

NSIRA REVIEW OF CRA'S RAD AUDIT OF CHARITIES BRINGS CONSTRUCTIVE RESPONSE FROM CRA

*By Terrance S. Carter & Ryan M. Prendergast**

1. INTRODUCTION AND BACKGROUND

On October 2, 2025, the National Security and Intelligence Review Agency ("NSIRA") released a report (the "NSIRA Report") discussing the findings of their review of the Canada Revenue Agency's ("CRA") Review and Analysis Division ("RAD").¹ As a response to public concern that had been raised, the NSIRA Report assessed whether RAD had treated registered Canadian charities fairly and without religious discrimination. Specifically, there were concerns raised that Muslim charities were disproportionately the target of RAD charity audits.

As discussed in our [February 2022 Charity and NFP Law Update](#)², after allegations of anti-Islamic bias in the CRA Charities Directorate, in August 2021, the Minister of National Revenue tasked the Office of the Taxpayers' Ombudsperson to explore complaints by Muslim-led charities about their experiences. On February 9, 2022, the Ombudsperson published an update regarding its examination of the fairness of the audit process. According to the update, a special ombudsperson response team was created to analyze how the CRA selects charities to be audited, whether the process is designed and applied fairly, whether there are areas that may be inequitable, and the impact of the audit process on registered charities.³

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¹ As explained in the NSIRA Report, RAD is "responsible within the CRA for detecting and addressing the risks to the charitable sector stemming from terrorist abuse." National Security and Intelligence Review Agency, *Review of Canada Revenue Agency's Review and Analysis Division (RAD)*, (October 2, 2025), Online: https://nsira-ossnr.gc.ca/wp-content/uploads/23-08_Rvw_CRA_RAD_-EN-46815.pdf [RAD Review].

² Ryan M. Prendergast, February 2022 *Charity & NFP Law Update*, "International Civil Liberties Group Disappointed with Review of CRA Audits of Muslim Charities", (February 24, 2022), *Carters Professional Corporation*, Online: < <https://www.carters.ca/pub/update/charity/22/feb22.pdf> >.

³ Office of the Taxpayers' Ombudsperson, *Taxpayers' Ombudsperson calls on charities to come forward with their experiences about the Canada Revenue Agency*, (February 9, 2022, edited November 22, 2022), *Government of Canada*, Online: <<https://www.canada.ca/en/taxpayers-ombudsperson/news/2022/02/taxpayers-ombudsperson-calls-on-charities-to-come-forward-with-their-experiences-about-the-canada-revenue-agency.html>>.

As further discussed in our [January 2023 Charity & NFP Law Update](#)⁴, on November 21, 2022, the Taxpayers' Ombudsperson provided an update regarding the review of CRA's treatment of Muslim charities. The Ombudsperson expressed that it was impossible to validate certain aspects of the CRA's practices because of legislation and the CRA policy regarding not disclosing taxpayer information. The report⁵ was published on March 27, 2023, and stated that the office did not have sufficient information to carry out the review due to obstacles with accessing complete files for the review. However, the report provided a recommendation that the CRA create a mandatory unconscious bias training course for employees of the CRA's Charities Directorate.⁶ On March 8, 2023, the Executive Director of NSIRA sent a letter to the CRA Commissioner notifying him that NSIRA would be commencing a review of RAD within the CRA.

As noted in our [November 2023 Charity & NFP Law Update](#), on November 2, 2023, the Standing Senate Committee on Human Rights (the "Committee") released a report entitled *Combating Hate: Islamophobia and its Impact on Muslims in Canada* (the "Committee's Report").⁷ The Committee's Report discussed the rise in Islamophobia and presented 13 recommendations to address it. The Committee's Report contained four sections. Of particular relevance was section four which stated that it was clear that RAD, whether or not intentional, demonstrated structural bias against Muslim charities. As such, recommendations 9, 10 and 11 recommended requiring the CRA to collect and publish data on religious organizations subject to audits and revocations, review the mandate and functioning of RAD, taking into account the conclusions of NSIRA's review, and introduce an independent civilian body to review decisions of the CRA's Charities Directorate.⁸

On October 2, 2025, NSIRA published their report which assessed whether RAD "treated registered charities fairly and without discrimination on the basis of religion in the exercise of its duties under the *Income Tax Act*".⁹

2. NSIRA REPORT FINDINGS AND RECOMMENDATIONS

The goal of NSIRA's review was to verify if RAD audited charities fairly and without discrimination according to Canada's laws and the *Charter of Rights and Freedoms*. The review sought to address concerns that Muslim charities have disproportionately been the targets of RAD audits and revocation of their charitable status. To do so, NSIRA relied on documents and explanations provided by RAD as well as individual case files. They reviewed the outcomes of all audits and conducted a more thorough review of 15 audits. The NSIRA Report contained 9 findings as well as 6 recommendations to address issues in RAD's current processes.¹⁰

⁴ Terrance S. Carter & Ryan M. Prendergast, *January 2023 Charity & NFP Law Update*, "Canada's Taxpayers' Ombudsperson Makes Statement on His Review of CRA's Treatment of Muslim Charities" (January 26, 2023), *Carters Professional Corporation*, Online: <https://www.carters.ca/index.php?page_id=3079>.

⁵ Office of the Taxpayers' Ombudsperson, *Charity Begins with Fairness: More to Explore*, (March 27, 2023), Online: <<https://www.canada.ca/en/taxpayers-ombudsperson/programs/reports-publications/special-reports/charity-begins-with-fairness.html>>.

⁶ Ryan M. Prendergast & Terrance S. Carter, *March 2023 Charity & NFP Law Update*, "Taxpayers' Ombudsperson's Report Concludes Comprehensive Examination of CRA's Audit Selection Process Not Possible, Recommends Anti-Bias Training", (March 30, 2023), *Carters Professional Corporation*, Online: <https://www.carters.ca/index.php?page_id=3098>.

⁷ Senate of Canada, *Combating Hate: Islamophobia and its Impact on Muslims in Canada*, (November 2, 2023), Online: <https://sencanada.ca/content/sen/committee/441/RIDR/reports/Islamophobia_FINAL_e.pdf>.

⁸ Adriel N. Clayton and Terrance S. Carter, *November 2023 Charity & NFP Law Update*, "Standing Senate Committee on Human Rights Releases Report on Islamophobia", (November 30, 2023), *Carters Professional Corporation*, Online: <https://www.carters.ca/index.php?page_id=3249>.

⁹ *RAD Review*, *supra* note 1.

¹⁰ *Ibid*.

Through their review, NSIRA made the following findings:

- **Finding 1:** NSIRA found that the CRA's audit function fulfills Canada's international obligations to combat money-laundering and terrorist financing, given ever-evolving risks of terrorist abuse in the charitable sector.
- **Finding 2:** NSIRA found that, of all charities whose audits were completed by RAD between 2009 and 2022, 67% were discernably Islamic and 19% Sikh.
- **Finding 3:** NSIRA found that the CRA does not collect the demographic data that could demonstrate that RAD's treatment of charities is free from discrimination under the Charter.
- **Finding 4:** NSIRA found that RAD's application of the following indicators may make Islamic charities more susceptible to scrutiny: association to organizations or individuals; and conducting activities in or close to a foreign high-risk jurisdiction.
- **Finding 5:** NSIRA found that RAD does not have an evidence-based method of validating the risk indicators that it relies on to justify scrutiny of a charity for terrorism related concerns.
- **Finding 6:** NSIRA found that a lack of rigour in RAD's process for identifying and selecting charities for audit introduced risks of bias and discrimination.
- **Finding 7:** NSIRA found that in five of the eight most recent RAD audits, terrorism related concerns were not present in the final audit findings.
- **Finding 8:** NSIRA found that when RAD concludes that terrorist abuse concerns are present during the audit, the nature of these concerns is communicated to the charity.
- **Finding 9:** NSIRA found that there is insufficient data to explain the observed difference in the severity of outcomes between audits conducted by RAD and those conducted by the Compliance Division.¹¹

The NSIRA Report makes clear that there were concerning discrepancies in RAD's auditing process. There were findings of audits without the presence of credible risk of terrorist abuse or terrorism-related concerns generally. The NSIRA Report noted that while RAD's audits are authorized under the *Income Tax Act*, there are deficiencies that put it at risk of breaching its obligations under the *Charter of Rights and Freedoms* given the disproportions in the charities that were audited. Their ability to refute or substantiate *Charter* claims is also made difficult due to the CRA's lack of collecting the necessary demographic data.

In order to address these concerning findings, NSIRA proposed the following 6 recommendations for RAD to adopt:

- **Recommendation 1.** NSIRA recommends that the CRA collect and evaluate demographic data from the charitable sector to ensure that its treatment of charities is free from discrimination.
- **Recommendation 2.** NSIRA recommends that RAD develop an evidence-based method of validating, on an ongoing basis, the risk indicators that it relies on to justify scrutiny of a charity for terrorism-related concerns and update any associated guidance.
- **Recommendation 3.** NSIRA recommends that RAD formally document its decisions regarding when, and on what basis, it will commence its audits.
- **Recommendation 4.** NSIRA recommends that RAD update its process for assessing the risks of terrorist abuse in a charity's activities to foster structured, informed decision-making on when or whether to conduct a related audit.

¹¹ Ibid at 26-27.

- **Recommendation 5.** NSIRA recommends that RAD take steps to ensure that its decision-making leading to an audit is supported by current and credible information and/or intelligence, with due regard for exculpatory information and mitigating considerations.
- **Recommendation 6.** NSIRA recommends that the CRA conduct a focused comparison of audit outcomes between RAD and Compliance Division to determine whether the differences identified here are justified.¹²

3. CRA'S RESPONSE

In consideration of NSIRA's Report, the CRA [released a formal response](#) on October 2, 2025, to acknowledge and address the concerns and recommendations raised through the review. The CRA's response stated that it welcomed the findings and recommendations of NSIRA. The CRA began by explaining their contributions to Canada's anti-terrorist financing regime and the importance of their role in preventing the abuse of registered charities. The CRA emphasized that not all audits where potential risks are initially identified will lead to explicit findings of terrorism related concerns. Additionally, they highlighted that the CRA is mindful of the potential for bias and has implemented continuous education and other improvements to their processes and decision-making. However, they also mentioned that due to NSIRA's scope of review being limited to the inception of RAD and the program's audit function, NSIRA's conclusions might not reflect the CRA's current practices, nor do the conclusions consider the improvements they have made to support charities.¹³

The CRA then went on to provide responses to each recommendation. While they agreed to most of NSIRA's recommendations, they disagreed with a few. In terms of NSIRA's first recommendation to collect and evaluate demographic data, the CRA disagreed and stated that they are only permitted to collect information directly related to their operating programs and activities. Specifically, they noted that "while the CRA has limited authority to collect additional demographic information from the charitable sector to evaluate the program, the CRA cannot require a charity to provide such information, as it is not necessary for the administration of these provisions, nor would it serve a compliance-related purpose".¹⁴ They also stated that they do not select charities to be audited or apply procedures differently based on a particular faith or denomination.

In relation to NSIRA's second recommendation to develop an evidence-based method to validate risk indicators, the CRA agreed and noted that to enhance its effectiveness in addressing anti-terrorist financing, they will develop and implement a formal review process of its risk-based approach. They also agreed with NSIRA's third recommendation to document its decisions and will be implementing a formal tracking mechanism for audit selection criteria and decisions, beginning in the 2025-26 fiscal year. In response to recommendation 4, the CRA agreed in part, noting that they are committed to enhancing its processes to ensure impartiality and will begin updating risk assessments as necessary. However, they disagreed with the significance placed on partner intelligence for informing risk assessments and the characterization that the lack of a weighted approach makes their determinations highly subjective. Regardless, they responded that they would develop a rating model to integrate a quantitative component to complement their qualitative assessment process.¹⁵

The CRA agreed with recommendation 5 and noted that while it reflects their current practices for evaluating information used in risk assessments, they will also examine their current processes to implement further measures to reduce risks of bias. Lastly, in relation to recommendation 6, the CRA disagreed and stated that audit outcomes are determined case-by-case using the same guidance for

¹² Ibid.

¹³ Canada Revenue Agency, *CRA response to the National Security and Intelligence Review Agency's (NSIRA) report*, (October 2, 2025), Government of Canada, online: <https://www.canada.ca/en/revenue-agency/corporate/about-canada-revenue-agency-cra/transparency-proactive-disclosure-canada-revenue-agency/responses-reviews-reports/response-nsira-report.html>.

¹⁴ Ibid.

¹⁵ Ibid.

all. Regardless, the CRA stated that they will review its audit program to determine what improvements can be made.¹⁶

4. COMMENTARY

After the many attempts to get information about RAD's auditing process and call it to account, such as through the review of the Taxpayers Ombudsperson and the Standing Senate Committee on Human Rights, the NSIRA Report marks a significant step toward transparency and fairness in the CRA's RAD auditing processes. Specifically, the NSIRA Report goes a long way in confirming the concerns of Muslim charities. It revealed disproportions in the types of charities being audited and found that the majority of those audited from 2009-2022 (67%) were Muslim charities. The report unveiled that RAD audited charities that did not pose a risk of terrorist abuse despite claims by the CRA that they only audit charities who pose the highest risk of terrorist abuse.¹⁷

The recommendations proposed in the report are a good starting point for RAD to re-evaluate and modify their current practices and procedures as they relate to auditing charities. The CRA response indicates an acceptance of most of NSIRA's findings and recommendations, signaling a step toward greater accountability and fairness. Interestingly, CRA disagreed with NSIRA's recommendation to collect demographic data from the charitable sector. Although it is questionable whether charities would want to disclose such information, the lack of demographic data could make it difficult for RAD to quickly identify disproportions in groups being audited.

The CRA's proposed changes in response to the NSIRA recommendations are an important and constructive first step towards reforming the auditing process of charities. For example, they are developing a rating system to add an objective component to risk assessments, they are examining their current processes to make necessary changes, and they are implementing formal tracking and review mechanisms to ensure proper oversight.

For Canadian registered charities, the NSIRA Report and the CRA's response presents a recognition of concerns that have been voiced by Canadian Muslim charities over many years. If implemented effectively, NSIRA's recommendations and the CRA's follow up actions could pave the way for more equitable treatment of charity audits across the charitable sector.



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¹⁶ Ibid.

¹⁷ *RAD Review*, *supra* note 1.