

VICTORIA

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Auditor General

Victoria

# Government advertising

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VICTORIAN GOVERNMENT  
PRINTER  
September 2006





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AUDITOR GENERAL  
VICTORIA

The Hon. Monica Gould MP  
President  
Legislative Council  
Parliament House  
Melbourne

The Hon. Judy Maddigan MP  
Speaker  
Legislative Assembly  
Parliament House  
Melbourne

Dear Presiding Officers

Under the provisions of section 16AB of the *Audit Act 1994*, I transmit my audit report on *Government advertising*.

Yours faithfully

JW CAMERON  
*Auditor-General*

14 September 2006

# Foreword

Over recent years, there has been an increase in the use of sophisticated advertising and communications techniques within the public sector to strategically promote the delivery of government programs and services. Government-funded advertising and communications activities need to be conducted in ways that deliver value-for-money, yet avoid taking on the appearance of promoting the incumbent government. The use of branding and common messaging, used so effectively by commercial advertisers, can take on a different complexion when applied in the public sector.

When this increased sophistication is added to the recent increase in the level of advertising and communications, in part to take-up opportunities presented by the 2006 Commonwealth Games and the program of major events conducted in the state; the proximity to an election; and the orientation of some advertisements that highlight government performance, it is not surprising that some members of the community expressed concerns that the advertising and communications might be politically motivated.

Whether activities are party-political is a matter of fine judgement, but when considered overall, there is a point at which the public becomes concerned about the intent of the government, both in terms of the potential political impact and the use of public funds.

It is appropriate for government to inform the public of new, existing or proposed government policies or policy revisions; to provide information on government programs or services or revisions to programs or services to which the public are entitled to access; to inform the public of their rights, entitlements or obligations under the law; to inform the public that the state is a good place to live, study, work, or invest; and influence social behaviour, in the public interest. However, promotional activity needs to be tempered so that an incumbent government's natural advantage is not exploited.

This audit analyses the changes in government practices in light of the increased coordination of state-sponsored promotional activity. It examines current practices and 8 selected campaigns, and assesses them against the government's own criteria for ensuring probity around such activities. The report recommends that a number of actions be taken to maintain the highest standards for the use of public funds in the area of expenditure.



JW CAMERON  
*Auditor-General*

14 September 2006

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# 1. Executive summary



## 1.1 Introduction

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This audit of government-funded advertising and communications arises from concerns being expressed from parts of the community about the quantum and nature of government-funded communications towards the end of 2005. Its primary purpose was to determine whether selected public sector advertising campaigns complied with the government guidelines and whether processes around the management of government advertising were adequate.

We conducted assessments of the following 8 campaigns:

- *Our Water, Our Future*
- *Bringing Learning to Life*
- *CrimeSmart: Do Your Part*
- *Better State of Health* (Blueprint and Rural Health Services campaign components)
- *Alpine Grazing*
- *Make it Happen in Provincial Victoria*
- *World Class Performance*
- *Building a World Class Victoria.*

These campaigns were mainly selected because they were running at the time the public debate about government advertising heightened in late 2005. The *Alpine Grazing* campaign was selected because it too was subject to public and press comment at the time it ran.

We believe that an assessment of these campaigns provides the opportunity to identify what, in practice, led to that increased debate, and to provide an independent assessment of whether the concerns expressed were warranted.

Making assessments of the campaigns or campaign material, and whether or not they contain material that is party-political, is a matter of judgement. The assessments need, as much as possible, to be objective and not swayed by the public debate. Judgements, by their nature, can be difficult and can, at times, be a matter of fine balance, and open to interpretation.

In assessing the campaigns, we considered the material made available to the public from the position of the reasonable person in the absence of information to judge the actual intent or purpose for the advertisements or communications material.



A government clearly has the right to promote its programs and the state, and to inform the community on matters that affect its citizens. This audit does not question that right.

The conclusions reached in our assessments of the campaigns relate specifically to those campaigns and not to the wider program of government advertising and communications activities.

During the audit we also examined:

- the level of advertising and communications expenditure, including media buying
- the appropriateness of the use of media buying rebates<sup>1</sup>
- procurement of services for each of the 8 campaigns to determine compliance with procurement requirements
- the appropriateness of arrangements in place to ensure effective governance and oversight of government advertising and communications activities.

## 1.2 Conclusions

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### 1.2.1 Extent of government advertising and communications expenditure

We estimate that Victorian public sector advertising and communications nominal expenditure was at least \$123 million for 2002-03, \$147.1 million for 2003-04, \$161.3 million for 2004-05 and \$88.4 million for the 6-month period to 31 December 2005.

In the absence of readily available data on the level of Victorian public sector advertising and communications, data we collated<sup>2</sup> shows that the amounts involved are significant, and growing, in nominal dollar terms.

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<sup>1</sup> “Media buying rebates” are rebates available to agencies that use the whole-of-government Master Agency Media Services (MAMS) contracts to purchase media placements, e.g. television time, radio spots or newspaper space. Under the contracts in place at the time of the audit, the contractors provided a rebate on the total cost of the media purchased to the agency that purchased media space, or to the state. The size of the rebate was determined by the agency’s timeliness in paying the invoice, and whether or not production services were provided by the contractor.

<sup>2</sup> We issued a questionnaire to each of the 10 departments and the Transport Accident Commission, Victorian WorkCover Authority, Tourism Victoria, Australian Grand Prix Corporation, and Victorian Urban Development Authority. The statutory authorities were selected because they were considered to have significant involvement in advertising and communications activities. Total expenditure of these 15 agencies comprises around 83 per cent of the government’s total annual expenditure.

The Department of Premier and Cabinet (DPC) advised that while nominal expenditure has continued to grow, by using the relevant media price index (MPI), the real level of advertising expenditure is consistently lower today than in 1998, even allowing for a slight upturn in the 2004 and 2005 calendar years.

The common element between the use of nominal dollars, CPI-adjusted dollars, and MPI-adjusted dollars is that in 2004-05 and 2005-06, there was an increase in public sector spending on advertising and communications. Some of the increases can be attributed to deferring media buying as a result of the Commonwealth Government media activity in early 2005-06, and the media buying related to the 2006 Commonwealth Games.

The Public Accounts and Estimates Committee (PAEC) in its April 2006 report<sup>3</sup> recommended that the Department of Treasury and Finance expand the annual reporting requirements of departments to incorporate information on the cost and management of government advertising and promotional programs. The Government has yet to respond to this recommendation. While the expenditure on advertising and communications represents only around 0.5 per cent of total annual expenditure, adoption of the PAEC recommendation would provide for greater public transparency.

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<sup>3</sup> Public Accounts and Estimates Committee 2006, *Report on the 2004-05 Budget Outcomes*, Victorian Government Printer, Melbourne, p. 136.

## 1.2.2 Master Agency Media Service rebates

Under the media buying Master Agency Media Service (MAMS) contracts in place at the time of the audit, rebates become available for future use for advertising and communications purposes. We previously reported our concerns about these arrangements in 2003<sup>4</sup>. The management and oversight of the rebate arrangements continues to concern us. Rebates received from the MAMS contractors have been used in accordance with rebates guidelines established by the government. However, in our opinion, the promulgated guidelines have allowed rebates to be used in ways that are inconsistent with the commercial arrangements developed under the MAMS contracts<sup>5</sup>. As a result, a significant portion of the rebates have been used for purposes that are outside the scope of the existing contract, such as services provided by entities, other than the MAMS contractors, relating to sponsorship of community television; promotional activities; and campaign creative and production services. These transactions that should have been made by government departments were not brought to account through the Consolidated Fund and, therefore, have avoided proper public accountability.

Oversight by DPC of the MAMS rebates account requires improvement. The evidence indicates that there has been little attention to addressing shortcomings in managing the MAMS contracts or the rebates since our 2003 audit of the MAMS contracts:

- Four payments from the MAMS rebates account were incurred without proper authority, in breach of the *Financial Management Act 1994*, indicating that proper scrutiny over the account has not been exercised. Two of these payments were subsequently repaid to the account. We consider that there is a need for DPC to improve its oversight and management of the rebates account.

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<sup>4</sup> Victorian Auditor-General's Office 2003, *Report on Public Sector Agencies, "Government Advertising: Management of the Master Agency Media Service Contracts"*, Victorian Government Printer, Melbourne.

<sup>5</sup> The contract is silent about how MAMS rebates are to be applied. However, legal advice obtained by us is that "as a matter of law where a course of dealing exists between parties, that is, they have dealt with each other on a regular basis in a particular way, this has the effect of placing a particular meaning on the terms of the contract, so that it may be said that this arrangement is a term of both contracts whether or not it is expressed as such. Therefore, this treatment of the rebates is likely to have become a term of the contracts even if not expressly provided for".

- Internal audit arrangements have yet to be developed, despite representations to us by DPC in 2003 that such arrangements were under development, and the most recent internal audit of the MAMS contracts was conducted in November 2004 (for the year-ended 30 June 2004). DPC advised that the 2005 internal audit was deferred because the MAMS contracts were in the process of being re-tendered. It was considered that the conduct of the internal audit and any findings it might identify could impinge upon the tender process and the need for probity. Because of the time taken to complete the tender process, the 2006 internal audit has also yet to be completed. We were advised that as the tender process has now been completed, the internal audit will proceed.

Contracts with 2 new MAMS contractors came into operation on 1 September 2006. DPC advised that the new arrangements include payment of a monthly fee to the contractors to cover all media planning and buying services. At the time of preparation of this report, a decision had not been made about how purchases of media airtime and space are to be billed.

As we outlined in our 2003 report, we believe that the rebate arrangement between DPC and the MAMS contractors should be replaced by fee-for-service payments. This would ensure that moneys are held, and able to be spent, by the departments to whom the moneys are appropriated through the annual budget process, and would eliminate the issues of concern raised in this report.

## Recommendations

1. **That to improve public accountability, agencies should:**
  - **set a budget for advertising and communications**
  - **identify in their annual report the original budget, revisions to the budget and actual expenditure for government-funded advertising and communications. Variations should be explained.**
2. **That agencies develop the capacity to accurately identify and report on the cost of their advertising and communications.**
3. **That, in the event that rebates continue to be part of the contractual arrangements for the MAMS contract:**
  - **the government should amend the rebates guidelines so that they comply with the contractual arrangements for use of those rebates**

- **DPC improve its oversight and administration of the MAMS rebates account to ensure that transactions from the account are appropriate and correctly authorised.**
- 4. **That DPC establish appropriate internal audit arrangements to provide assurance over the media buying activities of the MAMS contractors.**

### 1.2.3 Assessing selected campaigns against guidelines for government advertising and communications

In June 2002, we reported to parliament and suggested criteria for assessing government advertising and marketing. We recommended the use of the criteria to assist government in ensuring that government-funded advertising and marketing activities met specified acceptable use criteria<sup>6</sup>. In the report, the then secretary of the Department of Premier and Cabinet responded that: “The principles espoused in your proposed guidelines are consistent with the broad objectives set by government and provide a solid basis for an appropriate set of advertising guidelines for the Victorian government”.

In October 2002, the government endorsed guidelines it developed: *Guidelines for Victorian Government Advertising and Communications*<sup>7</sup>. These guidelines differed substantially from those arising from our 2002 audit.

#### Assessment against government guidelines

Our assessment of the 8 selected campaigns showed that while the *Make it Happen in Provincial Victoria* and *Alpine Grazing* campaigns complied with the government *Guidelines for Victorian Government Advertising and Communications*, aspects of the remaining 6 campaigns did not. In our opinion:

- By referring to the incumbent government by name in the *CrimeSmart: Do Your Part* campaign, this aspect of the campaign did not comply with the guidelines
- The *Building a World Class Victoria* campaign used multi-page advertorials that presented a series of articles that mixed opinion with fact. In our opinion, the use of advertorials of this nature is excessive.
- The *Our Water, Our Future* and *Better State of Health - Rural Health Services* campaigns departed from the specified authorisation statement set out in the guidelines.

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<sup>6</sup> Victorian Auditor-General's Office 2002, *Report on public sector agencies*, Victorian Government Printer, Melbourne, pp. 314-16.

<sup>7</sup> Department of Premier and Cabinet, *Guidelines for Victorian Government Advertising and Communications*, October 2002, <[www.dpc.vic.gov.au](http://www.dpc.vic.gov.au)>.

Most campaigns directed the public to a source to enable substantiation of the information provided or claims made in the advertisements. In some cases, namely, the *Better State of Health - Rural Health Services*; and *Building a World Class Victoria* campaigns, the information was difficult to find on the websites to which the public were directed. In the case of the *CrimeSmart: Do Your Part* campaign, while the website provided statistics to support statements about improved crime rates, some website material mirrored the statements made in the advertisements, without providing substantiation. For the *World Class Performance* campaign, the website provided case studies relating to the advertisements but did not provide data to substantiate the statements made. While these are relatively minor instances of non-compliance in a small number of campaigns, their incidence provides an early indicator of the need for the continued vigilance over compliance with the guidelines, by individual agencies and centrally by DPC.

### Comparing the government guidelines with better practice

The government *Guidelines for Victorian Government Advertising and Communications* provide principles intended to ensure that government communications are used effectively to achieve public policy goals. They provide broad objectives that outline outcomes that government-funded advertising and communications may be used to deliver, and identify areas where public funds should not be used. They also provide for compliance with standards of fairness, equity, probity and public responsibility. We believe that they provide useful high level guidance for agencies.

When the government guidelines are compared with the 2006 better practice, *Criteria for government-funded publicity activities*, developed by this Office<sup>8</sup>, there is a key difference. The better practice criteria suggest a consideration of the need and the purpose for the publicity activities, and whether the material is presented in response to an identified information need. In contrast, the government guidelines do not establish a need test for government-funded advertising and communications in order to justify the activity. They take the position that government has a right to inform the public of its rights, duties, responsibilities and entitlements. We agree.

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<sup>8</sup> The better practice, *Criteria for government-funded publicity activities*, can be found in Appendix C of this report.

However, while governments have a right to inform the public, we consider that government-funded publicity activities should be in response to an identified need and the messages conveyed should be designed to meet that need. Consideration of purpose and need is particularly important when ensuring that campaigns are not promoting the incumbent government, and therefore not perceived as being party-political in nature.

The 2006 better practice criteria set a higher test for determining the appropriateness of government-funded publicity activities (including advertising and communications). If they were applied to the selected campaigns assessed during this audit, we consider that aspects of a number of the campaigns examined would not meet better practice.

We consider that the government guidelines should be enhanced to provide for a test of the basic purpose for which government-funded advertising and communications are conducted, and consideration of the need for the activities. The 2006 better practice, *Criteria for government-funded publicity activities*, could provide a basis to review the current government guidelines.

### Practices that may raise the perception of political intent

The current approach to government advertising and communications in Victoria has raised concerns in the community that the campaigns were supporting political needs. We consider that while highly visible branding of images and messages, and linking to websites that provide more than information about the programs and services being advertised, enhance the efficient and effective delivery of information to the community, their use needs to be tempered so that the natural advantage of the incumbent government is not exploited. To do other than this is clearly inconsistent with the spirit of the government guidelines.

## Recommendations

5. **That the government review its guidelines for government-funded advertising and communications to provide more explicit and detailed guidance about the appropriate use of public funds.**
6. **That all departments and public sector agencies ensure that their advertising and communications activities comply with guidelines for government-funded advertising and communications, as part of their approval processes for proposed activity.**

## 1.2.4 Procurement of services

As a result of the establishment of the whole-of-government Marketing Services Panel (MSP) in 2003:

- the process for engaging the services of advertising and communication providers is now more streamlined, as the MSP replaces the need for agencies to establish their own panels or to tender for suppliers, reducing administrative time and cost
- the arrangement provides an important mechanism to track, monitor and consistently report on communication expenditure across departments and government as a whole.

From our examination of procurement of services for each of the selected 8 campaigns, we concluded that a number of the arrangements did not comply with the relevant procurement requirements. The examples presented in this report relate to matters of non-compliance with tender requirements, approval requirements and maintenance of associated records. This suggests the need for continuing vigilance over the appropriateness of procurement practices.

We identified instances where agencies did not meet the requirement to disclose contracts with a value greater than \$100 000 on the VGPB contracts public disclosure system. Agencies need to ensure that they meet this requirement, consistent with the government's policy statement on *Ensuring Openness and Probity in Victorian Government Contracts*<sup>9</sup>.

### Recommendations

- 7. That consistent with the government's policy on *Ensuring Openness and Probity in Victorian Government Contracts*, agencies ensure that contracts with a value greater than \$100 000 are disclosed on the VGPB contracts public disclosure system.**
- 8. That agencies ensure that procurement practices comply with established procurement requirements so as to demonstrate that value-for-money is achieved.**

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<sup>9</sup> Victorian Government, *Ensuring Openness and Probity in Victorian Government Contracts*, October 2000, and <vgpb.vic.gov.au>.



### 1.2.5 Are arrangements for governance and oversight of government-funded advertising and communications activities appropriate?

We examined the governance and oversight arrangements in place aimed at assisting in the government decision-making process for advertising and communications.

We observed that in its strategic role, the Strategic Communications Branch (SCB) within DPC combines much of the role of the DPC Communications Unit described in our 1996 report<sup>10</sup>. At that time, we expressed concern about the appropriateness of the location of the Communications Unit within the Office of the Premier, and the benefits that may result from establishing the unit at arms-length from the Premier or ministers. It was considered that a change in location may assist in avoiding any perception of political influence.

The SCB is now located within DPC, rather than in the Office of the Premier.

Based on our fieldwork, research and analysis, we concluded that:

- decision-making arrangements in place provide a clear chain of accountability from departments to government
- the rotating membership of the Government Communications Review Group (GCRG) may impact on the ability of departments to build their capacity to communicate about the services they provide, or to independently manage their communications resources
- the GCRG does not clearly document its assessment of compliance of campaigns with government guidelines for advertising and communications, or the appropriateness of proposed campaign materials for informing the community about services and programs delivered by departments
- there is the potential for the ability of departments to control their communications activities to be restricted by the SCB taking a greater role than required in campaigns that do not require whole-of-government coordination.

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<sup>10</sup> Victorian Auditor-General's Office 1996, *Marketing government services: Are you being served?*, Victorian Government Printer, Melbourne, pp. 20 and 81.

## Recommendation

- 9. That DPC, in its role as chair of the GCRG, clearly document the GCRG's assessment of campaigns against policies and guidelines for government-funded advertising and communications.**

### *RESPONSE provided by Secretary, Department of Premier and Cabinet*

*The Department of Premier and Cabinet thanks the Auditor-General and his team for a thorough and comprehensive audit of government advertising which has, because of the depth, breadth and complexity of the subject matter, taken more than 6 months to complete.*

*We note that as a result of this audit, there is a general acknowledgement of the role that contemporary advertising techniques can play in support of the policy objectives of Government.*

*In the department's view, nothing in this audit report can be interpreted as presenting a fundamental challenge to the current practices of the government in the planning and implementation of advertising and communications activities.*

*It is a matter of public record that advertising is a vital tool to help deliver real outcomes in road safety, boating safety, workplace safety, staff recruitment and retention, water saving, energy usage, regional development, crime prevention, tourism promotion and uptake of government services, among others. It is also important to note that these tools are also being applied to a wider range of public policy objectives than ever before.*

*It should, therefore, be of some interest to readers that this report notes that levels of advertising activity are generally in long-term decline, with recent uplifts in expenditure being largely the result of extraneous factors and, of course, the 2006 Commonwealth Games.*

*We acknowledge that some aspects of the management of individual campaigns could, and should, be improved to ensure compliance with all applicable government guidelines and policies.*

*We further confirm that the Government is committed to reviewing its guidelines for advertising and communications in line with the general direction suggested by the Auditor-General's "best practice" guide. However, we reserve the right to base our guidelines on a detailed review of best practice that incorporates not only the Auditor-General's recommendations, but also the considered views of the media, academia, communications practitioners and other governments in Australia and elsewhere in the world.*

***RESPONSE provided by Secretary, Department of Treasury and Finance***

*While the Department of Treasury and Finance (DTF) acknowledges the merit of examining some of these campaigns on the basis that they represent large communication activities by the government, selecting them on a premise that “concerns being expressed from parts of the community about the quantum and nature of government-funded communication toward the end of 2005” implies that this audit is more an investigation of these specific activities than an examination of a broad cross section of government communication activity.*

*This is qualified in the executive summary by stating that “conclusions reached in our assessments of the campaign relate specifically to those campaigns and not to the wider program of government advertising and communication activities”. Yet there is a significant part of the report dedicated to the presentation of data and discussion of other communication processes and activity over a 3-year period. While justification is made for presenting this information to give some context to the analysis of the 8 campaigns, the commentary frequently goes beyond context setting and draws conclusions and recommendations for broader government communication processes, which contradicts the statement noted above.*

*Another area of concern for DTF is the reference to “parts of the community” expressing concern about the activities. If this was the impetus for the need to examine these specific campaigns, it would assist in making an assessment of fairness and balance to know what parts of the community expressed these concerns, whether they are representative of broader community interests, and whether there is an objective interest in the examination of these campaigns.*

*Similarly, the methodology drew conclusions about expenditure on overall advertising communication activities since 2002 in isolation, rather than recognising that government communication activities are linked to government programs. It would be worthwhile for the Auditor-General to examine this figure relative to levels of initiatives and programs being implemented during the period and other variables that impact on this figure.*

### ***RESPONSE provided by Secretary, Department of Justice***

*As acknowledged in section 1.1 of the report, the assessment of advertising and marketing campaigns is a matter of judgement which can be difficult, and can, at times, be a matter of fine balance, and open to interpretation. While the conduct of the audit of the CrimeSmart campaign was fair and balanced, the Department of Justice (DOJ) disagrees with the audit conclusion on the matter of compliance with government guidelines.*

*DOJ strongly believes that the CrimeSmart: Do Your Part campaign undertaken at the end of 2005, was consistent with the Guidelines for Victorian Government Advertising and Communications. It was developed to address the issue that crime rates were falling, but this was not being reflected in perceptions of safety. It reported on performance in relation to government undertakings and was directed at ensuring public safety, personal security and encouraging responsible behaviour – 2 clearly permitted objectives for government communications. In the evaluation of the campaign, 38 per cent of Victorians surveyed reported that they felt safer as a result of the campaign and one-third of those interviewed said they would change their behaviour, specifically in regards to improving locks and safety.*

### ***RESPONSE provided by Secretary, Department of Human Services***

#### ***General response***

*The Department of Human Services (DHS) notes that the Auditor-General has acknowledged the legitimate and key role that advertising and communications plays in the delivery of policies, legislation, programs or projects to the community. It is also noted that the report shows DHS' overall expenditure on these activities to be less than 0.1 per cent of the department's total expenditure. While acknowledging the complexity, difficulty and substantial undertaking of this audit, DHS believes the overall report includes some interpretations and conclusions which could be misleading or misinterpreted for the following reasons:*

- ***Ill-defined terminology***

*Almost all government service delivery functions contain elements of promotional or public information activity. There are many grey areas such as "customer services", "events", "market research" and "community consultation" which could be classed as "communications" activity. Given these many and varied interpretations of "communications", organisations will naturally describe, classify and report them differently. A clear definition of "communications" should have been fundamental to this audit process and report.*

***RESPONSE provided by Secretary, Department of Human Services  
- continued***

• ***Ill-defined expenditure categories***

*The initial Auditor-General survey sent to departments did not adequately define or explain some expenditure categories such as Market Research, Media and Communications Services, Total Salary and Associated Costs. Without consistent interpretation of these categories across all departments, it may be misleading or inaccurate to directly aggregate or compare a department's overall "advertising and communications" expenditure. This may lead to inaccurate or incorrect conclusions or comparisons in Part 3 of the report: The extent of government advertising and communications expenditure.*

***RESPONSE provided by Secretary, Department of Innovation,  
Industry and Regional Development***

*The Department of Innovation, Industry and Regional Development (DIIRD) notes the acknowledgement that the Make It Happen campaign fully complied with guidelines and the overall endorsement of the World Class Performance campaign.*

*DIIRD notes the acknowledgement that the promotion of government programs and the presentation of government information to the community on matters that affect them is an appropriate function. As a department, we take this role seriously and employ communications as an integral element in informing and involving our public clients in our work.*

***RESPONSE provided by Secretary, Department of Sustainability  
and Environment***

*We believe that your report is, in general, fair and balanced. However, we contend that the Our Water, Our Future campaign complies with all aspects of the government guidelines, as the authorisations clearly indicated it was authorised by the Victorian Government Melbourne.*

***RESPONSE to recommendations***

*Responses received from departments indicated general acceptance of the relevant recommendations, except for recommendation 1. Three departments disagreed with that recommendation.*

*The responses to the recommendations appear in the relevant parts of the report.*

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## 2. Government- funded advertising and communications



## 2.1 Background

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Government-funded advertising and communications are an important and often contentious element of the ongoing discourse between the public sector and the community that it serves.

Governments and their agencies employ advertising and communications as legitimate and key elements of the “social marketing”<sup>1</sup> of new policies, legislation, programs or projects to the community. However, community concerns are periodically raised about the nature and volume of government-funded advertising and communications.

Critics of government-funded advertising and communications highlight the effects of positive reinforcement, image building and opinion shaping arising from its use on the community’s perception of the incumbent government, and the likely political gain.

This audit of government-funded advertising and communications arises from concerns being expressed from parts of the community about the quantum and nature of government funded communications towards the end of 2005.

### 2.1.1 Size of Victorian government-funded advertising and communications spend

In Victoria, there is no central record of the size of government-funded advertising and communications spend. As part of this audit, we asked 15 public sector agencies<sup>2</sup> to provide us with data on their advertising and communications expenditure. We also asked for data for media buying across the public sector through the whole-of-government contract. We did this to establish an indication of the minimum spend across the public sector.

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<sup>1</sup> Social marketing “... applies the principles of marketing to assist in defining solutions to social and health problems. Social marketing provides a mechanism to address social and health issues by using marketing principles to encourage people to lead healthier individual and collective lifestyles. With this venture into the social and health arena, the framework of social marketing draws its body of knowledge from a variety of disciplines including psychology, anthropology, sociology, and communications to understand and influence the behaviours of both individuals and communities”. Extracted from Curtin University Business School Social Marketing Research Unit’s website <<http://www.cbs.curtin.edu.au/business/research/research-units/social-marketing-research-unit>> accessed on 25 May 2006.

<sup>2</sup> Our questionnaire was sent to each of the 10 government departments and to 5 statutory authorities, namely, the Transport Accident Commission, Victorian WorkCover Authority, Victorian Urban Development Authority, Australian Grand Prix Corporation and Tourism Victoria. These statutory authorities were selected because they were considered to have significant involvement in advertising and communication activities.

Based on data provided by the 15 agencies, and media buying data for the wider public sector, provided by the Department of Premier and Cabinet (DPC), we estimated that Victorian public sector advertising and communications expenditure (including media buying) was at least \$161.9 million during 2004-05 and \$88.4 million for the 6 month-period from July 2005 to December 2005.

According to recent research on Australia's top advertisers<sup>3</sup>, when compared with private sector and public sector entities, the Victorian government has the 17<sup>th</sup> largest estimated spend in Australia for media buying. The same research estimated that the Commonwealth and New South Wales governments were the only other governments within Australia to have spent more than Victoria during 2004-05.

Based on the above, the quantum of the advertising and communications spend across the public sector in Victoria is significant, although representing only around 0.5 per cent of total public sector spending each year. (We examine Victorian government-funded advertising and communications expenditure, including trends in spending, in more detail in Part 3 of this report.)

### 2.1.2 Previous audits

We have previously conducted 3 audits on government advertising and communications, namely:

- *Marketing government services: Are you being served?* tabled in March 1996<sup>4</sup>. The objective of that audit was to assess whether public sector marketing activities had achieved value-for-money
- *Advertising and marketing by government departments*, tabled in June 2002<sup>5</sup>. The objective of that audit was to determine whether selected material met generally accepted principles for government-funded advertising and promotion. A major outcome of the audit was the development of a set of guidelines which we recommended to be used to govern future government advertising and marketing. In October 2002, the government issued its own guidelines (refer to section 4.1.2 of this report for further details).

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<sup>3</sup> Nielsen Media Research, *The Top Media Advertisers in fiscal year '04-'05*, 2005. The estimation methodology used by Nielsen involved tracking of actual exposures of advertisements in multiple media sources.

<sup>4</sup> Victorian Auditor-General's Office 1996, *Marketing government services: Are you being served?*, Victorian Government Printer, Melbourne.

<sup>5</sup> Victorian Auditor-General's Office 2002, *Report on Public Sector Agencies, "Advertising and marketing by government departments"*, Victorian Government Printer, Melbourne.



- *Government advertising: Management of the Master Agency Media Service contracts*, tabled in June 2003<sup>6</sup>. That audit assessed the adequacy of arrangements established to manage the Master Agency Media Service contracts.

During the current audit, we considered issues raised in these previous reports.

### 2.1.3 This audit

The primary purpose of this audit was to determine whether selected public sector advertising campaigns complied with the government guidelines and whether processes around the management of government advertising were adequate.

We conducted assessments of 8 selected campaigns. The campaigns we examined were:

- *Our Water, Our Future*
- *Bringing Learning to Life*
- *CrimeSmart: Do Your Part*
- *Better State of Health* (Blueprint and Rural Health Services campaign components)
- *Alpine Grazing*
- *Make it Happen in Provincial Victoria*
- *World Class Performance*
- *Building a World Class Victoria*.

In assessing the selected campaigns, we considered the material made available to the public from the position of the reasonable person in the absence of information to judge the actual intent or purpose for the advertisements or communication material.

Making assessments of the campaigns or campaign material, and whether or not they contain material that is party-political, is a matter of judgement. The assessments need, as much as possible, to be objective and not swayed by the public debate. Judgements, by their nature, can be difficult and can, at times, be a matter of fine balance, and open to interpretation.

A government clearly has the right to promote its programs and the state, and to inform the community on matters that affect its citizens. This audit does not question that right.

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<sup>6</sup> Victorian Auditor-General's Office 2003, *Report on Public Sector Agencies, "Government Advertising: Management of the Master Agency Media Service Contracts"*, Victorian Government Printer, Melbourne.

The conclusions reached in our assessments of the campaigns relate specifically to those campaigns and not to the wider program of government advertising and communications activities.

Because of the level of public debate surrounding the issues of government-funded advertising and communications, during the audit we also examined:

- the level of advertising and communications expenditure, including media buying
- the appropriateness of the use of media buying rebates<sup>7</sup>
- procurement of services for each of the 8 campaigns to determine compliance with procurement requirements
- the appropriateness of arrangements in place to ensure effective governance and oversight of government advertising and communications activities.

The audit was performed in accordance with applicable Australian auditing standards, and included such tests and procedures considered necessary.

We provide further details about the conduct of the audit in Appendix A of this report.

***RESPONSE provided by Secretary, Department of Premier and Cabinet***

*The Department of Premier and Cabinet respectfully suggests that future audits of government advertising and communications are run as more formal benchmarking exercises conforming to the relevant audit standards, against a wider and more representative cross-section of government communication activities.*

*This would alleviate any future concerns arising about audit objectives, scope or methodologies.*

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<sup>7</sup> “Media buying rebates” are rebates available to agencies that use the whole-of-government Master Agency Media Services contracts to purchase media placements, e.g. television time, radio spots or newspaper space. Under the contracts in place at the time of the audit, the contractors provided a rebate on the total cost of the media purchased to the agency that purchased media space, or to the state. The size of the rebate was determined by the agency’s timeliness in paying the invoice, and whether or not production services were provided by the contractor.



### 3. Extent of government advertising and communications expenditure



## 3.1 Introduction

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Over recent times, considerable public comment has been made about the nature and volume of government advertising and communications in Victoria. This has been particularly noticeable since late 2005, when a number of government-authorised advertisements appeared in the electronic and print media.

In 1996, we reported on the volume of government advertising and communications expenditure in Victoria and, in 2003, we examined the volume of government media buying through the whole-of-government Media Agency Marketing Services (MAMS) contracts<sup>1</sup>. In this audit, we again examined the level of advertising and communications expenditure, including media buying, to determine whether the perception of an increase was supported by available data.

In conducting this part of the audit, we found that the volume of government-funded advertising and communications activity in Victoria is difficult to determine, because of the budgeting and reporting arrangements in place in the public sector, that is:

- Government departments are funded through annual appropriations to deliver outputs determined through the annual budget process. While the total funding and related output targets for each output group are included in the *Budget Papers*, specific expenditure items, e.g administrative expenses and advertising and communications activities, are not separately specified. This has been the case for many years.

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<sup>1</sup> The Master Agency Services (MAMS) contracts are whole-of-government contracts primarily for buying media space on a commercial medium, such as a timeslot on radio or television or space in newspapers. All government departments and agencies are expected to use the MAMS contracts for media buying. Non-government bodies that receive funding from the government to provide programs or activities may also use the contracts for media buying, for those programs or activities only.

- The *Financial Management Act 1994* requires departments and public bodies to publicly report annually on their performance, and their financial results. However, agencies do not, as a rule, publicly report on the volume or cost of their advertising and communications activities because there is no specific requirement to do so and, in comparison with its program expenditure, it is relatively small<sup>2</sup>. The parliamentary Public Accounts and Estimates Committee (PAEC) recently referred to this issue in its April 2006 *Report on the 2004-05 Budget Outcomes*, commenting that “*There is a general absence of information dealing with advertising and promotional expenditure within the annual reports of departments*”<sup>3</sup>. The PAEC recommended that:
  - the Department of Treasury and Finance expand the annual reporting requirements of departments to incorporate information on the cost and management of government advertising and promotional programs
  - to enhance the transparency of government advertising and promotional programs, all departments be required to review their accounts relating to advertising and promotion to ensure that communication activities are appropriately reported on an annual basis.

The government has not yet responded to these recommendations.

As a result of the budgeting and reporting arrangements in place, expenditure details for advertising and communications activities are not recorded by agencies separately in their accounting systems and are not consolidated across the sector. The one exception to this is media buying. In this case, the MAMS contractors are required to report to departments on all business transacted through the whole-of-government contracts<sup>4</sup>.

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<sup>2</sup> Based on data provided by 15 agencies in response to our questionnaire, advertising and communications expenditure was around 0.5 per cent of their total annual expenditure.

<sup>3</sup> Public Accounts and Estimates Committee 2006, *Report on the 2004-05 Budget Outcomes*, Victorian Government Printer, Melbourne, p. 136.

<sup>4</sup> The Department of Premier and Cabinet advised that the establishment of the Market Research Panel, the Marketing Services Panel and the whole-of-government printing services contract will facilitate central recording and monitoring of public sector advertising and communications expenditure data.

## 3.2 Extent of government advertising and communications expenditure

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Despite the lack of data, we set out to examine trends in government-funded advertising and communications expenditure over time. To gauge the level of expenditure, we:

- issued a questionnaire to each of the 10 government departments and to 5 statutory authorities requesting expenditure data on advertising and communications, including media buying<sup>5</sup>. Most agencies had significant difficulties in providing the data, largely because their accounting systems were not structured in a way that enabled its easy extraction. In other cases, machinery-of-government changes during the period under review made it difficult for agencies to report accurately on the period prior to those changes.

We selected the largest public sector agencies in expenditure terms<sup>6</sup>, but these represent only a small percentage of Victorian public sector agencies. However, due to the nature of the agencies selected, we consider that they are likely to provide the major proportion of the public sector advertising and communications spend. At the least, the data should be taken as an indicator of the minimum level of advertising and communications spending by the Victorian public sector.

- obtained media buying data for the public sector from the Department of Premier and Cabinet (DPC).

### 3.2.1 Extent of advertising and communications expenditure by selected agencies

The data provided by the 15 selected agencies included their estimates of expenditure for:

- general advertising and communications, i.e. for activities including production of advertisements and printed material, market research, trade fairs and exhibitions, sponsorships and associated staffing costs
- media buying, i.e. the cost of radio and television spots for airing advertisements, and the cost of placing advertisements in the print media, outdoor signage etc.

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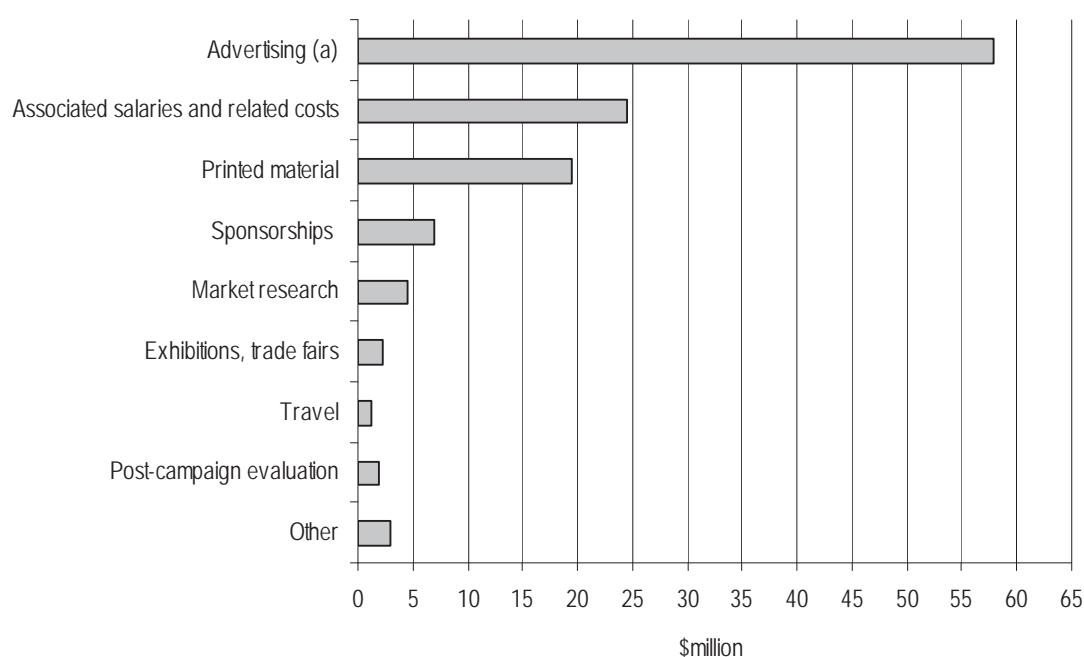
<sup>5</sup> We issued a questionnaire to each of the 10 departments and the Transport Accident Commission, Victorian WorkCover Authority, Tourism Victoria, Australian Grand Prix Corporation and Victorian Urban Development Authority. The statutory authorities selected were chosen because they were considered to have significant involvement in communications activities. The data requested were for the period 1 July 2002 to 31 December 2005. However, because of the difficulty in extracting data, only data for 2004-05 and for the 6 months to 31 December 2005 are considered reliable.

<sup>6</sup> Total expenditure of these 15 agencies comprises around 83 per cent of the government's total annual expenditure.

Based on agency responses, their advertising and communications expenditure was estimated to be around \$93.6 million for 2002-03, \$112.7 million for 2003-04, \$121.8 million for 2004-05, and \$68.2 million for the 6 months to 31 December 2005. These figures relate only to the 15 agencies selected for audit. (The estimated expenditure referred to in section 2.1.1 of this report, is an estimate for the entire public sector.)

Figure 3A presents the total estimated expenditure for 2004-05 for the 15 selected agencies, by key component<sup>7</sup>.

**FIGURE 3A: TOTAL ESTIMATED ADVERTISING AND COMMUNICATIONS EXPENDITURE FOR SELECTED AGENCIES, BY COMPONENT, 2004-05**



(a) Advertising, which usually represents the largest share of costs, includes the cost of purchasing media space and time, creative strategy development, copywriting, layout, photography, artwork, and production.

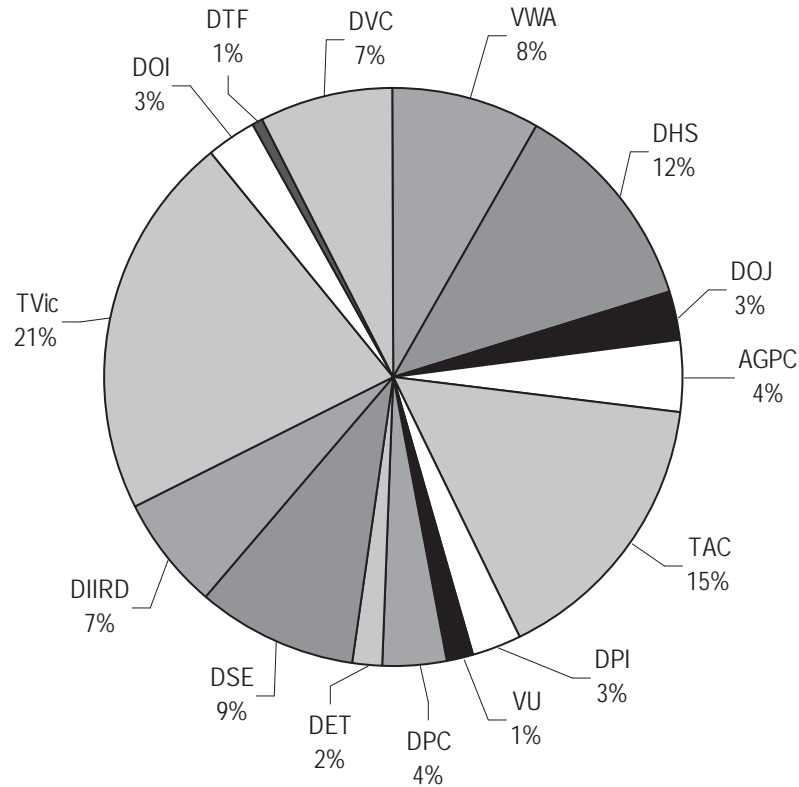
*Source:* Victorian Auditor-General's Office, based on data provided by 15 agencies in response to our questionnaire.

The most significant items are advertising, associated salaries and related costs, and printed materials. Estimated expenditure by key component for the 6-month period from July 2005 to December 2005 has a similar profile to that shown in Figure 3A.

<sup>7</sup> Expenditure for 2002-03 and 2003-04 could not be shown by component due to machinery-of-government changes during the period, and due to difficulties experienced by agencies in extracting data from their accounting systems.

Figure 3B shows the proportion of the total estimated 2004-05 advertising and communications expenditure for each of the 15 agencies.

**FIGURE 3B: PROPORTION OF TOTAL ESTIMATED ADVERTISING AND COMMUNICATIONS EXPENDITURE, FOR SELECTED AGENCIES, 2004-05**



**Legend**

DHS	Department of Human Services	DOJ	Department of Justice
DOI	Department of Infrastructure	DPI	Department of Primary Industries
DPC	Department of Premier and Cabinet	DTF	Department of Treasury and Finance
DVC	Department for Victorian Communities	DET	Department of Education and Training
DIIRD	Department of Innovation, Industry and Regional Development	DSE	Department of Sustainability and Environment
TAC	Transport Accident Commission	VWA	Victorian WorkCover Authority
VU	Victorian Urban Development Authority	AGPC	Australian Grand Prix Corporation
TVic	Tourism Victoria		

Source: Victorian Auditor-General's Office, based on data provided by 15 agencies in response to our questionnaire.



Of the 15 agencies surveyed, Tourism Victoria (21 per cent<sup>8</sup>), the Transport Accident Commission (15 per cent) and the Department of Human Services (DHS) (12 per cent) were the highest spending agencies for 2004-05. They were responsible for 48 per cent of the estimated advertising and communications expenditure for 2004-05. A significant component (35 per cent) of DHS' expenditure was for printed materials, including pamphlets, brochures, posters, catalogues, publications, sales aids and billboards<sup>9</sup>.

It should be noted that the proportion of advertising and communications expenditure as a proportion of the budgets of Tourism Victoria and DHS varies widely as a result of the vastly different roles of these 2 agencies, and the size of their relevant budgets. For Tourism Victoria, the state's primary agency for marketing Victoria's tourism industry, advertising and communications expenditure comprises around 50 per cent of its total expenditure. For DHS, advertising and communications expenditure is around 0.1 per cent of its total expenditure.

For some agencies, the expenditure presented relates to specific communications support for their core business, rather than for advertising or communications campaigns. For example, for the Department of Primary Industries (DPI), the majority of the expenditure relates to communications support for DPI staff in their work encouraging rural landholders to apply new knowledge and practices, or informing specific industry groups about policy and legislative changes.

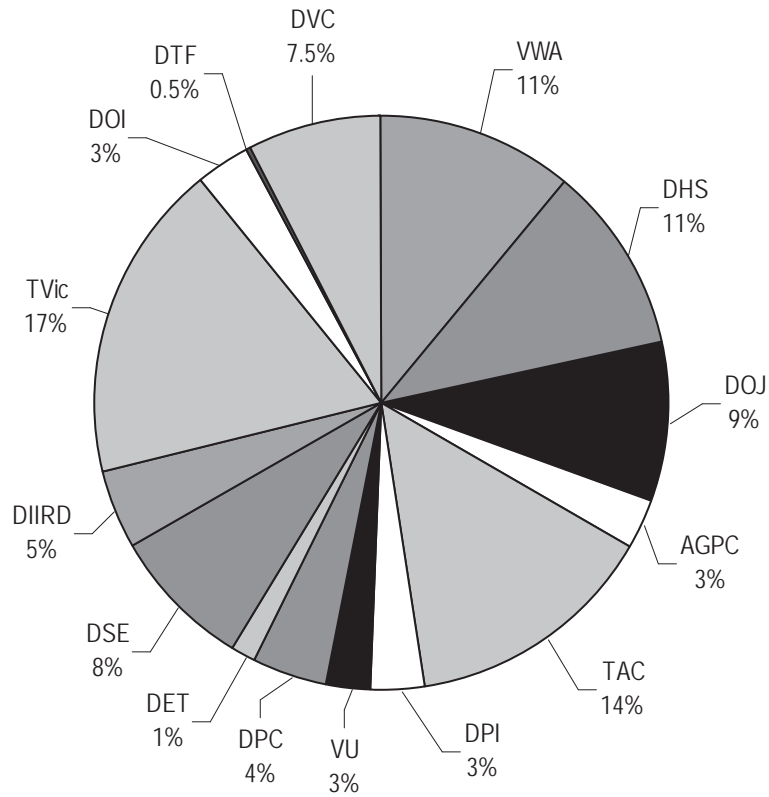
Figure 3C shows the proportion of the total estimated advertising and communications expenditure from July 2005 to December 2005, for each of the 15 agencies.

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<sup>8</sup> Eighty-eight percent of Tourism Victoria's campaign advertising promotes Melbourne and Victoria's regions as key travel destinations, in interstate or overseas markets.

<sup>9</sup> DHS advised that the volume of the print component is a reflection of the services it provides and the nature of its clients, who typically are from a lower socio-economic background, with limited access to web, and online, communication.

**FIGURE 3C: PROPORTION OF TOTAL ESTIMATED ADVERTISING AND COMMUNICATIONS EXPENDITURE, FOR SELECTED AGENCIES, JULY 2005 TO DECEMBER 2005**



**Legend**

DHS	Department of Human Services	DOJ	Department of Justice
DOI	Department of Infrastructure	DPI	Department of Primary Industries
DPC	Department of Premier and Cabinet	DTF	Department of Treasury and Finance
DVC	Department for Victorian Communities	DET	Department of Education and Training
DIIRD	Department of Innovation, Industry and Regional Development	DSE	Department of Sustainability and Environment
TAC	Transport Accident Commission	VWA	Victorian WorkCover Authority
VU	Victorian Urban Development Authority	AGPC	Australian Grand Prix Corporation
TVic	Tourism Victoria		

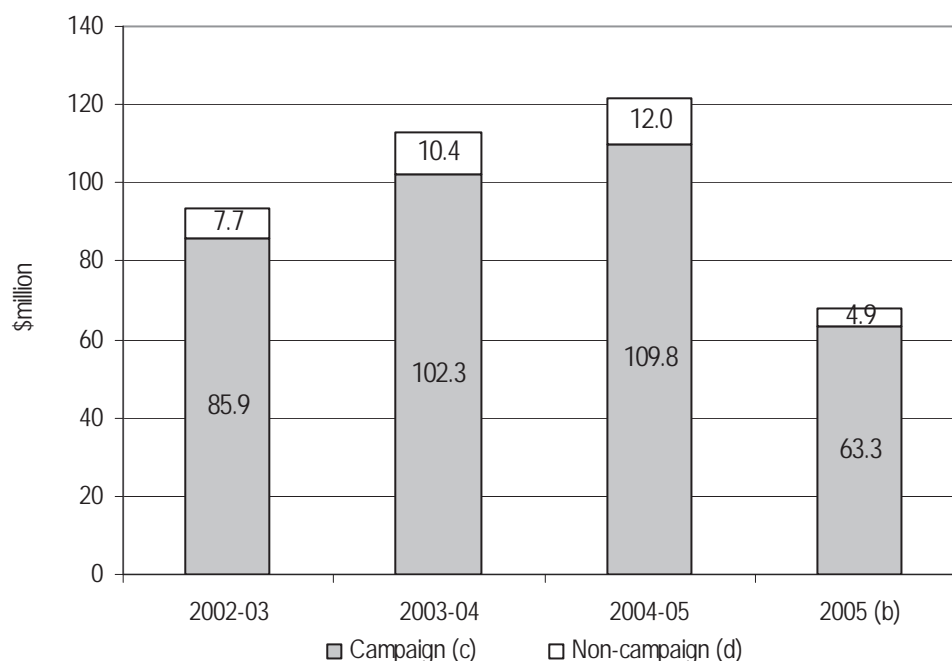
Source: Victorian Auditor-General's Office, based on data provided by 15 agencies in response to our questionnaire.

Figure 3C shows that during the period from July 2005 to December 2005 the highest spending agencies were the Tourism Victoria (17 per cent), the Transport Accident Commission (14 per cent), DHS (11 per cent) and the Victorian WorkCover Authority (11 per cent). The proportion of total estimated advertising and communications expenditure has not changed significantly for 14 agencies from 2004-05. The exception was the Department of Justice (DOJ) which increased its proportion from 3 per cent (\$3.5 million) during 2004-05 to 9 per cent (\$6 million) in the 6-month period, from July 2005 to December 2005. During this period, DOJ launched the *CrimeSmart: Do Your Part* campaign, and on 1 July 2005, the *Problem Gambling: Think of what you're really gambling with* campaign moved to DOJ from DHS as a result of machinery-of-government changes.

### Trend over time for selected agencies

Figure 3D shows the trend in advertising and communications nominal expenditure over the period from 1 July 2002 to 31 December 2005 for selected agencies, categorised into campaign and non-campaign expenditure.

**FIGURE 3D: ESTIMATED AGGREGATED ADVERTISING AND COMMUNICATIONS EXPENDITURE FOR SELECTED AGENCIES, 1 JULY 2002 TO 31 DECEMBER 2005 (a)**



- (a) Associated salaries and related costs have been split on a proportional basis across campaign and non-campaign.
- (b) Covers the 6-month period from July 2005 to December 2005.
- (c) Campaign expenditure includes the cost of purchasing media space and time, creative strategy development, copywriting, layout, photography, artwork and production, as well a production of associated marketing materials such as brochures, promotional material, trade shows and exhibitions.
- (d) Non-campaign expenditure includes advertisements for vacant positions, official bulletins and statutory notices.

Source: Victorian Auditor-General's Office, based on data provided by 15 agencies in response to our questionnaire.

Figure 3D shows that campaign and non-campaign nominal expenditure climbed steadily during the period from 2002-03 to 2004-05 and that expenditure for the 6-month period to 31 December 2005 is on track to continue that trend. It also shows that campaign expenditure accounted for between 91 and 93 per cent of the estimated expenditure for each period.

### 3.2.2 Media buying

The whole-of-government MAMS contracts were established in January 2001 between the state and 2 media buying contractors, one for campaign advertising and the other for non-campaign advertising.

The MAMS contracts facilitate:

- media planning and buying
- rate negotiations
- expenditure/commitment reporting to individual agencies and centrally through consolidated reports
- monitoring/verification of advertisement placement
- invoicing and bill consolidation
- provision of value-adding services, including access to discounts and other benefits.

All government departments and agencies are expected to use the MAMS contracts for media buying. Non-government bodies that receive funding from the government to provide programs or activities may also use the contract for media buying, for those programs or activities only.

The contracts commenced in January 2001 for a term of 3 years, with 2 one-year extension options<sup>10</sup>. DPC is responsible for managing the contracts.

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<sup>10</sup> The 2 MAMS contracts replaced an earlier MAMS contract with a single media buying agency.

## Extent of media buying

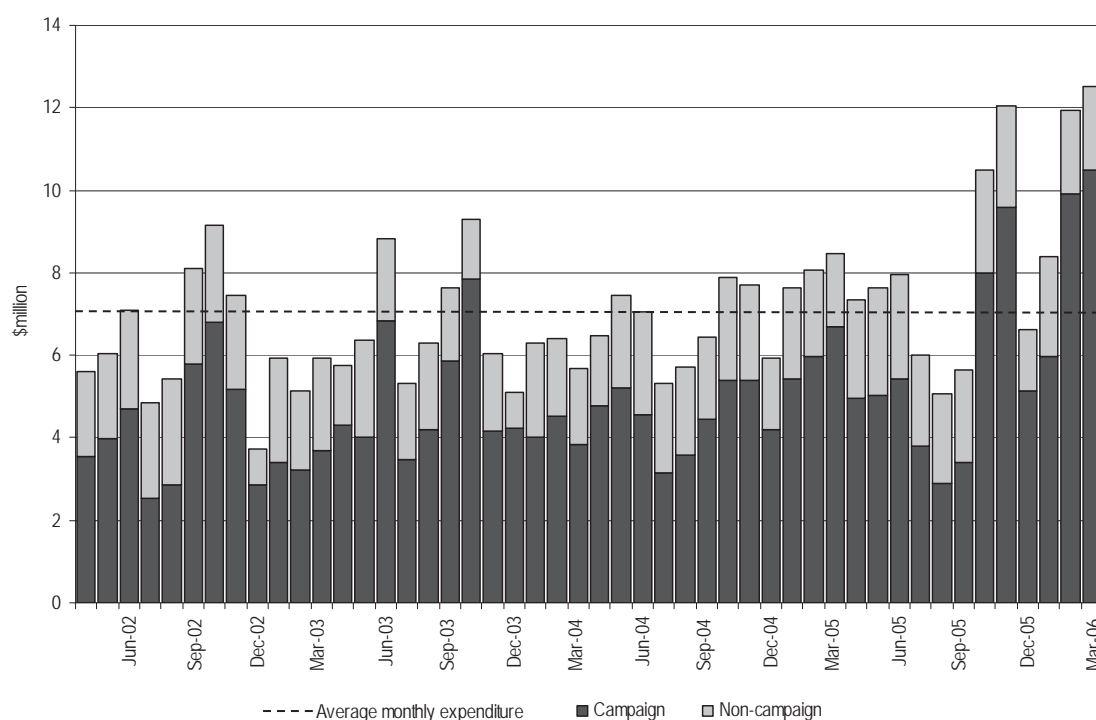
Under the MAMS contracts, the contractors are required to regularly report to DPC and to government departments. The reports to DPC detail the level of media buying activity transacted through the contracts by all entities that accessed the contracts for the period of the report. Accordingly, the figures presented in this section of our report are for all government agencies and non-government bodies funded by government to provide programs or activities that purchased media space under the MAMS contracts.

Figure 3E shows the extent of media buying under the MAMS contracts, for campaign and non-campaign activities over the 4 years to March 2006. The expenditure used in the tables in this section (Figures 3E to 3H) has been consumer price index (CPI)-adjusted to March 2006 dollars. We are aware that there are media price indices (MPIs) available for 5 media categories: metropolitan television; rural television; radio; newspaper; and general magazines. However, media buying activity also covers journals, cinema, online and outdoor advertising for which, we were advised, there are no related indices.

DPC provided us with the annual MPIs for the 5 categories for each of the calendar years from 2000 to 2005. We found that during that period the MPIs increased by 30 per cent for metropolitan television; 26 per cent for regional television; 29 per cent for newspapers; 30 per cent for radio; and 17 per cent for general magazines. In comparison, the CPI increased by 17 per cent over the same period.

It should be recognised that due to the nature of media buying, with its media buying volume discounts, and differential costs based on target audience ratings points that affect the price of some media components, the recreation of the price-adjusted costs by month would be difficult. Due to these issues, we did not discount the media spend using MPIs and we chose to apply the CPI only, to the expenditure figures.

**FIGURE 3E: GOVERNMENT MEDIA BUYING EXPENDITURE UNDER THE MAMS CONTRACTS, BY MONTH AND TYPE, APRIL 2002 TO MARCH 2006 (ADJUSTED TO MARCH 2006 DOLLARS) (a)**



(a) Adjusted to March 2006 dollars by the Victorian Auditor-General's Office, using data from the Australian Bureau of Statistics, *Consumer Price Index*, cat. no. 6401.0, ABS, Canberra, 2006

Source: Department of Premier and Cabinet, *MAMS Expenditure Reports, January 2002 to March 2006*.

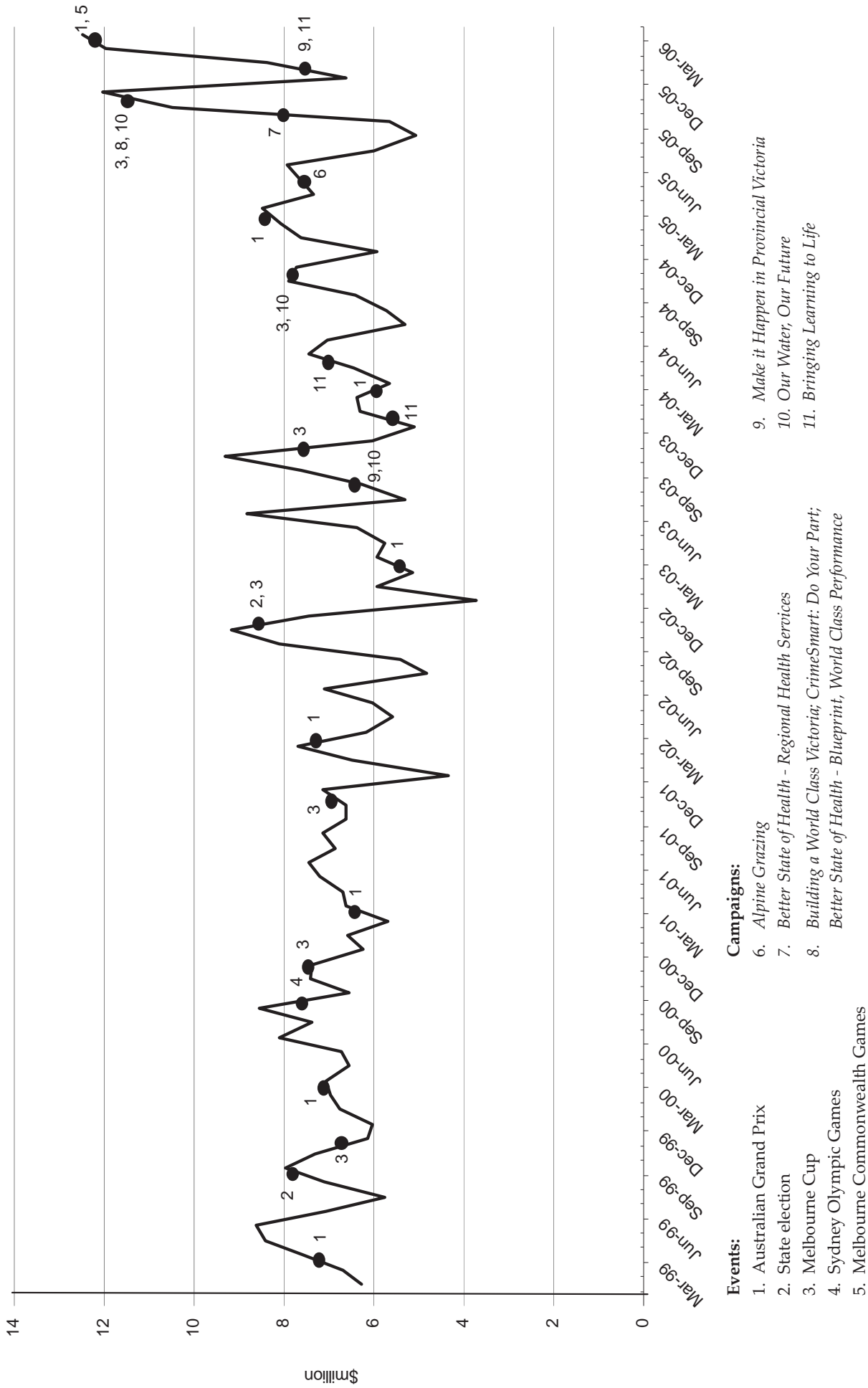
Our June 2003 report identified that the average monthly expenditure over the 4 years from January 1999 to December 2002 was \$6.3 million and the highest monthly expenditure was \$8.6 million in October 2002. Figure 3E shows that the average monthly expenditure over the 4 years from April 2002 to March 2006 was \$7.1 million. The highest monthly expenditure was \$12.5 million in March 2006. Expenditure was also around \$12 million in November 2005 and February 2006.

Our June 2003 report highlighted that the total expenditure for the 2002 calendar year was \$71 million. Data provided to us during the current audit revealed that total expenditure under the MAMS contracts was around \$77.6 million in 2003, \$78.3 million in 2004 and \$93 million in 2005.

### Trend over time

Figure 3F shows the trend in media buying, by month, over the period from January 1999 to March 2006, adjusted to March 2006 dollars.

FIGURE 3F: TREND IN GOVERNMENT MEDIA BUYING EXPENDITURE UNDER THE MAMS CONTRACTS, JANUARY 1999 TO MARCH 2006 (a)



(a) Adjusted to March 2006 dollars by the Victorian Auditor-General's Office, using data from the Australian Bureau of Statistics, Consumer Price Index, cat. No. 6401.0, ABS, Canberra, 2006.

Source: Department of Premier and Cabinet, MAMS Expenditure Reports, January 1999 to March 2006.

Figure 3F shows a significant increase in media buying expenditure in October/November 2005 and February/March 2006.

Further analysis of the data shows that expenditure for the first 3 quarters of 2005-06 (i.e. July 2005 to March 2006) increased by almost \$18 million or 29 per cent over expenditure for the same period in 2004-05 (i.e. July 2004 to March 2005).

This was largely due to a number of campaigns which were launched during 2005-06 including: *Our Water, Our Future*" (Phase 3); *CrimeSmart: Do Your Part*; *Problem Gambling: Think of what you're really gambling with*; *World Class Performance*; *Building a World Class Victoria*; *Bringing Learning to Life*; *Better State of Health* and advertising for the 2006 Commonwealth Games.

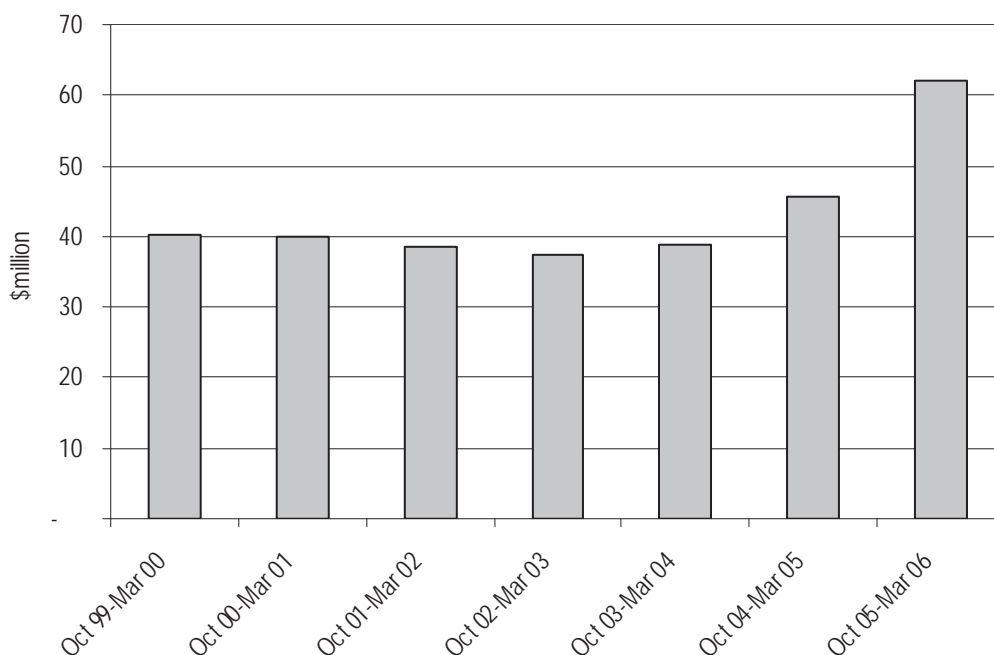
### Seasonal advertising and communications

The period from October to March in each year has, in recent years, become recognised as the "events season" in Melbourne. During this time, events such as the Spring Racing Carnival, the Australian Tennis Open and the Australian Grand Prix (Formula 1 motor car and motor cycle racing) take place. The period is characterised by increased advertising and communications relating to the specific events, and other advertising targeted at interstate and international visitors who come to Victoria for these events.

Figure 3G shows the trend in government media buying for the 6-month period from October to March for each year from 1999-2000 to 2005-06.



**FIGURE 3G: GOVERNMENT MEDIA BUYING EXPENDITURE UNDER THE MAMS CONTRACTS, OCTOBER TO MARCH, 1999-2000 TO 2005-06 (ADJUSTED TO MARCH 2006 DOLLARS) (a)**



(a) Adjusted to March 2006 dollars by the Victorian Auditor-General’s Office, using data from the Australian Bureau of Statistics, *Consumer Price Index*, cat. no. 6401.0, ABS, Canberra, 2006.

Source: Department of Premier and Cabinet, *MAMS Expenditure Reports*, January 1999 to March 2006.

Figure 3G shows that after a number of seasons of relative stability, expenditure has increased over the past 2 seasons. The most significant increase was during the 2005-06 season when media buying expenditure increased to \$62 million, an increase of \$17 million (38 per cent) over spending during the 2004-05 events season.

Figure 3H shows the trend in monthly spending for media buying during the 6-month period from October to March over the past 7 years.

**FIGURE 3H: TREND IN MONTHLY MEDIA BUYING EXPENDITURE FOR OCTOBER TO MARCH, 1999-2000 TO 2005-06 (ADJUSTED TO MARCH 2006 DOLLARS) (a)**



(a) Adjusted to March 2006 dollars by the Victorian Auditor-General's Office, using data from the Australian Bureau of Statistics, *Consumer Price Index*, cat. no. 6401.0, ABS, Canberra, 2006.

Source: Department of Premier and Cabinet, *MAMS Expenditure Reports*, January 1999 to March 2006.

Figure 3H shows that the pattern of expenditure was largely consistent from 1999-2000 to 2004-05. However, media buying expenditure in 2005-06 increased. One key reason for the increase was advertising related to the 2006 Commonwealth Games, i.e. marketing of that specific event and opportunistic advertising by other agencies.

DPC advised that the increase in media buying in November 2005 was because advertising planned for earlier in the year was delayed due to heavy advertising of the Commonwealth Government's industrial relations changes in the preceding months which reduced the number of media spots available for other advertisers.

DPC advised that in 1996, this Office estimated that advertising and marketing expenditure for 1994-95 to be in the order of \$130 million. This is the equivalent of around \$170 million in March 2006 dollars. Far from increasing, expenditure on advertising and communications is virtually static when compared with the CPI.

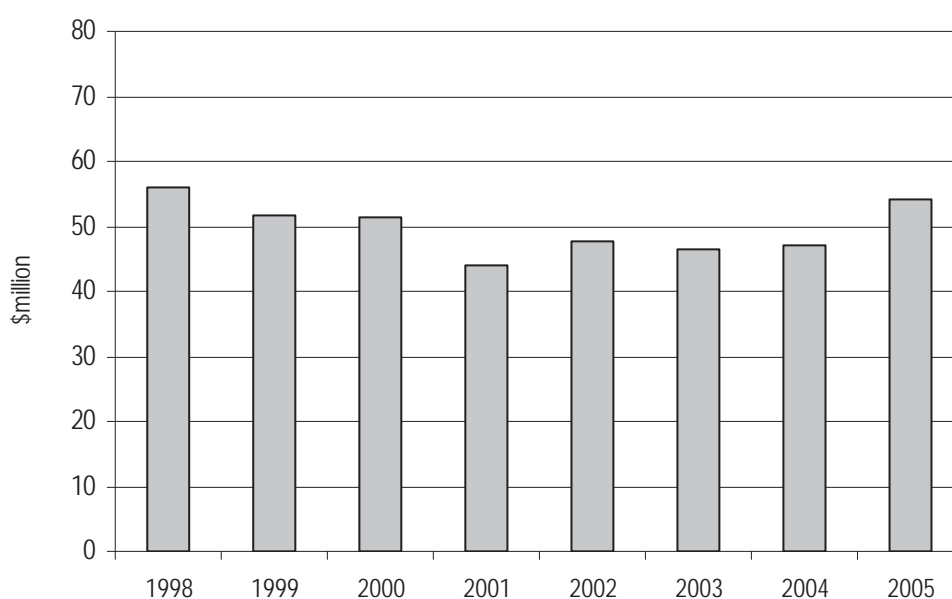
Of more importance to the analysis of long term expenditure, is the relative price of media air time and space, which DPC advised has created a false perception that the level of activity is growing. DPC advised it is not.

DPC indicated that adjusting expenditure by the CPI does not recognise that the price of media air time and space did not increase in line with the CPI, but in fact, outstripped it, sometimes by a factor of 2 or more.

DPC advised that while nominal expenditure has continued to grow, by using the relevant MPI, the real level of advertising expenditure is consistently lower today than in 1998, even allowing for a slight upturn in the 2004 and 2005 calendar years.

Figure 3I demonstrates the impact on expenditure if the MPI is used.

**FIGURE 3I: GOVERNMENT MEDIA BUYING EXPENDITURE, BY CALENDER YEAR 1998 TO 2005 (ADJUSTED TO DECEMBER 1998 DOLLARS) (a)**



(a) Adjusted to December 1998 dollars by the Victorian Auditor-General's Office using data and television, radio and newspaper indices provided by DPC. Expenditure for these 3 media components accounted for around 85 per cent of the government's total advertising media expenditure during the period.

Source: Department of Premier and Cabinet, *MAMS Expenditure Reports, January 1998 to December 2005*.

### 3.2.3 Combined expenditure

To develop an estimate of the minimum annual spend by the public sector on advertising and communications, we combined the data provided by the 15 agencies with the MAMS data for each of those periods. As the data provided by the agencies also included MAMS data, we adjusted the combined data to minimise double counting.

Based on the data available, we estimate that Victorian public sector advertising and communications expenditure was at least \$123 million for 2002-03, \$147.1 million for 2003-04, \$161.3 million for 2004-05 and \$88.4 million for the 6-month period to 31 December 2005.

### 3.2.4 Conclusion - Extent of advertising and communications expenditure

The common element between the use of nominal dollars, CPI-adjusted dollars, and MPI-adjusted dollars is that in 2004-05 and 2005-06, there was an increase in public sector spending on advertising and communications. Some of the increases can be attributed to deferring media buying as a result of the Commonwealth Government media activity in early 2005-06, and the media buying related to the 2006 Commonwealth Games.

The PAEC in its April 2006 report recommended that the Department of Treasury and Finance expand the annual reporting requirements of departments to incorporate information on the cost and management of government advertising and promotional programs. The government has yet to respond to this recommendation. While the expenditure on advertising and communications represents only around 0.5 per cent of total annual expenditure, adoption of the PAEC recommendation would provide for greater public transparency.

## 3.3 MAMS rebates

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MAMS contractors buy media placement, e.g. television or radio spots or space in newspapers, for agencies from newspaper and television companies (media companies). The media companies invoice the MAMS contractors for 90 per cent of the fee for the media placement, on the basis of a guarantee that the companies receive payment for the placement within 45 days.

The contractors invoice agencies for 100 per cent of the fee for the media placement. The maximum fee chargeable by the contractors to agencies is 10 per cent of the full fee for media placement. However, most of the fees charged by the 2 MAMS contractors fall below 10 per cent.

Under the terms of the MAMS contracts, a rebate on the total cost of the media purchased is payable to the agency that purchases media space or to the state<sup>11</sup>. The size of the rebate is determined by whether or not production services were provided by the contractor and the agency's timeliness in paying the invoice. The rebate is the difference between the fee chargeable by the contractor, and the 10 per cent of the full fee for the media placement paid to the contractor.

Our June 2003 report identified a range of issues related to the administration of government media purchasing. In relation to media rebates, in particular, we reported that: "Given that the media providers only invoice the MAMS contractors for 90 per cent of the costs, it is unclear what value is derived from the current rebate approach. In a simpler arrangement, the agencies could directly benefit from the media discount by paying only the discounted media rates and paying contractors directly for their fees. While rebates are held by the contractors, this money is not available for other uses, and yields no interest to the government. Additionally, in the event of a contractual dispute with one of the contractors, or financial failure, the funds may not be recoverable by the Victorian Government. The contractual arrangements are complex and do not have proven benefits. They should be reviewed"<sup>12</sup>.

Following discussions arising from our previous audit, in May 2003, the government established a separate MAMS rebates account<sup>13</sup>. All rebates derived under the MAMS agreements, and not returned directly to agencies, are required to be paid into the account by the contractor, as they accrue. The moneys are held in trust for the benefit of the State of Victoria.

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<sup>11</sup> Under the original terms of the contracts, rebates were payable to the agency that purchased the media space. However, in September 2002, the process for administering the rebates was changed. As a result, all rebates owed to "core government agencies" are required to be held by the contractors on behalf of the Department of Premier and Cabinet to allow the department to use the rebates for whole-of-government communications activities. Refer Victorian Auditor-General's Office 2003, "Government advertising: Management of the Master Agency Media Service contracts" in *Report on Public Sector Agencies*, Victorian Government Printer, Melbourne, p. 58.

<sup>12</sup> *ibid.*, p. 59.

<sup>13</sup> The bank account is operated by the MAMS contractor. Withdrawals are to be made in accordance with the *Guidelines for the management of media rebates earned under the terms of the Master Agency Media Service (MAMS) contract*. Signatories are required to be persons employed by the state with the appropriate financial delegations.

### 3.3.1 Use of MAMS rebates

Under *Guidelines for the management of media rebates earned under the terms of the Master Agency Media Service (MAMS) contract*<sup>14</sup> approved by the government in May 2003, the moneys held in the account, and any interest generated, can be used for:

- advertising to assist in the achievement of any of the government's current targets and quotas in respect of communicating with selected audience groups
- advertising designed to encourage social cohesion, civic pride, community spirit, tolerance or to assist in the achievement of a widely supported public policy outcome
- advertising on subjects which are properly a whole-of-government matter, or on an issue which falls under multiple portfolio responsibilities
- community service announcements or messages of special importance as determined by the government of the day with regard to the *Guidelines for Victorian Government Advertising and Communications*<sup>15</sup>
- developing and providing processes and products intended to maximise efficiencies, including cost savings, in advertising across the Victorian public sector<sup>16</sup>.

Any allocations from the rebates account must be approved by the Premier, after first being considered by the Communications Sub-committee of Cabinet.

We examined the rebates account transactions for the period May 2003 to April 2006 and found that during the period:

- deposits of \$5.9 million, including \$164 300 in interest, were made to the account
- payments of \$3.2 million were made from the account.

At 30 April 2006, the MAMS rebates account had a balance of \$2.7 million.

Figure 3J shows an analysis of expenditures from the account during the period.

<sup>14</sup> Department of Premier and Cabinet, *Guidelines for the management of media rebates earned under the terms of the Master Agency Media Service (MAMS) contract*, Victorian Government, Melbourne, May 2003.

<sup>15</sup> Department of Premier and Cabinet, *Guidelines for Victorian Government Advertising and Communications*, October 2002, <[www.dpc.vic.gov.au](http://www.dpc.vic.gov.au)>.

<sup>16</sup> At the time of the audit the MAMS rebates account was operated by the MAMS contractor responsible for campaign advertising.

**FIGURE 3J: EXPENDITURE FROM THE MAMS REBATES ACCOUNT FROM MAY 2003 TO 30 APRIL 2006**

Item	Expenditure (\$'000)	
Campaign expenditure -		
Media buying -		
<i>World Class Performance</i>	150	
<i>Our Water, Our Future</i>	500	
<i>Make it Happen in Provincial Victoria</i>	200	
<i>Go For Your Life</i>	51	901
Other -		
<i>Go For Your Life</i> – production	100	
<i>Go For Your Life</i> – creative	372	472
Sponsorship and media buying – community television operator		1 671
Support of <i>Eureka the Musical</i>		83
Repayment of rebates to Metropolitan Ambulance Service (a)		35
Arts Victoria: 2004 Open House		25
Web-based recruitment tool		19
Other		18
<b>Total</b>		<b>3 224</b>

(a) In accordance with the *Guidelines for the management of media rebates earned under the terms of the Master Agency Media Services (MAMS) contract*, the Metropolitan Ambulance Service can access media rebates following written authority from the Department of Premier and Cabinet.

Source: Department of Premier and Cabinet.

In April 2006, a further 5 amounts totalling \$1.11 million were approved for payment from the rebates account, but payment had not been made at the time of our audit (30 April 2006). The approved amounts comprised:

- ongoing annual sponsorship of community television operator (\$495 000)
- creative and production services for the outdoor and press advertising relating to the *World Class Performance* campaign (\$350 000)
- advertising of a number of services on the back cover of the 2006-07 *White Pages Directory* (\$130 000)
- creative and production services for the *Go For Your Life* television campaign (\$115 000)
- marketing support to the National Trust of Australia (Victoria) for a campaign to promote *Victorian Heritage Icons* (\$20 290).

## Are the rebates guidelines consistent with the contract?

Our examination of the transactions associated with the rebates account revealed that all disbursements made for the period May 2003 to April 2006 were consistent with the guidelines established for the management of media rebates. However, our examination of the rebates guidelines raised concern about whether the purposes set out in the guidelines are consistent with the uses of rebates established under the MAMS contracts.

Legal advice obtained during our previous audit of the MAMS contracts indicated that, among other things:

- in accordance with the commercial arrangements established under the contract, rebates can only be applied against future media buying or other services provided by the contractor<sup>17</sup>
- if rebates are repaid to government departments as cash, the amounts should be paid into the Consolidated Fund.

This audit revealed that rebates were used for the following activities which were provided by entities other than the MAMS contractor, which is outside the commercial arrangements established under the contract:

- sponsorship of community television
- promotional activities
- campaign creative and production services.

It is clear that the agencies had the capacity to conduct these transactions themselves. In these cases, the related rebates should have been paid into the Consolidated Fund and these outgoings met from appropriations funded from the Consolidated Fund. It is our view that the arrangement utilised for these expenditures provided a means of avoiding public accountability. This practice should cease.

Following completion of the audit, we were advised that re-tendering of the MAMS contract has been completed with 2 contractors appointed. One contractor has been appointed to handle advertising placement, including non-campaign advertising other than recruitment. The other is responsible for recruitment advertising, planning and buying. The new contracts came into operation on 1 September 2006.

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<sup>17</sup> The contract is silent about how MAMS rebates are to be applied. However, legal advice obtained by us is that "as a matter of law where a course of dealing exists between parties, that is, they have dealt with each other on a regular basis in a particular way, this has the effect of placing a particular meaning on the terms of the contract, so that it may be said that this arrangement is a term of both contracts whether or not it is expressed as such. Therefore, this treatment of the rebates is likely to have become a term of the contracts even if not expressly provided for".



DPC advised that the new arrangements include payment of a monthly fee to the contractors to cover all media planning and buying services. At the time of preparation of this report, a decision had not been made about how purchases of media air time and space are to be billed.

We believe that the most appropriate basis of payment for the contractor is “fee-for-service”, i.e. a fee for each transaction made. This would eliminate the need for the MAMS contractor to hold, manage or apply rebate moneys. It would also give each department the ability to utilise all funds provided for advertising and communications purposes, rather than a sum diminished by the amount of the rebate held by the contractor and used for purposes outside the direct control of the respective departments.

### **Payments to community television**

We found that more than half of the payments made or approved (\$2.17 million) from the rebates account were paid in relation to a community television operator. Examination of related documentation showed that a number of payments were approved for either sponsorship or media buying purposes. However, our examination of the documentation raised a number of concerns.

We examined cheques drawn on the account and found that:

- \$1.5 million of the payments relating to the community television operator were made to the MAMS contractor for media buying. However, we saw no reports from the contractor to DPC detailing the media spots purchased, or to show, in any way, how those moneys had been applied. We would have expected this information to be provided to DPC to show that the moneys had been used for the purposes approved. The responsible officer within DPC was unable to satisfactorily explain why the MAMS contractor was not required to provide such information.
- \$165 000 of the payments were made directly to the community television operator.

We understand that the provision of sponsorships to community organisations is a normal function of government. However, from the documentation maintained by DPC it was unclear how much of the amount paid was for sponsorship, whether any of the amounts involved were actually for media buying and whether the television operator received the benefit of the amounts spent. The level of accountability around this arrangement is unacceptable.

## Were the account transactions correct?

We examined the management of, and the disbursements from, the rebates account and noted that:

- approval was given by the Premier for all disbursements sought from the account
- approval was given in October 2003 to support the establishment of a Melbourne-based late evening news service on the community television channel. The approval was for \$200 000, including goods and services tax. However, payment was made for \$220 000, i.e. \$20 000 above the approved amount because the amount paid was grossed-up to include the goods and services tax element
- approval was given in February 2005 for a commercial sponsorship arrangement with the community television operator. The approval was for \$660 000. However, the payment was for \$825 000, i.e. \$165 000 over the approved amount
- 2 payments totalling around \$60 400 were made to the Australian Taxation Office to cover the fringe benefits tax debts of the contractor, in error. Both payments were subsequently repaid to the account
- rebates due from the MAMS contractor were not transferred to the rebates account on a monthly basis as required under the rebates guidelines. This results in a loss of interest to the government. This issue was previously noted in a November 2004 DPC internal audit report on the MAMS contract, but is still occurring.

Given the above, we consider that 4 payments were incurred without proper authority, in breach of the *Financial Management Act 1994*. We consider that there is a need for DPC to improve its oversight and management of the rebates account.

Our 2003 audit report observed that in August 2002, DPC commenced development of an audit framework for the MAMS contracts but that the work lapsed in late 2002. In that report, we recommended that a framework for independent audits of contractor performance and compliance with contract requirements be established promptly. DPC's response to our 2003 report indicated that work on the audit framework was well underway for the 2003 calendar year, recognising that the contract was up for review that year.

During our current audit, we found that the audit framework had not been developed and that the latest internal audit of the MAMS contracts was conducted in November 2004 (for the year-ended 30 June 2004).

DPC advised that the 2005 internal audit was deferred because the MAMS contract was in the process of being re-tendered. It was considered that the conduct of the internal audit and any findings it might identify could impinge upon the tender process and the need for probity. Because of the time taken to complete the tender process, the 2006 internal audit has also yet to be completed. We were advised that now that the tender process has been completed, the internal audit will proceed.

### 3.3.2 Conclusion - MAMS rebates

The rebates received from the MAMS contractors have been used in accordance with rebates guidelines established by the government. However, the guidelines allow rebates to be used in ways that are inconsistent with the commercial arrangements developed under the MAMS contract. We consider that a significant portion of the rebates have been used for purposes that are outside the scope of the existing contract.

In these cases, the rebates and associated outgoings should have been transacted through the Consolidated Fund which would have facilitated proper public accountability.

Oversight by DPC of the MAMS rebates account requires improvement. The evidence indicates that there has been little attention to addressing shortcomings in managing the MAMS contract or the rebates since our 2003 audit.

We believe that moving forward, arrangements with the new MAMS contractors should be on a fee-for-service basis. This will eliminate the need for the contractor to hold, manage and apply the rebates. It will also provide departments with the ability to utilise all their funds set aside for advertising and communications purposes.

## 3.4 Overall conclusion

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In the absence of readily available data on the level of Victorian public sector advertising and communications, the data we collated shows that the amounts involved are growing. Adoption of the PAEC recommendation would provide greater transparency for expenditure on advertising and communications.

The management and oversight of MAMS rebates continues to be an issue of concern. The MAMS contractor has made a number of errors in payments from the rebate account that indicates that proper scrutiny over the account has not been exercised. Internal audit arrangements have yet to be developed.

More serious, however, is the promulgation of government guidelines that allow rebates to be applied for purposes outside the commercial arrangements of the MAMS contract. As a result, transactions that should be made by government departments, and be brought to account through the Consolidated Fund, have been made through the rebates account, and have, therefore, avoided proper public accountability.

As we outlined in our 2003 report, we believe that the rebate arrangement should be replaced by fee-for-service payments. This would ensure that moneys are held, and able to be spent, by the departments to whom the moneys are appropriated through the annual budget process, and would eliminate the issues of concern raised in this report.

## Recommendations

1. **That to improve public accountability, agencies should:**
  - **set a budget for advertising and communications**
  - **identify in their annual report the original budget, revisions to the budget and actual expenditure for government-funded advertising and communications. Variations should be explained.**
2. **That agencies develop the capacity to accurately identify and report on the cost of their advertising and communications.**
3. **That, in the event that rebates continue to be part of the contractual arrangements for the MAMS contract:**
  - **the government should amend the rebates guidelines so that they comply with the contractual arrangements for use of those rebates**
  - **DPC improve its oversight and administration of the MAMS rebates account to ensure that transactions from the account are appropriate and correctly authorised.**
4. **That DPC establish appropriate internal audit arrangements to provide assurance over the media buying activities of the MAMS contractors.**

***RESPONSE provided by Secretary, Department of Premier and Cabinet***

*The Department of Premier and Cabinet (DPC) recognises the efforts made by the Auditor-General to develop an accurate picture of advertising expenditure levels, and notes that this is the first time any audit on this subject has attempted to measure the true level of activity as opposed to the nominal level of expenditure.*

*It is extremely hard to get a true picture of the real value of media airtime and space as the price of these items is influenced by many factors that are not captured within the CPI measure. We are pleased to note that the Auditor-General has used the Media Price Indices developed for the Victorian Government, as they attempt to measure what DPC has believed for some time: that the real level of advertising activity by the Victorian Government has, in fact, been static over the past 8 years.*

*The market for advertising media is complex and dominated by commercial practices – such as the payment of volume rebates - that seem archaic compared to other industries.*

*The Auditor-General appears to question the validity of the use of rebate moneys to fund sponsorship of the Victorian community TV station C31. DPC would like to place on record that this important public access TV station - which delivers some 90 hours of first-run Australian-made TV programming every week - would not exist had it not been for the timely support of the Victorian Government.*

*It is conceded that some of the documentation around this sponsorship arrangement should have been more rigorous. However, C31 provides a crucially important training and development role for the Melbourne film and TV production industry as well as a means for dozens of culturally and linguistically diverse, disabled and minority groups to have access to the electronic media. The Victorian Government believes that C31 is strongly worthy of such support and will undertake to review how it provides support to C31.*

*DPC disagrees with comments in the audit report to the effect that rebate moneys have been used “in ways that are inconsistent with the commercial arrangements under the MAMS contracts”. The Auditor-General says in footnote 17 (p. 45) that “the treatment of rebates is likely to have become a term of the contract even if not expressly provided for”. The implication is that DPC, by changing the manner in which rebates had been previously dealt with, was breaching the terms of its own contract.*

***RESPONSE provided by Secretary, Department of Premier and Cabinet - continued***

*However, it should be noted that, in response to the Auditor-General's 2003 report, DPC sought to alter the arrangements between the state and the MAMS contractor for the handling of rebates to ensure more transparent handling of these moneys. An alteration was proposed to the MAMS contractor, which agreed to the new arrangements. Therefore, to the extent that there had been a course of conduct between the parties to the MAMS contract that may be said to have been a term of the contract, that term and course of conduct was varied by agreement between the parties. Consequently, the rebates were legitimately able to be used in the manner and for the purposes outlined in the guidelines for the management of media rebates earned under the terms of the Master Agency Media Services MAMS contract, as circulated to government departments and agencies in 2003.*

*On the question of whether rebates should continue to be paid by media operators, the Government is somewhat constrained by advertising industry custom and practice, but there should be some acknowledgement of the progress that has been made in spite of the constraints.*

*In his 1996 audit of government communications, the then Auditor-General noted that as much as \$4 million in rebates received from the master media buyer were passed on to advertising agencies in a completely non-transparent manner. This practice was ended soon afterwards to ensure that the value generated by the media contract is retained by the state.*

*Then, in his 2003 audit of government communications, the Auditor-General called for robust guidelines and financial controls to be put in place to cover the management of the rebates, which, by then, were being returned to government. This was demonstrably achieved, and, in our view, has been successful in delivering a level of accountability that was previously absent.*

*In 2006, having made substantial progress from a situation where, 10 years ago, up to \$4 million per year was being practically given away, the work to be done is, in the view of DPC, at the margins.*

*Further improvements to the system of capturing and disbursing rebate earnings are planned, but have had to wait until the implementation of the new master media (MAMS) contract, which was came into effect on 1 September 2006. Rebates have been, until now, a key element in the process for remunerating the contractors. Now that this financial nexus has been broken, DPC is in a position to implement further and better systems.*

***RESPONSE provided by Secretary, Department of Premier and Cabinet - continued***

***Recommendation 1***

*As acknowledged elsewhere in the report, government advertising represents less than 0.5 per cent of total Victorian government outlays.*

*The principle underlying the suggestion that a budget be set for communication activities is agreed, but it should be noted that government agencies already budget for advertising and communications activities in relation to the outputs they are required to deliver. The Government's Output-Based Management Framework is quite specific on this requirement.*

*The second part of this recommendation raises the issue of the purpose of annual financial reports, which are, by their nature, general purpose accounts, not management accounts. DPC's output reporting requirements are currently satisfied by its annual report, prepared under section 45 of the Financial Management Act 1994. The report is prepared in accordance with Standing Direction 4.2 of the Financial Management Act 1994, applicable Financial Reporting Directions, Australian Accounting Standards and other mandatory professional reporting requirements.*

***Recommendation 2***

*It is agreed that departmental charts of accounts could be modified to enable more timely and accurate extraction of data about advertising and communications cost centres for management purposes.*

*In addition, DPC has explicitly re-developed the MAMS contract, introduced the Market Research Panel and the Marketing Services Panel, and plans to introduce the Printing Management Unit in 2007 as a means of providing timely management reporting on these 4 categories of expenditure to the Government, and this audit has made extensive use of the data provided by some of these arrangements.*

***Recommendation 3***

*Rebates will continue to be a part of the MAMS contract. The rebates guidelines will be reviewed and revised accordingly, sometime in 2007.*

*It is agreed that DPC should devote more resources to the oversight of the rebate arrangements, and systems for doing so are being put in place.*

***RESPONSE provided by Secretary, Department of Premier and Cabinet - continued***

***Recommendation 4***

*Thorough and comprehensive audit procedures exist and have been implemented every year of the current MAMS contract except in 2005. The reasons for not conducting the audit in 2005 have been explained to the Auditor-General and relate to the fact that to conduct an audit of contractors who were in the process of preparing to bid for the MAMS tender could have breached probity guidelines. The audit of 2005 transactions is being conducted now, in light of the resolution of the MAMS tender.*

***RESPONSE provided by Secretary, Department of Treasury and Finance***

*DTF is not able to verify the accuracy of the figures said to be representative of DTF (see for example Figure 3B and Figure 3C and related text). However, the figures are consistent with estimates of DTF's very small contribution to overall expenditure in this area.*

*The other DTF-specific reference is in relation to the Public Accounts and Estimates Committee's (PAEC's) "Report on the 2004-05 Budget Outcomes". The report is correct in stating that the report makes that recommendation, and that the Government is considering that report and all its recommendations.*

***Recommendation 1***

*Not supported.*

*Advertising and communication activities are not independent of program or policy development, implementation and evaluation. As such, budgeting an appropriate amount for advertising and communication activity is encouraged as (a very small) part of program delivery, not as a stand-alone budget item.*

*DTF notes the reference to a Public Accounts and Estimates Committee (PAEC) report recommendation relating to the issue of separate reporting in departmental annual reports. The Government will respond to this recommendation as part of its overall PAEC response.*

***Recommendation 2***

*Support in principle.*

*This would require consideration of the impacts on current reporting methods and application consistently across government.*



***RESPONSE provided by Secretary, Department of Treasury and Finance - continued***

***Recommendation 3***

*Support.*

***Recommendation 4***

*Support.*

*It is DTF's understanding that these arrangements already exist and have been satisfactorily explained to the Auditor-General.*

***RESPONSE provided by Secretary, Department of Education and Training***

***Recommendation 2***

*DET already complies with this recommendation.*

***RESPONSE provided by Secretary, Department of Justice***

***Recommendation 1***

*DOJ will continue to report budget and expenditure as required. DOJ will identify in its reporting publicity-related budgets and expenditure to the extent practicable.*

***RESPONSE provided by Secretary, Department of Human Services***

***Recommendation 1***

*While supportive of the general principle to improve public accountability, DHS has concerns about the practical application of this recommendation, especially given existing financial accountability and budgeting requirements. Under the Financial Management Act and budget approval process, departments are already required to report annually on their performance and financial results. Departments should continue to report on program and project outcomes as required under the agreed budget process, not on individual communications activities.*

***Recommendation 2***

*Agreed*

*DHS' financial reporting systems have the capacity to accurately identify and report on the cost of specified promotional, advertising and communications activity.*

***RESPONSE provided by Secretary, Department of Human Services  
- continued***

***Recommendation 3***

*Not applicable.*

***Recommendation 4***

*Not applicable.*

***RESPONSE provided by Secretary, Department of Primary  
Industries***

***Recommendation 1***

*DPI does not accept this recommendation. Within DPI, advertising and marketing budgets are derived using the objective-task method. That is, each project manager allocates the budget necessary to achieve the specific objectives outlined in the project's communication strategy, rather than an arbitrary percentage of the department's overall budget being allocated to advertising and promotion each year.*

***Recommendation 2***

*DPI accepts this recommendation.*

***Recommendation 3***

*In relation to this recommendation, DPI will accord with any guidelines set by DPC.*

***RESPONSE provided by Secretary, Department of Sustainability  
and Environment***

***Recommendation 1***

*DSE advertising and communications budgets are based on program and initiative objectives and business plans and are, therefore, embedded within overall program budgets. It is the program budgets that will appear in the Budget Papers and appendices reported in the annual report.*

***Recommendation 2***

*DSE will develop the capacity to accurately identify and report on the cost of its advertising and communications. Further refining of the disclosure of advertising expenditure will be undertaken as part of the preparation of the annual financial statements of the department.*

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## 4. Assessing selected campaigns against guidelines for government advertising and communications



## 4.1 Introduction

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### 4.1.1 Our 2002 audit

In 2002, we examined a selection of advertising material referred to us as “party-political”. At that time, in the absence of relevant Victorian conventions or guidelines on advertising and communications propriety, we developed criteria to facilitate our assessment of the referred cases, based on research of guidelines either in place or proposed internationally, and within Australia at the national or state level.

In June 2002, we reported to parliament and included in our report suggested criteria for assessing government advertising and marketing. We recommended the use of the criteria to assess government-funded advertising and marketing activities<sup>1</sup>. In the report, the then secretary of the Department of Premier and Cabinet (DPC) responded that: “The principles espoused in your proposed guidelines are consistent with the broad objectives set by government and provide a solid basis for an appropriate set of advertising guidelines for the Victorian government”.

### 4.1.2 Developments since 2002

In October 2002, the government endorsed guidelines it developed: *Guidelines for Victorian Government Advertising and Communications*<sup>2</sup>. These guidelines differed substantially from those arising from our 2002 audit, and can be found in Appendix B of this report.

## 4.2 This audit

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In the current audit we examined a selection of public sector advertising campaigns to determine whether they complied with the *Guidelines for Victorian Government Advertising and Communications*.

Making assessments of the campaigns or campaign material, and whether or not they contain material that is party-political, is a matter of judgement. The assessments need, as much as possible, to be objective and not swayed by the public debate. Judgements, by their nature, can be difficult and can, at times, be a matter of fine balance, and open to interpretation.

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<sup>1</sup> Victorian Auditor-General’s Office 2002, *Report on public sector agencies*, Victorian Government Printer, Melbourne, pp. 314-16.

<sup>2</sup> Department of Premier and Cabinet, *Guidelines for Victorian Government Advertising and Communications*, October 2002, <[www.dpc.vic.gov.au](http://www.dpc.vic.gov.au)>.

In assessing the selected campaigns, we considered the material made available to the public from the position of the reasonable person in the absence of information to judge the actual intent or purpose for the advertisements or marketing material.

A government clearly has the right to promote its programs and the state, and to inform the community on matters that affect its citizens. This audit does not question that right.

### 4.3 Assessment of selected campaigns against government guidelines

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We selected 8 government-funded campaigns and assessed them against the principles in the government guidelines. The campaigns we examined were:

- *Our Water, Our Future*
- *Bringing Learning to Life*
- *CrimeSmart: Do Your Part*
- *Better State of Health (Blueprint and Rural Health Services campaign components)*
- *Alpine Grazing*
- *Make it Happen in Provincial Victoria*
- *World Class Performance*
- *Building a World Class Victoria.*

An assessment of each of the campaigns can be found in Appendix D to this report.

The campaigns were mainly selected because they were running at the time the public debate about government advertising heightened in late 2005. The *Alpine Grazing* campaign was selected because it too was subject to public and press comment at the time it ran.

We believe that an assessment of these campaigns provides the opportunity to identify what, in practice, led to that increased debate, and to provide an independent assessment of whether it was warranted.

The conclusions reached in this section only relate to the campaigns examined and not to the wider program of government advertising and communications activity.

### 4.3.1 Assessment of the selected campaigns against government guidelines

We found that 2 of the selected campaigns, i.e. *Make it Happen in Provincial Victoria* and *Alpine Grazing*, complied with the government guidelines. However, aspects of the other 6 did not.

The *Building a World Class Victoria* campaign comprised both electronic and print media. Coverage was across metropolitan, regional and local press, and included full-page advertisements, as well as single-item and multi-page advertorials which combined a mix of personal opinion and factual information. The print media component was extensive and of a greater volume than for any other campaign we reviewed.

The government guidelines provide that “*public funds should not be used for government communications where the method or medium of communication is manifestly excessive or extravagant in relation to the objective being pursued*”.

The *Building a World Class Victoria* campaign advertised a \$10 billion investment in a range of infrastructure projects across the state with the aim of building enthusiasm for the state’s economic prospects, strengths and opportunities; attract local and overseas investment to the state; highlight the benefits and opportunities that infrastructure projects and investment provide; and foster pride and confidence. In comparison, an investment of \$5 million on a campaign could be considered as not excessive in relation to the objective being pursued. This campaign used multi-page advertorials that presented a series of articles that mixed opinion with fact. In our opinion, the use of advertorials of this nature is excessive.

The campaign brochure and fact sheet for the *CrimeSmart: Do Your Part* campaign listed initiatives and achievements of the incumbent government including “*the Bracks Government has already taken significant steps towards crime reduction. Since coming to power in 1999, there is now one-fifth less crime*”. In our view, this is contrary to the government guidelines which indicate that public funds should not be used for government communications where “*the party in government is mentioned by name*”.

Information provided by the Department of Justice indicated that the campaign was conducted, in part, to report on performance in relation to government undertakings to increase police numbers and reduce crime, and to ensure public safety, personal security or encourage responsible behaviour. To do so, it was necessary to report on what had been achieved in order to improve Victorian’s perceptions of safety.

### ***Reference to data sources***

We examined compliance with the government guidelines that establish a need for “*accuracy and objectivity in the presentation of all facts, statistics, comparisons and other arguments, ensuring that the source of all data is indicated or that a means for identifying the data source is provided within the communication*”.

In conducting our assessments we did not expect to see the basis for all claims made in advertisements to be substantiated within the advertisements. However, we did expect that the advertisements would point to a source to which interested parties could go to substantiate the statements made, and that the sources presented would provide the substantiating data or information.

We found that many advertisements contained statistics about the level of resourcing or the performance achieved by the particular service or program being advertised.

The *Bringing Learning to Life* campaign directed the public to a booklet for further information. Statements such as “*6 000 extra teachers and staff*” and “*easy to understand student reports*” were addressed in the booklet but information to enable substantiation of “*smaller class sizes*” was not. We understand that the Department of Education and Training (DET) has provided material apart from that presented in the booklet to parents to prove this point, and that interested parties may seek further information about this matter from DET’s Information and Referral Service. However, we believe that this information should have been included in the information booklet referred to in the campaign, to enable easy substantiation by interested members of the public.

We found that in many cases, advertisements directed the public to websites to obtain further information about campaigns. In most cases, the websites provided the substantiating evidence or indicated the source of the data, e.g.:

- *Make it Happen in Provincial Victoria* website is a dedicated website providing information about councils and regions and specific features within Victoria. The website provided information to support statements made in the advertisements under headings such as “*Live*”, “*Work*” and “*Invest*”.
- The *Alpine Grazing* advertisements outlined the government’s decision about grazing in the Alpine National Park, and provided a website address and a phone number. The website provided fact sheets and scientific studies which provided the basis of the government’s decision.

- The *CrimeSmart: Do Your Part* website provided a series of data including Victorian crime statistics to support the statements made about improved crime rates.
- The *Better State of Health* campaign directed the public to the Department of Human Services' (DHS') website to substantiate statements of improved performance over time. The website contained detailed information relating to the areas focused on in the campaigns, e.g. the plan for the health system; improvements in the health system; funding increases and hospitals; as well as information on the health system in general.
- The *Our Water, Our Future* campaign provided a phone number and a dedicated website to complement the advertisements and marketing material.

In some instances, the information was difficult to find on the nominated websites, e.g.:

- The *Building a World Class Victoria* campaign presented statements in a number of advertisements, including “*The new [convention] centre will hold its first conference in 2009, generate 2 500 jobs and increase economic activity in Melbourne by \$197 million each year over 25 years*”, and “*over the next three years [2005–2008], 15 state-owned water businesses will invest \$1.9 billion on capital programs*”. It provided a general government website address <[www.vic.gov.au](http://www.vic.gov.au)> to enable the public to access further information.

The Department of Infrastructure (DOI) indicated to us that the information regarding the convention centre is included in various media releases on the public record, and that the reference to the capital program for water businesses is sourced in the Essential Services Commissioner's report on urban water prices and could be accessed through the government website. While this may be true and, therefore, technically complies with the government guideline, we consider that it is unreasonable to expect members of the public seeking to satisfy themselves of the factual accuracy of information provided in an advertisement to undertake detailed research to substantiate the claims made.

- the *Better State of Health - Rural Health Services* television advertisements listed “*recruitment of 1 845 nurses*”. To find the relevant data to substantiate the statement about nurse numbers required navigating through 6 web pages. We believe that in this instance the website did not provide easily accessible information to directly substantiate the statement made.



In some cases, the website material mirrored statements made in the advertisements, e.g. statements about increased police numbers and the increase in the Victoria Police budget used in the *CrimeSmart: Do Your Part* campaign were presented under Victorian Government initiatives on the *CrimeSmart*<sup>3</sup> website. However, we believe that unsubstantiated messages presented on a website are not a sufficient source for substantiating statements of performance made in advertisements.

In the case of the *World Class Performance* campaign, outdoor posters presented statements such as “*Victoria exports dairy products to 109 countries around the world*” and “*The new A380 airbus needed a world class runway. Victorians built it in world record time*”. These were made without identifying the source of the data, or providing a means for identifying the data source. The television and print advertisements for this campaign contained personal testimonies that were credible and convincing, and presented a mix of qualitative comments and statistics about the performance of their businesses. The advertisements referred the public to the Business Victoria website. While the website provided case studies about each of the featured businesses, it did not provide data to substantiate statements made about performance.

Further comments about the use of websites in Victorian government-funded advertising and communications are presented later in this part of the report.

### ***Ability to substantiate data***

As well as guidance that the source, or a link to the source, for the information provided be identified in advertisements, the government guidelines establish that “*all statements, claims and arguments included in the communication are able to be substantiated*”. In this regard, we acknowledge that:

- advertising agencies in Australia are required to provide a verification statement<sup>4</sup> to support the statements, claims or facts provided in advertisements as part of their pre-production checklist process.

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<sup>3</sup> <[www.crimesmart.vic.gov.au](http://www.crimesmart.vic.gov.au)>

<sup>4</sup> The statement is provided to Commercial Advisory Pty Ltd (CAD), a company operated by FreeTV Australia. According to its website <<http://www.freetvaust.com.au/>>, “FreeTV Australia is an industry body which represents all of Australia's commercial free-to-air television licensees”. CAD operates on a fee-for-service basis, and does not provide legal advice on the content or veracity of the advertising submitted to it. According to FreeTV Australia's *Television Commercials Production Checklist*, “It is the responsibility of each advertiser to ensure that their commercials comply with state and federal [Commonwealth] laws applicable to advertisers, including the *Trade Practices Act 1974* and *Fair Trading Acts* and relevant voluntary codes and guidelines, e.g. the *Advertiser Code of Ethics* and the ACCC [Australian Competition and Consumer Commission] *Advertising & Selling Guidelines*”.

- the departments responsible for the campaigns we assessed pointed to their compliance with this process as evidence that the statements made in their advertisements were factual and had been substantiated.
- most departments provided us with evidence that a statement on the sources of the data contained in the advertisements we reviewed, had been provided to Commercial Advisory Pty Ltd.

However, we note that the government guidelines do not provide any indication that compliance with this process is what is intended by the guidelines. In this regard, we believe that a reasonable person would expect the guidelines to be applied as meaning that the statements, claims and arguments included in the advertisements are able to be personally substantiated by the viewer/recipient of the material.

In addition to the above issues, during the audit we examined an advertorial for the *Building a World Class Victoria* campaign which featured the following statement “the Victorian Government’s \$450 000 investment in a major piece of equipment – a new 4-slice CT [computerised tomography] scanner – means quick diagnosis and treatment”. We noted that following the release of information that indicated the scanner had not been paid for by the government, the error was admitted, the statement was retracted, and the material removed from the *Building One Victoria* website. We consider that the error may have been identified before the advertisement was published, if attempts to substantiate the material had been made earlier by DOI.

### ***Authorisations***

When we assessed the advertisements for each campaign against criteria to determine whether they provided authorisations aimed at clearly distinguishing the messages from party-political messages, we found some aspects that did not comply with the government guidelines.

Authorisations for elements of the *Our Water, Our Future*; and *Better State of Health - Rural Health Services* campaigns did not comply with the government guidelines because they departed from the specified authorisation statement. For example, the *Our Water, Our Future* television campaign carried the authorisation “Authorised by Steve Bracks, for the Victorian Government, Melbourne”. The *Better State of Health - Rural Health Services* advertisements carried the authorisation “Authorised by the Victorian Government, Ballarat” (or Wangaratta, Traralgon, Bendigo – as applicable to the rural area subject to the advertisement).

DHS advised that it used the local authorisations in the *Better State of Health - Rural Health Services* campaign to ensure relevance to regional audiences at a local level, and to avoid alienation of rural markets that do not react well to messages from the city. DHS considers that this is best practice in terms of appealing to a target audience and making messages relevant and effective.

While we understand this position, the current government guidelines do not provide such flexibility. They state that “*Government communications should comply with the highest standards ... taking particular care to ensure: Victorian government advertisements in any electronic medium are clearly distinguishable from party-political messages by the addition of the following tag at the end of all commercials: “Authorised by the Victorian Government, Melbourne”.*”

### ***Showcasing private businesses***

One interesting aspect of the *World Class Performance* campaign was that it featured selected successful businesses detailing their experiences in doing business in Victoria. We sought advice from the Department of Innovation, Industry and Regional Development about how the featured businesses were selected. We were advised that:

- there was no formal selection process, and that businesses were approached on the basis of advice provided from within the department
- the featured businesses had not contributed to the cost of the advertisements, to the government or to a political party, in any way, i.e. that no payments either in cash, or in kind, had been made
- the comments made in the advertisements by the owners/operators/management of the featured businesses were unscripted.

We understand the merit of showcasing examples of successful businesses to the public and to visitors to the state. However, it can give the impression of government endorsement of the featured businesses. When taking such an approach, the government needs to ensure that it is seen to be even-handed, i.e. that it gives all businesses an equal opportunity to participate. As a minimum, there should be a transparent selection process, including documentation of the evaluations conducted and decisions made.

While the government guidelines state that “*government communications should comply with the highest standards of fairness, equity, probity and public responsibility*”, and that they should ensure “*compliance with all relevant government purchasing policies*”, they do not specifically address the appropriate standards to be applied in showcasing private businesses. We consider that the guidelines should be revised to provide for transparency in selecting private businesses to protect against perceptions of favouritism or accusations of providing a competitive advantage.

### 4.3.2 Conclusion

Two campaigns complied with the government guidelines. Of the other 6, aspects of the campaigns were found not to comply with the guidelines. In one campaign the incumbent government was mentioned by name. Another campaign used multi-page advertorials that presented a series of articles that mixed opinion with fact. In our opinion, the use of advertorials of this nature is excessive.

The level of compliance with the guidelines relating to maintenance of high standards was inconsistent across the campaigns, particularly relating to providing a link to the source of data to enable substantiation of statements made in the material (4 campaigns). In 2 cases, the authorisations used for the campaigns did not comply with the guidelines. While these are relatively minor instances of non-compliance in a small number of campaigns, their incidence provides an early indicator of the need for continued vigilance over compliance against the guidelines, by individual agencies and centrally by DPC.

## 4.4 Identifying better practice

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In addition to assessing compliance of the 8 selected campaigns with government guidelines, we also sought to identify better practice. To do this, we updated the criteria that we developed in 2002, to align with contemporary guidelines. We researched:

- internationally, i.e. the United Kingdom<sup>5</sup>, New Zealand, Canada (national), Ontario, the United States of America (national), Northern Ireland
- domestically in Australia, and across states and territories.

We also referred to the Australian Broadcasting Authority guidelines<sup>6</sup>.

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<sup>5</sup> Government Communications Network (GCN), operated by the Government Communication Group of the UK Cabinet Office. According to the related website “The GCN links all those working in government communication and provides clear standards, benchmarks and guidance for government communicators. It also gives professional and practical support to enable them to build their professional skills and expertise. GCN supports each communication specialism – marketing and paid publicity, media handling, e-communications and internal communications – and provides the connectivity to allow learning and best practice to spread across government”.

<sup>6</sup> Commonwealth of Australia 2004, *Guidelines for the broadcasting of political matter*, Australian Broadcasting Authority, Canberra.

The result of our research is the 2006 better practice, *Criteria for government-funded publicity activities*, which can be found in Appendix C of this report.

While the 2002 criteria remained consistent with international guidelines for government-funded advertising and communications, our research suggested that some amendments were necessary to:

- recognise that inconsistent use of the terms “advertising” and “marketing” provided the opportunity, either inadvertent or intentional, to work outside the guidelines. For this reason, the 2006 better practice criteria refer to “*publicity activities*”, and are intended to apply to all marketing, advertising, presentations, dissemination of information, and other activities designed to, or that do, provide information to the public and are funded from the public purse
- address the breadth of application of the criteria. We consider that they should apply not only to public sector agencies but also to entities outside the public sector that use moneys provided by government, including through grants, to fund their publicity activities. The 2006 better practice criteria, therefore, refer to “*government-funded*” publicity activities
- provide greater guidance and context for application of the criteria, i.e. identify the acceptable objectives of government-funded publicity activities
- recognise that material and information should be representative and inclusive, and accommodate persons from other cultures and religions or with special needs
- highlight matters that should be considered in determining whether government-funded publicity activities are party-political and, therefore, unacceptable
- recognise the importance of ensuring publicity activities are funded from appropriate sources, i.e. that publicity activities relating to members of parliament, their electorate offices or election campaigns must not be funded from agency resources
- provide for better accountability by funded agencies, departmental secretaries and chief executives for government-funded publicity activities
- take into account advances in communications technology since 2002, including increased opportunity for communications through the internet.

The 2006 better practice criteria enshrine the fundamental principles that:

- all members of the public have equal rights to access comprehensive information about government policies, programs and services which affect their rights and entitlements, except where access to this information would represent a breach of government responsibilities
- governments may use public funds for information programs or education campaigns to explain government policies, programs or services, and to inform members of the public of their obligations, rights and entitlements
- government-funded publicity activities should never have the purpose or effect of providing party-political advantage.

It is important to note that the 2006 better practice criteria do not set a standard that is impossible to achieve, but rather reinforce and further develop the principles of both our 2002 guidelines and the government's own guidelines, expanding them to reflect changes in practice since 2002.

#### 4.4.1 Comparing the government guidelines with better practice

The government *Guidelines for Victorian Government Advertising and Communications* provide principles intended to ensure that government communications are used effectively to achieve public policy goals. They provide broad objectives that outline outcomes that government-funded advertising and communications may be used to deliver, and identify areas where public funds should not be used. They also provide for compliance with standards of fairness, equity, probity and public responsibility. We believe that they provide useful high-level guidance for agencies.

When the government guidelines are compared with the 2006 better practice, *Criteria for government-funded publicity activities*, developed by this Office, there is a key difference. The better practice criteria suggest a consideration of the need and the purpose for the publicity activities, and whether the material is presented in response to an identified information need. In contrast, the government guidelines do not establish a need test for government-funded advertising and communications in order to justify the activity. They take the position that government has an obligation to inform the public of its rights, duties, responsibilities and entitlements. We agree.

However, while governments have a right to inform the public, we consider that government-funded publicity activities should be in response to an identified need and the messages conveyed should be designed to meet that need. Consideration of purpose and need is particularly important when ensuring that campaigns are not promoting the incumbent government and, therefore, not perceived as being party-political in nature.

The 2006 better practice criteria set a higher test for determining the appropriateness of government-funded publicity activities (including advertising and communications). If they were applied to the selected campaigns assessed during this audit, we consider that aspects of a number of the campaigns examined would not meet better practice.

We consider that the government guidelines should be enhanced to provide for a test of the basic purpose for which government-funded advertising and communications are conducted, and consideration of the need for the activities. The 2006 better practice, *Criteria for government funded publicity activities*, could provide a basis to review the current government guidelines.

## 4.5 Practices that may raise perceptions of political intent

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While we concluded that aspects of the individual campaigns we examined complied with government guidelines, other indicators noted over recent times, such as:

- the volume of, and the trend in, the advertising spend: a high and increasing level of expenditure (as discussed in Part 3 of this report)
- the frequency of the advertisements: saturation coverage in high rating viewing times
- the timing of the campaigns: aligned with high rating television events particularly during the “events season”, and with government-funded events, culminating with the 2006 Commonwealth Games

led us to examine whether there was any substance to the claim that some of these campaigns were part of a coordinated strategy to raise the profile of the government and improve the public perception of its performance.

We examined a number of emerging practices used in public sector advertising and communications in Victoria that draw attention to, and raise concerns about, the intent of the activities. These included:

- use of market research
- use of branding
- use of authorisations
- links to campaign websites.

Each of these is addressed below.

### 4.5.1 Use of market research

Over and above market research for individual campaigns, we observed that the government conducts market research, i.e. Government Attitudes Monitoring Studies (GAMS) to periodically monitor the general attitudes of the community, with a particular focus on government services and policies, and the public's perception of the government's performance.

Our examination of a selection of GAMS reports showed:

- ongoing (tracking) questions focused on gauging the government's performance on particular aspects of governance or its activities, rather than on the performance of public sector service delivery
- specific questions designed to test attitudes prior to release of the government's stance on issues.

The information obtained through GAMS is not publicly available or routinely released to service-delivery departments to inform improvements in service delivery. The data is provided to cabinet and to ministers and, according to advice we received from DPC, is instrumental in informing the government's strategic communications, and identifying the areas for specific communications activity.

We observed that in some respects, the focus of the studies was on measuring the effectiveness of public sector services or programs, or to help improve service delivery and performance. However, the studies also appeared, in part, designed to gauge public perception of the government's performance rather than to identify the public's information needs.

### 4.5.2 Use of branding

Branding has long been used in marketing by private sector organisations to "position" their image and to establish brand loyalty for products. The use of slogans and consistent messaging is typically adopted to "build" their brand. For existing customers, a well-established brand can provide an instant link between a product and the organisation's past performance/credibility. For new customers, when linked to positive messages about an organisation's reputation and past performance, branding can establish ready recall of an organisation's credibility and reliability.

Branding used in the right context is not undesirable. It can be an efficient and effective way for an organisation to establish, and reinforce, brand loyalty.



Branding is increasingly used in public sector advertising and communications throughout Australia. In Victoria, the *Victoria: The Garden State* brand was introduced in the 1980s, followed in the early 1990s by *Victoria: On the Move*, and in the late 1990s by *Victoria: The Place to Be*.

The stated objective of the Victorian Government's branding policy is to:

- *"increase community recognition of, awareness of, and trust in the Victorian Government through brand communication"*
- *"increase the effectiveness and consistency of Victorian Government branding"*<sup>7</sup>.

The policy requires all external communications of Victorian government agencies to carry *Victoria: The Place to Be* as their primary brand unless exempted. Where considered inappropriate, an agency can request to use the state insignia instead.

In addition to the primary branding, we observed secondary branding, e.g.:

- the *World Class Performance* and the *Building a World Class Victoria* campaigns introduced the *World Class* brand to promote business confidence and the government's performance in relation to infrastructure projects
- "Brand Victoria" was launched as the state's new "outward facing" brand aimed at maximising visual and message recall for inbound visitors to the state. It allows the brand to be adapted to focus on either Melbourne or Victoria, depending on the context of the event, or the location being marketed. This brand was displayed at the Melbourne Grand Prix (March 2006) and the Australia vs. Greece Football Friendly at the Melbourne Cricket Ground (May 2006).

In late 2005, a requirement was introduced for the "slogan" *A Victorian Government initiative* or *A Victorian Government project* to also be added to *"all communication materials that promote a service, program, project or other activity of government that the state has initiated and/or funded"*<sup>8</sup>. We further note the style guidance for Victorian public sector agencies which specifies the look and feel for government communications, including the typography, fonts and colour choice, to ensure that materials are consistent.

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<sup>7</sup> Department of Premier and Cabinet, *Victorian Government Branding Policy*, <<http://www.dpc.vic.gov.au>>, accessed 20 June 2006.

<sup>8</sup> Premier's Circular No. 2005/3, *Update to the Victorian Government Branding Policy*, 28 October 2005.

We recognise that branding can be an efficient and effective communication technique for both the private and public sectors, and that, in the current climate of competition between states and international locations, particularly for major events and investment, it is reasonable to establish state brands. We also recognise that style guides provide valuable guidance for agencies, providing a minimum standard to ensure production of professional looking material. However, when branding (either text or style) becomes linked to an incumbent government and, by association, to the party in government, it can cause critics to question whether the material has crossed the line between what is an appropriate use of public funds, and what is “party-political”.

In respect of their content matter, the brands outlined above are not party-political. However, because the brands have now been linked with slogans aimed at promoting the government or the government’s performance (rather than the state and its performance), in our opinion, they provide a direct link to the incumbent government. One effect of this image building process is that the state brand, by association, has become the brand for the incumbent government, rather than for the state. It is our view that this should be avoided in all future campaigns.

### 4.5.3 Use of authorisations

The government *Guidelines for Victorian Government Advertising and Communications* provide for the authorisation “Authorised by the Victorian Government, Melbourne”, accompanied by the name of every person who speaks in the commercial, to be added to all Victorian Government advertisement in any electronic medium.

On the face of it, the use of authorisations for general government advertising and communications appears innocuous. However, when it appears in combination with branding, our view is that it can help reinforce a link to the government whose programs, services or performance are being advertised. This can lead to a perception of favourable positioning or promoting of the incumbent government which is not consistent with the intent of the government guidelines.

Authorisations have their genesis in Commonwealth and Victorian legislation established for political broadcasts and election advertising<sup>9</sup>, where it is important that the voting public is able to distinguish between legitimate government advertising, and advertising on behalf of political parties. The legislation requires that all “electoral” and “political” matter presented to the public “which is intended or likely to affect voting in an election”<sup>10</sup> identifies the person who authorised the broadcasting or printing of the material. The legislation also requires that any printed advertorial or advertisement clearly identify that the material is an advertisement to distinguish it from other material in the publication in which the advertisement or advertorial appears.

In our view, the need to insert authorisations in Victorian government-funded advertising and communications material is prompted by the use of slogans and text that link the information presented to the government, its role in the program, and its performance. Due to its “express or implicit reference”<sup>11</sup> to the government, this type of material is interpreted by the Australian Electoral Commission<sup>12</sup>, and by media proprietors, to be “electoral matter”.

We could see no clear reason why all government-funded advertising and communications, particularly that which is primarily of an informational and educative nature, would need an authorisation. If it was electoral or political in nature, the advertising and communications would not comply with the government’s guidelines. In this regard, we note that other government-funded education and information campaigns (such as the Transport Accident Commission road safety campaigns) are not required to carry authorisations under the government guidelines, or the electoral or broadcasting legislation.

#### 4.5.4 Links to websites

As discussed earlier in this part of the report, when assessing the 8 selected campaigns against the government guidelines, a common item noted was the reference to a website to enable the public to access a webpage to examine the source data or information underpinning the statements made in the advertising or communications material.

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<sup>9</sup> The *Commonwealth Electoral Act 1918*, the [Commonwealth] *Broadcasting Services Act 1992* and the [Victorian] *Electoral Act 2002*.

<sup>10</sup> Section 4(1) of the *Commonwealth Electoral Act 1918*

<sup>11</sup> Section 4(1) of the *Commonwealth Electoral Act 1918*.

<sup>12</sup> <[http://www.aec.gov.au/\\_content/Who/candidates/candidates\\_handbook/offences.htm](http://www.aec.gov.au/_content/Who/candidates/candidates_handbook/offences.htm)> accessed on 20 August 2006.

When we examined the websites, we found that some of the sites provided a wide array of useful information about the campaign and advertised activity, e.g. *Make it Happen in Provincial Victoria*. Others, such as *Better State of Health* and *World Class Performance* required greater effort to negotiate the site to find the relevant material.

The sites that raised most concern were those that provided vast quantities of additional material promoting the government's performance, e.g. *Building a World Class Victoria*. We found that these sites are doing more than providing a means of substantiation of the material in the campaign, or raising awareness of and or informing the public about a program or service.

#### 4.5.5 Conclusion - Practices that may raise perceptions of political intent

The current approach to government advertising and communications in Victoria has raised concerns in the community that the campaigns were supporting political needs.

We consider that while these techniques of highly visible branding of images and messages, and the linking to websites that provide more than information about the programs and services being advertised, enhance the efficient and effective delivery of information to the community, their use needs to be tempered so that the natural advantage of the incumbent government is not exploited. To do other than this is clearly inconsistent with the spirit of the government guidelines.

### Recommendations

5. **That the government review its guidelines for government-funded advertising and communications to provide more explicit and detailed guidance about the appropriate use of public funds.**
6. **That all departments and public sector agencies ensure that their advertising and communications activities comply with guidelines for government-funded advertising and communications, as part of their approval processes for proposed activity.**

***RESPONSE provided by Secretary, Department of Premier and Cabinet***

*The Department of Premier and Cabinet (DPC) reiterates its commitment to reviewing the Government Guidelines for Advertising and Communications in line with the general direction suggested by the Auditor-General's "best practice" guide.*

*Our objective is to ensure that the crucial role played by advertising in helping to achieve vital public policy objectives is not de-valued by ongoing criticism.*

*We note that, in large part, negative observations of the 8 selected campaigns are minor and easily rectified, and that there is generally good compliance with the government's current Guidelines, with instances of non-compliance being largely matters of interpretation.*

*We note that criticisms relating to the use of branding, authorisation tags and market research are largely based on opinion and not the result of rigorous analysis. We respectfully differ with the Auditor-General on the degree to which these tools and techniques assist the incumbent government, noting that these are areas where there is little in the way of objective evidence to support the interpretation offered.*

***Recommendation 5***

*Agreed.*

*DPC will oversee the process of reviewing its guidelines for advertising and communications in line with the general direction suggested by the Auditor-General's "best practice" guide. However, we reserve the right to base our guidelines on a detailed review of best practice that incorporates not only the Auditor-General's recommendations, but also the considered views of the media, academia, communications practitioners and other governments in Australia and elsewhere in the world.*

***Recommendation 6***

*DPC will develop a compliance program to ensure more widespread awareness and understanding of, and compliance with, both the current guidelines and any new standards developed.*

*The GCRG guidelines and pro-forma documentation will be revised to explicitly reflect the requirements of the guidelines in force at that point in time.*

***RESPONSE Provided by Secretary, Department of Treasury and Finance***

***Assessing selected campaigns against guidelines for government advertising and communications***

*The Department of Treasury and Finance (DTF) supports the idea of regularly reviewing government communication standards, but considers that a more rigorous process is needed that uses appropriately qualified experts, in consultation with other important stakeholders as part of developing any changes to the guidelines.*

***Recommendation 5***

*Support in principle.*

*DTF supports the idea of regularly reviewing government communication standards, but believes that a rigorous process is needed that uses appropriately qualified experts, in consultation with other important stakeholders as part of developing any changes to the guidelines.*

***Recommendation 6***

*DTF has processes in place to ensure communication activities comply with government guidelines.*

***RESPONSE provided by Secretary, Department of Education and Training***

***Recommendation 6***

*DET agrees with this recommendation and confirms its commitment to compliance with established guidelines.*

***RESPONSE provided by Secretary, Department of Justice***

***Recommendation 6***

*Agreed.*

***RESPONSE provided by Secretary, Department of Human Services***

***Recommendation 5***

*DHS will comply with all endorsed whole-of-government (WoVG) guidelines and policies related to the appropriate use of public funds.*

***Recommendation 6***

*DHS will comply with all endorsed WoVG guidelines and policies related to government-funded advertising and communications.*

***RESPONSE provided by Secretary, Department of Innovation, Industry and Regional Development***

*The Department of Innovation, Industry and Regional Development (DIIRD) does not agree with the apparent conclusion that has been reached that branding projects such as Brand Victoria become the brand for the incumbent government.*

*Brand Victoria is specifically developed to be an internationally focused locational brand for Melbourne and Victoria. It was developed in conjunction with external organisations, and will be available for them to use as well. The brand is intended to be a long-term development, in the way that Tourism Victoria's has developed the Jigsaw Brand over more than 10 years (and successive governments).*

***RESPONSE provided by Secretary, Department of Primary Industries***

***Recommendation 5***

*In relation to this recommendation, DPI will accord with any guidelines set by DPC.*

***Recommendation 6***

*DPI accepts this recommendation.*

***RESPONSE provided by Secretary, Department of Sustainability and Environment***

***Recommendation 6***

*DSE will continue to ensure that its advertising and communications activities comply with guidelines for government-funded advertising and communications as part of their approval processes for proposed activity.*

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## 5. Procurement of services





## 5.1 Introduction

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In 2003, the Department of Premier and Cabinet (DPC) established a Market Research Panel (MRP)<sup>1</sup> which provides a broad range of market research services, including: exploratory research; testing of concepts and messages; and research for benchmarking and tracking and evaluation.

In June 2005, DPC established the Marketing Services Panel (MSP), a panel of preferred suppliers of advertising<sup>2</sup> and communication<sup>3</sup> services. The MSP was established to streamline the process for engaging suppliers by pre-qualifying suppliers and eliminating the need for lengthy tender processes for each parcel of work.

Prior to the establishment of the MSP, a variety of methods were used by government agencies for procuring advertising services, including:

- open, public or selective tendering<sup>4</sup>
- panels established by several departments, e.g. the Department of Human Services (DHS) communications panel, Department of Sustainability and Environment (DSE) communications panel, DPC creative services panel, and the Department of Industry, Innovation and Regional Development (DIIRD) design panel.

In this audit, we examined the appropriateness of the process followed to establish the MSP in 2005, and determined the utilisation of it by departments to date. We did not assess the appropriateness of the process followed to establish the MRP.

We also examined the procurement of services for each of the selected 8 campaigns to determine the appropriateness of the processes followed, and compliance with procurement policies.

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<sup>1</sup> The Market Research Panel (MRP) was established in November 2003. Government has mandated that the Department of Premier and Cabinet uses the MRP. All other government departments can access the MRP on a voluntary basis.

<sup>2</sup> Includes a broad range of creative services including, but not limited, to marketing strategy development, campaign planning, creative concept development, brand development and evaluation, copywriting, art direction, artwork and project management.

<sup>3</sup> Includes services related to the development and implementation of communications and public relations strategies. Activities can range from the provision of communication advice to development, management, coordination and delivery of all components of a major public relations campaign.

<sup>4</sup> Government departments and other nominated agencies are required to comply with the tendering policies of the Victorian Government Purchasing Board.

## 5.2 Marketing Services Panel

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### 5.2.1 Tender process

In March 2005, DPC used a public tender process to establish the MSP. More than 200 advertising agencies and communications suppliers registered for the tender and attended a supplier briefing. This resulted in 149 responses to the tender being lodged.

Following evaluation by a team consisting of 10 experienced senior communication officers/directors from across government, 57 suppliers (26 advertising agencies and 31 communications suppliers) were appointed to the MSP in June 2005. The MSP comprises a range of large, medium, small and specialist suppliers. They were appointed to the MSP for 3 years, with the option of extension for 2 one-year periods or one 2-year period.

We examined the tender process involved in establishing the MSP and found that, with the exception of the evaluation of tenders, the process was sound and well-documented.

We found that an extensive evaluation process was developed, including the creation of an evaluation plan and evaluation matrix and the engagement of a probity auditor to review the tender documents, evaluation matrix, original evaluation materials and tender report.

While we sighted the probity auditor's sign-off of the tender process, and the final evaluation report signed by the evaluation panel members, we were unable to sight the detailed evaluations by the panel members against the selection criteria. We asked DPC whether the detailed evaluation was conducted. We were advised that it was. We asked the relevant probity auditor, who advised that she sighted the documents at the time the process was conducted. We were surprised that the documentation was not available, given the long established practice in the public sector to retain such records, and best practice advice provided by the Victorian Government Purchasing Board (VGPB)<sup>5</sup>.

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<sup>5</sup> Department of Treasury and Finance, *Best Practice Advice: Probity*, <[http://www.vgpb.vic.gov.au/CA256C450016850B/WebObj/Probitybestpracticeadvice/\\$File/Probitybestpracticeadvice.doc](http://www.vgpb.vic.gov.au/CA256C450016850B/WebObj/Probitybestpracticeadvice/$File/Probitybestpracticeadvice.doc)> accessed 6 September 2006.

## 5.2.2 Use of the Marketing Services Panel

All Victorian government departments requiring the services of advertising agencies and communications suppliers are required to use the MSP. Other government agencies can also access the MSP, but must obtain permission from DPC's Strategic Communications Branch (SCB), prior to approaching potential suppliers.

The contract management plan and rules for using the MSP<sup>6</sup> require:

- the SCB to monitor expenditure and MSP use across government. To assist with this, departments are required to submit monthly reports to the SCB
- departments to routinely disclose summary information about contracts greater than \$100 000 on the contracts publishing system maintained by the VGPB.

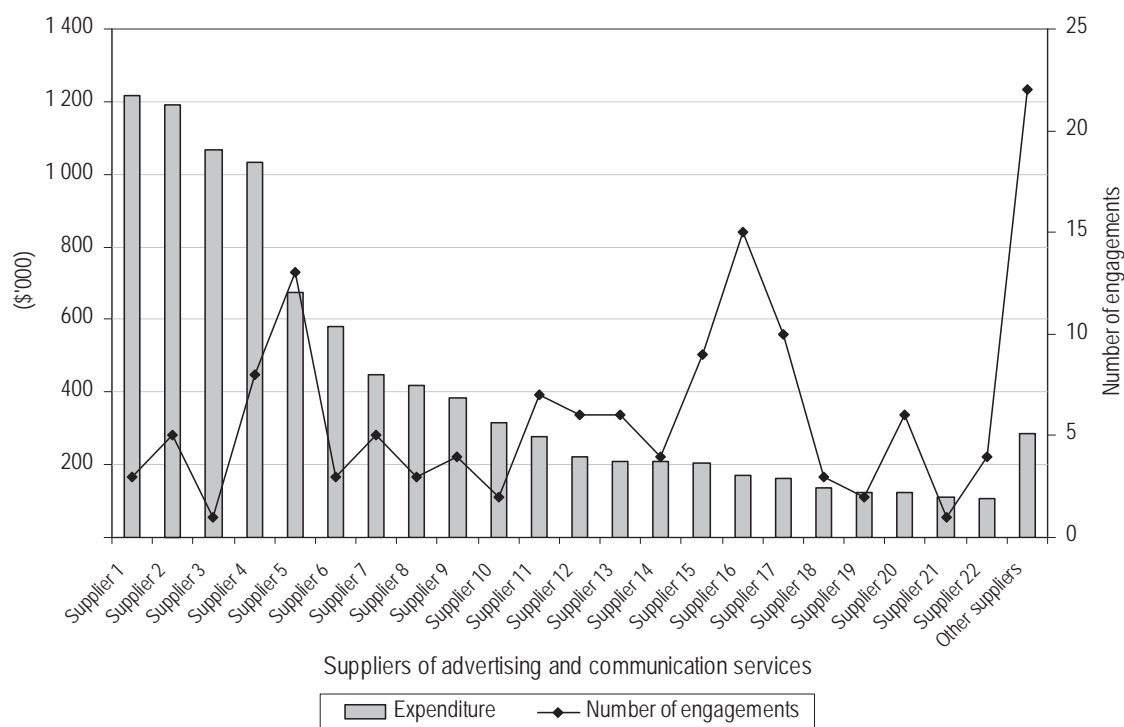
We examined the information maintained by the SCB about the use of the MSP and the level of expenditure transacted through it, and the information on the VGPB contracts publishing system relating to the campaigns we examined. We found that the data held by DPC on the level of transactions was incomplete and the VGPB contracts public disclosure system was not up-to-date or complete.

To determine the number and value of engagements using the MSP since it was established, we contacted the 10 departments and asked each of them to provide us with the relevant details. This is shown in Figure 5A.

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<sup>6</sup> Department of Premier and Cabinet, *Contract management plan for Marketing Services Panel*, December 2004, and <vgpb.vic.gov.au>.

**FIGURE 5A: NUMBER AND VALUE OF ENGAGEMENTS MADE BY DEPARTMENTS, FROM THE MARKETING SERVICES PANEL, JUNE 2005 TO MARCH 2006**



Source: Victorian Auditor-General's Office.

Between June 2005 and March 2006, 142 separate engagements were made from the MSP with a total value of over \$9.7 million. Individual engagements ranged in value from \$350 to \$1.04 million. Of the 57 suppliers on the MSP, 19 (33 per cent) have not been used to date. Eight suppliers have received around 70 per cent of the value of the engagements over the 9-month period of the MSP's existence.

We were advised that in managing the contract, DPC intends to monitor use of the MSP members throughout the life of the MSP, and to report to the VGPB at the expiry of the contract, to assist in establishing the scope and requirements for future MSP contracts. It is, therefore, important that DPC establishes practices that enable effective management and monitoring, and ensures that those practices are maintained.

### 5.2.3 Conclusion - Marketing Services Panel

With the exception of the inability to provide us with the documentation supporting the evaluation of tenders, the tender process for establishing the MSP was consistent with VGPB requirements.

Data provided to us by departments indicates that the quantity of business transacted through the MSP to date is substantially less than that anticipated in the request for tender issued by the government prior to the MSP's establishment. Accordingly, the benefits, in terms of savings in administrative time and cost are likely to be less than anticipated. Despite this, we concluded that:

- the process for engaging the services of advertising and communication providers is now more streamlined through the MSP arrangement. The MSP replaces the need for agencies to establish their own panels or to tender for suppliers, reducing administrative time and cost.
- the MSP also provides an important mechanism to track, monitor and consistently report on communication expenditure across departments and government as a whole.

DPC needs to improve its processes for monitoring panel usage. Agencies need to ensure that they meet the accountability requirements for disclosing contracts with a value greater than \$100 000 on the VGPB contracts public disclosure system, consistent with the government's policy statement on *Ensuring Openness and Probity in Victorian Government Contracts*<sup>7</sup>.

### 5.3 Procurement for the selected campaigns

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Individual departments are responsible for engaging advertising agencies, communications suppliers and market research organisations for their communications activities, and for ensuring the procurement process is transparent and achieves value-for-money.

To determine the appropriateness of the procurement processes and the level of compliance with procurement requirements, for each of the 8 selected campaigns, we examined:

- specifications (tender briefs)
- tender processes, including the method of procurement and evaluation of tenders/quotes
- contractual arrangements
- evaluations of contractor performance.

<sup>7</sup> Victorian Government, *Ensuring Openness and Probity in Victorian Government Contracts*, October 2000, and <vgpb.vic.gov.au>.

The time frames for the 8 campaigns selected, span pre- and post-MSP establishment. For procurement of advertising and communication services conducted prior to the establishment of the MSP in June 2005, we assessed compliance with VGPB tendering policies. For procurement since the establishment of the MSP, we assessed compliance with the MSP rules.

Market research services could have been procured from the MRP established by DPC in November 2003. For market research engagements after that date, we examined compliance with the rules established for the MRP.

Figure 5B sets out the arrangements for each of the 8 campaigns we assessed.

**FIGURE 5B: PROCUREMENT METHODS FOR THE SELECTED CAMPAIGNS**

Campaigns	Advertising and communication services		Market research services	
	Procurement method	No. of engagements	Procurement method	No. of engagements
<i>Our Water, Our Future</i> (Phases 1, 2 and 3)	Selective tender	3	DPC Market Research Panel	1
			Selective tender	1
			Written quotes	2
			Unknown	1
<i>Bringing Learning to Life</i> (Phases 1 and 2)	DPC Creative Services Panel	1	DPC Market Research Panel	4
	Marketing Services Panel	2	-	
<i>CrimeSmart: Do Your Part</i>	Marketing Services Panel	3	DPC Market Research Panel	3
<i>Better State of Health</i>	Marketing Services Panel	5	DPC Market Research Panel	5
	Open tender	1	-	
<i>Alpine Grazing</i>	Direct quotes	2	Written quote	1
<i>Make it Happen in Provincial Victoria</i> (Phases 1 and 2)	Open tender	2	Written quote	1
	Selective tender	1	-	
<i>Building a World Class Victoria</i>	Marketing Services Panel	(a)	DPC Market Research Panel	2
<i>World Class Performance</i>	Marketing Services Panel	(a)1	DPC Market Research Panel	1

(a) The creative services engagement was for both the *Building a World Class Victoria* and *World Class Performance* campaigns.

Source: Victorian Auditor-General's Office.

Our examinations revealed that the departments responsible for the selected campaigns:

- prepared suitable specifications outlining the scope of works for each engagement. This was particularly the case for the 5 campaigns where procurement occurred after the MSP was established in June 2005<sup>8</sup>
- entered into contractual arrangements that provided adequate protection to the state in relation to intellectual property, dispute resolution, professional indemnity and confidentiality. This was particularly so for engagements from the MSP
- had completed evaluations of contractor performance for MSP engagements, as required under the contract management plan and rules for using the MSP.

### 5.3.1 Tender processes

With the aim of achieving value-for-money, and maintaining principles of probity and equity in tendering, we expected to see that the departments had:

- complied with VGPB tendering policies or requirements applicable to the MSP and the MRP
- maintained adequate documentation of evaluations, application of selection criteria, rating of tenderers and the rationale for selection of successful tenderers.

In examining the tender processes for the 8 campaigns, we found:

- 2 instances of non-compliance with MSP rules about the number of suppliers required to quote for works
- an exemption from the VGPB requirement to publicly tender, obtained after the engagement was made
- a case where we were unable to see a tender evaluation report
- a number of tender evaluation reports that did not identify selection panel members
- a case where a tender process was not conducted
- instances of non-compliance with approval requirements for engagements over \$100 000.

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<sup>8</sup> A template has been developed to assist departmental staff prepare a project specification.

## Non-compliance with MSP rules

We identified 1 instance of non-compliance with MSP rules that require 6 quotations to be sought for engagements valued at more than \$250 000. Details are provided in Figure 5C.

**FIGURE 5C: NON-COMPLIANCE WITH MARKETING SERVICES PANEL RULES FOR ENGAGEMENTS OVER \$250 000**

<i>Better State of Health campaign</i>
<p><b>Rural Health Services campaign</b></p> <p>A request for tender for the rural health services component of the <i>Better State of Health</i> campaign was sent to 4 advertising agencies selected from the Marketing Services Panel (MSP). The successful tenderer was awarded the contract for \$350 000.</p> <p>The rules of the MSP provide for 6 quotes to be sought for engagements of greater than \$250 000.</p>

Source: Victorian Auditor-General's Office.

We note the failure to comply with the MSP requirement to seek 6 quotes for an engagement in excess of \$250 000, for the *Better State of Health - Rural Health Services* campaign.

While the *Better State of Health - Blueprint* campaign technically complied with the rules of the MSP, the means by which this was achieved, as outlined in Figure 5D, raises questions for consideration by MSP administrators.

**FIGURE 5D: TECHNICAL COMPLIANCE WITH MARKETING SERVICE PANEL RULES FOR ENGAGEMENTS OVER \$250 000**

<i>Better State of Health campaign</i>
<p><b>Blueprint campaign</b></p> <p>On 2 September 2005, a request for tender was sent to 5 advertising agencies (suppliers) selected from the MSP. Information sessions were held with the 5 suppliers on 7 September 2005.</p> <p>The 5 suppliers presented their concepts to a selection panel comprising departmental representatives on 23 September 2005. Based on the concepts, only 3 of the 5 tenderers were deemed suitable. The selection panel determined that an additional concept was required to provide a suitable breadth of ideas for focus group testing.</p> <p>As a result, another advertising agency, not one of the original 5, was invited to quote and was briefed 21 days after the initial 5 tenderers were invited to quote. The sixth tenderer was subsequently awarded the contract at a cost of \$256 200, or \$2 000 above the lowest quote from the 3 other suitable tenderers.</p>

Source: Victorian Auditor-General's Office.

In the end, DHS obtained 6 quotes for the *Better State of Health - Blueprint* campaign engagement, as required under the rules of the MSP. However, in our opinion, the means by which this was achieved was not consistent with principles that ensure that all potential suppliers are treated equally.



We also identified a case of non-compliance with MSP rules that require 3 quotes for engagements valued over \$100 000. Details are provided in Figure 5E.

**FIGURE 5E: NON-COMPLIANCE WITH MARKETING SERVICES PANEL RULES FOR ENGAGEMENTS OVER \$100 000**

<i>Bringing Learning to Life</i> campaign
<p>In late 2005, the Department of Education and Training (DET) sought a quote for development of a television commercial for the <i>Bringing Learning to Life</i> campaign. The quote was sought from the contractor, who had created previous television commercials for the campaign and who, by 2005, was part of the Marketing Services Panel (MSP).</p> <p>The contractor submitted an initial quote for \$95 000 on 7 December 2005. DET sought only one quote for the work as under the MSP requirements, only one quote is needed for engagements of less than \$100 000.</p> <p>The day after the initial quote was sought, the scope of works was amended by DET to include a rural component in the advertisement. The extra footage from the rural shoot was to be incorporated into the television advertisement for which the initial quote was sought. DET treated the procurement of the creative services for the advertisement as 2 separate procurements.</p> <p>The contractor subsequently submitted 2 quotes: the first for the original scope of works (for \$99 000 submitted on 8 December 2005) and the second for the additional work (for \$77 000 submitted on 9 December 2005).</p> <p>The contractor was awarded 2 production and creative engagements. The 2 engagements were made only one day apart and were for works that could have been addressed through one engagement.</p> <p>Under the MSP rules, a single engagement with a value of \$176 000 would normally have required 3 written quotes.</p>

Source: Victorian Auditor-General's Office.

As the aggregate value of the amended scope of works was over \$100 000, under the MSP rules, DET should have sought 3 written quotes or an exemption from that requirement. Because of the approach utilised, i.e. undertaking the works through 2 engagements made only one day apart, it is not clear whether value-for-money was obtained by the department.

### **Exemption from the VGPB requirement to publicly tender obtained after the engagement was made**

We identified one instance where a contract was not publicly tendered and an exemption was sought from the VGPB 4 months after the tender process was completed. Details are provided in Figures 5F.

**FIGURE 5F: LATE EXEMPTION FROM PUBLIC TENDERING**

<i>Our Water, Our Future</i> advertising campaign
<p><b>Commencement of the procurement process</b></p> <p>On 20 December 2002, a tender brief for advertising for a water campaign was forwarded by Yarra Valley Water to 8 advertising agencies on behalf of the metropolitan Melbourne water bodies.</p> <p>On 23 December 2002, the advertising agencies were alerted by Yarra Valley Water that the campaign may become an umbrella campaign associated with a range of metropolitan Melbourne water initiatives, a larger campaign than that originally envisaged by the water authorities.</p> <p>Six suppliers submitted responses to the tender by the closing date of 3 January 2003.</p> <p>Four suppliers were short-listed and invited to present on 15 January 2003 to a selection panel comprising 2 members from the Department of Sustainability and Environment (DSE), 3 from South-East Water, 4 from Yarra Valley Water, and one from the Department of Premier and Cabinet. The submissions were assessed against the selection criteria. The value for the engagement at that time was expected to be around \$350 000.</p> <p>To that time, Yarra Valley Water had been responsible for the procurement process. Because statutory authorities are not required to comply with Victorian Government Purchasing Board (VGPB) policies, Yarra Valley Water's procurement approach, i.e. selective tendering, was not a breach of VGPB requirements.</p> <p><b>Finalisation of the procurement</b></p> <p>At a date between 23 December 2002 and 23 May 2003 (note: documentation could not be provided to establish the actual date), it was decided that the campaign would be an umbrella campaign for metropolitan Melbourne, resulting in an increase in the scale of the campaign. During this period, management of the campaign was transferred to DSE.</p> <p>On 10 April 2003, the successful tenderer was notified of its selection by DSE and was provided with confirmation that the scale of the project had increased. The contract price was negotiated to \$788 000 to take account of the increased scale of the assignment.</p> <p>If procured by DSE, a tender of this magnitude should have been publicly tendered or an exemption from the VGPB requirements obtained before the procurement process was commenced.</p> <p>In August 2003, 6 months after the evaluation by the selection panel, DSE decided that due to the urgent need to commence the campaign to complement the introduction of stage 2 water restrictions, there was insufficient time to call for public tenders for the increased scope of work, and sought an exemption from the VGPB requirement to go to public tender. The exemption was granted by the VGPB in August 2003.</p> <p>The contract was signed on 5 September 2003.</p> <p>Due to a subsequent downsizing of the campaign, the contract price was re-negotiated to \$488 000.</p>

Source: Victorian Auditor-General's Office.

We were unable to determine why after transferring responsibility for the campaign, and confirming in April 2003 an increase in the scale of the campaign, it was not until August 2003 that DSE sought an exemption from the requirement to publicly tender. At the time DSE became responsible for the campaign, it should have understood the requirements of the VGPB policies which are aimed at delivering value-for-money and meeting appropriate standards of probity and equity. Due to the substantial change in the size of the campaign, the unsuccessful tenderers should have been given an opportunity to re-quote for the works, or a new tender process should have been conducted. Neither occurred.

## Absence of tender evaluation report

In one instance, the department involved could not provide an evaluation report to support the decision to appoint the contractor. This example is presented in Figure 5G.

**FIGURE 5G: ABSENCE OF TENDER EVALUATION REPORT**

<i>World Class Performance</i> campaign
<p>Discussions with Department of Premier and Cabinet (DPC) staff revealed that:</p> <ul style="list-style-type: none"> <li>• In July 2005, in accordance with the Marketing Services Panel (MSP) rules for engagements greater than \$250 000, 6 suppliers from the MSP were invited to respond to a project brief for an advertising campaign to maximise the awareness of the state's economic strengths and competitive advantages.</li> <li>• The 6 suppliers were selected to tender because of their strategic capability, resources, and capability in developing and producing a campaign with a substantial financial commitment. This selection was based on the professional judgement of the DPC staff.</li> <li>• Responses submitted by the tenderers were reviewed by 2 DPC staff who concluded that none of the responses to the brief were appropriate and that they did not meet the selection criteria. Individual face-to-face meetings were held with each tenderer to outline the concerns about its response and to obtain additional information from the tenderers.</li> <li>• At this stage, 2 additional suppliers from the MSP were invited to respond to the project brief. Each of these suppliers provided a tender response.</li> <li>• After consideration of the 8 tender responses, 2 of the initial 6 tenderers were short-listed and made presentations to the secretary of the Department of Innovation, Industry and Regional Development (DIIRD) and the Minister for State and Regional Development.</li> <li>• The preferred concept was <i>The Home of World Class Performance</i>. The successful tenderer (one of the original 6), was awarded the contract for \$1.04 million.</li> </ul> <p>From a review of files maintained at the 2 departments involved in the procurement process, i.e. DPC and DIIRD, we found little documentation relating to the tender evaluation process. The only documentation available was the request for tender and the 8 tender responses.</p> <p>We did not see any evidence of the evaluation panel deliberations, the membership of the selection panel or why the successful tenderer was chosen.</p>

Source: Victorian Auditor-General's Office.

The absence of documentation about the tender process and the evaluation of tender responses raises concerns over the transparency of the decision-making process.

## Tender evaluation reports that did not identify selection panel members

We identified 6 instances where selection panel membership was not clearly identified in the tender evaluation reports. Without evidence of the membership of the selection panels, we were unable to determine whether the panels were appropriately configured, and the responsible agencies appropriately represented in the decision-making process.

This deficiency related to the following campaigns:

- *CrimeSmart: Do Your Part* (one instance, i.e. market research valued at \$46 750)
- *Our Water, Our Future* (4 instances, i.e. 2 market research engagements with one for \$99 000 and the other for an unknown amount; and 2 social marketing services engagements, with one for \$127 380 and the other for \$94 710)
- *Building a World Class Victoria* and *World Class Performance* (one instance, i.e. creative services \$1.04 million).

In 5 of these 6 instances, we were subsequently advised of the membership of the selection panels. However, we were not provided with evidence to substantiate the information provided.

### Tender process not conducted

We found one case where a tender process was not conducted. In this case, the department responsible for funding the campaign was not involved in its procurement. Details are provided in Figure 5H.

**FIGURE 5H: TENDER PROCESS NOT CONDUCTED**

<i>Building a World Class Victoria</i> campaign
<p>The <i>Building a World Class Victoria</i> campaign was launched around the same time as the <i>World Class Performance</i> campaign.</p> <p>The <i>Building a World Class Victoria</i> campaign was managed and funded by the Department of Infrastructure (DOI). Strategic direction for this campaign was provided by the Department of Premier and Cabinet, through its Strategic Communications Branch.</p> <p>The creative agency previously engaged for the <i>World Class Performance</i> campaign was engaged as the creative agency for the <i>Building a World Class Victoria</i> campaign. A tender process was not utilised to support this latter appointment.</p> <p>DOI was not involved in the procurement of the creative agency.</p> <p>The contract for the creative agency for the <i>World Class Performance</i> and <i>Building a World Class Victoria</i> campaigns combined totalled \$1.04 million. The departments involved were unable to provide a split of the creative and production costs between the 2 campaigns.</p>

Source: Victorian Auditor-General's Office.

The approach taken raises questions about whether value-for-money was obtained and about the fairness of the engagement. Further, an exemption was not obtained from the requirement to tender.

In addition, given that the Department of Infrastructure (DOI) is accountable for the funding of the campaign, it is reasonable to expect that a representative of DOI should have been involved in the procurement process.

### Non-compliance with approval requirements for engagements over \$100 000

We found 3 instances where engagements for over \$100 000 had not been approved by departmental Accredited Purchasing Units<sup>9</sup> (APUs) prior to engagement of the suppliers, as required under MSP requirements<sup>10</sup>. The examples included:

- 2 instances relating to the *CrimeSmart: Do Your Part* campaign, i.e. \$250 000 for creative services, and \$200 000 for public relations services
- one instance from the *Our Water, Our Future* campaign for \$127 380 for social marketing services.

These 3 instances were identified by the relevant departments and their APU notified, prior to our audit.

The requirement for APUs to approve expenditure above a certain threshold is designed to ensure that the procurement process undertaken complies with government policies. In these cases, this assurance was not provided at the time the engagements were entered into.

### 5.3.2 Conclusion - Procurement for the selected campaigns

From our examination of procurement of advertising and market research services for each of the selected 8 campaigns, we concluded that a number of arrangements did not comply with the procurement requirements of the relevant departments.

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<sup>9</sup> Under procedures implemented by the Victorian Government Purchasing Board (VGPB), each department is required to establish an Accredited Purchasing Unit to oversee tendering arrangements and to ensure that procedures for the purchase of goods and services are in accordance with guidelines established by the VGPB.

<sup>10</sup> The rules of use of the MSP require departments to “follow their usual internal process in the development of the project brief and acquiring relevant approvals.” In each of the cases referred to, the department’s internal process required APU approval for purchases greater than \$100 000.

## 5.4 Overall conclusion

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The establishment of the MSP has eliminated the need for lengthy tender processes for each parcel of work, streamlining the process for engaging suppliers, albeit that there have been some departures from the guidelines.

It is important that DPC improves its processes for monitoring panel usage. Agencies need to ensure that they disclose contracts with a value greater than \$100 000 on the VGPB contracts public disclosure system.

Our findings on the procurement activities for the 8 campaigns selected, were that a number of arrangements were not in accordance with the relevant procurement requirements. This suggests the need for continuing vigilance over the appropriateness of procurement practices.

### Recommendations

7. **That consistent with the government's policy on *Ensuring Openness and Probity in Victorian Government Contracts*, agencies ensure that contracts with a value greater than \$100 000 are disclosed on the VGPB contracts public disclosure system.**
8. **That agencies ensure that procurement practices comply with established procurement requirements so as to demonstrate that value-for-money is achieved.**

#### *RESPONSE provided by Secretary, Department of Premier and Cabinet*

*It is gratifying that the Auditor-General has confirmed the merits of the Marketing Services Panel, which is the first of its type in an Australian government. It is acknowledged that some improvements to its operation – in both reporting and administration – are possible, but equally, it is clear that many of the procurement issues – and certainly the most significant ones – identified in this section occurred before the introduction of the panel and would not have occurred if the panel had been operating.*

#### **Recommendation 7**

*Agreed.*

#### **Recommendation 8**

*Agreed.*

***RESPONSE provided by Secretary, Department of Treasury and Finance***

***Procurement of services***

*In section 5.2.1, in relation to the documentation for evaluation of tenders, it is reported that the tender process was considered thorough overall, except for the evaluation component. Specifically, the following phrase is of concern:*

*“While we sighted the probity auditor’s sign off of the tender process, and the final evaluation report signed by the evaluation panel members, we were unable to sight the detailed evaluations by the panel members. We asked DPC whether the detailed evaluation was conducted. We were advised it was. We asked the relevant probity auditor, who advised that she sighted documents at the time the process was conducted. We were surprised that the documentation was not available, given the long established practice in the public sector to retain such records, and best practice advice provided by the Victorian Government Purchasing Board (VGPB).”*

*While noting that retention of this documentation may, as the report states, represent best practice, it is not a requirement in the procurement process of state purchasing contracts for these documents to be kept after the evaluation process is complete and the consolidated evaluation report is produced*

*To note “surprise” at the lack of one minor aspect of documentation (which as noted above is a ratified part of the process), in an otherwise thorough and sound process, seems to imply that the integrity of the panel and an independent probity auditor is put to question. In fact, this particular aspect of the process met all probity audit requirements.*

*In reference to section 5.2.2, the Auditor-General found that the Contracts Publishing System (CPS) was not up-to-date or compliant with VGPB policy with respect to the specific campaigns reviewed by the Auditor-General. In response, the Department of Treasury and Finance (DTF) notes that the VGPB policy requires that contract details are to be published on the CPS within 60 days after the award of a contract. DTF is not able to comment on the Auditor-General’s finding as no data has been provided to support the Auditor-General’s conclusions on CPS omissions or notifications outside the 60-day period.*

***RESPONSE provided by Secretary, Department of Treasury and Finance - continued***

***Tender processes not conducted***

*DTF is not able to comment on whether the Building a World Class Victoria campaign was a separate campaign or an extension of the World Class Performance campaign. This would have a bearing on whether the matter required accessing the panel arrangement afresh or continuing with the existing contractor.*

***Recommendation 7***

*Support.*

*DTF has processes in place to ensure compliance with the policy on Ensuring Openness and Probity in Victorian Government Contracts.*

***Recommendation 8***

*Support.*

*DTF has processes in place to ensure compliance with Victorian Government Purchasing Board procurement requirements.*

***RESPONSE provided by Secretary, Department of Education and Training***

***Recommendation 7***

*The Department of Education and Training already complies with this recommendation.*

***Recommendation 8***

*The Department of Education and Training agrees with this recommendation. Action to ensure departmental staff involved in advertising and communications are fully aware of established procurement requirements has already been taken.*

***RESPONSE provided by Secretary, Department of Justice***

***Recommendation 8***

*Agreed. The department takes procurement very seriously and will continue to monitor compliance with the Victorian Government Purchasing Board requirements.*



***RESPONSE provided by Secretary, Department of Human Services***

***Recommendation 7***

*DHS will comply with all endorsed Victorian Government Purchasing Board guidelines and policies related to purchasing and disclosure of contracts.*

***Recommendation 8***

*DHS will comply with all endorsed and established procurement requirements.*

***RESPONSE provided by Secretary, Department of Primary Industries***

***Recommendation 7***

*DPI accepts this recommendation.*

***Recommendation 8***

*DPI accepts this recommendation.*

***RESPONSE Provided by Secretary, Department of Sustainability and Environment***

*It is the Department of Sustainability and Environment's (DSE's) view that all appropriate procurement processes were followed for the Our Water, Our Future campaign. During the period April – August 2003, negotiations were undertaken to finalise funding resources. DSE did, in August, obtain an exemption from public tender from the Victorian Government Purchasing Board (VGPB). No contracts were exchanged nor money expended before the exemption was granted.*

***Recommendation 7***

*DSE will continue to ensure that contracts with a value greater than \$100 000 are disclosed on the VGPB contracts public disclosure system.*

***Recommendation 8***

*DSE will continue to ensure procurement practices comply with VGPB requirements so as to demonstrate that value-for-money is achieved.*

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6. Are arrangements for governance and oversight of government-funded advertising and communications activities appropriate?



## 6.1 Introduction

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Our 1996 report, *Marketing government services: Are you being served?*<sup>1</sup>, contained the results of our review of the central agency role and functions for whole-of-government marketing activities. At that time, we specifically examined the role of the Communications Unit within the Office of the Premier.

Since 1996, a number of machinery-of-government changes have affected the arrangements for controlling and overseeing government-funded advertising and communications. Given this, and the time that has elapsed since we last examined this area, we considered it timely to examine the appropriateness of arrangements in place to ensure effective governance and oversight of government communications. To do this, we examined the roles of the various players involved in the coordination and implementation of these activities.

We consider the need for effective governance and oversight for government-funded advertising and communications to be particularly important at this time, due to the high cost and high frequency of advertising and communications activity in recent years, as examined in Part 3 of this report.

## 6.2 Are arrangements for governance and oversight of government-funded advertising and communications activities appropriate?

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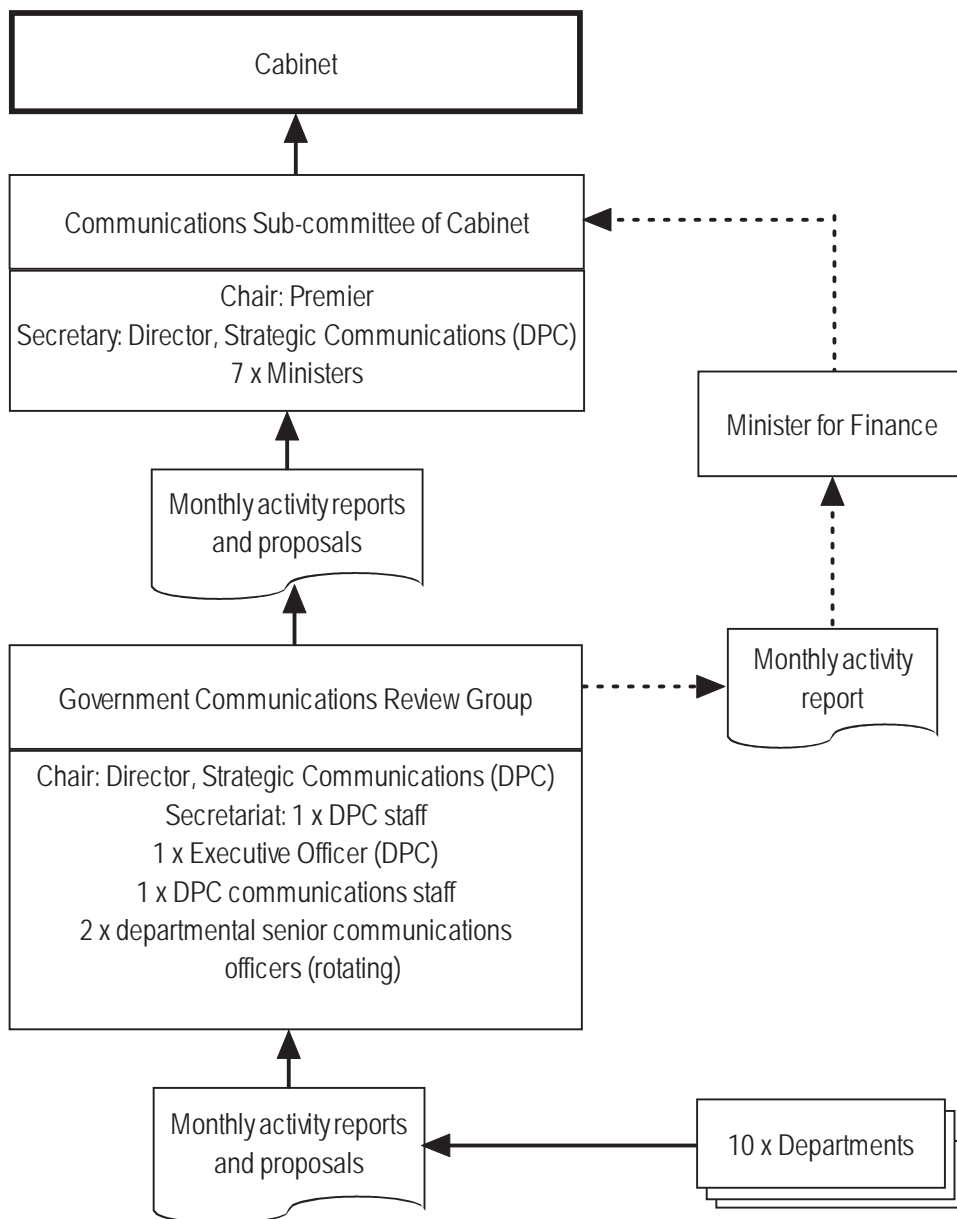
Under the Westminster system of collective government, cabinet is the highest decision-making body for the government. Once signed-off by the Premier, decisions made by cabinet in Victoria are binding on the government, and represent the government's position on any matter considered.

In Victoria, a number of subcommittees and inter-departmental committees assist in the government decision-making process. Figure 6A provides an overview of the various players involved in the decision-making process for government communications.

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<sup>1</sup> Victorian Auditor-General's Office 1996, *Marketing government services: Are you being served?*, Victorian Government Printer, Melbourne.

**FIGURE 6A: GOVERNANCE AND DECISION-MAKING ARRANGEMENTS FOR GOVERNMENT-FUNDED COMMUNICATIONS IN VICTORIA**



Source: Victorian Auditor-General's Office.

### 6.2.1 What are the administrative arrangements in place?

We examined the governance and oversight arrangements and expected to see a clear delineation between administrative and strategic/political roles, and transparent and accountable approval processes for government advertising and communications activity. Such arrangements are to ensure that government-funded advertising and communications are not, or are not perceived to be, subjected to inappropriate political influence.

In making our assessment, we considered the role of the key players within the executive government and the central agency, the Department of Premier and Cabinet (DPC), i.e.:

- the Communications Sub-committee of Cabinet (CSC)
- the Government Communications Review Group (GCRG)
- the Strategic Communications Branch (SCB), DPC.

The role of each is discussed below.

### **Role of the Communications Sub-committee of Cabinet**

The CSC is responsible for proposing, approving and overseeing all government-funded advertising and communications and providing material to cabinet for endorsement.

The CSC is chaired by the Premier, and membership includes the Deputy Premier, the Minister for Finance and 5 other government ministers. The secretary to the CSC is the Director of Strategic Communications, DPC.

The CSC meets regularly (usually monthly), and reviews material submitted for all departments and their portfolio agencies. The material reviewed includes:

- general reports on the level and frequency of government advertising and communications across the board, and other matters for committee consideration
- detailed reports on current government advertising and communications activity by department (including media type, budget, status and whether proposed activity is recommended or not)
- submissions for proposed communications activity which includes:
  - the purpose for (or objective of) the proposed communications activity
  - whether it is part of a campaign
  - proposed messages and creative concepts
  - proposed audience and type of media to be used
  - proposed creative development and media placement costs
  - attitudes monitoring reports.

As advertising and communications expenditure is generally covered by a department's appropriation, previously determined through the annual budget process, the Department of Treasury and Finance (DTF) does not routinely provide comment to the CSC on proposed advertising and communications activities. However, in the event that additional funds to those previously appropriated are required to meet costs, DTF may be required to provide comments to assist the CSC.

DPC provides advice to the CSC when proposed advertising and communications activity requires whole-of-government coordination or implementation.

After considering the submissions and any advice received, the CSC determines whether to support the proposed activity. Supported submissions are forwarded to cabinet for deliberation.

### **Role of the Government Communications Review Group**

The GCRG is an inter-departmental committee that meets monthly to provide the government with a detailed picture of advertising and communications and to assist the government to fulfil its strategic decision-making role.

The government established the GCRG on 12 February 2004. It is chaired by the Director of Strategic Communications, DPC.

In addition to the chair, membership of the GCRG includes:

- 2 senior communications officers from departments (departments are represented on a rotating basis, with each department being represented for 2 consecutive meetings)
- 2 senior staff members of the SCB of DPC, i.e. the communications manager and senior communications adviser.

Each department provides the GCRG with a standardised monthly activity report for review, and submissions about proposed advertising and communications activities, after the required departmental or ministerial approvals have been given.

If departmental proposals are recommended by the GCRG, the nature and expenditure of the proposed activities is discussed with the Minister for Finance by the GCRG chair before being sent to the CSC for consideration. If necessary, proposals not recommended are returned to departments for further work and re-submission to the GCRG for further consideration at a later date.

### **Role of the Strategic Communications Branch, Department of Premier and Cabinet**

DPC directly supports the government through 4 key functions, i.e.:

- supporting the Premier as head of government and cabinet
- providing strategic policy leadership
- developing whole-of-government initiatives
- delivering services and programs in relation to government information and communications, and Arts Victoria<sup>2</sup>.

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<sup>2</sup> <<http://www.dpc.vic.gov.au/>>, accessed on 16 May 2006.

DPC's government information and communications services are delivered through its SCB. The SCB "aims to improve Victorian Government communication with the Victorian public and across government and takes a lead role in the development of policies, guidelines and resources for a range of communications media"<sup>3</sup>.

Departmental documentation shows that the SCB is responsible for:

- providing integrated communications advice, strategies and solutions to the Premier and government agencies
- developing and encouraging compliance with message strategies and branding principles across all Victorian Government departments
- planning and management of major communications-related procurement and contract administration
- assisting departments with major communications projects
- providing in-house consulting on major research projects.

We observed that the SCB exercises its responsibilities in 2 ways:

- at a strategic level, most noticeably by the involvement of its director:
  - as secretary to the CSC
  - as provider of advice to the CSC on behalf of DPC
  - as the chair of the GCRG
  - in managing the media buying arrangements for the public sector and coordinating media buying across the sector
  - in strategically positioning campaigns developed and/or funded by other departments
  - in developing whole-of-government approaches to communications (including advertising and communications) such as driving development of the branding strategy for Victorian Government advertising (discussed earlier in this report)
- at an operational and administrative level, by developing policies and guidelines, and providing advice to departments to assist them to conduct their communications activities (including advertising and communications).

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<sup>3</sup> <<http://www.dpc.vic.gov.au/CA256D8000265E1A/OrigDoc/~66293BB2B5999F9BCA256DDB00814005?OpenDocument&1=10-Listing~&2=Sector+Improvement+Group~&3=0-Strategic+Communications+Branch~>>, accessed on 16 May 2006.

## 6.2.2 What is the effect of the arrangements?

We consider that the GCRG has facilitated development of departmental communications staff by exposing them to opportunities to share ideas and expertise. It has also improved the internal reporting and visibility of government advertising and communications activity, by requiring departments to adopt standardised and regular reporting formats to government.

Our examination of GCRG records indicates that its main focus is on aligning messages across government and coordinating media exposure.

This focus is beneficial if the aim of the activity is to improve the quality of advertising and communications to better inform the community about government services delivery and programs.

However, the practice of rotating representatives means that officers from departments other than DPC are unable to develop a comprehensive knowledge about matters previously considered and reviewed by the GCRG. We consider that this may diminish the ability of departmental officers to maximise their involvement in deliberations of the GCRG.

Although we were advised by DPC that the GCRG and the departmental secretary assess campaign material against the government's guidelines on government advertising and communications to ensure compliance, we did not see any evidence of this occurring. In view of our findings earlier in this report, we believe that the GCRG should develop processes to clearly document the review of the propriety and compliance of proposed campaigns with applicable guidelines.

### **Strategic Communications Branch, Department of Premier and Cabinet**

We observed that in its strategic role, the SCB combines much of the role of the DPC Communications Unit described in our 1996 report<sup>4</sup>. At that time, we expressed concern about the appropriateness of the location of the Communications Unit within the Office of the Premier, and the benefits that may result from establishing the unit at arms-length from the Premier or ministers. It was considered that a change in location may assist in avoiding any perception of political influence.

The SCB is now located within DPC, rather than in the Office of the Premier.

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<sup>4</sup> Victorian Auditor-General's Office 1996, *Marketing government services: Are you being served?*, Victorian Government Printer, Melbourne, pp. 20 and 81.



The SCB has both operational and strategic roles to support and advise public sector agencies about advertising and communications activities in general, and to coordinate campaigns that require a whole-of-government perspective. During our assessments of campaigns and procurement activities, we noted that SCB was involved in coordinating campaigns that were not directly related to activities or services that required whole-of-government coordination. The combination campaigns *Building a World Class Victoria* and *World Class Performance* were examples of this.

In addition, for the *Building a World Class Victoria* campaign, while direct management of the campaign implementation and funding was the responsibility of the Department of Infrastructure, DPC provided the strategic direction for the campaign.

### 6.2.3 Conclusion - Appropriateness of governance arrangements

Based on our fieldwork, research and analysis, we concluded that:

- decision-making arrangements in place provide a clear chain of accountability from departments to government
- the rotating membership of the GCRG may impact on the ability of departments to build their capacity to communicate about the services they provide, or to independently manage their communications resources
- the GCRG does not clearly document its assessment of compliance of campaigns with government guidelines for advertising and communications, or the appropriateness of proposed campaign materials for informing the community about services and programs delivered by departments
- there is potential for the ability of departments to control their advertising and communications activities to be restricted by the SCB taking a greater role than required in campaigns that do not require whole-of-government coordination.

#### Recommendation

9. **That DPC, in its role as chair of the GCRG, clearly document the GCRG's assessment of campaigns against policies and guidelines for government-funded advertising and communications.**

***RESPONSE provided by Secretary, Department of Premier and Cabinet***

*The Department of Premier and Cabinet (DPC) initiated the Government Communications Review Group (GCRG) as a means of providing important peer review opportunities in a structure that intentionally cuts across departmental boundaries.*

*The rotating membership of the GCRG was carefully considered against other alternatives. For example, it might have been desirable to have every department represented at every GCRG meeting, although this would be a very difficult thing to achieve every 2 weeks throughout the year.*

*The current arrangement trades-off the potential for some discontinuity in departmental involvement and, in return, ensures equal access to the forum by all departments over the course of the year. This ensures that every department has the ability to understand the GCRG process, how decisions get made and how to prepare documentation optimally. Departments are strongly in support of the GCRG process, and there has not been any concern expressed about the adequacy or otherwise of current levels of departmental representation.*

*To the degree that DPC can exert control over the advertising and marketing activities of departments via the GCRG, DPC views this influence as a positive by fostering a sustainable level of marketing, financial and procedural discipline across government.*

***Recommendation 9***

*Agreed. See response to recommendation 6.*

***RESPONSE provided by Secretary, Department of Treasury and Finance***

***Recommendation 9***

*Support.*

***RESPONSE provided by Secretary, Department of Human Services***

***Recommendation 9***

*Not applicable.*

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## Appendix A. About the audit



## About the audit

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### Audit objectives and scope

The primary purpose of this audit was to determine whether selected public sector advertising campaigns complied with the government guidelines and whether processes around the management of government advertising were adequate.

### Audit approach

We conducted assessments of 8 selected campaigns against government guidelines. The campaigns we examined were:

- *Our Water, Our Future*
- *Bringing Learning to Life*
- *CrimeSmart: Do Your Part*
- *Better State of Health (Blueprint and Rural Health Services campaign components)*
- *Alpine Grazing*
- *Make it Happen in Provincial Victoria*
- *World Class Performance*
- *Building a World Class Victoria.*

These campaigns were mainly selected because they were running at the time the public debate about government advertising heightened in late 2005. The *Alpine Grazing* campaign was selected because it too was subject to public and press comment at the time it ran.

We also examined:

- the level of advertising and communications expenditure, including media buying
- the appropriateness of the use of media buying rebates<sup>1</sup>
- procurement of services for each of the 8 campaigns to determine compliance with procurement requirements

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<sup>1</sup> “Media buying rebates” are rebates available to agencies that use the whole-of-government Master Agency Media Services contracts to purchase media placements, e.g. television time, radio spots or newspaper space. Under the contracts in place at the time of the audit, the contractors provided a rebate on the total cost of the media purchased to the agency that purchased media space, or to the state. The size of the rebate was determined by the agency’s timeliness in paying the invoice, and whether or not production services were provided by the contractor.

- the appropriateness of arrangements in place to ensure effective governance and oversight of government advertising and communications activity.

In conducting the audit, we:

- examined the activities and role of the Department of Premier and Cabinet, the central agency responsible for development of guidelines for government advertising and communications, oversight of activities and coordination of whole-of-government advertising and communications
- examined relevant files and documents relating to the campaigns and procurement in each of the departments
- issued a questionnaire to 15 agencies to develop an estimate of the value of public sector advertising and communications expenditure
- examined documentation relating to the Master Agency Media Services contracts, including the use of media rebates and relevant policies
- examined material in relation to the arrangements in place to ensure effective governance and oversight of government advertising and communications
- researched international and other Australian jurisdictions to update our 2002 guidelines for government advertising and marketing.

## **Public sector agencies participating in the audit**

### **Audited agencies**

Department of Education and Training

Department of Human Services

Department of Industry, Innovation and Regional Development

Department of Infrastructure

Department of Justice

Department of Premier and Cabinet

Department of Sustainability and Environment

### **Surveyed agencies**

Australian Grand Prix Corporation

Department of Education and Training

Department of Human Services

Department of Industry, Innovation and Regional Development

Department of Infrastructure  
Department of Justice  
Department of Premier and Cabinet  
Department of Primary Industries  
Department of Sustainability and Environment  
Department of Treasury and Finance  
Department for Victorian Communities  
Tourism Victoria  
Transport Accident Commission  
Victorian Urban Development Authority  
Victorian WorkCover Authority

### **Cost of the audit**

The cost of this audit was \$360 000. This cost includes staff time, overheads, and printing.

### **Acknowledgments**

We appreciate the support and assistance of management and staff in each of the departments and agencies involved in the audit.

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**Appendix B.  
Government  
guidelines for  
Victorian government  
advertising and  
communications**



## Department of Premier and Cabinet: *Guidelines for Victorian Government Advertising and Communications, October 2002*

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### Basic principles

These guidelines operate from the understanding that advertising and communications have a clear role to assist in the efficient and effective pursuit of public policy goals.

Government generally has the obligation to inform Victorians about their rights, duties, responsibilities and entitlements.

Government also has the responsibility of ensuring equity, fairness, appropriateness and accountability in all of its communications with Victorians.

These guidelines represent basic principles that should be observed by all government agencies in the planning, development and ongoing management of government communications.

### Objectives of government communications

Public funds may be used for government communications in the pursuit of any of the following objectives:

- To maximise compliance with the law
- To achieve awareness of a new or amended law
- To raise awareness of a planned or impending initiative
- To ensure public safety, personal security or encourage responsible behaviour
- To assist in the preservation of order in the event of a crisis or emergency
- To promote awareness of rights, responsibilities, duties or entitlements
- To encourage usage of or familiarity with government products or services
- To report on performance in relation to government undertakings
- To encourage social cohesion, civic pride, community spirit, tolerance or assist in the achievement of a widely supported public policy outcome.



## Avoiding misuse of public funds

Public funds should not be used for government communications where:

- The party in government is mentioned by name
- A reasonable person could misinterpret the message as being on behalf of a political party or other grouping
- A political party or other grouping is being disparaged or held up to ridicule
- Members of the government are named, depicted or otherwise promoted in a manner that a reasonable person would regard as excessive or gratuitous
- The method or medium of communication is manifestly excessive or extravagant in relation to the objective being pursued
- There is no clear line of accountability, appropriate audit procedures or suitable purchasing process for the communication process
- The government is in caretaker mode, unless the purpose of communication is related purely to achieving compliance with the law, ensuring public safety, personal security, encouraging responsible behaviour or the preservation of order in a crisis or emergency.

## Maintenance of high standards

Government communications should comply with the highest standards of fairness, equity, probity and public responsibility, taking particular care to ensure:

- Compliance with all relevant state and federal privacy, electoral, broadcasting and media laws throughout every stage of the development, production and dissemination of the message
- Victorian government advertisements in any electronic medium are clearly distinguishable from party-political messages by the addition of the following tag at the end of all commercials: "Authorised by the Victorian Government, Melbourne". The name of every person who speaks in the commercial must also be included
- Accuracy and objectivity in the presentation of all facts, statistics, comparisons and other arguments, ensuring that the source of all data is indicated or that a means for identifying the data source is provided within the communication
- Compliance with all relevant government purchasing policies
- Sensitivity to cultural needs and issues when communicating with people from diverse ethnic or religious backgrounds
- Awareness of the communication requirements of groups of people who possess a disability

- The maintenance of the highest standards of decency and good taste in the portrayal of gender and sexuality
  - Respect for all people, regardless of social standing, employment status, educational attainment, age, gender or any other attribute
  - Access by groups who might otherwise be disadvantaged or disenfranchised by means of location, language or economic factors
  - Communications are produced and disseminated by the most appropriate and environmentally responsible means taking into account the characteristics, location and size of the intended target audience
  - All statements, claims and arguments included in the communication are able to be substantiated
  - The target audience has a convenient means of contacting the originating government agency so that complaints, questions, comments or requests for further information may be dealt with promptly
  - Compliance with all quotas, targets and policies which may be set by government in respect of communications with groups such as culturally and linguistically diverse, rural and regional and other communities of interest or special need.
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Appendix C.  
Better practice:  
Criteria for  
government-funded  
publicity activities



## Victorian Auditor-General's Office: Better practice, *Criteria for government-funded publicity activities*, September 2006

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### Purpose

These criteria comprise basic principles for the planning, development and ongoing management of all forms of government-funded publicity activities.

### Fundamental principles covering government-funded publicity activities

The fundamental principles governing the use of public funds for government publicity are that:

- all members of the public have equal rights to access comprehensive information about government policies, programs and services which affect their rights and entitlements, except where access to this information would represent a breach of government responsibilities
- governments may legitimately use public funds for information programs or education campaigns to explain government policies, programs or services, and to inform members of the public of their obligations, rights and entitlements
- fulfilling its publicity and communications role may give an incumbent government a political advantage. However, government-funded publicity should never have the purpose or effect of providing party-political advantage.

The following matters should be considered in determining whether government-funded publicity activities are party-political and, therefore, unacceptable:

- the appropriateness of the content being communicated or publicised
- the overall presentation of the material, including the tone, style and emphasis
- the nature and style of any accompanying material
- the context surrounding the communications or publicity activity.

Subject to the principles, the objective of government-funded publicity activities can be to:

- inform the public of new, existing or proposed government policies or policy revisions
- provide information on government programs or services or revisions to programs or services to which the public are entitled to access
- inform the public of their rights, entitlements or obligations under the law
- inform the public that the state is a good place to live, study, work or invest
- influence social behaviour, in the public interest.

Consistent with the principles, it is not appropriate for government-funded publicity activities to:

- foster a positive impression of the political party in government
- foster a negative impression of someone or something critical of the government
- “put the record straight”, or “provide balance to an argument”
- influence public opinion on a matter that at the time is known to be controversial in the state.

## **Government-funded publicity activities should be:**

### **Relevant to government policies**

- The subject matter should be directly related to the government’s responsibilities.
- Material produced should be in response to an identified information need.
- The identified need should be sufficiently defined to enable effective targeting of publicity activities, and to mitigate the risk of developing messages that influence opinion about the political party in government, rather than informing the community.

### **Explanatory and objective, fair and factual**

- Information should be based on accurate, verifiable facts.
- Facts presented must be relevant to the identified need for the communications or publicity.
- The information and its presentation should be unbiased.
- When making a comparison, the material should clearly represent to the recipient the situation within which the comparison is made and it should state explicitly the nature of the comparison.

- The recipient of the material should always be able to distinguish clearly and easily between facts on the one hand, and comment, opinion and analysis on the other.
- When dealing with matters on which a decision has not yet been made, for example a policy proposal, the material given should include both the benefits and the impacts.
- Material should not form a rebuttal to the arguments of others.
- Pre-existing policies, products, services and activities should not be presented as new ones.
- Information or material should be representative and inclusive and accommodate persons from other cultures and religions, or with special needs.

### **Not liable to interpretation as party-political**

- Material should not intentionally promote, or be perceived as promoting, programs or initiatives of the government in a politically partisan or biased manner, which places party advantage above the public interest.
- Material should not be designed to influence public support for a political party, a candidate for election or a member of parliament. For example, material should not be personalised or directed toward self or party-political image building, whether explicit or implied.
- Material should not attack or scorn, for its own sake, the views, policies or actions of others, such as the policies and opinions of opposition parties or groups. It should avoid political slogans and be presented in unbiased and objective language.
- Distribution of unsolicited material should be carefully controlled. As a general rule, publicity touching on politically controversial issues should not reach members of the public unsolicited, except where the information communicated clearly and directly affects their interests.
- Official pronouncements and explanations of government policy should not refer to the name of a political party or to the government using the Premier's name.
- Other publicity material about government activities should not include reference to the political party and should minimise reference to the government using the Premier's name.
- Government websites/advertising should not link to the websites of political parties.

- In any agreed quarantine period leading up to an election (e.g. in the period after the writs for an election have been issued):
  - the ministers/members of the government of the day should not be directly associated with a product or service provided by an agency of government
  - any material issued by agencies must have a clear commercial or essential community information purpose and be necessary at that particular time
  - agencies should avoid active distribution of material if it promotes the government's policies or emphasises the achievements of the government or a minister
  - no agency should publish or distribute pamphlets, brochures, leaflets or reports that advocate or criticise the election policies of any political party. Publications should not promote any politician or political candidate, including ministers.
- All material must comply with relevant broadcasting, media and electoral laws.

### **Produced and distributed in an efficient, effective and economic way**

- The cost of the publicity activities should be justifiable in terms of achieving the identified objective(s) for the least practicable expense (i.e. efficient and effective).
- The method, medium or volume of the publicity activities should not be excessive in relation to the objective being pursued.
- There should be a clear audit trail regarding decision-making, costs and campaign strategy and outcomes.
- Existing purchasing/procurement policies and procedures for the tendering and commissioning of services and the employment of consultants must be followed.
- Material should not be used or reproduced by members of political parties in support of party-political activities without appropriate approval.

## Funded from an appropriate source with adequate accountability

- To improve accountability, agencies should:
    - set a budget for publicity activities
    - identify in their annual report the original budget, revisions to the budget and actual expenditure for government-funded publicity activities. Variations should be explained.
  - Secretaries of departments and chief executive officers should be held accountable for publicity activities of their agency, including ensuring that guidelines are followed.
  - Publicity activities relating to members of parliament, their electorate offices or election campaigns must not be funded from agency resources.
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Appendix D.  
Assessment of  
campaigns against  
government  
guidelines



## Assessment of campaigns against government guidelines

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We selected 8 government-funded campaigns and assessed them against the government guidelines. The campaigns we examined were:

- *Our Water, Our Future*
- *Bringing Learning to Life*
- *CrimeSmart: Do Your Part*
- *Better State of Health (Blueprint and Rural Health Services campaign components)*
- *Alpine Grazing*
- *Make it Happen in Provincial Victoria*
- *World Class Performance*
- *Building a World Class Victoria.*

We assessed the content of the advertising and marketing material, i.e. the material released through the media for public viewing, against the government guidelines.

Our assessments of the individual campaigns are presented in this Appendix. A consolidated assessment is presented in Part 4 of this report.

## *Our Water, Our Future*

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### About the campaign

*Our Water, Our Future* is a campaign aimed at changing water conservation behaviour in metropolitan Melbourne. Phases one and 2 of the campaign were conducted across 2003-04 and 2004-05. They used a program of communication activities (including electronic, press and outdoor advertising, sponsorship and educational tools) to raise awareness, improve knowledge and change attitudes and behaviours with regard to water conservation.

The 2005-06 phase (phase 3) of the campaign was launched by the Department of Sustainability and Environment (DSE) in November 2005. It was to be run until June 2006.

The overarching objective of the *Our Water, Our Future* campaign is to support the Victorian Government's water conservation target to reduce per capita consumption of drinking water by 15 per cent by 2010. Phase 3 of the campaign was designed to continue promotion of water savings at an individual level, through a series of integrated activities aimed at changing knowledge and awareness, attitudes and beliefs, and behaviour.

Phase 3 of the campaign comprises:

- radio, television, print and outdoor display advertising
- educational and promotional material, delivered through schools and public/community events and the *Our Water, Our Future* website
- promotional activities involving industry partnerships.

Print, television and radio advertising for what was termed "mainstream communications" and promotion of permanent water saving rules were the major components of phase 3.

The advertisements provide links to a website and phone number to facilitate substantiation of the information presented.

The radio and television advertisements for the *Our Water, Our Future* campaign carry the tag "Authorised by Steve Bracks, for the Victorian Government, Melbourne".

The total cost of the campaign to May 2006 (phases one to 3) is \$12.9 million, comprising creative development costs and production costs, \$3.5 million; media buying, \$8.9 million; market research, \$294 400; and printed material \$157 400.

## Mainstream communications

The mainstream communications television campaign, aimed at marketing why water saving is important, comprises 4 advertisements addressing:

- climate change, drier weather, and threats to lifestyle and environment
- water saving ideas and products
- individual, government and industry water saving efforts
- rivers, as a precious resource, and water saving ideas.

Images include dripping taps, harsh sun, dry landscapes, and attractive rural and river settings. The voice-over is gentle but firm, and uses emotive language, e.g. *“a farmer sighs”*. Repeated key messages include:

- *“Every drop counts”*
- *“Climate change means drier weather”*
- *“Saving water – when we are all in it, our children will never run out”*.

The radio advertising delivers messages about climate change and drier weather, and the need to save water. Two 30-second radio advertisements feature the sound of a dripping tap or running shower and key messages:

- *“the things we take for granted are at risk when we waste water”*
- *“every drop counts”*.

A range of “live read” radio advertisements reinforce these messages and highlight water saving rules and strategies: *“the smallest things can make a big difference”*, *“turn the tap off while brushing your teeth and save 4 000 litres of water per year”*.

The print advertising features 2 colour inserts contrasting lush green settings with dry, barren settings with a key message in large print *“It’s do or dry”*. The text underneath the image outlines a statement about (either) saving water in the context of river restoration or saving water in the context of climate change (drier weather).

## Permanent Water Saving Rules

The *Permanent Water Saving Rules* (PWSR) television campaign features 2 advertisements. The first is a message from the Premier:

- *“changing climate and growing population makes water saving vital”*
- *“permanent rules are here to stay”*
- *“safeguarding our water, our future”*.

The second advertisement employs a mock documentary-style, using humour to convey messages about the water saving rules, e.g. *“manual watering systems are nocturnal”*. Close-up images of watering systems and trigger nozzles for garden hoses are shot as if through the undergrowth of a suburban garden. The relevant PWSR is shown on screen aligning with each visual image.

The PWSR radio advertisements feature:

- young male characters, “Brownie and Barry”, in a range of comical situations oriented to the youth market and delivering the key message *“obey the permanent water saving rules”*. No authorisation is heard at the conclusion of the advertisements. We were advised that the live reads were editorials provided by the radio stations and accordingly did not have, or require, any authorisation tag.
- Mock documentary-style advertisements using humour to highlight the water saving rules (similar to the television advertisements)
- Live-read radio commercials highlighting the water saving rules along with key messages such as *“climate change can no longer be ignored”*, *“every drop counts”*, *“stick to the state government’s permanent water saving rules”*.

The permanent water saving rules are also promoted through press advertisements. A range of press inserts were developed featuring detailed information about the PWSR, or focusing on reminders about the rules.

## Our assessment against the government guidelines

We reviewed the print, television and radio advertising for the major components of the *Our Water, Our Future* campaign, i.e. the mainstream communications and permanent water saving rules components, against the government guidelines. Our assessment highlighted the following issues.

The government guidelines provide for *“accuracy and objectivity in the presentation of all facts, statistics, comparisons and other arguments, ensuring that the source of all data is indicated or that a means for identifying the data source is provided within the communication”*. The *Our Water, Our Future* campaign provided a phone number and a dedicated website to complement the advertisements and marketing material.

Under the guidelines, “*Victorian Government advertisements in any electronic medium are clearly distinguishable from party-political messages by the addition of the following tag at the end of all commercials: ‘Authorised by the Victorian Government, Melbourne’*”. The *Our Water, Our Future* campaign television advertisements do not comply with this standard. They carry the authorisation “*Authorised by Steve Bracks, for the Victorian Government, Melbourne*”.

During our audit, the *Our Water, Our Future* campaign — where the television advertisement featured the Premier in a book-lined room with an Australian flag in the background, delivering a message about the permanent water saving rules — was referred to us to consider whether it was an appropriate use of public funds.

We recognise that some members of the community might think that the campaign linked the Premier and the government to an issue that has high community support, in order to create a favourable impression of the government. However, we reviewed that campaign material and the documentation supporting this campaign, and we consider there was nothing overtly political about the message being delivered. We concluded that due to the importance of the message being delivered, it was appropriate that it be delivered by the Premier and, therefore, we consider it was an appropriate use of public funds.

## Conclusion

We found that the campaign advertising did not comply with the authorisation practice set out in the government guidelines. However, our assessment is that the *Our Water, Our Future* campaign complied with all other aspects of the guidelines.

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## Bringing Learning to Life

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### About the campaign

In late January 2006, the Department of Education and Training (DET) launched the *Bringing Learning to Life* campaign advertising Victorian government schools. The campaign had 2 components:

- *Back to School*, incorporating radio and print advertisements and shopping centre displays
- *Bringing Learning to Life*, comprising television advertisements. This was a relaunch of a similar campaign conducted in 2004.

All advertisements directed parents to a resource handbook, *Bringing Learning to Life*, which was distributed on request, from DET's Information and Referral Centre or website. The handbooks provide comprehensive information about school programs, services and standards.

The campaign was conducted during January and February 2006 to capture the "*back to school*" segment of the market and was scheduled to run again in May 2006 as part of Education Week<sup>1</sup>.

The budget allocation for the 2004 and 2006 campaign was \$2 million for each, to cover media buying, creative development and production of the advertisements. The total cost of the 2 campaigns to May 2006 was \$4 million, comprising creative development and production, \$573 500; media buying \$2.8 million; market research, \$166 000; printed material, \$366 150; and other related expenditure of \$47 300.

The objectives of the 2 components of the campaign were to:

*Back to School:*

- promote positive aspects of back to school and provide opportunities to showcase innovation and excellence in Victorian government schools
- inform parents, students and schools about key issues (e.g. term dates) and information resources (parent handbook and electronic newsletter)

*Bringing Learning to Life:*

- promote that government schools are the best they have ever been and have improved over the last 5 years
- highlight the wide range of learning opportunities offered (emphasising academic opportunities)
- encourage parents to consider government schools for their children

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<sup>1</sup> The advertisements were later modified for the May 2006 schedule to feature the new student report cards. We have not reviewed the modified advertisements.

- demonstrate that the government has an ongoing commitment to providing good education for children in Victoria.

Key messages delivered in the campaign included:

- *“Victorian government schools are bringing learning to life”*
- *“Now our government schools are a better choice than ever”*.

Radio advertising involved traffic report tags with the script: *“Remember for government schools the year starts for 2006 on Tuesday the 31<sup>st</sup> of January. Victorian government schools – bringing learning to life for your child”*.

Print advertising consisted of full-colour insertions in the metropolitan, regional and ethnic press. Some featured the parent information handbook and term dates for 2006 under the heading *“Victorian Government Schools are Bringing Learning to Life”* and others highlighted an online newsletter for parents while also promoting the handbook. Shopping centre displays were installed across 21 sites and featured the same information and presentation as the print advertising.

The television campaign consisted of 2 advertisements featuring positive endorsements of government schools from teachers and students. The background images showed happy and busy children in a range of different learning experiences and settings. The musical background was comforting, and the general tone of the advertisements was enthusiastic and reassuring.

The key message delivered by a voice-over was *“now our government schools are a better choice than ever”*. The message was supported by the statements:

- *“6 000 extra teachers and staff”*
- *“smaller class sizes”*
- *“easy to understand student reports”*.

## **Our assessment against the government guidelines**

Our assessment of the materials produced for this campaign against the government guidelines identified the following issues.



Criteria set out in the government guidelines provide for “*accuracy and objectivity in the presentation of all facts, statistics, comparisons and other arguments, ensuring that the source of all data is indicated or that a means for identifying the data source is provided within the communication*”. This campaign directed the public to a booklet for further information. Statements such as “*6 000 extra teachers and staff*” and “*easy to understand student reports*” were addressed in the booklet but information to enable substantiation of “*smaller class sizes*” was not. We understand that DET has provided material apart from that presented in the booklet to parents to prove this point, and that interested parties may seek further information about this matter from DET’s Information and Referral Service. However, we believe that this information should have been included in the information booklet referred to in the campaign, to enable easy substantiation by interested members of the public.

## Conclusion

The radio, print, shopping centre display and television advertisement material for the *Bringing Learning to Life* campaign complied with the government guidelines by directing the public to a means for substantiating the information presented. However, the statement about “*smaller class sizes*” was not substantiated in an information booklet referred to in the advertisements and, in this aspect the campaign material did not comply with the government guidelines. The campaign complied with other aspects of the government guidelines.

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## CrimeSmart: Do Your Part

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### About the campaign

The “CrimeSmart: Do Your Part” campaign was launched by the Department of Justice (DOJ) in November 2005, and ran for one month. The campaign focused on safety and crime prevention, and comprised television and press advertisements, supported by a campaign webpage.

The campaign was designed to address crime rates through the promotion of crime prevention behaviours, and to improve the confidence of Victorians in their personal safety by addressing misconceptions of the community about crime trends. The campaign was in line with the DOJ strategic priorities for 2005 and the Government’s *Growing Victoria Together* framework.

The campaign material included:

- 5 metropolitan and 4 regional television advertisements. The television advertisements used a “vox pop” interview technique with people on the street making statements about personal safety and perceptions of crime in their community
- 3 radio advertisements. These used the same interview technique seen in the television advertisements and promoted the same key messages
- a print advertisement and poster that highlighted a series of practical crime prevention tips
- a brochure containing general material in support of the campaign
- an information fact sheet giving details of government crime reduction strategies
- 3 tip sheets – *Inside the House, Outside the House* and *Holiday Season*.

The messages “*Victoria has more police than ever before*” and “*Victoria has the lowest crime rate in over a decade*” were prominently displayed in 4 of the television advertisements and delivered in one of the radio advertisements.

The campaign brochure and fact sheet listed initiatives and achievements of the incumbent government, including “*The Bracks Government has already taken significant steps towards crime reduction. Since coming to power in 1999 there is now one-fifth less crime*”.

The print material presented messages including:

- “*Our latest statistics tell us that the crime rate in Victoria has dropped 7.3 per cent in the last year alone*”
- “*Victoria’s sex offender laws are the toughest in the nation*”<sup>2</sup>.

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<sup>2</sup> Department of Justice, *CrimeSmart campaign brochure*, November 2005.

The total cost of the campaign to May 2006 was \$2 million, comprising creative development costs and production costs, \$279 100; media buying, \$1.6 million; market research, \$53 500; printed material, \$6 600; and other related expenditure of \$80 000.

## Our assessment against the government guidelines

Our assessment of the materials produced for this campaign against the government guidelines identified the following issues.

The campaign brochure and fact sheet for the *CrimeSmart: Do Your Part* campaign listed initiatives and achievements of the incumbent government including “*the Bracks Government has already taken significant steps towards crime reduction. Since coming to power in 1999, there is now one-fifth less crime*”. In our view, this is contrary to the government guidelines which indicate that public funds should not be used for government communications where “*the party in government is referred to by name*”.

Information provided by DOJ indicated that the campaign was conducted, in part, to report on performance in relation to government undertakings to increase police numbers and reduce crime, and to ensure public safety, personal security or encourage responsible behaviour. To do so, it was necessary to report on what had been achieved in order to improve Victorian’s perceptions of safety.

The government guidelines provide for “*accuracy and objectivity in the presentation of all facts, statistics, comparisons and other arguments, ensuring that the source of all data is indicated or that a means for identifying the data source is provided within the communication*”. The *CrimeSmart: Do Your Part* website provided a series of data including Victorian crime statistics to support the statements made about improved crime rates. The website material also mirrored statements made in the advertisements, e.g. statements about increased police numbers and the increase in the Victoria Police budget used in the *CrimeSmart: Do Your Part* campaign were presented under Victorian Government initiatives on the *CrimeSmart* website. However, we believe that unsubstantiated messages presented on a website are not a sufficient source for substantiating statements of performance made in advertisements.

## Conclusion

The *CrimeSmart: Do Your Part* advertisements made references to the incumbent government. In this aspect, the campaign did not comply with the government guidelines. While the campaign material identified links for public to access to source the data presented to enable its substantiation, in some cases the website mirrored rather than provided a means of substantiation. In this aspect, the campaign did not meet the government guidelines.

### *RESPONSE provided by Secretary, Department of Justice*

*As acknowledged in section 1.1 of the report, the assessment of advertising and marketing campaigns is a matter of judgement which can be difficult, and can, at times, be a matter of fine balance, and open to interpretation. While the conduct of the audit of the CrimeSmart campaign was fair and balanced, the Department of Justice (DOJ) disagrees with the audit conclusion on the matter of compliance with government guidelines.*

*DOJ strongly believes that the CrimeSmart: Do Your Part campaign undertaken at the end of 2005, was consistent with the Guidelines for Victorian Government Advertising and Communications. It was developed to address the issue that crime rates were falling, but this was not being reflected in perceptions of safety. It reported on performance in relation to government undertakings and was directed at ensuring public safety, personal security and encouraging responsible behaviour – 2 clearly permitted objectives for government communications. In the evaluation of the campaign, 38 per cent of Victorians surveyed reported that they felt safer as a result of the campaign and one-third of those interviewed said they would change their behaviour, specifically in regards to improving locks and safety.*

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## Better State of Health

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### About the campaign

The Department of Human Services (DHS) *Health Communications Plan 2005-06* outlines a strategy that aims to “improve the user’s experience of Victoria’s health system, and better align community perception with the operational realities of the system”<sup>3</sup>.

Key components of the strategy for 2005-06 are 2 advertising campaigns under the *Better State of Health* banner, namely:

- The *Blueprint* campaign: this campaign launched the concept of a health system action plan and was aimed at improving public confidence in the health system. The campaign commenced in mid-November 2005 and also ran for a period of 3 weeks during April and May 2006.
- The *Rural Health Services* campaign: this campaign profiled improvements in local rural health infrastructure. It commenced in October 2005 and ran for a 6-week period. It was repeated over a 7-week period during February and March 2006.

The campaigns comprised television advertising and website material. The *Rural Health Services* campaign screened only in targeted rural areas.

Actual expenditure on the 2 campaigns for the period July 2005 to May 2006 was \$2.9 million, comprising creative development costs and production costs, \$1.4 million media buying, \$1.1 million; market research, \$245 500; printed material, \$67 250; and other related expenditure of \$106 150.

Both campaigns used a quasi-documentary style with staff from health services and service users providing comment, opinion and information about current health services, against a background of changing images of service delivery, medical equipment and activities within health services.

### *Blueprint* campaign

The *Blueprint* campaign comprised 4 television advertisements that introduced viewers to new services and/or directions in public health care. Each advertisement referred viewers to a website for further information, and included the key messages:

- “There is a Plan”
- “The health system is improving all the time”

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<sup>3</sup> Department of Human Services, *Health Communications Plan*, May 2005.

- “[The focus of the particular advertisement] *is all part of the state government’s plan to ensure a healthy future for all Victorians*”.

The material in the first 3 advertisements highlighted tailored solutions for individual patients, health management programs, and new ways to treat people by presenting alternatives to hospital-based care, improved responses to chronic health conditions, and health services and users working together to improve health and to prevent the need for hospital care.

The fourth advertisement summarised the key messages and listed 3 achievements of, or improvements in, the health system, namely:

- “6 035 more nurses since 2000”
- “better treatment options”
- “shorter waiting times”.

It stated that these are “*all part of the state government’s plan for a healthy future*”.

The website reiterated the information contained in the advertisements. Responses to frequently asked questions and some explanatory information about the advertising campaign itself were provided, as well as links to more detailed planning and health information documents.

### ***Rural Health Services* campaign**

The *Rural Health Services* campaign involved 9 television advertisements that provided brief snapshots about new, expanded or changed rural health services, sometimes in the context of a major hospital or service, redevelopment. Each advertisement highlighted services in a particular rural area in Victoria, i.e.:

- Rainbow (West Wimmera): new hospital and aged care facility
- Kyneton: Kyneton District Hospital redevelopment
- Shepparton: Goulburn Valley Health, School of Rural Health
- Shepparton: Goulburn Valley Health, comprehensive and integrated health services
- Myrtleford: Alpine Health, collaborative model for midwifery services
- Traralgon: Latrobe Regional Hospital, new cancer care services
- Ballarat: comprehensive range of health services, new technology and equipment
- Beechworth: Beechworth Health Service, comprehensive services consolidated on one site
- Orbost: allied health training and placement opportunities.

The focus was on the quality and range of health services available in rural areas. The key theme was that (more) people can now be treated locally, with confidence, rather than having to travel to Melbourne. The key voice-over messages were:

- *“With community support, there’s a lot happening to health services in country Victoria”*
- *“Victoria: A better state of health”*.

Each advertisement closed in the same way, with a list of 3 achievements:

- *“recruitment of 1 845 nurses”*
- *“more than 40 hospital redevelopments”*
- *“\$450 million extra funding”*.

Viewers were referred to a phone number and a website for further information.

The website material reiterated the information contained in the advertisements and provided details of new initiatives and service developments in each DHS rural region. Again, responses to frequently asked questions and some explanatory information about the advertising campaign itself were provided and links were provided to more detailed planning and health information documents.

The authorisation at the conclusion of each electronic advertisement was *“Authorised by the Victorian Government, Ballarat”* (or Wangaratta, Traralgon or Bendigo, as applicable to the rural area subject to the advertisement).

## **Our assessment against the government guidelines**

Our assessment of the content of the television advertisements for both the *Blueprint* and *Regional Health Services* campaigns against the government guidelines highlighted the following issues.

We found that the *Blueprint* campaign and the *Rural Health Services* campaigns did not comply with the aspect of the government’s guidelines which provides for *“accuracy and objectivity in the presentation of all facts, statistics, comparisons and other arguments, ensuring that the source of all data is indicated or that a means for identifying the data source is provided within the communication”*.

The *Better State of Health* campaign directed the public to the DHS website to substantiate statements of improved performance over time. The website contained detailed information relating to the areas focused on in the campaigns, e.g. the plan for the health system; improvements in the health system; funding increases and hospitals; as well as information on the health system in general.

In some instances, the information was difficult to find on the nominated website, e.g. the *Better State of Health - Rural Health Services* television advertisements listed “recruitment of 1 845 nurses”. To find the relevant data to substantiate the statement about nurse numbers required navigating through 6 web pages. We believe that in this instance the website did not provide easily accessible information to directly substantiate the statement made.

Under the guidelines, “*Victorian Government advertisements in any electronic medium are clearly distinguishable from party-political messages by the addition of the following tag at the end of all commercials: “Authorised by the Victorian Government, Melbourne”*. The *Better State of Health - Rural Health Services* advertisements carried the authorisation “*Authorised by the Victorian Government, Ballarat*” (or Wangaratta, Traralgon, Bendigo – as applicable to the rural area subject to the advertisement).

DHS advised that it used the local authorisations in the *Better State of Health - Rural Health Services* campaign to ensure relevance to regional audiences at a local level, and to avoid alienation of rural markets that do not react well to messages from the city. DHS considers that this is best practice in terms of appealing to a target audience and making messages relevant and effective. While we understand this position, the current government guidelines do not provide such flexibility.

## Conclusion

The television advertisements for both the *Blueprint* and *Rural Health Services* campaigns included statements that provided a link to a source to enable information provided to be substantiated. At times, the material was difficult to find on the nominated website and, in our opinion, in this aspect the campaigns did not comply with the government guidelines. The *Rural Health Services* advertisements did not comply with the authorisation practice set out in the government guidelines.

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## Alpine Grazing

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### About the campaign

During 2004, the Department of Sustainability and Environment (DSE) developed the strategy for an information campaign relating to cattle grazing in the Alpine National Park. The information campaign began with a series of media releases timed to coincide with the appointment of the government's Alpine Grazing Taskforce in May 2004.

In early May 2005, DSE commenced development of the *Alpine Grazing* advertising campaign, timed to coincide with the minister's announcement of the government's decision. Television, radio and press advertisements ran from 25 May 2005, the day before the second reading of the National Parks (Alpine Grazing) Bill in the parliament, until mid-June, and represented the final stage of the information campaign.

The main advertising campaign material comprised:

- two 30-second television commercials aired in regional Victoria
- 2 radio advertisements aired across the state
- 3 full colour print advertisements featured in metropolitan and regional press.

Both television advertisements used images of high country areas showing damaged ground and foliage, followed by a series of images of pristine high country areas. The images coincided with a voice-over informing the viewer about why the government made the decision to ban cattle grazing in the Alpine National Park, the damage done by cattle, highlighted how much better the Alpine National Park would be without the cattle, and advised that grazing would be allowed to continue in the high country outside of the Alpine National Park.

The key message in the print and television advertisements was that cattle can damage the fragile ecosystems of the Alpine National Park, and that this was the reason for the government's decision to ban grazing in the park. Text included *"introduced cattle have been allowed to spoil this special place for too long"*.

One television advertisement was aired in the Alpine National Park catchment area<sup>4</sup> and the other was aired in other regional areas of Victoria<sup>5</sup>.

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<sup>4</sup> Gippsland and Shepparton television regions.

<sup>5</sup> Bendigo and Ballarat television regions.

The pictorial content of the print advertisements presented similar images of damaged and pristine land as those presented in the television advertisements.

A media kit provided to the press contained the Alpine Grazing Taskforce report, a media release from the Premier and the Minister for the Environment, an electronic presentation containing photographs and maps of the Alpine National Park and fact sheets detailing:

- *The impacts of cattle grazing*
- *The decision on cattle grazing in the Alpine National Park*
- *Cattle Grazing in Victoria's High Country*
- *The Alpine National Park.*

This information, along with documents providing the results of scientific studies, was also available on the DSE website<sup>6</sup>. The website address and the phone number of the Parks Victoria customer service centre was provided in the advertisements.

The total cost of the campaign was \$294 750, comprising production costs, \$31 150; media buying, \$245 350; market research, \$17 600; and printed material, \$650.

## Our assessment against the government guidelines

We assessed the content of the television, radio and print advertisements, and the information available on the DSE website, against the government guidelines. Our assessment highlighted the following issues.

The advertisements for the *Alpine Grazing* campaign provided information about the government's decision to stop the grazing of cattle in the Alpine National Park. The government guidelines indicate that public funds may be used for government communications in the pursuit of a number of objectives, including to achieve awareness of a new or amended law; and to promote awareness of rights, responsibilities, duties or entitlements. We agree with these principles, and note that the advertisements conveyed the government's decision to stop grazing in the Alpine National Park, why the decision had been taken, and that cattle grazing would continue in the high country outside the park.

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<sup>6</sup> <[www.dse.vic.gov.au/alpinegrazing](http://www.dse.vic.gov.au/alpinegrazing)>.

The government guidelines provide for *“accuracy and objectivity in the presentation of all facts, statistics, comparisons and other arguments, ensuring that the source of all data is indicated or that a means for identifying the data source is provided within the communication”*. The *Alpine Grazing* advertisements outlined the government’s decision about grazing in the Alpine National Park, and provided a website address and a phone number. The website provided fact sheets and scientific studies which provided the basis of the government’s decision.

## Conclusion

In our opinion, the campaign complied with the government guidelines.

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## *Make it Happen in Provincial Victoria*

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### About the campaign

The Department of Industry, Innovation and Regional Development (DIIRD) launched the *Make it Happen in Provincial Victoria* campaign in September 2003. The campaign is aimed at encouraging Melbourne residents to consider relocating to a rural or regional area by:

- correcting misconceptions of rural and regional Victoria held by Melbourne residents
- demonstrating that rural and regional Victoria has job and investment opportunities, and can sustain business across all sectors
- promoting a fresh name/identity for rural and regional Victoria.

A secondary objective is to encourage pride and confidence in rural and regional Victoria.

The campaign has 3 phases:

- phase 1 - conducted in October 2003
- phase 2 - conducted in September 2004, January to February 2005, May to June 2005, and January to February 2006
- phase 3 - to be conducted in 2006-07, with planning currently underway.

The campaign conducted to date comprised an integrated marketing strategy featuring print, radio and television advertisements promoting the attractions and opportunities in provincial Victoria to metropolitan-based Victorians. The advertisements focused on 5 broad rural regions, i.e. the Otways, Goulburn-Murray, North-East Victoria, Bendigo and Grampians-Pyrenees.

Key components of the campaign were:

- 8 metropolitan television advertisements featuring case studies of Victorians who have moved to provincial Victoria. They presented personal testimonies from individuals who have successfully relocated to rural Victoria, accompanied by a voice-over. The individuals were pictured against scenic rural backgrounds. The tone of the voice-over was effusive, and the key message was motivational: *"We've made it happen – so can you"*
- 9 radio advertisements presented the key messages that the provincial lifestyle is fantastic, there are great/amazing work opportunities in trades and professions, and business opportunities, in provincial Victoria, that the towns are busy/vibrant, and implied that your property dollar will go a lot further. There were no personal testimonies in the radio advertisements

- print advertising in metropolitan and regional Victoria featuring case studies and personal testimonies
- a campaign brochure outlining the benefits of living, working and investing in regional Victoria and directing people to more detailed information
- a dedicated website<sup>7</sup> providing information about councils and regions and specific features under headings such as “Live”, “Work” and “Invest”
- information sheets with details about living, working and investing in specific regions across the state
- Victoria Business Line call centre, linking to advice and information relevant to different regional areas and capturing inquiries and referrals for relevant councils.

A campaign brochure included photographs of, and supporting statements from, the Premier and the Minister for State and Regional Development. The material also appeared on the dedicated website. The statements outlined government policy objectives and achievements relevant to the campaign including “*Building better, stronger communities is a key priority of the Bracks Government*”<sup>8</sup>.

A campaign summary<sup>9</sup> described the key messages as “*emphasising the attractiveness of relocating to rural and regional Victoria for Melbourne residents and businesses, with ample job opportunities, thriving regional industries, affordable housing and shorter commuter times*”.

The total cost of the campaign is \$3.4 million, comprising creative development costs and production costs, \$855 000; media buying, \$1.9 million; market research, \$203 000; printed material, \$61 000; grants to local councils, \$300 000; and other, \$113 000.

## Our assessment against the government guidelines

We examined the content of the advertising campaign, i.e. television, radio and press advertisements, campaign brochures and the dedicated website against the government guidelines and concluded that the campaign complied with the guidelines.

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<sup>7</sup> <[www.provincialvictoria.vic.gov.au](http://www.provincialvictoria.vic.gov.au)>.

<sup>8</sup> Minister for State and Regional Development, *Minister’s Message: Make it Happen in Provincial Victoria*, campaign brochure.

<sup>9</sup> Department of Innovation, Industry and Regional Development, *Make it Happen in Provincial Victoria Marketing Campaign* campaign summary, not dated.

We examined compliance with the government guidelines that establish a need for “*accuracy and objectivity in the presentation of all facts, statistics, comparisons and other arguments, ensuring that the source of all data is indicated or that a means for identifying the data source is provided within the communication*”. The *Make it Happen in Provincial Victoria* website is a dedicated website providing information about councils and regions and specific features within Victoria. The website provided information to support statements made in the advertisements under headings such as “*Live*”, “*Work*” and “*Invest*”.

## Conclusion

We consider that the television, radio and press advertisements and the brochure for the *Make it Happen in Provincial Victoria* campaign comply with the government guidelines.

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## World Class Performance

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### About the campaign

In November 2005, the *World Class Performance* campaign was launched to build confidence in the Victorian business sector. The campaign was designed to align with the *Building a World Class Victoria* campaign (described later in this Appendix).

The campaign was timed to leverage off the opportunities presented by the 2006 Commonwealth Games and the program of major sporting events in late 2005/early 2006 to showcase Victoria's strengths and investment appeal to local, national and international business decision-makers. The campaign ran until late March 2006.

The campaign comprised television advertising supported by outdoor and website banner advertising.

There were 6 television advertisements that used case studies in which business operators talked about their successful businesses. Comments included "*we owe quite a bit to the government here*"<sup>10</sup>. The businesses covered a range of activities, including primary production, manufacturing, construction and technology. The advertisements did not promote any specific government scheme or program.

The advertisements all incorporated the *Victoria. The Home of World Class Performances* brand. Each of the television advertisements also focused on presenting the state in a positive and engaging manner.

A series of outdoor posters was produced for display at train stations, and bus and tram stops to complement each of the television advertisements. The outdoor posters all carried positive statements about Victoria's performance, e.g.:

- "*Victoria exports dairy products to 109 countries around the world*"
- "*The new A380 airbus needed a world class runway. Victorians built it in world record time*"
- "*Victoria has the largest olive plantation in the world*"
- "*Victoria's \$10 billion automobile industry is Australia's largest manufacturing industry*".

Large banner type advertisements designed to gain maximum exposure for the campaign slogan *World Class Performance* were featured prominently on billboards around Melbourne.

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<sup>10</sup> Quote taken from Innovonics advertisement.

The campaign was managed by the Department of Innovation, Industry and Regional Development (DIIRD). Partial funding and strategic direction were provided by the Department of Premier and Cabinet.

The campaign budget was \$4.3 million. The total cost of the campaign to May 2006 is \$4 million, comprising creative and production costs, \$1 million; and media buying, \$3 million<sup>11</sup>.

## Our assessment against the government guidelines

We assessed the campaign material, i.e. the content of the television advertisements and the outdoor advertising, against the government guidelines and identified the following issues.

The government guidelines provide for *“accuracy and objectivity in the presentation of all facts, statistics, comparisons and other arguments, ensuring that the source of all data is indicated or that a means for identifying the data source is provided within the communication”*. In the case of this campaign, outdoor posters presented statements such as *“Victoria exports dairy products to 109 countries around the world”* and *“The new A380 airbus needed a world class runway. Victorians built it in world record time”*. These were made without identifying the source of the data, or providing a means for identifying the data source. The television and print advertisements for this campaign contained personal testimonies that were credible and convincing, and presented a mix of qualitative comments and statistics about the performance of their businesses. The advertisements referred the public to the Business Victoria website. While the website provided case studies about each of the featured businesses, it did not provide data to substantiate statements made about performance.

## Conclusion

The television and outdoor advertising for this campaign did not comply with aspects of the government guidelines relating to the provision of a source to enable substantiation of information provided in the advertisements. The campaign complied with other aspects of the government guidelines.

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<sup>11</sup> The creative and production costs presented here, i.e. \$1 million, are for the *World Class Performance* and *Building a World Class Victoria* campaigns combined. The departments involved were unable to provide a split of this figure between the 2 campaigns.



## *Building a World Class Victoria*

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### About the campaign

In November 2005, the *Building a World Class Victoria* campaign was launched. The campaign advertised a \$10 billion investment in a range of infrastructure projects across the state with the aim of building enthusiasm for the state's economic prospects, strengths and opportunities; attracting local and overseas investment to the state; highlighting the benefits and opportunities infrastructure projects and investment provide; and fostering pride and confidence.

*Building a World Class Victoria* comprised television and press advertising, supported by an industry forum, the *Building One Victoria* website and newsletters, and the Commonwealth Games Open Day.

The *Building a World Class Victoria* campaign was designed to align with the *World Class Performance* campaign (described earlier in this Appendix).

The television component included:

- One 2-minute advertisement featuring a montage of infrastructure projects including the Southern Cross Railway Station, the Melbourne Cricket Ground redevelopment, new regional and metropolitan schools/broadband infrastructure, the Austin Hospital and Mercy Hospital for Women, new regional and metropolitan police stations, and EastLink. This advertisement used aerial and time-delay imagery of the projects with superimposed text about the projects
- Three 30-second advertisements, using aerial and time-delay imagery of the projects, and highlighting individuals' opinions on how the projects benefit the community. These advertisements included:
  - one featuring Southern Cross Railway Station which included opinions comments from individuals about the benefits of the project
  - one featuring new schools and school broadband roll-out, which included principals of 2 new schools listing information about the projects and opinions about the benefits for the students of the projects
  - one featuring the EastLink project with workers providing information about the project, and a business owner providing his opinion on how the project would benefit his business.

We were advised that the opinions presented in each advertisement were unscripted.

The television advertisements were screened during major sporting events from November 2005 to February 2006.

The press component of the campaign used advertorials and individual advertisements in the metropolitan and local press to highlight the projects, and other issues such as ports development, channel deepening and public sector service delivery. The advertisements carried the branding *Building a World Class Victoria*.

The print components of the campaign comprised:

- 6 advertorials (4-page advertorials in November 2005 and February 2006, the latter to coincide with the Commonwealth Games; and 4 three-quarter page) in 30 selected metropolitan local newspapers
- 7 advertorials in 16 regional and rural newspapers
- 8 press advertisements in newspaper supplements
- 5 “one-off” advertorials/advertisements in the Melbourne press and the *AFL Football Record*
- Advertisements publicising the Commonwealth Games Open Day in selected metropolitan local newspapers and the Melbourne press.

The print material highlighted the abovementioned projects as well as other government-initiated infrastructure projects, or services, relevant to the locality in which each of the advertorials appeared.

Statements presented in the advertisements included:

- *“The new [convention] centre will hold its first conference in 2009, generate 2 500 jobs and increase economic activity in Melbourne by \$197 million each year over 25 years”*
- *“Over the next three years [2005–2008], 15 state-owned water businesses will invest \$1.9 billion on capital programs”*
- *“See how we are creating more jobs and business opportunities by building a World Class Victoria”<sup>12</sup>.*

One advertorial featured the statement: *“The Victorian Government’s \$450 000 investment in a major piece of equipment – a new 4-slice CT [computerised tomography] scanner – means quick diagnosis and treatment”<sup>13</sup>.*

The web address <www.vic.gov.au> was provided within the communications as a source of further information.

The Department of Infrastructure (DOI) managed and executed this campaign. The Department of Premier and Cabinet provided strategic direction.

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<sup>12</sup> *“The new gateway to Victoria”, “Building better hospitals”, “The new road ahead”, “Proudly Victorian”, and “A world class icon”*

<sup>13</sup> *Wimmera Mail Times*, 17 February 2006, p. 24, and the *Building One Victoria* website, <www.majorprojects.vic.gov.au>.

The budget for the campaign was \$5 million. The total cost of the campaign to May 2006, excluding creative and production costs is \$3 million, comprising media buying, \$2.4 million; market research, \$21 000; printed material, \$31 000; and other, \$536 000<sup>14</sup>.

## Our assessment against the government guidelines

We assessed the campaign material, i.e. the content of the television and press advertisements against the government guidelines. Our assessment highlighted the following issues.

The *Building a World Class Victoria* campaign comprised both electronic and print media. Coverage was across metropolitan, regional and local press and included full-page advertisements, as well as single-item and multi-page advertorials which combined a mix of personal opinion and factual information. The print media component was extensive and of a greater volume than for any other campaign we reviewed.

The government guidelines provide that “*public funds should not be used for government communications where the method or medium of communication is manifestly excessive or extravagant in relation to the objective being pursued*”.

The *Building a World Class Victoria* campaign advertised a \$10 billion investment in a range of infrastructure projects across the state with the aim of building enthusiasm for the state’s economic prospects, strengths and opportunities; attract local and overseas investment to the state; highlight the benefits and opportunities that infrastructure projects and investment provide; and foster pride and confidence. In comparison, an investment of \$5 million on a campaign is not excessive in relation to the objective being pursued.

This campaign used multi-page advertorials that presented a series of articles that mixed opinion with fact. In our opinion, advertorials of this nature are excessive.

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<sup>14</sup> Creative and production costs for this and the *World Class Performance* campaign combined are \$1 million. The departments involved were unable to provide a split of this figure between the 2 campaigns.

The government guidelines provide for “*accuracy and objectivity in the presentation of all facts, statistics, comparisons and other arguments, ensuring that the source of all data is indicated or that a means for identifying the data source is provided within the communication*”. The web address <www.vic.gov.au> was provided within the communications as a source to which interested parties can go to obtain further information. In some instances, the information was difficult to find. The campaign presented statements in a number of advertisements, including “*The new [convention] centre will hold its first conference in 2009, generate 2 500 jobs and increase economic activity in Melbourne by \$197 million each year over 25 years*”, and “*Over the next three years [2005–2008], 15 state-owned water businesses will invest \$1.9 billion on capital programs*”.

DOI indicated to us that the information regarding the convention centre is included in various media releases on the public record, and that the reference to the capital program for water businesses is sourced in the Essential Services Commissioner’s report on urban water prices and could be accessed through the government website. While this may be true and, therefore, technically complies with the government guideline, we consider that it is unreasonable to expect members of the public seeking to satisfy themselves of the factual accuracy of information provided in an advertisement to undertake detailed research to substantiate the claims made.

We examined an advertorial for the campaign which featured the following statement “*The Victorian Government’s \$450 000 investment in a major piece of equipment – a new 4-slice CT [computerised tomography] scanner – means quick diagnosis and treatment*”. We noted that following the release of information that indicated the scanner had not been paid for by the government, the error was admitted, the statement was retracted, and the material removed from the *Building One Victoria* website. We consider that the error may have been identified before the advertisement was published, if attempts to substantiate the material had been made earlier by DOI.

## Conclusion

The *Building a World Class Victoria* television and press advertisements provided a link to a source to enable substantiation of statements made. However, the link was the general government website and, while it technically complied with the guidelines, we consider that ease of access could be improved to reduce the amount of effort required to substantiate the claims. We also found that the level of expenditure on the campaign was not excessive when compared with the objective being pursued. This campaign used multi-page advertorials that presented a series of articles that mixed opinion with fact. In our opinion, the use of advertorials of this nature is excessive.

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# Auditor-General's reports

2006

Report title	Date issued
Planning for a capable Victoria Police workforce (2006:1)	May 2006
Access to specialist medical outpatient care (2006:2)	June 2006
Results of financial statement audits for agencies with other than 30 June 2005 balance dates, and other audits (2006:3)	June 2006
Protecting our environment and community from failing septic tanks (2006:4)	June 2006
Review of major public cemeteries (2006:5)	July 2006
Vocational education and training: Meeting the skill needs of the manufacturing industry (2006:6)	July 2006
Making travel safer: Victoria's speed enforcement program (2006:7)	July 2006
Results of special audits and other investigations (2006:8)	August 2006
Condition of public sector residential aged care facilities (2006:9)	August 2006

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