



FREQUENTLY ASKED QUESTIONS (FAQ)

ACCOUNTING AND REPORTING REQUIREMENTS

**(In reference to the Accounting and Reporting Requirements, hereafter “ARRs”
National and International Business Development (NIBD))**

April 2008

Telefilm Canada is a Crown corporation, reporting to the Department of Canadian Heritage. The Corporation is governed by the *Financial Administration Act* (FAA), which contains requirements notably with respect to the reporting of financial information, audit procedures and the rendering of accounts. The FAA also sets out the administrative rules that govern financial contributions made by Telefilm Canada.

The FAA stipulates that such contributions must serve to reimburse actual costs incurred by Telefilm's client organizations and must not serve to cover profit elements.¹

In order to ensure that contributions received are used in accordance with the Act, Telefilm requires that client organizations provide financial reports. To this end, Telefilm has prepared an Accounting and Reporting Requirements guide for industry development activities.

These reporting requirements should be considered as setting a national standard for organizations that seek public funding through Telefilm Canada and are thus required to report Activity-related revenues and expenses.

A) GENERAL QUESTIONS

- **Are the ARRs to be considered simply as “guidelines” or “suggestions,” or must we comply with them to the letter?**

Any activity for which a final cost report is required must comply in full with the ARRs.

- **What are the consequences if we do not comply?**

Telefilm may request that you provide an amended report if you fail to comply with the ARRs or if your final cost report is incomplete. This would serve to delay the analysis process and, consequently, delay the final disbursement, if applicable. This may also cause your company to incur additional audit costs or place your company in default with Telefilm.

¹ *Guide on Financial Administration*, Public Works and Government Services Canada, Section 9.4.5

- **Can we provide the budget and the final cost report in another format other than Telefilm’s standard budget for an Industry Development activity?**

No. The budget and the final cost report must be submitted in Telefilm’s standard format. As for the presentation of the final cost report, actual revenues and costs must be indicated in the appropriate columns. An explanation is also required for important amount differentials. In the case of an audited report, the final cost report must accompany the auditor’s report.

- **Can we choose which notes (Appendix 2 of the ARR’s) to include in the Final Certified Activity Cost Statements (FCACS)?**

No, you cannot choose which notes to include. All notes to the FCACS must be included, even if they do not apply; notes that do not apply should be identified with the mention “none for this activity.”

- **Do the ARR’s apply even if Telefilm’s contribution is below the required amount for an auditor’s report?**

The ARR’s apply even if an auditor’s report is not required. The notes should be presented separately (refer to Appendix 2 of ARR’s), and Telefilm may ask to see them during the analysis of the final cost report.

B) ACCOUNTING AND REPORTING QUESTIONS

- **Does Telefilm’s approval of the final cost report mean that Telefilm accepts the costs?**

The final cost report can be accepted as submitted. However, as per our contracts, Telefilm has the right to conduct an audit in order to ensure compliance.

- **If the FCACS is accepted and the last disbursement issued, can the FCACS subsequently be audited and expenses refused?**

Yes. Telefilm retains the right to conduct an audit even if a final disbursement is made.

- **Can we be asked to provide explanations or supporting documents without being formally audited?**

Yes. You may be asked to provide certain explanations and documents during the final cost report analysis without undergoing a formal audit.

- **Which documents may we be asked to provide in order to substantiate non-monetary transactions?**

Non-monetary transactions must be substantiated by documents detailing the nature and value of the transactions. If no supporting document is available, the expense may be deemed inadmissible. Your organization should be prepared to make these documents available to Telefilm should you be so requested.

- **Do we have to keep supporting documents such as T4s and pay registries? If so, for how long?**

All supporting documents for expenses presented in the final cost report must be kept for a period of five years following the end of the Activity, without exception.

- **What happens when accruals presented in the final cost report are never incurred?**

Accrued amounts in the final cost report that are never incurred results in a budget underage. Such amounts are then considered inadmissible and, if required, an amendment may be issued in order to reduce Telefilms' participation.

- **What is the difference between a payable and an accrual?**

Payable: the service was rendered and the invoice received, but the invoice had not yet been paid at the time of the final cost report.

Accrual: the service has or has not been rendered and the invoice has not been received, but the amount of the invoice can be reasonably estimated.

- **Do we have to substantiate sponsorships?**

Yes. All sponsorships must be substantiated with supporting documents or with written contract detailing their nature and value.

- **Auditor' s report**

The ARR's are based mainly on the CICA Handbook and adapted to the audiovisual industry.

All practising accountants, including those at Telefilm, are required to comply with and apply the principles contained in the CICA Handbook.

The ARR's and the notes to the final certified activity cost statement (FCACS) must also be respected. Any discrepancy between the ARR's and the Handbook can be dealt with separately. If there is room for interpretation, and the notes contradict the Handbook, the independent accountant may, in order to avoid a reserve or exception in his report, exclude such notes from his FCACS and include them in a separate letter.

For more information regarding these FAQs, please contact Hervé François ou Andr anne Pronovost, Auditor and financial analyst with Telefilm Canada's Compliance and Collection department, at 514-283-6363.