



KPMG LLP
Chartered Accountants

St. Andrew's Square II
800-730 View Street
Victoria BC V8W 3Y7

KPMG C11PAB22968
FILE COPY

Telephone (250) 480-3500
Telefax (250) 480-3539
www.kpmg.ca

Darwin Sauer, Executive Director
Corporate Communications Division
Public Affairs Bureau
Ministry of Citizens' Services
PO BOX 9409 STN PROV GOVT
Victoria BC
V8W9V1

September 24, 2010

Dear Mr. Sauer

Audit of the Agency of Record

KPMG LLP ("KPMG") is pleased to submit our final auditors' report and long-form audit report in respect of our audit of the province's Agency of Record, Vizeum Canada Inc., during the period June 1, 2009 to May 31, 2010.

Thank you for the opportunity to be of assistance to the Public Affairs Bureau in this engagement.

Sincerely,

KPMG LLP

Gordon S. Gunn
Associate Partner
Advisory Services
250-480-3563
ggunn@kpmg.ca



KPMG LLP
Chartered Accountants
St. Andrew's Square II
800-730 View Street
Victoria BC V8W 3Y7

Telephone (250) 480-3500
Fax (250) 480-3539
Internet www.kpmg.ca

AUDITORS' REPORT ON COMPLIANCE WITH AGREEMENT

Executive Director
Corporate Communications Division
Public Affairs Bureau
Ministry of Citizens' Services

We have audited Vizeum Canada Inc.'s compliance during the year ended May 31, 2010 with the criteria established in Sections 4, 7 and 8 of the Advertising Services Agreement (#C09PAB001) with the Province of British Columbia. Compliance with the criteria established by the provisions of the agreement is the responsibility of the management of Vizeum Canada Inc. Our responsibility is to express an opinion of this compliance based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether Vizeum Canada Inc. complied with the criteria established by the provisions of the agreement referred to above. Such an audit includes examining, on a test basis, evidence supporting compliance with the agreement.

In our opinion, during the year ended May 31, 2010, Vizeum Canada Inc. was in compliance, in all material respects, with the criteria established in Sections 4, 7 and 8 of the Advertising Services Agreement.

Chartered Accountants
Victoria, Canada
September 17, 2010



Audit of the Advertising Agency of
Record—Long-Form Report (Final)
Public Affairs Bureau, Ministry of Citizens
Services
September 17, 2010

Submitted by:

Gordon S. Gunn
Associate Partner
ggunn@kpmg.ca

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Executive Summary

The Public Affairs Bureau, Ministry of Citizens' Services engaged KPMG LLP to audit contract compliance by the Province's Advertising Agency of Record ("AOR"), Vizeum Canada Inc., during the twelve-month period ended May 31, 2010 with the criteria established in Sections 4, 7 and 8 of the Agency of Record Agreement (#C09PAB001) with the Province of British Columbia. We have issued a separate Auditors' Report on Compliance with Agreement that presents our audit conclusions. This Long Form Report is designed to provide additional information in respect to the results of our audit. This report is confidential and intended solely for the use of the Public Affairs Bureau, Ministry of Citizens' Services with respect to their responsibilities in administering the contract with the Advertising Agency of Record. This report is a by-product of the audit and is therefore a derivative communication. This report should not be used for any other purposes. No responsibility for loss or damages, if any, to any third party is accepted, as this report has not been prepared for, and is not intended for, any other purposes. This Long Form Report should not be distributed to others without our prior written consent.

The purpose of the audit was to render an audit opinion with respect to the AOR's compliance, during the twelve-month period ended May 31, 2010, with Sections 4, 7 and 8 of the Agency of Record Agreement (the "Agreement"). In addition, we are to report our specific observations, conclusions and recommendations resulting from the audit.

The scope of our audit involved selecting a representative sample of transactions from the population of AOR invoices presented and paid in the period June 1, 2009 to May 31, 2010. These transactions totalled \$2,171,198. With this sample as our audit base, we verified compliance by Vizeum Canada Inc. (the AOR) with Sections 4, 7 and 8 of the Agreement dated June 1, 2008.

The following is a summary of the significant findings contained in the report.

- Appropriately prepared Advertising Placement Orders were used to document purchase approval for all media services.
- Tearsheets supporting print media placements were provided for all print audit samples that required a tearsheet.
- Section 7.04 of the Agreement requires the AOR to provide monthly written statements of trust account activity to the Public Affairs Bureau. The AOR was in compliance with this section during the current audit period.

- In all other significant respects, we found that Vizeum Canada Inc. complied with the terms of the Agreement.
- We found that fixed monthly fees under Section 1 b) of Schedule B to the Agreement were accurately calculated and billed by the AOR to the Province. No variable fees under Section 1 a) of Schedule B to the Agreement were earned or billed during the year.

Purpose and Scope of the Audit

A. Purpose

The Province of British Columbia appointed Vizeum Canada Inc. as its Advertising Agency of Record ("AOR") by way of an Agency of Record Agreement (the "Agreement") dated June 1, 2008. Under this Agreement, Vizeum Canada Inc. provides services related to the centralized buying and placement of print and electronic media services during the period June 1, 2008 to May 31, 2011.

One of the key responsibilities of the AOR is to ensure "Media Performance" by media suppliers. As this assurance is a component of the government's expenditure control system, it is considered necessary to conduct a compliance audit to ensure that the controls exercised by the AOR exist and function effectively throughout the contract period.

B. Scope

The scope of our audit work included:

1. Substantive testing

- a) We obtained a listing of all payments to the Advertising Agency of Record, by the government entity. We then requested and obtained copies of all supporting AOR invoices from Vizeum Canada Inc. The total value of media services and fees invoiced by the AOR was \$2,171,198 during the twelve-month period ended May 31, 2010.
- b) We selected a 200-item dollar unit sample from the AOR invoices received and paid by the Province during the twelve-month period ended May 31, 2010.
- c) For items selected in (b) above, we attended the Vancouver office of Vizeum Canada Inc. to verify documented evidence of "Media Performance" and the timely payment of supplier invoices by the AOR.
- d) For the items selected in (b) above, we verified that media services billed by the AOR agreed to services that were properly ordered by the Province; that there was appropriate documented evidence of "Media Performance"; that fees and expenses charged by the AOR were in accordance with the Agreement, payments were made to the suppliers on a timely basis and all discounts specified in the Agreement as belonging to the Province were properly credited to the province.

- e) We verified that the AOR maintained a Trust Account in accordance with Section 7.01 of the Agreement and complied with the terms in Section 7 of the Agreement with respect to the operation of the Trust Account.

2. Reporting

- a) We prepared draft audit and long-form reports and submitted these reports to the Executive Director, Corporate Communications Division, Public Affairs Bureau.
- b) We submitted our final reports to the Executive Director, Corporate Communications Division, Public Affairs Bureau.

Observations, Conclusions and Recommendations

Contract Compliance

In all material respects, we found that the AOR complied with the terms in Sections 4, 7 and 8 of the Agreement.

1. Advertising Placement Orders

We found that all media placements were properly supported by Advertising Placement Orders (APOs) approved by ministries.

2. Tearsheets

In preparation for our visit, the AOR was requested to pull tearsheets supporting print media services placed on behalf of the Province. The AOR was able to provide all tearsheets requested.

3. Affidavits

The AOR was requested to provide media vendor affidavits and invoices to support all services included in our audit sample. In all cases, we were able to verify services to vendor affidavits and invoices for the sample. We conducted tests on payments to vendors to ensure that payments cleared the AOR trust account on a timely basis. We found no payments that were not made on a timely basis.

For the testing sample, we found no instances where Vizeum Canada Inc. did not adequately verify Media Performance and confirm the receipt of services.

4. Accuracy of AOR Billings

We found that fixed monthly fees under Section 1 b) of Schedule B to the Agreement were accurately calculated and billed by the AOR to the Province. No variable fees under Section 1 a) of Schedule B to the Agreement were earned or billed during the year.

5. Payment of Trust Account Balance

Section 7.05 of the Agreement requires the AOR to pay any remaining balance in the Trust Account to the Ministry, at the end of each fiscal year or at the expiration or termination of the Agreement. We noted that the AOR last paid out the Trust Account balance to the Ministry as at August 31, 2009. The AOR did not pay out the Trust Account balance at March 31, 2010 as required by the Agreement. We understand that the balance payable to the Ministry at that date was \$59, an immaterial amount.



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AUDITORS' REPORT ON COMPLIANCE WITH AGREEMENT

To the Assistant Deputy Minister
Strategic Planning and Public Engagement Division
Government Communications and Engagement
Ministry of Citizens' Services and Open Government

We have audited Vizeum Canada Inc.'s compliance during the year ended May 31, 2012 with the criteria established in Sections 4, 7 and 8 of the Advertising Services Agreement (#C09PAB001) with the Province of British Columbia, and associated modification agreements dated July 1, 2010 and June 1, 2011 (the Agreement). Compliance with the criteria established by the provisions of the Agreement is the responsibility of the management of Vizeum Canada Inc. Our responsibility is to express an opinion of this compliance based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether Vizeum Canada Inc. complied with the criteria established by the provisions of the Agreement referred to above. Such an audit includes examining, on a test basis, evidence supporting compliance with the Agreement and evaluating the overall compliance.

In our opinion, during the year ended May 31, 2012, Vizeum Canada Inc. was in compliance, in all material respects, with the criteria established in Sections 4, 7 and 8 of the Advertising Services Agreement.

Chartered Accountants

Victoria, Canada

October 22, 2012



cutting through complexity

Audit of the Advertising Agency of Record—Long-Form Report (Draft)

Government Communications and Public
Engagement, Ministry of Citizens'
Services and Open Government

December 12, 2012

Submitted by:

Gordon S. Gunn
Partner
ggunn@kpmg.ca

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A. Contract Compliance	5

Executive Summary

The Government Communications and Public Engagement office, Ministry of Citizens' Services and Open Government (the "Province") engaged KPMG LLP to audit contract compliance by the Province's Advertising Agency of Record ("AOR"), Vizeum Canada Inc., during the twelve-month period ended May 31, 2012 with the criteria established in Sections 4, 7 and 8 of the Agency of Record Agreement (#C09PAB001) with the Province of British Columbia. We have issued a separate Auditors' Report on Compliance with the Agency of Record Agreement that presents our audit conclusions. This Long Form Report is designed to provide additional information in respect to the results of our audit. This report is confidential and intended solely for the use of the Province with respect to their responsibilities in administering the contract with the AOR. This report is a by-product of the audit and is therefore a derivative communication. This report should not be used for any other purposes. No responsibility for loss or damages, if any, to any third party is accepted, as this report has not been prepared for, and is not intended for, any other purposes. This Long Form Report should not be distributed to others without our prior written consent.

The purpose of the audit was to render an audit opinion with respect to the AOR's compliance, during the twelve-month period ended May 31, 2012, with Sections 4, 7 and 8 of the Agency of Record Agreement (the "Agreement"). In addition, we are to report our specific observations, conclusions and recommendations resulting from the audit.

The scope of our audit involved selecting a representative sample of transactions from the population of AOR invoices presented and paid in the period June 1, 2011 to May 31, 2012. These sampled transactions totalled \$3,256,232. With this sample as our audit base, we assessed compliance by Vizeum Canada Inc. (the AOR) with Sections 4, 7 and 8 of the Agreement dated June 1, 2008, and associated modification agreements dated July 1, 2010 and June 1, 2011.

The following is a summary of the significant findings contained in the report.

- In all significant respects, we found that Vizeum Canada Inc. complied with the terms of the Agreement;
- Appropriately prepared Costing Estimates and Advertising Placement Orders were used to document purchase approval for all media services;

- Tearsheets supporting print media placements were provided for all print audit samples that required a tearsheet;
- Affidavits supporting non-print media placements (e.g. online, television) were provided for all audit samples that required an affidavit;
- Section 7.04 of the Agreement requires the AOR to provide monthly written statements of trust account activity to the Government Communications and Public Engagement Office. The AOR was in compliance with this section during the audit period;
- We found that fixed monthly fees, variable fees and cancellation fees under Section 1 of Schedule B to the Agreement were accurately calculated and billed by the AOR to the Province; and
- Section 7 of Schedule B requires the AOR to make timely payments to media vendors for advertising placements on behalf of the Province. In total, we sampled 175 media placements and associated billings and payments. We found 42 media placements (24%) for which the payment of vendor invoices by Vizeum exceeded 90 days, and averaged 131 days. Upon detailed investigation, we found that for 35 of these media placements (83%), Vizeum had identified discrepancies between the invoice received and the advertising insertion order, which Vizeum resolved before paying the invoices.

We recommend that Vizeum implement measures to ensure that invoices with discrepancies identified are investigated and resolved in an expedient manner, such that all vendor invoices are paid within 90 days.

Purpose and Scope of the Audit

A. Purpose

The Province of British Columbia appointed Vizeum Canada Inc. as its Advertising Agency of Record ("AOR") by way of an Agency of Record Agreement (the "Agreement") dated June 1, 2008 and subsequently extended on July 1, 2010 and June 1, 2011. Under this Agreement, Vizeum Canada Inc. provides services related to the centralized buying and placement of print and electronic media services during the period June 1, 2008 to May 31, 2012.

One of the key responsibilities of the AOR is to ensure "Media Performance" by media suppliers. As this assurance is a component of the government's expenditure control system, it is considered necessary to conduct a compliance audit to ensure that the controls exercised by the AOR exist and function effectively throughout the contract period.

B. Scope

The scope of our audit work included:

1. Substantive testing

- a) We obtained a listing of all payments to the AOR, by government entity. We then requested and obtained copies of all supporting AOR invoices from Vizeum Canada Inc. The total value of media services and fees invoiced by the AOR was \$16,354,152 during the twelve-month period ended May 31, 2012.
- b) We selected a 200-item dollar unit sample from the AOR invoices received and paid by the Province during the twelve-month period ended May 31, 2012. The total value of the items sampled was \$3,256,232.
- c) For items selected in (b) above, we attended the Vancouver office of Vizeum Canada Inc. to verify documented evidence of "Media Performance" and the timely payment of supplier invoices by the AOR.
- d) For the items selected in (b) above, we verified that media services billed by the AOR agreed to services that were properly ordered by the Province; there was appropriate documented evidence of "Media Performance"; fees and expenses charged by the

AOR were in accordance with the Agreement, payments were made to the suppliers on a timely basis and all discounts specified in the Agreement as belonging to the Province were properly credited to the Province.

- e) We verified that the AOR maintained a Trust Account in accordance with Section 7.01 of the Agreement and complied with the terms in Section 7 of the Agreement with respect to the operation of the Trust Account.

2. Reporting

- a) We prepared draft audit and long-form reports and submitted these reports to the Executive Director, Government Communications and Public Engagement Office.
- b) We submitted our final reports to the Executive Director, Government Communications and Public Engagement Office.

Observations, Conclusions and Recommendations

Contract Compliance

In all significant respects, we found that the AOR complied with the terms in Sections 4, 7 and 8 of the Agreement.

1. Costing Estimates/Advertising Placement Orders

We found that all media placements were properly supported by Costing Estimates/Advertising Placement Orders (APOs) approved by representatives of the Government Communications and Public Engagement Office and the applicable government ministry.

2. Tearsheets

In preparation for our visit, the AOR was requested to pull tearsheets supporting print media services placed on behalf of the Province. The AOR was able to provide all tearsheets requested.

3. Affidavits

The AOR was requested to provide media vendor affidavits and invoices to support all services included in our audit sample. In all cases, we were able to verify services to vendor affidavits and invoices for the sample.

4. Vendor Payments

For the testing sample, we found no instances where Vizeum Canada Inc. did not adequately verify Media Performance and confirm the receipt of services. We conducted tests on payments to vendors to ensure that payments were made on a timely basis. We found 42 media placements (24%) for which the payment of vendor invoices by Vizeum exceeded 90 days, and averaged 131 days. Upon detailed investigation, we found that for 35 of these

media placements (83%), Vizeum had identified discrepancies between the invoice received and the advertising insertion order, which Vizeum resolved before paying the invoices.

We recommend that Vizeum implement measures to ensure that invoices with discrepancies identified are investigated and resolved in an expedient manner, such that all vendor invoices are paid within 90 days.

5. Accuracy of AOR Billings

We found that fixed monthly fees, variable fees and cancellation fees under Section 1 of Schedule B to the Agreement were accurately calculated and billed by the AOR to the Province.

6. Payment of Trust Account Balance

Section 7.05 of the Agreement requires the AOR to pay any remaining balance in the Trust Account to the Ministry, at the end of each fiscal year or at the expiration or termination of the Agreement. We confirmed that the AOR complied with this requirement.