



**Canadian
Media Circulation
Audit**

Auditing Guidelines for Chartered Professional Accountants

I. What is Canadian Media Circulation Audit?.....	Page 2
II. CMCA Contact Information and Resources	Page 3
III. Role of the Auditor	Page 3
IV. Overview of the Audit Process.....	Page 4
V. Audit Fieldwork Instructions.....	Pages 5-9
• Instructions (page 5)	
• Other Checks (page 8)	
• Upon completion of audit fieldwork (page 9)	
VI. Definitions.....	Page 10
VII. Sample Chartered Professional Accountant's Letter	Page 15

CANADIAN MEDIA CIRCULATION AUDIT
37 Front Street East, Suite 200
Toronto, Ontario, M5E 1B3
TEL: 416-923-3567 OR TOLL-FREE 1-877-305-2262
FAX: 416-923-7206
WEB SITE: www.circulationaudit.ca
E-MAIL: audit@newsmediacanada.ca

I. What is Canadian Media Circulation Audit?

Canadian Media Circulation Audit (CMCA) is a program of News Media Canada, the national association of the print and digital news media industry. CMCA provides credible, independent verification of circulation figures and distribution methods claimed by print media publications, including community newspapers, daily newspapers and business and consumer publications. These publications rely on third-party circulation audits to provide the information needed by advertisers and advertising agencies when planning media buys and advertising campaigns.

Launched in 1971 as Verified Circulation, CMCA is a self-administered service. Each publication commits to an ongoing process of maintaining circulation and accounting records. This is vital to their success as a participant in the CMCA program.

Publications are required to maintain a complete and accurate record of their distribution practices and financial records, including subscription and single copy sales, payroll records, distributor agreements, etc. This involves maintaining a file of invoices and receipts and tracking the number of copies circulated for each issue on CMCA forms. These records and forms are then submitted as proof of the circulation claims made on their completed six-month circulation report. Two six-month reports are then scrutinized together by an independent auditor.

Most publications are required to use the services of the CMCA auditor—a CMCA-approved and trained independent circulation auditing service provider. Certain publications also have the option of having their audit conducted by an independent chartered professional accountant.

Publishers are required to maintain circulation records in accordance with CMCA program policies and procedures. The publisher submits **two reports yearly, each reflecting the circulation activity over a six-month period**. The first six-month report is called the Interim report. The second six-month report is called the Annual report. Once an Annual report is submitted, it is time for a thorough and rigorous audit of both the Interim and Annual reports to be conducted.

Original documents are kept at the publisher's premises. Photocopies are submitted for auditing purposes.



II. CMCA Contact Information and Resources

CMCA Office

Canadian Media Circulation Audit

37 Front Street, Suite 200

Toronto, Ontario, M5E 1B3

Phone: 416-923-3567 or toll-free 1-877-305-2262 ext. 3325

Fax: 416-923-7206

Website: www.circulationaudit.ca

Email: audit@newsmediacanada.ca

CMCA Website

Visit the CMCA website at www.circulationaudit.ca for more information about the program.

The Downloads section at www.circulationaudit.ca/downloads/ offers a number of publisher and auditor resources:

- User manuals
- Forms – including mandatory forms and optional forms in PDF and Excel formats; some forms are auto-calculating, i.e., mathematical formulas are built in.
- Interim and Annual Report Checklists – helps publishers and circulation managers to determine what forms and backup documents to submit
- Auditing Guidelines
- Sample Chartered Professional Accountant's Letter

If you have any questions or require additional information, contact the CMCA Program Manager at 416-923-3567 ext. 3325 or audit@newsmediacanada.ca.

III. Role of the auditor

The policies and procedures in this document have been prepared to guide the auditor in managing and conducting audit work. By studying and adhering to the following guidelines, auditors can help ensure that audits are conducted in a consistent and professional manner.



IV. Overview of the Audit Process

The process followed in conducting circulation audits and reporting to the CMCA office consists of the following phases:

1. **Audit Selection** – The majority of audits are done via distance auditing; that is, the publisher submits the auditing package to their chosen auditor. The auditor can request any additional information and documentation that is deemed necessary to complete the audit. Throughout the year, the CMCA office will select a number of titles at random to be audited on site by a CMCA auditor.
2. **Initiating the Audit** – With the exception of random on-site audits, the publisher is responsible for appointing an auditor to conduct the audit.
3. **Audit Survey** – Prior to beginning the audit, the auditor familiarizes him/herself with CMCA, the publication and its practices. This may involve:
 - reviewing the CMCA manual (available in the Resources page of the CMCA website at www.circulationaudit.ca/downloads);
 - reviewing the information on page 1 of Form X: Publisher's Circulation Report;
 - reviewing hard copies of the publication;
 - visiting the publication's website; and
 - interviewing the publisher and circulation manager.

During the audit survey, the auditor should note any potential issues.

4. **Audit Fieldwork** – Fieldwork consists of data collection, analysis and other activities designed to meet audit objectives. During fieldwork, auditors review the completed forms and documents submitted, as well as obtain more specific information to support and document audit findings. Auditors test the publisher's circulation claims in Form X using the supporting documents. Auditors may request additional records from the publisher in order to complete the tests. Make adjustments directly on the forms.
5. **Reporting** – Reporting is the preparation of the written report, which communicates auditor findings, conclusions and recommendations for improvement. It should include general comments; errors identified; and any adjustments made to the Publisher's Circulation Report, distribution practices and/or record-keeping practices to correct the error. **The auditor must submit this report is directly to the CMCA office, along with the accountant's letter outlining the procedures used to perform the audit, and forms X, X.3 and Z.1 (if any).**
6. **Independent Review** – The written report undergoes an internal quality control process to ensure that it is complete, accurate, objective and convincing. Independent review also assists in editing the report for clarity and conciseness.
7. **Follow-up** – The CMCA office employs follow-up procedures to help ensure that the publisher has taken appropriate action to resolve problems identified in audits.



V. Audit Fieldwork Instructions

Before you begin, review these instructions and ensure that you have copies of the following (available from Resources page of the CMCA website at www.circulationaudit.ca/downloads):

- CMCA Manual
- Interim Report Checklist
- Annual Report Checklist

The following auditing procedures are to be executed on each completed Form X: Publisher's Circulation Report. NOTE: For a 12-month audit, there should be two completed Form X's—each one covering a six-month period – along with supporting forms and documentation (invoices, receipts, sales records, etc.). The auditor must, therefore, execute these procedures twice.

Verify that all forms and supporting documentation have been submitted as specified in the Interim Report Checklist and Annual Report Checklist.

Select at random two issue dates from those listed on Form X: Publisher's Circulation Report, referring to the documentation submitted. Perform the specific procedures outlined below to confirm the numbers for those issues. If abnormalities are identified from the procedures, select a third issue and conduct the test again.

Instructions:

i. Column A: Date of Issue and Number of Pages

Obtain copies of the publication from the selected dates of issue to ensure that they were published on that date.

Depending on whether the publisher employs a paid-circulation model (subscriber-based) or controlled-circulation model (distributed to or picked up by readers at no charge), the publisher has access to a number of distribution methods. It is possible for a publication to have both paid and controlled circulation. In both cases, the publisher must keep track of all copies circulated.

Determine whether the publication is "Paid Circulation" or "Controlled Circulation".

- Paid Circulation guidelines apply to columns B to I.

Paid circulation is defined as any copies that have been paid for at any net positive price, after taking the value of any premiums or incentives into consideration

- Controlled Circulation guidelines apply to columns J to P.

Controlled Circulation is defined as copies of a publication that are distributed free to designated areas and/or by an address list.



ii. Columns B & J: Mail

Obtain the Publisher's Statement of Mailing and reconcile the quantity of copies for the selected issues. For paid circulation, obtain the complete list of subscribers and select a sample of paid mail subscribers and verify payment to the point of bank deposit.

iii. Columns C & K: Carriers

Carrier is defined as a company or individual paid to hand-deliver your publication to residential homes.

Obtain carrier payrolls for the selected issues and divide the payroll by the cents paid per issue. This will yield the quantity of papers delivered by the carrier fleet. For paid circulation, also verify that carriers collected payment from subscribers.

iv. Columns D & L: Dealers and Distributors

Dealer is defined as an outside party who sells your publication (in the case of paid circulation) or acts as a pick-up spot (in the case of controlled circulation). Dealers may include stores, hospitals, gas stations etc.

Distributor is a company or individual paid to distribute your publication to dealers.

Obtain dealer and distributor invoices and returns, and compare net quantities distributed to the net quantities recorded on Form X for the selected issues.

v. Column E: Third Party Bulk Sales

Third Party Bulk Sales are copies bought by a third party, such as an advertiser, sponsor/donor, or municipality in quantities of 2 or more for distribution to individuals or organizations, and to promote the interests of the third party.

The copies must have been paid for at any net positive price, after taking the value of any premiums or incentives into consideration.

The publisher must submit a signed and dated letter summarizing bulk sales distributed.

Verify that these copies are either being re-sold or being re-distributed free of charge.

If these copies are being re-sold, verify the amount.

vi. Columns F & M: Counter Sales, Street Boxes and Pick-ups

Counter sales are paid circulation copies sold at the publication's offices. These sales must be recorded to be counted in circulation.

Counter Sales - Review cash sheets which record cash sales for the selected issues. Total cash sales divided by cover price will yield quantity of counter sales.



Street Boxes - Obtain a site listing of street boxes and quantity of copies deposited at each box. The total quantity should correspond to the figures entered in these columns.

vii. Columns G & N: Other Paid/Other Controlled

The publisher must submit a list of who receives copies. Only one copy per person or company can be claimed. Additional copies must be claimed under Column O.

Provide the details of Other Paid copies – who receives them and at what price.

Provide the details of Other Paid copies – who receive them.

viii. Columns H & O: Electronic

Electronic copies may be included in a publisher's circulation report provided that the electronic edition is an exact digital replica of the print edition. A subscription to both print and electronic editions shall be counted as one subscription.

The publisher must provide the CMCA management and auditor access to the electronic edition for the purpose of verifying eligibility. The publisher must submit a list of subscribers, their contact information and e-mail addresses.

In the case of paid electronic subscriptions, further verification can be made by requesting proof of payment.

For paid electronic site licences, verify that the licence agreement contains the exact number of authorized users and amount paid for the licences. Paid site licences must comply with the definition of paid circulation.

In the case of controlled electronic circulation, a subscription may only be counted if it is as a result of a personal or company request. Controlled electronic circulation can be further verified by requesting hard copies of written or e-mailed requests. Request or verification of a request must come from the e-mail holder.

Renewal or cancellation of electronic subscriptions must be verified on an annual basis.

Electronic copies sent to employees, correspondents, columnists, editors, reporters, agents, advertisers and/or advertising agencies advertisers with paid subscriptions shall be claimed as Other Paid. Service and sample copies, Prospect copies, Welcome Wagon copies, Office copies, File copies, Complimentary copies, and others who are not considered typical readers shall be claimed as Service and Sample copies.

ix. Column R: Service and Sample Copies

Service and Sample copies are additional copies of the publication distributed for free to individuals or companies who do not subscribe or who would not otherwise receive the publication as a typical reader would.

Obtain a publisher's certification of unpaid house circulation. House circulation should only be 3% of the total circulation and must not exceed 200 copies. Sample and service



copies exceeding these amounts should be explained in writing by the publisher and submitted to CMCA.

x. Column S: Total Distribution

The total distribution is the sum of Columns Q and R.

xi. Column T: Subscription Drives

Subscription Drives are occasional campaigns or promotions organized to increase circulation.

The copies entered in this column are distributed through subscription drives or on a rotated or occasional basis, including copies distributed at community events, to potential subscribers, etc. These copies are not included in the six month average circulation.

xii. Column U: Press Run

A printer's invoice or Press Run Certificate (Form Y) should be obtained for the selected issues. The quantity of papers printed should be compared against Column P - Total Distribution. Total distribution should normally be slightly lower than the Press Run, allowing for spoilage. Differences greater than 5% should be reported to the publisher and the publisher's reason for the higher press run recorded in the auditor's written report.

Other Checks

- i. Correct any material differences directly on Form X.
- ii. Verify that all forms requiring the publisher's and/or circulation manager's and/or any other signatures have been signed. In particular, Form X must be signed and dated by the publisher and circulation manager.
- iii. Check the numerical accuracy of the figures recorded on the forms by verifying accurate transfer of data between forms and verifying correct calculation of subtotals, totals, and averages.
- iv. Determine if the circulation count is plausible with census figures for the publication's distribution area.
- v. Paid circulation only: For the sole purpose of verifying paid subscribers, an accountant has the right to make five phone calls to subscribers for the first 1000 circulation and one phone call for every 1000 subscribers after that. This will determine if subscribers are receiving their copies.
- vi. Certified and chartered accountants must provide a letter on company letterhead, detailing the audit procedures used to analyze the data. The procedures must be in



accordance with the above guidelines. A sample letter can be downloaded from the Resources page of CMCA website at www.circulationaudit.ca/downloads.

Upon completion of audit fieldwork:

- Refer to section IV. Overview of the Audit Process for remaining steps.
- Submit Accountant's Letter, Form X, Form X.3, all Form Z.1's (if any) and Accountant's report directly to the CMCA office. Include your telephone and email address in case follow-up is required.
- Retain all supporting documents for a period of one year.

Questions?

CMCA Program Manager

☎ 416-923-3567 ext. 3325

✉ audit@newsmediacanada.ca

🌐 www.circulationaudit.ca



VI. Definitions

Annual Report

The second of two six-month circulation reports prepared and submitted by the publisher. Submission of an Annual Report signifies that an audit is to be conducted. Both the Interim and Annual reports are audited by the CMCA Auditor or an independent chartered professional accountant with all the relevant supporting documentation.

Applied status

Applicants may receive CMCA Applied status by submitting to CMCA an Applied Status report, which consists of three months of circulation figures on Form X, along with back-up documentation, within six months of their application date.

Audit

The examination of a publisher's circulation forms and other historical circulation and financial information by an outside body—usually the CMCA auditor, or for some publications, an independent chartered professional accountant—in accordance with CMCA rules and audit guidelines.

Controlled Circulation

Copies of a publication distributed free of charge to recipients in a designated areas and/or by an address list.

Carriers

Individuals paid to deliver the publication to houses and apartments.

Community Newspaper

A printed paper copy published on a consistent year-round basis serving the community for which it is distributed. It must contain news, advertising, and articles of opinion, and be open to contributions from readers.

Counter Pick-up (Controlled Circulation)

Controlled Circulation copies picked up by individual readers at the publication's office. The number of pick-ups must be recorded and backed up with a certificate signed by the staff member who distributes these copies.

Counter Sales

Paid circulation copies sold at the publication's offices. These sales must be recorded to be counted in circulation.



Dealer

An outside party who sells your publication (in the case of paid circulation) or acts as a pick-up spot (in the case of controlled circulation). Dealers may include stores, hospitals, gas stations, etc.

Distributor or Distribution Company

An individual or company paid to deliver copies of your publication to dealers.

Edition

An edition shall be defined by the day of week and consistent distribution pattern among all applicable issues. All editions of a publication shall publish under the same banner/title. Issues of the same edition shall meet all of the following conditions:

- Distribution using the same delivery methods
- Circulation of a similar number of copies, with the exception of occasional extraordinary distribution
- Delivery to the same geographic footprint

Electronic Distribution

Electronic copies—paid or controlled—may be included in a publisher's circulation report provided that the electronic edition is an exact digital replica of the print edition. Examples of an electronic edition include a PDF version; or an electronic version uploaded to e-reader or flipbook software for the purpose of viewing the publication on a desktop computer or mobile device.

Electronic Edition Site Licence

Electronic Edition Site Licences may be reported under electronic copies. An Electronic Edition Site Licence is a contract or agreement between the publication and the company / organization /association /educational institution to provide multiple individuals access to an electronic edition of the publication hosted on the subscribing organization's computer network. Exact number of licences must be stated in the agreement.

- Paid site licences must comply with the definition of paid circulation.
- The publication shall disclose the number of authorized site licences as part of the site licence agreement.

Extraordinary Distribution

Distribution of an issue where the total circulation for that issue differs from the previous corresponding day with normal circulation by at least 10 percent for publications with fewer than 10,000 circulation or 5 percent for publications with circulation 10,000 or over. These



issues are omitted from the calculation of the average net circulation and reported separately on Form Z.1. A maximum of ten omitted issues is allowed within a 12-month period.

Form X

The Publisher's Six-Month Circulation Report. This form is mandatory for all publications.

Form Y

The Press Run Certificate. This form is mandatory for all publications whose printing is done in-house. Publications printed by an outside printing firm shall submit printer's invoices instead.

Form Z

The Single Issue Circulation Report. The publisher must complete this form each time an issue is published. This form is mandatory for all paid circulation publications.

Initial Report

The first six-month circulation report prepared and submitted by the publisher, which establishes the publication's status as a CMCA participant. The Initial report must be audited by the CMCA auditor. Following the Initial report, publishers continue to submit a report every six months, and reports are audited in pairs at 12-month intervals. For more information, see the definitions of Interim Report and Annual Report.

Interim Report

The first of two circulation reports to be prepared and submitted by the publisher and circulation manager. Usually covering a six-month period, the Interim report is the first of two reports to be audited in a 12-month period. The second report is an Annual report.

Publishers may also submit a three-month Interim report if the publication experiences a significant change in circulation, such switching from subscription-based (paid circulation) to total market coverage (controlled circulation).

Newspapers in Education

Copies ordered for delivery to students or schools and for the purposes of teaching students. These copies can be requested or purchased by instructors or sponsors or through school funds. (Copies that are purchased shall be subject to rules governing third-party bulk sales).

Newspapers In Education and educational copies shall be reported under Third-Party Bulk Sales if they were purchased, or Other Controlled if distributed free of charge.

Paid

Verified circulation of publications whose total paid circulation is 70% or more Paid circulation is defined as any copies that have been paid for at any net positive price, after taking the value of any premiums or incentives into consideration. Do not include copies distributed through subscription drives when calculating your total paid circulation.



Paid Circulation

Paid circulation is defined as any copies that have been paid for at any net positive price, after taking the value of any premiums or incentives into consideration. Copies distributed through subscription drives or purchased by the publication or its employees or designates shall not be included in the total paid circulation.

Piggyback Publications

Publications or special sections that are published irregularly, or distributed to a partial circulation, and that are not normally part of the CMCA-audited publication. Verification will not apply to these separate publications.

Reinstatement

Acceptance into the CMCA program after having been previously cancelled. Reinstatement requires reapplication into the program with payment of the reinstatement fee.

Returns

Returns are “leftover” copies that have been delivered by distributors or offered for sale or pick-up by dealers, but have not been purchased or picked up. These copies are normally returned to the publication the following week. Returns must be deducted from circulation figures to arrive at net distribution.

Reporting Period

The range of dates during which issues of a publication were published. The reporting period begins on the first day of a month and ends on the last day of another month. When preparing a report, include all issues published during the reporting period. A reporting period is usually six months, e.g. January 1 to June 30.

Service and Sample Copies

Additional copies of the publication distributed for free to individuals or companies who do not subscribe or who would not otherwise receive the publication as a typical reader would. These copies may be samples, promotional, prospect, complimentary, “Welcome Wagon”, in-house or file copies. A paper may claim up to 3% of its circulation – to a maximum of 200 copies – as Service and Sample Copies:

- Sample/Promotional copies - Free copies distributed to advertisers and advertising agencies
- Prospect copies - Free copies distributed to prospective advertisers, agencies or subscribers
- Welcome Wagon copies - Free copies distributed to new residents or others in the community due to special occasions on a short-term subscription basis



- Office copies - Extra copies distributed free to employees, group publishers, or other publications in the group or "mixed bag copies"
- File copies - Copies kept on file at the office (maximum of 50)
- Complimentary copies - Free copies distributed as a courtesy and which do not fit under any other category

Subscription Drives

Occasional campaigns or promotions organized to increase circulation. Publications distributed free during subscriptions drives should not be included in net circulation figures, but listed separately on Forms Z and X where indicated.

Third Party Bulk Sales

Copies bought by a third party, such as an advertiser, sponsor/donor, or municipality, in quantities of 2 or more for distribution to individuals or organizations, and to promote the interests of the third party.

Vertical Publications

Other publications published by a newspaper publisher intended to serve the same market. A tourism guide is an example of a vertical publication.



VII. Sample Chartered Professional Accountant's Letter

Canadian Media Circulation Audit
37 Front Street East, Suite 200
Toronto, Ontario
M5E 1B3

THIS LETTER MUST BE SUBMITTED TO
THE CMCA OFFICE ON THE
ACCOUNTANT'S LETTERHEAD.
AN ELECTRONIC VERSION IS
AVAILABLE ON THE CMCA WEBSITE.

RE: (Name of Publication)

As specifically agreed, in accordance with Canadian Media Circulation Audit rules, I have examined the circulation records and other data presented by this publication and performed the following procedures in connection with its Circulation Report for the period of _____ to _____:

- Selected two issues from the Circulation Report at random.
- Obtained copies of the publication for the issues selected and ensured they were published on that date as per the report.
- Determined whether the publication was "paid circulation" or "controlled circulation".
- Obtained a copy of the Publisher's Statement of Mailing form issued by Canada Post and receipt for cash paid. Ensured the Statement was signed by Canada Post. Reconciled the quantity of copies for the selected issues per the Circulation Report to the statement.
- Selected a sample of paid subscribers and verified proof of payment.
- Obtained carrier payroll and reconciled to the quantity of papers delivered by carrier fleet. Ensured carrier collections were made from subscribers.
- Obtained dealer and distributor invoices and returns and compared to amounts recorded for selected issues.
- Reviewed cash records for counter sales and reconciled with the quantity on the Circulation Report for the selected issues.
- Obtained a map of street boxes and quantity of papers dropped, returns and net distribution and reconciled with the Circulation Report.
- Obtained a list of names for service and sample copies distributed for selected issues. Ensured that quantity was **no more than 3% of total circulation and did not exceed 200 copies.**
- Compared printers' invoices to total distribution and ensured differences were not greater than 5%.
- Checked Circulation Report for numerical accuracy, including data transfer and calculations.
- Determined the circulation count was plausible based on number of households in the distribution area.
- Prepared written report detailing findings, conclusions and recommendations for improvement.



My examination included a general review of the circulation procedures and such tests of circulation records and other supporting evidence as outlined above, which I considered necessary under the circumstances. As a result of applying these procedures, I did not find any material differences with respect to the Circulation Report. In my opinion, the Report presents fairly the circulation of this publication. I shall be available to the CMCA office to answer any questions or provide clarification regarding these findings and audit results.

Signed,

Name of Accountant
(Telephone)
(Email address)

Name of Accounting Firm
(City)
(Date)

