**<On firm’s letterhead>**

**Report of Factual Findings to meet the requirements specified in the South African Emerging Black Filmmakers Incentive Guidelines**

The Programme Manager: Films

Incentive Development and Administration Division

Department of Trade and Industry

Private Bag X84,

Pretoria

0001

Dear Sir/ Madam

**Factual Findings Report of the Independent Registered Auditor of <SPCV> in respect of the <Name of Production> Grant Claim.**

At the request of the Department of Trade and Industry (**the dti**) and in accordance with the Local Film Guidelines we have performed the procedures agreed with the Programme Manager and set out below with respect to the information contained in the Claim Form of <*insert name of Entity***>** (the Company)for the claim period[[1]](#footnote-1) from <…> to <.>. Our engagement was undertaken in accordance with the *International Standard on Related Services ISRS 4400 – Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*.

Our procedures were performed solely to assist the Programme Manager in evaluating whether the Claim Form is in accordance with the Programme Guidelines and Provisional approval Letter dated <…..>.

The responsibility for determining the adequacy or otherwise of the procedures agreed to be performed is that of the Programme Manager. We have initialled the completed Claim Form and other accompanying schedules[[2]](#footnote-2) as set out on pages <…> to <…> for identification purposes only.

**Procedures and Findings**

Our procedures performed and corresponding findings thereon are set out in the table below:

| Procedure | The DTI amended/updated procedures | Comments/Findings |
| --- | --- | --- |
| 1 | Inspect the Provisional approval letter between the applicant and **the dti**:* Signed by both parties (applicant and **the dti**)
* Provisional approval date
* Approved incentive amount
 |  |
| 2 | Inspect the actual commencement and the completion dates for production (to be within 24 months from date of approval). |  |
| 3 | Inspect that the SPCV (Special Purpose Corporate Vehicle) was solely incorporated (Re-in fenced) for the purpose of the project. |  |
| 4 | Inspect the B-BBEE certificate and validate that the SPCV and the Service/Holding Company is at Level 2. |  |
| 5 | Inspect the bank confirmation letter to confirm that the banking account details agree with the applicant’s approved banking details. |  |
| 6 | Confirm the validity of the SPCV’s tax clearance certificates and CIPC certificate of incorporation as per the Annual Returns.* Confirm the SPCV has at least 75% black shareholders, of which the majority must play an active role in the production and be credited in that role.
* Confirm the Holding/Service Company have 65% South African black shareholders.
 |  |
| 7 | Inspect the total running time of the production and ensure that it meets the minimum timeline thresholds per eligible format per Annexure F:* Feature film – 80 minutes or, in the case of a large format IMAX film, no less than 45 minutes.
* Tele-movies – no less than one commercial hour and for material classified as C for children under the age of 6, no less than a half commercial hour.
* Documentaries - no less than 60 minutes in length or, in the case of a large format (IMAX) film, no less than 45 minutes. Series limited to 26 episodes.
 |  |
| 8 | Inspect the applicant’s distribution agreement. |  |
| 9 | Confirm **the dti** credit in the production. |  |
| 10 | Procurement from 51% Black owned entities as per interpretation note on procurement:Confirm the amount and percentage of QSAPE procured from entities which have actively traded for a minimum of 12 months as 51% black owned entities.Minimum procurement from these entities must be 20% of the total QSAPE combined.  |  |
| 11 | Verify the Qualifying South African Production Expenditure: * QSAPE: R500, 000.00
 |  |
| 12 | Confirm and reconcile the incentive calculation:Production * Base incentive calculationat 50% of QSAPE: RXX
* Production Equipment to a maximum cost sharing incentive of R2millon.

Reconcile the details of the claimed expenditure.* Above the line expenditure : Rxx
* Check withholding Tax at 15% (Non QSAPE)
* Below the line expenditure: Rxx
* Post-production expenditure : Rxx
* General Charges (Insurance and Fringes): Rxx
* NON-QSAPE at claim stage: Rxx
* Total Production Expenditure at claim stage: Rxx

  |  |
| 13 | Is this film constituted as an Emerging Black Film as per **the dti** guidelines?Time period: * QSAPE - at least 80% of the principle photography has to be filmed in SA; and
* A minimum of two (2) weeks of the principal photography must be filmed in SA.
 |  |
| 14 | Inspect evidence based on 70% of the entire expenditure containing 50% of the highest value QSAPE invoices [*insert actual sample size here*] and substantiate the accuracy and validity of the QSAPE claimed.  Audit procedures to be undertaken include the following:* Agree the expenditure to a valid tax invoice and ensure payment of the invoice by inspecting a bank statement.
* Document amount as per the invoice.
* Calculate the difference between the tax invoice and the expenditure as per the claim form.
* Document the date as per the invoice.
* Does the expenditure meet the qualifying QSAPE criteria as per **the dti** guidelines?
* Agree expenditure (excluding salaries and wages) to original invoices, made out in the applicant’s name. (To the extent that items from this sample do not qualify as QSAPE, inspect that this is correctly reflected as Non-QSAPE in the expenditure statement.)
* Agree salaries and wages expenditure to the monthly pay slips and EMP 201 forms.
* Inspect certified copies of ID documents and see that income tax reference numbers are recorded for employees and casual workers.
* When expenditure is subject to a legal agreement, inspect the relevant legal agreement and evaluate whether the expenditure is in accordance with the terms and conditions of that legal agreement.
* Agree cash payments to original bank statements and/or original ‘paid cheques’, (Inspect that any unpaid items are reflected under the Non-QSAPE column of the expenditure statement).
 |  |
| 15 | Verify the accuracy of the expenditure statement, by determining the accuracy of QSAPE, Non-QSAPE Total Expenditure. |  |
| 16 | Confirm that expenditure in foreign currency was correctly converted at the budgeted exchange rate and must be reported in South African Rand. Further, determine if all QSAPE has been incurred in South African Rand. |  |
| 17 | Verify that the non-qualifying costs have been excluded from QSAPE as per of the guidelines and Annexure A (non-qualifying items spreadsheet). |  |
| 18 | Verify that the following expenditure has been deducted from the Gross QSAPE.* All recoupments from sale of goods during production and at completion of production.
* Value of goods retained after completion of production and that such a valuation was performed by an independent sworn valuator.
* Other South African grants (funds), training or internship funding (excluding SETA funds).
* Any funding received from National Film and Video Foundation (NFVF) or Industrial Development Corporation (IDC), or any other funding institution.
 |  |
| 19 | Evaluate whether the:.* General business overheads claimed do not exceed 2% of Total Production Expenditure or R350, 000.00 as defined per the Guidelines.
* South African Producer fees claimed do not exceed 10% of Total Production Expenditure or R1, 000,000.00, as defined in the guidelines.
* Connected Party Fees claimed do not exceed 10% of Total Production Expenditure or R3, 000,000.00, as defined in the guidelines.
* The QSAPE as disclosed in the Expenditure Statement was at arms-length and is commercially reasonable and justified.
* Connected Party Fees (Animation only) claimed do not exceed 40% of Total Production Expenditure, as defined in the guidelines.
 |  |
| 20 | Verify all transactions in the Expenditure Statement for connected parties and agree that such transactions are in line with the capped amount as per the guidelines. |  |
| 21 | Verify that the total amount claimed does not exceed the approved incentive amount per the approval letter or R 50, 000 000.00. |  |

***Sampling techniques\**** refers to sampling methods that are generally accepted and recognised within the accounting and auditing profession.

Where sampling methods have been used, the auditor is to document the method used and conclusions obtained.

Because the above procedures do not constitute an audit of financial information, a review of financial information or other assurance engagement on non-financial information conducted in accordance with International Standards on Auditing, International Standards on Review Engagements and International Standards on Assurance Engagements other than Audits or Reviews of Historical Financial Information, we do not express any assurance on the validity or accuracy of the attached Grant Claim.

 Had we performed additional procedures or had we performed an audit or review, or other assurance engagement in respect of the completed Claim Form and other accompanying schedules for the period ended <….> other matters might have come to our attention that would have been reported to you.

Restriction on use and distribution

Our report is prepared solely for the purpose set out in the first paragraph to assist the Programme Manager in evaluating whether, or not, the attached Claim Form for Stage <insert Stage> is in accordance with the Programme Guidelines and Provisional approval Letter dated <…..>.

Our report may not be suitable for another purpose and is not be distributed to or used by any other parties other than as provided for in the Programme Guidelines and Provisional approval Letter.

Registered Audit Firm

<Name of individual Registered Auditor>

Capacity: <Sole Practitioner, Partner, Director>

Registered Auditor

<Registration Number>

OR

Where the factual findings report is provided by an independent external accounting professional who is not a registered auditor:

Independent External Accounting Professional’s firm

<Name of individual accounting professional >

Capacity: <Sole Practitioner, Partner, Director>

<Chartered Accountant (SA) / Professional Accountant (SA) / Certified Chartered Accountant[[3]](#footnote-3)>

<Membership Number>

1. A claim to fall within the dti approved period for the project.

 [↑](#footnote-ref-1)
2. The auditor or accounting professional clearly identifies any “unaudited” schedules attached which are initialled for identification purposes only. [↑](#footnote-ref-2)
3. [↑](#footnote-ref-3)