



#### 4.4 Checklist for on avoiding terrorist abuse (excerpt from CRA website)

This checklist is intended to help Canadian charities identify vulnerabilities to terrorist abuse, as part of good management practices.

Charities play a vital role in achieving goals that Canadians value highly, both at home and abroad. Recognizing this, and to encourage Canadians to support charitable activity, the *Income Tax Act* gives special and significant tax privileges to charities and donors. To maintain public confidence in these tax incentives, the Government of Canada and charities need to protect the charitable sector from abuse, including the exploitation of charitable resources to support terrorism and other non-charitable purposes and activities. Fortunately, the experience in Canada and elsewhere suggests that terrorist abuse within the charitable sector is rare, but it does happen and there are vulnerabilities.

The factors that promote Canadians' high respect for charities can also make them vulnerable to exploitation by terrorist supporters. Charities bring people together for a common purpose and collective action. Some charities have a global presence, often in conflict zones or in places with little infrastructure, and frequently move money, people, and goods to and from these areas. Where there are no banks, charities may have to deal in cash or use alternative remittance systems. All this may unintentionally provide a network, and a cloak of legitimacy, for activities that support terrorism.

Canada works with its international partners to develop solutions to global issues such as terrorist abuse of charities. The Government of Canada is committed to continue playing its part in the international drive to tackle this threat, which will help to protect the reputation of the Canadian charitable sector and to ensure that legitimate charitable activity is not restricted.

It makes good sense on many levels for charities to develop and implement sound internal governance and accountability procedures, financial controls, risk management systems, and transparent reporting, and to keep these things under regular review. These are among the best actions any charity can take to help protect itself against actual or alleged abuse of any kind, including allegations of fraud, money laundering, or support for terrorism.

The following checklist is based on international and domestic concerns, experience, and guidance. It is not meant to be a comprehensive guide, but it will help Canadian registered charities to focus on areas that might expose them to the risk of being abused by terrorists or other criminals. Do not assume that it could not happen to you!

## Checklist

- Do you know about the individuals and entities associated with terrorism, which are listed in Canada under the *United Nations Act* and the *Criminal Code*? Are you aware of the Criminal Code and the Charities Registration (Security Information) Act provisions on financing and supporting terrorism—and the consequences of breaching the provisions?
- Do you have a good understanding of the background and affiliations of your board members, employees, fundraisers, and volunteers?
- Have you read the CRA guidance about keeping adequate books and records, activities, engaging in allowable activities, operating outside Canada, and charities in the international context?
- Do you have appropriate, sound, internal financial and other oversight and verification controls—for example, appropriate delegations and separations of authority over the collection, handling, and depositing of cash and the issuing of receipts?
- Do you transfer money using normal banking mechanisms, wherever possible? When it is not, do you use reputable alternative systems, and have strong additional controls and audit trails to protect your charity's funds and show how and when they were used?
- Do you know who uses your facilities and for what purpose—for example, your office or meeting space, name, bank account, credit cards, website, computer system, telephone or fax—what they are saying, and what materials they are distributing or leaving behind?
- Do you try to find out who else might be supporting a person or cause that you are endorsing in public statements, and who uses your name as a supporter?
- Do you know where your donations and other support really come from?
- Do you know who has ultimate control over the project that your charity's money and resources are benefiting, and what the money and resources are used for, including after the particular project is finished?
- Do you know your partners in delivering the work you are doing, and their affiliations to other organizations?
- Do you have clear written agreements with agents/contractors/other partners, in Canada and abroad, covering what activities will be undertaken and how they will be monitored and accounted for? Do you check that the agreements are being followed?

The use or threat of violence to achieve a political aim—regardless of the cause—cannot be reconciled with the legal concept of charity. Although these issues have come to prominence since 9/11 and the more recent terrorist attacks in Madrid, London, and elsewhere, any links between registered charities and terrorist activity have never been acceptable. The intentional provision of support to terrorists is a crime. Anyone who suspects links to terrorism should report them to the RCMP's National Security Information Line, 1-800-420-5805, or visit National Security Information Network on the Web. Anyone who wants to make a complaint about a registered charity should visit Complaints or concerns about registered charities.

### **Other sources of information**

- Other Canadian sources of assistance and support
- Canadian economic sanctions against foreign states and non-state actors
- Canada is a leading member of the Financial Action Task Force, which has developed guidance material on terrorist financing methods, including the abuse of charities and non-profit organizations.
- The information at the following links has no legal force in Canada. However, you may find it helpful to read about best practices in good governance and protection from abuse by terrorists recommended in other countries:
  - Charity Commission for England and Wales  
Themes and lessons from the Charity Commission's compliance work, 2007-08
  - Operational Guidance - Charities and Terrorism
  - U.S. Department of the Treasury  
Anti-Terrorist Financing Guidelines - Voluntary Best Practices for U.S.-Based Charities