

ABC Czech Republic Methodology for auditing circulations

Advertising and business publications

valid since 1.1.2007

ABC Czech Republic (Audit Bureau of Circulation, further as ABC ČR) is an association of corporations having tripartite sponsorship, formed of – Czech Publishers Association, Association of Communications Agencies (AKA) and the Czech Association of Branded Products (ČSZV). The Audit Bureau of Circulations is a corporate member of the International Federation ABC (IF ABC) and governed by its statute.

ABC ČR is an independent body, which provides services based on publicly published methodology compiled by the representatives of professional organizations represented in the Methodology Committee. Participants of the audit undertake to comply with the methodology of this statute on a voluntary basis and in disputable circumstances, respect the methodological interpretation of the Methodology Committee. Failure to comply with the methodology by the publisher, ABC ČR will withdraw from the contract. The publishing company can request a new initial audit in 12 months at the earliest since the termination of the contract.

1. SUBJECT OF ACTIVITY

The mission of ABC ČR is to objectify information and data on the media market. In the field of advertising and business publications, it principally focuses its activities on:

- Gathering circulation reports on advertising and business publications and compiling them,
- Publishing circulation results on advertising and business publications and providing them to publishers, advertising agencies, advertisers and IF ABC members,
- Auditing the number and location of distribution points for advertising and business publications,
- Auditing circulation data for advertising and business publications according to the contracts and accounting records of publishers and distributors,
- Methodical and co-ordinating activities.

2. DEFINITION OF ADVERTISING AND BUSINESS PUBLICATIONS

According to this methodology, advertising or business publications are understood as publications published and distributed in bulk, fulfilling the following requirements:

- a) Issued under the same name and repeatedly at least 1x per year.
- b) Act as publicity for companies, products and services, as advertisement or for other commercial purposes.
- c) Available to all those interested free of charge, for a member or another fee not pertaining to the price of the publication.
- d) Production will be covered by one contracting entity or a smaller group of contracting authorities and the negotiated production price will correlate to regular prices.

3. FORMS OF CIRCULATIONS

3.1. Press Run (PR)

A Press Run is the number of copies printed and billed by the press office after subtracting spoiled print waste.

3.2. Controlled distribution (CD) – premium service

Are copies of advertising and business publications mailed according to a specified list and delivered by a deliverer to the address of the final consumer. The recipients consent to its delivery and register to receive it by completing a liability card using company or personal details. The publisher is required to submit a list of recipients and accounting records proving expenses associated with their delivery during a circulation audit.

3.3. Number of distribution points (NDP) – premium service

A distribution point is a specified area, where the copies are handed over to the final consumer (newspaper carrier, newspaper dispenser, rack and deliverers). A system of distribution points forms a distribution network.

The number of DP is verified independently. During the audit, the following conditions must be fulfilled:

- a) The publisher must have the original contracts, based on which the distribution points are located.

- b) The publisher enables the ABC ČR employee to check the contracts given in par. a).

4. CIRCULATION REPORT

4.1. Report

According to this methodology, each publishing company that is part of the circulation audit of advertising and business publications system is required to provide accurate and complete reports of circulations and the number of distribution points within the appointed deadlines.

4.2. Report form

Reports of audited circulations on advertising and business publications are executed on forms provided by ABC ČR along with instructions on its fulfillment.

Data for the appropriate month are featured in the report. Copies that have been distributed prior to or after this period must not be included in the report.

Monthly issues and titles with a longer duration period are accounted into the month when distribution was completed.

4.3. Contents of the report

It is mandatory for each advertising and business publication to report on item: 3.1. Press Run.

The publishing company may choose auditing items 3.2. Controlled distribution and 3.3. The number of distribution points, as a premium service. By contract, the publishing company is bound to regularly send data pertaining to these items along with the press run.

It is mandatory to report the data necessary for the identification and search of distribution points in the distribution point report.

4.4. Audit report deadline for advertising and business publications

4.4.1. The deadline for submitting the circulation audit report (press run, controlled distribution) is the last day of the month following the month for which the report is compiled (meaning if report is for January, it must be sent by February 28th, for February, up to March 31st, etc.).

4.4.2. The deadline for submitting the updated list of distribution points is always the 1st day of the appropriate month.

4.5. Deadline – advertising and business publications with a longer period of duration

The report is compiled for the whole period after finalizing distribution for advertising and business publications issued as a double-issue, quarterly or with a longer duration period. A timely report submission is one that was given to ABC ČR prior to the deadline.

4.6. Non-submission of report

Late submission of a report on circulations or its non-submission will be published in the reviews as: “Publisher’s failure to supply data on time”.

Late submission or non-submission of reports on the number of distribution points to ABC ČR will result in the suspension of the audit and the number of audited distribution points will be reduced by 1/12 from the total number of audited points for each month lacking the submission of the report.

4.7. Submitting an incomplete report

If ABC ČR receives a report where all substantial data listed in 4.3. is not acquired by the methods explained in this methodology, it will immediately notify the compiler of the report. If a correction is not established prior to the deadline, ABC ČR will not publish the incomplete data and as a result, it will be published in the reviews as: “Publisher submitted incomplete data”.

4.8. Changes

All changes related to the name and address of the publishing company, title and the publishing company’s technique must be reported to the nearest following the report on circulations.

4.9. Limited circulation

If the title is not issued or its circulation limited due to extraordinary circumstances (strike, catastrophes, halted distribution etc.), the publishing company will alter the reporting method depending on the concrete situation upon agreement with ABC ČR.

5. PUBLISHING REPORTS

It is mandatory that the 3.1. Press Run will be published in the audit review of advertising and business publications from the reports submitted by the publishing company. By concluding a contract on the rendition of premium services, the publishing company

acquires the right to publish one or more items pertaining to: 3.2. Controlled distribution and 3.3. Number of distribution points.

ABC ČR shall ensure the publishing data on circulations within a month after the report deadline. On a regular basis the data will be published on www.abccr.cz and in specialist journals. ABC ČR can even provide published data to other subjects but the subject is obliged to publish the data without commentary in table form and will quote in published circulations “Source of ABC ČR”.

6. CIRCULATION AUDIT OF ADVERTISING AND BUSINESS PUBLICATIONS

6.1. ABC ČR responsibilities during audit

ABC ČR consistently follows this methodology during the circulation audit of advertising and business publications. It is expected that the publishing company will have already reported the number of copies; eventually the number of distribution points and is prepared to undergo a circulation audit. If an ABC ČR employee has doubts on the authenticity of the submitted documents that cannot be eliminated in co-operation with the publishing company, he/she will suspend the audit and will inform the chairman of ABC ČR.

Document auditing is conducted by an ABC ČR employee at a designated workplace of the publishing company. The audit of the number of distribution points is conducted by an ABC ČR employee by personally checking the distribution point.

The ABC ČR employee will retain secrecy on all trade descriptions pertaining to the publishing company that have been rendered and will keep them strictly confidential. ABC ČR employees may not be in any way involved with a publishing company regardless of the form of co-operation while working for ABC Czech Republic.

6.2. Place and extent of audit

Workplace preparation and records quoted in point 7.2. to 7.4. shall be the responsibility of the publisher or distributor. Auditing records for press run and controlled distribution of advertising and business publications shall be conducted 2 x per year at the publishing company and at the request of ABC ČR at the distributor of controlled distribution. The audit is conducted on the commercial premises of the publishing company, the distributor or press office. The place of audit can be specified by mutual agreement amongst the publishing company, distributor and ABC Czech Republic. Change in the place of audit cannot be at the expense of the availability and integrity of the submitted documents.

Audit on the number of distribution points is conducted by ongoing personal checks for the duration of the contracting period and in such a manner so that within the first year, minimally 50% of all distribution points are checked and then in the following years of the

contract at the discretion of ABC ČR where 30 – 50 % of all distribution points are checked each year.

6.3. Audit period

The audit period for press runs and controlled distribution is the half-year, where each month is audited. The audit date is stated by the ABC ČR manager. The audit date needs to be announced 7 days in advance by ABC ČR to the publisher or distributor. The date and time can later be specified upon agreement of the publisher, the distributor and the ABC ČR manager.

For audit of distribution points, the audit period totals one contracting year commencing on the day of concluding the contract.

6.4. Postponing the audit date

The ABC ČR manager after agreement with the ABC ČR employee can decide whether to postpone an audit date when requested by the publishing company once the audit date has been announced.

A written request must be sent to the ABC Czech Republic's address at least five days in advance to the stated audit date.

6.5. Failure to keep the audit date

If an ABC ČR employee will not be able to conduct a circulation audit within 15 days of the announced audit, if appropriate conditions for a circulation audit are not established or if a proper audit is not completed within 15 days of its commencement then as a result, it will be published in the reviews as: "The publishing company did not enable a circulation audit". Increased costs resulting from the unpreparedness of the workplace or a failure to keep the audit date will be charged to the subscriber.

If an ABC ČR employee does not conduct the circulation audit on the announced or agreed date without significant reasons, the audit will be conducted at an alternate date and ABC ČR will reduce the annual rate charged for auditing circulations by half.

6.6. Additional audit

If the difference between the data published based on the report and the data discovered during audit exceeds 1 % for press runs and controlled distributions, the ABC ČR manager is required to suspend the audit and inform the chairman of ABC Czech Republic. ABC ČR will conduct additional audits on payment three times the amount of the valid pricelist stated for that audit period. If the publishing company does not settle the stated amount within 10 days or does not allow an additional audit within 14 days of paying the

amount, it is considered a gross breach of methodology and the reason for withdrawal from the contract. The failure to comply with these deadlines and those listed in point 6.5., ABC ČR will remove unverified data from their reviews and publish a report in the media and in places where circulations are available.

6.7. Preliminary audit

The ABC ČR manager will decide whether a preliminary audit will take place based on the submitted circulation reports, whenever he/she questions the authenticity of the circulations stated in the report. A preliminary audit is also conducted by an ABC ČR manager for the collection of data that cannot be done retroactively for accounting documentation and in particular for personal press run checks. During a preliminary check, records listed in point 7.2. must be submitted with an exception of the settlement of invoices. In duly substantiated cases, publishing company data may be suspended until the completion of the preliminary audit for a maximum of 30 days and ABC ČR will publish a report in the media and in places where circulations are available.

6.8. Initial audit

For newly adopted titles, an audit must be done following all methodology regulations valid at the time that it is conducted prior to publishing regular data. Based on the initial audit, the ABC ČR manager will decide whether the provided accounting records are sufficient for regular audits. Upon the submission of the application form, ABC ČR will conduct 4-5 circulation checks. If the publishing company utilizes the distribution network that is not available to other publishers or is not used regularly by other publishers, ABC ČR must provide such supporting documents so that it could execute checks in this network prior to its inclusion into the system. Shortcomings in bookkeeping must be removed by the publishing company prior to signing the contract and prior to entering the periodical regular audits. ABC ČR charges a price corresponding to the pricelist of one audit period for the initial audit.

6.9. Exceptional audit suggested by the founder (member) or ABC ČR manager

The ABC ČR General Assembly decides whether an exceptional audit will take place based on a suggestion from a member, chairman of the Methodology Committee or manager of ABC ČR. The publishing company will settle the increased auditing costs only if an ABC ČR employee discovers a deviation exceeding 1 % between the reported data and the data discovered during audit. In other cases, the proposer will settle the costs of an exceptional audit. The total sum will be stated by the ABC ČR manager with respect to the extent of an exceptional audit according to the valid pricelist.

6.10. Exceptional audit suggested by participants of audit

Other participants of the audit may submit proposals for exceptional audit by the Methodology Committee after settling the deposit. If the Methodology Committee recommends a proposal for a decision by the ABC ČR General Assembly, the settled deposit will remain at ABC ČR until the completion of the audit. The deposit amount will be stated by the ABC ČR manager with respect to the extent of an exceptional audit according to the valid pricelist.

Proposals on exceptional audits according to points 6.9. and 6.10. must have a foundation for the proposal and upon agreement with the ABC ČR manager must have an estimated price of conducting the audit.

6.11. Participation of other persons during a proper and an exceptional audit

Other persons may participate in a proper or an exceptional audit. The ABC ČR manager will draw up a declaration binding them to secrecy in the extent indicated in point 6.1. The ABC ČR chairman decides on the participation of other persons during a proper audit, the ABC ČR General Assembly decides on the participation of other persons during an exceptional audit.

6.12. Certificate of circulations and Final report

Upon the completion of the initial audit, the ABC ČR manager compiles a report that he/she sends as information to the ABC ČR chairman and to the publishing company with a conclusion whether the publishing company satisfied or did not satisfy the methodology requirements for the initial audit.

In conclusion to a proper audit, the ABC ČR employee will compile a certificate of circulations indicating even eventual deviations between the declared and the actual detected number of copies. Deviations exceeding 1 % (see 6.6.) from the reported data must be documented in the certificate of circulations with reference to the accounting record numbers. ABC ČR will forward a copy of the certificate of circulations to the publishing company for signing.

The final report of all titles for the auditing period will be published by ABC ČR in the media and in places where circulations are available.

When auditing the number of distribution points, ABC ČR will publish a certificate on the number of distribution points 1 x every 3 months during the duration of the contract, no earlier than three months of signing the contract or after checking minimally 50 % of the total number of distribution points. ABC ČR will publish a certificate on the distribution points

audit when at least 95 % of the checked distribution points satisfy the requirements of the check.

7. PROVING DOCUMENTS FOR AUDIT

7.1. Bookkeeping

A fundamental requirement for a circulation audit is that the publishing company (distributor) has properly managed accounts in accordance to the Act on accounting. All internal orders, money transfers etc., essential for audits, pertaining to production and distribution of publishing company products must be submitted in its original copies. During an audit by an ABC ČR employee, acquired data is compared to the circulation report submitted during the auditing period by the publishing company. The difference between the acquired and reported values must not exceed 1 %.

ABC ČR employees are authorized to view all records quoted by this methodology and can request other documentation if it is important for the assessment of reported circulations.

7. 2. Documents for audit

During audit of individual circulation forms, ABC ČR employees principally check the general ledger and analytical evidence books and the following records:

- a) **Press run**– invoices issued by the press office, proof of payment invoices, press office contracts, orders and delivery notes verifying the press runs of titles. If the press office is part of the publishing company and does not act as an independent unit, the publishing company must submit equally important records of internal evidence that upon request can be supplemented by other records of accounting evidence. Upon written request from ABC Czech Republic, the publishing company is required to ensure a personal check of press runs in the press office. A preliminary audit of press runs is conducted by an ABC ČR employee always by a personal check of the press runs of up to date issues in the press office. The publishing company must provide access into the handling area of the press office at the ABC ČR's request.
- b) **Controlled distribution** – a list of recipients for each title, records certifying their consent as customers with delivery notes of titles and records proving direct expenses associated with their delivery.
- c) **Number of distribution points** – the publishing company will submit original contracts on which the location of the distribution points is based.

7.3. Audit of versions

When auditing versions, invoice records for versions must be presented in such a manner so that each individual version may be verified.

7.4. Proving documents of audit of the distributor

The same documents that are stated in 7.1., 7.2. and 7.3. are audited for the distributor with the exception of records verifying production.

8. REQUIREMENTS FOR INCLUSION INTO THE ABC ČR SYSTEM

8.1. Inclusion into the ABC ČR system

Each publishing company that will express their approval to the methodology and its practical application during the initial audit of ABC ČR may be included by:

- submitting an application form for press run audit, eventually controlled distribution and number of distribution points, into the ABC ČR system,
- completing the initial audit,
- signing a contract with ABC ČR on the provision of services, where the publishing company will be bound to provide press runs data, eventually data on controlled distributions and number of distribution points that are specified by this methodology,
- submitting verifiable data on average press runs, eventually controlled distributions for the past six months,
- paying the ABC ČR system service fees.

8.2. Fees

Fees associated with the publishing and auditing of circulations will always be set a year in advance in the pricelist. Prices are based on an hourly rate for auditing, time calculations and a flat rate for the compilation and publication of company data on circulations. The price for the compilation and publication of circulation data for all participants remain the same. Prices for premium services are laid out contractually based on time calculations.

9. FINAL PROVISIONS

9.1. Settlement of disputes

If disputes occur on the authenticity of data submitted in the reports and the publishing company will avoid or defend itself against the audit, ABC ČR according to its methodology must suspend the publication of data on all titles of the publishing company until all the disputable causes are resolved.

9.2. Proposals for amendments of methodology of ABC ČR shall be submitted through the ABC ČR manager (tel./fax 221 733 526, e-mail: abccr@abccr.cz) to the Methodology Committee that is the expert authority. The Methodology Committee shall examine and propose to the ABC ČR General Assembly changes in methodology and carry out expert surveillance.

Methodology valid since 1.1.2007 was approved by the ABC ČR General Assembly on 7.11.2006.