lessons for the sector – but the press generally only pick up on the more click bait info in the report – e.g. Naomi Campbell. On the question of how many really bad actors there are in the UK, I don’t feel like we see that many reports of aggressive tax planning – but we do see cases of charities or trustees expressing extremist views, and examples of intervention by other states via charities. It’s possible the Charity Commission doesn’t share everything it comes across. More common issues triggering regulatory activity are poor financial governance, private benefit for trustees (in the last year we’ve seen cases with charity money being spent on a £70k antique clock, a £16k desk and a coat and hat stand), managing conflicts of interest, disputes within charities, safeguarding issues, acceptance of donations.
- Use various powers including orders to obtain information, orders to protect assets e.g. freezing a bank account. In the year to March 2024 the Commission used these powers around 2,200 times that year.
- Appoint an interim manager to either work alongside or in place of the trustees.

- During or at the end of an inquiry, it can remove and/or disqualify trustees or senior managers. Again, the stats for the year to March 2024 show 34 disqualifications (up from 11 the previous year). The Charity Commission has a tool so you can check if someone has been removed by the Commission – it doesn't list all the names. But this is only useful if charities know it's there, and currently there's very little signposting by the Commission to this webpage.

Part of the test for disqualifying a trustee is whether past or continuing conduct by the person, whether or not in relation to a charity, is damaging or likely to be damaging to public trust and confidence in charities generally or in relation to specific charities. We have recently seen the first successful appeal against a disqualification order. In the recent Mond case, the Tribunal found that certain social media activity by Mr. Mond while he was a trustee was Islamophobic and capable of damaging public trust and confidence in charities if readers became aware that the author was a charity trustee. However, for a disqualification order to be made, it is also necessary to show that a person is unfit to be a charity trustee and that it is desirable in the public interest that they be disqualified to protect public trust and confidence. In this case, there was limited, and relatively low profile, social media activity over a seven-year period of a type that was 'spur of the moment' (including various 'likes'), which didn't present any obvious connection with charities. Furthermore, Mr. Mond had acted responsibly in apologising, in withdrawing posts and in stepping down from his trusteeships. In the circumstances, a disqualification order was not appropriate.

Alongside all the Commission's regulatory powers, education of the sector is a huge part of the Commission's communications strategy. For example, we see the Commission:

- Requiring the first trustees of a new charity to complete a [trustee declaration of eligibility](#). But there's no requirement for subsequent trustees to complete and file the form.
- Sending each new trustee a [trustee welcome pack](#) which covers four topics: understand your duties, get to know your charity, what you can expect to do soon, and what you need to send us.
- Publishing guidance on a range of topics, including external facing guidance and also sharing the CC's internal manuals (known as Operational Guidance). Several changes in this area:
 - Move away from How to guides to more principles based guidance
 - Withdrawing some of its internal guidance from being publicly accessible
 - Refreshing its main guidance to shorten it and make it easier to read and digest (aimed at the average reading age in the UK which is aged 9-11). The Commission has very good guidance on [trustees and decision making](#) (14 pages), which later this year it's planning to refresh and shorten. Our Fundraising Regulator has just this week published guidance on [documenting decision making in fundraising](#).
 - Publishing [5 minute guides](#), these are short videos with cartoon figures, designed for sharing on social media
- One way the Commission works with the sector is at times of big fundraising campaigns, the regulator issues reminders to the public to donate to registered charities. For example, for disaster/emergency relief e.g. [recently re Myanmar](#) or linked to [for example giving during Ramadan](#). This was issued in partnership with the Muslim Charities Forum.

- Occasionally running [training on key topics](#)
- At the end of most inquiries, the Commission publishes a fairly detailed [report](#) with a section on learnings for the sector generally. Not sure apart from lawyers and the press who read these, and the press always pick up on the most salacious aspects of the cases and don't report the more generic key learnings for the sector.
- For some compliance cases, the Commission publishes a summary – these can be really useful especially where the Commission concluded there was no cause for concern e.g. [confirming that it was within the National Trust's purposes to spend funds on a report about links between its properties and colonisation](#).

His Majesty's Revenue and Customs (HMRC)

The trends we are seeing in our tax regulation, particularly in the context of bad actors.

To set the background, the way our tax regulation works for charities is that entities apply first for registration with the Charity Commission and then must make a further separate application to HMRC to register for tax reliefs.

The application used to be fairly straightforward – if the Commission had approved you as a charity, HMRC wasn't going to turn you down. But we have seen a few cases recently of HMRC querying the objects for which a charity has been registered.

There is one part of our tax system which is similar to one of CRAs suggestions about having an annual declaration of eligibility. As part of the application to HMRC, you must provide information about the charity's authorised officials, other officials and nominees.

The *Finance Act 2010* introduced a definition for tax purposes of charities and other organisations entitled to UK charity tax reliefs (referred to as 'a charity' or 'charities' in this guidance). The definition includes a requirement that to be a charity an organisation must satisfy the 'management condition'. For a charity to satisfy the management condition its managers must be 'fit and proper persons'. There is no definition in the legislation of a 'fit and proper person' but there is detailed guidance. [Guidance on the fit and proper persons test - GOV.UK](#) and a template form charities can ask trustees to complete.

You don't have to file the completed forms with HMRC – but charities registering with HMRC for the first time must provide information about the authorised officials, other officials and nominees. And once registered with HMRC, charities only need to inform HMRC when those officials and nominees change.

We don't hear anywhere near as much from HMRC about their regulatory/enforcement action, but HMRC did report on their use of the fit and proper person test in 2013:

HMRC have identified around 200 cases in which they questioned if the managers are 'fit and proper', refusing to recognise a charity for tax purposes or pay a Gift Aid claim until the charities answer relevant questions. None of the charities concerned have done so. ^[63]

National Audit Office "Gift Aid and reliefs on donations" (2013) para 2.15

<http://www.nao.org.uk/wp-content/uploads/2013/11/10302-001-Gift-Aid-Book1.pdf>

[Charity Tax Group – Spring 2025 update](#) - In a bid to improve compliance levels, HMRC are proposing to update their guidance to extend the definition of not a fit and proper person to include a person who persistently fails to comply with tax obligations such as 'timely filing of returns'. It's not clear if this means just the tax return for the charity, or whether they will link this to individuals failing to file their own tax returns. We do know with increased digitisation that HMRC is able to do more and quicker cross checking of individual tax records.

Monitoring by HMRC

In terms of its general approach, HMRC is less concerned about finding individual errors, it has an increased focus on the behaviour of taxpayers: whether overall systems in a charity are well set up, that training is provided and there is proper monitoring from senior management.

Tools that HMRC has:

- Audit: HMRC's guidance says claims for audit are generally selected for review on a 'risk' basis which considers a wide range of factors. HMRC also select several claims for review on a random basis. In practice digitisation has made a big difference. HMRC can for example cross check a charity's gift aid claim against the tax records of a donor to check instantly if the donor has paid enough tax.
- [Business Risk Review](#) (BRR) programme for larger businesses (turnover exceeding £200 million) HMRC recently carried out a BRR on Cancer Research UK.
- Personal liability for the Senior Accounting Officer in an organisation. Applies to companies incorporated in the UK which exceeds a particular turnover, see [SAOG11230](#), and / or balance sheet total, see [SAOG11260](#), amount for the preceding financial year. A Senior Accounting Officer of a company is the director or officer who in the company's reasonable opinion has overall responsibility for the company's financial accounting arrangements. The main duty of a Senior Accounting Officer is to take reasonable steps to ensure that a qualifying company, see [SAOG11000](#), establishes and maintains appropriate tax accounting arrangements. Where a Senior Accounting Officer fails to comply with the main duty, see [SAOG14000](#), in a financial year, a penalty of £5,000 is chargeable on the SAO for the financial year.
- Corporate criminal offence of facilitation of tax evasion – this perhaps goes to a point made by a participant about accountability of accountants and solicitors putting together complex schemes – it was introduced 5 years ago; there's some cases underway but no convictions yet.

At a charity tax conference in 2024, an HMRC official said there has been an increased number of charity tax cases taken to civil courts, as well as criminal cases and prosecutions. Current hot topics we are seeing in relation to charities are:

- Whether Value Added Tax (VAT) is being properly accounted for
- Gift Aid, particularly where payments to a connected party are involved. For example [Harvey case](#). Mr. Harvey controls a group of companies with a connected charitable foundation. He made donations to the charity on condition that it made loans to one of the companies. The loans were on commercial terms and the companies repaid the loans. The question was whether the donations were qualifying donations for the purposes of tax relief. The Tribunal applied a fairly strict test and found that the criteria for a valid Gift Aid donation were not met. The key takeaway from the case is that the criteria for Gift Aid to apply are probably tighter than we may have thought so any transaction with a donor/person or company connected to the donor will need to be looked at carefully.
- Overseas payments

- Charities associated with high-net-worth individuals

Questions and Observations from Participants

Public Reporting and Transparency

- The UK Charity Commission requires public benefit reporting: charities must provide a clear, narrative account of their public benefit activities in their annual reports.
- This practice is seen as a valuable tool to demonstrate impact and legitimacy, though participants noted it would have been onerous in a paper-based era.
- With modern digital systems and AI, the UK experience shows it is now much more manageable for both the regulator and charities, as the reports are publicly available and searchable.

Ineligible Individuals and Disqualification

- In the UK, it is a criminal offence to serve as a trustee if you are disqualified under the *Charities Act*.
- This deterrent effect is significant: names of disqualified trustees are checked against a central database at registration, making it harder for bad actors to infiltrate boards.
- One participant clarified that while the criminal offence exists, in practice there aren't large numbers of disqualified individuals actively trying to serve.
- The disqualification lasts five years and is public, enabling enforcement.

Conditional Registration

- The UK Charity Commission has powers to grant "registration with conditions", meaning a charity can be accepted onto the register provisionally or under specific compliance conditions.
- This gives the regulator more flexibility to monitor new charities closely and pull registration quickly if needed, rather than being locked into a fully registered status from day one.
- Canada's CRA noted they do not have equivalent powers and rely only on warnings at the time of registration.

Gifts in-Kind

- The UK experience with gifts in-kind differs from Canada's:
 - For small, second-hand goods, especially via charity shops (a widespread fundraising model in the UK), gifts in kind are routine.
 - In these cases, no upfront valuation or receipting is done; instead, when the goods are sold in the charity shop, the actual sale price is used for tax purposes.
 - For other types of in-kind donations, government-recognized valuations are required, and donors must pay for the valuation themselves before claiming a deduction.
- The UK's system minimizes opportunities for inflated valuations, focusing on realized value rather than estimated worth.

Communications and Public Engagement

- UK regulators engage regularly with the public through communication campaigns and proactive messaging.

- There's an emphasis on keeping trustees and charities informed about their obligations and changes in the law, using clear guidance and public-facing communications.

*After the morning break, participants were asked to break out into three groups to consider how both **the sector and the regulator could strengthen trust and compliance**.*

Group 1 – Strengthening Governance and Board Oversight

Discussion began by acknowledging the tension between the scope of charitable activities and the sector's limited oversight capacity. The group framed their conversation around a central question: should governance and board oversight fall within the CRA's mandate, or is it primarily a sectoral responsibility? They agreed that with limited resources, the regulator should focus on essentials, while sector bodies can play a broader role in promoting best practices.

They developed a three-part typology of regulatory interest:

- **Intentional Abusers** – individuals or groups who deliberately misuse the charity framework for personal gain.
- **High-Risk Appetite** – organizations or leaders who, while not malicious, are more willing to take risky or aggressive approaches that could lead to non-compliance.
- **Innocent Errors/Oversight** – well-intentioned but inexperienced board members or directors who make mistakes due to lack of governance experience.

They addressed the three main CRA points:

1. Voluntary Disclosures & Serious Incident Reporting

- The group questioned whether disclosures should remain voluntary or move toward mandatory reporting.
- For *intentional abusers*, they felt a mandatory disclosure framework could surface bad actors, giving directors and management the tools to act early.
- For *high-risk appetite* groups, they noted that these disclosures might be less effective because incidents arise from systemic risk tolerance rather than singular events.
- For *innocent errors*, voluntary disclosure could help flag unintentional mistakes and offer organizations protection if CRA investigates later, showing good faith efforts to comply.

2. Whistleblower Protection Policies

- The group explored the distinction between whistleblower policies and voluntary disclosure.
- Whistleblowers are typically private, anonymous, and can include both internal and external parties (e.g., suppliers), whereas voluntary disclosure is usually internal and transparent.
- They joked about rebranding this as the "Tell CRA Bad Stuff Is Going On Hotline" (TTCP-SIGL).
- This tool was seen as particularly useful in catching *intentional abusers*, while also offering indirect benefits for the other two categories.

3. Strengthened Board Oversight & Ethical Leadership

- The group felt this was less of a CRA mandate and more of a sector-wide priority.
- They proposed that CRA could provide technical guidance, while sector bodies (like Imagine Canada, or standards programs) could lead in championing ethical leadership and governance.
- Ideas discussed included small but meaningful tweaks to the T3010 form, such as:
 - A checkbox asking if the board reviewed and approved the T3010 return.
 - A checkbox to confirm all directors are eligible individuals.
 - Recognition for organizations that are part of credible accreditation or standards programs.

Finally, in reviewing their typology:

- They felt that stronger governance frameworks may deter *intentional abusers* somewhat, though truly bad actors are skilled at working around frameworks.
- For *high-risk appetite* groups, improved governance knowledge would better equip directors to question risky activities.
- For *innocent errors*, raising the baseline knowledge of governance practices would likely prevent many compliance issues before they occur.

Group 2 - Enhancing Transparency and Reporting

The group focused on enhancing transparency and reporting, with particular attention to:

- Encouraging transparent decision-making.
- Mandating clear financial disclosures for all charities, including detailed annual reports.
- Improving public access to financial statements and program impact data.

The group noted that the confidentiality requirements under Section 241 of the *Income Tax Act* are a major barrier. CRA cannot disclose audit activities or even confirm whether an audit has taken place unless the charity is revoked, sanctioned, or suspended. This means:

- If a charity misrepresents its audit outcome publicly (e.g., claiming a clean audit when CRA found issues), CRA cannot legally correct the record.
- This silence can erode public trust and enable misinformation.

The group debated whether legislative reform is needed to loosen these confidentiality restrictions. Some key questions raised:

- Does CRA's silence leave donors and the public vulnerable to misleading claims?
- Could CRA issue more general warnings or sector-wide alerts without identifying specific charities?
- Would publicizing audit activity too early stigmatize charities unfairly, especially if they are later cleared?
- Should audits be normalized—for example, by publicly posting a list of all audits underway—to help destigmatize the process?

Potential Reforms and Recommendations

1. Amend s. 241 to Allow Limited, Issue-Based Public Disclosures

- Introduce a narrow and principled exception where public interest outweighs confidentiality.
 - Example: Where CRA finds a charity is misrepresenting activities to the public in a way that undermines confidence in the sector.

2. Destigmatize Audits Through Proactive Transparency? An idea

- Publish an annual audit plan for the sector:
 - For example, “This year the CRA will review charities working in [sector X] or engaging in [activity Y].”
 - Communicates priorities and helps charities prepare and self-correct.
- Normalize audits as a learning and compliance tool, not just a punitive one.

4. Engage the Sector in a Dialogue on Reform

- Any reform to CRA communications should involve consultations with charities, donors, legal experts.

Regarding the T3010 Form

- The group acknowledged that many rely on the T3010 for transparency, but CRA emphasized that its IT and resource limitations make meaningful updates difficult.
- Any substantive change would likely require either new funding from the Department of Finance or a legislative mandate.
- There’s sector interest in improving data collection, especially on gaps like related business activities and detailed financial disclosures.
- Some noted a tension between the T3010 as a compliance tool vs. a public transparency tool.

A discussion followed about **moral obligations**:

- Several participants stressed that sector organizations have a shared responsibility to uphold integrity. This includes speaking out when bad actors damage public trust.
- A participant shared concrete examples of how voluntary disclosures can work in practice, often leading to more lenient CRA treatment when charities self-report issues early.

Others highlighted challenges with **public narratives**:

- The most problematic cases (e.g., large tax avoidance schemes) don’t always capture media attention, while less significant but politically charged cases can spark national scandal.
- This mismatch between public perception and actual risk is frustrating for CRA staff.

Key Tensions Discussed

- The sector is not monolithic—many small charities are unlikely to engage with or care about these complex tax shelter or offshore schemes.
- While it’s appealing to call for a sector-led communications campaign to build trust, most operating charities don’t have the bandwidth or interest to lead such an effort.

Participants suggested that education and incentivization could play a greater role—for example, incentivizing serious incident reporting (for reputational or operational risks) and whistleblowing through clear, accessible policies.

A final suggestion was that CRA officials could engage broader audiences via social media videos to explain revocation letters and compliance issues in ways that are accessible to the public.

Group 3 - Improving Regulatory Oversight

The group focussed on:

- Stricter application of ineligible individual provisions.
- Initial and annual declaration of eligibility for directors and similar officials.
- Making available a public list of ineligible individuals.
- Better use of warnings at the time of registration.

The group started by asking whether the problem was one of tools or of design. The group agreed that in Canada's current framework (with CRA as the key regulator), efforts must work within existing structures.

Key Points and Recommendations

1. Information Sharing and Modernization

- Much of the conversation focused on data-sharing challenges between CRA, provincial regulators, and other entities. Participants supported the idea of memorandums of understanding (MOUs) to enable better cross-jurisdictional oversight.
- The group highlighted the need for a modernized digital filing system (e.g., “file once, use many times”), especially for director information. That could ease tracking of directors across multiple charities and strengthen oversight.

2. Annual Declarations and Due Diligence

- The idea of annual declarations of director eligibility was discussed. There are practical concerns about integrating this into the T3010, given CRA's known IT limitations. Others suggested embedding these declarations in provincial filings or online portals to spread the administrative burden.

3. Sector Incentives and Training

- The group discussed how CRA could incentivize sector-led training or governance solutions, possibly recognizing trusted third-party accreditation or training systems.
- They noted that CRA could act as a “brand ambassador” for strong governance by giving some recognition (e.g., a seal of good standing) to charities that meet robust governance standards.

4. Public List of Ineligible Individuals

- The group noted that while directors of charities are already public via the T3010, the ineligible status is not flagged, and extending this to senior staff is tricky because their names are not systematically collected. CRA is considering more transparency by listing directors of revoked organizations alongside revocation notices to let the public draw conclusions.

- While ineligible status is public (five years duration), it may not be fully reliable because some disqualifying factors (like criminal convictions) wouldn't show up in CRA's records.
- Why is so much attention placed on ineligible individuals when it may represent a small fraction of compliance risks? A participant questioned whether this is a "sledgehammer for a needle" and whether the problem size justifies a broad, burdensome solution across 86,000 charities.

5. Concerns About Practical Application

- The group discussed due diligence obligations for charities themselves: what steps should a board take to ensure its directors and officers are eligible? They suggested clearer guidance is needed so boards can confidently show that they took reasonable steps if a problem later emerges.

6. Governance Standards

- In the UK, where the Charity Commission used to accredit governance standards of third-party organizations. This partnership program was phased out but was seen as an innovative model worth considering in Canada.

7. Challenges with Bad Actors

- CRA noted that the "ineligible individuals" problem is often bigger than it appears. In some networks, the same bad actors set up layers of shell organizations with "clean" front-facing directors while they control things from behind the scenes. This "shell game" makes enforcement complex and keeps CRA playing catch-up.
- The group also acknowledged the limitations of CRA's enforcement powers: even if an ineligible director steps down, proving that they're still controlling the charity from behind the scenes is difficult. The group recognized the need for better enforcement tools to get at these sophisticated cases.

8. Potential Legal Innovations

- One idea that was explored was whether ministerial discretion or legislative amendments might be needed to strengthen CRA's hand in repeat-offense or egregious cases.
- While CRA can provide warnings at registration, Canada does not have a legal framework that allows conditional registration (as exists in the UK), which limits pre-emptive oversight.

9. Technology and Systemic Barriers

- The conversation circled back multiple times to the fact that outdated technology and lack of real-time data are a serious barrier to everything from better director tracking to faster interventions.
- If CRA had better digital infrastructure and AI tools to spot risks, many of these oversight problems could be addressed more proactively rather than reactively.

BRAINSTORMING SESSION: CRA'S TOP THREE INTEGRITY CONCERNS

Participants were asked to refocus from the broader integrity conversations to the CRA's core priorities:

1. Aggressive tax planning
2. Offshore activities
3. Ineligible individuals

The facilitator emphasized that these three themes kept resurfacing—and that CRA had expressed concerns about lacking the tools to adequately address them. The discussion was framed as an open brainstorm: not to solve every issue, but to generate a list of ideas that could inform future direction. Summary of the ideas:

Strengthening Valuation Standards & Gifts in Kind

Many tax shelter schemes rely on inflated valuations of gifts in-kind (GIK), especially high-value items like pharmaceuticals. Suggestions included requiring recognized, independent valuers for goods above a certain threshold (similar to CRA's approach for ecological and cultural property). Others proposed more drastic solutions, like abolishing gifts in kind altogether to eliminate longstanding abuse potential. However, concerns were raised that such a move might unintentionally harm charities that genuinely rely on in-kind donations (e.g., musical instruments, food banks).

CRA confirmed that it sees serious concerns, particularly around:

- **Overvaluation** of items, especially in pharmaceutical donations.
- **Mismatches** between donated items and actual community needs.
- The potential for fraudulent GIK, including expired or empty products being receipted at inflated values.

Focus on Penalizing Individuals, Not Just Charities

Enforcement should shift toward penalizing the individuals and advisors behind abusive schemes rather than punishing the charities themselves. Participants suggested increased use of penalties like the gross negligence and 163.2 advisor penalties, as well as exploring criminal penalties for deliberate wrongdoing (e.g., acting as a trustee while disqualified). UK examples of criminal sanctions and even prison time were cited as deterrents worth considering in Canada.

Challenges in Oversight of Offshore Activities

Funds leaving Canada pose oversight challenges, particularly when the recipient organizations are hard to verify or when documentation (like cancelled cheques) is nearly impossible to obtain in fragile states. There's a spectrum of risk—from genuine charities struggling with difficult operating environments to outright diversion of funds for non-charitable purposes. Participants urged clarity on what CRA considers acceptable evidence and emphasized the need for proportionate enforcement, recognizing the realities of working in high-risk jurisdictions.

Systemic Gaps & Technology Limitations

CRA's current enforcement limitations stem partly from systemic and technology challenges: outdated systems, slow processes, and fragmented support channels for charities. There was broad agreement that digital modernization (e.g., full e-filing, automated checks) is essential to enable more proactive, risk-based enforcement and to streamline compliance. Participants noted that unless technology and infrastructure are improved, many of the proposed enforcement enhancements will fall short.

Advocacy & Government Engagement

Securing resources and legislative changes requires a strategic advocacy effort. This includes not only letter-writing campaigns but also direct engagement with ministers and staff to ensure charity-sector concerns are prioritized. Some flagged the importance of educating the sector

itself on how policy and funding decisions are made (e.g., understanding the role of the Department of Finance vs. the Ministry of Revenue).

Broader Context & Trust Considerations

There was a caution that while tighter enforcement is necessary, any new measures must be balanced with sector realities and avoid reinforcing mistrust, particularly among equity-seeking groups who may already feel over-scrutinized (e.g., Muslim charities). Communication and education efforts will be key to ensuring that trust in the regulatory system is strengthened, not eroded.

Day 3 - AM

BRAINSTORMING SESSION

*The facilitator suggested a brainstorming session with the full group to explore “**What broader issues of integrity and trust in the charitable sector haven’t yet been addressed? Are there other dimensions of trust or integrity that participants feel need attention?**”*

Participants raised the following:

- The lack of CRA guidance on *advancing religion* as a charitable purpose, noting this has been an unresolved issue since 2004. This ongoing gap undermines clarity and trust within religious charities.
- Proof Strategies’ trust barometer data was shared:
 - Charities are consistently ranked highest in trust (50–53 score range), outperforming corporations and government.
 - Baby boomers show the highest distrust; Gen Z shows the highest trust.
- Cited Edelman data showing charities are viewed as highly ethical but lacking slightly in perceived competency.
- Stressed the need to demonstrate greater competency to close the trust gap.
- Criticized large charities that claim “100% of donations go to the cause,” arguing this damages sector credibility when financial statements reveal the truth.
- Dishonest fundraising tactics (e.g., chuggers) fuel public distrust.
- Noted that “I don’t trust charities” is often used as an excuse for not donating, but the sector must still address it.
- Shared polling data:
 - Canadians broadly accept fundraising (78%), technology (77%), and insurance (73%) as legitimate costs.
 - Least supported expenses: CEO salaries and board meeting costs.
 - Those who view charities as essential services are more supportive across all cost categories (+8%).
- Awareness of charity ratings is low (18% of Canadians); only 2% overall say poor ratings affect their giving.
- Younger people are more attuned to ratings and corporate certifications, suggesting a generational shift in trust expectations.
- The main issue may not be trust but lack of public information—the sector must first address awareness and understanding.
- Canadians typically know only a few big charities, leading to misconceptions about the sector’s size and professionalism.
- Canada lacks institutions (like those in Australia and the UK) that research and communicate sector impact to the broader public.
- The sector is good at talking to itself but poor at translating that into public awareness.

- Called for adopting the StatsCan definition (nonprofits serving government, community, business) to clarify what the sector actually includes.
- Corporate-sponsored charities (e.g., Jumpstart, President's Choice) blur the line between corporate branding and genuine charitable work, undermining sector identity.
- Disagreement with the idea that charities should be "more business-like," arguing it erodes their unique role in building community, belonging, and reciprocity.
- Warned about the financialization of the caring economy, urging the sector to hold firm to its core values of association and mutual aid.
- Highlighted the visibility problem: charities are largely invisible to the public, unlike hospitals and universities.
- The sector must find ways to earn media visibility (e.g., like Jimmy Carter's work with Habitat for Humanity), though advertising feels off-mission for many.
- Warned about relying too much on statistics, referencing Mark Twain's "lies, damned lies, and statistics."
- The sector's narrative should now target political audiences, leveraging current political language (e.g., Mark Carney's focus on compassion) to gain traction and embed sector values at the policy level.
- Raising the profile of registered charity status could lead to stricter registration and audit processes.
- Sector standards/trust marks are underused and have low public recognition.
- Re: Indigenous granting, cautioned against drawing conclusions too early; many organizations are still figuring out how to implement it properly.
- CanadaHelps is launching:
 - A high-arousal PSA campaign to promote the charitable sector's impact, set for fall release.
 - A plan to counter Charity Intelligence's ratings with a "Canada's Most Innovative Charities" list, reframing what makes a good charity.
- Younger sector workers increasingly refer to their charity employer as a "company," reflecting a cultural drift toward business-like framing within the sector.
- Most sector public outreach has historically focused on fundraising, not on telling deeper stories about impact and value.
- The need for big data capacity within Canada's sector, noting a lack of university-based research hubs to process and analyze complex grant and compliance data.
- No single solution exists—a suite of interventions is needed.
- Positive side-effects from the Canada Post response (e.g., digital donor conversion).
- Imagine Canada is planning qualitative research with Canadians to explore effective narrative strategies, aiming for a 2026 campaign.
- Suggested repurposing the phrase "Peace, Order, and Good Government" into "Peace, Order, and Community" (or similar) to create a strong, recognizable sector tagline.
- Many top charity lists are pay-to-play and easily dismissed unless structured transparently.
- Subsectors are already actively engaging with government, pursuing specific asks framed within their niche areas (e.g., caring economy), even without a unified sector-wide campaign.
- Indigenous communities are watching closely and are eager for genuine partnerships—there's optimism but also pressure to deliver on promises.
- Some organizations are waiting for CRA to approve amended purposes before granting to Indigenous organizations—many are proceeding carefully to stay compliant.

*After the morning break, the CRA was asked **"how" the sector could be most helpful in enhancing the integrity of the sector?***

CRA Response

- While the CRA does not seek praise for its decisions – having the sector recognize that revoking bad actors strengthens the entire sector would be helpful
- Hopes the sector will adopt language like:
“An organization abusing charitable status has been removed—this is good for sector integrity.”
- Noted CRA publishes revocations intentionally, aiming to signal to both the public and the sector that compliance is enforced.
- Stressed the importance of a shared responsibility for compliance:
 - CRA removes noncompliant organizations so resources can focus on supporting and educating charities that deserve their status.
- Reflected that while sector organizations may feel disconnected from their registration number, it remains a powerful privilege.
- Reported that CRA is seeing significant immoral behaviour and is seeking better tools—regulatory or legislative—to deter abuse.
- Noted that revocations are often met with sector skepticism, but CRA takes action only when organizations clearly don't belong in the sector.
- Reiterated the call for the sector to speak out publicly when bad actors are removed, reinforcing trust norms.
- Highlighted the need for ongoing sector oversight:
 - When CRA goes offside, the sector should call them out too.
 - Example: Muslim charities have challenged CRA's decisions, resulting in important and necessary conversations.
- Shared that CRA's budget for outreach is currently \$0, making virtual participation in events the only option.
 - Encouraged sector support to help rebuild outreach funding.
- Supported earlier idea around values, standards, and ethics:
 - Argued that having a system of shared values/standards would give CRA an additional tool:
 - If charities sign on to clear standards as a condition of registration, violations could be addressed faster, without needing full audits or lengthy investigations.
- Envisioned that breaches of these standards would make it easier to demonstrate noncompliance and take decisive action.

Participant Comments and Observations (Key Themes)

Timing/Language Related to Revocation Documentation

- After a revocation is posted, it takes 8+ weeks (sometimes months) for the Administrative Fairness Letter (AFL)—the detailed explanation—to become available.
- Stressed that without timely information, the sector cannot confidently support CRA's revocations because they lack the full picture.
- Noted that the website summaries (e.g., vague language like “failure to comply with books and records”) are too generic to justify public endorsement.
- Criticized the “kitchen sink” revocation approach, where CRA flags every tiny error (e.g., a missing middle initial), leading charities to feel overly vulnerable.
- Agreed that AFLs and revocation documents are complex and technical—accessible only to experts.
- Called for revocations to be paused until objections are heard, ensuring a fair review.
- Suggested the narrative should balance enforcement with value creation:

“Yes, we police and enforce, but we also deeply believe in the vital role of charities in civil society. Our goal is to support their success through education and guidance.”

- Noted this dual mission—compliance + education—makes for a more compelling, positive story.

Confidentiality (Section 241) and Other Constraints

- Pointed out that CRA’s appeals branch does not release statistics, and the Information Commissioner is now reviewing this issue.
 - Noted that section 241 (confidentiality) is a major barrier; the only way earlier access happened was when court cases forced disclosure.
 - Acknowledged that CRA faces real constraints (legislative and internal) but suggested some low-cost actions:
 - CRA’s power to convene could be leveraged to build trust and relationships (e.g., a regular working group, like Global Affairs Canada’s CFO working group).

Education

- Highlighted the potential value of an education program for new charity applicants, linking it to needing a driver’s license before driving.
 - Felt this idea had merit for exploration to prevent problems at the source.
- Recommended CRA produce 1–2 page plain-English summaries of enforcement actions, to nudge the message to all charities and increase impact at no additional cost.
- It would be a “victory” if CRA sends letters to new trustees/directors outlining their legal obligations and responsibilities.
- Noted there’s a real opportunity for the sector to fill the education gap.
- CRA is willing to host education sessions
 - *“Happy to run one educational session a month if needed!”*
- Highlighted the importance of director accountability:
 - Directors should be fully aware that if they fail to comply, they can be barred for five years.
 - This information should be publicly available and emphasized, not just discussed within sector circles.
 - Stressed that greater awareness of personal consequences might help stamp out non-compliance.

Charities

- Suggested that while CRA wants sector support in validating revocations, charities are often too scared of CRA to engage confidently.
- Noted the imbalance of power:
 - CRA holds most authority, and the judicial system favors CRA (e.g., onus of proof, limited access to tax court).
- Concluded that with a more level playing field, charities could confidently advocate for both the privilege of registration and sector integrity.
- Noted that for operating charities, there’s little incentive or capacity to police other organizations; it’s simply not their priority.
- Suggested that umbrella organizations (sector bodies) might be better placed to share revocation information and foster dialogue, though this also comes with challenges (e.g., reputational risk, defining roles).

Registration

- Picked up on earlier references to the idea that it's easier to "get married" than "divorced"—i.e., easier to register a charity than to revoke one.
- Argued that the registration process needs to be more effective, ensuring bad actors don't enter easily.
- Recognized the political climate (deregulation narrative) might make this challenging but stressed that entry points should be a priority focus because once bad actors are in, removal is much harder.
- Noted that bad actors are strategic—they seek the easiest path with the highest return.
- Cautioned that tightening the registration process alone won't prevent bad actors.
- Implied that while improvements are good, it's unlikely that upfront processes alone can fully prevent abuse.

Other Observations

- Observed two disconnects:
 1. Revocation data shows very few actual revocations (e.g., 9 out of 85,000 charities), suggesting little outright malfeasance.
 2. At the same time, CRA data suggests 30% of charities are at risk of compliance issues (some unintentional, some serious).
- Pointed to better international practices:
 - The Charity Commission of England and Wales and the ACNC (Australia) issue plain-language reports explaining:
 - What went wrong,
 - Why it went wrong, and
 - What organizations need to do differently.
- Noted that while these are published online (with limited direct audience), they are frequently:
 - Picked up and paraphrased by lawyers/accountants in client newsletters, reaching front-line organizations,
 - Amplified by sector news services and social media.
- Shared experience from the IRS, stressing there is no substitute for public release of redacted action documents.
 - Explained that work plans (field office directives) were published to highlight areas of focus (e.g., compensation of athletic directors), prompting immediate attention across the sector.
- Emphasized that action documents (e.g., revocation letters, audit closing memoranda) were made public in redacted form, providing:
 - Transparency
 - Credibility
 - Reinforcement of compliance messages

Charities Directorate Comments

- Agreed that the registration process is a critical point of intervention; emphasized that charities should enter the system with a clear understanding of their foundational responsibilities.
- Supported the idea that the process must focus on meaningful checks (e.g., governance, purpose) rather than irrelevant details
- Echoed earlier point: directors must commit to key principles upfront, which should be a clear part of the process.

- Stressed that the registration process is viewed as the regulator's key opportunity to set expectations and guide compliance from the outset.
- Reflected that fear of the CRA is often driven by client service issues and registration challenges.
- Emphasized that CRA should:
 - Target bad actors through business intelligence (e.g., screening the people behind organizations, not just paperwork).
 - Avoid making registration a two-year back-and-forth ordeal.
- Stressed that the questions asked should be meaningful, and letters should be clear and understandable.

Additional Participant Comments

- Highlighted a central question:
 - *"How can the sector and CRA work together to create a digitally enabled and powered regulator that is data-informed, fast, transparent, and efficient?"*
- Suggested a suite of opportunities within that focus area:
 - Understanding CRA's digital needs and how the sector can advocate for resources.
 - Addressing system fragmentation (e.g., disconnected databases).
 - Collaboratively planning for full digital filing, while being sensitive to Canada's regional digital infrastructure gaps.
- Noted that paper-based processes drain resources—resources that could be diverted to higher-priority areas (e.g., compliance, outreach).
- Proposed reframing registrations as a positive story:
 - Publicly celebrating new registrations to show the vitality and refreshment of the sector.
 - Noted that tracking sudden spikes (e.g., 700 new poverty organizations in Vancouver) could also act as an early warning signal for regulatory scrutiny.
- Reflected on the stable overall number of charities (86,000 for 20–30 years), despite significant churn (revocations, closures, new registrations).
- Floated the idea of a test for new applicants (e.g., directors must identify which charitable head they fall under).
- Suggested attaching a nominal fee to registration (e.g., \$10–\$100/year) to encourage organizations to value their status.
- Found the 30% non-compliance figure "astounding" and emphasized the need for clarity on:
 - What specific mistakes charities are making (e.g., what's actually wrong with donation receipts, books/records).
- Suggested CRA could publish summaries of common errors so charities can self-check and improve compliance; this would drive sector-wide improvements
- Argued that while registration comes with privileges, the law also recognizes that certain structures are charitable by right.
- Highlighted a critical weakness in the current system:
 - The person filling out the registration form often doesn't share key compliance information with the rest of the directors.
 - Stressed the value of sending clear, direct communications to all directors about their responsibilities and potential penalties (e.g., 5-year bars).
- Pointed to the need for better-qualified staff at the entry level of the registration process, referencing a 2003 regulatory report recommending better pay and training for CRA staff.

- Praised past Charities Partnership and Outreach Program (CPOP) partnerships (CRA-sector collaborations), noting how early tech innovations like the T3010 form validator had a significant impact—but cutbacks gutted safeguards.
- Offered positive feedback:
 - The website and resources are solid, though better navigation/search functions are needed (e.g., not just alphabetical listings).
 - Registration letters have shown improvements, with clearer reminders to charities about:
 - Checking purposes if expanding activities.
 - Consulting CRA for governance changes.
 - Applauded CRA for clarifying common misunderstandings (e.g., differences between constitutions and bylaws) in correspondence.
- Highlighted a key improvement area:
 - When examiners flag issues, their responses are often intimidating boilerplate (long paragraphs citing case law, technical language).
 - Recommended adding plain-language explanations upfront, especially for applicants who lack professional legal guidance.
- Drew parallels to national security and financial regulation:
 - Shared how FinTrack and CSIS required registrants to develop their own compliance manuals and offered guides with “common indicators” to spot suspicious transactions.
 - Suggested CRA could provide guides with compliance red flags to help charities and their advisors identify risks early.
- Referenced the goods-in-kind issue:
 - Some large charities were reporting tens of millions in goods-in-kind, further confusing newer charities trying to replicate that approach.

Day 3 - PM

BREAKOUT SESSIONS REPORT BACK

Facilitator

Summarized **five potential breakout topics** for deeper afternoon discussions:

1. **Registration & Applications**
 - Improving the process (information package, training, fees, positive narrative).
2. **Technology & Digital Modernization**
 - How to build the case for investment and organize sector advocacy.
3. **Audits, Appeals & Revocations**
 - Speed, transparency, non-transparency, and improving processes.
4. **Compliance Education**
 - Defining roles for CRA vs. the sector (e.g., CPOP-like partnerships), and resource development.
5. **Political Window**
 - Exploring the current window of political opportunity and how the sector can leverage it.

*Asked participants to **sign up for two of the five topics** and share any **additional feedback** if a key area was missing or needed refining.*

Group 1 - Improving Registration to Strengthen Compliance

- **Big Picture:**
 - Registration is a critical touchpoint where CRA engages with applicants—an important opportunity for education, compliance screening, and relationship-building.
 - Most applicants are not bad actors, but it's also a key moment to identify and filter out those who may pose risks.
- **Tiered Process?**
 - The current process is “one-size-fits-all”—whether a well-resourced organization or a grassroots community group, everyone goes through the same steps.
 - The group questioned: Should there be a tiered or risk-based approach to registration, similar to the tiered audit approach?
- **AI and Intelligence Gathering:**
 - Explored how CRA could use AI/digital tools to enhance review processes, especially around:
 - Ineligible individuals.
 - Patterns like multiple simultaneous applications in unusual geographies or sectors.
 - Raised the challenge: CRA's databases don't currently cross-reference individuals effectively, which limits this.
- **Applicant Declarations:**
 - Discussed requiring applicants to formally declare that they have checked and confirmed that no one involved is ineligible.
 - This could: strengthen the accountability of applicants and provide CRA with a clear basis for revocation if misrepresentations occur.
- **Changes post-registration:**
 - Raised the issue of substantial changes to purposes or directors soon after registration:
 - Should this trigger red flags and closer scrutiny?
 - For example, a charity switches objects drastically (e.g., from poverty relief to animal welfare) soon after being registered.
- **Shelf Charities:**
 - The group noted concerns about “shelf charities”—entities that register but remain inactive for long periods, potentially to be repurposed later in ways that might evade proper scrutiny.
- **Communication Improvements:**
 - Applicants currently receive standard, boilerplate rejection letters, which can be confusing or discouraging, especially for grassroots groups.
 - Suggested more tailored, plain-language responses to clarify what is missing or required.
- **Education:**
 - Emphasized the need for better public education and guidance, both pre-application and during the process.
 - Sector partners could play a greater role in helping prospective charities understand requirements before they apply.
- **General Observation:**
 - Registration is a rare proactive moment for CRA to engage positively with new charities, unlike audits or enforcement, which are reactive and often adversarial.

Comments and Observations from Participants for Group 1

- Recommended looking at what other regulators (like the UK Charity Commission) publish to inform public and sector knowledge.
- Highlighted that sector bodies *do* comment on court cases where full documentation is available, allowing them to provide authoritative advice to members.
- Stressed that timeliness is key—the quicker they can access and explain decisions, the better for sector learning.
- CRA noted that adding letters to revocation notices is in the works, so stakeholders no longer need to proactively ask for them.
- Agreed that shifting to a more positive narrative is essential; it's difficult to build trust if stories center only around revocations (which are inherently negative).
- Emphasized the importance of also highlighting the value-generating work CRA does—supporting charities to succeed through education, tools, and guidance.
- Flagged resource constraints: CRA's engagement budget is being cut, which limits proactive communication.

Group 2 – Technology: Advocacy for Investment in CRA Digitization

1. Current State: Challenges & Inefficiencies

- CRA's internal systems are outdated and fragmented:
 - Multiple aged IT systems handle registration, T3010 filings, and case management but do not integrate well.
 - Result: heavy reliance on manual processes (e.g., staff manually keying in paper submissions), which leads to inefficiency and duplication of effort.
- Externally:
 - Charities' primary interface is My Business Account (MBA), which was designed for businesses—not charities.
 - This platform is ill-suited to charities' needs, contributing to frustration and underuse of digital services.

2. Case for Investment: Framing the Pitch

- Build a case focused on productivity and cost savings:
 - Emphasize that digitization would free resources by streamlining processes, allowing CRA to redirect savings into critical areas (like education and engagement).
 - Stress that savings should not be clawed back; instead, reinvestment into improved services should be a key condition.
- Sector benefits:
 - Better access to timely, transparent, and high-quality data.
 - Enhanced data analysis capabilities across the sector.
 - Supports trust and integrity, the central theme of this consultation, by enabling more effective compliance monitoring and enforcement.

3. Coalition & Advocacy Strategy

- Build a broad coalition to strengthen advocacy:
 - The sector itself (charities and nonprofits).
 - Allied professionals: accountants, lawyers, and academics.
 - Government partners: explore support from other federal departments (e.g., Finance, StatsCan, Global Affairs).

- Engage the Canadian Chamber of Commerce and other influential bodies to bolster the case (including exploring links to the Nonprofit Data Lab initiative).
- Advocacy targets:
 - Prioritize outreach to new Ministers post-election and the CRA Commissioner.
 - Consider how to influence Treasury Board and other funders of IT modernization.

4. Messaging Considerations

- Position the case as a win-win:
 - For CRA: increased productivity, streamlined compliance, and long-term cost-efficiency.
 - For the sector: better tools, more reliable data, and a strengthened relationship of trust.
- Highlight the risk of inaction: outdated systems increase operational risk, delay compliance enforcement, and erode trust in the regulator.

5. Political Window & Prioritization

- Reflected on the current political context: minority government + fiscal constraints create both pressure and opportunity.
- Question posed: *If there's only room to push for one big thing, is this the priority?*
 - Strong consensus that modernizing CRA's digital systems is foundational—it underpins many other improvements (compliance, education, audit processes) and should be a top priority.

Comments and Observations from Participants for Group 2

- Questioned whether, given the current political window, this push for digital modernization should be the top priority for the sector if we only get one major ask.
- Mentioned the importance of positioning the pitch effectively to new Ministers and to the CRA Commissioner to ensure it doesn't get lost among competing priorities.
- Flagged that while advocacy is essential, there's also a need to understand how best to leverage existing cross-government partnerships (e.g., StatsCan, Global Affairs).
- Pointed out that digitization is not just about efficiency, but also about building public trust and ensuring better data is available for analysis and decision-making, which supports compliance.
- Noted that the Nonprofit Data Lab could be an important proof point to show what's possible with better data and how modernization would improve sector-wide insights.
- Asked a strategic question: *"If we had to ask for just one thing, is this really it?"*
 - Noted that while there are many priorities, the case for CRA digitization seems foundational because it underpins improvements in many other areas.

Group 3 - Audits, Appeals & Revocations

Context & Framing

- Recognized current limits on what CRA can disclose publicly about audits and revocations.
- Noted that even within the sector, there's no full agreement yet on what transparency should look like.
- Raised key questions:
 - *Would public disclosure of audits act as a deterrent for bad actors?*
 - *Does transparency enhance or detract from public trust?*

Key Themes & Discussions**1. Transparency**

- Looked at international examples (e.g., England's Charity Commission) where audit outcomes and compliance measures are publicly disclosed.
- Discussed how normalization of transparency (e.g., like restaurant health inspections) can raise sector standards over time.
- Identified a risk: without random audits, only publishing problematic audits might imply guilt by default, which could damage reputations unfairly.

2. Random Audits

- Explored the idea of reintroducing random audits to normalize the process and avoid stigma around being audited.
- Discussed that random audits, while resource-intensive, help calibrate risk assessment tools and give a baseline of sector compliance.

3. Audit Triggers & Risk-Based Framework

- Highlighted that high-risk areas (e.g., overseas activities) capture many charities, but the risk is not uniform, underscoring the need for nuanced approaches.
- Raised concerns about potential systemic biases in risk assessments (e.g., certain communities may feel over-policed).

4. Audit Processes

- Noted frustration with long, unresolved audits and proposed firm timelines for audit completion to improve fairness and perception.
- Discussed the possibility of "standard-setting audits": exploring what "good" looks like by auditing charities that are known to be strong performers, helping inform sector-wide guidance.

5. Disclosure & Communication

- Proposed that CRA's annual reporting should include a new section listing the top 5 most common compliance issues found during audits. This could guide sector self-improvement and focus CRA's education efforts.
- Recommended that revocation letters be posted more promptly and made easier to find online.
- Noted that while CRA already sends audit letters to charity contacts, there should be a requirement that compliance agreements or serious findings be shared with the charity's full board (not just a single officer).

6. Voluntary Disclosure & Appeals

- Supported the idea of a voluntary disclosure program, enabling charities to self-report issues before CRA intervenes—offering some protection if done pre-emptively.
- Called for improvements to the appeals process to ensure faster resolutions and fairness.

7. Penalties & Legislative Change

- Suggested exploring additional penalty options beyond revocation or suspension, to provide a more proportionate response for non-compliance.
- Acknowledged that some of these changes may require legislative updates.

Proposed Recommendations

- Make revocation letters and compliance agreement outcomes more accessible and easier to find online.
- Set firm timelines for completing audits.
- Consider reintroducing random audits (or alternatives) to normalize auditing and reduce stigma.
- Publish top compliance issues annually to guide sector improvements.
- Create a voluntary disclosure program.
- Explore legislative updates to introduce additional penalties (beyond revocation/suspension).
- Ensure CRA letters related to compliance agreements are shared with entire boards.

Comments and Observations from Participants for Group 3

- CRA emphasized that education programs are intended to replace the need for random audits where possible, especially since random audits often revealed minor errors (e.g., typos on receipts) and were resource heavy.
- The CRA's mindset around registration and compliance (viewing it as a privilege vs. a right) shapes how audits and compliance actions are perceived, and that cultural change is also important.
- Participants appreciated that exploratory audits or letters of intent to audit could also act as a proactive "nudge," encouraging charities to self-correct before CRA steps in.
- In the UK, most compliance cases (not inquiries) are not published, but education letters and action plans often include links to guidance, helping organizations improve.
- Over-reliance on risk-based auditing can unintentionally reinforce biases and erode trust with certain communities—randomized audits can help balance that.
- CRA clarified that random audits are mainly used to measure sector-wide compliance rates and to fine-tune risk assessment tools. It was noted they are resource-intensive and explained CRA's past attempts to shift toward education as a way to address smaller compliance issues (e.g., minor receipt errors).
- Suggestion that CRA might shift toward "targeted transparency," where they publish the areas of focus each year (e.g., "this year we're looking at X risk"), allowing charities to self-monitor and prepare.
- Raised a scenario where delayed audit outcomes might frustrate donors, who could feel misled if a charity was under audit for years without disclosure, only to later learn of serious problems.
- Suggestion of advanced notice letters (pre-audit), framing it as a valuable "nudge experiment" to influence behavior proactively.

Day 4

*Participants were divided into two workgroups to focus on the final topics: **Compliance Education** and **The Political Window**:*

Compliance Education: Who can do what? What's most appropriate? We're looking for some brainstorming and practical suggestions here, all of which will be recorded.

The Political Window: How do we capture that moment? What are the priorities we should focus on moving forward?

Group 4 - Compliance Education

The group shared a range of practical ideas focused on simple improvements that could have a meaningful impact without requiring large-scale change. Highlights included:

- **Director Engagement:** Emphasis on keeping both new and long-standing directors informed, with suggestions to:
 - Send registration letters directly to directors, not just to the charity itself.
 - Use annual changes in directors as opportunities to send welcome letters and checklists outlining key compliance responsibilities.
- **Clarity on Agreements:** Identified a gap where charities are often unaware of compliance agreements made at registration or following audits. A solution proposed was to append these agreements to registration materials and ensure ongoing communication so current boards remain informed.
- **Proactive Follow-Up:** Recommended sending reminders or nudges to organizations that have compliance agreements, instead of relying solely on audits conducted years later.
- **Improving Access to Information:** Discussed ways to enhance education through:
 - Partnered webinars featuring regulators, sector experts, and practitioners to encourage a more trusted, collaborative approach.
 - Sharing real-life audit experiences to demystify the process.
 - Expanding awareness and usefulness of existing CRA resources, which may not be widely known or easily accessible.

There was a clear call for plain-language, practical tools and a recognition that more interactive, collaborative formats could be particularly effective in strengthening sector understanding and compliance.

Comments and Observations from Participants for Group 4

- **Registration Letters:** the need to closely examine current registration letters, as there's been a shift in tone and content recently. In some cases, officers have begun asking charities to amend their bylaws or providing feedback that feels overreaching—something that historically hadn't happened. The concern is that while a straightforward letter outlining obligations is helpful, anything beyond that can create confusion or unintended disruption for organizations. Plain language, clarity, and a focus on essential compliance information were emphasized.
- **Clarity and Usability:** A personal anecdote was shared about receiving a registration letter that was so unclear it left experienced legal professionals unsure how to respond. Even administrative staff within the CRA found it difficult to interpret. This underscored the need for plain language and better user testing of these materials to ensure they are accessible and actionable.
- **Education Delivery Models:** sessions without CRA present—peer-to-peer sector-led education—often create a different, valuable dynamic. Having experienced charity leaders share wisdom can be just as beneficial as regulator-led sessions, and it's important to recognize the complementary roles both types of education can play.
- **Potential Outreach Fund:** An idea was provided, inspired by past IRS discussions, of establishing an *outreach fund*—a pooled trust or designated fund that the sector could contribute to, with CRA managing the deployment of those resources for publications, travel, or outreach activities. While complex in terms of government acceptance and accountability, the model would decouple funding from decision-making, allowing for expanded outreach while maintaining regulator independence.

- **Webinar and Content Accessibility:** A question was raised about whether CRA had overcome previous limitations around webcast availability. The CRA confirmed that webinars are now posted online post-event—typically after several weeks—and while there’s potential for rebroadcasting, issues arise when third parties want to monetize or restrict access (e.g., via paywalls), which CRA opposes. The CRA also noted improvements in its internal capacity for producing bilingual content and short videos, with their public affairs branch becoming more receptive to social media formats.
- **Interactive Learning Models:** Another idea, based on the Tri-Council ethics training modules, where participants work through case studies and quizzes online, with built-in feedback loops. This model of interactive, applied learning could be worth exploring as a supplement to standard guidance and webinars.

Group 5 - Political Window

The group discussed the need to think of multiple political windows, including cabinet appointments, mandate letters, the first 100 days, and the broader minority government timeline (likely 1–2 years). Key points included:

- **Coalitions & Messengers:** Emphasized the importance of identifying who should carry messages and building broad sector coalitions to create strong, unified asks. Recognized that subsectors often stay in their own lanes unless well-supported to align with broader priorities.
- **Framing & Messaging:** Highlighted the need to link proposals to government priorities (e.g., efficiency, anti-money laundering, community strength) and ensure asks are relevant across party lines, especially with a strong opposition preparing for future governance.
- **Strategic Recommendations:** Discussed two approaches:
 - A “**support for outcomes**” approach—focusing on what the sector wants to achieve and inviting government to determine how to deliver it.
 - A “**refined solutions**” approach—offering specific proposals, such as funding for a live MyCharity account, e-filing mandates, and digital tools to streamline compliance and enhance data quality.
- **Sector Infrastructure:** Proposed creating a sector regulation working group to frame recommendations and show broad support, aiming to outnumber narrower or competing sector voices.
- **Cost-Benefit Focus:** Agreed on the need to quantify potential cost savings and efficiencies to strengthen the business case for investment in modernizing regulation and technology.

Overall, the group stressed the importance of timing, alignment with political messaging, and presenting practical, well-supported proposals to maximize impact during upcoming political windows.

Comments and Observations from Participants for Group 5

- **Coalition-building:** Recognition that many subsectors will naturally stick to their own priorities unless well-supported and engaged to see the benefit of aligning with broader sector-wide asks.
- **Framing asks:** Encouragement to tie proposals to political messaging—such as government efficiency, anti-money laundering, and nation-building themes—to ensure they resonate with both government and opposition priorities.

- **Inclusion of opposition parties:** Reminder that the Conservatives, as a strong opposition, should not be overlooked, as they may soon form government and need to be familiar with sector priorities.
- **Sector infrastructure:** Suggestion to establish a sector regulation infrastructure working group modeled after other successful coalitions (e.g., Nonprofit Data Coalition), to present united recommendations and build political momentum.
- **Competing voices:** Noted the challenge of individuals or groups making competing or conflicting asks and the need to build sufficient sector-wide support to overshadow these outliers.
- **Costing and data:** Point made about commissioning research and cost-benefit analysis to demonstrate how regulatory improvements would create efficiencies and save government resources.
- **Government process:** Insight shared that government funding for CRA improvements typically arises when legislative amendments are introduced, triggering CRA to cost out implementation. This reinforces the importance of framing asks in a way that requires a legislative or policy response.
- **The regulator's perspective:** Clarification that internal IT challenges within the CRA remain a significant barrier to rapid technology upgrades, despite the agency's own commitment to digital transformation.
- **Broader political vision:** Comment about engaging with the government's long-term digital transformation vision (e.g., one-stop tax filing) and considering how the charitable sector's modernization could be integrated into that vision.
- **Privacy concerns:** Warning about the privacy risks and challenges of digital receipts and data collection (e.g., the controversy over social insurance numbers), suggesting a need to think creatively to avoid repeating past roadblocks.
- **Sector readiness:** Emphasis that alongside any government push for modernization, the sector needs to be prepared to manage digital compliance tools, especially given the small size and limited resources of many charities.

FINAL REFLECTIONS ON THE CONSULTATION

Participants expressed deep appreciation for the generosity of time, knowledge, and openness throughout the consultation. Many highlighted the value of candid exchanges between the sector and government—something rare outside this setting—and emphasized that true progress comes when both parties sit down together to work through shared challenges.

Several noted the strength of the relationship between the sector and CRA, praising it as a model of trust and collaboration, even if that trust is not always fully understood by the broader sector. The Muttart Foundation and the international guests were thanked repeatedly for their insights and comparative perspectives, which broadened thinking and brought fresh ideas.

Themes raised included:

- The importance of collegiality and relationship-building, both formal and informal, which allows participants to move ideas forward with trusted partners.
- A recognition that while complex issues like integrity and compliance are challenging, this consultation successfully pinpointed practical, actionable solutions.
- Appreciation for the facilitation, described as masterful in managing complex discussions while keeping participants focused and engaged.

- Reflections on how the consultation helped shift perspectives—for example, on the role of boards/trustees in compliance, or on how to frame government asks more effectively by understanding the machinery of government.
- Gratitude for the curation of pre-readings, which deepened understanding and helped participants "design the ideal regulator" in their minds.
- Recognition of shared challenges between regulators and the sector: resource constraints, technology hurdles, reputational pressures, and the need for collective action to avoid the "tragedy of the commons."

Some participants also highlighted personal takeaways:

- A renewed focus on how to better train and support directors.
- The need to capture and retain institutional knowledge amid sector leadership turnover.
- The opportunity to rethink digital compliance tools while being mindful of privacy and accessibility concerns.

There was also reflection on location and setting: while Banff's physical separation from daily life fosters deeper immersion, Ottawa offered strong logistical advantages, and the venue team's efforts were praised for delivering a smooth experience despite the change.

CLOSING REMARKS

Mr. Wyatt ended the session by thanking all participants. He underscored the Muttart Foundation's commitment to the consultation process. The consultations are successful because of the careful selection of participants, the participation of international guests, as well as the participation of Government colleagues. He reminded participants that a survey will be sent to participants as an additional opportunity to provide input.

**Appendix
CRA Presentation**

Charity compliance: A shared responsibility

Muttart Foundation

Spring 2025



Canada Revenue
Agency

Agence du revenu
du Canada

Canada

Outline

- Current operating reality
- Issues and case studies
- Enhancing integrity

Current operating reality



Constraints

- Canadians expect the CRA to swiftly address non-compliance in the charitable sector to maintain trust and confidence.
- CRA's compliance activities are resource intensive and audit work can occur over multiple years.
- Bad actors find ways around legislation and compliance activities.

Risk within the charitable sector

- The CRA operates a risk-based and multi-streamed charities compliance program, based on its understanding of how risk is disbursed through the charitable sector population.
- Around a third of registered charities *could* be at risk of operating offside in some capacity based on risk assessment data.
- Audits are used to address the highest risk but there's more risk than we can audit in any given year.
- The top three high-risk non-compliance areas of focus are aggressive tax planning, offshore activities, and ineligible individuals.

Issues and case studies



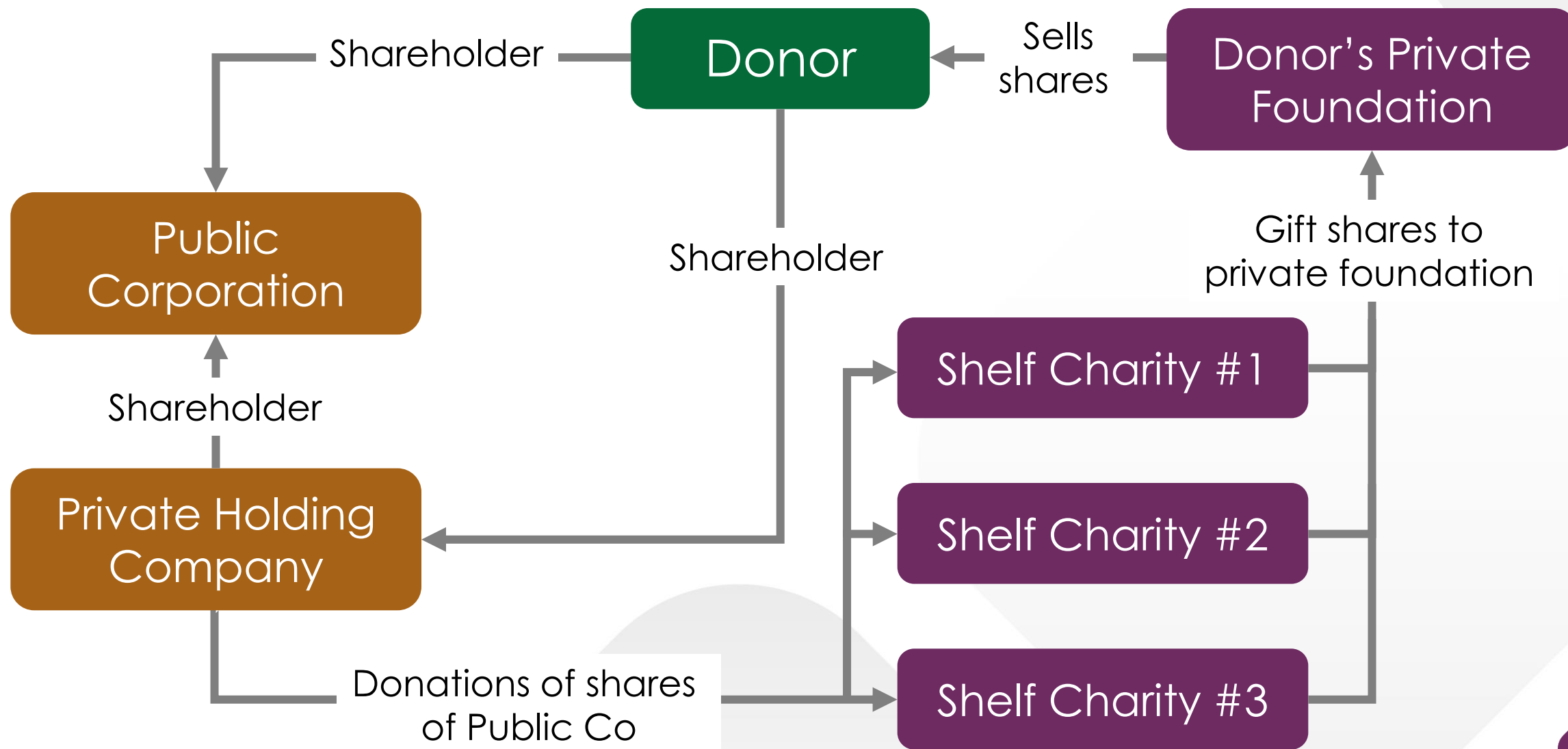
What we're seeing in recent audits

- Circular transactions amongst related charities to artificially meet disbursement quota obligations.
- Charities engaging in tax planning arrangements – assets purchased from non-arm's length entity at a price that exceeded fair market value by \$1.1 million.
- Charity received millions from non-arm's length registered and revoked charities but did not expend those funds on any charitable activities or by making qualifying disbursements.

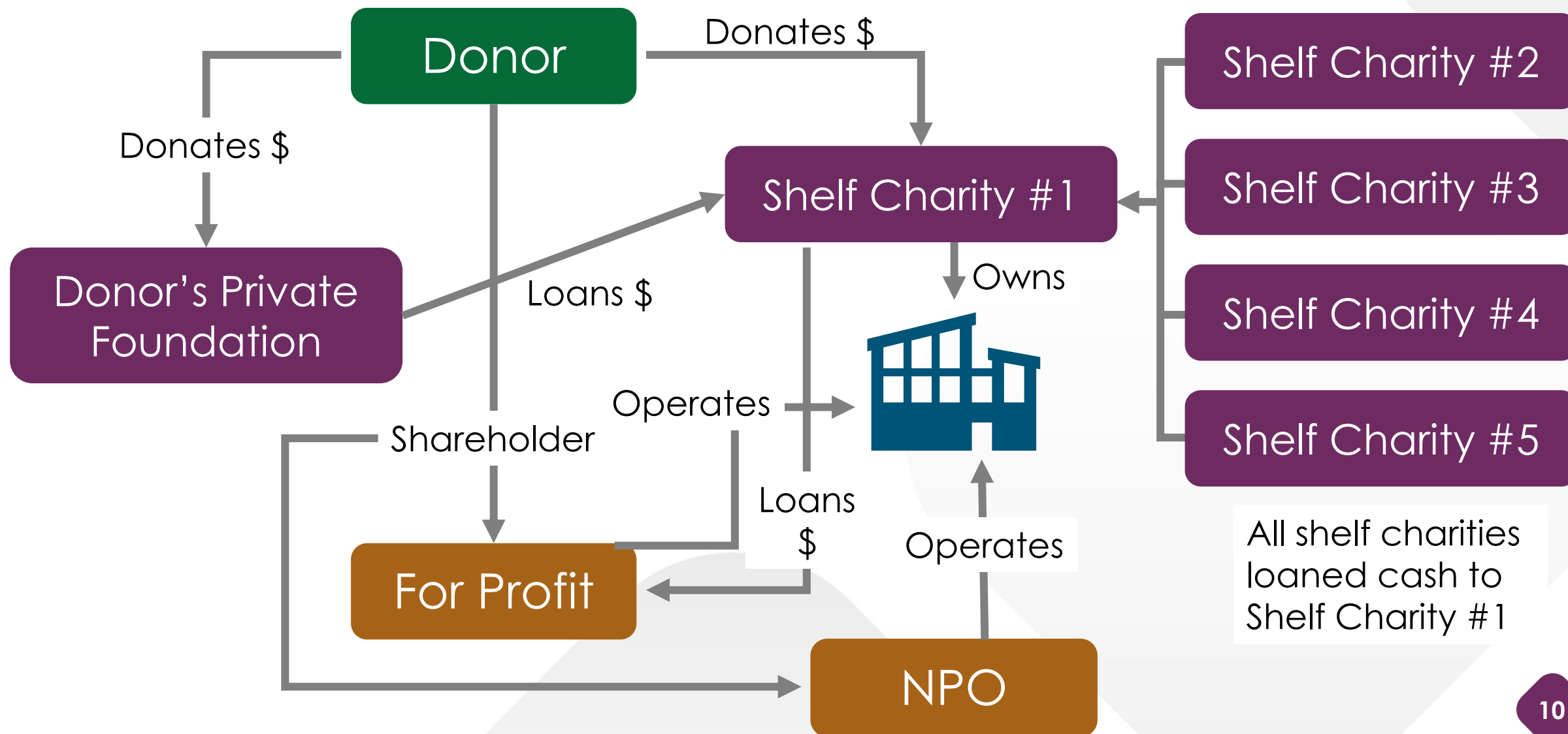
What we're seeing in recent audits (continued)

- Intentionally altered names on documents to falsify asset holdings.
- Lack of documentation to demonstrate direction and control over funds sent abroad despite agreeing to correct this issue after previous audit.
- Directors misappropriating charitable resources.

Example of a share donation arrangement



Example of charities financing for-profit ventures



Enhancing integrity



A multi-faceted approach

- Strengthen governance and board oversight
- Enhance transparency and reporting
- Improve regulatory oversight
- Prevent fraud and misuse of charitable assets
- Promote ethical fundraising and donor confidence
- Encourage collaboration and education

Strengthen governance and board oversight

- Require stronger board oversight and ethical leadership.
- Encourage whistleblower protection policies to safeguard those who report misconduct.
- Voluntary disclosures program for registered charities?

Enhance transparency and reporting

- Mandate clear financial disclosures for all registered charities, including detailed annual reports.
- Improve public access to financial statements and program impact data.
- Encourage transparent decision-making.

Improve regulatory oversight

- Stricter application of the ineligible individual provision.
- Initial and annual declaration of eligibility for directors and like officials.
- Make available a public list of ineligible individuals.
- Make better use of warnings at the time of registration.

Prevent fraud and misuse of charitable assets

- Encourage the use of third-party audits to verify financial integrity.
- Develop best practices for financial management, including fraud detection systems.
- Ensure charities maintain proper internal controls to safeguard donor contributions.

Encourage collaboration and education

- Foster collaboration among charities to share best practices and avoid common non-compliance issues.
- Support training programs on ethical leadership and nonprofit management.
- Engage in public education campaigns to help Canadians identify scams and illegitimate charities.

Thank you!