

2007



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

**FEBRUARY**

**Chapter 1**  
Advertising and Public Opinion Research



Office of the Auditor General of Canada

*The February 2007 Status Report of the Auditor General of Canada comprises a Message from the Auditor General, Main Points—Chapters 1 to 7, an Appendix, and seven chapters. The main table of contents for the Report is found at the end of this publication.*

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Chapter

# 1

Advertising and Public Opinion Research

*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.*

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# Advertising and Public Opinion Research

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## Main Points

### What we examined

When we last reported on advertising and public opinion research in 2003, we assessed the extent to which the government had ensured effective control over its spending on these activities and whether it was measuring their results and reporting them to Parliament.

This time, we audited advertising campaigns and public opinion research projects to see whether the departments administering them were exercising adequate management and control and whether changes made in response to our 2003 recommendations were effective. We also looked at the roles played by the Privy Council Office, the Treasury Board Secretariat, and Public Works and Government Services Canada (PWGSC). We did not follow up on our 2003 audit of sponsorship activities; nor did we update our work on the quality of public opinion research, which we reported in 2005.

### Why it's important

The government uses advertising to inform the Canadian public not only about government services, programs, initiatives, and policies but also about their rights and responsibilities. It is also an important tool for informing the public about dangers or risks to the environment or public health and safety, for example. In the 2004–05 fiscal year, the government paid \$49.5 million to agencies for advertising and media placements.

Public opinion research plays an important role in developing policies and programs that affect the public. It is a critical tool for gathering information on the public's opinions, perceptions, and reactions or views. In the 2004–05 fiscal year, the government spent \$29 million on public opinion research.

### What we found

- PWGSC has made satisfactory progress in ensuring that it awards contracts for advertising and public opinion research through a fair and transparent process, in accordance with the Treasury Board's Contracting Policy.
- Departments have made satisfactory progress in ensuring that they plan for advertising activities and manage suppliers in accordance with the Communications Policy of the Government of Canada.

- The government has made satisfactory progress in its control over the expenditure of public funds on advertising and public opinion research activities.
- The results of advertising and public opinion research have been measured and reported in accordance with the requirements established by the Communications Policy of the Government of Canada.
- Some departments are still not complying with all requirements that apply to public opinion research. For example, some have contacted a research firm before informing PWGSC that they intend to carry out public opinion research activities.

**The government has responded.** The government has agreed with the observations and recommendation of our report. Its detailed response follows the recommendation in the chapter.



## Introduction

**1.1** Advertising is one approach that the federal government uses to communicate with the Canadian public. Through advertising, it disseminates information about government services, programs, initiatives, and policies. Advertising is also used both to inform people about their rights and responsibilities, and to alert them to dangers or risks affecting public health and safety or the environment.

**1.2** Public opinion research (POR) in government involves gathering information on the opinions, attitudes, perceptions, and ideas of Canadians—including the government's own employees—relating to a broad range of government activities. For example, POR is routinely used when the government is developing policies and programs, and in carrying out studies of quality of service and customer satisfaction.

**1.3** In 2003, we audited government expenditures on advertising and public opinion research. In 2004, the government imposed a moratorium on advertising. The government's spending on advertising (by all departments and agencies) has decreased substantially since our last audit of this area, from \$69.8 million in the 2003–04 fiscal year to \$49.5 million in the 2004–05 fiscal year. The decrease in advertising is a result, in part, of federal elections in 2004 and 2005, and the moratorium on government advertising. The Communications Policy of the Government of Canada prohibits departments from carrying out any activities related to the design or implementation of an advertising campaign during a general election. Spending on public opinion research has increased somewhat, from \$25.4 million in the 2003–04 fiscal year to \$29 million in the 2004–05 fiscal year.

### **Roles and responsibilities for advertising and public opinion research**

**1.4** Exhibit 1.1 summarizes the roles and responsibilities for administering government advertising activities.

**1.5** Roles and responsibilities for the administration of public opinion research activities are summarized in Exhibit 1.2.

**Exhibit 1.1 Responsibilities for advertising**

<b>Cabinet</b>	<ul style="list-style-type: none"> <li>• Approves allocation of funds for advertising</li> <li>• Reviews campaign results for effectiveness</li> </ul>
<b>Treasury Board</b>	<ul style="list-style-type: none"> <li>• Issues policies on managing government communications and procurement</li> <li>• Approves submissions for the allocation of funds to departments for approved advertising campaigns</li> </ul>
<b>Treasury Board Secretariat</b>	<ul style="list-style-type: none"> <li>• Assesses, advises on, and processes the allocation of funds to departments through the Treasury Board submission process</li> <li>• Posts funding allocations on its website</li> <li>• Develops and monitors the effectiveness of policies and procedures for managing government communications and procurement</li> </ul>
<b>Privy Council Office</b>	<ul style="list-style-type: none"> <li>• Supports Cabinet and its committees in setting advertising priorities</li> <li>• Chairs the Government Advertising Committee</li> <li>• Reviews and challenges departmental advertising proposals on strategy, content, messages, and evaluation, and facilitates regional allocations and tailoring</li> <li>• Monitors government advertising and provides periodic reports to Cabinet or its designated committee</li> </ul>
<b>Public Works and Government Services Canada</b>	<ul style="list-style-type: none"> <li>• Contracts for advertising agencies and the government's Agency of Record through its Communications Procurement Directorate</li> <li>• Liaises with departments on advertising procedures through its Advertising Coordination and Partnership Directorate</li> <li>• Manages the Advertising Management Information System</li> <li>• Issues annual report on government advertising activities and results</li> <li>• Develops and delivers advertising training opportunities for departments</li> <li>• Provides data to the Privy Council Office for periodic reporting to Cabinet</li> </ul>
<b>Federal departments and agencies</b>	<ul style="list-style-type: none"> <li>• Develop advertising proposals for consideration by Cabinet</li> <li>• Prepare Treasury Board submissions for allocation of funds for approved advertising campaigns</li> <li>• Implement and evaluate advertising campaigns</li> <li>• Account for funds received for advertising in accordance with Treasury Board submissions and campaign approvals</li> </ul>
<b>Government Advertising Committee</b>	<ul style="list-style-type: none"> <li>• Approves advertising proposals</li> <li>• Ensures advertising campaigns are aligned with government priorities</li> <li>• Reviews and provides feedback to departments on advertising proposals they submit for funding</li> <li>• Facilitates the development of horizontal initiatives involving multiple departments</li> </ul>

Source: Communications Policy of the Government of Canada (2004)

**Exhibit 1.2 Responsibilities for public opinion research**

<b>Treasury Board</b>	<ul style="list-style-type: none"> <li>• Issues policies and procedures for managing government communications and procurement</li> </ul>
<b>Treasury Board Secretariat</b>	<ul style="list-style-type: none"> <li>• Develops and monitors policies and procedures for managing government communications and procurement</li> </ul>
<b>Public Works and Government Services Canada (PWGSC)</b>	<ul style="list-style-type: none"> <li>• Contracts for public opinion research services</li> <li>• Serves as the technical, coordinating, and contracting authority for public opinion research services in the Government of Canada</li> <li>• Facilitates public opinion research studies by assisting departments and agencies throughout the process, helping to ensure their objectives are met in a cost-effective manner</li> </ul>
<b>Federal departments and agencies</b>	<ul style="list-style-type: none"> <li>• Coordinate the planning and implementation of public opinion research initiatives with the Public Opinion Research Directorate of PWGSC</li> <li>• Contract public opinion research services through the Communications Procurement Directorate of PWGSC</li> <li>• Ensure that the principles of fair information practices are respected</li> <li>• Ensure the quality and value of research they commission or produce</li> <li>• Provide copies of final reports to PWGSC for deposit with the Library of Parliament and Library and Archives Canada in written or electronic form</li> <li>• Share results with other federal institutions</li> <li>• Release final results to the public on request</li> </ul>

Source: Communications Policy of the Government of Canada (2004)

**What we found in 2003**

**1.6** In 2003, we audited the government's management of its advertising and public opinion research activities. (The report was prepared to be tabled in November 2003, but the House of Commons was not in session so the tabling was delayed until February 2004.) Our key findings on the government's management of its advertising activities were as follows:

- Public Works and Government Services Canada (PWGSC) did not provide all suppliers equitable access to government business and did not obtain best value in selecting advertising agencies.
- The process for choosing advertising agencies did not meet the requirements of the Treasury Board's Contracting Policy. In some cases we found no evidence that a selection process had been carried out at all.
- While some departments had ensured that advertising agencies had fulfilled their contractual obligations, other departments had not.
- Departments generally did not meet the requirements of the *Financial Administration Act*.

**1.7** With respect to public opinion research, in November 2003, we reported that POR activities were being managed with a degree of transparency. For the most part, roles, responsibilities, and procedures were clear. However, we reported the following:

- In some cases, departments did not clearly indicate the need for undertaking particular public opinion research.
- In a few cases we noted that the government had paid for syndicated research that monitored, among other things, voting behaviour and political party image, contrary to its guidelines in effect at the time.
- Many departments subscribed to the same research, and Communication Canada, the former mandatory service provider, did not take advantage of savings opportunities by coordinating bulk purchases of syndicated surveys.

**1.8** In April 2005, the Public Accounts Committee made numerous recommendations in response to our 2003 findings on advertising and public opinion research. These recommendations related to financial management and control, internal audit, contract management, file management, Crown corporations, Parliament, and the public service.

#### **Key events since our 2003 audit**

**1.9** Several organizational changes were introduced. Effective 1 April 2004, Communication Canada was dissolved and PWGSC established the new Advertising Coordination and Partnership Directorate to replace it. This directorate was tasked with providing advertising-related planning, coordination, advisory, and training services to Government of Canada organizations subject to the Common Services Policy and the Communications Policy of the Government of Canada. PWGSC's Communications Procurement Directorate remained the Government of Canada's contracting authority for advertising.

**1.10** In February 2004, the government established the Commission of Inquiry into the Sponsorship Program and Advertising Activities. Its task was to investigate and report on questions raised by chapters 3 and 4 of our November 2003 Report about the government's sponsorship program and advertising. The Commission was also to make recommendations to the Government of Canada that would prevent future mismanagement of sponsorship programs or advertising activities. The inquiry results were published in two parts. The first, "Who Is Responsible," issued in November 2005, set out the

Commission's findings on responsibility and the second, "Restoring Accountability—Recommendations," issued in February 2006, listed the Commission's recommendations.

**1.11** In May 2004, PWGSC's Communications Procurement Directorate awarded standing offers and supply arrangements for obtaining advertising and public opinion research. These tools were designed to increase competition among suppliers for projects, to improve transparency in selecting suppliers, to provide government departments and agencies with a range of procurement options, and to provide a faster and more effective way to obtain these services.

**1.12** Effective 1 August 2006, the Treasury Board approved a revised Communications Policy of the Government of Canada. The principal changes in the policy are to

- add a statement emphasizing that the bidding process for contracting of public opinion research and advertising activities must be open, fair, and transparent;
- include a new definition of advertising to distinguish it from non-paid messages such as public service announcements and from related services such as public relations and events management; and
- require departments to provide copies of final reports of public opinion research to the Library of Parliament, Library and Archives Canada, and PWGSC within six months of the completion of fieldwork.

### **Focus of the audit**

**1.13** This status report assessed what progress the government has made in response to the observations and recommendations in our 2003 report. To carry out this work we reviewed all advertising campaigns contracted for between 1 April 2004 and 31 August 2006 and a representative sample of public opinion research projects carried out by the departments included in our audit.

**1.14** We assessed the role of two central agencies (the Privy Council Office and Treasury Board Secretariat) and the role of Public Works and Government Services Canada (PWGSC) in contracting for advertising and public opinion research on behalf of other government departments. More details on the audit objectives, scope, approach, and criteria are in **About the Audit** at the end of this chapter.

## Observations and Recommendation

### Contracting for advertising and public opinion research services

**1.15** In our 2003 audit, we reported that Public Works and Government Services Canada (PWGSC) did not provide all suppliers equitable access to government business, and that it did not obtain best value in selecting advertising agencies. We also noted that advertising agencies were selected in a manner that did not meet the requirements of the Treasury Board's Contracting Policy.

**1.16** For this status report, we assessed progress made by PWGSC in strengthening the procurement of advertising and public opinion research services since our 2003 audit. Specifically, we looked at the procedures that PWGSC was using to

- select suppliers to provide advertising and public opinion research services,
- award advertising and public opinion research contracts to firms on the established standing offer and supply arrangement lists, and
- select an Agency of Record to buy advertising space and time for the Government of Canada.

**1.17** We expected PWGSC to have made progress in carrying out these procedures in accordance with the Treasury Board's Contracting Policy, which calls for an open, fair, competitive procurement process that is aimed at obtaining the best value possible.

#### **The process for choosing potential suppliers was fair and transparent**

**1.18** To address the weaknesses reported in our 2003 audit, PWGSC established, through a competitive process, standing offer and supply arrangement lists (Exhibit 1.3). These lists represent a pool of qualified firms that could provide advertising and public opinion research services to government departments.

**1.19** PWGSC issued a competitive request for proposals to establish standing offer and supply arrangement lists for advertising and public opinion research services. We found that PWGSC had established a statement of requirements, and had developed criteria for evaluating proposals from potential suppliers. An independent third party contracting specialist, known as a fairness monitor, was retained to observe the technical evaluation portion of the procurement process for the advertising supply arrangement and the standing offers.

**Exhibit 1.3 Key definitions**

**Standing offer**—A standing offer results when the government accepts a proposal from a potential supplier to provide goods and/or services at pre-arranged prices, under set terms and conditions, when and if required. Standing offers are used for advertising services that will cost up to \$75,000 and for public opinion research services valued up to \$200,000. There is one standing offer list for each service for all federal departments to use. A standing offer is not a contract, and neither party is legally bound as a result of signing this document.

**Supply arrangement**—A method of supply where bids are selected from a pool of pre-qualified suppliers. Supply arrangements are used for advertising services that will cost between \$75,000 and \$750,000 and public opinion research service contracts valued up to \$400,000. There is one supply arrangement list for each service for all federal departments to use. A supply arrangement is not a contract, and neither party is legally bound as a result of signing this document.

**MERX**—Contracts for advertising and public opinion research valued over \$750,000 and \$400,000 respectively must be posted on MERX, the electronic tendering system serving both federal government departments and suppliers. It posts procurement notices and bid solicitation documents for suppliers to bid on federal government contracts for goods and services.

**1.20** We noted that all successful suppliers of advertising and public opinion research services met mandatory requirements.

**1.21** We also noted that PWGSC evaluated the financial component of the technically compliant bids. The evaluation of these bids was carried out in a fair manner.

**1.22** PWGSC posted advertising contracting opportunities on MERX when the value of the proposed procurement exceeded an established threshold of \$750,000.

**PWGSC has strengthened the procedures for awarding advertising contracts**

**1.23** In our 2003 audit, we reported that advertising agencies were selected in a manner that did not meet the requirements of the Treasury Board's Contracting Policy. We noted that in some cases there was no evidence that a selection process had been conducted at all.

**1.24** We expected that PWGSC would have made satisfactory progress in ensuring that advertising contracts were awarded in a fair, equitable, and transparent manner.

**1.25 Standing offers.** To improve the basis on which firms with standing offers were selected to carry out individual advertising campaigns, PWGSC established a mechanism for awarding government contracts based on the relative ranking of each firm when the standing offer list was established.

**1.26** For advertising campaigns valued at less than \$75,000, PWGSC has a formal process for awarding contracts among the agencies on its standing offer list. At the time the standing offer list was developed in May 2004, the ten firms on the list were ranked from highest to lowest, according to the number of points awarded to them when their bids were evaluated. Based on this ranking, each firm was assigned a percentage share that they would receive of government business for advertising contracts valued at less than \$75,000. PWGSC provides a department managing a campaign with the names of the three firms on the standing offer list that have received the least amount of their established market share of business. The department is required to select one of the three firms.

**1.27** As part of our audit, we assessed this process. For the advertising campaigns valued at less than \$75,000 that were administered by the departments we audited, we reviewed each contract file to ensure it contained an analysis of the amount of government business allotted to each firm and identified the three firms that had received the least amount of their allotted share of business. We found that each file contained the necessary analysis and that departments were asked to choose from among these three firms. We noted in our tests that the system was properly updated each time a contract was issued.

**1.28 Supply arrangement.** For advertising campaigns valued between \$75,000 and \$750,000, government business is awarded through competitive tendering among all firms on the approved supply arrangement list. We reviewed the contract award process for the advertising campaigns in this expected dollar range in the departments we audited to determine whether PWGSC had followed its established procedures.

**1.29** We found that for each of the nine advertising campaigns that had values within this dollar range, PWGSC had conducted a competitive tendering and selected the winning firm based on the evaluation of the proposals by an evaluation team consisting of representatives from PWGSC and the client department.

**1.30 MERX.** For advertising campaigns valued at more than \$750,000, a request for proposal must be posted on MERX. For the departments included in our audit, there was one advertising campaign that had a budgeted value in excess of \$750,000. We found that a competitive tendering was carried out on MERX in accordance with the Treasury Board's Contracting Policy.

**1.31** In our view, PWGSC has adhered to its established practices for awarding the government's advertising contracts.



**Agency of Record**—A private sector supplier that negotiates, consolidates, purchases, and verifies advertising media time and space for all federal government departments. Under contract with the Government of Canada, the Agency of Record is selected through a competitive process.

**The process for selecting the Agency of Record was fair and transparent**

**1.32** As part of our audit, we assessed the process that PWGSC used for selecting one **Agency of Record** for the entire Government of Canada. We found that the process had been conducted in a fair and transparent manner. The request for proposals clearly stated the mandatory requirements and how bids would be rated. We noted that the bid evaluation team followed a formal evaluation process. We also found that the evaluation process included the use of a fairness monitor.

**PWGSC has made satisfactory progress in improving contracting practices**

**1.33** Based on the audit work completed, we have concluded that the contracting practices used by PWGSC to establish standing offer and supply arrangement lists and for selecting the Agency of Record were in accordance with the Treasury Board’s Contracting Policy (Exhibit 1.4).

**Exhibit 1.4 PWGSC has made satisfactory progress in improving contracting practices**

	Selection of supplier	Allocation of government advertising business	Selection of Agency of Record
Public Works and Government Services Canada	●	●	●

- **Satisfactory**—Progress is satisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.
- **Unsatisfactory**—Progress is unsatisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.

**Managing advertising activities in departments**

**Advertising activities were properly managed**

**1.34** In our 2003 audit, we reported that while some departments had carried out their responsibilities for managing advertising activities and ensuring that advertising agencies had fulfilled the requirements of contracts, others had not.

**1.35** For this status report, we assessed the steps that departments had taken since 2003 to strengthen their management of advertising activities. We looked at progress in three areas:

- planning and approval,
- development of a clear statement of work, and
- documentation of decisions made.

**1.36** To carry out our assessment, we examined all advertising campaigns conducted by the departments included in our audit during the 2004–05 and 2005–06 fiscal years and all advertising campaigns conducted between 1 April 2004 and 31 August 2006.

**1.37** We expected that, in accordance with the Communications Policy of the Government of Canada, departments would have

- obtained the approval of Cabinet and sought the advice of Privy Council Office and PWGSC for proposed advertising campaigns,
- developed a clear statement of work before choosing an advertising agency,
- required advertising agencies to define a strategy to reach the identified target audience and to provide an analysis of the media habits of that target audience, and
- documented key management decisions about the advertising campaign.

**1.38 Planning and approval.** We found that, in all but one case, departments had obtained the necessary approval from Cabinet before initiating the campaign. With the Public Health Agency of Canada’s (PHAC) pandemic influenza campaign, there was no Cabinet decision for the campaign. PHAC explained that a proposal was not submitted for Cabinet approval and that an advertising agency was hired to develop a campaign that would only be launched in case of a pandemic. The Government Advertising Committee was informed of this and acknowledged this course of action in the Committee’s records of proceedings. Due to the nature of the campaign, we are satisfied with the explanation provided by the Department.

**1.39 Statement of work.** Before selecting or meeting with an advertising agency, departments submit a statement of work for an advertising initiative to PWGSC. The statement of work should include, for example, the objectives and purpose of the campaign and the timeframe for work to be completed. All advertising campaigns contracted through PWGSC had developed a clear statement of work before the selection of an advertising agency.

**1.40 Strategy and design.** As required, departments work with their advertising agency to develop a strategy and design a campaign for reaching the target audiences. In all cases we examined, we found a strategy and a campaign design.

**1.41 Documentation of decisions.** We expected that departments would maintain adequate documentation to demonstrate that they

had followed the Communications Policy of the Government of Canada in managing advertising, and to document decisions. We found that departments had generally maintained adequate documentation to record what they had done to administer advertising campaigns in accordance with the requirements of the policy.

**1.42** We did note, however, that Human Resources and Social Development Canada (HRSDC) did not have adequate documentation for two advertising campaigns to provide a clear and complete picture of the transactions and decisions relating to these projects. While HRSDC had prepared and submitted documentation to PWGSC, we found that there was only limited information available within HRSDC. We noted that HRSDC was able to provide the documents to us by obtaining copies from PWGSC. The Communications Policy of the Government of Canada as well as principles of sound management, require each department to create and retain complete information on all its advertising campaigns. This information should have been available from HRSDC. We also noted that within HRSDC one public opinion research file was not adequately documented.

**1.43 Satisfactory progress.** Based on the audit work completed, we have concluded that departments have made satisfactory progress since our last audit in planning for advertising campaigns and administering the advertising process (Exhibit 1.5).

**Media placements were properly authorized**

**Work authorization**—The written authorization issued by PWGSC to the Agency of Record to purchase advertising media space and/or time from media suppliers.

**1.44** As part of our audit, we examined the process used by PWGSC to issue **work authorizations** to the Agency of Record so that they can place a government advertisement in the media (for example, television, radio, or print). Work authorizations are issued by PWGSC in response to requests from departments that require the Agency of Record to acquire media placements.

**Exhibit 1.5** The departments have made satisfactory progress in managing advertising activities

	Planning and approval	Statement of work	Documentation of key decisions
Departments' progress in managing advertising activities	●	●	●

- **Satisfactory**—Progress is satisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.
- **Unsatisfactory**—Progress is unsatisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.

**1.45** Work authorizations are an important part of the advertising process because the cost of the media placements is the most significant portion of the expenditure for advertising. This work authorization initiates the process of placing the advertisement in the media. The work authorization also forms the basis on which commissions will be paid to the Agency of Record.

**1.46** We expected that work authorizations would be issued in accordance with the terms and conditions of the contract established by the government and that there would be work authorizations with the Agency of Record for all government media placements.

**1.47** We examined a sample of work authorizations issued for each of the advertising campaigns carried out by the departments included in our audit. We wanted to determine if each placement had been properly authorized by PWGSC.

**1.48** We found that there were approved work authorizations for all placements.

#### **Results of advertising were evaluated and reported**

**1.49** The Communications Policy of the Government of Canada requires that departments evaluate all advertising campaigns that exceed \$400,000 in media placements. Departments must assess the impact and value of the advertising initiative before and after it is implemented, and provide the results of the evaluation to the Privy Council Office and PWGSC. We expected that all departments would comply with this requirement.

**1.50** In the advertising campaigns that we reviewed, 10 of the 26 campaigns were valued at over \$400,000 in media placement and therefore required pre- and post-campaign evaluation. We noted that campaigns were pre-tested and post-tested and the results were reported in all but one case (Finance Canada's GST Reduction Campaign, which did not undergo pre-testing but did undergo post-testing).

#### **Withdrawal of advertising during elections worked as intended**

**1.51** The Communications Policy of the Government of Canada states, with some exceptions, that institutions must suspend all advertising activities during general elections. In our 2003 audit, we reported that during the November 2000 general election, advertisements were pulled off the air.

**1.52** In this audit, we assessed whether departments had suspended media placement during the general elections in June 2004 and January 2006. Advertising during a general election is only permitted when an institution

- is required by statute or regulation to issue a public notice for legal purposes;
- must inform the public of a danger to health, safety, or the environment; or
- must post an employment or staffing notice.

**1.53** We found that there were no advertisements placed during the two general election periods and that the system reacted swiftly to pull ads off the air.

**1.54** In addition, the Policy states that advertising plans and activities must stop as soon as a general election is called, and cannot resume until the day the elected government is sworn into office.

**1.55** The Policy established this requirement to avoid the risk that a department would work on an advertising project that might not remain a priority should a new government be elected. We expected that all departments would comply with this requirement.

**1.56** We found that HRSDC, in contravention of the policy, continued to create its advertising campaigns (Services for Seniors, Services for Persons with Disabilities, and Post-Secondary Education: ICCSFA Pan-Canadian Communications Initiative) during general elections. While the department has indicated that it continued its work with the approval of the Privy Council Office and in accordance with a federal-provincial Memorandum of Understanding, we are of the view that HRSDC's continuation of its advertising activities was not in accordance with the Communications Policy of the Government of Canada.

## Managing public opinion research activities in departments

**1.57** In our 2003 audit, we reported that public opinion research activities were managed with a certain degree of transparency and that roles, responsibilities, and procedures were generally clear, and selecting suppliers of public opinion research services followed the rules. We also noted weaknesses in the following areas:

- Some project files did not clearly explain project objectives or rationale.
- There was some departure from rules in managing standing offers and call-ups.

- Not all public opinion research reports were released to the public.

**1.58** For this status report, we expected that in managing public opinion research projects, departments would

- document their rationale for selecting suppliers from the standing offer and supply arrangement lists, and
- document the need for and planned use of public opinion research.

**1.59** We assessed the management of public opinion research through a review of all high value items (those in excess of \$200,000) and a representative sample of contracts with values between \$25,000 and \$200,000.

**1.60** We also expected PWGSC to deposit copies of final reports with the Library of Parliament and Library and Archives Canada, as per the requirements of the Communications Policy of the Government of Canada.

#### **Departments document rationale for selecting firms**

**1.61** As part of our audit, we assessed whether departments were providing a rationale for the selection of public opinion research firms for research projects valued between \$25,000 and \$200,000.

**1.62** The contract between the government and suppliers requires that departments select from among the public opinion research firms listed on the standing offer list the firm they believe is most suited to the opinion research that the department requires. Departments must document the rationale for their selection. Departments consider such things as the firm's knowledge of the subject matter, its experience with target populations, its expertise with specific techniques, its availability to supply the service at the time the request is made, and any proprietary techniques to be applied to the research process.

**1.63** We noted that for each public opinion research project we audited, the selection rationale was documented.

#### **Unsatisfactory progress in documenting the need for planned research**

**1.64** The Communications Policy of the Government of Canada states that departments must provide to PWGSC a description of any POR project that it wants to carry out. This description should include a statement of the need for the project and how the results will be used.

**1.65** In our 2003 audit, we reported that 20 percent of departmental public opinion research projects did not demonstrate why the research

was needed or how the results would be used. In this audit, we assessed whether departments had made progress in this area.

**1.66** In our current audit, we reviewed all high value public opinion research contracts (those in excess of \$200,000) and a representative sample of contracts between \$25,000 and \$200,000. We noted that in the five high value contracts, the required statement of need and intended use of the research were documented. We also noted that in our representative sample departments had documented the need for undertaking the project and how the results will be used in 80 percent of the cases. This is approximately the same rate of compliance with the policy as we reported in 2003.

**1.67 Mixed progress.** In general, we found that departments have made satisfactory progress in documenting the rationale for the selection of a supplier from the standing offer lists. However, departments have made unsatisfactory progress in documenting the need for the planned research (Exhibit 1.6).

**Exhibit 1.6 Progress in documenting public opinion research activities**

	Documented rationale for supplier selection	Documented need for planned research
Government progress in documenting public opinion research activities	●	○

- **Satisfactory**—Progress is satisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.
- **Unsatisfactory**—Progress is unsatisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.

**Departments did not notify PWGSC of planned research in advance**

**1.68** The Communications Policy of the Government of Canada requires that departments submit to PWGSC a description of the work to be carried out before contacting a potential POR firm.

**1.69** We found that departments adhered to this policy requirement for two of the five high value contracts we examined. We also noted that in 85 percent of the files in our representative sample, departments had not submitted to PWGSC the necessary documentation prior to contacting a POR firm. This minimizes PWGSC’s ability to assist departments by reviewing their research objectives, methodologies, and instruments; advising on the preparation of statements of work; advising on project costs; and

helping to develop evaluation criteria and other materials used in tendering services and selecting a supplier.

**1.70 Recommendation.** Departments should ensure that the required notification of planned research is provided to Public Works and Government Services Canada prior to contacting research firms.

**The government's response.** The Treasury Board Secretariat, the Privy Council Office, and Public Works and Government Services Canada (PWGSC) agree with the recommendation. PWGSC has unique expertise and can advise departments on the tendering and contracting process, and in the development of research plans, strategies, and tools.

In January 2007, the Secretary of the Treasury Board sent a notice to departments concerning requirements of the Communications Policy of the Government of Canada related to public opinion research and advertising, in particular the requirement to notify PWGSC prior to contracting public research firms.

Recent changes have also been made to strengthen and enhance oversight of the early stages of the public opinion research process. As part of the Federal Accountability Action Plan, the Communications Policy of the Government of Canada was amended on 1 August 2006 to require departments to forward draft instruments to PWGSC, on request, no less than 24 hours prior to fieldwork being conducted for advice on compliance with policy, legislation, and generally accepted market research and Government of Canada standards.

### **PWGSC appropriately disclosed results of public opinion research**

**1.71** Under the Communications Policy of the Government of Canada, departments are required to provide results of custom public opinion research to PWGSC, which in turn deposits them with the Library of Parliament and Library and Archives Canada. The primary purpose is to provide transparency, through public disclosure, of the nature of the public opinion research that the government has conducted.

**1.72** In our 2003 audit, we reported that departments delayed forwarding their final project reports to the former Communication Canada. Therefore, results were not released within the required three months established by the Communications Policy of the Government of Canada. In addition, some results were not released at all.



**1.73** As part of our current audit, we looked to see if the results of POR projects included in our representative sample had been deposited according to the Policy.

**1.74** We found that in each case, the results of completed POR had been provided by departments to PWGSC and that all of these reports were sent from PWGSC to the Library of Parliament and Library and Archives Canada (Exhibit 1.7).

**1.75** We noted that the Policy was amended on 1 August 2006 to require that departments, not PWGSC, be responsible for depositing, within six months of the completion of public opinion research fieldwork, copies of final reports to the Library of Parliament and to Library and Archives Canada.

**Exhibit 1.7 Progress in reporting public opinion research results is satisfactory**

	Reporting results to the public
Public Works and Government Services Canada	●

- **Satisfactory**—Progress is satisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.
- **Unsatisfactory**—Progress is unsatisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.

**Controlling the expenditure of public money**

**Satisfactory progress in authorizing the expenditure of public money**

**1.76** In our 2003 audit, we noted a number of instances of non-compliance with the requirements of the *Financial Administration Act* (FAA). Specifically we noted that in many instances, documentation to support the expenditure of public money could not be found and in some instances there was an absence of written contracts to govern work completion. We also noted that the FAA’s requirements for the expenditure of public money were not always met and, in some instances, departments had not challenged commissions charged on subcontract work.

**1.77** We expected that departments would adhere to the requirements of the FAA’s section 34 in paying for advertising and POR services. Section 34 requires that before a payment is made for goods or services, departments have assurance that value has been received.

**1.78** We assessed a sample of invoices for each of the advertising and public opinion research projects included in our audit to determine if each invoice was administered according to the established

departmental policy and met the FAA requirements. We audited invoices that amounted to 84 percent of the expenditures for the advertising and public opinion research projects included in our audit. We sought to ensure that departments had received appropriate support for claims submitted for payment. We examined 317 invoices amounting to \$32.3 million.

**1.79** We noted that in 92 percent of the invoices we audited as part of our representative sample, the department had received adequate documentation from the public opinion research firms to support the invoice. Similarly we noted that 100 percent of the invoices we examined for high value public opinion research contracts were properly supported. We also noted that 99 percent of the invoices that we examined for advertising contracts were properly supported.

**1.80** In those instances where invoices were not fully supported it generally related to inadequate support for overhead charges or payment of fees to individuals who had participated in public opinion research focus groups.

**1.81** For those invoices with sufficient documentation, we found that 87 percent of the invoices in our sample of POR transactions were properly signed and dated under section 34 of the FAA. We also found that 78 percent of the advertising invoices audited were properly signed and dated. In the instances where approvals for section 34 were signed but not dated, it was difficult to determine if the person who signed had delegation of authority at the time of authorizing payment.

**1.82** We noted that to address the concerns raised in our previous audit about commission-based compensation, government contracts now have established clear hourly rates for most types of advertising contracts. We also noted that there were written contracts for all advertising campaigns and all public opinion research projects.

**1.83** Based on the audit work completed, we have concluded that departments have made satisfactory progress in ensuring that there is adequate documentation to support payment of invoices submitted (Exhibit 1.8).

**Exhibit 1.8 Progress in authorizing the expenditure of public money is satisfactory**

	Authorizing the expenditure of public money
Departments' progress in compliance with the <i>Financial Administration Act</i>	●

- **Satisfactory**—Progress is satisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.
- **Unsatisfactory**—Progress is unsatisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.

## Conclusion

**1.84** In our current audit, we found that PWGSC has made satisfactory progress in ensuring that it awards contracts for advertising and public opinion research services in a fair and transparent manner in accordance with the Treasury Board’s Contracting Policy.

**1.85** Departments have made satisfactory progress in ensuring that planning for advertising activities and managing suppliers is done in accordance with the Communications Policy of the Government of Canada.

**1.86** The government has made satisfactory progress in ensuring that there was adequate documentation to support invoices submitted for payment for advertising and public opinion research activities.

**1.87** The results of advertising and public opinion research have been measured and reported in accordance with the requirements established by the Communications Policy of the Government of Canada.

**1.88** Some departments are still not complying with all requirements that apply to public opinion research. For example, some have contacted a research firm before informing PWGSC that they intend to carry out public opinion research activities.

## About the Audit

### Objectives

This status report assessed the actions taken by the government to ensure effective government-wide control over the spending of public money through advertising and public opinion research and to respond to observations and recommendations contained in our November 2003 Report (Chapter 4 on advertising and Chapter 5 on public opinion research). Our objectives were to determine

- the extent to which the government had taken corrective action in response to our past recommendations;
- whether the government had implemented adequate control over the spending of public money on advertising and public opinion research activities, and complies with relevant authorities; and
- whether the results of the activities had been measured and reported in accordance with the requirements of the Communications Policy of the Government of Canada.

With respect to departments and agencies, we determined whether they have adequate management and control over advertising and public opinion research activities.

### Scope and approach

To conduct our audit work, we reviewed transactions from the 2004–05 and 2005–06 fiscal years, and transactions between 1 April 2004 and 31 August 2006. We assessed all the advertising campaigns within the departments in our audit. We selected a representative sample of public opinion research activities. We did not audit the use of public notices, which are paid announcements of such things as tenders and public hearings. To assess the control of public expenditures, we audited invoices totalling 84 percent of the value of the expenditures for each advertising campaign and public opinion research project.

In addition, we analyzed the contract database administered by PWGSC to identify any contracts that had been frequently amended or where an amendment resulted in the contract exceeding dollar thresholds for its transaction type.

The departments and agencies included in our audit were

- Canada Revenue Agency;
- Canadian Heritage;
- Canada Investment and Savings;
- Department of Finance Canada;
- Department of Justice Canada;
- Health Canada;
- Human Resources and Social Development Canada, including Service Canada; and
- Public Health Agency of Canada.

We assessed the role of two central agencies (the Privy Council Office and Treasury Board Secretariat) and the role of Public Works and Government Services Canada (PWGSC) in contracting for advertising and public opinion research on behalf of other government departments.

**Criteria**

We expected that the government would do the following:

- comply with authorities,
- define departmental objectives to be achieved by advertising campaigns and public opinion research,
- exercise due diligence in approving individual projects,
- ensure due diligence in spending and accounting for the use of public funds,
- use funds for the intended purposes, and
- monitor the implementation of the government's policy on advertising and public opinion research and achievement of policy objectives.

**Audit work completed**

Audit work for this chapter was substantially completed on 17 November 2006.

**Audit team**

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## Appendix List of recommendations

The following is a list of recommendations found in Chapter 1. The number in front of the recommendation indicates the paragraph where it appears in the chapter. The numbers in parentheses indicate the paragraphs where the topic is discussed.

Recommendation	Response
<b>Managing public opinion research activities in departments</b>	
<p><b>1.70</b> Departments should ensure that the required notification of planned research is provided to Public Works and Government Services Canada prior to contacting research firms. (1.57–1.69)</p>	<p>The Treasury Board Secretariat, the Privy Council Office, and Public Works and Government Services Canada (PWGSC) agree with the recommendation. PWGSC has unique expertise and can advise departments on the tendering and contracting process, and in the development of research plans, strategies, and tools.</p> <p>In January 2007, the Secretary of the Treasury Board sent a notice to departments concerning requirements of the Communications Policy of the Government of Canada related to public opinion research and advertising, in particular the requirement to notify PWGSC prior to contracting public research firms.</p> <p>Recent changes have also been made to strengthen and enhance oversight of the early stages of the public opinion research process. As part of the Federal Accountability Action Plan, the Communications Policy of the Government of Canada was amended on 1 August 2006 to require departments to forward draft instruments to PWGSC, on request, no less than 24 hours prior to fieldwork being conducted for advice on compliance with policy, legislation, and generally accepted market research and Government of Canada standards.</p>







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