



Telefilm Canada

Special Examination Report—2010



Office of the Auditor General of Canada
Bureau du vérificateur général du Canada

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10 June 2010

To the Board of Directors of Telefilm Canada:

We have completed the special examination of Telefilm Canada in accordance with the plan presented to the Audit and Finance Committee of the Board of Directors on 3 September 2009. As required by Section 139 of the *Financial Administration Act* (FAA), we are pleased to provide the attached final special examination report to the Board of Directors.

We will be pleased to respond to any comments or questions you may have concerning our report at your meeting on 17 June 2010.

I would like to take this opportunity to express my appreciation to the Board members, management, and the Corporation's staff for the excellent cooperation and assistance offered to us during the examination.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'S. Ricard'.

Sylvain Ricard, CA
Assistant Auditor General

Attach.

Table of Contents

Main Points	1
Special Examination Opinion	3
Overview of Telefilm Canada	5
Focus of the special examination	7
Observations and Recommendations	8
Corporate governance	8
Telefilm Canada has sound governance practices	8
Strategic planning, performance measurement, and reporting	10
The Corporation has an appropriate strategic planning process	11
Telefilm is currently reviewing its strategic direction and is developing a new corporate plan	11
Risk management could be better integrated	12
Telefilm has processes for measuring performance and reporting	13
Funding of audiovisual productions	14
Telefilm deals with funding projects consistently and objectively	14
The selection of funding projects is part of a rigorous process	15
Funding projects are properly monitored	16
Information technology	17
Information technology meets the Corporation's needs	18
Human resource management	18
Some processes could be improved in human resource management	19
Conclusion	21
About the Special Examination	22
Appendix	
List of recommendations	24



Telefilm Canada

Special Examination Report—2010

Main Points

What we examined

Telefilm Canada is a Crown corporation established in 1967 under the *Telefilm Canada Act*. Its mandate is to foster and promote the development of the Canadian audiovisual industry. It supports the industry through investments, advances, and grants. Its resources are used to finance feature films, as well as multimedia and multiplatform projects. Telefilm Canada provides full support for the creation, production, marketing, and distribution of audiovisual works, with special attention to building the industry capacity.

Telefilm Canada reports to Parliament through the Minister of Canadian Heritage and Official Languages. It is governed by a board of directors. The Corporation receives funding of approximately \$109 million annually through a parliamentary appropriation. It provides financial and strategic support to the motion picture industry, and from this support stem investments from other financial sources. Telefilm also administers the programs of the Canada New Media Fund on behalf of the Department of Canadian Heritage, using an annual transfer payment of about \$14 million provided by the Department for this purpose. It also administers a service agreement with the Canadian Television Fund valued in 2008–2009 at \$287 million to fund television projects. Telefilm has about 200 employees.

In conducting this first special examination of Telefilm Canada, we looked at whether the Corporation has systems and practices in place that provide it with reasonable assurance that its assets are safeguarded and controlled, its resources are managed economically and efficiently, and its operations are carried out effectively. Our audit work covered the systems and practices that were in place between May 2009 and January 2010.

Why it's important

The Canadian audiovisual industry is culturally and economically important for Canada. Canadian film, television, and interactive digital productions have an approximate total value of \$10 billion per year and provide work for some 178,600 people. Telefilm provides financial and strategic support for the creation and production of works and cultural products that reflect Canadian diversity, strengthen

the Canadian identity, support Canada's international presence, and thereby contribute to Canada's cultural and economic vitality. Canadian productions are sold in more than a hundred countries.

What we found

We did not identify any significant deficiencies in Telefilm Canada's systems and practices. We noted good management practices and also a number of areas that could be improved.

- The Corporation has sound governance practices. The Board of Directors has established a profile of the expertise and knowledge that its members should possess, and the roles and responsibilities of Board members are clearly defined. We noted that Telefilm has an appropriate strategic planning process that aligns the Corporation's programs and activities with its strategic objectives.
- Telefilm's management is aware of the major risks to which the Corporation is exposed. It carried out a review of current systems and implemented an action plan to make the necessary improvements. However, the Corporation could benefit from more highly integrated risk management, which would enable it to consolidate information about risks and to manage them more systematically and comprehensively.
- The Corporation has established policies and procedures for the administration of its programs that generally provide for consistent and objective project management. However, the Sineweb management information system could be used more efficiently in some areas, which would optimize its use and improve operational efficiency. Furthermore, although Telefilm already has several different quality monitoring mechanisms in its project management process, some planned mechanisms were not fully implemented for feature films.
- Telefilm does a good job of managing its human resources. It has succeeded in recruiting and retaining qualified people. However, the offer-of-employment letters that are used in place of employment contracts between employees and the Corporation do not always reflect current policies. Furthermore, the documentation of the performance evaluation process and the performance bonus management policy lacks consistency. Performance measurement ratings and the justification for bonuses paid were not always adequately documented.

The Corporation has responded. *The Corporation accepts all the recommendations. Its responses follow each of the recommendations made in the report.*

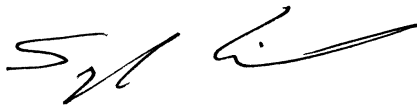
Special Examination Opinion

To the Board of Directors of Telefilm Canada

1. Under section 131 of the *Financial Administration Act* (FAA), Telefilm Canada is required to maintain financial and management control and information systems and management practices that provide reasonable assurance that its assets are safeguarded and controlled; its financial, human, and physical resources are managed economically and efficiently; and its operations are carried out effectively.
2. Section 138 of the FAA also requires the Corporation to have a special examination of these systems and practices carried out at least once every 10 years.
3. Our responsibility is to express an opinion on whether there is reasonable assurance that during the period covered by the examination—from May 2009 to January 2010—there were no significant deficiencies in the Corporation’s systems and practices.
4. We based our examination plan on our survey of the Corporation’s systems and practices and a risk analysis. On 3 September 2009, we submitted the plan to the Audit and Finance Committee of the Board of Directors. The plan identified the systems and practices that we considered essential to providing the Corporation with reasonable assurance that its assets are safeguarded and controlled, its resources are managed economically and efficiently, and its operations are carried out effectively. Those are the systems and practices that we selected for examination.
5. The examination plan also included the criteria that we used to examine the Corporation’s systems and practices. These criteria were selected for this examination in consultation with the Corporation. The criteria were based on our experience with performance auditing and our knowledge of the subject matter. The criteria and the systems and practices we examined are listed in **About the Special Examination** at the end of this report.
6. We conducted our examination in accordance with our plan and with the standards for assurance engagements established by The Canadian Institute of Chartered Accountants. Accordingly, it included the tests and other procedures we considered necessary in the circumstances. In carrying out the special examination, we made use of internal audit work on governance and on the management processes for the Canadian Television Fund and the Canada Feature Film Fund.

7. In our opinion, based on the criteria established for the examination, there is reasonable assurance that during the period covered by the examination there were no significant deficiencies in the Corporation's systems and practices.

8. The rest of this report provides an overview of the Corporation and more detailed information on our examination observations and recommendations.



Sylvain Ricard, CA
Assistant Auditor General for the Auditor General of Canada

Montréal, Canada
5 January 2010

Overview of Telefilm Canada

9. Telefilm Canada (also called hereinafter “Telefilm” and “the Corporation”) is a Crown corporation established in 1967. It reports to Parliament through the Minister of Canadian Heritage and Official Languages. According to the *Telefilm Canada Act*, the Corporation’s mandate is to develop and promote Canada’s audiovisual industry and to act in compliance with the agreements signed with the Department of Canadian Heritage to provide services and administer programs related to the audiovisual industry.

10. Telefilm offers its services through its headquarters in Montréal, and through its regional offices located in Vancouver, Toronto, Montréal, and Halifax. The Corporation has approximately 200 employees.

11. Telefilm Canada supports Canada’s audio-visual industry to encourage the creation of works and cultural products that reflect the diversity of Canada for the benefit of Canadian audiences. Through the various programs provided under the Canada Feature Film Fund, Telefilm invests in the development, production, and marketing of Canadian audiovisual works. The Corporation also promotes Canadian audiovisual works in Canada and abroad, and under the Canada New Media Fund, it supports the creation and distribution of interactive digital cultural content products. Exhibit 1 provides a summary of the Corporation’s performance over the past two years.

Exhibit 1 Main Telefilm Canada performance indicators

Performance measurement	Targets 2008–2009	Results 2008–2009		Results 2007–2008	
		Telefilm Canada	Other sources	Telefilm Canada	Other sources
Box office share of Canadian market	5%	2.9%		3.3%	
Festivals and awards	Maintain or increase the number of awards won	119		116	
Level of satisfaction with Telefilm training and development programs and initiatives	Maintain or increase level of satisfaction	84%		80%	
Percentage of funding coming from other sources	Maintain or increase the percentage of financing from other sources	Telefilm Canada	Other sources	Telefilm Canada	Other sources
Canada Feature Film Fund		37%	63%	31%	69%
Canada New Media Fund		49%	51%	28%	72%

Exhibit 1 Main Telefilm Canada performance indicators (Continued)

Performance measurement	Targets 2008–2009	Results 2008–2009	Results 2007–2008
Management expense ratio			
Canada Feature Film Fund	Maintain the management expense ratio at a low level	8%	9%
Canada New Media Fund		17%	26%
Management of Canadian Television Fund programs		2.7%	3%

Source: Telefilm Canada—Annual reports 2007–2008 and 2008–2009

12. In its 2006–2007 to 2010–2011 corporate plan entitled *From Cinemas to Cellphones: Telefilm Canada Responds to the Multiplatform Challenge*, the Corporation put forward to the Canadian industry and its partners a vision that reiterates the importance of Canadian content and the need to make use of all forms of media to increase audience size. To do so, Telefilm has focused its priorities on three strategic objectives:

- Building audiences for Canadian audio-visual productions
- Building industry capacity
- Being an efficient and effective administrator

13. Telefilm is granted approximately 109 million dollars a year through a parliamentary appropriation. The Corporation gives financial and strategic support to the film industry, and from this support stem investments from other sources of financing. In 2008–2009, Telefilm received 1,060 funding applications for feature film programs, out of which 519 projects were approved, and, of these, 41 projects in production came from the main programs of the Canada Feature Film Fund.

14. In 2006, Telefilm and the Canadian Television Fund (CTF) signed an agreement under which Telefilm administers the CTF programs. Telefilm receives approximately 8 million dollars per year in fees. In 2008–2009, on behalf of the CTF, Telefilm approved 841 projects valued at 287 million dollars.

15. Telefilm will also continue until March 2010 to administer the Canada New Media Fund for which it received a transfer payment of 14 million dollars from Canadian Heritage. In 2008–2009, Telefilm received 188 funding applications under this program, out of which the Corporation approved 68.

16. Major changes in Telefilm's roles and responsibilities are expected in 2010. The government created the Canada Media Fund (CMF) in April 2009. This constitutes a new partnership with the television industry that involves combining the Canadian Television Fund and the Canada New Media Fund. The mandate of this new organization will be to ensure the funding of convergent Canadian television projects and to make them available on various digital media platforms, including television. The funding activities of the Canada Media Fund will begin on 1 April 2010. In November 2009, the Canada Media Fund and Telefilm renewed the existing service agreement with the Canadian Television Fund, engaging Telefilm to administer the CMF program during its first year of operation.

17. Lastly, in November 2009, the Minister wrote to advise the Chair of the Board that the Memorandum of Understanding would be replaced by a letter intended to provide more flexibility to Telefilm to fulfill its responsibility for administering the Canadian Feature Film Fund. It would also highlight the importance of the key objectives of the Canadian Feature Film Policy aiming to improve the performance of Canadian feature films. In the letter to the Chair, the Minister also asked to be kept apprised of Telefilm's progress and of any strategy it intends to put forward.

Focus of the special examination

18. In the course of this first special examination of Telefilm Canada, we examined Telefilm's systems and practices in terms of governance, strategic planning, performance measurement and reporting, funding of audiovisual productions, information technology, and human resource management. Our objective was to determine whether these systems and practices provide Telefilm with reasonable assurance that its assets are safeguarded and controlled, its resources are managed economically and efficiently, and its operations are carried out effectively.

19. Further details on the audit objectives, scope, criteria, and approach are provided in **About the Special Examination** at the end of the report.

Observations and Recommendations

Corporate governance

20. Corporate governance is about the structures, systems, and practices that serve to monitor the direction and management of an organization so that it can fulfill its mandate and achieve its objectives. We expected Telefilm Canada to have a well-performing corporate governance framework that meets expectations for best practices in stewardship, relations with the shareholder, and communications with the public.

21. We examined the Corporation's mandate, composition, and functioning of the Board of Directors as well as the Corporation's application of various policies, including the conflict of interest policy. We found that the Corporation had a governance structure and systems that enable it to discharge its responsibilities in these areas.

Telefilm Canada has sound governance practices

22. **Board of Directors.** Telefilm is managed by a board of directors of no more than seven members, including the Chair of the National Film Board (as the Government Film Commissioner). The Board of Directors currently has six members. The members are appointed by the Governor in Council for fixed terms. Following various internal audits, the Board revised its governance practices.

23. An official charter describing the Board's stewardship responsibilities has been adopted. It assigns clearly defined roles, responsibilities, and authority to Board members. Three committees support the Board's work: the Audit and Finance Committee; the Nominating, Evaluation and Governance Committee; and the Strategic Planning and Communications Committee. Each operates within the terms of reference assigned to it by the Board and reports regularly to the Board. For example, the Nominating, Evaluation and Governance Committee recently contributed to the selection process for the new Executive Director of the Corporation.

24. The Board has defined the competency and knowledge profile for all of its members and has sent it to the Minister of Canadian Heritage and Official Languages. Based on this profile, it is the Board's opinion that its members collectively have appropriate independence, abilities, and skills to allow them to meet their responsibilities. New members are given an orientation kit that includes the Corporation's various policies, including those on conflict of interest and the roles and responsibilities of directors. Management also prepares orientation

sessions to give Board members an overview of Telefilm's operations. The Board members also attend external training workshops on governance.

25. Senior management and the Board maintain good relations: the Board does not hesitate to ask management for information and management regularly transmits information to the Board and its committees. Over the past year, Board members worked together with senior management to properly identify information needs. Moreover, the directors meet regularly without management, a practice that is indicative of the Board's independence.

26. The *Financial Administration Act* mentions that directors' terms of office should, to the greatest extent possible, be staggered to avoid situations in which more than half of the directors leave at the end of a given year. Although Telefilm is exempt from this provision of the Act, staggering Board appointments is a way of preserving the corporate memory of a Board of Directors. We noted that the terms of office of four directors will come to an end over a 12-month period in 2012 and 2013. This may give the Board an additional challenge because there is the risk of losing the continuity of skills and institutional memory unless some of the members of the Board have their terms renewed.

27. Values and ethics. The Board of Directors is responsible for ensuring that Telefilm develops a code of values and ethics to guide its directors and employees. The *Telefilm Canada Act* states that no one who directly or indirectly has any financial interest in the audiovisual industry is eligible to hold office as a member of the Corporation. Furthermore, under the *Conflict of Interest Act*, members are required to declare any situation that may constitute a conflict of interest.

28. Telefilm asks its employees to sign a statement every year to the effect that they will observe the Corporation's policies and declare any conflicts of interest. The Corporation recently obtained from its Board members declarations concerning conflicts of interest, which corroborate their independence.

29. Telefilm has several practices and policies on values and ethics. We noted, for example, that Telefilm recently gave information sessions to its employees on the code of conduct, on conflicts of interest, and the mechanism for the *Public Servants Disclosure Protection Act*.

30. Establishing an internal mechanism for dealing with complaints and the disclosure of wrongdoing is a good governance practice. Telefilm decided to refer the management of complaints and the disclosure of wrongdoing to the Office of the Public Sector Integrity Commissioner of Canada. However, we noted that there are no other official mechanisms to advise the Board of Directors of any internal or external complaints. The Corporation nevertheless told us that it was developing a policy and a mechanism to inform the Board of these matters.

31. Recommendation. To improve its values and ethics practices, Telefilm Canada should implement a mechanism to inform the Board of Directors of internal and external complaints, including those having to do with the disclosure of wrongdoing.

The Corporation's response. The Corporation accepts the recommendation. The Corporation will implement a mechanism to formalize the process for informing the Board of Directors and its relevant committees of internal and external complaints pertaining to values and ethics.

Strategic planning, performance measurement, and reporting

32. Strategic planning defines an organization's direction, its activities, and the reasons underlying them, with particular emphasis on the desired future state of the organization. It also assesses and adjusts the strategic direction based on changes that occur in a constantly changing environment. It is therefore an area in which the Board of Directors plays an important role.

33. Telefilm operates in an audiovisual industry that is constantly changing. Digital technology breakthroughs have transformed the industry and the way in which the public accesses culture. This is why Telefilm needs to work in close cooperation with its industry partners. In order to accomplish this, the Corporation has developed several consultation mechanisms. Through its working groups, its involvement in domestic and international major festivals and markets, along with a number of strategic initiatives, Telefilm communicates regularly with the industry to identify the needs of creators and to contribute to the promotion of the Canadian audiovisual industry around the world.

34. We expected that Telefilm had clearly defined strategic policies and specific and measurable objectives to enable it to fulfill its statutory, commercial, and public interest mandates. We also expected that its strategic direction and goals would take into account government priorities, identified risks, and the need to control and safeguard its assets as well as manage its resources economically and efficiently.

35. We examined Telefilm's strategic planning process and the extent to which its strategic plan, its operational plans, and its risk management practices were aligned. The Corporation has an appropriate strategic planning process that enables it to align its programs and activities with its strategic objectives.

The Corporation has an appropriate strategic planning process

36. In 2005, the Board of Directors approved the 2006–2007 to 2010–2011 corporate plan. This plan set out Telefilm's strategic objectives, together with targets and relevant performance indicators, corporate risks, and key strategies to be put forward during the planning period. The plan was afterwards updated and approved by the Board each year.

37. We found that the objectives and strategies in the corporate plan served as a basis for developing the annual action plans for each of the Corporation's sectors of operation, thus establishing a link between the strategic objectives and operational planning. However, the corporate plan contained only limited financial information that only showed the value of the funds administered by Telefilm.

Telefilm is currently reviewing its strategic direction and is developing a new corporate plan

38. In the fall of 2009, Telefilm was to complete the final update of its corporate plan for the 2010–2011 year. However, recent government decisions terminating the main agreements signed by Telefilm led the Corporation to review its strategic direction. The Board and senior management are therefore currently reviewing the Corporation's priorities, strategies, and vision in order to redefine its strategic direction. After that, a new corporate plan will be developed; it will present the new vision statement, the revised strategic objectives, as well as strategies and performance indicators.

39. The corporate plan is the main tool for Crown corporations to set business objectives and allocate resources in the short, medium, and long term. It is the cornerstone of their control and accountability framework. The new corporate plan should include information about the allocation of financial, human, and material resources and make a link between the strategies and the resources allocated for the planning period.

Risk management could be better integrated

40. As for any activity, providing funding involves risks that the Corporation must manage if it is to achieve its objectives. We therefore expected Telefilm to deal with the risks at every level in a way that would facilitate the achievement of its mandate, objectives, and targets. Risks should be identified, measured, mitigated, monitored, and reported in order to be kept within a level appropriate to the nature of the Corporation's activities.

41. We found that management is aware of the major risks that the Corporation is facing. In 2007, Telefilm undertook a process to identify the risks and implement a risk management framework. A committee made up of representatives from Telefilm's key activity areas, working together with the internal auditor, identified significant risks that affected the whole Corporation. An evaluation of the current systems was carried out and an action plan was implemented to make the required improvements.

42. We nevertheless found that the risk management system has not yet been fully integrated. The risk matrix has not been reviewed by the committee since it was developed and we did not find any official mechanisms for monitoring risks in operations or for identifying new risks. Furthermore, we found that risk information transmitted to the Board is limited.

43. A more integrated risk management would enable the Corporation to obtain consolidated information about the risks inherent to its operations and about management practices and controls that could mitigate these risks. The implementation of a more integrated risk review, evaluation, and monitoring process would enable Telefilm management to deal with major risks systematically and comprehensively. This approach should include periodic discussions between Board members and senior management on the overall approach to risk management. This would give the Board members reasonable assurance that all significant risks have been identified in all sectors of operations and that systems and practices have been introduced to manage them.

44. **Recommendation.** Telefilm Canada should implement a more integrated risk review, evaluation, and monitoring process and report on it to the Board of Directors to provide better integrated risk management for the Corporation.

***The Corporation's response.** The Corporation accepts the recommendation. The Corporation is currently establishing an Integrated Risk Review Management Framework which will include a systematic and continuous process for identifying, evaluating, prioritizing, mitigating, monitoring and communicating risk in the various parts of the organization. The Integrated Risk Management Framework will also structure communications and establish accountability mechanisms for the Board of Directors and its relevant committees with respect to all matters pertaining to risk management.*

Telefilm has processes for measuring performance and reporting

45. In order to manage effectively, a corporation must measure its performance. A well-designed performance measurement process and proper performance indicators provide an overview of the results obtained. They enable management and the Board of Directors to rectify strategies in a timely fashion and facilitate decision making. The annual report is the public communication tool that attests to the results obtained.

46. We expected that Telefilm had identified performance indicators to measure the achievement of its mandate and statutory objectives. We also expected that it had reports that provide complete, accurate, timely, and balanced information for decision making and accountability reporting.

47. We examined the key management reports prepared by management for information or administration purposes. We also analyzed the information provided to the Board and paid special attention to the Corporation's annual reports.

48. We noted that Telefilm has processes in place for measuring its performance. The key performance indicators that were measured are defined in the strategic plan, and management periodically reported on these. We also examined the key activity reports prepared by Operations, Finance, and Policy Planning and Research. We found that all of these services were submitting activity reports to the executive management committee to report on the results. These activity reports are also compiled to produce quarterly reports that are presented to the Board of Directors.

49. Finally, we analyzed the Corporation's recent annual reports. We found that the results were presented relative to the strategic objectives, key performance indicators, and established targets. These were also illustrated by several examples that explain the context and

challenges within which the Corporation works, particularly where targets had not been achieved in the course of the year. In December 2009, Telefilm in fact received The Canadian Institute of Chartered Accountants award for the best annual report in the small Crown corporation's category.

Funding of audiovisual productions

50. Telefilm's decisions concerning which projects to finance in film, new media, and television are sensitive and likely to give rise to criticism because they attract the attention not only of members of the audiovisual industry but also the general public.

51. We expected that Telefilm had clear policies and procedures for ensuring that project selection, fund allocation, and project administration and monitoring are carried out in a fair, uniform, and objective manner in keeping with current agreements and programs guidelines.

52. At the time of our examination, Telefilm's activities were governed by various agreements, including the Canada Feature Film Fund memorandum of understanding and the contribution agreement for the Canada New Media Fund. To determine what the conditions were for the programs referred to in the agreements, Telefilm developed guidelines for each program. For the program with the Canadian Television Fund, guidelines were developed by the Canadian Television Fund.

53. We examined the requirements of the agreements and the guidelines, together with the current policies and procedures. We reviewed a number of funding projects from the Canada Feature Film Fund, the Canada New Media Fund, and the Canadian Television Fund to analyze how these guidelines, policies, and procedures are implemented with respect to the selection and management of projects.

Telefilm deals with funding projects consistently and objectively

54. We found that the guidelines reflected the requirements of the agreements in force at the time of our examination. Telefilm implemented its programs in compliance with the guidelines, and with policies and procedures, which generally made it possible to deal consistently and objectively with the funding projects. Furthermore, we found that the Corporation had properly applied these guidelines and procedures, but that improvements could be made to documentation in the management information system and to the quality assurance process.

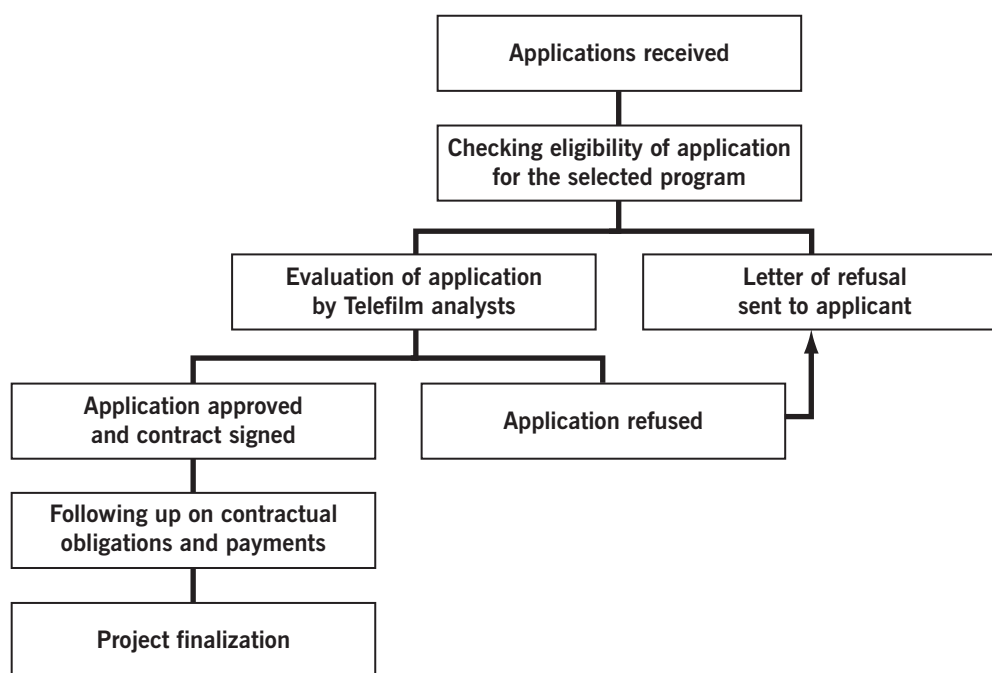
55. There are three major phases in the management of funding projects: checking eligibility (essential criteria), evaluating (approval or refusal of application), and following up on contractual obligations and project closure. Exhibit 2 illustrates this process.

The selection of funding projects is part of a rigorous process

56. **Checking eligibility.** For each application received, a file is opened and relevant information is entered into the “Sineweb” project management information system. The eligibility of the application is checked in terms of the essential criteria as set out in the guidelines. For applications deemed ineligible, a letter is sent to the applicant to explain the reasons for the refusal. Applications that are deemed eligible move on to the evaluation stage.

57. **Evaluation of funding applications.** To evaluate applications for feature films and new media, Telefilm has developed guidelines for all of its programs. Thus selection processes that factor in the type and size of projects to be financed, the intended markets, and the volume of applications are specifically adapted to each of Telefilm’s programs. Funding applications for television productions are evaluated on the basis of guidelines developed by the Canadian Television Fund (CTF).

Exhibit 2 Main steps in the financing application processing process for feature films, new media, and television



58. Over the past few years, Telefilm has made many changes to its project management process to make it more efficient and reliable. The examination of feature film, new media, and television files showed us that all applications reviewed had been evaluated in a manner consistent with current guidelines, policies, and procedures. In every instance, the evaluation report for the project had been duly completed. Furthermore, application files that were refused gave the reasons for the refusal.

59. Overall, we found that Telefilm's analysts and managers were very knowledgeable about their market. We also noted that regional and national managers held regular meetings, both formal and informal, in order to share information about projects under way, to monitor the targets, and to take corrective action as required.

Funding projects are properly monitored

60. Monitoring contractual obligations. Several mechanisms were introduced following internal reviews and audits carried out in recent years to facilitate the everyday management of projects and ensure quality and compliance with current policies and procedures. The monitoring of contractual obligations between recipients and Telefilm means monitoring all conditions of a project, including deliverables and disbursements included in the financing contract. The contract is drawn up in accordance with current policies and procedures for each of the programs.

61. Operations management at Telefilm is performed with the aid of the Sineweb management information system introduced in 2001. This computerized management information system is designed to combine all of the information needed for the everyday management of activities in a single system, thereby facilitating the project management and information sharing process between the Corporation's different sectors and regional offices.

62. To meet the intended objectives of the Sineweb system, Telefilm has established procedures and drawn up lists of key documents to be included in the system at each step of the project monitoring process.

63. Overall, financing projects are administered properly and in compliance with current policies and procedures. However, we noted that for feature film and new media projects, the Sineweb system could be used more efficiently. The number of documents in the system, the manner in which documentation is organized, as well as how these documents are named vary considerably from project to project. We

also found several instances in which key documents were in the paper file but not in the electronic file. In other instances, multiple versions of documents made the monitoring of deliverables and payments difficult. A tighter implementation of information organization procedures would optimize the use of Sineweb and enhance operational efficiency.

64. Telefilm acknowledges the importance of a quality control system for ensuring that procedures in force are applied consistently and in compliance with existing policies. Thus, since 2007, Telefilm has conducted several internal review and audit exercises for its management processes in all of its programs. Generally speaking, the reports concluded that Telefilm had sound management practices.

65. We found that Telefilm already had several quality monitoring mechanisms as part of its project management process. However, for feature films, the implementation of some of these mechanisms was not completed. The Corporation told us that it would soon be conducting a review of its quality control process for feature films and that an amended process would be implemented in 2010.

66. Recommendation. In order to continue to improve its project management practices, Telefilm Canada should

- strictly follow the procedures in place, with respect to the Sineweb management information system, to optimize its use and improve operational efficiency; and
- complete the development and implementation of the quality assurance framework for feature films to ensure that projects are effectively managed in compliance with programs guidelines and with applicable policies and procedures.

The Corporation's response. The Corporation accepts the recommendation. The Corporation is currently implementing a process management project. The goal of the project is to improve the integration of technologies used, procedures adopted, and human factors involved. The expected benefits are the optimization of funding application management, including an in-depth understanding of applicable procedures and a standardized classification of required documentation. Moreover, the Corporation will finalize the review and complete the implementation of its quality control framework, which applies to all of its programs.

Information technology

67. Telefilm's operations are conducted in a decentralized way across the country. Telefilm therefore depends on information technology and various applications for all of its activities. It is therefore essential that

the Corporation have an appropriate information technology infrastructure to achieve its objectives.

68. We expected that the planning, development, implementation, and management of information technology and of management information systems support the organization's strategic and operational objectives, ensure business continuity, and satisfy informational needs on a timely basis.

69. We examined the planning and management of information technology systems and the management of information and the information technology control environment. We found that the Corporation had provided itself with the systems and practices needed for effective information technology management.

Information technology meets the Corporation's needs

70. Strategic planning for information technology and the operational plan for the information systems sector reflect the Corporation's needs and its strategic orientation. The security policy is applied by means of a well-structured program, particularly with respect to information intended for employees. The disaster recovery plan is complete and tested regularly.

71. Activities related to the management of information technology provide a high quality service to users. The availability of critical applications and the number of related incidents are tracked regularly with satisfactory results.

Human resource management

72. Telefilm's success depends in large part on the quality and performance of its approximately 200 employees. The Corporation's workforce consists mainly of professionals with extensive experience in the audiovisual industry. Moreover, one of Telefilm's policies requires professionals with decision-making authority to have experience in their respective fields.

73. We expected that human resources would be managed in a manner that provides the Corporation with the human resource capacity and the work environment it needs to achieve its goals and objectives.

74. We examined whether Telefilm has an effective staffing program, whether training and development activities met the needs of its staff, and whether its human resource planning process was linked to strategic planning. We also examined whether a human resource plan had been implemented and whether succession planning had been

carried out. We examined the performance management process to determine to what degree it enables employees to achieve the Corporation's strategic objectives.

Some processes could be improved in human resource management

75. Staffing. We found that Telefilm has adopted a stringent staffing policy that establishes the internal and external staffing process requirements and steps. We also found that Telefilm tends to hire mid-career professionals who have audiovisual industry experience. This kind of recruitment could theoretically be more of a challenge than recruiting employees early in their career, but the Corporation does not appear to have any difficulty in recruiting and retaining qualified candidates.

76. A letter of offer constitutes (together with the Corporation's human resource policies) an employment contract with new employees. We reviewed a number of these letters and found that the conditions of employment were not stated clearly and that they varied from one letter to another. We also found inconsistencies, particularly with respect to internship and to language requirements. Insofar as these letters are used as employment contracts between employees and the Corporation, they need to clearly set out conditions of employment to ensure that they are properly understood by all parties involved and that they reflect the provisions of the policies in force.

77. Recommendation. Telefilm Canada should ensure that letters of offer clearly set out the conditions of employment and reflect the provisions of policies in force.

The Corporation's response. The Corporation accepts the recommendation. The Corporation will review the various form letters used for offers of employment to ensure that they are consistent and that they comply with the conditions of employment under the applicable policies.

78. Training and development. We found that Telefilm provides learning and training opportunities that are related to the Corporation's strategic objectives. This practice allows employees to acquire knowledge and to maintain and develop employee skills and expertise.

79. Human resource planning. We also found that Telefilm made an effort to integrate human resource planning into operational planning. At the moment, succession planning is done informally for a number of key positions in the operational sectors; however, no succession planning is done for key senior management positions.

80. In response to a human resource diagnostic report prepared in 2008, Telefilm developed a master plan. The plan focuses on six initiatives designed to change behaviour and strengthen the human resource process, including training, communications, and human resource support functions, and to clarify roles and responsibilities. Through these initiatives, the Corporation expects that it will be better able to attract and retain good employees.

81. Performance management. Telefilm Canada has developed a performance management process. It is linked to the annual classification, pay, and performance bonuses process and includes an evaluation validation function to ensure consistency throughout the organization. With the current process, the performance rating for each employee needs to be discussed with the employee and a justification placed on file. We found that the performance evaluation process, including communications with employees, is satisfactory. However, we are concerned about the lack of consistency in implementing the process, particularly with respect to supporting documentation for the performance evaluation. When we examined the files, we found several instances in which forms were missing, incomplete, or completed solely by the employee or the manager. We also found that the documentation on file did not always support or explain the ratings.

82. Lastly, we found that the performance bonus management policy that accompanies the annual evaluation was not applied consistently. For most of the files that we looked at, we did not find, either in the file itself or at the validation sessions, documentation supporting the payment of bonuses.

83. Recommendation. For performance management, Telefilm Canada should ensure that

- the performance evaluation process is applied consistently within the Corporation and that the results be documented, and
- performance bonuses awarded are justified and documented properly.

The Corporation's response. The Corporation accepts the recommendation. In order to ensure that our performance management process is fully and thoroughly understood, the Corporation provided all managers, as of March 2010, with training that emphasizes the various steps and key concepts involved in performance management, in addition to standardized documentation to be used. A number of existing control mechanisms have also been consolidated, particularly with respect to the

relevance of the content and the layout of the documentation used. These means and methods will be recurrent. Moreover, the Corporation is also reviewing the documentation required for describing accomplishments to justify the awarding of performance bonuses, and for archiving such documentation.

Conclusion

84. On the basis of our findings, we concluded that the Corporation, during the period covered by our examination, implemented systems and practices that provide reasonable assurance that its assets are safeguarded and controlled, its resources are managed economically and efficiently, and its operations are carried out effectively.

About the Special Examination

All of the audit work in this report was conducted in accordance with the standards for assurance engagements set by The Canadian Institute of Chartered Accountants. While the Office adopts these standards as the minimum requirement for our audits, we also draw upon the standards and practices of other disciplines.

Objective

Under section 138 of the *Financial Administration Act (FAA)*, federal Crown corporations are subject to a special examination once every 10 years. Special examinations of Crown corporations are a form of performance audit where the scope is set by the *FAA* to include the entire Corporation. In special examinations, the auditor provides an opinion on the management of the Corporation as a whole. The opinion for this special examination is found on page 3 of this report.

Special examinations answer the question: Do the Corporation's systems and practices provide reasonable assurance that assets are safeguarded and controlled, resources are managed economically and efficiently, and operations are carried out effectively?

Key systems and practices examined and criteria

At the start of this special examination, we presented the Corporation's Audit and Finance Committee with an audit plan that identified the systems and practices, and related criteria, that we considered essential to providing the Corporation with reasonable assurance that its assets were safeguarded and controlled, its resources were managed economically and efficiently, and its operations were carried out effectively. These are the systems and practices and criteria that we used for our special examination.

Key system and practice examined	Criteria
Governance	To maximize the Corporation's effectiveness and its ability to balance public policy objectives with its commercial objectives, the Corporation should have a well-performing corporate governance framework that meets the expectations of best practices in Board stewardship, shareholder relations, and communication with the public.
Strategic planning and risk management	<p>The Corporation has clearly defined strategic policies and specific and measurable objectives to enable it to fulfill its statutory, commercial, and public interest mandates. Its strategic direction and goals take into account government priorities, identified risks, and the need to control and safeguard its assets and manage its resources economically and efficiently.</p> <p>The Corporation should have a focus on risks at all levels in order to support the realization of its mandate, goals, and objectives. Risks should be identified, measured, mitigated, monitored, and reported in order to be kept within a level appropriate to the nature of the business.</p>

Performance measurement and reporting	The Corporation has identified performance indicators to measure the achievement of its mandate and statutory objectives. It also has reports that provide complete, accurate, timely, and balanced information for decision making and accountability reporting.
Funding audiovisual productions	<p>The Corporation has clear policies and procedures for ensuring that project selection, fund allocation, as well as project administration and monitoring are carried out in a fair, uniform, and objective manner in keeping with memorandums of understanding for the Canadian Feature Film Fund and program guidelines.</p> <p>The Corporation follows clear policies and procedures developed in cooperation with the Canadian Television Fund for ensuring that project selection, fund allocation, and project administration and monitoring are carried out in a fair, uniform, and objective manner in keeping with the service agreement and the program guidelines.</p>
Information technology	The planning, development, implementation, and management of information technology and of management information systems support the organization's strategic and operational objectives, ensure business continuity, and satisfy informational needs on a timely basis.
Human resource management	Human resources are managed in a manner that provides the Corporation with the human resource capacity and the work environment it needs to achieve its goals and objectives.

Period covered by the special examination

Audit work for this special examination was substantially completed on 5 January 2010. It covers the systems and practices that were in place between May 2009 and January 2010.

Audit team

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Appendix List of recommendations

The following is a list of recommendations found in the Special Examination Report. The number in front of the recommendation indicates the paragraph where it appears in the report. The numbers in parentheses indicate the paragraphs where the topic is discussed.

Recommendation	Response
Corporate governance	
<p>31. To improve its values and ethics practices, Telefilm Canada should implement a mechanism to inform the Board of Directors of internal and external complaints, including those having to do with the disclosure of wrongdoing. (22–30)</p>	<p>The Corporation accepts the recommendation. The Corporation will implement a mechanism to formalize the process for informing the Board of Directors and its relevant committees of internal and external complaints pertaining to values and ethics.</p>
Strategic planning, performance measurement, and reporting	
<p>44. Telefilm Canada should implement a more integrated risk review, evaluation, and monitoring process and report on it to the Board of Directors to provide better integrated risk management for the Corporation. (36–43)</p>	<p>The Corporation accepts the recommendation. The Corporation is currently establishing an Integrated Risk Review Management Framework which will include a systematic and continuous process for identifying, evaluating, prioritizing, mitigating, monitoring and communicating risk in the various parts of the organization. The Integrated Risk Management Framework will also structure communications and establish accountability mechanisms for the Board of Directors and its relevant committees with respect to all matters pertaining to risk management.</p>

Recommendation	Response
Funding of audio-visual productions	
<p>66. In order to continue to improve its project management practices, Telefilm Canada should</p> <ul style="list-style-type: none"> • strictly follow the procedures in place with respect to the Sineweb management information system to optimize its use and improve operational efficiency, and • complete the development and implementation of the quality assurance framework for feature films to ensure that projects are effectively managed in compliance with programs guidelines and with applicable policies and procedures. (54–65) 	<p>The Corporation accepts the recommendation. The Corporation is currently implementing a process management project. The goal of the project is to improve the integration of technologies used, procedures adopted, and human factors involved. The expected benefits are the optimization of funding application management, including an in-depth understanding of applicable procedures and a standardized classification of required documentation. Moreover, the Corporation will finalize the review and complete the implementation of its quality control framework, which applies to all of its programs.</p>
Human resource management	
<p>77. Telefilm Canada should ensure that letters of offer clearly set out the conditions of employment and reflect the provisions of policies in force. (75–76)</p>	<p>The Corporation accepts the recommendation. The Corporation will review the various form letters used for offers of employment to ensure that they are consistent and that they comply with the conditions of employment under the applicable policies.</p>
<p>83. For performance management, Telefilm Canada should ensure that</p> <ul style="list-style-type: none"> • the performance evaluation process is applied consistently within the Corporation and that the results be documented, and • performance bonuses awarded are justified and documented properly. (78–82) 	<p>The Corporation accepts the recommendation. In order to ensure that our performance management process is fully and thoroughly understood, the Corporation provided all managers, as of March 2010, with training that emphasizes the various steps and key concepts involved in performance management, in addition to standardized documentation to be used. A number of existing control mechanisms have also been consolidated, particularly with respect to the relevance of the content and the layout of the documentation used. These means and methods will be recurrent. Moreover, the Corporation is also reviewing the documentation required for describing accomplishments to justify the awarding of performance bonuses, and for archiving such documentation.</p>