

2004



Report of the  
**Auditor General  
of Canada**  
to the House of Commons

NOVEMBER

Chapter 8  
Other Audit Observations  
Appendices



Office of the Auditor General of Canada

*The November 2004 Report of the Auditor General of Canada comprises eight chapters, Matters of Special Importance—2004, and Main Points. The main table of contents is found at the end of this publication.*

The Report is available on our Web site at [www.oag-bvg.gc.ca](http://www.oag-bvg.gc.ca).

For copies of the Report or other Office of the Auditor General publications, contact

Office of the Auditor General of Canada  
240 Sparks Street, Stop 10-1  
Ottawa, Ontario  
K1A 0G6

Telephone: (613) 952-0213, ext. 5000, or 1-888-761-5953  
Fax: (613) 954-0696  
E-mail: [distribution@oag-bvg.gc.ca](mailto:distribution@oag-bvg.gc.ca)

*Ce document est également disponible en français.*

© Minister of Public Works and Government Services Canada 2004  
Cat. No. FA1-2004/2-15E  
ISBN 0-662-38468-7



Chapter

# 8

Other Audit Observations

*All of the audit work in this chapter 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.*

# Table of Contents

<b>Main Points</b>	1
<b>The surplus in the Employment Insurance Account</b>	
Non-compliance with the intent of the <i>Employment Insurance Act</i>	3
<b>Parc Downsview Park Inc.</b>	
Unresolved issues related to the transfer of Downsview lands and the financing of Downsview Park's future operations	7
<b>Telefilm Canada</b>	
The majority of the activities of Telefilm Canada are not consistent with its Act	11





## Other Audit Observations

---

### Main Points

**8.1** This chapter fulfills a special role in the Report. Other chapters normally report on performance audits or on audits and studies that relate to operations of the government as a whole. Other Audit Observations discusses specific matters that have come to our attention during our financial and compliance audits of the Public Accounts of Canada, Crown corporations, and other entities, or during our performance audits or audit work to follow up on third-party complaints. Because these observations deal with specific matters, they should not be applied to other related issues or used as a basis for drawing conclusions about matters not examined.

**8.2** This chapter covers one new issue:

- Telefilm Canada—The majority of the activities of Telefilm Canada are not consistent with its Act.

**8.3** The Standing Committee on Public Accounts has requested that we continue to bring to Parliament's attention previous observations that have not been resolved. In this Report, we follow up on two of these observations:

- The surplus in the Employment Insurance Account—Non-compliance with the intent of the *Employment Insurance Act*;
- Parc Downsview Park Inc.—Unresolved issues related to the transfer of Downsview lands and the financing of Downsview Park's future operations.





## The surplus in the Employment Insurance Account

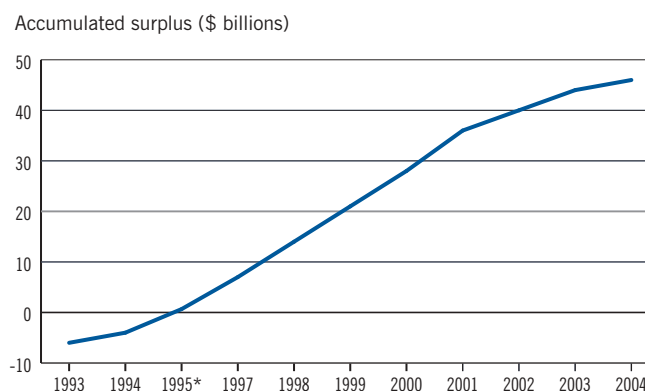
### Non-compliance with the intent of the *Employment Insurance Act*

**In brief** We have drawn Parliament's attention to the concerns about the size and the growth of the accumulated surplus in the Employment Insurance Account since our 1999 Report. The accumulated surplus has increased by \$2 billion, to reach \$46 billion in 2003–04. In our view, Parliament did not intend for the Account to accumulate a surplus beyond what could reasonably be spent for employment insurance purposes, given the existing benefit structure and allowing for an economic downturn. In our opinion, the government has not observed the intent of the *Employment Insurance Act*. In 2003, the government announced that it would conduct consultations on a new rate-setting process and would introduce legislation to implement a new process for 2005. In the 2004 Budget, the government noted that it was reviewing the results of the consultations and still planned to introduce legislation for 2005. However, the government has yet to address the concerns about the accumulated surplus in the Employment Insurance Account.

**Audit objective** **8.4** Our objective was to determine whether the government had addressed the concerns we had raised in previous years and to report on the progress achieved.

**Background** **8.5** The surplus in the Employment Insurance Account grew by \$2 billion to reach \$46 billion in 2003–04. Exhibit 8.1 shows the growth of the accumulated surplus. For the last five years we have drawn Parliament's attention to this issue in our reports on the Employment Insurance Account's financial statements and in the Public Accounts of Canada.

#### Exhibit 8.1 Balance of the Employment Insurance Account



\* For a period of 15 months

Source: Audited financial statements of the Employment Insurance Account

- Issues**
- 8.6** The *Employment Insurance Act* requires that an account be established, in the accounts of Canada, for employment insurance revenues and expenditures. There have been many discussions about what the balance in the Employment Insurance Account represents. We have used terms like “notional account” and “tracking account” to describe the balance, because funds received in the form of premiums are deposited in the government’s Consolidated Revenue Fund and not in a separate bank account. The EI Account balance provides a basis for managing the Account, and has been an important factor in setting premium rates.
- 8.7** Section 66 of the *Employment Insurance Act* requires that, to the extent possible, the premium rate be set to provide enough revenue over a business cycle to pay amounts authorized to be charged to the Account, while maintaining relatively stable rates. In our view, this means that employment insurance premiums should equal expenditures over the same period of time and provide sufficient reserve to keep rates stable in an economic downturn. We believe Parliament’s intent was that the program would operate on a break-even basis over the course of a business cycle. The legislation also made it necessary for the Canada Employment Insurance Commission to make certain key decisions—such as how it would define “business cycle” and “relatively stable rates.”
- 8.8** In May 2001, the Act was amended to suspend section 66 for 2002 and 2003 and to give the Governor-in-Council the authority to set the rates for those two years. The rate for 2004 was set in the Act in accordance with the 2003 Budget legislation, and section 66 was further suspended. The rates for 2002, 2003, and 2004 were set respectively at \$2.20, \$2.10, and \$1.98 per \$100 of insurable earnings.
- 8.9** The *Employment Insurance Act* provides that all money collected for employment insurance purposes be credited to the Account. The only authorized amounts that can be charged to the Account are employment insurance benefits and administration costs. In our view, Parliament did not intend for the Account to accumulate a surplus beyond what could reasonably be spent for employment insurance purposes. In his 2001 report, the Chief Actuary of Human Resources Development Canada estimated that a maximum reserve of \$15 billion was sufficient. Since section 66 of the *Employment Insurance Act* was suspended, the Commission has not requested another report. The current surplus now exceeds three times the maximum reserve considered sufficient by the Chief Actuary. Accordingly, we believe the government has not observed the intent of the *Employment Insurance Act*.
- 8.10** In the 2003 Budget, the government announced that it would conduct consultations on a new rate-setting process and would introduce legislation to implement a process for establishing the 2005 rate. In the 2004 Budget, the government noted that it was reviewing the results of the consultations and still planned to introduce legislation for 2005. Also, by suspending section 66 again, it gave the Governor-in-Council the authority to set the rate for 2005 should legislation not be passed in time. Even after public consultations, there has been no progress on resolving this issue.

**8.11** In the 2003 and 2004 budgets, the government described the principles for its new premium-rate-setting process:

- Rates should be set transparently and on the basis of independent expert advice.
- Expected premium revenues should correspond to expected program costs.
- Rates should mitigate the impact on the business cycle and be stable over time.

**8.12** The principles are consistent with those in section 66 of the Act. They are also consistent with our interpretation that Parliament's intent was for the Employment Insurance Program to run on a break-even basis over time. The principles may ensure that the surplus does not grow significantly once a new rate-setting process is in place. However, they do not address the \$46 billion surplus that has accumulated.

**8.13** The 2004 EI premium rate was set in the 2003 Budget on the basis of economic forecasts and the principles noted above—in particular, that the rates would generate premium revenues equal to projected program costs. However, premium revenues do not include interest revenues. With an accumulated surplus that exceeds \$46 billion, interest revenues will continue to contribute significantly to the surplus. In 2003–04, interest revenues added about \$1 billion to the operating surplus.

## Conclusion

**8.14** Even after public consultations, the government has yet to address the concerns about the surplus in the Employment Insurance Account. In May 2001, section 66 of the *Employment Insurance Act* was suspended for two years. In the 2003 and 2004 budgets, the government announced that it would have legislation for a new rate-setting process in place for 2005. Three years after the suspension of section 66, legislation has yet to be introduced.

**8.15** In our view, Parliament did not intend for the Account to accumulate a surplus beyond what could reasonably be spent for employment insurance purposes, given the existing benefit structure and allowing for an economic downturn. In our opinion, the government has not observed the intent of the *Employment Insurance Act*.

**The government's comments.** The government believes that the setting of the Employment Insurance premium rates has been consistent with the applicable legislation. For 2001 and prior, under Bill C-111, the Canada Employment Insurance Commission, which is independent of the government, set the Employment Insurance premium rates and not the government. With respect to Employment Insurance rate setting for 2002, 2003, 2004, and 2005, Parliament approved legislation that gave the government the authority to set premium rates for these years.

There has been considerable confusion about the rate-setting process. This was first highlighted in the 1999 Report of the Standing Committee on Finance. In the 2003 Budget, the government launched formal consultations on a new rate-setting mechanism based on a number of principles. These principles were reiterated in the 2004 Budget and provided the basis for the setting of the premium rates in 2004. The government remains committed to these principles in the setting of premium rates.

---

**Audit team**

Assistant Auditor General: Nancy Cheng

Principal: Jean-Pierre Plouffe

Director: Marise Bédard

For information, please contact Communications at (613) 995-3708 or 1-888-761-5953 (toll-free).

## Parc Downsview Park Inc.

### Unresolved issues related to the transfer of Downsview lands and the financing of Downsview Park's future operations

#### In brief

We have reported annually for the last four years that the Government of Canada has not requested—and accordingly Parliament has not provided—clear and explicit authority to create and operate an urban park, an initiative that Parc Downsview Park Inc. has undertaken. Furthermore, Parliament has not authorized the related spending of public funds. The government met applicable legal and administrative requirements in establishing Downsview Park. However, the individual steps taken together had the effect of leaving Parliament out of the decision-making process.

We have also commented on shortcomings in the corporate structure adopted for the Downsview Park initiative. In 2003, we reported that the government took steps to address certain issues that we and the Public Accounts Committee had previously raised about the Park. Although it did not request Parliament's clear and explicit authority to create and operate the Park, the government has deemed Downsview Park to be a parent Crown corporation that will report to Parliament through the responsible minister. The government also took steps to remedy shortcomings in the structure of Downsview Park.

However, the government has not yet resolved the issues related to the transfer of Downsview lands from National Defence to Downsview Park and to the financing of the Park's future operations. Although no formal appraisals were done, the portion of the land designated for commercial development was estimated to be worth over \$100 million in 2001. Downsview Park's ability to fulfill its mandate to develop and operate an urban park on a self-financing basis depends on the resolution of these issues.

#### Audit objective

**8.16** Our objective was to determine the progress the government had made in addressing our remaining concerns about the transfer of Downsview lands and the future funding of Downsview Park.

#### Background

**8.17** Downsview Park was established following the closure of the Canadian Forces Base in Toronto announced in the government's 1994 Budget, although the only reference the Budget made to Downsview Park was a reference to the National Defence budget impact paper. That paper indicated, "[the] Downsview site will be held in perpetuity and in trust primarily as a unique urban recreational green space for the enjoyment of future generations."

**8.18** In November 1995 the government approved, in principle, the use of about 600 acres of Downsview land for development of the park based on the following principles:

- the retention of more than one-half of the site as parkland;

- the ability to be “self-financing” from sources outside federal appropriations, including the ability to raise limited debt from the private sector;
- the capability to raise and retain other qualifying revenues and to form corporate relationships with third parties for this purpose;
- operation based on a “trust concept,” recognizing the special nature of these lands; and
- accommodation of a continuing military presence.

**8.19** In April 1997, the government issued an order-in-council authorizing Canada Lands Company Limited (Canada Lands), a non-agent Crown corporation, to set up a subsidiary corporation that would develop an urban, recreational, green space on a self-financing basis for the enjoyment of future generations. Canada Lands incorporated Parc Downsview Park Inc. as a wholly-owned subsidiary Crown corporation in July 1998.

**8.20** On 15 August 2000, pursuant to the authority granted under an order-in-council, Downsview Park acquired about 32 acres of land from National Defence in exchange for a \$19 million promissory note payable in 2050, bearing no interest and subordinated to all other debts of Downsview Park. In September 2000, it sold the land to a private sector company; the sale proceeds were deposited in its bank account and have been used primarily to fund the operations of Downsview Park. In effect, the government has indirectly transferred \$19 million in cash to Downsview Park to fund its activities.

**8.21 Our previous observations.** We have reported annually since October 2000 that the government has not requested—and accordingly Parliament has not provided—clear and explicit authority to create and operate an urban park, an initiative that Downsview Park has undertaken. Furthermore, Parliament has not authorized the related spending of public funds. The government met legal and administrative requirements in establishing Downsview Park. However, the individual steps taken together had the effect of leaving Parliament out of the decision-making process. We have also commented on shortcomings in the corporate structure adopted for Downsview Park.

**8.22** The House of Commons Standing Committee on Public Accounts held hearings on this matter in 2002 and made five recommendations, among them that the Privy Council Office seek parliamentary approval to make Downsview Park, a parent Crown corporation. In response, the government noted that the creation of Downsview Park had met all legal requirements and followed appropriate authorities.

**8.23** However, on 3 September 2003, the government took action to address our concerns and those of the Public Accounts Committee. It deemed Downsview Park a parent Crown corporation directly accountable to Parliament through the responsible minister.

**8.24** On 16 September 2003, a royal proclamation converted Downsview Park from a non-agent to an agent Crown corporation with certain privileges normally enjoyed by the Crown, including eligibility to receive donations from the private sector.

**8.25** In our November 2003 Report we concluded that these actions had addressed the issues we had raised about Downsview Park's accountability to Parliament and the shortcomings in its corporate structure.

## Issues

**8.26** Although the government has addressed some of the issues we raised in our previous reports, there are still unresolved issues. These relate to the transfer of Downsview lands from National Defence to Downsview Park and to the financing of the future development and operations of the Park. Although no formal appraisals were done, the portion of the land designated for commercial development was estimated to be worth over \$100 million in 2001. To date, the government has made no final decisions on these issues.

**8.27** Having become an agent Crown corporation, Downsview Park entered into a memorandum of understanding (MOU) with National Defence, an interim operating arrangement as of 16 September 2003. Under the MOU, Downsview Park acts effectively as a property manager for National Defence and is paid management fees. This arrangement is to continue until the Downsview lands are transferred to Downsview Park.

**8.28** The Corporate Plan for the period 2003-04 to 2007-08, which Downsview Park submitted when it became a "deemed" parent Crown corporation, was approved by the Governor-in-Council only for the 2003-04 planning period. The Corporate Plan for the period 2004-05 to 2008-09 is still being finalized.

**8.29** The uncertainties arising from the unresolved land transfer issues and funding arrangements limit Downsview Park's ability to achieve its core mandate. Its Board of Directors has stated that the organization's ability to fulfill its mandate depends on resolving these issues. Meanwhile, Downsview Park continues to incur operating costs. At 31 March 2004, about \$8 million out of the \$19 million it obtained from the sale of a parcel of land in 2000 had been used to fund its activities.

## Conclusion

**8.30** The transfer of Downsview lands from National Defence to Downsview Park and the financing of the organization's future operations are issues that need to be resolved if Downsview Park is to fulfill its mandate to create and operate an urban park on a self-financing basis.

**Infrastructure Canada's comments.** Infrastructure Canada officials will continue to work with central agencies, officials at Parc Downsview Park Inc., and National Defence to find a mechanism to enable the transfer of Downsview lands from National Defence to Parc Downsview Park Inc. The transfer of the Downsview lands is a necessary first step to ensure that the Corporation can finance the future development of Downsview Park.

---

**Audit team**

Assistant Auditor General: Shahid Minto

Principal: Alain Boucher

Director: Amjad Saeed

For information, please contact Communications at (613) 995-3708 or 1-888-761-5953 (toll-free).



## Telefilm Canada

### The majority of the activities of Telefilm Canada are not consistent with its Act

**In brief** The mission of Telefilm Canada, as stated in the *Telefilm Canada Act*, is to foster and promote the development of the feature film industry in Canada. However, since 1967 when the original Act was adopted, the government has extended the Corporation's activities to include the television, new media, and music sectors, with memoranda of understanding and contribution agreements with Canadian Heritage. The majority of the Corporation's expenses are for these new activities.

Telefilm Canada's role and responsibilities have expanded to other industries, while its Act still limits it to the development of the feature film industry. In our opinion, the Corporation's activities in supporting the development of the television, new media, and music industries are not consistent with its legal mandate. If the government intends to have Telefilm Canada support these industries, it needs to reflect this in the Act.

**Audit objective** **8.31** Our objective was to determine whether the activities of Telefilm Canada, which came to our attention during our audit of its financial statements, conform in all significant respects with the *Telefilm Canada Act* and the by-laws of the Corporation.

**Background** **The activities of Telefilm Canada have evolved**

**8.32** In 1967 the *Canadian Film Development Corporation Act* (in June 2002 it became the *Telefilm Canada Act*) created the Canadian Film Development Corporation. The Act stipulates that the Corporation is "to foster and promote the development of a feature film industry in Canada." To this end, the Corporation may

- invest in individual Canadian feature film productions in return for a share in the proceeds from any such production;
- make loans to producers of individual Canadian feature film productions and charge interest;
- award outstanding accomplishments in the production of Canadian feature films;
- provide grants to filmmakers and film technicians who reside in Canada to assist them in improving their craft;
- advise and assist Canadian feature film producers in the distribution of their films and the administration of feature film production; and
- guarantee loans for the production and distribution of films, following an amendment to the Act in 1994.

**8.33** From 1968 to 1983, the Corporation focussed on the production and development of Canadian feature films. By the mid 1970s, its annual investments were \$3 million to \$4 million. In 1982–83, its parliamentary appropriation totalled \$4.5 million.

**8.34** From 1983 to 2004, the federal government increased, in a significant way, the activities of the Corporation (in 2002 it became officially Telefilm Canada). In response to changes in technology, the needs of the industry, and the cultural objectives of the government, the Department of Communications (which ceased operating in 1993), and then Canadian Heritage created funds and programs in the following sectors: feature film, television, new media, and music. The management of these funds and programs was entrusted to Telefilm. It receives additional funding through annual parliamentary appropriation and through contributions from Canadian Heritage. Memoranda of understanding and contribution agreements confirm Telefilm Canada's additional responsibilities, the government's objectives, and the amount of contributions accorded to the Corporation. In addition, they set out the terms and conditions of the new funds and programs and specify the administrative and accountability frameworks required by the Department. Exhibit 8.2 lists the Corporation's activities from 1967 to 2001.

---

**Exhibit 8.2 The Corporation's activities from 1967 to 2001**

1967	The Canadian Film Development Corporation was created (it became officially Telefilm Canada in 2002) to foster the development of a feature film industry by assisting the private sector with the production of feature films.
1983	The Canadian Broadcast Development Fund was created to finance part of the cost of planning, developing, and producing Canadian television productions in the following categories: drama, variety, children's programming, and documentaries.
1986	The Feature Film Fund was created to finance scripts, project development, and feature film launches in cinemas, and to grant long-term loans to Canadian distribution and foreign sales companies.
	The Versioning Assistance Fund was created to finance the dubbing and subtitling of Canadian and foreign film and television productions that are distributed in Canada.
1988	The Feature Film Distribution Fund was created to assist Canadian film distributors buy the distribution rights of Canadian feature films destined for Canadian and foreign cinemas and assist them in corporate development and marketing initiatives.
1996	The Canada Television and Cable Production Fund was created (it became the Canadian Television Fund in 1998). Telefilm administers one of the fund's two programs: the Equity Investment Program. This program, a continuation of the 1983 Canadian Broadcast Development Fund, pursues the same objectives and activities.

**Exhibit 8.2 The Corporation's activities from 1967 to 2001 (cont'd)**

1998	The Multimedia Fund (it became the Canada New Media Fund in 2001) was created to finance the development, production, and marketing of multimedia works, and the growth and development of a Canadian multimedia production and distribution industry that is competitive in international markets.
2000	The Canada Feature Film Fund combines the Feature Film Fund, the Versioning Assistance Fund, and the Feature Film Distribution Fund. It finances similar activities as the initial funds.
2001	The Music Entrepreneur Program was created; it consists of two components. It finances the development or update of a five-year business plan, which will further the objectives of the Program, and it assists with the implementation of such business plans.

**8.35** The new programs and additional funding allow Telefilm Canada to finance the different stages of a feature film and television production, specifically script development, production, and distribution and promotion in Canada and abroad. Also, the Corporation can finance the development, production, and marketing of new media products. It can support the music industry with financial assistance to organizations in this sector. For 2003–04, federal funding to the Corporation totalled \$199 million, which included a parliamentary appropriation of \$128 million and contributions of \$71 million from Canadian Heritage.

**Issues****The majority of commitments are for activities other than feature films**

**8.36** The majority of Telefilm Canada's commitments lie in developing the television, new media, and music industries. Exhibit 8.3 shows that these commitments represent 62 percent of all the commitments of the last three fiscal years.

**Exhibit 8.3 Annual commitments by sector from 2001–02 to 2003–04 (\$ millions)**

Year	Feature film	Other activities			Total
		Television	New media	Music	
2001–02	61.6	111.3	10.1	-	183
2002–03	84.4	117.5	6.1	4.5	212.5
2003–04	91.4	115.9	9.5	8.7	225.5
<b>Total</b>	<b>237.4</b>	<b>344.7</b>	<b>25.7</b>	<b>13.2</b>	<b>621</b>
	<b>38%</b>	<b>56%</b>	<b>4%</b>	<b>2%</b>	<b>100%</b>

Source: Telefilm Canada, annual reports 2001–02 to 2003–04

**8.37** In order to fulfill its initial mandate and additional responsibilities, Telefilm Canada receives financing from the following sources:

- A parliamentary appropriation, approved annually by Parliament and defined as “Payments to Telefilm Canada to be used for the purposes set out in the *Telefilm Canada Act*.” This appropriation finances the feature film sector and part of the activities of the television sector.
- Contributions from Canadian Heritage finance part of the activities of the television sector and all the activities of the new media and music sectors.
- Revenues from the recovery on investments, which must be reinvested in the same sector as the initial investment.
- Contributions from a private non-profit organization finance part of the activities of the television sector.

The parliamentary appropriations and the contributions from Canadian Heritage represent 53 percent and 30 percent of the Corporation’s total financing, from 2001 to 2004.

#### **Initiatives to amend the Act**

**8.38** Over the past years, a number of reports recommended that the government review the Act and clarify the Corporation’s mandate. They included the Report of the Task Force on Program Review (Nielsen Report) in 1985; the Report of the Task Force on Broadcasting Policy (Caplan/Sauvageau Report) in 1986; the Report of the Standing Committee on Communications and Culture in 1988; and the Report of the Mandate Review Committee of the Canadian Broadcasting Corporation, the National Film Board and of Telefilm Canada (Juneau Report) in 1996. More recently, the Report of the Standing Committee on Canadian Heritage (Lincoln Report), published in June 2003, also discusses the necessity to clarify the mandate of various cultural organizations including Telefilm Canada.

**8.39** During our audit, we found documents, from 1986 and earlier, on initiatives to adopt, among other things, a generic term to describe the Corporation’s mandate such as “cultural industries” that would cover the television, new media, and music sectors. Also, since 2001, Canadian Heritage and Telefilm Canada’s Board of Directors have discussed the mandate of the Corporation and changes to the Act. Nevertheless, these initiatives and discussions did not lead to a proposal for draft legislation.

**8.40** We were informed that in 2003 Telefilm Canada and Canadian Heritage started reviewing the *Telefilm Canada Act* to reflect the current operational context of the Corporation, the powers granted to it, and the principles of modern governance.

### The Telefilm Canada Act was not amended

**8.41** Over the years, the activities of Telefilm Canada were expanded without an amendment to its Act. Instead, the government entered into contribution agreements for Telefilm's other activities that were not in feature films.

**8.42** Our Office expressed concern, to Telefilm Canada's management and Audit and Finance Committee, that the Corporation's activities have been expanded while its legal mandate has not been brought up to date. We also noted the efforts made to address these concerns. In 2004, in our audit report on Telefilm Canada's financial statements, we issued a reservation on the compliance of its activities with the *Telefilm Canada Act*. In our opinion, the activities for developing the television, new media, and music industries are not consistent with the mandate of the Corporation.

### Conclusion

**8.43** In its annual report and financial statements, Telefilm Canada clearly describes its activities and presents the expenses for each sector separately. However, the activities in the television, new media, and music industries are not consistent with its mandate—to develop the feature film industry.

**8.44** If the government intends Telefilm Canada to support the development of the television, new media, and music industries, it needs to review the *Telefilm Canada Act* and have the necessary modifications passed by Parliament.

**8.45 Recommendation.** The government should clarify the mandate and powers that it wants Telefilm Canada to have, update the *Telefilm Canada Act* to reflect the changes, and obtain parliamentary approval.

**Canadian Heritage's response.** Canadian Heritage is currently in the process of putting forward proposals to address the situation.

---

### Audit team

Assistant Auditor General: Nancy Cheng  
Principal: Francine Deneault-Bissonnette  
Project leader: Louise Grand'Maison

For information, please contact Communications at (613) 995-3708 or 1-888-761-5953 (toll-free).

