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# New South Wales Auditor-General's Report

## Performance Audit

### Government Advertising 2015–16

Department of Premier and Cabinet

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## The role of the Auditor-General

The roles and responsibilities of the Auditor-General, and hence the Audit Office, are set out in the *Public Finance and Audit Act 1983*.

Our major responsibility is to conduct financial or 'attest' audits of State public sector agencies' financial statements. We also audit the Total State Sector Accounts, a consolidation of all agencies' accounts.

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In accordance with section 38E of the *Public Finance and Audit Act 1983*, I present a report titled **Government Advertising 2015–16: Department of Premier and Cabinet**.

A handwritten signature in dark ink, appearing to read 'Margaret Crawford'.

**Margaret Crawford**  
Auditor-General  
27 October 2016

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# Executive summary

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In NSW, the *Government Advertising Act 2011* (the Act) requires government advertising campaigns with a likely expenditure of over \$50,000 to be independently peer reviewed before they can be launched. Seventy-four campaigns were peer reviewed in 2015–16.

There is a hierarchy of legislation and guidance documents relating to government advertising. These include the Act, the NSW Government Advertising Guidelines (Advertising Guidelines) and the NSW Government Advertising Handbook (Advertising Handbook). (Refer to Section 1.2 for further information). The Advertising Guidelines require peer reviews to assess campaigns against three specific criteria:

- need – the campaign is needed, the objectives of the campaign are realistic and there would be consequences if the campaign does not take place
- strategy – the creative and media approaches are likely to be effective for the campaign issue, objectives and target audience
- management – the campaign demonstrates a sound approach to budget management, procurement, evaluation, risk management and stakeholder consultation.

The Strategic Communications and Events branch of the Department of Premier and Cabinet (the Department) manages the peer review process, including coordinating and allocating peer reviewers. Government agencies submit proposed advertising campaigns to the Department to facilitate review. Public sector staff employed in marketing or communication roles can apply to become a peer reviewer.

This audit assessed the effectiveness of peer review in providing assurance that government advertising is needed and cost effective. The audit examined whether:

- peer reviewers were appropriately skilled, experienced and resourced to provide quality feedback
- peer review feedback thoroughly addressed the need and cost effectiveness of campaign proposals
- peer review feedback was considered before campaigns were launched.

## Conclusion

**Overall, the peer review process is effective in providing assurance that government advertising is needed and cost-effective. The majority of feedback we received about the process was positive. Noting that the process is generally effective, this report focuses on areas where we have identified room for improvement.**

Peer reviewers do not currently share a consistent understanding on the purpose of the peer review process and the role of peer review in providing assurance on compliance with the Act and policies. There is a gap in policy guidance on the roles and responsibilities of those involved in peer review exacerbated by the recent withdrawal of the Peer Review Guide.

For peer review to be effective and efficient, peer review panels must comprise reviewers with the right mix of skills and experience for the campaign being assessed. While this was not an issue for the majority of campaigns we reviewed, there were some occasions where peer reviewers allocated to a campaign were not a good fit. The process of allocating reviewers to campaigns could be improved.

Peer reviewers rely on the Peer Review Workbook as the primary source of guidance in assessing campaigns against the criteria of need, strategy and management. However, the Workbook does not prompt peer reviewers to fully assess campaigns against the strategy criterion, specifically whether mainstream advertising is the most appropriate and cost effective approach to achieve campaign goals.

Additionally, the Department does not provide regular feedback to reviewers to support improvement in the quality of peer reviews. A significant proportion of peer reviewers indicated that they would find feedback useful.

### Peer review is effective overall

Overall, the peer review process achieves its intended purpose of providing assurance that government advertising is needed and cost-effective. The majority of feedback we received about peer review was positive with 71 per cent of peer reviewers surveyed strongly agreeing or agreeing they were satisfied that peer review addressed the criteria of need, strategy and management.

### The purpose of peer review is not clearly understood or communicated

While peer review is effective overall, peer reviewers we surveyed and interviewed did not share a consistent understanding of the purpose of peer review. Some said that the purpose is to ensure that government advertising funding is well spent. These respondents demonstrated an awareness of the purpose of peer review in assessing campaigns against the criteria of need, strategy and management. However, other respondents said that peer review functions more as a general quality improvement and information sharing exercise, where ideas about best practice could be shared to improve the effectiveness of government advertising.

Several respondents reported that the lack of a consistent understanding about the purpose of peer review had a negative impact on the peer review process.

### There is a gap in policy guidance as a result of the withdrawal of the Peer Review Guide

The Department stopped publishing the Peer Review Guide on its website in August 2016. This further impacts on the common understanding of peer review as the Guide was the key document that described the peer review process in detail and the roles and responsibilities of those involved. While there is some information on peer review on the Department's government advertising website, there is no other available source of information which describes the peer review process in detail or the roles and responsibilities of those involved. The Department has advised that it plans to release 'terms of reference' for peer review which will address this gap, but did not advise when this will occur.

### The role of peer review in ensuring compliance with legislation and policy is unclear

There is a lack of clarity regarding where and how compliance is assessed and who is responsible for it. This is because the legislation and guidance documents describe intersecting responsibilities and activities in ensuring and checking compliance with the Act, the Advertising Handbook and other media related policies. This creates a risk that agency heads assume compliance has been checked as a part of peer review when this may not be the case.

Under the Act, heads of government agencies are responsible for certifying that an advertising campaign complies with the Act, the Government Advertising Regulation 2012 (the Regulation) and the Advertising Guidelines.

While the Department is not responsible for ensuring compliance with the Act, it plays a key role in providing advice to agencies on government advertising and could do more to ensure agency heads are aware of the limitations of the peer review process.

### The Department could improve how it allocates peer reviewers to campaigns

Peer reviewers and agency campaign teams told us of examples where poorly allocated peer reviewers had a negative impact on the outcomes of the process. Examples included peer reviewers not understanding the specifics of the campaign or lacking the required experience and expertise to provide useful feedback. Some peer reviewers also told us of instances where they felt their allocation to a particular campaign did not add value. While this was not an issue for the majority of campaigns reviewed during the audit, these comments indicate that there is room for improvement.

### **Peer review assessment does not fully satisfy the requirements of the Advertising Guidelines**

Peer reviewers regard the Peer Review Workbook as the primary source of guidance on how they should assess campaigns. The guidance in the October 2013 version of the Workbook referred to the requirements described in the Advertising Guidelines with the exception of two key elements, namely:

- 5.3iii the campaign goals are clearly defined to demonstrate cost efficiencies;
- 5.3v mainstream advertising is the most appropriate medium to achieve the campaign objectives or whether cost-effective non-advertising alternatives are available.

The Department has revised the Workbook, with the October 2013 version superseded in June 2016. Again, the current version of the Workbook does not prompt peer reviewers to consider whether mainstream advertising is the most appropriate medium to achieve the campaign objectives and therefore does not fully satisfy the requirements in the Advertising Guidelines.

### **Peer reviewers are not given regular feedback or informed of the outcome of reviews**

Regular feedback to peer reviewers would support quality improvement and assist in identifying training and support needs. Peer reviewers do not receive regular feedback on the quality of their advice or how their feedback influenced the final campaign. Approximately half of the peer reviewers interviewed and surveyed expressed a view that such feedback would be useful.

### **The Department does not adequately maintain peer review papers to provide an audit trail**

The 2009 Auditor-General's report on government advertising found the peer review process could be improved by maintaining peer review papers as part of campaign files to form an audit trail. During the course of the current audit, the Department was unable to provide us with all the relevant documentation, in particular key correspondence and completed Peer Review Workbooks.



## Recommendations

By March 2017, the Department should:

1. a) Publish guidance for peer review, which clearly states:
  - The purpose of peer review
  - The roles and responsibilities of peer reviewers
  - The roles and responsibilities of government agencies in responding to peer review reports

The role of the Department and the peer review process in assessing, and providing assurance on, compliance with the Act, the Advertising Handbook and other government media-related policies.
- b) Ensure the published guidance is consistent with other guidance documents and clearly communicated.
- c) Ensure agency heads are fully aware of their obligations in ensuring campaign compliance.
2. Improve the process for allocating peer reviewers to campaigns by better matching peer reviewers to campaigns based on expertise and experience.
3. Implement regular feedback for peer reviewers.
4. Maintain peer review papers as part of campaign files to provide an audit trail.

By September 2017, the Department should:

5. Ensure all criteria described in the Advertising Guidelines are adequately assessed during peer review.

# Introduction

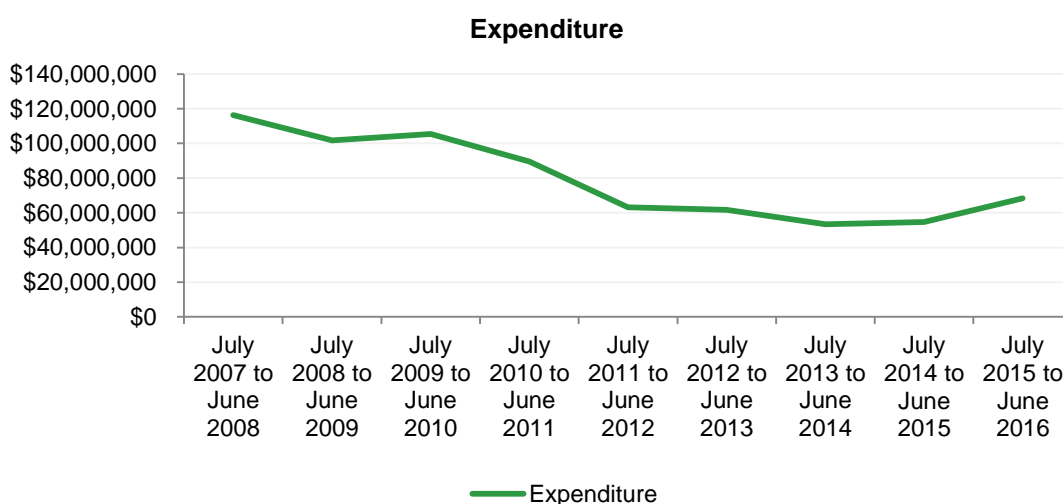
Government agencies use advertising to communicate to the public about policies, programs and services. Government advertising is also used to communicate public health and safety information, and to promote tourism and events for state owned cultural institutions. Government advertising can be delivered through various channels, including radio, television, the internet, newspapers, billboards and cinemas.

The NSW Government Advertising Handbook defines three broad categories of government advertising:

- Recruitment advertising – advertising which promotes job vacancies and employment opportunities across government
- Public notices – advertising which communicates simple messages or announcements and is generally short-term in nature. Examples include information about transport disruptions, safety announcements, election information and statutory appointments
- Public awareness advertising – this includes behavioural change campaigns (such as a public health or road safety) and campaigns which make the public aware of new government policies or initiatives.

In 2015-16, the NSW Government spent \$68.3 million on media for government advertising. This figure includes all three categories described above.

**Exhibit 1: NSW Government Media Expenditure 2007-08 to 2015-16**



Source: Department of Premier and Cabinet.

The *Government Advertising Act 2011* (the Act) was introduced to regulate how government agencies use advertising, to prohibit political advertising using taxpayers' money, and to ensure that spending on advertising achieves good value for money. The Act requires advertising campaigns with a likely expenditure of over \$50,000 to undergo independent peer review before they can be launched.

## About peer review

### What is peer review?

Peer review involves a panel of two or three public sector employees with expertise in marketing and communications assessing a proposed advertising campaign. The Department provides administrative support as well as a peer review manager to facilitate the process. Peer review occurs after the campaign plans are developed and before final sign off by the agency head and commencement of advertising.



During the peer review, the panel examines a submission from the agency. The submission contains information on the need, target audience, key objectives and outcomes sought, budget, proposed strategy and management of the campaign. It is assessed against three main criteria:

- need –the campaign is needed, the objectives of the campaign are realistic and there would be consequences if the campaign did not take place
- strategy – the creative and media approaches are likely to be effective for the campaign issue, objectives and target audience
- management – the campaign demonstrates a sounds approach to budget management, procurement, evaluation, risk management and stakeholder consultation.

Consideration is also given to any application for exemption from specific media policies (such as the requirement for advertising to be branded with the NSW Government logo and the Aboriginal and Culturally and Linguistically Diverse communities media policy). Prior to June 2016, peer reviewers were also prompted to identify issues of compliance with the Act, the Regulation, the Advertising Handbook and other policies.









#### **Exhibit 1: Timing of the peer review process in campaign development**



Source: NSW Government Advertising Peer Review Guide (June 2014).

As described in Exhibit 2, there are five distinct steps in the peer review process.

## Exhibit 2: Overview of the Peer Review Process

REVIEW PROCESS		WEEK							
		1	2	3	4	5	6	7	8
1. Review initiation	Government agency notifies Strategic Communications via a <b>Peer Review Notification Form</b> of the need for a peer review. Discuss arrangements.				Notification to be made at least 2 – 3 weeks before review				
2. Review preparation	Review date and venue agreed. Strategic Communications coordinate the Reviewers.								
	Agency finish drafting campaign documentation for the review and email to Strategic Communications. Strategic Communications issue these to reviewers.				Documents must be sent 7 days before review meeting				
3. Review	Review meeting held between Strategic Communications, campaign team and reviewers to discuss and review the campaign against the peer review framework.								
4. Reporting	Report of review findings is prepared by Strategic Communications and reviewers and then provided to campaign team.					Within 5 days			
5. Response to review	The campaign team responds to the issues raised at peer review and prepares the final campaign submission, which is emailed to Strategic Communications.		Duration of this task depends on campaign team						
	Strategic Communications review the revised submission and query any outstanding issues.					Within 48 hours			
	Once the response to peer review is finalised, Strategic Communications will confirm in writing peer review is complete and require a completed compliance certificate.								

Source: NSW Government Advertising Peer Review Guide June 2014.

## Legislation and policy

The peer review process is governed by a combination of legislation, policy and guidelines. The following is a brief description of the main elements of the legislative and policy context. Further detailed information can be found in Appendix 2.

- **Government Advertising Act 2011 (NSW)** - the Act provides the main legislative framework for all NSW Government advertising. It sets out the various approval and compliance requirements for government advertising, including the requirement that campaigns with a likely expenditure of over \$50,000 undergo independent peer review. The Act requires heads of government agencies to sign Advertising Compliance Certificates for advertising campaigns.
- **Government Advertising Regulation 2012** - the Regulation provides specific exemptions from sections of the Act for some agencies such as state owned corporations, the Electoral Commission and some cultural institutions. It also waives the requirement for the head of an agency to sign an Advertising Compliance Certificate for 'routine advertising' where the cost is unlikely to exceed \$50,000.

- **NSW Government Advertising Guidelines** - the Advertising Guidelines are issued by the Minister responsible for the Act (the Premier). The Advertising Guidelines set out style and content requirements for government advertising and provide a detailed description of the criteria to be used when campaigns are peer reviewed (see Appendix 3 for a detailed description).
- **NSW Government Advertising Handbook** - the Advertising Handbook sets out additional policies and processes which apply to government advertising in NSW. The Strategic Communications and Events branch of the Department is responsible for issuing the Advertising Handbook, which was most recently updated in December 2015.
- **NSW Government Advertising Peer Review Guide (no longer published)** - the Guide was issued by the Department and set out, in detail, each aspect of the peer review process. It included a description of the roles and responsibilities for all parties involved in the peer review process. In August 2016, the Department ceased publishing the Guide on its government advertising website.
- **NSW Government Advertising Website ([www.advertising.nsw.gov.au](http://www.advertising.nsw.gov.au))** – the Department maintains this website, which includes guidance documents, information on the agency requirements for advertising campaigns (including when campaigns should be peer reviewed) and a diagram and description of the peer review process.
- **Peer review notification form:** a brief, web based form which asks agencies to provide a summary description of the proposed campaign (including its need, strategy and aim).
- **NSW Government Advertising Peer Review Workbook:** the Workbook provides guidance to peer reviewers on questions aligned to campaign need, management and strategy. A new version of the Workbook has been in use since June 2016. The previous version also included a section on compliance with the Act, Regulation, Handbook and other government media policies.
- **Advertising submission template:** a detailed template which requires agencies to provide information on the campaign which is then assessed by peer reviewers. The Department has revised the template and the updated version has been used since April 2016.
- **Advertising Compliance Certificate** – a certificate certifying that, in the opinion of the head of the government agency, the proposed advertising campaign:
  - a) complies with the Act, the regulations and the Advertising Guidelines, and
  - b) contains accurate information, and
  - c) is necessary to achieve a public purpose and is supported by analysis and research, and
  - d) is an efficient and cost effective means of achieving that public purpose.

## The history of peer review in NSW Government advertising

In 2005, the Department introduced peer review as an administrative process. At this time, peer review was required before a campaign was submitted to Cabinet for approval.

In 2008, the government strengthened the peer review by publishing new government advertising guidelines in response to a series of recommendations contained in the 2007 Auditor-General's performance audit report on government advertising,

The 2009 Auditor-General's report on government advertising assessed the application of peer review to a sample of government advertising campaigns and found the peer review process could be improved by:

- requiring all publicly funded campaigns over \$50,000 be subject to peer review (except statutory and regulatory notices such as public transport timetables and road closures)
- including on peer review panels a member independent of government for whole of government initiatives
- requiring peer review panels to specifically attest that campaigns would not be seen as party political or excessive
- maintaining peer review papers as part of campaign files to form an audit trail.

The Department believes it has implemented these recommendations. However, it was unable to provide us with all the documentation requested as part of this audit, in particular key correspondence and completed Peer Review Workbooks.

Peer review became a legislated requirement when the Act was passed in 2012 and has operated under the current legislative framework ever since.

## Recent reviews and changes to the peer review process

In February 2014, the Department engaged consultants with expertise in strategic marketing to assess the success and effectiveness of the peer review process. The consultants found that peer review offered 'powerful and unique benefits to the development of NSW Government communications' but also noted that:

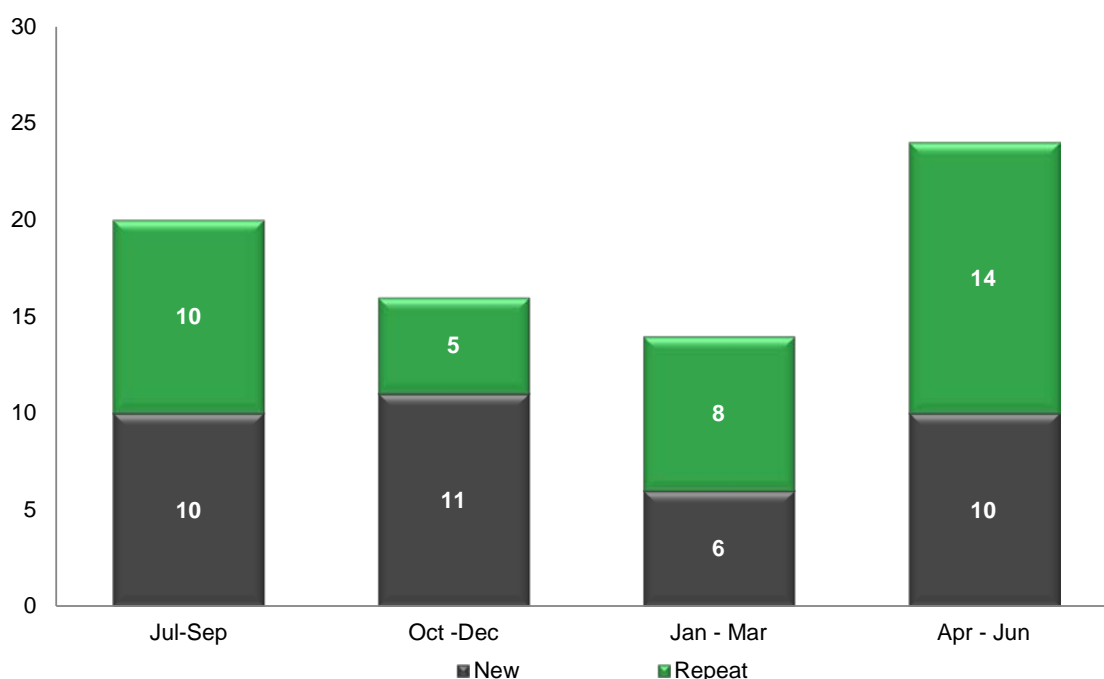
- overall perceptions of the purpose, importance and nature of peer review differ markedly across NSW Government agencies
- the objectives of the process were neither consistently articulated nor universally understood.

In September 2015, the Department commissioned an independent research-based review to develop guidelines and templates to assist agencies comply with the current requirements of the Act. The Department has updated the Peer Review Workbook and templates, incorporating some of the recommendations from this review. These revised documents have been used since June 2016.

## Peer review statistics

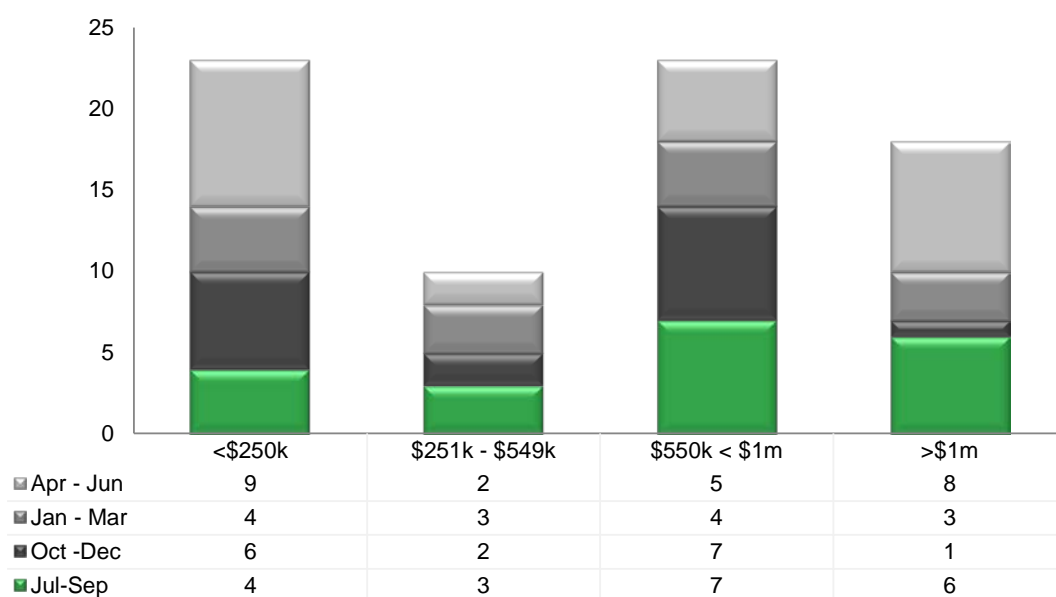
In 2015-16, 74 peer reviews were conducted - oversighting a total advertising expenditure (including media, staff costs, research and evaluation) of \$109.7 million. Media expenditure accounted for \$68.3 million of this amount. Half of the peer reviews were for repeat campaigns.

**Exhibit 3: Number of peer reviews, by campaign type, by quarter, 2015-16**



Source: The Department of Premier and Cabinet.

#### Exhibit 4: Number of peer reviews, by total expenditure and by quarter, 2015-16



Source: The Department of Premier and Cabinet.

#### Peer reviewer survey

As part of the audit, we invited peer reviewers to complete a survey on their experiences as peer reviewers and to obtain their insights on the process. We received 69 responses, which is approximately 60 per cent of peer reviewers on the Department's register. Fifty-four per cent of respondents had been peer reviewers for more than two years. Excluding responses from people who had yet to complete their first peer review, the survey found:

- 71 per cent strongly agreed or agreed that they were satisfied that peer review addressed the criteria of need, strategy and management. The lowest response was in relation to the management of campaigns, where 61 per cent strongly agreed or agreed that they were satisfied that the peer review assessed the management of the campaign
- 56 per cent strongly agreed or agreed that they were satisfied with the feedback received on the substance of their review comments
- In response to an open ended question, 'What are the strengths of the peer review process?':
  - 32 per cent noted that there are networking and professional development opportunities that come from being a part of the peer review process
  - 44 per cent noted that the peer review process provided guidance and advice on campaigns
  - 23 per cent noted that the reviews provide assurance and accountability on government advertising
  - 32 per cent indicated that government advertising was improved as a result of the peer review process.
- In response to the open ended questions 'What are the weaknesses of the peer review process?' and 'How could the peer review process be improved?':
  - 20 per cent included a request for greater sharing of information around peer reviews
  - 23 per cent raised the quality of peer reviewers as an issue. These concerns were expressed as peer reviewers not having relevant or adequate experience for certain campaigns
  - 18 per cent made reference to improving the fit and quality of peer reviewers as a way to improve the process, including addressing issues with subjectivity.

## Government advertising in other jurisdictions

Other jurisdictions also have processes in place to oversee and approve government advertising. These arrangements often include independent reviews similar to the NSW peer review process. In some cases, cabinet approval and formal economic analyses is required.

### Exhibit 5: Comparison of advertising and communication compliance measures

Jurisdiction	Threshold	Peer Review	Cabinet Approval	Cost Benefit Analysis / Economic Appraisal
NSW	>\$50,000	Yes	No	No
	>\$1,000,000	Yes	Yes	Yes
Victoria	>\$100,000	Advertising Approval Group	No	No
Queensland	'Major'	No	Yes	No
Commonwealth	>\$250,000	Expert Committee	No	No
UK	>£100,000	Evaluation Council	No	No
USA	N/A	No	No	No

Source: Professor Ian Macnamara, University of Technology Sydney.

## About this audit report

This audit assessed the effectiveness of peer review in providing assurance that government advertising is needed and cost effective. The audit reviewed a selection of 10 advertising campaigns that were peer reviewed in 2015-2016 and examined whether:

- Peer reviewers were appropriately skilled, experienced and resourced to provide quality feedback
- Peer review feedback thoroughly addressed the need and cost effectiveness of campaign proposals
- Peer review feedback was considered before the campaigns were launched.

Further information about the audit is in Appendix 4.

# Key findings

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## 1. Peer review is effective overall

Overall, the peer review process achieves its intended purpose of providing assurance that government advertising is needed and cost-effective. The majority of feedback we received about peer review was positive with 71 per cent of peer reviewers surveyed strongly agreeing or agreeing they were satisfied that peer review addressed the criteria of need, strategy and management. For the advertising campaigns we reviewed, both campaign managers and peer reviewers reported satisfaction with the process.

Feedback in the peer review report most commonly related to providing further information about the need or likely effectiveness of the campaign, or a need to refine campaign objectives or evaluation methodologies. Fifty-six per cent of campaign managers we surveyed strongly agreed or agreed that they were satisfied with the feedback received on the substance of comments from peer review panels. The remainder of this report focusses on areas for improvement in the peer review process.

## 2. Lack of consistent understanding

For the peer review process to function effectively, there must be a shared understanding of its purpose by all parties involved including agency campaign staff, Department staff, peer reviewers and agency heads.

A lack of a clear and consistent understanding of peer review creates the risk of:

- the process being ineffective due to insufficient review or oversight of whether government advertising campaigns comply with legislative or policy requirements
- the process being inefficient due to duplication of effort, or an increase in the time and/or resources required to conduct a peer review.

The Department minimises this risk through facilitating peer review meetings and oversighting the peer review process. Peer reviewers we interviewed spoke highly of Department staff in this regard.

### 2.1 Peer reviewers do not have a consistent understanding of the purpose of peer review

As part of the audit, we interviewed 18 peer reviewers and agency campaign staff. In these interviews, a range of answers were provided in response to the question 'What is the purpose of peer review?'. We found that 57 per cent of peer reviewers we interviewed did not have a complete understanding of the purpose of peer review.

Some interviewees said that the purpose of peer review is to ensure that government advertising funding is well spent, and demonstrated an awareness of the purpose of peer review in assessing campaigns against the criteria of need, strategy and management.

However, other interviewees said that peer review functioned more as a general quality improvement and information sharing exercise, where ideas about best practice could be shared to improve the effectiveness of government advertising.

Several interviewees, along with some of those surveyed, reported that the lack of a consistent understanding about the purpose of peer review had a negative impact on the peer review process.

This is consistent with a 2014 review commissioned by the Department which found the 'objectives of the [peer review] process were not consistently articulated or understood'.

A 2015 independent research-based review commissioned by the Department also identified a lack of consistent understanding about the purpose of peer review. The review found there was a need for clear guidelines for peer review panels on what they should review and what is not within their terms of reference.



## **2.2 There is a gap in policy guidance as a result of the withdrawal of the Peer Review Guide**

In August 2016, the Department ceased publishing the Peer Review Guide on the government advertising website. The Peer Review Guide was the only document which outlined the purpose of peer review, which it described as to 'apply informed and objective feedback on the need and cost effectiveness of the proposed advertising'.

The Department's rationale for ceasing publication is that the government advertising website contains sufficient information about peer review, and that it addresses any enquiries using other communication channels (such as in workshops and through direct support or advice). The Department has yet to communicate information about the changed status of the Guide across government.

The Advertising Guidelines clearly describe what a peer review should do. It does this by setting out three criteria - need, strategy and management - against which campaigns must be assessed, and includes some detail about what should be considered under each criterion. The former Peer Review Guide supplemented the Guidelines by providing detail on how the peer review process was to be managed and operated. With the withdrawal of the Guide, there is currently no detailed information about the roles and responsibilities of those involved in peer review.

The Department plans to publish 'terms of reference' for peer review, which they advise will address this issue. The Department did not provide us with advice on when the terms of reference will be released.

## **2.3 There is a lack of clarity regarding compliance**

The current legislation and guidance documents describe intersecting responsibilities and roles in terms of who is responsible for checking and ensuring compliance with the Act, the Regulation, the Advertising Guidelines, the Advertising Handbook and other government media policies. The overlap of compliance activities creates the risk that an agency head may sign a compliance certificate assuming that because a campaign has completed peer review, it has been fully assessed for compliance.

Section 8 of the Act states that an agency head is responsible for certifying that a campaign complies with the Act, the Regulation and the Advertising Guidelines. The Advertising Handbook reiterates this responsibility:

Under the Act, the heads of government agencies assume responsibility for overseeing and certifying government advertising campaigns. In addition, the head of a government agency is responsible for ensuring that a campaign undertaken by the government agency complies with all government policies.

While the Department is not responsible for ensuring compliance with the Act, the Advertising Handbook notes the Department is able to review compliance of campaigns submitted for peer review. The Department also provides advice to assist in campaign compliance with the Handbook.

The October 2013 version of the Peer Review Workbook included a section that asked if the 'peer review team and Strategic Communications and Events have identified issues of compliance with the *Government Advertising Act 2011*, its Regulation, Handbook and other policies.' This section has been removed from the most recent version of the Workbook which has been in use since June 2016.

In the advertising campaigns we reviewed, we found peer review reports which described compliance issues where they were identified, or a note that no issues were identified. Some of the peer reviewers we interviewed and surveyed believed assessing compliance was part of the role of peer review. The Department has changed the role of the peer review panel in assessing compliance and have amended the peer review report template by removing the reference to compliance assessment. The Department needs to ensure agency heads are fully aware of their obligations in ensuring campaign compliance.

### 3. Allocation of peer reviewers could be improved

Effective and efficient peer review relies on peer reviewers with skills and experience relevant to the campaign being assessed. The Department is responsible for maintaining a register of peer reviewers. It does this by inviting public sector employees with marketing and communications experience to register as peer reviewers. There are approximately 115 peer reviewers currently on the register.

To initiate a peer review, campaign managers send a 'peer review notification form' to the Department via the government advertising web portal. The notification form asks for a brief description of the campaign. The Department then chooses reviewers to form the panel to review the campaign.

The allocation of peer reviewers to campaigns is important because different campaigns require different mixes of knowledge, skills and experience for the peer review to be effective. The process for allocating peer reviewers to campaigns is generally effective, that is panels have the right mix of skills, knowledge and experience for the campaign being reviewed. However, the Department could capture more specific information on reviewers such as their career background, specific marketing and campaign experience and exposure to different campaign types which would better inform the allocation of reviewers to peer review panels.

The current peer review allocation process relies on high level categorisation of individual peer reviewers based on a combination of factors (such as seniority and marketing experience). However, the process does not consider specific areas of skill or experience.

The Department advised that it allocates peer reviewers to campaigns based on 'appropriateness, availability and seniority'. To assist in allocating peer reviewers, the Department collects information on what campaigns peer reviewers have been involved with previously. The Department was unable to provide documentary evidence of additional information to inform allocation decisions, and instead said corporate knowledge within the Strategic Communications division was sufficient for this purpose.

During the audit, peer reviewers reported experiences where poorly allocated peer reviewers had a negative impact on the outcomes of the process. Examples included peer reviewers who were unable to understand the specifics of the campaign or who lacked the required expertise to provide useful feedback. Some peer reviewers also reported instances where they felt their allocation to a particular campaign was not useful.

### 4. Peer review assessment does not fully satisfy the Advertising Guidelines

The Advertising Guidelines provide a description of what should be considered when assessing a campaign against the criteria of need, strategy and management. They provide the highest level policy guidance on what must be considered during peer review, directing peer reviews to assess the need and cost-effectiveness of government advertising. Peer reviewers we interviewed spoke positively about the Department's role in facilitating peer review meetings and helping keep the assessment on track.

#### 4.1 The Peer Review Workbook is the primary tool used by peer reviewers

All peer reviewers we spoke with confirmed that the Peer Review Workbook was the primary source of guidance on how they assessed campaigns. Peer reviewers reported reviewing the campaign submission prior to the peer review meeting, and making notes against the questions in the Peer Review Workbook.

During peer review meetings, the panel works through the questions in the Peer Review Workbook, and the Department's peer review manager facilitates discussions and provides additional guidance.

## **4.2 The Peer Review Workbook does not fully address the criteria set out in the Government Advertising Guidelines**

For the campaigns we reviewed, the peer reviewers used the October 2013 version of the Peer Review Workbook. The guidance provided in this version referred directly to requirements in the Advertising Guidelines with the exception of two elements, namely:

- 5.3iii the campaign goals are clearly defined to demonstrate cost efficiencies
- 5.3v mainstream advertising is the most appropriate medium to achieve the campaign objectives or whether cost-effective non-advertising alternatives are available.

The Department was unable to provide evidence that these two aspects are considered elsewhere as part of the peer review process. As a consequence of this omission, peer reviewers did not always consider whether mainstream advertising was the most appropriate means to achieve the campaign objectives or the availability of cost-effective alternatives to advertising. As a result, the peer reviews did not fully satisfy all the requirements established in the Advertising Guidelines.

The June 2016 revision of the Peer Review Workbook includes changes which address some of these issues. Again, this version of the Workbook does not ask peer reviewers to consider whether mainstream advertising is the most appropriate medium to achieve the campaign objectives and therefore does not fully satisfy the requirements set out in the Advertising Guidelines.

## **5. Feedback and communication could be improved**

Effective communication and constructive dialogue between the Department, peer reviewers and campaign teams supports the operation of the peer review process. Additionally, feedback to campaign staff and peer reviewers supports better quality outcomes from the peer review process. In general, peer reviewers and campaign managers spoke positively about the Department's role in managing the peer review process, and noted that Department staff were helpful in answering queries and providing support.

There are several key areas of feedback and communication that impact on the peer review process:

- Feedback to agencies from the peer review panel (this is contained in the peer review report)
- Feedback to peer reviewers regarding their participation in a peer review
- The Department providing guidance and information on government advertising policies and processes.

### **5.1 The peer review report provides a concise summary of the main issues raised during the peer review**

Following a peer review panel meeting, the Department sends a draft peer review report to panel members for comment before providing it to the campaign team. For campaigns developed by the Department, the peer review report is drafted by a peer reviewer from a different government agency, who also acts as the Peer Review Chair for that campaign. Peer reviewers told us the reports were a concise summary of the main issues raised during panel meetings.

All of the peer review reports we reviewed identified issues with the advertising submission and contained recommendations for improvement. Agencies are expected to formally respond to the recommendations in the peer review report, and provide the Department with a revised submission which incorporates any accepted recommendations.

Feedback in the peer review report most commonly related to providing further information about the need or likely effectiveness of the campaign, or a need to refine campaign objectives and evaluation methodologies.

## **5.2 Peer reviewers are not informed of outcomes or provided with feedback**

Peer reviewers do not receive feedback on the outcome of the peer review on the campaign. The Peer Review Guide stated that this was the responsibility of the Department's peer review manager. In the absence of the Peer Review Guide, there is no guidance relating to the provision of feedback to peer reviewers.

Additionally, there is no assessment or review of the performance of peer reviewers. Although the risks associated with managing poorly performing peer reviewers are small, approximately half of the peer reviewers interviewed or surveyed expressed a view that more regular or structured feedback would be useful.

## **5.3 There is a lack of communication and consistent understanding about government advertising policy**

Ninety-seven per cent of peer reviewers who responded to our survey agreed with the statement 'I have a good understanding of the peer review process'. However, as noted earlier in this report, 57 per cent of peer reviewers we interviewed did not fully understand the purpose of the process. This presents challenges in terms of communicating to reviewers who are not aware their understanding is incorrect.

The Department has recently made significant changes to the Peer Review Workbook and template for advertising submissions. The Department is providing the new Workbook as campaigns start the peer review process, and this document has not been released across government.

The Department has informed its network of changes to the templates in an email in June 2016. In the email, the Department has requested that agencies submitting a campaign for peer review contact them for the most recent version of the template, as they are continually gathering feedback from users of the template to improve usability.

# Appendices

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## Appendix 1: Response from the Department of Premier and Cabinet



Reference: A1848451

Margaret Crawford  
Auditor-General  
Audit Office of NSW  
GPO Box 12  
SYDNEY NSW 2001

Dear Ms Crawford

Thank you for the opportunity to respond to your Performance Audit Report on Government Advertising dated 6 October 2016.

Peer review is crucial to ensuring transparent and effective government advertising campaigns by applying informed and objective feedback.

We welcomed the review of DPC's management of the peer review process, including how peer reviewers are allocated to campaigns, feedback mechanisms for peer reviewers and definition and guidance of peer review. DPC has reviewed the final report and the table below provides our response to the specific recommendations of the report.

As you acknowledged in the report the peer review process is effective in providing assurance that government advertising is needed and cost-effective. We will continue to refine the peer review guidance and implement improvements needed to ensure the quality and consistency of peer reviews is maintained.

While DPC recognises its leadership role in the sector in this area, the *Government Advertising Act 2011* (the Act) is clear that responsibility for compliance with the Act lies with individual agency heads. In an effort to ensure agency heads remain aware of this, I will write to remind them of their obligations under the Act.

As you may be aware, DPC will conduct a statutory review of the Act in the coming months. We look forward to engaging the Audit Office as part of that review.

I would like to thank the Audit Office for consulting with DPC throughout the Audit process and believe that our response and intended actions will help drive continuous improvement in the peer review process for effective Government advertising.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Blair Comley'.

Blair Comley PSM  
Secretary

24 October 2016

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Tel: (02) 9228 5555 ■ [www.dpc.nsw.gov.au](http://www.dpc.nsw.gov.au)

DPC's response to recommendations		
	Recommendation	DPC's response and proposed actions
1a	<p><i>By March 2017, the Department should publish guidance for peer review, which clearly states:</i></p> <ul style="list-style-type: none"> <li><i>The purpose of peer review</i></li> <li><i>The roles and responsibilities of peer reviewers</i></li> <li><i>The roles and responsibilities of government agencies in responding to peer review reports</i></li> <li><i>The role of the Department and the peer review process in assessing, and providing assurance on, compliance with the Act, the Advertising Handbook and other government media-related policies.</i></li> </ul>	<p><b>Accepted.</b></p> <p>DPC acknowledges it has a monitoring role in relation to Government advertising. However under the Act DPC is not responsible for providing assurance on other agencies' compliance with the Act.</p> <p>DPC will update relevant documentation for consistency and ensure it is published on the DPC website.</p>
1b	<p><i>By March 2017, the Department should ensure the published guidance is consistent with other guidance documents and clearly communicated.</i></p>	<p><b>Accepted in principle.</b></p> <p>DPC will continue to engage with government agencies and key stakeholders on the purpose of peer review and the role of peer reviewers, as it does presently.</p> <p>Note that the Advertising Guidelines will be reviewed and updated in line with the statutory review of the Act with completion expected by September 2017.</p>
1c	<p><i>By March 2017, the Department should ensure agency heads are fully aware of their obligations in ensuring campaign compliance.</i></p>	<p><b>Accepted.</b></p> <p>DPC will write to agency heads to remind them of their obligations in ensuring compliance with the Act.</p>
2	<p><i>By March 2017, improve the process for allocating peer reviewers to campaigns by matching peer reviewers to campaigns based on expertise and experience.</i></p>	<p><b>Accepted in principle.</b></p> <p>DPC will continue to select peer reviewers based on expertise and experience.</p> <p>DPC will ensure processes are more clearly documented.</p>
3	<p><i>By March 2017, implement regular feedback for peer reviewers.</i></p>	<p><b>Accepted in principle.</b></p> <p>DPC already provides feedback to reviewers when necessary.</p> <p>DPC will examine options for additional peer review feedback.</p>
4	<p><i>By March 2017, maintain peer review papers as part of campaign files to provide an audit trail.</i></p>	<p><b>Accepted in principle.</b></p> <p>DPC will continue to undertake thorough record keeping.</p> <p>DPC will review current record management processes to ensure a best practice approach.</p>
5	<p><i>By September 2017, ensure all criteria described in the Advertising Guidelines are adequately assessed during peer review.</i></p>	<p><b>Accepted.</b></p> <p>DPC will update the Advertising Guidelines in conjunction with the statutory review of the Act.</p> <p>DPC will engage with the Audit Office as part of the statutory review.</p>

## Appendix 2: Legislation and policy for peer review

### **Government Advertising Act 2011 (NSW)**

The *Government Advertising Act 2011* (the Act) and Government Advertising Regulation 2012 provide the legislative framework for all NSW Government communications and advertising. The Act defines a government advertising campaign as the dissemination of information to the public that is government funded (not including the publication of reports which are required to be published by or under an Act). Alongside matters of detail regarding the prohibition of political advertising, the Act contains the following sections relevant to this audit:

- Section 5 of the Act sets out the requirement for the Minister to prepare guidelines for government advertising campaigns (referred to as the government advertising guidelines or the Guidelines). The Minister currently responsible for the Guidelines is the Premier.
- Section 7 of the Act sets out the requirement for government advertising campaigns with a likely expenditure of over \$50,000 to undergo peer review before the campaign commences. This section of the Act also states that a peer review may be carried out after an advertising campaign in instances where there is an urgent public health or safety matter. Advertising campaigns with a likely expenditure of over one million dollars are also required to undergo cost benefit analysis.
- Section 8 of the Act sets out the requirement for an advertising compliance certificate. The advertising compliance certificate is signed by the head of the government agency responsible for the campaign and certifies that the campaign:
  - complies with the Act, the regulations and the government advertising guidelines
  - contains accurate information
  - is necessary to achieve a public purpose and is supported by analysis and research
  - is an efficient and cost effective means of achieving that public purpose.

### **Government Advertising Regulation 2012**

The Government Advertising Regulation (the Regulation) sets out additional clarification regarding the Act and its scope. Section 5 allows agency staff to sign an advertising compliance certificate (instead of an agency head) for 'routine campaigns' which do not have a cost likely to exceed \$50,000.

Section 3A which provides exemptions from the whole Act (other than the prohibition on political advertising) for:

- specific Commissions (such as Royal Commissions, the Independent Commission Against Corruption, the Police Integrity Commission and Special Commissions of Inquiry)
- Electoral District Commissioners
- State owned corporations
- universities established or continued by or under a statutory instrument.

### **Government Advertising Guidelines**

The Government Advertising Guidelines (the Guidelines) were most recently published in October 2012 and set out:

- the requirements for the style and content of government advertising
- the requirement for cost-effective dissemination of information
- agency accountability for the costs of government advertising campaigns
- a detailed description of the criteria on which campaigns are assessed during peer review (see Appendix 3 for a detailed description)
- specific requirements for the cost benefit analysis
- The Guidelines belong to the Minister responsible under the Act (which in this case is the Premier). In accordance with section 5 of the Act, the Guidelines are published within the Government Advertising Handbook.



## Government Advertising Handbook

The NSW Government Advertising Handbook (the Handbook) sets out the policies and processes which apply to government advertising in NSW. The Strategic Communications and Events branch of the Department is responsible for the Handbook, and provide guidance on advertising processes and policies. The handbook was most recently updated in December 2015.

It reflects the requirements described above and is designed to be read 'in conjunction with the Act, Regulation and Guidelines.'

The Handbook provides some detail regarding the management and coordination of the peer review process, notably that the peer review process is managed by the Department, and refers to the Strategic Communications website as the location for detailed information for agencies on the peer review process as well as all templates and workbooks.

The Handbook also notes that while compliance with the Act, Regulation and Guidelines is ultimately a matter for each government agency, the Department are able to review agencies' compliance with their obligations for advertising submitted for peer review.

## NSW Government Advertising Peer Review Guide (no longer published)

The Peer Review Guide was issued by the Department and set out, in detail, each aspect of the peer review process. In August 2016, the Department ceased publishing the Peer Review Guide on its government advertising website. The timetable of an average review, and the steps involved in the process, are outlined in Exhibit 3.

The Peer Review Guide also included a description of the roles and responsibilities for all parties involved in the peer review process. The Guide described the use of the following supporting documents:

- **Peer review notification form:** a brief, web based form which asks agencies to provide a summary description of the proposed campaign (including its need, strategy and aim).
- **NSW Government Advertising Peer Review Workbook (the Workbook):** this sets out the framework for the peer review process and provides guidance to peer reviews on questions aligned to campaign need, management and strategy. It was revised in June 2016, the October 2013 version also included a section on compliance with the Act, its Regulation, the Handbook and other policies.
- **Advertising submission template:** a detailed template which requires agencies to provide information on the campaign which is then assessed by the peer reviewers.

## Appendix 3: Section 5 of the Government Advertising Guidelines

5.1 Where a peer review of a government advertising campaign is required under the Act, an independent peer review team will examine the campaign against the criteria of:

1. need;
2. strategy; and
3. management.

5.2 The examination of campaign need must consider whether:

- i) the need for the campaign is supported by sound data or research;
- ii) there is a strong link between the campaign and government priorities and objectives;
- iii) there would be consequences if the campaign did not take place;
- iv) the objectives of the campaign are clearly set out and realistic; and
- v) timing is critical to the campaign's effectiveness.

5.3 The examination of campaign strategy must consider whether the tactical approach and creative and media strategies are likely to be effective for the campaign issue, objectives and target audience, including whether:

- i) the target audience is well defined and understood;
- ii) the culturally and linguistically diverse and Indigenous communities and their communication needs have been considered as part of the target audience;
- iii) the campaign goals are clearly defined to demonstrate cost efficiencies;
- iv) the creative and media strategies are likely to be cost effective and to achieve the campaign objectives;
- v) mainstream advertising is the most appropriate medium to achieve the campaign objectives or whether cost-effective non-advertising alternatives are available; and
- vi) the media strategy reflects the campaign objectives and aligns with the target audience.

5.4 The examination of campaign management must establish whether the campaign demonstrates a sound approach to budget management, procurement, evaluation, risk management and stakeholder consultation, including whether:

- i) the campaign objectives are measureable and a sound approach and specific timelines to evaluate the campaign have been planned;
- ii) the size of the campaign budget is appropriate to achieve the campaign objectives;
- iii) the timing of the campaign allows for cost-effective advertising media procurement;
- iv) campaign production costs are reasonable; and
- v) potential campaign risks have been identified and, if so, the strategies to manage the risks are in place.

Source: NSW Government Advertising Guidelines, October 2012.

## Appendix 4: About the audit

### Audit objective

This audit will assess the effectiveness of peer review in providing assurance that government advertising is needed and cost effective.

### Audit criteria

We addressed the audit objective by examining whether:

1. Peer reviewers were appropriately skilled, experienced and resourced to provide quality feedback
2. Peer review feedback thoroughly addressed the need and cost effectiveness of campaign proposals
3. Peer review feedback was considered before the campaigns were launched.

### Audit scope and focus

In assessing the criteria, we checked the following aspects:

1. Are peer reviewers appropriately skilled, experienced and resourced to provide quality feedback?  
Areas we explored included:
  - a) Peer reviewers are appropriately skilled, experienced and understand their role
  - b) Peer reviewers receive sufficient information that is of high quality and is fit for the purpose of assessing campaigns against the criteria of need and cost effectiveness
  - c) Peer reviewers have enough time to assess the information provided
  - d) Peer reviewers are objective.
2. Does peer review feedback thoroughly address the need and cost effectiveness of campaign proposals?  
The area we explored include peer review feedback which addresses the three criteria of:
  - need
  - strategy
  - managementas described in the Government Advertising Guidelines.
3. Is peer review feedback considered before campaigns are launched?  
Areas we explored included:
  - a) Agencies consider peer review feedback before launching campaigns
  - b) Peer reviewers are informed of the outcome of their feedback on campaign development.

### Audit Exclusions

While the audit will examine a number of campaigns, this audit will focus on the process governing peer review (and will avoid referencing individual campaigns). The audit will not seek to assess the effectiveness of the selected advertising campaigns or the compliance of the selected campaigns with relevant legislation and guidelines.

### Audit approach

The audit will undertake an assessment of the peer review process as it applied to a sample of eleven campaigns from different agencies. For each campaign the audit team will:

- conduct a desktop review of campaign materials and documentation related to the peer review process for the eleven campaigns

- interview select agency staff involved in campaign development to assess agency views on the effectiveness and efficiency of the peer review process
- interview select members of peer review panels to assess insights into the effectiveness and efficiency of the peer review process
- interview DPC staff associated with facilitating peer reviews for the specific campaigns to assess insights into how agencies worked within the peer review framework
- survey government advertising peer reviewers for broad insights into the peer review process
- review similar practices from other jurisdictions and sectors (including the private sector where possible).

The audit approach was complemented by quality assurance processes within the Audit Office to ensure compliance with professional standards.

### **Audit methodology**

Our performance audit methodology is designed to satisfy Australian Audit Standards ASAE 3500 on performance auditing. The Standard requires the audit team to comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance and draw a conclusion on the audit objective. Our processes have also been designed to comply with the auditing requirements specified in the *Public Finance and Audit Act 1983*.

### **Acknowledgements**

We gratefully acknowledge the co-operation and assistance provided by staff in the Department of Premier and Cabinet, as well as NSW Government peer reviewers and campaign managers who agreed to participate as interview and survey subjects for this audit.

### **Audit team**

Jason Appleby conducted the performance audit. Andrew Hayne, Michael Thistlethwaite and Kathrina Lo provided direction and quality assurance

### **Audit cost**

Including staff costs, travel and overheads, the estimated cost of the audit is \$175,000.

# Performance auditing

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## **What are performance audits?**

Performance audits determine whether an agency is carrying out its activities effectively, and doing so economically and efficiently and in compliance with all relevant laws.

The activities examined by a performance audit may include a government program, all or part of a government agency or consider particular issues which affect the whole public sector. They cannot question the merits of government policy objectives.

The Auditor-General's mandate to undertake performance audits is set out in the *Public Finance and Audit Act 1983*.

## **Why do we conduct performance audits?**

Performance audits provide independent assurance to parliament and the public.

Through their recommendations, performance audits seek to improve the efficiency and effectiveness of government agencies so that the community receives value for money from government services.

Performance audits also focus on assisting accountability processes by holding managers to account for agency performance.

Performance audits are selected at the discretion of the Auditor-General who seeks input from parliamentarians, the public, agencies and Audit Office research.

## **What happens during the phases of a performance audit?**

Performance audits have three key phases: planning, fieldwork and report writing. They can take up to nine months to complete, depending on the audit's scope.

During the planning phase the audit team develops an understanding of agency activities and defines the objective and scope of the audit.

The planning phase also identifies the audit criteria. These are standards of performance against which the agency or program activities are assessed. Criteria may be based on best practice, government targets, benchmarks or published guidelines.

At the completion of fieldwork the audit team meets with agency management to discuss all significant matters arising out of the audit. Following this, a draft performance audit report is prepared.

The audit team then meets with agency management to check that facts presented in the draft report are accurate and that recommendations are practical and appropriate.

A final report is then provided to the CEO for comment. The relevant minister and the Treasurer are also provided with a copy of the final report. The report tabled in parliament includes a response from the CEO on the report's conclusion and recommendations. In multiple agency performance audits there may be responses from more than one agency or from a nominated coordinating agency.

## **Do we check to see if recommendations have been implemented?**

Following the tabling of the report in parliament, agencies are requested to advise the Audit Office on action taken, or proposed, against each of the report's recommendations. It is usual for agency audit committees to monitor progress with the implementation of recommendations.

In addition, it is the practice of Parliament's Public Accounts Committee (PAC) to conduct reviews or hold inquiries into matters raised in performance audit reports. The reviews and inquiries are usually held 12 months after the report is tabled. These reports are available on the parliamentary website.

## **Who audits the auditors?**

Our performance audits are subject to internal and external quality reviews against relevant Australian and international standards.

Internal quality control review of each audit ensures compliance with Australian assurance standards. Periodic review by other Audit Offices tests our activities against best practice.

The PAC is also responsible for overseeing the performance of the Audit Office and conducts a review of our operations every four years. The review's report is tabled in parliament and available on its website.

## **Who pays for performance audits?**

No fee is charged for performance audits. Our performance audit services are funded by the NSW Parliament.

## **Further information and copies of reports**

For further information, including copies of performance audit reports and a list of audits currently in progress, please see our website [www.audit.nsw.gov.au](http://www.audit.nsw.gov.au) or contact us on 9275 7100.

## Our vision

Making a difference through audit excellence.

## Our mission

To help parliament hold government accountable for its use of public resources.

## Our values

**Purpose** – we have an impact, are accountable, and work as a team.

**People** – we trust and respect others and have a balanced approach to work.

**Professionalism** – we are recognised for our independence and integrity and the value we deliver.

**Professional people with purpose**

Making a difference through audit excellence.

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