



# Telefilm Canada

## **Audit of the Funding Process for the Production Program**

KPMG LLP

August 18, 2020

Private and Confidential



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### Disclaimer

This report has been prepared by KPMG LLP (“KPMG”) for Telefilm Canada (“Client”) pursuant to the terms of our engagement agreement with Client dated August 26, 2019 (the “Engagement Agreement”). KPMG neither warrants nor represents that the information contained in this report is accurate, complete, sufficient or appropriate for use by any person or entity other than Client or for any purpose other than set out in the Engagement Agreement. This report may not be relied upon by any person or entity other than Client, and KPMG hereby expressly disclaims any and all responsibility or liability to any person or entity other than Client in connection with their use of this report.



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## 1 Executive Summary

As a federal Crown corporation and agent of Her Majesty, Telefilm Canada (“Telefilm” or the “Corporation”) plays an important role in the development and promotion of Canadian artistic talent, both within Canada and internationally. Telefilm’s mission is to foster and promote the development of the Canadian audiovisual industry by playing a leadership role through financial support and initiatives that contribute to the industry’s commercial, cultural, and industrial success. Telefilm is responsible for recommending to the Department of Canadian Heritage projects that may be recognized as audiovisual treaty co-productions, allowing Canadian producers and their international counterparts to pool their creative, artistic, technical and financial resources.

One of the key means by which Telefilm achieves this mission is through the Canada Feature Film Fund Production Program (the “Production Program”), which accounts for approximately 60% of Telefilm’s total annual program budget. The Production Program provides funding support to eligible and successful applicants in the form of both repayable and non-repayable financial participation. Telefilm’s total budget was \$107.1M in 2018-2019. Funding for the Production Program amounted to \$67M for that fiscal year.

As a federally funded Corporation with public interest objectives, effective funding processes are critical to help ensure funding is awarded in a consistent, transparent and timely manner to support the achievement of both the Production Program’s objectives and those of Telefilm overall.

In support of this, KPMG LLP was engaged to conduct an audit of the funding process for the Production Program for English- and French-language productions for Telefilm. The overall objective of the audit was to assess the efficiency and effectiveness of organizational structures, internal controls and processes related to the allocation and funding process from the application assessment stage through to the issuance of decision letters. The scope of the audit focused on current practices in place of relevance to the funding process within the Production Program and related governance and operations supporting decision making and oversight of the Production Program.

Our approach included interviews, process walkthroughs, documentation review, sample testing, analysis, and an assessment of existing practices against recognized granting award management practices and controls.

This report summarizes the audit objectives, scope, approach, findings and recommendations from our audit fieldwork that was completed in February 2020.

This Executive Summary forms part of and should be read in conjunction with the full report dated August 18, 2020.



## 1.1 Summary of Findings

Overall, Telefilm management has continued to implement improvements over the time period covered by this audit (April 2019 to February 2020) to help support the effectiveness and efficiency of the Production Program funding process. The following provides a summary of the key strengths observed through the audit:

- Roles, responsibilities and accountabilities of Telefilm personnel involved in the funding process are documented in a number of areas, including the Signing Authority Chart, the Canada Feature Film Fund (CFFF) Analysis Guide, and job descriptions. Defined roles, responsibilities and accountabilities appear to be understood by all personnel involved in the Production Program funding process, and the Signing Authority Chart provides for segregation of duties and clear accountability.
- Based on our testing of a sample of 53 applications, we confirmed that the processes were generally applied on a consistent basis and in accordance with Telefilm's approved and documented guidelines and processes, irrespective of region and funding category.
- Transparency and objectivity in the funding process is supported by public announcements and proactive disclosure of funding decisions and through a formal Code of Conduct and adherence process.
- Improvements were noted in core systems utilized to support the funding process, including the Dialogue system that is the one central point of entry for electronic submission of applications and the adoption of the Power BI system to provide financial information to support management decision-making.
- Telefilm updated its Service Charter in December 2019 and revised its application processing times to support greater efficiency and transparency in the application processing lifecycle.

Based on the results of our audit, six core opportunities to further strengthen existing practices were identified as summarized below.

#	Observation	Recommendation
1	<b>Budgeting and Monitoring</b> – The budgeting and monitoring process can be further strengthened to better support	It is recommended that the Corporation strengthen the monitoring process by providing additional training to Directors of the Cultural Portfolio Management team on Power BI functionalities and by strengthening regular reporting to management and the Board to support a more comprehensive portfolio view, such as by



#	Observation	Recommendation
	effective monitoring and decision making.	providing additional information related to length of time and percentage of funding related to commitments, and risks and status of applications and production timelines.
2	<b>Application Assessment Process</b> – The process to assess applications does not include an overall score or weighting.	It is recommended that the Corporation develop and implement an evaluation grid to allow scoring of applications under which each criterion is weighted to support overall project scores and the ranking of applications.
3	<b>Process Consistency and Information Management</b> – Based on the results of our sample testing, we identified two areas of inconsistency in the application of guidelines and established procedures, and also identified inconsistencies in documentation management.	It is recommended that the Corporation improve the standardization of documentation and specify retention standards for all programs to help ensure that evidence to support the consistent application of established controls and procedures is properly documented and retained. In addition, consideration should be given to improving the implementation of the existing periodic quality assurance and compliance monitoring program to help monitor and ensure consistency in procedures performed across the Production Program.
4	<b>Service Standards</b> – Expected processing timelines by task had not been defined, creating difficulties in understanding and addressing delays in the processing of applications that extended beyond the established service target.	It is recommended that the Corporation develop and monitor performance against targets by task to better inform decision making on potential process bottlenecks or areas where information provided to applicants could be enhanced to improve processing times.
5	<b>Training</b> – Formal training has not been provided to all personnel since the implementation of the Dialogue system.	It is recommended that the Corporation develop and implement a formal training plan related to the Production Program process and related systems that includes core training and competency updating to support employee development plans and contribute to process consistency.



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#	Observation	Recommendation
6	<b>Risk of Appearance of Conflicts of Interest</b> – Telefilm personnel may develop strong relationships with clients and serve as primary contacts for various recipients over a long period of time, which may increase the risk of appearance of conflicts of interest.	It is recommended that the Corporation consider developing and implementing a policy requiring periodic rotation or the addition of supplementary personnel to support relationship management with core applicants, such as after a five-year period. This will provide additional advantages of bringing fresh perspectives to relationship management practices and will better support the retention of corporate memory and personnel development.

Management concurs with the findings and recommendations identified and has developed action plans to respond to each recommendation. Our detailed findings and recommendations for improvement are provided in the “Findings and Recommendations” section of this report.



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## 2 Objectives and Approach

### 2.1 Audit Objectives

The objectives of the audit were to assess:

- Accountability and the effectiveness of internal controls related to the funding process, including completeness and transparency of reporting and communication of decisions;
- The efficiency and effectiveness of key controls and processes within information systems supporting the funding process;
- The efficiency with which funding is granted under the Production Program from the application assessment stage through to issuance of decision letters; and
- The effectiveness of the Corporation's organizational structure and organization of work flows to support rigorous, objective and fair funding decisions.

### 2.2 Scope

The scope of the audit focused on current practices in place within the Production Program related to the funding process and was limited to processes, controls, and practices related to the application eligibility assessment stage through to and including the issuance of letters of decision.

### 2.3 Approach and Methodology

To conduct this audit, our approach consisted of three key activities:

- **Documentation Review** – Core documents were reviewed to understand existing structures, processes, and controls, including:
  - Policies, guidelines and documentation of relevance to the Production Program, including analysis guides, Production Program budgets, job descriptions, the Signing Authority Chart, Service Charter, and listings of contracts and applications;
  - Corporate-wide documents of relevance to understanding Telefilm Canada, including the *Telefilm Canada Act*, Telefilm's Code of Conduct and Policy on Conflict of Interest and Post-Employment, Telefilm Canada's strategic plan, and By-Law 1;



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- Sample management and Board reporting packages and Telefilm Quarterly Reports; and
- Documents and system information related to our testing of a sample of application files.
- **Interviews and Process Walkthroughs** – Interviews and meetings were conducted with:
  - 12 Telefilm representatives, including the: Executive Director; Director of Finance; National Director, Business Affairs; National Feature Film Executives for English and French Markets; Regional Feature Film Executives; Deputy Directors, Portfolio Management – Canada Media Fund Program Administrator; and Analyst, Budget Management;
  - 2 Board members;
  - 4 external applicants;
  - 2 representatives from the Department of Canadian Heritage’s Cultural Industries branch; and
  - Walkthroughs of the application analysis process were conducted for Telefilm’s Halifax, Montréal, and Toronto locations and included discussions with Directors, Business Affairs; National and Regional Feature Film Executives; and Coordinators, Program Administration. Interviews were held with Business Affairs Directors and National and Regional Feature Film Executives to understand the process followed in the Vancouver location.
- **Sample Testing** – Controls were tested on a representative sample of 53 application files within the Production Program. The sample files related to active applications during the period from April 1 to October 30, 2019. The total sample represented 22% of the total population of 239 active applications during this timeframe.

The results of the above procedures were analyzed and assessed against recognized frameworks for grant and contribution management practices and internal controls.





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## **3 Findings and Recommendations**

Our detailed findings are presented below. Good practices currently in place are summarized first, followed by the six key themes of areas for improvement identified through the audit.

### **3.1 Sound Management Practices in Place**

Based on the results of our interviews, documentation review, and testing of the key internal controls in place as of the end of our audit fieldwork in February 2020, we noted a number of good practices in place in addition to improvements that had been implemented by management over the time period covered by this audit.

Roles, responsibilities and accountabilities of Telefilm personnel involved in the funding process are documented in a number of areas, including the Signing Authority Chart, the Canada Feature Film Fund (CFFF) Analysis Guide, and job descriptions.

Based on the results of our interviews, we confirmed that defined roles, responsibilities and accountabilities appear to be understood by all personnel involved in the Production Program funding process, and that the Signing Authority Chart provides for segregation of duties and clear accountability. In addition, the CFFF Analysis Guide provides further detailed descriptions of workflow and tasks to help ensure consistency and clarity in the funding process.

To support the transparency of the funding process, detailed information on Telefilm's Production Program and on the application and assessment process is available to applicants and potential applicants on Telefilm's external website. Based on our testing of a sample of 53 applications, we confirmed that the processes were generally applied on a consistent basis and in accordance with Telefilm's approved and documented guidelines and processes, irrespective of region and funding category. Funding decisions are also publicly reported on Telefilm's external website and through the Annual Report, which is a good practice.

Transparency and objectivity in the funding process is further supported through Telefilm's Code of Conduct, which is applicable to all employees and includes the Values and Ethics Code for the Public Sector, the Code of Values for Telefilm Canada, and the Policy on Conflict of Interest and Post-Employment.

Improvements were noted in core systems utilized to support the funding process. In particular, the Dialogue system allows applicants to electronically submit and manage their applications through one central entry point, contributing to the efficiency of the process. External applicants interviewed through our audit also acknowledged an improvement in the application process with the implementation of Dialogue. Internal access controls over



the Dialogue system were also in place. In addition, Power BI has been adopted to provide financial information to support management decision-making.

To improve the timeliness and efficiency of the funding process, a preliminary review of the basic applicant and basic project eligibility criteria and the completeness of submitted applications has been put in place to accelerate the applications review timeline. In addition, the criteria for producer and project eligibility are aligned with Telefilm's priorities. Further improvements to the timeliness of the funding process continue to be made, most recently with the updating of the Service Charter in December 2019 and related updates to application processing timelines.

Although improvements to internal processes have been made and prioritized by management, further areas for improvement were identified in six core areas as described in the sections below.

## 3.2 Budgeting and Monitoring

### **Observation #1: The budgeting and monitoring process can be further strengthened to better support effective monitoring and decision making.**

Telefilm has implemented a budgeting process that allocates funds by type of funding and demographics. Prior to fiscal 2019-2020, the allocation of funds was completed at the Senior Management level with limited input from Directors of the Cultural Portfolio Management team.

Historically, reporting, including reporting to the Board, consisted of budgets against actual expenses (signed contracts), but did not include provisional amounts from conditional offers of funding. As such, information provided to the Board was not sufficient for Board members to oversee the budget against actual expenses and conditionally committed funds and cashflows/forecasts, which increased the risk of overspending allocated amounts and requiring committing funds from the next fiscal year.

In addition, due to the nature of the industry in which unanticipated events may impact the timeline of the production schedule, there are inherent risks associated with project timelines that can ultimately impact the cash outflows in a given fiscal year. As a result, accurate and complete information on actual expenditures, committed amounts, and the status/likelihood of committed amounts being expended in a given fiscal year are critical to support accurate forecasting and cash flow analysis.

Beginning in September 2019, Finance implemented improvements to the process to include the monitoring and reporting of expenses and commitment amounts against budget, and started reporting this information to the Audit and Finance Committee (the Audit Committee). While this provides a more complete picture of the expected financial outflows in a given fiscal year, there are additional improvements that could be made to



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further strengthen the reporting provided to management and the Audit Committee. In particular, information to highlight the length of time and percentage of funding related to commitments and information on risks and the status of applications would better support a full portfolio view of the Production Program.

Based on our discussions with the Directors of the Cultural Portfolio Management team, we confirmed that they are monitoring commitments against budgets. However, although commitment information is available on Power BI, many Directors of the Cultural Portfolio Management team noted that the system does not provide them with all the information they require, and as such, they continue to use Excel spreadsheets to track their commitments. Some representatives noted that this may be due to a lack of knowledge of Power BI functionalities. The use of spreadsheets outside of the system inherently increases the risk of error as information used may not be the most current, and also reduces process efficiency.

***Recommendation #1: It is recommended that the Corporation strengthen the monitoring process by providing additional training to Directors of the Cultural Portfolio Management team on Power BI functionalities and by strengthening regular reporting to management and the Board to support a more comprehensive portfolio view, such as by providing additional information related to length of time and percentage of funding related to commitments, and risks and status of applications and production timelines.***

***Management's response:***

***The Corporation is in agreement.***

*In collaboration with the Board, the Corporation has already made significant improvements in terms of budgetary controls and reporting.*

*Moreover, through dashboards containing key performance indicators, the Corporation will improve the communication of financial and operational information to management and the Board so as to provide full reporting for the portfolio.*

*In addition, the Corporation will implement a change management process that will foster the buy-in of Directors of the Cultural Portfolio Management team to the Power BI application. The process will include providing relevant management information and specific training on the application's functionalities. These activities will be introduced by the end of the 2020-2021 fiscal year.*

### **3.3 Application Assessment Process**

**Observation #2: The process to assess applications does not include an overall score or weighting.**



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A number of processes and controls have been implemented by Telefilm to promote the transparency of the assessment and approval of applications. Specifically, detailed information on Telefilm's Production Program and on the application and assessment process is available to applicants and potential applicants on Telefilm's external website. The website provides an overview of the Production Program, including eligibility and evaluation criteria, detailed guidelines, opening and closing dates, user guides and tutorials, and question and answer sections, among other information. Despite this information, our interviews with external clients noted that in many instances, direct contact with Telefilm staff was believed to be more efficient by the clients.

A preliminary review of the basic applicant and basic project eligibility criteria and the completeness of submitted applications has been put in place to accelerate the funding application review. This process helps to eliminate applications that do not meet the mandatory criteria, thereby reducing the number of applications that require review by staff.

For projects that meet the eligibility criteria, an evaluation to select the projects to be funded is completed. As observed through our fieldwork, and as specified in Telefilm's guidelines, projects are assessed on quantitative and qualitative information that includes track record of the production company and the creative team, creative elements, market interest, financial feasibility, and promotion strategy and audience reach potential. As specified in Telefilm's guidelines, and confirmed in our sample review, these criteria serve as a guide and no specific weighting is attributed to each component to differentiate the relative importance of each criteria in the decision-making process.

Although the application evaluation report describes which criteria weighed most strongly in the funding decision and their relative weight, no overall score is given to the project. As such, projects cannot be readily ranked and compared to each other to help prioritize financing. In addition, the lack of a formal weighting process may reduce the perceived objectivity and transparency of the process. We understand that for programs open year-round, it may be difficult to rank projects one against the other due to the timing of application receipt. However, establishing a minimum threshold and pre-defined weighting criteria could be considered to help strengthen the process.

This may further help to improve the perceived objectivity of the evaluation process by clarifying the relative importance of specific criteria to clients. Based on our discussions with external clients, some noted that the criteria were not always clear and all believed that discussions with Telefilm staff were necessary to understand how their project had been assessed.

***Recommendation #2: It is recommended that the Corporation develop and implement an evaluation grid to allow scoring of applications under which each criterion is weighted to support overall project scores and the ranking of applications.***



***Management's response:***

***The Corporation is generally in agreement.***

*The Corporation plans to develop and implement an evaluation grid for the 2021-2022 fiscal year. The use of an evaluation grid based on the program guidelines would be a relevant tool for decision-making, particularly during the comparative decision-making processes required for application deadlines.*

*Moreover, the Corporation's decision-making process must also take into consideration certain organizational objectives, particularly with a view of achieving a portfolio of productions representing a diversity of voices. Therefore, within its evaluation process, the Corporation will need to integrate the results of its evaluation grid and its objectives of attaining a balanced portfolio.*

### **3.4 Process Consistency and Information Management**

**Observation #3: Based on the results of our sample testing, we identified two areas of inconsistency in the application of guidelines and established procedures, and also identified inconsistencies in documentation management.**

In the course of our audit, we reviewed a sample of 25 recommended and signed applications to assess whether established controls and procedures have been followed consistently as described in the Canada Feature Film Fund Analysis Guide. The following observations were noted:

- In the case of two applications, the project had already been applied for twice, but was accepted, which is contrary to the Production Program guidelines. We understand that Telefilm has the discretion of making exceptions to this rule. However, in the two instances in our sample, there was no complete and documented rationale for these exceptions on file.
- For 23 applications reviewed, the documented analysis did not provide the Company Score. Management acknowledged this finding and noted that the score was only delivered in the Dialogue system in the summer of 2019. However, the applicant track record was evaluated and documented using other tools.

In addition, in a number of instances in our sample testing, we were unable to locate certain supporting documents related to the application process:



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- For 3 applications, we could not find evidence of the rationale for an extension to the decision letter's conditions expiry date being amended.
- For 9 applications, when applicable, there was insufficient supporting documentation confirming the applicant's provision of documents within the required 10-day period or documented rationale for any extension that was allowed by Telefilm.

We further noted that document retention practices were not consistent between all staff. While the Dialogue system is used for application-specific documents and to maintain decision-related correspondence, email correspondence with applicants is often stored in individual email boxes and not centrally located. These inconsistencies in documentation retention practices can create difficulties in accessing file-related documentation, in supporting transition during times of unanticipated turnover or leave, and in ensuring consistent evidence in support of the funding process.

This was also identified by one client, who noted that some communications were through Dialogue and some were received via emails, which made it sometimes confusing to manage assigned tasks.

***Recommendation #3: It is recommended that the Corporation improve the standardization of documentation and specify retention standards for all programs to help ensure that evidence to support the consistent application of established controls and procedures is properly documented and retained. In addition, consideration should be given to improving the implementation of the existing periodic quality assurance and compliance monitoring program to help monitor and ensure consistency in procedures performed across the Production Program.***

***Management's response:***

***The Corporation is in agreement.***

*Through the governance of its programs and business processes, the Corporation has systems and practices in place to ensure the documentation, monitoring and approval of its day-to-day operations and situations that depart from the guidelines.*

*The Corporation will ensure the standardization of documentation and that associated procedures are upheld uniformly. In this respect, Telefilm has already improved its procedures to clearly address situations where producers do not meet the conditions for access to funding before the established deadline. Moreover, although certain types of communications cannot go through the Dialogue system, the Corporation has determined that the retention of information inherent to the application process must be performed through this platform. Employees must avoid storing information under different applications.*



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*The Corporation will ensure a better understanding and implementation of these systems and practices through its professional development program and the strengthening of its continuous improvement process, which will now cover the entire process of issuing decision letters. Finally, the Corporation is assessing the optimization needs for document management in the Dialogue system. These activities will be introduced by the end of the 2020-2021 fiscal year.*

## 3.5 Service Standards

**Observation #4: Expected processing timelines by task had not been defined, creating difficulties in understanding and addressing delays in the processing of applications that extended beyond the established service target.**

Based on our review of active applications as of October 30, 2019, we noted that out of a total population of 239 applications, 73 applications had taken over 50 working days to process. For the period under scope, Telefilm's service target for financing decisions was expected to be 10 weeks (50 working days) from the receipt of a complete application to the financing decision. However, the Service Charter in place at the time of this audit referenced that in the case of application deadlines, the decision-making time could be longer depending on the volume.

Based on our review of a sample of applications and discussions with staff and management, we understand that these delays may be caused by a number of factors including: the volume of applications received at specific times, specifically for applications received with defined closing dates; incomplete information provided by the applicant; inconsistent management of timelines for information requests; and the complexity of the project. Although Telefilm has a general understanding of the causes of these delays, the specific reasons for delays is not formally tracked to enable proactive monitoring and identification of broader themes that may lead to process improvements. In addition, delays caused by the time required for applicants to provide additional required information was not always specifically tracked or considered. While Telefilm's expected timeline of 10 weeks does not take into account delays caused by applicants, the lack of formal monitoring and tracking of the cause of delays limits management's ability to assess the extent to which service standards are being met.

We understand that the Service Charter was updated in December 2019 and included revisions to the application processing times. The Charter specifies that processing times are based on the premise that the application is complete and the calculation of processing times stops whenever Telefilm is awaiting receipt of required information from clients. We further understand that Telefilm has implemented a function within Dialogue to support the monitoring of delays to determine delays directly attributable to Telefilm as opposed to those related to applicants assembling and providing additional required information to support their application.



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However, service standard targets for specific tasks in the process, including eligibility assessment, content analysis and due diligence, have not been established nor monitored. Delays in completing specific tasks in the funding process impact the overall funding timeline for clients.

***Recommendation #4: It is recommended that the Corporation develop and monitor performance against targets by task to better inform decision making on potential process bottlenecks or areas where information provided to applicants could be enhanced to improve processing times.***

***Management's response:***

***The Corporation is in agreement.***

*The Corporation has already identified performance targets by task. The performance target measurement stemming from the Dialogue system is constantly being improved, and the functionalities for deducting the time Telefilm waits for information from clients were not optimized at the time of the audit.*

*During fiscal 2020-2021, Telefilm plans to:*

- *optimize the functionalities for calculating processing times and update procedures and related material;*
- *provide training to employees and managers on the optimal use of Dialogue's functionalities and the impact on processing times; and*
- *systematize service level reporting through performance indicators associated with program delivery.*

## **3.6 Training**

**Observation #5: Formal training has not been provided to all personnel since the implementation of the Dialogue system.**

At the implementation of the Dialogue system, formal training was officially provided to Production Program staff and information sessions were provided to remaining Telefilm personnel regarding the system and its functionality. We understand that since the initial system implementation, specific peer-to-peer training has been provided but more formal training has not been provided to all personnel.

In the course of our interviews, management noted that although the application process is monitored, there are some concerns on the consistency of the process followed in times of turnover, particularly at the Coordinator level, given the time required for proper





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onboarding and gaining of experience by new personnel. This may contribute to increased timelines in the review process, as assessments must be reviewed and additional documentation may be required from applicants.

***Recommendation #5: It is recommended that the Corporation develop and implement a formal training plan related to the Production Program process and related systems that includes core training and competency updating to support employee development plans and contribute to process consistency.***

***Management's response:***

***The Corporation is in agreement.***

*The Corporation has already developed systems and practices that will benefit from more sustained support. In conjunction with its Human Resources sector, Telefilm will improve and formalize the implementation of its training activities through a continuous professional development program. This program will include, among other things, existing and enhanced initiatives:*

- *initial training on the use of systems for new employees;*
- *specific training for the Production Program;*
- *annual professional development session geared to the level of interaction of employees using the applications, including Dialogue, at each program upgrade; and*
- *information sessions on the system modifications.*

*As an improvement, training in response to continuous improvement needs will be formalized. Finally, the Corporation will promote the use of collaborative applications to make training material available to employees. These activities will be put in place by the end of the 2020-2021 fiscal year.*

### **3.7 Risk of Appearance of Conflicts of Interest**

**Observation #6: Telefilm personnel may develop strong relationships with clients and serve as primary contacts for various recipients over a long period of time, which may increase the risk of appearance of conflicts of interest.**

As noted previously, Telefilm has a Code of Conduct in place that describes expected behaviours and principles of integrity applicable to all personnel. In addition, there is a requirement for employees to prevent and address conflicts of interest, whether real,



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apparent, or potential. They must also review their obligations under the Code at least annually.

The need for building relationships with production companies and key industry stakeholders is recognized as being important to support Telefilm's understanding of the needs and challenges experienced by its stakeholders and to maintain its relevance and the quality of its programs. While no specific instances of conflict of interest were identified in our sample testing, based on our understanding of the long term nature of personnel assigned to specific Telefilm clients and the connected nature of the industry, there is an inherent risk of appearance of conflicts of interest that may arise in the case of long standing relationships between Telefilm personnel and applicants.

***Recommendation #6: It is recommended that the Corporation consider developing and implementing a policy requiring periodic rotation or the addition of supplementary personnel to support relationship management with core applicants, such as after a five-year period. This will provide additional advantages of bringing fresh perspectives to relationship management practices and will better support the retention of corporate memory and personnel development.***

***Management's response:***

***The Corporation is generally in agreement.***

*The Corporation has begun its work of reviewing, developing and implementing measures to minimize the risk of appearance of conflicts of interest. These measures could be multiple and complementary, particularly in terms of human resources management practices, and could include staff rotation, addition of personnel and/or modification to decision-making processes. The establishment of these measures is in progress.*



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## 4 Restrictions on Use of this Report

The management of Telefilm is responsible for the design, implementation, operation, monitoring and evaluation of internal controls. In this report, KPMG identified certain areas for improvement and provided observations relative to recognized management practices. It is Telefilm management's sole responsibility to determine any necessary changes to its existing policies, procedures and processes. During the course of our work, KPMG was provided with various documents and information. If further documentation or explanations come to light after the issuance of our report, KPMG reserves the right to, but is not obligated to, amend our observations and recommendations or considerations for enhancement. We have not carried out a financial statement audit nor have we attempted to verify the accuracy of the information used to produce our report.

This report has been prepared by KPMG pursuant to the terms of our engagement agreement with Telefilm dated August 26, 2019 (the "Engagement Agreement"). KPMG neither warrants nor represents that the information contained in this report is accurate, complete, sufficient or appropriate for use by any person or entity other than Telefilm or for any purpose other than set out in the Engagement Agreement. This report is not to be published, circulated, reproduced or used for any other purpose without our prior permission in each specific instance. We will not assume any responsibility or liability for any costs, damages, losses, liabilities or expenses incurred by anyone else as a result of circulation, publication, reproduction, use of or reliance upon our report.

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