



Government
of South Australia

Report
of the
Auditor-General
Supplementary Report
for the
year ended 30 June 2013

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Government advertising: November 2013

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27 November 2013

The Hon J M Gazzola MLC
President
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Parliament House
Adelaide SA 5000

The Hon M J Atkinson, MP
Speaker
House of Assembly
Parliament House
Adelaide SA 5000

Dear President and Speaker

**Report of the Auditor-General: Supplementary Report for the
year ended 30 June 2013: Government advertising: November 2013**

Pursuant to the provisions of the *Public Finance and Audit Act 1987*, I herewith provide to each of you a copy of my Supplementary Report for the year ended 30 June 2013 'Government advertising: November 2013'.

Yours sincerely

A handwritten signature in black ink, appearing to read 'S O'Neill'.

S O'Neill
Auditor-General

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Government advertising:

A rise to adequate standards of management process and transparency and accountability of expenditure is required

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1 Executive summary

1.1 Background

Government advertising represents a material area of expenditure in the government sector. The cumulative expenditure on government advertising reported in the Department of the Premier and Cabinet's annual reports for the four years from 1 July 2009 to 30 June 2013 was \$196 million.

Governance arrangements for government advertising are established through the following mechanisms:

- guidelines and protocols that are made available by the Department of the Premier and Cabinet (DPC) to government agencies
- the DPC Government Communications Advice Unit (GCA), formerly known as the Strategic Communications Unit, and the Premier's Communications Advisory Group (PCAG) that provide a planned, coordinated and strategic approach to the Government's communication strategies and programs.

There have been certain significant events in recent years that have influenced government advertising arrangements in South Australia:

- In December 2009 a Select Committee of the Legislative Council produced the 'Report of the Select Committee on Tax-Payer Funded Government Advertising Campaigns'.
- In August 2010 the Sustainable Budget Commission presented its second report 'Budget Improvement Measures – Restoring Sustainable State Finances'. The report included specific findings and recommendations regarding government advertising.
- In 2010-11 a budget initiative was introduced to reduce government advertising expenditure by \$18 million over four years.

In consideration of the significant expenditure on government advertising and the notable events that have influenced the administrative arrangements for this expenditure activity, Audit has reviewed aspects of government advertising. The review has given particular focus to the administration arrangements established through the PCAG and GCA and the accountability arrangements for government advertising through monitoring and reporting processes undertaken by the GCA.

Audit has recently commenced another phase of this review. It involves the review of processes at selected agencies covering the approval, preparation and evaluation of advertising campaigns and the reporting of expenditure associated with those campaigns. The outcome of this review will be reported to the agencies concerned and subsequently to the Parliament.

1.2 Audit conclusion

The role and operation of the PCAG and GCA, together with the DPC guidelines and protocols, represent the important elements of the governance and accountability framework established for strategic planning and monitoring of government and agency advertising and associated expenditure.

The audit of the elements of the framework identified notable matters to be addressed to give rise to adequate standards of management process and also transparency and accountability exercised for aspects of government advertising and related costs.

Overall, the main matters arising from the review were as follows:

- The level of documentation surrounding the operations and decisions of the PCAG was found to be deficient in certain areas.
- The full suite of government advertising guidelines was not available to the public and was not subject to consistent approval processes.
- Digital communications were not subject to the same level of scrutiny as advertising placed through other media such as television and radio.
- A number of gaps in compliance with the advertising guidelines and procedural processes were identified as well as opportunities to improve the level of information provided to the PCAG to support the approval process for communication activities.
- A number of issues were identified in the process for capturing government advertising expenditure for inclusion in DPC's annual report. The nature of the issues evidenced doubtful integrity over the reporting of government advertising expenditure in DPC's annual reports.

1.3 Audit recommendations and agency response

The audit findings and recommendations arising from this review were communicated in an audit management letter to DPC and a letter of response was received.

Detailed commentary on the audit findings and DPC responses is provided in the following sections of this Report. In summary, Audit made the following recommendations:

- document and approve terms of reference for the PCAG and ensure adequate recording of outstanding matters and items requiring follow-up action in the PCAG meeting reports (sections 3.1.2 and 3.1.3 of this Report)
- that the PCAG maintains responsibility to review campaigns for compliance with the relevant guidelines and maintains adequate documentation to record delegations to agencies which allow them to progress a campaign without PCAG approval. Audit further recommended that the exercise of any such delegations by agencies should be documented and reported to the PCAG (section 3.1.4 of this Report)
- improve access to relevant advertising guidelines and protocols for government staff and the general public and any amendments to the guidelines be endorsed with documented approval from the PCAG (sections 3.2.2 and 3.2.3 of this Report)
- communicate the requirements of the 'Government of South Australia Digital Communication Guidelines' to all government agencies and establish a monitoring process to ensure that digital communications are subject to the same level of review and approval as other forms of advertising (section 3.2.4 of this Report)
- clarify whether the \$1 million threshold for approval by the Chief Executive of DPC applies to total costs of a campaign or just advertising placement costs for a campaign.

Further, the requirement for Chief Executive of DPC approval for campaigns over the stated threshold should be documented in the relevant guidelines and a process developed to ensure that campaigns that exceed their proposed budget are subject to the correct approvals (section 3.3.2 of this Report)

- increase the level of detail in financial data included in campaign submissions and post-campaign evaluations to allow greater scrutiny by the GCA and PCAG (section 3.3.3 of this Report)
- improve the documentation trail and controls to ensure that all campaigns are reviewed by the PCAG and all conditions of approval stipulated by the PCAG are fulfilled before a campaign enters the public domain (sections 3.3.4, 3.3.5 and 3.3.6 of this Report)
- achieve integrity over the reporting of government advertising expenditure in DPC's annual report by amending the guidelines to include the requirement to maintain adequate financial data on government advertising, clearly defining the specific expenses that should be included in government advertising expenditure and implementing processes to check the accuracy of advertising expenditure submitted by government agencies for summarised inclusion in the DPC annual report (sections 3.4.2, 3.4.3, 3.4.4 and 3.4.5 of this Report).

The DPC response acknowledged the need for constant improvement and the opportunity provided through the audit review to examine several aspects of the processes that would benefit from reform. In this regard, DPC advised that the PCAG and GCA have implemented certain changes in procedures.

The DPC response also provided specific comment for certain proposed actions that differ from the Audit recommended action. The matters of particular note are discussed below.

1.3.1 Integrity of government advertising expenditure reporting

As a consequence of the Select Committee of the Legislative Council inquiry into government advertising and the Sustainable Budget Commission's consideration of government advertising expenditure, DPC began publishing information on whole-of-government advertising expenditure in its annual report. As indicated in section 2.1 of this Report, this commenced from 2009-10 onwards. The nature of the expenditure reported to 2011-12 has comprised campaign development costs and media placement costs sourced mainly from agencies through a manual data collection process.

As explained in this Report, Audit has identified issues in capturing expenditure data that evidence doubtful integrity over the reporting of the expenditure disclosed in the DPC annual report. Audit made certain recommendations to achieve integrity which included implementing a process to check the accuracy of advertising expenditure information supplied by government agencies.

DPC, in response to the audit recommendations, has advised that it is not possible to refine or review the current system of collecting and collating data to provide accurate values of development costs for advertising. It therefore only intends to report on media placement costs and will investigate a reporting system where information about individual advertising campaigns is published on the DPC website after the campaign is approved through their formal process.

Audit is of the opinion that despite challenges in achieving integrity in data collection and reporting processes, the issues identified should be addressed in order to meet the determination of the Sustainable Budget Commission that there should be comprehensive and accurate information on government advertising expenditure. The change to report only on media placement costs would result in reduced transparency and accountability for whole-of-government and agency advertising expenditure and its quantifiable elements.

1.3.2 Digital communications

With regard to digital advertising, Audit recommended that a monitoring process be established by the GCA to ensure that digital communications are subject to the same level of review and approval as other forms of advertising. DPC advised that it will not be practical to attempt to create a system where the PCAG approves all forms of digital advertising. Rather, DPC considers a system that approves the use of digital advertising in the context of a campaign rather than digital as an ongoing and sustained communication tool (for example, social media and websites) to be more applicable. In addition, DPC advised that updated digital guidelines will provide a set of principles to guide the decision making of an agency that is ultimately responsible for the content and use of digital advertising.

Audit is of the opinion that the use of digital communications will continue to evolve and grow. The proposals put forward by DPC, which may be practicable at this time, will need to be revisited for continued appropriateness to ensure there is no diminution in the core role and function of the PCAG to assess and monitor the ambit of government advertising communications.

1.3.3 Department of the Premier and Cabinet Chief Executive campaign approval

Audit recommended that DPC clarify whether the \$1 million campaign threshold for approval by the Chief Executive of DPC applies to total costs of a campaign or just advertising placement costs for a campaign. DPC advised it has requested authority to discontinue this approval step in consideration of other approval elements required for a campaign under the PCAG process. As the PCAG process requires a Minister to approve a campaign for release upon endorsement by the PCAG, DPC considers the Chief Executive approval element to be unnecessary.

Audit has no objection to the DPC proposal.

2 Audit mandate and scope

2.1 Introduction

Advertising is a significant area of expenditure in the government sector. The annual reports of DPC from 2009-10 show the value of expenditure on advertising across government for the following four years:

Year	Media placement costs \$'million	Development costs \$'million
2009-10	39.8	17.1
2010-11	34.2	17.8
2011-12	36.7	19.0
2012-13	31.3	Not reported

Media placement and development costs are defined and discussed in section 3.4.3 of this Report.

Government agencies are responsible for preparing advertising communications relevant to their roles and responsibilities. The Government has established governance arrangements for government advertising through the documentation of guidelines and protocols that are to be followed by agencies when planning and preparing advertising communications. The operation of a central review group, the PCAG, to assess and evaluate communication activities is a key governance and accountability function.

DPC, through the GCA, plays a significant role in the oversight of across-government external marketing and communication activities. The GCA is responsible for facilitating all government marketing communication activities through the PCAG and provides administrative assistance to this group.

This review has given focus to the governance and administration arrangements established through the PCAG and the GCA.

2.2 Audit mandate

The audit was conducted pursuant to section 36 of the *Public Finance and Audit Act 1987*, in particular the requirement of the Auditor-General to provide an opinion and report on the sufficiency of controls exercised in relation to expenditure of money.

2.3 Audit objective and approach

The purpose of this review was to:

- consider the suitability of the marketing and communication guidelines and protocols in operation
- examine the central management role undertaken by the GCA and the PCAG
- confirm the level of compliance with the ‘Marketing Communications and Advertising Guidelines’ and other relevant guidelines and protocols that are maintained by the DPC
- assess the reliability of reporting on government advertising expenditure included in the annual report of DPC.

Audit considered PCAG campaign documentation from 2011, 2012 and 2013. When considering compliance with guidelines certain campaigns were selected for review. Audit selected campaigns across the abovementioned years, across government agencies and gave consideration to those campaigns with higher value budgets.

Assessment of the reliability of reporting on government advertising expenditure focussed on the 2011-12 financial year.

While government agencies are responsible for preparing advertising communications relevant to their roles and responsibilities, the audit only reviewed the governance and expenditure reporting processes as they are centrally managed through the GCA and the PCAG. As such, advertising campaign documentation (submissions, approvals and evaluations) and expenditure reporting documentation were sourced directly from the GCA.

Audit did not liaise with the government agencies who prepared the documentation. Audit has recently commenced a review of these processes as they operate within certain selected agencies.

The following are the key audit findings and recommendations made to DPC, together with responses to those matters.

3 Detailed audit findings and recommendations

3.1 Premier's Communications Advisory Group processes

3.1.1 Background

Government advertising is centrally reviewed and approved by the PCAG. The role of the PCAG, as documented in the 'Marketing Communications and Advertising Guidelines', is to ensure a planned, coordinated and strategic approach to government communication strategies and programs.

The PCAG meets regularly to review advertising campaign submissions and campaign evaluations from government agencies. The PCAG approves advertising campaigns when satisfied that they are compliant with the relevant guidelines. The recommendation of the PCAG is then provided to the relevant Minister so that the campaign can be approved for implementation.

3.1.2 Terms of reference for the Premier's Communications Advisory Group

Audit made inquiry as to whether the PCAG operates under documented terms of reference approved by the Government. In response, Audit was provided with a recommendation, approved by the Executive Committee of Cabinet in June 2006, that outlines a 'proposed procedure to ensure a planned, strategic approach to Government communications strategies and programmes'.

At the time of the inquiry documentation could not be provided to Audit that reflected an update of the operational expectations and boundaries of the PCAG since 2006.

Audit considers that for the PCAG to be effective in strategic management and central coordination of government advertising activities it must be guided by documented expectations and boundaries.

Recommendation and agency response

Audit recommended that appropriate approved terms of reference for the operation of the PCAG be documented and approved. The terms of reference should incorporate roles and responsibilities of the PCAG, membership, meeting protocols and recording and reporting requirements.

DPC responded that existing guidelines did address the broad principles and process under which the PCAG considers advertising campaigns but acknowledged that, in particular, the 'Guidelines for the Premier's Communications Advisory Group Process' needed to be more readily accessible.

Subsequent to DPC's response, Audit was provided with an updated terms of reference for the PCAG effective from October 2013.

3.1.3 Premier's Communications Advisory Group meeting reports

The PCAG meets regularly to review proposed advertising and communication activity and undertake other monitoring and approval processes. A meeting report documents the key outcomes from each meeting, including approval of advertising campaigns, approval of campaign evaluations and any other business considered by the PCAG.

Advertising campaigns are usually approved by the PCAG subject to a number of conditions being fulfilled. The conditions of approval are documented in the PCAG meeting report. Audit found however, that the meeting reports did not assist with tracking whether conditions of approval had been met by an agency as these campaigns were often not mentioned in subsequent meeting reports.

Whilst Audit was advised that verbal updates are provided to the PCAG on campaigns that had been given conditional approval, there was no reflection of this in the PCAG meeting reports. It was therefore difficult for Audit to gain any assurance that the PCAG members had sufficiently satisfied themselves that the conditions of approval had been met for a number of advertising campaigns.

Recommendation and agency response

Audit recommended that outstanding actions or items that require further follow-up and consideration from the PCAG members are documented in meeting reports. Items should only be marked as complete or removed from the meeting agenda when all PCAG members are satisfied that they have been adequately addressed.

DPC noted the Audit recommendation for action and advised that PCAG meeting reports will include a tabled summary of outstanding actions and all updates to the table will be made and agreed by the PCAG during a meeting.

3.1.4 Delegations from the Premier's Communications Advisory Group to government agencies

In March 2013 a paper was presented to the PCAG to clarify delegations provided to Arts SA agencies that allow them expediency in the marketing of events. The paper states that specified arts agencies are not required to go through the PCAG process unless:

- the campaign is of high public profile
- it is a 'blockbuster event'
- the subject matter is of a sensitive nature.

Audit requested a copy of the delegation to Arts SA by the PCAG, but was advised that such a delegation had not been documented anywhere, other than in the paper presented to the PCAG.

The abovementioned delegations require the agency to make subjective assessments on whether their campaign should follow the PCAG process.

Recommendation and agency response

Audit considered that the PCAG should continue to exercise responsibility to review campaigns for compliance with the guidelines to maintain the integrity of the PCAG process. The application of a delegation by an agency should be documented on a campaign by campaign basis and reported to the PCAG.

DPC responded that the delegation for Arts SA affiliated organisations was intended to define what was functional advertising and campaign advertising, with particular regard to short-term event advertising, and reduce the volume of approvals required. DPC noted that the rules around the execution of the process between Arts SA and the PCAG need to be agreed, to more explicitly define the terms of the delegation, but maintains that the continuation of the delegation is essential to the efficiency of the process. The GCA was to undertake an immediate review of this matter.

3.2 Government advertising guidelines

3.2.1 Background

The GCA prepares and maintains guidelines and protocols that document the principles and processes to be followed by government agencies when planning, developing and managing advertising communications. The key documents relevant to managing government advertising, which have been reviewed by Audit, include:

- Marketing Communications and Advertising Guidelines
- Guidelines for the Premier's Communications Advisory Group Process
- Government of South Australia Digital Communications Guidelines
- Guidelines for Making a Premier's Communications Advisory Group Submission.

3.2.2 Availability of guidelines

The 'Marketing Communications and Advertising Guidelines' is the overarching document that outlines the principles and processes to be followed by government agencies when preparing government advertising activity. This document is publicly available on the DPC website. At the time of review, all other guidelines and other documents relevant to preparing government advertising campaigns were only able to be accessed by obtaining a log-on identification and password from the GCA.

The 'Report of the Select Committee on Tax-Payer Funded Government Advertising Campaigns' produced in December 2009 recommended that 'the advertising policies and guidelines should be available to any person on request and should also be published on the internet...'

Audit was advised that a new website is currently being developed that will give the public access to more of the guidelines than were previously available.

Recommendation and agency response

Audit communicated the view that access to relevant policies, principles and guidelines regarding advertising should be improved. This would allow government staff easy access to information that can assist with better submissions and evaluations to the PCAG and will improve the transparency of advertising processes for the public.

DPC advised that the GCA is in the final stages of creating a new website with full public accessibility to the guidelines. The website will be available by the end of the first quarter of 2013-14. DPC also advised that in the meantime, all relevant guidelines are published on the DPC website.

3.2.3 Approval of guidelines

The assignment of responsibility for reviewing and approving advertising guidelines has not been documented. Audit was advised by the GCA that the guidelines must be approved by the PCAG.

The 'Marketing Communications and Advertising Guidelines' have been reissued four times over the last five years. Audit review of the 2010, 2011 and 2013 guidelines revealed that the 2010 and 2013 guidelines were presented to the PCAG but there is no minuted discussion or request for changes recorded in the PCAG meeting reports.

The PCAG meeting report from January 2011 shows that members requested some changes to the guidelines and that the updated guidelines be circulated to the PCAG for approval. Audit could not be provided with any documentation to demonstrate that the guidelines were amended as requested or that they were subsequently provided to the PCAG for final approval.

Audit also noted that the March 2013 guidelines were approved by the Premier. There was no evidence to demonstrate that earlier versions of the guidelines were also approved by the Premier or the Executive Committee of Cabinet. As there were no documented terms of reference for the PCAG, it was not clear whether the PCAG should approve the amended guidelines or only endorse them for the Premier's or Cabinet's approval.

Recommendation and agency response

Audit recommended that the review and endorsement of the guidelines by the PCAG be clearly documented prior to their release.

DPC responded that a consistent process for approval of new and updated guidelines will be documented in the terms of reference for the PCAG. DPC also advised that the March 2013 guidelines were approved by the Premier because the Executive Committee of Cabinet had ceased to exist and transition of the oversight of the PCAG to the Sustainable Budget Committee of Cabinet had yet to be finalised.

3.2.4 Effectiveness of guidelines for digital advertising

The 'Government of South Australia Digital Communication Guidelines' are included in the suite of guidelines maintained to document the principles and processes to be followed by government agencies when developing and managing advertising communications.

Digital communications are defined within the guidelines to include websites, social media, mobile phone and email. The guidelines require that any use of digital or social media that supports or is part of external communications activity must be approved via the PCAG approval process.

Audit review of the PCAG minutes for 2011, 2012 and 2013 revealed very few submissions to gain PCAG approval for these forms of digital communication, unless it was part of an advertising campaign that included other forms of paid advertising such as television and radio commercials.

Audit inquiries revealed that the GCA does not have a monitoring function to detect whether digital communications have obtained the appropriate approvals in accordance with the guidelines.

Recommendation and agency response

Audit recommended that the requirements of the guidelines for digital communications be communicated to all government agencies.

Audit also recommended that the GCA establish an inquiry/monitoring process to identify digital communication activities and ensure that digital communications are subject to the same level of review and approval as other forms of advertising. In this regard Audit conveyed that the use of surveys of government agencies at regular intervals could support the collection of data about digital advertising and the associated costs. Such information could inform and guide the GCA in updating processes to proactively capture digital advertising activities for review and approval.

DPC advised that government agencies are required to purchase all digital advertising from the government Master Media Agency system which subjects the advertising to the usual PCAG approval process. Those agencies that are purchasing digital media direct are in breach of the guidelines. DPC also stated that digital advertising that is created and/or placed at no charge or for which the expense is not classified as advertising (such as a website) does not require PCAG approval. This includes most social media, which is considered a communications and interaction tool rather than an advertising medium.

DPC also responded that expansion of the existing digital advertising guidelines is a priority and that the new guidelines will expand the definition of digital advertising to encompass digital communications and will cover social media strategy and websites. Because of its proliferation, DPC advised that it will not be practical to create a system where the PCAG approves all forms of digital advertising. DPC conveyed that for Government to communicate with citizens in a timely and contemporary way, a system that only approves the use of digital in the context of a campaign, rather than digital as an ongoing and sustained communication tool, is appropriate.

3.3 Compliance with the advertising guidelines

3.3.1 Background

Guidelines are issued by the DPC to assist government agencies in preparing advertising communications. The review conducted by Audit included examination of whether advertising campaigns are complying with the requirements outlined in the guidelines.

The primary documents considered by Audit as part of this review were:

- Marketing Communications and Advertising Guidelines
- Guidelines for the Premier's Communications Advisory Group Process.

There are a number of other guidelines and protocols issued by the DPC that are relevant to the preparation of advertising communications. Audit referenced all of those documents where considered relevant.

To assess compliance with the guidelines, Audit selected a sample of advertising campaigns that had been approved by the PCAG. The sample was selected to cover the 2011, 2012 and 2013 years and to cover submissions and, where available, evaluations from different government agencies.

For the purpose of this review, all documentation (submissions, approvals and evaluations) was sourced directly from the GCA. Audit did not liaise with government agencies that prepared submissions.

Audit review of the sample of campaigns selected identified that they had generally followed the process of preparing a submission, obtaining approval from the PCAG and relevant Minister and submitting an evaluation for PCAG approval. Audit did, however, identify certain shortcomings and opportunities to improve the controls over government advertising.

3.3.2 Approval for campaigns with budgets greater than \$1 million

Audit was advised that campaigns with budgeted media placement costs of more than \$1 million are required to be forwarded to the Executive Committee of Cabinet for review and approval. This requirement is not documented in any of the guidelines, but was the practice recommended to the Executive Committee of Cabinet by the then Chief Executive of DPC in 2009. The documentation that discusses this threshold does not discuss the \$1 million threshold applying to media placement expenses, but rather campaign expenditure.

The application of the \$1 million threshold to only the media placement costs may not, therefore, be consistent with the threshold recommended to the Executive Committee of Cabinet.

Audit noted that three campaigns were referred to the Executive Committee of Cabinet in 2011. However, no evidence could be provided to Audit to demonstrate that the campaigns had actually been reviewed or approved by the Executive Committee of Cabinet.

In 2011, infrequent meetings of the Executive Committee of Cabinet prompted a request from DPC to refer campaigns with budgets greater than \$1 million to the Chief Executive of DPC for approval, rather than the Executive Committee of Cabinet. Audit could not be provided with any documentation to demonstrate that this change was approved by the Executive Committee of Cabinet.

Since the referral of the three campaigns to the Executive Committee of Cabinet in 2011, no evidence is available to demonstrate that campaigns with budgets of more than \$1 million

have been approved by the Chief Executive of DPC. The following campaigns reviewed by Audit had total budgets or actual expenditure of more than \$1 million.

Agency	Campaign title	Total campaign budget per campaign submission	Actual expenditure per campaign evaluation⁽¹⁾
DFEEST	Skills For All	\$743 285	\$1 138 000
Premier's Murray-Darling Taskforce	Fight for the River ⁽²⁾	\$1 966 000	\$832 000
Motor Accident Commission	You're Screwed	\$975 000 ⁽³⁾	\$1 202 000
Land Management Corporation	Playford Alive Marketing Campaign 2012	\$1 650 000	\$1 627 000
SA Motor Sport Board	2012 Clipsal 500	\$1 701 000	\$1 820 000

⁽¹⁾ Rounded to the nearest \$'000

⁽²⁾ See section 3.3.5 of this Report

⁽³⁾ With ongoing campaign tracking and evaluation to be addressed through a separate budget

The campaign budget of \$1.966 million for the 'Fight for The River' campaign included budgeted media placement costs of more than \$1 million. There was no evidence that this campaign had been forwarded to the Chief Executive of DPC for approval. DPC did however provide Audit with a document showing that Cabinet approved the development and implementation of this campaign in June 2012.

The budget of \$1.701 million for the '2012 Clipsal 500' campaign includes media placement costs of \$1.02 million. However \$444 000 of this was provided by the media outlet at no charge to the South Australian Motor Sport Board and therefore only the remainder of the budgeted media placement cost was considered relevant. As media placement costs were not considered to meet the \$1 million threshold, this campaign was not forwarded to the Chief Executive of DPC for approval.

While the Department of Further Education, Employment, Science and Technology's (DFEEST) 'Skills For All' and Motor Accident Commission's 'You're Screwed' campaigns did not have budgets of \$1 million at the time of submission to the PCAG, the actual expenditure exceeded the threshold. Audit was not advised of any process in place to capture or re-assess and obtain the appropriate approvals for campaigns that extend beyond their budgeted amount.

Recommendation and agency response

Audit recommended that the application of the \$1 million threshold for obtaining the approval of the Chief Executive of DPC should be clarified to apply to the entire campaign budget, rather than just the media placement costs. The expectation for approval of campaigns greater than \$1 million should be documented in the guidelines and such approvals should be obtained prior to the advertising campaign being released into the public domain.

Audit further recommended that a process needs to be developed by the GCA/PCAG to capture advertising campaigns that exceed the budget proposed in the campaign submission.

This is of particular importance where the actual expenditure exceeds the \$1 million threshold and may require the campaign to obtain further approvals.

DPC responded that the \$1 million threshold applied only to media placement expenses, and did not include other campaign expenditure such as campaign development costs, stating that media spend was the only accurate measure under the control of DPC and this has been consistently applied as the measure for the threshold.

DPC also advised Audit that it considers the \$1 million threshold for approval by the Chief Executive of DPC unnecessary and duplicates the authority of the Minister or Cabinet who are required to approve each campaign. DPC has requested approval from the Sustainable Budget Commission of Cabinet to discontinue the requirement for this approval.

3.3.3 Financial data contained in advertising submissions and evaluations

Audit review of advertising campaigns and post-campaign evaluations submitted to the PCAG revealed that they generally contain very little detail regarding the budgeted or actual expenditure.

For campaign submissions, Audit noted that a high level budget is generally included that allocates the budget between categories including media spend, production, print production, research and public relations. The 'Guidelines for the Premier's Communications Advisory Group Process' state that 'your budget should be detailed and include itemised costs for: creative agency or other marketing supplier service fees, media schedule, production, printing, public/media relations, sponsorship, market research, website development/production.'

When reviewing the post-campaign evaluations, Audit noted some instances where the budget discussed in the evaluation was different to the budget included in the submission and there was no documented acknowledgement of the change, nor any explanation for the change in the budget. There was also very little analysis provided when the actual expenditure for a campaign differed from the budgeted amount. Audit also noted one instance where a post-campaign evaluation did not contain any financial data at all.

Audit inquiry revealed that there is no cross-referencing between a campaign submission and a campaign evaluation to ensure that the correct budget information has been included in a campaign evaluation. Audit was also advised that the PCAG may scrutinise the variation between budget and actual expenditure but this is not documented as part of the PCAG meeting report.

Recommendation and agency response

Audit recommended that the level of detail of financial data included in campaign submissions and the financial analysis provided in post-campaign evaluations be increased to allow greater scrutiny by the GCA and the PCAG. More detailed financial information prepared at the time of campaign submission and evaluation should also assist agencies with providing information to the GCA for inclusion in DPC's annual report.

In response, DPC advised that a campaign submission does not seek the PCAG's approval of the budget. The PCAG's advice to the Minister reflects scrutiny against the 'Marketing Communications and Advertising Guidelines' for which the budget assists in the determination of value for money. DPC, however, acknowledged the importance of accurate and detailed budget information for verifying value for money and advised that a process of checking the expenditure in evaluations against the original submission will be introduced as part of the GCA's management of the process.

3.3.4 *Ensuring conditions of approval are complete before advertising campaigns are released into the media*

Most of the campaign submissions selected for Audit review were approved by the PCAG subject to the fulfilment of stipulated conditions. Where PCAG conditional approval has been granted, additional information is usually required to be provided to the GCA for approval prior to the campaign being released into the public domain.

Where conditional approval by the PCAG had been granted with the requirement for the government agency to provide additional information to the GCA, Audit found many cases of insufficient documentation to demonstrate that the conditions had been fulfilled. For example, the following campaigns reviewed by Audit did not, on the basis of information sighted, completely address the conditions of their approval:

- Changes requested to a communications plan by the PCAG could not be sighted in a resubmitted communications plan for the 'Clipsal 500 2012' campaign. In addition, the campaign evaluation was not accepted by the PCAG. There was no evidence to support that the evaluation had been resubmitted to the PCAG.
- Final creative material to be provided to the GCA for approval could not be provided to Audit for the Arts SA 'Adelaide Festival 2012' campaign.
- The PCAG noted and accepted the evaluation of the DFEEST 'Skills for All' campaign pending additional information. No documentation could be provided to Audit to demonstrate that the additional information was presented to the PCAG.
- An updated communications plan required to be submitted to the GCA could not be provided for the SA Health 'Drink Too Much, You're Asking for Trouble' campaign.
- There was no evidence to demonstrate that changes to campaign creative material were undertaken as requested by the GCA for the 'Fight for the River' campaign initiated by the Premier's Murray-Darling Basin Taskforce.
- There was no evidence to demonstrate that all of the PCAG's recommendations were adopted for the Department of Planning, Transport and Infrastructure's 'The Big Build' campaign.

Audit noted that the documentation maintained for each campaign was largely dependent on the GCA officer assigned to facilitating the campaign through the PCAG process. Audit understands that documentation was difficult to locate when the relevant officer was not present.

Recommendation and agency response

Audit recommended that appropriate controls be introduced to ensure that a campaign cannot proceed into the public domain until all conditions of approval have been satisfied. The documentation trail for the conditions of approval and the fulfilment of these conditions should be improved and centrally filed to ensure that information pertinent to each campaign is easily accessible by all GCA officers.

DPC responded by acknowledging the need for improvement in the follow-up and record keeping for campaigns where the PCAG delegates to the GCA for final approval. At the same time, DPC stated that despite the instances of no record of follow-up after the PCAG as stated in the audit findings, no campaign entered the public domain without having first been scrutinised and tested against the advertising guidelines by the PCAG or the GCA. It was further advised that matters of follow-up requested by the PCAG related to subjective issues of creative materials and choice of media, but never those matters that might fundamentally challenge the fitness of the campaign in relation to the 'Marketing Communications and Advertising Guidelines'.

3.3.5 The 'Fight For The River' campaign 2012

The review of the campaign strategy and communications plan submitted to the PCAG revealed that press advertisements and digital media (ie website) had been released into the public domain prior to the PCAG having the opportunity to review the strategy. This indicates that the campaign strategy was established and, in part, already executed before the PCAG received a submission.

Although the GCA had approved the published print media prior to its release, the PCAG was restricted in the level of value that could be added to the overall communication strategy by their review.

The objectives of the PCAG are to ensure that principles of the 'Marketing Communications and Advertising Guidelines' are appropriately adopted by government agencies in their advertising campaigns. The ability for the PCAG to perform this role is restricted in circumstances where advertising has commenced prior to their review of the overall strategy. This increases the risk that government advertising that does not comply with the Government's principles will be released into the public domain.

The execution of elements of a communications strategy prior to review and approval of the overall strategy by the PCAG undermines the review and approval process undertaken by the PCAG.

Recommendation and agency response

Audit recommended that controls be improved to ensure that government advertising does not commence prior to appropriate review and approval by the PCAG consistent with the 'Marketing Communications and Advertising Guidelines'. Some specific areas of consideration may include:

- prohibiting approval of elements of an advertising campaign by the GCA prior to the overall campaign strategy being approved by the PCAG

- reinforcing agency responsibilities to ensure that submissions are provided to the PCAG in the planning phase of an advertising campaign to ensure that the campaign is most effective and efficient.

DPC responded that it is very rare for an advertising campaign to enter the public domain before approval by the PCAG and this cannot occur without the approval of the Minister and/or Cabinet. In the case of the 'Fight for the River' campaign, in June 2012 Cabinet approved both the detail of the campaign, the creative elements and the expenditure prior to it going into the public domain.

DPC further advised that in the ordinary process, the PCAG would endorse the commencement of a campaign that would be routinely submitted as part of a broader communications strategy. In this case, a separate Cabinet submission authorised the campaign, so the need to organise a special session of the PCAG was not justified. It was also noted that only a limited number of press advertisements and the website occurred prior to the review and endorsement by the PCAG and that the final expenditure on advertising for the campaign was \$832 000 which is less than half of the expenditure budget that Cabinet had approved.

3.3.6 Premier's Communications Advisory Group approval of SA Lotteries campaigns

The GCA has established protocols with the Master Media Agencies whereby they are not to process a media booking unless they have been advised by the GCA that a campaign has been approved. Audit was advised that while these protocols have been quite useful in a number of instances in alerting the GCA of any agencies who have not followed the PCAG approval process, they have not prevented such campaigns from proceeding into the media.

Audit performed some analysis of the value and number of campaigns approved by the PCAG and made comparisons with the value of advertising expenditure reported in DPC's annual report. While this analysis was limited by the highly summarised data available, it did indicate that only four campaigns from SA Lotteries had been approved by the PCAG over the 2011 and 2012 calendar years.

Audit requested further information on approval of SA Lotteries campaigns from the GCA. The additional information provided to Audit revealed that six campaigns with a cumulative value of \$1.1 million had been approved by either the PCAG or the GCA during 2011 and 2012. However, the value of advertising expenditure reported for SA Lotteries in the DPC 2012 annual report was \$6.2 million indicating that the majority of advertising activity undertaken by SA Lotteries was not subject to review by either the GCA or the PCAG.

Recommendation and agency response

Audit recommended that the GCA perform some analysis to ensure that government agencies are complying with the guidelines for government advertising. Exceptions should be reported to the PCAG and additional effort made to ensure that these agencies are informed and encouraged to comply with the advertising guidelines.

DPC responded that all government agencies using public funds for advertising are required to comply with the PCAG process.

DPC indicated that SA Lotteries operated their communications to promote retail sales of their products and make submissions to the PCAG whenever they launched a new advertising campaign for a product. The approval generally covered an initial ‘burst’ and then ongoing advertising according to the retail and market needs. The nature of SA Lotteries products required fast decisions to take advantage of prevailing market and sales conditions. DPC further noted that SA Lotteries was a unique organisation within government and the procedures of pre-approval for the PCAG could have been seen by them to have restricted their commercial flexibility and caused them competitive disadvantage.

DPC advised that the PCAG approved all new campaigns by SA Lotteries, but did not approve further bursts or extensions under the same creative theme. As the PCAG has no financial approval delegation, it can be assumed that the ongoing expenditure was approved under the usual processes for SA Lotteries, which will have included their Minister. DPC further noted that at no time did a new creative theme for SA Lotteries enter the public domain without approval by the PCAG.

DPC conveyed that it was very difficult to require SA Lotteries to comply with a system that they considered a restriction on their commercial flexibility.

Since the licensing of the SA Lotteries business to an external private entity, there is no longer a requirement to submit campaigns to the PCAG. DPC advised that the PCAG has received all outstanding Ministerial authorities and evaluations for all advertising campaigns.

Finally, DPC advised that there is no government agency that is not submitting to the PCAG process, either by submission or delegation. DPC will however revise its procedure with the Master Media Agencies to ensure that no new campaigns can be booked without evidence of approval from the PCAG.

3.4 Reporting on government advertising expenditure

3.4.1 Background

In response to the findings of the ‘Select Committee on Tax-Payer Funded Government Advertising Campaigns’ and the Sustainable Budget Commission’s consideration of government advertising expenditure, DPC commenced reporting details of whole-of-government advertising expenditure in its 2009-10 annual report. The report on whole-of-government advertising expenditure shows, by individual government agency, the total expenditure on media placement and the total expenditure on advertising campaign development costs.

The GCA within DPC collects and collates advertising expenditure information received from government agencies to form the basis of the report. The process, conducted annually at the end of the financial year, requires all government agencies to submit advertising expenditure data to the GCA in a specified format. This expenditure data is then summarised and collated by the GCA for inclusion in the annual report of DPC.

Audit reviewed this process to determine the reliability of the data reported.

3.4.2 Policies and procedures for the reporting of government advertising expenditure

The requirements of the government advertising expenditure reporting process are not included within the 'Marketing Communications and Advertising Guidelines', or any other procedural guidelines issued by the GCA. An email is sent to government agencies at financial year end requesting advertising expenditure data. The email provides information about the type of costs that should be captured within the advertising expenditure to be reported, but does not provide any guidance on how the data should be captured.

Audit inquiry revealed that the process followed to source the expenditure data from agencies and collate the information for inclusion in the annual report is not formally documented. Notes have been maintained by the responsible officers to facilitate the process from year to year.

Recommendation and agency response

Audit considered that the 'Marketing Communications and Advertising Guidelines' should include the requirement for government agencies to maintain and provide appropriate information for the purposes of reporting. It should also contain the process to be followed by the GCA to collect, collate and report on the data.

DPC responded that they do not consider the 'Marketing Communications and Advertising Guidelines' to be an appropriate document for the inclusion of annual reporting requirements. This document sets the principles on which the value and effectiveness of advertising is measured and is not intended to be regulatory and prescriptive. DPC, however, advised that consideration is being given to amending DPC Circular 13 'Annual Reporting Requirements for Government' to set a consistent standard of reporting. Such reporting would however be the responsibility of the relevant agencies and not DPC.

3.4.3 Defining advertising expenditure

Whole-of-government advertising expenditure is reported in two categories:

- total media spend
- total development costs.

Although it is not defined in the annual report or in the email sent to agencies to collect expenditure information, media spend is the cost of placing and booking advertisements with the Government Master Media Agency.

Development costs are defined in the 2011-12 DPC annual report as including 'all third-party production, creative and research costs associated with the preparation, execution and assessment of advertising.' This is consistent with the pro-forma return that is required to be completed by each agency, which includes the following suggestions for development costs:

- market research
- creative concept development
- production
- account management costs
- collateral (all forms associated with the campaign).

The email sent to agencies to collect advertising costs states that ‘The report will focus on paid media bookings associated with brand campaigns and functional bookings. These are campaigns or placements that have been planned and booked with the Government Master Media Agencies.’

This narrow definition of advertising to include only campaigns that have been planned and booked with the Government Master Media Agencies has the potential to exclude a significant portion of government advertising, including:

- public and media relations
- sponsorships
- fairs and exhibitions
- website development, hosting and maintenance
- brochures and publications.

The limitation of government advertising expenditure to only that booked with the Government Master Media Agencies is not explained in DPC’s annual report. The reader can therefore mistakenly interpret the information presented as representing the total cost to government for all advertising, when this is not the case.

Recommendation and agency response

Audit recommended clearer definition and documentation of what specific expenses should be included in government advertising expenditure and which government agencies should be included in whole-of-government reporting. This definition should be available to users of the financial report as well as the persons responsible for preparing the information.

DPC responded that it will consider amending DPC Circular 13 ‘Annual Reporting Requirements for Government’ to set a consistent standard of reporting, which will include what expenses should be included for reporting.

3.4.4 Data integrity

The current process for collecting expenditure data and reporting in DPC’s annual report does not provide for sufficient independent checking to ensure the integrity of the figures reported.

Audit review revealed that media spend data collected from government agencies is checked against reports issued by the Government Master Media Agencies. Where discrepancies were detected between the figures supplied by the Master Media Agencies and the government agency, the government agency was contacted to explain the difference. Audit noted that in the majority of circumstances there was inadequate documentation to properly explain the variations and was advised that the value supplied by the government agency was generally accepted as the correct value where variations could not be explained.

Audit observed that the checking performed to Master Media Agency reports was undertaken on an agency basis. DPC also advised that a reconciliation of the total media spend recorded by the Master Media Agencies to the total media spend recorded in DPC’s annual report was made difficult by payment timing differences between financial years.

Advertising development costs, which in 2011-12 represented 34% of total reported government advertising expenditure, are not subject to any review or scrutiny by the GCA. Data supplied by each agency is summarised and collated for inclusion in the report without any independent checking. Audit was advised that each agency has its own process for obtaining the information and there is no possible way to check the data supplied.

Recommendation and agency response

Audit recommended that processes be introduced to check the accuracy of advertising expense data provided by agencies. Integrity checking processes may include:

- high level reconciliation of the total expenditure reported by the Master Media Agencies to the total expenditure reported in DPC's annual report
- reconciliation, on a sample basis, of government agency expenditure submitted at year end to individual campaign submissions and evaluations presented to the PCAG. Any variations detected as part of the reconciliation should be documented and provided to the PCAG or a person independent of the reporting process for review
- conduct of audits or independent checks, on a sample basis of government agency collection processes.

DPC responded that it is not possible to refine or review the current system of collecting and collating data to give an accurate sense of development costs for advertising. DPC further advised that it will cease the publication of expenditure in the annual report in its current context and will publish a report of verifiable data only, based on the expenditure reported by the Master Media Agencies. Routine internal checks will be made to verify the data supplied by the Master Media Agencies with the data intended to be published. DPC also conveyed that they will investigate a reporting system similar to New South Wales, where information about individual advertising campaigns is published on the DPC website after the campaign is approved through their formal process.

3.4.5 Collation of advertising cost data by the Government Communications Advice Unit

The GCA is responsible for preparing reported information on whole-of-government advertising expenditure. This involves collecting expenditure information from all government agencies and collating it for inclusion in the DPC annual report.

The expenditure information provided by government agencies is copied manually from pro-forma returns by keying into a spreadsheet which is then used to add and summarise the data.

Audit review of the spreadsheet maintained by GCA staff for the collation of government advertising expenditure in 2011-12 revealed that there were errors within the spreadsheet that resulted in the exclusion of data submitted by government agencies. This was not detected by the GCA because there is no independent checking of the data collation process.

Recommendation and agency response

Audit recommended that an independent check on the collation of data be performed to ensure that complete and accurate advertising expenditure is provided in DPC's annual report.

As outlined in section 3.4.4 above, DPC advised that it will cease the publication of advertising expenditure in the annual report in its current context and will publish a report of verifiable data only, based on the expenditure reported by the Master Media Agencies. Routine internal checks will verify the correct transcription of the data supplied by the Master Media Agencies into the DPC annual report. Furthermore DPC will investigate a reporting system similar to New South Wales, where information about individual advertising campaigns is published on the DPC website after the campaign is approved through their formal process.