
3 Communications Nova Scotia: Advertising, Procurement, and Performance

Summary

We found advertising campaigns and other communications from Communications Nova Scotia were generally nonpartisan in nature. However, the Agency persistently failed to follow the Province's procurement rules.

Eighty-four percent of the procurements we tested had problems. Issues included work commencing before purchase orders were created or contracts were signed, and large payments split into several smaller payments which fell just below the threshold for Procurement Office involvement. This demonstrates a lack of regard for the Province's procurement policies; we recommended the Agency ensure policies are followed.

We identified potential noncompliance with Canada Revenue Agency rules related to employees versus independent contractors. Communications Nova Scotia hires contractors to fulfill various roles. Many of these contractors work with the Agency over an extended period; it is difficult to distinguish these individuals from Provincial employees. We identified 10 instances in which the relationship appeared to meet many of Canada Revenue Agency's requirements for an employer-employee situation. We recommended that Communications Nova Scotia seek advice on this matter and obtain legal advice on how to address this situation if concerns are identified.

We also identified a potential concern when departmental Twitter accounts are used to retweet from political party accounts. The Agency's social media policy does not address Twitter and we have recommended it be updated.

Communications Nova Scotia's performance measurement, both at the Agency and advertising campaign levels, needs work. The Agency's objectives are difficult to assess because its accountability reports focus mostly on the work completed, rather than assessing the effectiveness of that work. At the advertising campaign level, objectives and campaign evaluations were inconsistent. We also found those campaigns with which Communications Nova Scotia was not involved were more likely to have issues.

3 Communications Nova Scotia: Advertising, Procurement, and Performance

Background

- 3.1 Communications Nova Scotia was created in 1996 to provide central coordination of Government's communications activities. It is a full service communication agency for the Province. Its mission is *"To help Nova Scotians understand what our government is doing and why."*
- 3.2 Communications Nova Scotia had 107.8 full-time-equivalent staff at the time of our audit. Half of its staff are located either at the central Communications Nova Scotia office or Queen's Printer; the remainder work in various departments across Government, reporting to managers in the central office. Staff located in Government departments deal with day-to-day communications, such as news releases and questions from the media, while also advising department staff on how to deal with issues publicly. Staff working out of head office include creative designers, editors and videographers, along with a marketing group to help guide advertising campaigns. All staff are available to any department or agency of Government to assist with communication needs.
- 3.3 In addition to the expertise within Communications Nova Scotia, external communication resources are hired as necessary. This occurs if a need is very specific and the skills do not exist within Communications Nova Scotia, or if there is more work to be done than existing staff can handle.
- 3.4 In fiscal 2013-14, Communications Nova Scotia's budget was \$8.8 million; actual expenditures for 2012-13 were \$8.7 million. Much of the cost of external consultants is paid directly by the departments using those services. This would not be captured under the Communications Nova Scotia budget.
- 3.5 Communications Nova Scotia operates under the Communications and Information Act. This Act has not been updated since 1992. However, near the end of our fieldwork, Government passed an amendment to the Public Service Act. In a news release, Government indicated the new legislation will better position Communications Nova Scotia as the Province's full service communication agency and ensure communications are nonpartisan.



Audit Scope and Objectives

- 3.6 In fall 2013, we completed a performance audit of Communications Nova Scotia. This included an assessment of information and advertising campaigns, procurement practices and performance measurement systems.
- 3.7 The purpose of the audit was to determine whether:
- Communications Nova Scotia's information and advertising are nonpartisan in nature and in compliance with applicable procurement requirements; and
 - Communications Nova Scotia monitors its effectiveness and makes necessary changes when issues are identified.
- 3.8 The audit was conducted in accordance with sections 18 and 21 of the Auditor General Act and auditing standards adopted by the Chartered Professional Accountants of Canada.
- 3.9 The objectives of the audit were to assess:
- whether advertising campaigns, news releases, media events, program and event signage, and social media releases are nonpartisan in nature;
 - Communications Nova Scotia's compliance with Provincial procurement rules;
 - monitoring of budgets for Communications Nova Scotia information and advertising campaigns;
 - whether Communications Nova Scotia has adequate processes to measure and report on its effectiveness, and take corrective action when issues are identified; and
 - whether Communications Nova Scotia ensures all significant advertising campaigns are assessed for effectiveness and appropriate steps taken when concerns are identified.
- 3.10 Audit criteria for this engagement were developed by this Office. The audit objectives and criteria were discussed with, and accepted as appropriate by, senior management at Communications Nova Scotia.
- 3.11 Our audit approach included interviews with management and staff at Communications Nova Scotia, review of documentation and communications, and testing procurement files for compliance with Provincial procurement policies. The audit covered the period from April 1, 2011 to September 1, 2013.



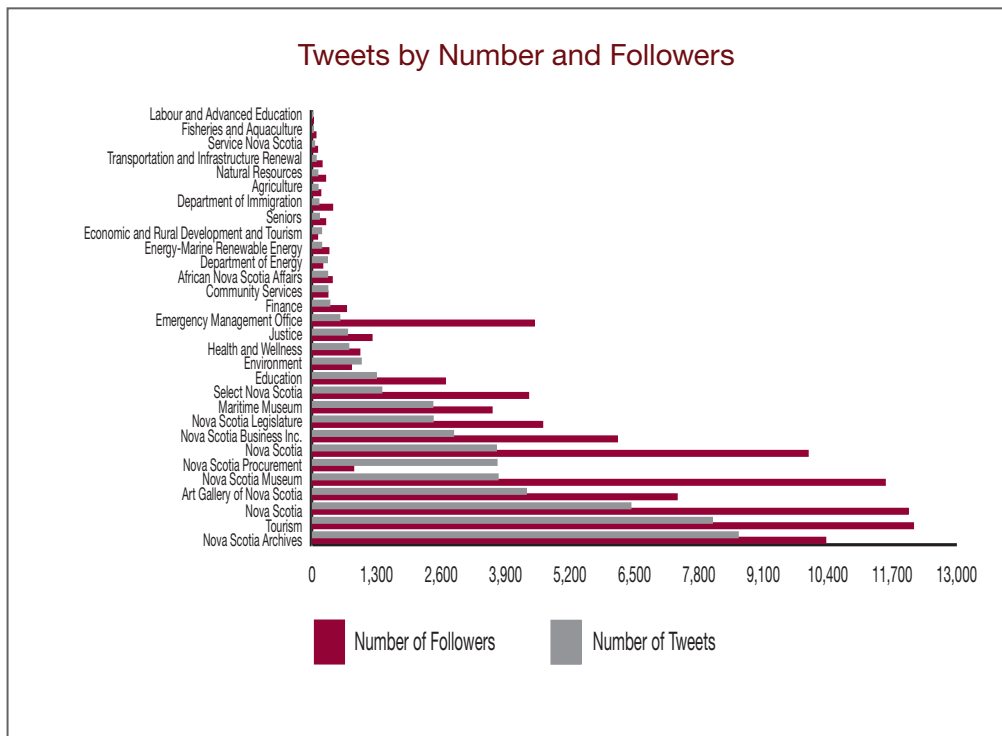
Significant Audit Observations

Advertising and Other Communications

Conclusions and summary of observations

We examined news releases, advertising, signage, Twitter feeds, and Facebook posts and found they were generally nonpartisan. We did note that social media feeds operated by Communications Nova Scotia on behalf of Government and various departments sometimes link to political party Twitter feeds. The existing social media policy does not adequately address the use of Twitter. We recommended that the Agency update its social media policy and provide direction on appropriate use of social media accounts. We also found a lack of consistency in the approach used across Government social media feeds.

3.12 *Social media use* – We identified and examined 30 unique Twitter feeds pertaining to the Government of Nova Scotia. These include both French and English feeds for Government as a whole, but also many feeds for individual departments, agencies and offices. As illustrated by the following graphs, some entities use Twitter frequently, while others are occasional users.





- 3.13 *Partisan communications* – We reviewed the tweets from each of the above feeds to see if there were any partisan-based messages posted to Government Twitter feeds. While we did not find any tweets that we considered partisan in nature, we did note a number of situations of retweeting from political party feeds. These retweets provide a direct link to partisan social media sites and exposure to politician and political party comments and accounts.
- 3.14 We identified 10 Facebook pages devoted to core Government or various departments. We did not find any partisan-based comments on these sites.
- 3.15 While Communications Nova Scotia has a social media policy, it is very general, and does not provide specific direction on the appropriate use of social media tools such as Facebook and Twitter. The policy was approved in July 2010 and has not been updated.
- 3.16 We are concerned by the lack of direction regarding acceptable use of Twitter and Facebook, including retweeting from or linking to political party feeds. As the technological advancements in communications move quickly, it is imperative for Government to provide adequate direction to staff regarding the use of the newest technologies and approaches. Related policies must be reviewed and updated on a much shorter cycle than a typical policy review to ensure they continue to address the ever-changing landscape in social media communications.

Recommendation 3.1

Communications Nova Scotia should review and update its social media policies, including providing direction regarding the appropriate use of Government social media accounts.

Communications Nova Scotia Response:

Communications Nova Scotia agrees with this recommendation. This has been completed. A review of the current social media policy and guidelines took place over the winter, with new versions approved in April 2014.

Recommendation 3.2

Communications Nova Scotia should develop a schedule for future review of its social media policy. This schedule should provide for timely review, considering the rate of change in available social media communication tools.

Communications Nova Scotia Response:

Communications Nova Scotia agrees with this recommendation. This has been completed. A review of the social media policy and guidelines will occur on an annual basis, to coincide with the updating of the annual corporate social media plan. The next review will occur in May 2015.

- 3.17 *Advertisements, news releases and signage* – We reviewed 30 advertisements, news releases for 30 days, and 30 signs prepared by Communications Nova

Scotia and found no partisan content. We looked for situations which referenced the party in power, attacked the views or policies of other parties, or provided links to party websites or social media feeds. We did not identify any concerns.

- 3.18 *Lack of approvals* – Communications Nova Scotia policies require approval of news releases or advertisements. We tested 50 sample items, comprised of 20 news releases and 30 advertisements, for approval. Twenty-nine of the 50 sample items were approved for release, but this was often from Communications Nova Scotia staff working in the client department which is not in compliance with policies. The remaining 21 sample items had no evidence of approval.

| Sample Testing Results – Approvals | | | |
|--|---------------|----------------|----------|
| | News Releases | Advertisements | Total |
| Approval from Communications Nova Scotia | 17 | 6 | 23 (46%) |
| Approval from Client Department | 2 | 4 | 6 (12%) |
| No Approval | 1 | 20 | 21 (42%) |
| Total Sample Items | 20 | 30 | 50 |

Recommendation 3.3

Communications Nova Scotia should follow its current policies and obtain documented approval from the client department before releasing any communications pertaining to that department.

Communications Nova Scotia Response:

Communications Nova Scotia agrees that it should follow its current policy. When communications staff in departments provide approvals, it is on behalf, and with the authorization of, program experts. Departmental program experts provide approvals throughout the communications planning process to verify that information is factually correct. Communications staff develop initial materials and information in consultation with program experts. It is then approved -- verbally or in writing -- by senior staff, Deputy Ministers, and Ministers at various points before being released publicly. Final approval will be documented.

- 3.19 *Announcements* – We identified funding announcements made across all mediums which were included in our audit – news releases, advertisements, Twitter, Facebook, and signage. We assessed whether Communications Nova Scotia ensured funding announcements were not duplicated in subsequent communications. Government often announces programs or projects at various stages of completion, but each of these announcements should be clearly identifiable as part of the same project to avoid the perception of new funding.

- 3.20 We identified multiple situations in which announcements were related to the same topic. A common example was new school construction, in



which different stages such as initial approval, site selection, sod turning, construction completion and school opening may all have separate announcements. However, in all but one instance, we found subsequent announcements provided additional information related to projects and it was clear that these were not new funding announcements.

Procurement

Conclusions and summary of observations

We found Communications Nova Scotia failed to comply with Provincial procurement rules. Eighty-four percent of the samples we tested had problems. We identified multiple instances in which work started before the procurement was completed. We also found that Communications Nova Scotia did not obtain sufficient information from vendors to ensure the amounts charged were appropriate based on the purchase agreement. Staffing needs are routinely filled by hiring from the standing offer or via other procurement methods. The people hired are treated as self-employed contractors. The Province does not withhold or remit employment insurance, Canada pension plan, or income tax deductions. We identified a number of situations in which contractors work for extended periods on day-to-day work at Communications Nova Scotia under the direction of Agency management. It is difficult to distinguish them from Provincial employees. These individuals appear to meet many of the requirements to be considered an employee by Canada Revenue Agency. We recommended that the Agency seek advice on how to address this situation.

- 3.21 *Background* – Our audit of Communications Nova Scotia included procurement testing. We found 26 of 31 (84%) samples tested did not comply with Provincial procurement rules.
- 3.22 *Requests for proposals* – Requests for proposals are used for larger projects and require companies to submit a bid which includes information such as cost and project timing. Communications Nova Scotia issued three requests for proposals during our audit period; we found the overall approach used was reasonable in each case. However, in one instance, work appeared to have been completed before a contract was signed with the successful bidder. This was a common problem with the sample items we tested. It will be addressed further in the standing offer section below.
- 3.23 *Permanent exemption* – Provincial procurement rules permit departments to request permanent exemptions from compliance for specific situations. We reviewed two permanent exemption procurements, both for media buys, and found no issues.

- 3.24 *Alternative procurement* – Alternative procurements fall outside the usual procurement practices and were developed to allow for urgent or exceptional circumstances. In each instance, the reason why an alternative procurement is necessary must be documented. We tested three goods or services procured using this approach. In two instances, we found work had started before the procurement process was completed (discussed later in this chapter). For one of those two items, the procurement was not appropriately documented until after the work was completed. We did not note any issues with the remaining alternative procurement sample.
- 3.25 *Standing offer* – Standing offers are contracts with pre-approved suppliers. These suppliers provide goods and services at a specific price as needed. This is the most common procurement method used by Communications Nova Scotia. Twenty-one of our 31 procurement sample items were standing offer purchases.
- 3.26 We found every purchase we tested from a standing offer had problems; none were compliant with the procurement policy.
- 3.27 The procurement policy requires that the rates charged not exceed those approved for the standing offer. Communications Nova Scotia does not obtain sufficient information from vendors to confirm whether this requirement is met.
- 3.28 Supplier invoices often included only the total amount billed, with a description such as professional services. The invoices were commonly dated only for the week or month the services were provided, with no breakdown of the hours worked each day. Fourteen of the 21 standing offer samples tested did not have enough information to determine the rate charged. Of the remaining seven standing offer sample items, six had the correct rate and one charged more than the approved rate.
- 3.29 *Timing of work* – The procurement policy requires that work not begin on a project until a purchase order has been created. This is also a good business practice. We found 13 of the 21 standing offer sample items we tested did not have enough information to determine the start date of the work. Of the remaining eight samples, in six instances, work began before the purchase order was issued. Only two samples clearly showed work started after the procurement processes were completed.

Recommendation 3.4

Communications Nova Scotia should require vendors to provide detailed information on invoices to support their billings.

Communications Nova Scotia Response:

Communications Nova Scotia agrees with this recommendation. CNS will require suppliers to provide detailed information on invoices.



- 3.30 *Procurement under \$1,000* – The procurement policy does not apply if a purchase is expected to cost less than \$1,000. Departments process those transactions with no involvement or oversight from Government’s Procurement Office.
- 3.31 Beyond the \$1,000 limit, certain other procurement thresholds could be avoided by splitting a project into multiple invoices. The procurement policy specifically states that departments are not to split project payments in order to avoid procurement thresholds.
- Ministerial approval is required for any transaction over \$5,000.
 - Three quotes are required for goods and services between \$1,000 and \$10,000 (unless using another procurement method such as the standing offer).
 - A public tender must be issued for goods and services over \$10,000 (unless using the standing offer or alternate procurement).
- 3.32 Two of our sample items were payments less than \$1,000. However, our testing found that both samples were one of several payments (under \$1,000 each) related to two separate projects. Total costs for these projects were \$26,800 and \$45,200; neither had any involvement from the Procurement Office.
- 3.33 Both vendors with multiple, smaller payments were contracted to provide communication support services. Communications Nova Scotia management told us they use various vendors to provide services when work demands exceed the Agency’s capacity. After identifying this issue, we completed additional audit testing and identified 27 vendors noted as providing communication support services (including the two from our original sample).
- 13 were paid using multiple payments under \$1,000.
 - Nine vendors had a total of 12 projects which exceeded the \$25,000 maximum for purchasing temporary worker services from a standing offer.
 - Nine of the suppliers were not procured via a standing offer. In these instances, three quotes should have been obtained prior to selecting a vendor.

Recommendation 3.5

Communications Nova Scotia should comply with Provincial procurement rules.

Communications Nova Scotia Response:

Communications Nova Scotia agrees with this recommendation.

- 3.34 *Employees versus contractors* – The 27 vendors identified above as providing communication services were treated as independent contractors by Communications Nova Scotia. No deductions were withheld or remitted by the Province for employment insurance, Canada pension plan, or income tax.
- 3.35 Canada Revenue Agency provides a checklist with 43 potential indicators to help assess whether an individual is an employee or self-employed as a contractor. We reviewed the 27 situations we identified during our audit and found 10 which met many of the requirements to be considered an employee-employer relationship. One of the Canada Revenue Agency’s key indicators is the level of control in the relationship. The more control the employer has over the day-to-day work completed, the more likely the relationship is employee-employer. We noted a number of situations in which the individual hired was a student, or for whom day-to-day tasks were clearly directed by Agency management. We also noted some of the individuals are indistinguishable from regular employees because they work among Agency staff on an extended basis.
- 3.36 Management at Communications Nova Scotia told us they hire people from the standing offer to carry out the Agency’s day-to-day work. This includes media buyers, communications advisors, and web designers. Communications Nova Scotia management told us they have not been able to get approval to add staff in recent years. Management told us they saw this approach as a way to obtain the necessary resources.
- 3.37 The Canada Revenue Agency notes that an employer is responsible for remitting both the deductions it withheld from employees, as well as its own matching amounts. If an employer fails to do so, it will be responsible for both portions, along with any interest or fines accruing.
- 3.38 We discussed our concerns regarding Canada Revenue Agency rules with management at Communications Nova Scotia and they indicated they were not aware of the issue.

Recommendation 3.6

Communications Nova Scotia should seek advice to determine whether some of the individuals it engages as contractors may be considered employees by Canada Revenue Agency. Communications Nova Scotia should also obtain legal advice on how to best address this situation if concerns are identified.

Communications Nova Scotia Response:

Communications Nova Scotia agrees with this recommendation and will seek advice from the Public Service Commission, Finance and Treasury Board, Internal Services, and legal services, if required.



Project Monitoring

Conclusions and summary of observations

Communications Nova Scotia's monitoring of the progress and status of its projects needs work. We found projects completed by external vendors were monitored against budgets, but deadlines for most projects were difficult to determine. We also noted Communications Nova Scotia carries out little monitoring or evaluation of advertising campaigns, meaning lessons learned from one campaign may not be carried forward to future campaigns.

- 3.39 *Monitoring* – We assessed how Communications Nova Scotia monitors deadlines and projects completed by internal staff as well as by external consultants. We found that Communications Nova Scotia is doing a poor job of documenting deadlines as well as the status of projects. While it is reasonable that smaller projects have less formal, documented monitoring, more significant projects should have detailed monitoring.
- 3.40 *External projects* – We assessed monitoring for 30 external projects tested in the procurement section of this audit and found Communications Nova Scotia staff tracked the budget for 26 of the 30 projects. The remaining four projects were over budget; two did not have an adequate explanation, and two had no approval for the increase. We also found there was no evidence projects were completed on time for 16 of 30 samples. However, we reviewed the final product of 15 projects and each was consistent with what we expected based on the project description. The remaining 15 projects did not have a final product which could be easily reviewed. For example, some projects provided basic communication or marketing support.
- 3.41 Management told us the deficiencies identified with monitoring are due to inconsistent documentation practices across the Agency. The current information system used by Communications Nova Scotia has the capability to track deadlines and keep notes. It could be used to better monitor how external contractors are performing.
- 3.42 *Internal projects* – Similar to external projects, routine monitoring and documentation of deadlines is lacking for internal projects, and should be improved. Communications Nova Scotia does not adequately document project deadlines and does not collect sufficient information to monitor progress or assess performance upon project completion.
- 3.43 We also found that Communications Nova Scotia does not adequately document advertising campaign monitoring. The campaigns we tested were only monitored for budget. There were no cost-benefit assessments to determine whether campaigns were the best use of funds to achieve desired outcomes.

Recommendation 3.7

Communications Nova Scotia should implement a process to monitor significant external and internal projects. Documentation of monitoring should include information about project budgets and deadlines.

Communications Nova Scotia Response:

Communications Nova Scotia agrees with this recommendation. CNS, through its own internal organizational review process, had identified improvements needed in this area and has worked over the last three years to make significant progress. Further to this, CNS will be centralizing the project management function within the agency, and developing an internal process for monitoring that will focus on consistency and accuracy. Existing resources will be applied to ensure continued process improvements in project monitoring.

Performance Measurement and Evaluation

Conclusions and summary of observations

Communications Nova Scotia's measurement of, and reporting on, its performance needs work, both at an entity-wide and campaign level. Its accountability reports have been inconsistent, with little tangible performance results reported. Campaign-level evaluation has also been inconsistent. Goals were not adequately identified at the start of many projects, and evaluation was often not completed or was only completed on certain project objectives.

- 3.44 *Agency reporting* – While Communications Nova Scotia prepared annual accountability reports and annual statements of mandate during our audit period, the content of those reports was inadequate and inconsistent from year to year. In both instances, management told us the staff responsible for preparing these documents changed each year resulting in different approaches to setting and assessing goals for the Agency.
- 3.45 The content of Communications Nova Scotia's accountability reports has been focused on reporting the past year's accomplishments, rather than reporting how well it did against predetermined goals and objectives. Performance reporting should demonstrate whether Communications Nova Scotia has done a good job, not just list the tasks it has accomplished.
- 3.46 Management told us that they had already identified this issue and assigned staff to revise performance reporting. Management said they intend to prepare more concise and meaningful reports, starting with the 2013-14 accountability report. They also told us that they are working with the Department of Finance and Treasury Board to adjust the goals outlined in the Agency's current statement of mandate to facilitate these improvements.

**Recommendation 3.8**

Communications Nova Scotia should develop measurable goals and objectives for the Agency. These should be reported against targets in the annual accountability report.

Communications Nova Scotia Response:

Communications Nova Scotia agrees with this recommendation. CNS, through its own internal organizational review process, had recognized this and has taken steps to improve both the Statement of Mandate and Accountability Reporting processes. Responsibility for both processes has now been centralized. Finance and Treasury Board has been consulted on proper process, development of appropriate goals and objectives, and significant changes have been made for the 2013-14 accountability reporting process and the 2014-15 Statement of Mandate process.

- 3.47 *Campaign evaluations* – One of Communications Nova Scotia’s roles is to design and implement advertising campaigns. Campaigns can range from a large project such as jobsHere, to smaller projects designed to remind people about programs such as flu immunization or heating rebates.
- 3.48 Communications Nova Scotia created a marketing division in 2010. This group is leading an effort to include measurable targets and objectives in all campaigns. It is also responsible to ensure that post-campaign evaluations are completed. Our audit found the Agency still has a great deal of work to do in evaluating campaigns.
- 3.49 We selected 21 campaigns for testing. 14 were larger campaigns with which the Communications Nova Scotia marketing group was more actively involved. The remaining seven were selected from smaller projects with varying degrees of involvement from Communications Nova Scotia.
- 3.50 We found 10 of the 21 samples had clear, complete objectives. Seven sample items had objectives that we considered were at too high a level to be effective. The remaining four samples had no objectives; these campaigns were operated largely outside of Communications Nova Scotia.
- 3.51 We found only four campaigns were fully evaluated. Three were larger campaigns operated under the direction of Communications Nova Scotia’s marketing group. The fourth involved Communications Nova Scotia in a significant role at later stages of the campaign. For six campaigns, either the objectives were not adequately evaluated, or only some of the objectives of the campaign were addressed. The remaining 11 campaigns (six internal to Communications Nova Scotia and five external) had no meaningful evaluation completed to determine the success or failure of the campaign.

- 3.52 We are concerned that Communications Nova Scotia is not always involved in campaigns. We found information available on campaigns that did not involve Communications Nova Scotia was generally not adequate. Objectives were less likely to be clearly and completely defined, and evaluations were less likely to occur.
- 3.53 Campaign evaluation is not without challenges. There are a number of factors that make evaluation difficult – cost of surveys for population-wide initiatives, lack of data at the client department, and lack of clarity regarding the client department’s goals. While challenges exist, it is important for Communications Nova Scotia to find ways of evaluating campaigns, and to ensure the evaluation is based on factors within the Agency’s control – the campaign, not the program it supports. Without evaluation, there is no way to know whether the money spent on advertising and other campaigns was an effective use of provincial dollars.

Recommendation 3.9

Communications Nova Scotia should include clearly-defined goals and objectives for all significant advertising campaigns.

Communications Nova Scotia Response:

Communications Nova Scotia agrees that goals and objectives should be clearly defined for all significant advertising campaigns and will work with departments to ensure this occurs.

Recommendation 3.10

Communications Nova Scotia should fully evaluate all significant advertising campaigns against objectives.

Communications Nova Scotia Response:

Communications Nova Scotia agrees with this recommendation. The setting of goals and objectives is critical to the success of any campaign, and our ability to evaluate. The introduction of Google Analytics in the fall of 2012 has increased our ability to measure impact.



Communications Nova Scotia Additional Comments

CNS is government’s full-service communications agency responsible under legislation for communications planning; marketing; advertising; research; evaluation; media-relations; graphic design; Internet planning; photography; videography; writing and editorial services. During the audit period, approximately 16,000 projects were managed through CNS. Happening concurrently was an internal organizational review, which identified issues related to project monitoring, measurement, and social media policy and guidelines. Progress has been made in these areas to date.

CNS will continue its process improvements, and will adhere to all government policies including procurement.

CNS is committed to continuous improvement and as communicators, continuous learning and growth is inherent in what we do. Communications is an evolving industry, changing to meet the needs of the audiences it serves, and so too must we.

Part of the audit scope was to determine whether CNS’s activities were non-partisan. We are very pleased the results confirm that CNS is indeed non-partisan. CNS is an organization of dedicated, professional staff who are committed to helping Nova Scotians understand what their government is doing and why. These audit findings will help the Agency continue to improve.