



PERFORMANCE AUDIT

23 DECEMBER 2021

Government advertising 2020–21

NEW SOUTH WALES AUDITOR-GENERAL'S REPORT

THE ROLE OF THE AUDITOR-GENERAL

The roles and responsibilities of the Auditor-General, and hence the Audit Office, are set out in the *Government Sector Audit Act 1983* and the *Local Government Act 1993*.

We conduct financial or 'attest' audits of state public sector and local government entities' financial statements. We also audit the Consolidated State Financial Statements, a consolidation of all state public sector agencies' financial statements.

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Following a financial audit the Audit Office issues a variety of reports to entities and reports periodically to Parliament. In combination, these reports give opinions on the truth and fairness of financial statements, and comment on entity internal controls and governance, and compliance with certain laws, regulations and government directives. They may comment on financial prudence, probity and waste, and recommend operational improvements.

We also conduct performance audits. These examine whether an entity is carrying out its activities effectively and doing so economically and efficiently and in compliance with relevant laws. Audits may cover all or parts of an entity's operations, or consider particular issues across a number of entities.

As well as financial and performance audits, the Auditor-General carries out special reviews, compliance engagements and audits requested under section 27B(3) of the *Government Sector Audit Act 1983*, and section 421E of the *Local Government Act 1993*.

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In accordance with section 38E of the *Government Sector Audit Act 1983*, I present a report titled '**Government advertising 2020–21**'.

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

Margaret Crawford
Auditor-General for New South Wales
23 December 2021

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Section one

Government advertising
2020–21

Executive summary

The *Government Advertising Act 2011* (the Act) requires the Auditor-General to conduct a performance audit on the activities of one or more government agencies in relation to government advertising campaigns in each financial year. The performance audit assesses whether a government agency or agencies have carried out activities in relation to government advertising in an effective, economical and efficient manner and in compliance with the Act, the regulations, other laws and the Government Advertising Guidelines (the Guidelines). This audit examined three campaigns run by Destination NSW during the 2020–21 financial year:

- Love Sydney (comprising two sub-campaigns being ‘Sydney - Love It Like You Mean It’ and ‘Get Your Sydney On’), focussing on increasing visitor activity in Sydney
- Love NSW, focussing on increasing visitor activity in regional New South Wales
- Road Trips, focussing on encouraging visitor activity on iconic road trips in regional New South Wales.

Section 6 of the Act prohibits political advertising. Under this section, material that is part of a government advertising campaign must not contain the name, voice or image of a minister, member of Parliament or a candidate nominated for election to Parliament or the name, logo or any slogan of a political party. Further, a campaign must not be designed to influence (directly or indirectly) support for a political party.

The Act and associated regulations and the Guidelines also establish an accountability and compliance framework around the investment in advertising by NSW Government agencies.

The government's operating circumstances at the commencement of the 2020–21 financial year were highly challenging, with the 2019–20 bushfires being followed by the COVID-19 pandemic. This created new demands across a range of government services, and without any clear view on the severity of the pandemic and when it would end. This was the case for Destination NSW, which had to plan for its advertising activities in the context of an uncertain future for national border closures (impacting international in-bound travel) and lockdowns across Australia, including in New South Wales (impacting domestic travel). Further, the sudden nature of outbreaks and lockdowns meant that Destination NSW often was required to change the targeting of its campaigns and, in some situations, had to cease particular advertising activities until specific lockdowns had ended.

Conclusion

The three Destination NSW campaigns subject to this audit were consistent with the allowed purposes of government advertising and did not include political advertising.

Destination NSW did not comply with the requirement to complete a peer review of campaigns, nor did it complete a cost-benefit analysis before or during the conduct of each of the audited campaigns. These requirements of the Act are designed to provide reasonable assurance that the advertising campaigns represented efficient, effective and economical uses of government funds.

Two of the three campaigns achieved some of their objectives relating to influencing consumers. The effects of the COVID-19 pandemic likely contributed to all of the campaigns not meeting a substantial proportion of established outcome and impact targets, with the impact of COVID-19 varying across campaigns and performance measures. It is particularly difficult to determine the impact of COVID-19 where measures or targets have not been set, as was the case with some of the measures for these campaigns. The impact of the COVID-19 pandemic also meant Destination NSW needed to make media placement changes when lockdown resulted in pauses or re-directions of media activities. This led to some unforeseen expenditure, but was an unavoidable consequence of needing to make changes at short notice.

Destination NSW was only able to present evidence that two of the campaigns ('Sydney - Love It Like You Mean It' and 'Love NSW') represented a positive benefit-cost ratio.

The Act requires the head of an agency to sign a compliance certificate stating that, among other things, the campaign complies with the Act, the regulations and the Guidelines, and that the campaign is an efficient and cost-effective means of achieving the public purpose. The Acting Chief Executive of Destination NSW signed the required compliance certificate associated with all of its 2020–21 advertising campaigns in February 2020, before they had been designed and planned, and before the associated expenditure had been approved.

Destination NSW did not complete required cost-benefit analyses before the campaigns commenced or while the campaigns were airing and did not establish complete suites of measures and targets for impact and outcomes of the advertising campaigns to inform the campaign.

Destination NSW did not ensure that the required peer review process was completed in a timely manner. The Department of Customer Service (DCS) supported Destination NSW's decision to commence the campaigns while the peer review was completed simultaneously. The Act allows this for urgent campaigns, and Destination NSW and DCS agreed that the need for this campaign to support driving economic activity in New South Wales after months of reduced activity brought on initially by the 2019–20 bushfires and then by the pandemic warranted this approach. As the campaigns progressed, DCS provided reminders to complete the peer review process, but this was not done. DCS did not escalate the issue of the incomplete peer review during this time. In September 2021 it advised Destination NSW officially that it would not consider further submissions for peer review with regard to the completed campaigns.

Destination NSW could not demonstrate how its campaign designs or media placements effectively supported the cultural needs and issues of culturally and linguistically diverse populations, consistent with the requirements of the 'Culturally and Linguistically Diverse (CALD) and Aboriginal Advertising Policy'.

Destination NSW did not establish comprehensive suites of measures and targets to allow for robust assessments of whether the campaigns achieved the intended outcomes from the campaigns. This limited the effectiveness of these measures as an accountability tool as intended by the NSW Government evaluation framework.

1. Recommendations

By 30 June 2022, Destination NSW should:

1. implement processes for planning and delivering advertising campaigns delivered in urgent circumstances to bring them in line with NSW Government practice by ensuring:
 - peer reviews are completed prior to the end of the campaign
 - cost-benefit analyses are completed prior to the end of the campaign
 - compliance with the Culturally and Linguistically Diverse (CALD) and Aboriginal Advertising Policy
 - the Chief Executive's compliance certification required by the Act is based on substantially completing the compliance obligations in advance of the campaign's commencement.
2. ensure that it establishes measurements and targets for outcomes and impacts of its advertising campaigns consistent with NSW Government evaluation frameworks and guidance.

By 30 June 2022, the Department of Customer Service should:

3. establish a policy and procedure for ensuring that campaign documentation is completed in a timely manner in the case of urgent campaigns, including establishing expectations around timeframes for the completion of peer review
4. establish a procedure for escalating issues of outstanding documentation to ensure that the peer review is completed in line with reasonable expectations and timeframes.

1. Introduction

1.1 Background

What is government advertising?

Governments use advertising to communicate information about a government program, policy or initiative to members of the public. Government advertising is funded by or on behalf of a government agency and is disseminated under a commercial advertising distribution agreement through a variety of media, such as radio, television, the Internet, newspapers, billboards or cinemas.

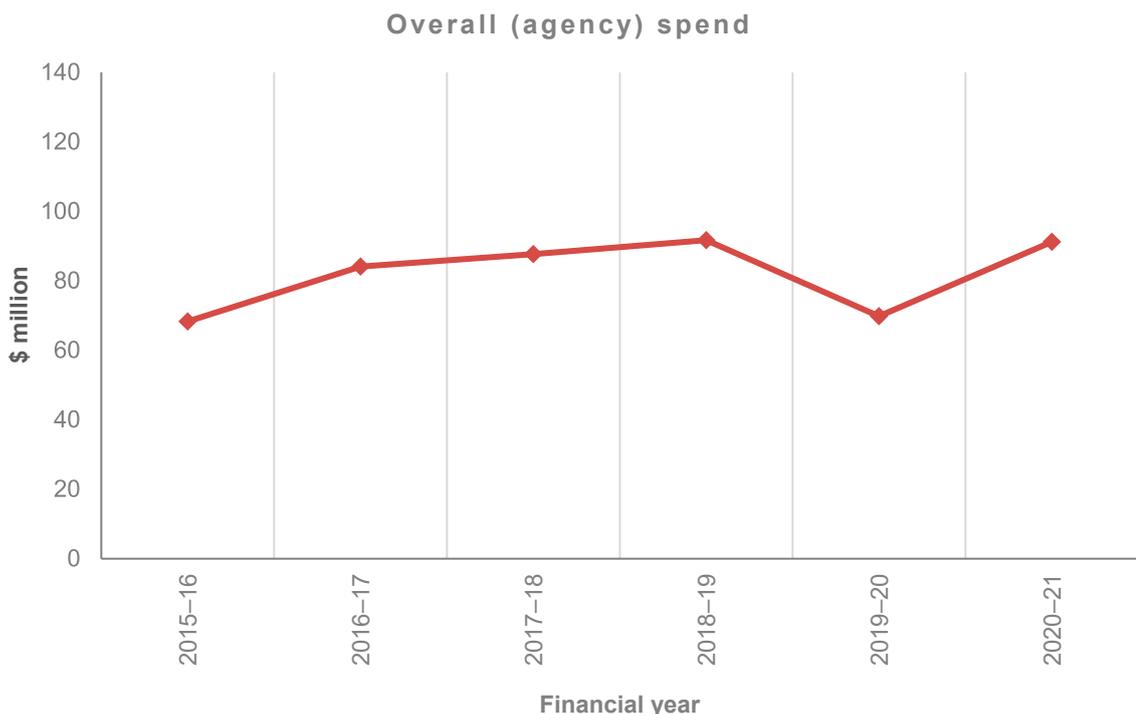
There are three broad categories of government advertising:

- **recruitment advertising** - advertising which promotes specific job vacancies and employment opportunities within a government agency
- **public notices** - advertising which communicates a clear, simple message or announcement and is generally one-off or short-term in nature
- **public awareness advertising** - co-ordinated communications to raise awareness of key issues, such as government initiatives, or social marketing to encourage behaviour change.

How much is spent on government advertising in New South Wales?

The NSW Government spent \$91.2 million on advertising in 2020–21. The overall expenditure for the five previous financial years may be seen in Exhibit 1. Note that in the '[Government advertising 2018–19 and 2019–20](#)' performance audit the figure stated for 2018–19 expenditure was \$83.8 million. The correct figure is \$91.7 million, which is reflected in the below graph.

Exhibit 1: NSW Government media expenditure from 2015–16 to 2020–21



Source: Audit Office analysis.

How is government advertising regulated?

A regulatory framework which includes both policy and legislation governs NSW Government advertising as set out in Premier's Memorandum M2012-12 Government Advertising Reform. Exhibit 2 contains an overview of this regulatory framework.

Exhibit 2: Overview of the Government advertising regulatory framework

Regulation	Purpose
<i>Government Advertising Act 2011 (Act)</i>	Sets out the legal requirements for government advertising.
Government Advertising Regulation 2018 (Regulation)	Sets out exemptions to the Act.
NSW Government Advertising Guidelines 2012 (Guidelines)	Sets out requirements in relation to the style and content, dissemination and cost of government advertising campaigns, as well as the requirements of cost-benefit analyses and peer reviews. The Guidelines were issued by the then Premier of NSW.

Source: Audit Office analysis.

Prohibition of political advertising

Section 6 of the Act prohibits political advertising as part of a government advertising campaign. Government advertising campaigns must not:

- be designed to influence (directly or indirectly) support for a political party
- contain the name, voice or image of a minister, a member of Parliament or a candidate nominated for election to Parliament
- contain the name, logo, slogan or any other reference to a political party.

In addition, the Guidelines require government advertising campaigns to be politically neutral and clearly distinguishable from party political messages.

Requirements prior to the commencement of a campaign

The Act states that a government advertising campaign must not commence unless the head of the agency has signed a compliance certificate for the campaign. This compliance certificate states that the head of the agency believes the government advertising campaign:

- complies with the Act, Regulation and 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 its public purpose.

The Act defines further requirements for campaigns which are likely to exceed a total cost of \$250,000 and \$1.0 million. These are summarised in Exhibit 3.

Government advertising campaigns likely to cost over \$250,000 are subject to peer review before the campaign commences.

The Department of Customer Service (DCS) manages the peer review process. The peer review process involves DCS employees assessing the proposed advertising campaign according to a set of criteria outlined in the Guidelines. Peer review is a two-stage process:

- **Budget approval** - government agencies submit an advertising budget proposal to the DCS Campaign Effectiveness Team. The Campaign Effectiveness Team reviews the budget proposal and makes recommendations to the Delivery and Performance Committee of Cabinet (DaPCo). DaPCo is responsible for approving campaign budgets.
- **Campaign review** - after DaPCo approves a campaign budget, the DCS Campaign Effectiveness Team conducts a review of the proposed campaign. The Campaign Effectiveness Team assesses the need for the proposed advertising campaign, the creative and media strategy (including objectives and target audiences) and how the agency will manage the campaign. Specifically, the campaign review considers:
 - alignment with government priorities and commitments and the life of New South Wales customers
 - effectiveness of approach to regional customers, Aboriginal customers and Culturally and Linguistically Diverse (CALD) customers
 - creative strategy and its alignment to campaign objectives
 - media strategy and its alignment to campaign objectives, including effectiveness of consideration of digital channels
 - how the advertising integrates with other communication approaches
 - clarity and appropriateness of output, outcome and impact objectives, measures and targets.

Peer reviews are an important step in a campaign as they provide independent assurance for the agency regarding the campaigns' compliance with some legislative and policy obligations, that government advertising campaigns are necessary, and that they are established with suitable objectives, measures and targets.

The Act requires an agency proposing to run a government advertising campaign that is likely to cost over \$1.0 million to complete a cost-benefit analysis before the campaign commences. A cost-benefit analysis aims to evaluate the net economic cost or benefit of the campaign and indicate to decision-makers how the campaign will affect the wellbeing of New South Wales residents. It also plays an important role as a baseline for post-campaign evaluation.

Exhibit 3: Requirements before an advertising campaign can commence

Advertising cost	Compliance certificate	Budget approval by DaPCo	Campaign review	Cost-benefit analysis
<\$250,000	✔	--	--	--
\$250,000 to \$1.0 million	✔	✔	✔	--
>\$1 million	✔	✔	✔	✔

Source: Audit Office analysis.

1.2 About Destination NSW

Destination NSW is a Public Sector Executive Agency responsible for devising and implementing strategies to grow the visitor economy. The principal objective of Destination NSW is to achieve economic and social benefits for the people of New South Wales through the development of tourism and the securing of major events.

Destination NSW has established as its mission to triple overnight visitor expenditure by 2030 and maximise the benefits of the visitor economy for New South Wales. To support this, it published a Visitor Economy Strategy 2030 in January 2021, which outlines a range of activities to achieve this mission. One of those activities is to 'promote Sydney and New South Wales through striking new marketing campaigns, world class events, and a renewed focus on the 24-hour economy'.

A key focus of the Visitor Economy Strategy 2030 is to 'ensure New South Wales recovers quickly from the impacts of COVID-19, bushfires, drought and floods and elevates its status as the premier visitor economy in Asia-Pacific'.

1.3 About the audited campaigns

The 2020–21 government advertising campaigns examined in this audit are listed in Exhibit 4.

Exhibit 4: Government advertising campaigns examined in this audit

Campaign title	Expenditure
Love Sydney (comprising two sub-campaigns being 'Sydney - Love It Like You Mean It' and 'Get Your Sydney On')	\$3,904,084
Love NSW	\$1,667,613
Road Trips	\$4,039,062

Source: Data provided by Destination NSW.

Love Sydney

The Love Sydney campaign was originally envisaged as part of a broad set of campaigns focussing on events and features of Sydney, which was intended to create and convert tourism demand for Sydney. With the ongoing pandemic and lockdowns in various parts of the country, its focus changed to create more immediate leisure activity from residents in Sydney to respond to the significant downturn in economic activity brought about by the pandemic.

The 'Sydney - Love It Like You Mean It' campaign was focussed on residents in the greater Sydney region, encouraging immediate action to plan and book activities in their own city to support attractions, retail and hospitality venues, museums and galleries. The campaign included radio, television, print, out-of-home (billboard) and digital advertising. Advertising activities as part of this campaign occurred from October 2020 to June 2021.

The 'Get Your Sydney On' campaign was focussed on residents of South East Queensland, Victoria, Australian Capital Territory and regional New South Wales. Its objectives were also to encourage immediate action to plan and book travel to Sydney to support attractions, retail and hospitality venues, museums and galleries at a time when there was an expectation of borders opening up and interstate travel occurring. The campaign included radio, broadcast video on demand and social media. Advertising activities as part of this campaign occurred from April to June 2021.

Both campaigns were impacted by COVID-19 outbreaks in Sydney, which caused pauses in advertising, as well as State border closures, particularly on the borders with Victoria and Queensland.

Love NSW

The Love NSW campaign was the second phase of a campaign which commenced in 2019–20. Phase two was launched in New South Wales in August 2020 and then expanded to other states as borders were reopening in the second half of 2020. The campaign ran as a series of components encouraging travel and activities for different purposes within regional New South Wales (including around school holidays or around specific border openings). The campaign also focussed on specific regions of New South Wales that had been particularly impacted by a downturn in activity.

Advertising activities include digital advertising, print media, sponsored content on certain websites and television in certain regions. The campaign operated from August to December 2020, and late January to April 2021. Breaks and media re-directions were required due to COVID-19 outbreaks.

Road Trips

The Road Trips campaign also focussed on regional New South Wales and concentrated on travel by vehicle within the State. The campaign involved extensive production activity, including following Australian celebrities on iconic journeys in New South Wales. The Road Trips campaign was heavily digitally focussed, and also included partnerships with media companies. The campaign ran from December 2020 to June 2021.

1.4 About this audit

The Act requires the Auditor-General to conduct a performance audit on the activities of one or more government agencies in relation to government advertising campaigns in each financial year.

In conducting the audit, the Auditor-General must determine whether a government agency or agencies have carried out activities in relation to government advertising in an effective, economical and efficient manner and in compliance with the Act, the Guidelines and other laws.

Appendix two contains details about each campaign and Appendix three contains further details about this audit.

The audit team did not review the broader use of Destination NSW's social media outside paid social media content relevant to these campaigns. Unpaid social media content is not considered government advertising for the purposes of the Act.

2. Compliance with the *Government Advertising Act 2011*, the regulations, guidelines and other laws

All three advertising campaigns complied with the political advertising prohibitions in the Act and were for an allowed purpose.

The Acting Chief Executive of Destination NSW signed the required compliance certificate associated with all of its 2020–21 advertising campaigns in February 2020, before the campaigns had been designed and planned, and before the associated expenditure had been approved. This means that the assertions in the certification could not be supported. It is therefore not a reliable certification of compliance with the Act. A more reliable approach to completion of the compliance certificate, and an approach that is more typical across other NSW Government advertising campaigns, is to complete the certification after all planning and designs work is done, after the peer review is complete, and immediately prior to the launch of the campaign.

Destination NSW did not complete the peer review of campaigns, nor a cost-benefit analysis before or during the conduct of the audited campaigns. This is inconsistent with key aspects of accountability within the NSW Government's framework for advertising. As the campaigns progressed, DCS provided reminders to complete the peer review process, but this was not done by Destination NSW prior to the end of the campaigns. DCS did not escalate the issue of the incomplete peer review during this time. In September 2021 DCS advised Destination NSW officially that it would not consider further submissions with regard to the completed campaigns.

Destination NSW could not demonstrate how its campaign designs or media placements effectively supported the cultural needs and issues of culturally and linguistically diverse populations, consistent with the requirements of the 'CALD and Aboriginal Advertising Policy'.

Campaign materials we reviewed did not contain political content

The audit team reviewed campaign materials developed as part of each of the paid advertising campaigns including radio transcripts, digital videos and display. See Appendix two for examples of campaign materials for this campaign.

Section 6 of the Act prohibits political advertising as part of a government advertising campaign. A government advertising campaign must not:

- be designed to influence (directly or indirectly) support for a political party
- contain the name, voice or image of a minister, a member of parliament or a candidate nominated for election to parliament
- contain the name, logo, slogan or any other reference to a political party.

The audit found no breaches of section 6 of the Act in the campaign material reviewed.

All reviewed campaigns were for purposes permitted by section 1.2 of the Guidelines

Section 4 of the Act states that government advertising campaigns are 'the dissemination to members of the public of information about a government program, policy or initiative, or about any public health or safety or other matter'. To support this, section 1.2 of the NSW Government Advertising Guidelines states that government advertising campaigns may only be used to achieve certain objectives. One of these objectives is to encourage changed behaviours or attitudes that will lead to improved public health and safety or quality of life.

The audit team considers that each of the reviewed advertising campaigns was consistent with this objective. This reflects the intent of each of the campaigns to increase economic activity driven by tourism activity in New South Wales, that contributes to improved quality of life for New South Wales residents.

The Acting Chief Executive signed Destination NSW's compliance certificate without supporting evidence

The Acting Chief Executive of Destination NSW signed a single compliance certificate for all Destination NSW campaigns for 2020–21 (including the three campaigns that are considered by this audit) on 28 February 2020. Evidence was not available at this date to support the statements included in the compliance certificate for the campaigns that were considered by this audit.

The compliance certificate is required by section 8 of the Act and states that the head of the agency confirms that a proposed government advertising campaign:

- complies with the Act, the regulations and the Guidelines, and
- contains accurate information, and
- is necessary to achieve a public purpose and is supported by analysis and research, and
- is an efficient and cost-effective means of achieving that public purpose.

At the time of signing the certificate in February 2020, Destination NSW had not conceived, designed or planned any of the campaigns that are considered by this audit, nor had it developed the relevant supporting information that would enable the agency to support these statements. As noted above, peer review had not commenced prior to this date. Further, Destination NSW had not completed a cost-benefit analysis or equivalent analysis.

Without any form of cost-benefit analysis or other evaluation for any of the campaigns prior to the date of signing of the compliance certificate, the Acting Chief Executive had no evidence that could support the certification that the campaigns were 'an efficient and effective means of achieving the public purpose'. The absence of peer review or a cost-benefit analysis also means that the Acting Chief Executive could not certify that the campaigns complied with the Act, the regulations or the Guidelines, nor that the campaign was supported by analysis and research.

Destination NSW did not complete peer reviews for the advertising campaigns before they ended, limiting assurance over campaign effectiveness, efficiency and economy

As all the campaigns subject to this audit were valued at over \$250,000, each campaign was required to undergo peer review. The peer review is an independent review of the need for the proposed advertising campaign, the creative and media strategy (including objectives and target audiences) and how the agency will manage the campaign. Ordinarily, a peer review would be completed prior to a campaign commencing, however section 7(4) of the Act permits agencies to carry out a peer review after the advertising campaign commences 'if the head of the government agency concerned is satisfied that the campaign relates to an urgent public health or safety matter or is required in other urgent circumstances'.

DCS supported Destination NSW's assessment that these were urgent campaigns and that it would accept consideration of peer review components in parallel with the roll-out of the advertising campaigns, given the urgency of the need to generate economic activity, initially after the 2019–20 bushfires and then after the challenging circumstances brought on by the COVID-19 pandemic. This is in line with section 7(4) of the Act.

Destination NSW presented and obtained clearance on creative materials and media planning on a timely basis for two of the three campaigns (but not for the Road Trips campaign), which would ordinarily form part of peer review. However, for all campaigns, the peer reviews were not completed or signed off by DCS prior to the completion of advertising campaigns. In particular, Destination NSW did not submit material related to the accountability for campaign effectiveness, including the campaign objectives and measures before the end of the campaigns.

The absence of peer review of much of the material prior to completion of the campaigns reduces the ability of the agency and government to be confident that the advertising expenditure was consistent with NSW Government requirements, or represented efficient, effective and economical use of funds.

Destination NSW noted that section 7(4) of the Act allows the peer review to be completed after the commencement of a campaign in urgent circumstances but places no requirement on it to be completed before the end of the campaign. The audit has determined that for the peer review to meet its intended purpose, being to inform the design and delivery of the advertising campaign, it needs to be completed prior to the end of the campaign, even in urgent circumstances. DCS has supported this intent of the framework.

By the end of September 2021, DCS advised Destination NSW that it would not consider any further material for peer review related to the 2020–21 advertising campaigns. At this time, DCS closed the peer review for the Love NSW and Road Trips campaigns and assessed them as incomplete. DCS assessed the Love Sydney peer review as complete, despite noting that the campaign evaluation was not complete and with no details or confirmation of meeting culturally and linguistically diverse (CALD) advertising requirements, including for Aboriginal communities.

DCS did not escalate the issue of outstanding peer review materials

DCS worked at officer level to remind Destination NSW that peer review material was outstanding during the year. While this is appropriate as an initial point of escalation, at no time was the issue of non-compliance escalated to higher levels of management. DCS also never sent formal correspondence requesting the materials needed to ensure the completion of peer review.

DCS does not have a process for ensuring the timely completion of peer review in situations where urgency exemptions are used. There is an opportunity to formalise this process to ensure that there are appropriate escalation points and to ensure that compliance obligations are fulfilled in future.

Destination NSW did not meet the minimum requirement for allocation of the media budget for communications with CALD and Aboriginal audiences

The NSW Government 'CALD and Aboriginal Advertising Policy' stipulates that at least 7.5 per cent of an advertising campaign media budget is to be spent on direct communications to multicultural and Aboriginal audiences. Spend may be on media or non-media communication activities (e.g. events, participation at cultural festivals, direct mail, competitions and websites).

Destination NSW spent only 1.6 per cent of its media spend on culturally and linguistically diverse specific media placement on the 'Sydney - Love It Like You Mean It' campaign and none of its media placement for the other audited campaigns. This level of expenditure is substantially below the requirement.

Destination NSW could not demonstrate how its campaign designs or media placements effectively supported the cultural needs and issues of culturally and linguistically diverse populations. In connection with the 'Sydney - Love It Like You Mean It' campaign, it was noted that timeframes and production issues limited the ability to incorporate culturally diverse individuals in imagery.

Destination NSW advised that it believes the application of a 7.5 per cent threshold for specific audiences is not an effective way to reach these audiences. Destination NSW advised that its advertising was targeted at audiences with a propensity to travel, which did not necessarily include culturally diverse audiences, and its media channel research influenced its decision not to target specific CALD-focussed media channels.

None of the above factors negate Destination NSW's responsibility to ensure that the 'CALD and Aboriginal Advertising Policy' requirements are met.

In addition, Destination NSW also noted a number of non-media activities that supported culturally and linguistically diverse audiences, including translations on the sydney.com website, capturing of culturally and linguistically diverse audiences in production shooting and the production of a range of other collateral for culturally and linguistically diverse audiences. Despite these non-media activities, which Destination NSW did not quantify, the requirement for minimum expenditure in the reviewed campaigns for CALD audiences was not met by Destination NSW.

Destination NSW advised that it believes that the 7.5 per cent requirement does not apply to advertising outside of New South Wales, which the 'Get Your Sydney On', Love NSW and Road Trips campaigns targeted in whole or in part. The 'CALD and Aboriginal Advertising Policy' does not specifically limit its application to advertising for New South Wales residents.

3. Effectiveness, economy and efficiency of delivery of the campaigns

Destination NSW did not establish comprehensive suites of measures and targets to allow for robust assessments of whether the campaigns achieved the intended outcomes from the campaigns. This limited the effectiveness of these measures as an accountability tool as intended by the NSW Government Evaluation Framework.

None of the campaigns met the majority of the targets which had been established. This means that the campaigns did not have the market impact that was committed at the time of making the investment. Despite this, the Love NSW campaign did have a positive return on investment. The 'Get Your Sydney On' campaign was not required to undergo a cost-benefit analysis as it fell below the threshold, and the Road Trips campaign had not been assessed for return on investment at the time of the audit. This indicates a measure of cost-efficiency in the delivery of one of the campaigns, and a positive impact on the New South Wales economy. For the 'Sydney - Love It Like You Mean It' campaign, both the benefit-to-cost ratio and the return on investment were considerably below reasonable benchmarks, indicating a poor cost-efficiency outcome from the investment.

In all procurement of research, production and media services, Destination NSW complied with relevant procurement requirements, providing support to achieving value for money in relevant expenditure.

3.1 Campaign effectiveness

For any advertising campaign, there can be a range of measures of effectiveness. In this audit, campaign effectiveness has been assessed on the basis of achievement of actual results against measures and targets established early in the campaign. If the majority of targets for a campaign were achieved, then the campaign is assessed as achieving its objectives.

Destination NSW established relevant objectives and measures for all campaigns subject to this audit, however there were no outcome measures for one campaign

The NSW Government 'Evaluation Framework for Advertising and Communications' notes that there should be measures for advertising campaign outputs (a measure of exposure and reception to the campaign), outcomes (a measure of consumer response to the campaign) and impacts (a measure of results from the campaign).

For each of the campaigns, Destination NSW completed two documents required by DCS relevant to campaign objectives. The documents are:

- a 'Campaign Objectives Table' which seeks to outline the objectives for the advertising campaign
- an 'Evaluation Framework' template, which draws on the NSW Department of Premier and Cabinet's 'Guidelines for Implementing the NSW Government Evaluation Framework for Advertising and Communications'. The Evaluation Framework seeks to present on one page the organisational and campaign objectives, the target audience and key messages for the campaign, and the key inputs, activities, outputs, outcomes and impacts that will form the basis for evaluation.

These Destination NSW documents were not developed when peer review commenced, and it is not clear when they were developed or what influence they had over the planning and delivery of the advertising campaigns. Over the course of each of the campaigns, the documented objectives (and in some cases the measures and targets) were refined after planning was completed and campaign deployment commenced.

The final campaign objectives for each of the campaigns are summarised in Exhibit 5 and a full list of objectives may be found in Appendix two.

Exhibit 5: Summary objectives established for each campaign

Campaign	Summary objectives
Sydney - Love It Like You Mean It	Drive immediate action from Sydneysiders to plan and book activities in their own city to support businesses.
Get Your Sydney On	Drive immediate action to plan and book a break in Sydney.
Love NSW	Assist the New South Wales visitor economy recovery via increasing awareness and appeal of regional New South Wales and increasing consideration and intention to take a regional New South Wales holiday.
Road Trips	Increase market share of domestic road trips, increase average spend per visit per night, and encourage dispersal of visitation and spend into rural towns and businesses.

Source: Audit Office analysis.

For all campaigns, there is a suite of quantifiable measures, which can be linked to the campaign objectives, and which can be evidenced. There is a particular emphasis on output measures, but three of the campaigns also had relevant impact and outcomes measures. The exception is 'Sydney - Love It Like You Mean It', which had no outcome measures.

Exhibit 6 sets out the number of measures established for each campaign in the Campaign Objectives Table. The key impact and outcome measures are outlined below the table.

Exhibit 6: Number of evaluation measures established for each campaign

Campaign	Output measures	Outcome measures	Impact measures
Sydney - Love It Like You Mean It	27 measures	Nil measures	9 measures
Get Your Sydney On	10 measures	7 measures	5 measures
Love NSW	13 measures	10 measures	3 measures
Road Trips	9 measures	12 measures	6 measures

Source: Audit Office analysis.

High-level outcome objectives were described for the 'Sydney - Love It Like You Mean It' campaign in the evaluation framework, being to 'drive cut-through awareness and immediate action to encourage Sydneysiders to support Sydney businesses' and to 'increase gross economic benefit to Sydney, drive actual behaviour change and impact on local economy'. However, these were not translated to measurable items to drive accountability for those outcomes, which is required by the regulatory framework.

The impact measures for both of the Love Sydney campaigns sought to record the behaviour change arising from the campaign, including visiting a website about Sydney, considering Sydney for a short break, deciding to visit Sydney for a short break, and/or actually expanding a planned holiday or booking tickets to an event or attraction in Sydney. Both campaigns also established a measure of positive return on investment from the campaigns as part of these impact measures.

For the Love NSW campaign, the outcome measures included access to the visitnsw.com website and a conversion rate from these website visits, as well as measures of the increase in appeal and intention to visit NSW. The impact measures included measures of overnight visitor nights, visitor spend per night and average length of stay.

The outcome and impact measures for the Road Trips campaign were broadly similar to Love NSW, but also included measures of actual bookings arising from the campaign in the relevant regional areas.

Destination NSW did not set targets for all measures established for the campaigns, limiting accountability for the campaigns and the ability to assess their effectiveness

The 'Guidelines for Implementing the NSW Government Evaluation Framework for Advertising and Communications' includes a range of guidance for evaluation of advertising campaigns. Key to these is the use of the Evaluation Framework template described above. This matrix was completed for each of the in-scope campaigns.

Destination NSW established targets for all relevant measures for the 'Get Your Sydney On' and Love NSW campaigns. However, there were gaps in target setting for the impact measures for the 'Sydney - Love It Like You Mean It' campaign and the outcome and impact measures for the Road Trips campaign. The absence of quantifiable targets limits the accountability that comes with performance measurement and limits the ability for Destination NSW to assess the effectiveness of the campaigns.

Destination NSW advised that these campaigns had no precedent due to the impacts of COVID-19, which made target setting difficult. While this is true, the 'Guidelines for Implementing the NSW Government Evaluation Framework for Advertising and Communications' provide advice for target setting, including in contexts where there is an absence of precedence.

The 'Sydney - Love It Like You Mean It' campaign delivered some intended benefits, but not its core objective to drive immediate action to plan and book activities in Sydney

The 'Sydney - Love It Like You Mean It' campaign met the majority of its output measures. Although there were no measurable outcome targets, the campaign evaluation (which was based on a survey of a sample of consumers) indicates that its messages were broadly persuasive. In this context, persuasive means viewers believing a campaign's content and expressing interest in visiting the advertised location.

While the campaign did have some positive influence on consumers to undertake leisure activities in Sydney, it did not meet any of the impact targets that it established for the campaign, as can be seen in Exhibit 7 below.

Exhibit 7: 'Sydney - Love It Like You Mean It' results

Campaign measures	Objective achievement	Comments
Output measures		The advertising campaign achieved results in excess of the majority of targets against the range of reach and access measures established for the campaign. Four targets were partially met, and one was not met.
Outcome measures		In the absence of measures, it is impossible to assess achievement. However, the campaign evaluation noted: 'The campaign performed above the average of all previously tracked DNSW campaigns for involvement, salience and persuasion.' 71 per cent of evaluation respondents claimed to be persuaded by the messaging of the campaign to consider booking activities in Sydney.
Impact measures		The evaluation results for 'taking action as a result of the campaign' was lower than the targets set by Destination NSW (for all measures where targets were set). The evaluation also demonstrated that, while the campaign was influential for residents under 45 years of age, a significant population (those over 45 year of age) were largely not impacted by the campaign.
Key	 Achieved objective	 Partially achieved objective
		 Did not achieve objective

Source: Audit Office analysis.

It is possible that the actual performance being lower than some targets was a consequence of COVID-19 outbreaks and their influence on Sydney residents from undertaking increased leisure activities in Sydney.

The 'Get Your Sydney On' campaign did not meet its targets across outputs, outcomes or impact

The lockdowns arising from the COVID-19 pandemic had a particularly pronounced impact on the 'Get Your Sydney On' campaign, as it could only be in market for a fraction of the planned timeframe. This likely contributed to the campaign not meeting any of its outcome targets and only meeting one of its four impact targets.

The evaluation of the campaign commissioned by Destination NSW found that the campaign created some impact on people that recognised the campaign, with 24 per cent considering Sydney for a potential holiday or short break, 18 per cent making a decision to go to Sydney for a holiday or a short break, and nine per cent making a new booking in Sydney. However, each of these was lower than the targets established by Destination NSW for these measures.

Exhibit 8: 'Get Your Sydney On' results

Campaign measures	Objective achievement	Comments
Output measures		The campaign failed to meet the majority of reach and impressions targets.
Outcome measures		The campaign did not meet any of its outcome targets.
Impact measures		The campaign did not meet any of its impact targets.
Key	 Achieved objective	 Partially achieved objective  Did not achieve objective

Source: Audit Office analysis.

Consistent with the observation for the 'Sydney - Love It Like You Mean It' campaign above, it is impossible to conclude on the primary contributors to being unable to meet the majority of its campaign targets.

The Love NSW campaign did not meet its targets across most outputs and outcomes, and Destination NSW has not yet measured the impact of the campaign

Destination NSW employed a range of channels in the deployment of the Love NSW campaign, with mixed results. Against clear targets established for reach and engagement with target markets, the campaign met its target in eight of the 13 output measures. In connection with outcome measures, the campaign was unable to meet the majority of the targets established, including measures to 'take action' or to have an 'intention to take action'.

Destination NSW took a different approach to measuring the impact of the campaign, with objectives being linked to actual spending in regional New South Wales. Specifically, the primary impact objective of the campaign was to 'encourage dispersal of visitation and spend into smaller rural towns and businesses within NSW and Sydney'.

In its target setting, the impact objectives related to overnight visitor stays, visitor spend per night and average length of stay. At the time of this audit, Destination NSW did not have data against these measures, making it impossible to assess the effectiveness of this campaign.

Exhibit 9: Love NSW results

Campaign measures	Objective achievement	Comments
Output measures		The Love NSW campaign met 60 per cent of the targets established for it in connection with measures of reach and audience engagement. The results varied depending on the elements of the campaign.
Outcome measures		The Love NSW campaign met targets related to social sentiment for regional New South Wales and an uplift of appeal for travel in regional New South Wales. However, it failed to meet its targets against the more substantial measures of influence on intention to travel to regional New South Wales and linkage between the campaign and the travel to regional New South Wales.
Impact measures		Destination NSW has not measured performance against the impact measures established for the Love NSW campaign.
Key	 Achieved objective in full	 Partially achieved objective  Did not achieve objective

Source: Audit Office analysis.

The Road Trips campaign had not completed its evaluation at the time of the review, but for completed measures, it failed to meet a majority of targets established

The Road Trips campaign was a largely digital-focused campaign, and based on the draft campaign evaluation report provided to the audit team, it partially met its impact targets. It met four of nine impact measures, partially met one, did not meet three and had not obtained data in connection with the final impact objective measure.

It is impossible to comment on the outcomes of the campaign as Destination NSW had not established targets for five outcome measures, and had not provided actual results against three measures. Of the remaining four measures, the Road Trips campaign failed to achieve three of the targets and exceeded one target.

Destination NSW established measures for overall visitor nights, spending, length of stay and market share for road trips as four of six impact objectives for the Road Trips campaign. At the time of this audit, Destination NSW did not have data to support measurement of these objectives. It is also notable that these broad measures are difficult to directly attribute to the campaign. For other impact measures, Destination NSW had neither established targets nor collected actual data. On this basis, it is not possible to comment on the impact of the Road Trips campaign.

Exhibit 10: Road Trips results

Campaign measures	Objective achievement	Comments
Output measures		The Road Trips campaign met 44 per cent of the targets established for it in connection with measures of digital impressions delivered by the campaign.
Outcome measures		There was either no target or no actual result provided for 66 per cent of outcome measures. Of the remainder, the Road Trips campaign failed to meet the established targets for three of the four outcome measures.
Impact measures		Destination NSW has not measured performance against the impact measures established for the Road Trips campaign.
Key	 Achieved objective in full	 Partially achieved objective  Did not achieve objective

Source: Audit Office analysis.

3.2 Campaign economy

The absence of any cost-benefit analysis for these campaigns means the decision to invest in them was made without a clear view of potential value for money

The three advertising campaigns within the scope of this performance audit all cost in excess of \$1.0 million. As noted in the introduction, a campaign over \$1.0 million is required to undergo a cost-benefit analysis. While the urgent campaign provisions allow a cost-benefit analysis to be completed after the commencement of a campaign, Destination NSW did not complete cost-benefit analyses for any of the in-scope advertising campaigns by the time the campaigns ended.

Given the level of expenditure on these campaigns, it is appropriate that robust analysis underpins the decision-making of government on whether to invest in advertising campaigns. Further, when robust thinking of costs and benefits is undertaken at the commencement of an advertising campaign, this generally assists in robust evaluation after the completion of campaigns. Not having a cost-benefit analysis means that the investment was made without a clear view of the potential benefit-cost ratio, which would demonstrate that the campaign posed good value for money.

This approach was taken with full visibility of DCS, and given the unprecedented circumstances of the COVID-19 pandemic and the urgent nature of the advertising campaigns, the audit team understands the rationale for this decision.

The 'Sydney - Love It Like You Mean It' campaign made a negative economic contribution to New South Wales, and recorded only a marginal return on its investment

Of the two Love Sydney campaigns, Destination NSW was only required to undertake a cost-benefit analysis for the 'Sydney - Love It Like You Mean It' campaign, as it is the only one that incurred expenditure over \$1.0 million.

The cost-benefit analysis reported a benefit to cost ratio of 0.01:1, which is considerably less than the Treasury expectation of a minimum 1:1 benefit to cost ratio. This translated to a negative net present value of the economic contribution from the campaign of -\$2.79 million. As the campaign did not attract new economic activity from outside of the State (due to its focus on visitor activity by Sydney residents) the cost-benefit analysis methodology attributes minimal economic benefit from the campaign. This inevitably impacted the reported benefit to cost ratio.

As part of the same analysis, Destination NSW measures a 'return on investment' from the campaign (being the net present value of economic benefits less campaign costs), using a methodology which is unique for Destination NSW. Destination NSW advised that the methodology is consistent with similar methodologies used to assess advertising campaign in other tourism promoters around the country. The study assessed the return on investment from the 'Sydney - Love It Like You Mean It' campaign as being 1.3:1, which is considerably lower than the comparator identified in the campaign evaluation, which was 11:1.

The Love NSW campaign made a positive economic contribution

Using a methodology consistent with NSW Treasury's 'Cost-Benefit Analysis Framework for Government Advertising and Information Campaigns', Destination NSW determined that the ratio of benefits to costs from the Love NSW campaign was 12.5:1. In other words, the economic benefit arising from the campaign was 12.5 times its cost. This compares favourably to NSW Treasury's threshold of a 1:1 ratio. The economic benefit assessed in this cost-benefit analysis arises from an estimate of overnight bookings and day trips in regional New South Wales that would have been generated from the advertising campaign. This is an improvement on the benefit to cost ratio from the 2019–20 first phase of this campaign (which was 11:1).

As part of the same analysis, Destination NSW measured a 'return on investment' from the campaign (being the net present value of economic benefits less campaign costs), using a methodology which is unique for Destination NSW. Destination NSW advised that the methodology is consistent with similar methodologies used to assess advertising campaign in other tourism promoters around the country. The study assessed the return on investment from the Love NSW campaign as being \$13.4 million against a cost of \$1.7 million.

Destination NSW has not assessed the benefit cost ratio or return on investment from the Road Trips campaign

At the time of this audit, Destination NSW had not completed a cost-benefit analysis for the Road Trips campaign. Consequently, the audit has not been able to evaluate whether the Road Trips campaign was economical.

Destination NSW actively monitored data on the outputs and reach of the campaigns and responded with placement decisions to optimise the outputs from the campaigns

For all campaigns, Destination NSW received daily, weekly and monthly feeds of data and information about the effectiveness of reach and reaction to the campaigns. This allowed the organisation to make changes in the campaign's media placement to optimise the outputs from the campaign, and thereby contribute to maximising value from the campaign.

3.3 Campaign efficiency

The creative expenditures for all in-scope campaigns were undertaken consistent with NSW Government requirements to support value for money procurement

Agencies are required to obtain three quotes when procuring a creative agency on the relevant pre-qualification scheme if the estimated cost of an individual expenditure in the creative content is greater than \$150,000.

By virtue of re-using content, and coordinating its own creative content, creative, production and planning, all individual expenses in creative production was lower than the \$150,000 threshold for all but one of the campaigns:

- Sydney - Love It Like You Mean It: total of \$64,300
- Get Your Sydney On: total of \$189,102 (with the largest single expenditure being for \$128,381 for content production)
- Love NSW: total of \$210,972.40 (with the largest single expenditure being for \$67,463 for a media levy).

For the Road Trips campaign, which was a bespoke campaign, the production and research expenditure was \$1,696,675. The largest component of this was a single expenditure of \$649,000. Destination NSW undertook a competitive process drawing on the NSW Government Advertising Production Panel assessing three providers. The process undertaken and the criteria considered in that selection were reasonable to support a value for money selection.

Changes to media placement due to lockdowns and media re-direction was all achieved without any loss of purchased placements, albeit sometimes in lower value placements

The nature of the campaigns was to prompt visitor economy activity in the aftermath of the pandemic and as lockdowns were lifted.

This meant that the Love Sydney and Love NSW campaigns had a limited lead time to be placed in the market. That led to lower efficiency in media placement than would be considered normal, but was a consequence of the purpose of the campaign to be quick to market.

Given the unpredictable nature of the pandemic, numerous changes in campaign placement were required to react to changes in circumstances. This included pausing campaigns in some instances and/or re-directing to different regions or populations. Destination NSW monitored this actively and reacted swiftly with its media partner to make the decisions on media placement.

Inevitably this required late cancellations of media placements and short notice placements of new media bookings. Destination NSW's media partner has advised that all media placements were re-made, and no expenditure was lost. However, in some instances, the replacement resulted in lower quality placement.

Section two

Appendices

Appendix one – Response to Destination NSW

Destination NSW' response to this report raises a number of issues with the contents of the report. The Audit Office has carefully considered Destination NSW' issues of concern. Based on objective facts, the findings in this report remain balanced, accurate and complete as relevant to the audit scope. Our responses to key issues raised by Destination NSW are clarified below to ensure there is a complete understanding of the facts as set out in the report.

Peer review and compliance with the *Government Advertising Act 2011*

Destination NSW states that it did not fail to comply with the Act as alternative arrangements were made with the Department of Customer Service (DCS). The report acknowledges that Destination NSW and DCS agreed to categorise these campaigns as urgent (pages 2, 10, 18), allowing the peer review for each campaign to take place after the campaigns had commenced. As noted in the report (page 11) Destination NSW only completed the peer review for the Love Sydney campaign, meaning that the other campaigns did not comply with the *Government Advertising Act 2011* (the Act).

Compliance certificate

In regards to the signing of the compliance certificate, Destination NSW states that “there is only general guidance on when to sign the certificate”. As noted in the report (page 10), section 8 of the Act states that the head of the agency must certify that the advertising campaign complies with the Act, the regulations and the Government advertising guidelines, and that it is an efficient and cost-effective means of achieving its public purpose.

As noted in the report, without any form of cost-benefit analysis or other evaluation for any of the campaigns prior to the date of signing of the compliance certificate, the Acting Chief Executive had no evidence that could support the certification that the campaigns were 'an efficient and effective means of achieving the public purpose' (page 10). The absence of peer review or a cost-benefit analysis also means that the Acting Chief Executive could not certify that the campaigns complied with the Act, the regulations or the Guidelines, nor that the campaign was supported by analysis and research (page 10).

Compliance with the Culturally and Linguistically Diverse and Aboriginal Advertising Policy

Compliance with the 'CALD and Aboriginal Advertising Policy' (the Policy) is discussed at pages 11-12 of the report. This section notes that the particular factors raised by Destination NSW do not negate Destination NSW's responsibility to ensure that the Policy requirements are met. Further, Destination NSW states that the requirements of the Policy “are not applied to interstate investment”. As noted on page 12 of the report, this statement cannot be found in the Policy.

Appendix two – Response from agencies

Response from Department of Customer Service



Customer
Service

McKell Building – 2-24 Rawson Place, Sydney NSW 2000
Tel 02 9372 8877 | TTY 1300 301 181
ABN 81 913 830 179 | www.nsw.gov.au

Office of the Secretary

Our reference: COR-08102-2021

Ms Margaret Crawford
Auditor-General
NSW
By email: mail@audit.nsw.gov.au

Dear ~~Ms Crawford~~ *Margaret*,

Report on the Performance Audit– Government Advertising 2018-19 and 2019-20

Thank you for your report on the Performance Audit on Government Advertising 2020-21. I note your findings on the three Destination NSW campaigns that were audited as well as the impact of the COVID-19 pandemic on Destination NSW campaign activities.

The Department of Customer Service (DCS) is committed to ensuring all agencies continue to comply with the NSW Government advertising regulatory framework. We accept all recommendations in principle and will take actions as outlined below to further strengthen whole of government processes.

By 30 June 2022, DCS will:

1. establish a policy and procedure for ensuring that campaign documentation is completed in a timely manner in the case of urgent campaigns, including establishing expectations around timeframes for the completion of peer review.

DCS response:

- In the case of urgent campaigns, DCS will ensure campaign teams agree on timeframes to complete peer review within a reasonable period and document agreed timelines. Agreed timing will be documented by DCS.
- Prior to 30 June 2022, DCS will communicate this process and expectation from campaign teams through its regular communications with agencies (website, newsletters and peer review).

2. establish a procedure for escalating issues of outstanding documentation to ensure that the peer review is completed in line with reasonable expectations and timeframes.

DCS response:

- In cases where peer review is not completed by campaign teams within agreed timeframes, DCS will escalate the matter to the Head of Agency through a formal letter.
- Prior to 30 June 2022, DCS will communicate this process and expectation from campaign teams through its regular communications with agencies (website, newsletters and peer review).

If you would like more information, please contact Isobel Scouler, Director, NSW Government Brand and Campaigns [REDACTED]

Yours sincerely

A handwritten signature in black ink, appearing to read 'Emma Hogan', with a stylized flourish at the end.

Emma Hogan
Secretary

Date: 13/12/21

Response from Destination NSW



17 December 2021

Ms. Margaret Crawford
Auditor General
Audit Office of NSW
Level 19
Tower 2
Darling Park
201 Sussex St
Sydney NSW 2000

Dear Ms. Crawford,

Re: Government advertising 2020–21 – Destination NSW

Thank you for your report. I am pleased that the report found the three Destination NSW campaigns were consistent with the allowed purposes of government advertising and did not include political advertising.

I acknowledge in your executive summary the challenging and uncertain circumstances Destination NSW had to operate in implementing and delivering these campaigns. It was difficult to plan against the unknown and everchanging effects of COVID-19. The campaigns were urgently designed to meet the need of the Visitor Economy that had been impacted significantly by the ongoing COVID-19 pandemic, bushfires and floods in terms of a downturn in business and job losses. The advertising was designed to stimulate tourism.

In light of this environment, we offer the following observations:

1. Destination NSW did not fail to comply with key requirements of the *Government Advertising Act 2011* (the Act) due to alternative arrangements being made and followed with the Department of Customer Service given prevailing market interruptions and urgent circumstances.
2. Destination NSW met with the obligations and completed the peer reviews and cost-benefit analysis of the campaigns after the campaigns were in market where permitted to do so namely:
 - a. Peer Review
 - i. As per the Act: 'A...peer review may be carried out after a Government advertising campaign commences if the head of the Government agency concerned is satisfied that the campaign relates to an urgent public health or safety matter or is required in other urgent circumstances.'
 - ii. The peer review was undertaken as "other urgent circumstances" were present (ongoing natural disasters and pandemic).
 - iii. Destination NSW communicated this approach to the Department of Customer Service.
 - iv. The speed to get this campaign to market was essential.
 - v. Destination NSW submits a "net deficit and benefit" argument in terms of effectiveness and efficiency. If these campaigns had been required to 'wait' for the typical 8-12 week period required for forward Peer Review approval, or for the typical 3-4 month period required to complete a Cost Benefit Analysis – there would have been a significant lost opportunity cost to the NSW Visitor Economy. This would have put Destination NSW in conflict with its own legislation, principal object and functions which requires the agency to achieve economic and social benefits for the people of New South Wales through the development of tourism – and particularly in the face of the most significant market interruption ever encountered by the agency.
 - b. Cost Benefit Analysis
 - i. Destination NSW has completed or is currently in the process of completing ex-post cost benefit analysis for all campaigns included in the audit scope. This was also communicated to Department of Customer Service.
 - ii. NSW Treasury guidelines call for a Cost Benefit Analysis as the tool of choice and much has been written – even by the Commonwealth Auditor General in regard to the use of a Cost Benefit Analysis in Tourism as not the best fit tool. The difficulty

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- arises with the level and type of information that is required to inform a Cost Benefit Analysis. Information is not always available, is expensive or time consuming to gather or indeed, cannot be gathered without detailed pre studies as no body of evidence exists to support the Cost Benefit Analysis.
- iii. For most of Destination NSW's 'usual' campaign activity, we have progressed to a point where we have a good body of evidence for campaigns which are part of an existing program – those that are changed but comparable directly to campaigns run in the past. Additionally, we have a sufficient body of evidence to draw on for our application of campaign technique in a core, tourism environment.
 - iv. In the case of the Love Sydney 'Love It Like You Mean It' – this was a step outside the realm of a normative tourism perspective due to the environment and the goals that were to be activated. The target of this campaign were not tourists by and large, but in fact locals.
 - v. For 'Love NSW' – the speed required to get to market and the lack of a sufficient body of evidence to utilise for core NSW Treasury mandated metrics outside our control - namely tax, labour and business costs were the overriding factor to undertake this analysis ex-post. When we are operating in an economy where businesses cannot operate, hire staff, generating no taxes as no revenue is incoming then the Cost Benefit Analysis methodology is flawed as there is bias in the data which will always provide an incomplete outcome.
 - vi. For 'Road Trips' the prevailing operating environment as well as the specific communication channels and approach of this campaign – utilising a heavy content-led approach and targeted upper funnel metrics – again meant this campaign was outside the realm of a normative tourism perspective.
3. In regard to target setting:
 - a. As per NSW Treasury's guidance in *Cost-Benefit Analysis Framework for Government Advertising and Information Campaigns*, and the Department of Customer Service own advice on evaluation, namely the process to set SMART communication objectives, agencies must have reliable and robust data sources to inform specific measures and targets.
 - b. Destination NSW submits it would not have been in keeping with NSW Treasury or Department of Customer Service's advice on measurement, target setting or evidenced data sources to establish complete measures and targets in such an unpredictable market environment with no comparable historical data modelling.
 - c. Destination NSW used its inhouse expertise to inform decision making and set targets and measures where these could be reliability informed, and refined campaign objectives and targets throughout campaign implementation based on monitoring the actual impacts.
 4. Due to the prevailing external economic market forces that impacted the ability of the campaigns to realise the intended impact targets, Destination NSW failed to meet a substantial proportion of the established outcome and impact targets of the campaigns. This negative conclusion penalises Destination NSW for events that were outside its control. If this is to be the situation, Destination NSW has a case not to proceed with urgent advertising designed to stimulate the Visitor Economy at the time.
 5. In relation to the signing of Government Advertising Certificates:
 - a. The Acting CEO of Destination NSW signed a compliance certificate based on the best available information at the time of signing as part of a larger remit to approve Destination NSW's annual expenditure on advertising, providing endorsement to release this information to its cluster, Department of Customer Service and DAPCO.
 - b. As per the Act, there is only general guidance on when to sign the certificate – prior to campaign commencement or in urgent circumstances, post a campaign commencement.
 - c. This approach of seeking head of agency compliance is consistent with Destination NSW's long-standing approach given the agency must supply and seek approval of an annual upper expenditure limit in advance as per protocols with any financial delegations.
 - d. When the Acting CEO signed on 28 February 2020, Destination NSW could not envisage the impact of COVID-19 or severity of ongoing bushfire threat or the extent of the tourism

- recovery efforts that would be required over the next 18 months, and are still impacting the agency and NSW Tourism today.
- e. We submit that the legislative requirement does not account for future events, which could occur at any time, no matter when the compliance certificate is signed. The head of an agency must make a determination on the date on signing.
 - f. Destination NSW provided best advice to its Acting CEO to mitigate efficiency and cost effectiveness through:
 - i. Extensive prior consultation with internal teams and external advisers and partners on the formulation of the three submissions under its expenditure request
 - ii. Prior review of content and expenditure based on available operational budget and in alignment with Destination NSW's financial procedures
 - iii. Alignment to Destination NSW strategic imperatives including the Visitor Economy Strategy 2030 (original version)
 - iv. Numerous briefing sessions with relevant stakeholders
 - v. Provision of extensive market experience over 10 years
 - vi. Utilising mandated existing whole of Government arrangements for media planning and buying, procurement of services that have been pre vetted
 - vii. Undertaking an annual plan and agreed approach for media strategy
 - viii. Ongoing governance and budgetary management controls and monitoring.
 - g. Again, as per the recommendation, if this is to be the situation, Destination NSW has a case not to proceed with urgent advertising designed to stimulate the Visitor Economy at the time if a negative finding is found.
6. Destination NSW and Department of Customer Service share a close relationship.
 - a. Destination NSW has continued to proactively engage the Department of Customer Service on delivery and finalisation of all necessary legislated requirements or compliance machinery for the campaigns in scope over an 18-month period.
 - b. Destination NSW finally received retrospective formal peer review completion from the Department of Customer Service for the Love Sydney campaigns under the master Destination Sydney campaign FY20/21 on 14 September 2021.
 - c. Destination NSW has also now finalised and provided the Department of Customer Service with all necessary legislated requirements for the Destination Regional campaign FY20/21 – which includes the Love NSW and Road Trips campaigns.
 - d. However on 20 September 2021, Destination NSW received communications from the Department of Customer Service that due to the 'time lapsed', it will 'no longer take any further actions for the peer review', and furthermore 'as the campaign has ended, peer review recommendations cannot be addressed or applied for this campaign and Department of Customer Service will note only that peer review is incomplete. Department of Customer Service will no longer be following up or taking action to manage peer reviews for campaigns that have ended'.
 - e. Destination NSW notes the advice and actions of the Department of Customer Service on finalisation of Peer Reviews changed over a week and that conflicting advice has been received by Destination NSW.
 - f. There are no legislative requirements, formalised advice or policy for ongoing Peer Review timelines or expectations are available.
 - g. Destination NSW notes that the Department of Customer Service's own peer review templates, namely the requirement to report on Objective outcomes and actual budget expenditure actually requires agencies to engage with Department of Customer Service in the post campaign period, and these are generally required within three months of campaign completion.
 7. Destination NSW did meet the CALD and Aboriginal Advertising Policy.
 - a. Destination NSW notes the 7.5% allocation can be for media or non-media as per Department of Customer Service's guidelines on CALD communications for NSW audiences only. This is an incorrect finding. This was further reinforced by communications with Department of Customer Service.
 - b. The finding does align with Destination NSW's response and approach. Namely Destination NSW's approach to audiences must include the filter "likely or planning to travel in the next

- 12 months". This will omit segments who do not have interest in travel, and CALD requirements are not applied to interstate investment.
- c. Destination NSW advertising is for intrastate, interstate and overseas visitor markets. This policy only applies to NSW audiences. There is a significant difference between the policy requirement to ensure that all citizens have equal access to government information than those who are part of a target audience for a campaign for travel. We have data that shows the propensity to travel for most 'do not speak English at home' audiences is lower - and as per the general population. In terms of maximising effectiveness and efficiency - if there is no intention to travel, we do not market these groups to maximise effectiveness.
 - d. Destination NSW is always committed to identify opportunities for CALD audiences –via events, product, marketing and experiences and will continue to include these audiences. We are working on alternate methodologies/partnerships with Department of Customer Service.

Recommendations

Destination NSW acknowledges the recommendations and will continue to be guided by the Act in its advertising activities. Destination NSW will review its processes in delivering urgent campaigns in relation to the recommendations detailed by 30 June 2022.

Destination NSW has always set SMART objectives and measurements. Destination NSW has been adopting Department of Customer Services' objective setting and reporting table from last financial year. We note, previous completed campaign effectiveness reports have never been questioned by Department of Customer Service.

Due only to the prolonged period of unprecedented interruption to the Tourism and Events industry caused by the 2019-20 Bushfires and the ongoing COVID-19 pandemic for the first time, Destination NSW could not always achieve the scoped linear process in the compliance machinery for urgent campaigns to support the Visitor Economy.

Consideration of the Act and Guidelines when statutorily reviewed should be given to the particular functions, activities and objects of Destination NSW. Destination NSW operates commercially in the majority of circumstances in promoting NSW to people outside of NSW and must operate with agility.

Destination NSW has always followed the process in delivering NSW Government advertising campaigns as per the Act.

We thank the Audit Office of NSW for this audit and look forward to continuing to deliver economic and social benefits for the people of NSW.

Yours sincerely,



Steve Cox
Chief Executive Officer

Appendix three – About the campaigns

Love Sydney campaign summary

The 'Love It Like You Mean It' campaign was designed to encourage Sydney residents to show their love for the city they live in and support businesses by treating themselves and enjoying Sydney experiences. This campaign focussed on encouraging Sydney residents to book a vacation in a local hotel, explore the city on a tour, book a table at a restaurant or bar or visit Sydney attractions.

The 'Get Your Sydney On' campaign had similar objectives, but was targeted outside Sydney, and specifically in South East Queensland, Victoria, regional New South Wales and the ACT.

Both campaigns were designed specifically in response to the COVID-19 pandemic, to encourage economic activity following periods of lockdown.

	Sydney - Love It Like You Mean It	Get Your Sydney On
Objectives	<ul style="list-style-type: none"> drive immediate action from Sydneysiders to plan and book activities in their own city to support businesses drive Sydneysiders to visit attractions, accommodation, retail and hospitality venues, museums and galleries by positioning Sydney as a world-renowned destination 	<ul style="list-style-type: none"> drive immediate action to plan and book a break in Sydney, reconnect with loved ones and experience a Sydney they may not have seen in a while drive people to visit attractions, retail and hospitality venues, museums and galleries by positioning Sydney as a world-renowned destination drive an increase in destination appeal, consideration and intention to visit Sydney drive overnight visitation, expenditure and increase length of stay.
Timing	October 2020–May 2021	April–June 2021
Target audiences	All Sydney residents	ACT, South-East Queensland, Victoria and regional New South Wales residents
Media Channels	Radio, Print, Digital, Out-of-Home, Television	Radio, Digital
Total planned budget (ex GST)	\$3,100,000	\$820,000
Actual media and other spend (ex GST)	Media: \$3,000,027 Production and research: \$64,300	Media: \$650,655 Production and research: \$189,102
Total actual cost (ex GST)	\$3,064,327	\$839,757

Exhibit 11: Examples of digital advertisements from the 'Get Your Sydney On' campaign



HALF PAGE 300X600



SKYSCRAPPER 160X600



MREC 300X250



Exhibit 12: Examples of print advertisements from the 'Sydney - Love It Like You Mean It' campaign



Exhibit 13: Example of 30 second radio advertisement from the 'Sydney - Love It Like You Mean It' campaign

Hey Sydneysiders, your city needs you.
 Art lovers, come visit a gallery, then compare notes over lunch. Foodies, don't make a meal of it, book a table!
 Fashionistas, hit the Inner West in style!
 Go full Eastern Suburbs and frock up!
 Or find out just how great our Greater Western Sydney can be.
 Book a city hotel room and rediscover the magic of Sydney.
 It's time to show some love for all your favourite places.
 Sydney, it's time to love it like you mean it.
 Go to Sydney-dot-com.

Love NSW campaign summary

Love NSW is a multi-year marketing campaign encouraging people to stay and spend locally in Sydney and New South Wales. The Love NSW campaign was launched on 8 February 2020 as part of a tourism recovery initiative following the 2019–20 bushfires.

A second phase of the Love NSW Campaign was launched in New South Wales in August 2020 to encourage New South Wales residents to travel within the state, and was subsequently extended to other states as domestic borders began to reopen.

Objectives	Assist the State's visitor economy recover from 2019–20 Bushfires and COVID-19 by encouraging dispersal to rural towns; via 1. increasing awareness and appeal of regional New South Wales 2. increasing consideration and intention to take a regional New South Wales holiday.
Timing	August 2020–April 2021
Target audiences	People aged 18–54 years residing in Sydney, regional New South Wales, ACT, South Australia, Queensland, and Victoria.
Media channels	Print, digital, out-of-home
Total planned budget (excluding GST)	\$1,443,350
Actual media and other spend (excluding GST)	Media: \$1,426,641 Production and research: \$240,972
Total actual cost (excluding GST)	\$1,667,613

The Love NSW campaign comprised a series of components which met different needs following developments in the COVID-19 pandemic. These are outlined in Exhibit 14.

Exhibit 14: Summary of components of the Love NSW campaign

Component	Expenditure
Now's the time to love - Bridging campaign	New South Wales travel restrictions had eased by August 2021 so there was a need to keep consistent messaging in-market to continue to encourage New South Wales residents to travel within the State. Activity ran through to the New South Wales September school holidays. At this time, multiple state borders were still closed and campaign messaging was delivered exclusively to a New South Wales audience. Campaign was digitally delivered.
Good Weekend	Campaign was designed as a content and reach extension of the Road Trips and Love NSW activity with the aim of driving audiences towards regional parts of New South Wales that had not fully recovered following bush fires and the COVID-19 pandemic. The campaign ran in November in New South Wales and Victoria. Some additional value components were included for March/April 2021.
Love Map	Designed to aid tourism recovery across New South Wales by inspiring residents of New South Wales and South Australia to explore New South Wales, directing them to the Love Map to provide them with a virtual experience to plan their trips. Campaign was digitally delivered via display and social.
Borders Re-Opening (South Australia, Queensland, Victoria)	Designed to celebrate the re-opening of interstate borders and drive audiences to choose New South Wales as their first destination of choice. The role of media was to encourage interstate visitation by driving awareness and consideration of what a holiday in New South Wales has to offer. Delivered through TV, print and digital.
Southern NSW	Help stimulate travel demand to the Sapphire Coast and the Murray regions due to loss of tourism income in 2020 from the bushfires and COVID-19. Campaign was delivered across social channels.

Source: Destination NSW, Love NSW Campaign Phase 2 Cost-Benefit Analysis.

Exhibit 15: Example of YouTube media from the Bridging campaign

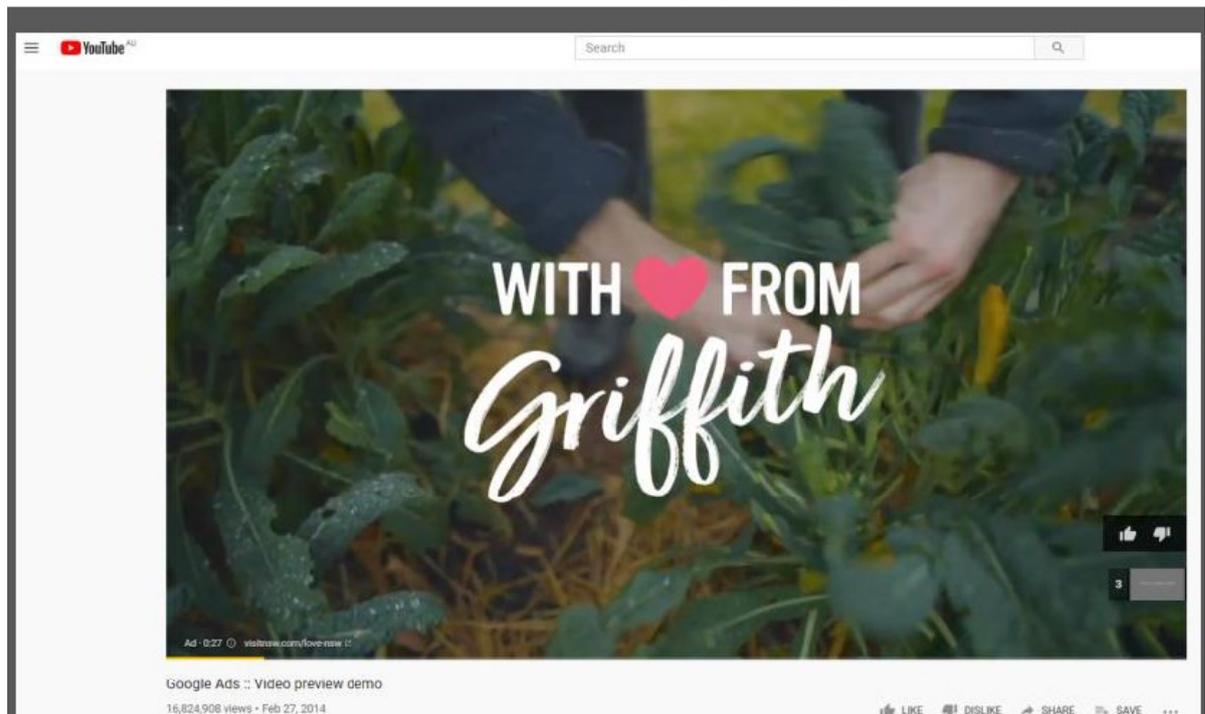


Exhibit 16: Example of Good Weekend cover from Love NSW campaign



Exhibit 17: Example of paid advertising for the Love Map campaign component

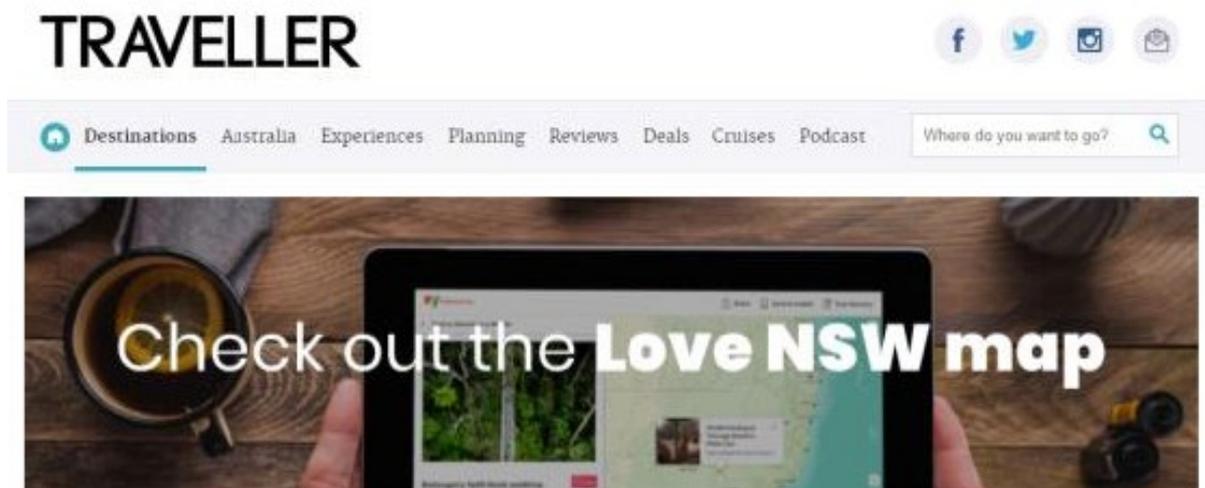


Exhibit 18: Example of advertising for the Borders Reopening campaign component



Exhibit 19: Example of social media advertising for the Southern NSW campaign component

 **Visit NSW** Sponsored · 🌐

Hold onto that holiday feeling and save your summer, one adventure at a time on the Murray River. Paddle, fish, picnic, repeat. #LoveNSW



VISITNSW.COM
Revive on the river
Love NSW

LEARN MORE

 **Visit NSW** Sponsored · 🌐

Save your summer with a seaside sojourn to the pristine Sapphire Coast for your next holiday. Bathers, hat, esky. Tick! #LoveNSW




Oysters fresh from the lake
Love NSW

LEARN MORE

Coastal Eden
Love NSW

Road Trips campaign summary

The NSW Road Trips strategy sought to leverage relaxations in domestic travel restrictions at the same time as continued restrictions on aviation and outbound travel. The objective of NSW Road Trips was to benefit New South Wales regional cities and towns who rely on the drive market to support their local communities.

The campaign was intended to be complementary to the Love NSW campaign.

Road Trips comprised two parts – content to 'push' consumers into longer and more varied road trips, and campaign activity to 'pull' consumers into certain locations.

Objectives	Assist the State's visitor economy recover from 2019–20 bushfires and COVID-19 by encouraging dispersal to rural towns; via <ol style="list-style-type: none"> 1. increasing awareness and appeal of regional New South Wales 2. increasing consideration and intention to take a regional New South Wales holiday.
Timing	November 2020–June 2021
Target audiences	Adults over 25 years old in Australia and New Zealand, particularly caravan and camper owners, food and wine lovers, wellness enthusiasts, adventure seekers, and music fans General adult population with New South Wales travel interest/frequent travellers.
Media channels	Digital and social, paid editorial partnerships, Geo-targeting technology, conversion partnership.
Total planned budget (excluding GST)	\$4,700,000
Actual media and other spend (excluding GST)	Media: \$2,342,387 Production and research: \$1,696,675
Total actual cost (excluding GST)	\$4,039,062

Exhibit 20: Example of billboard advertising for the Road Trips campaign

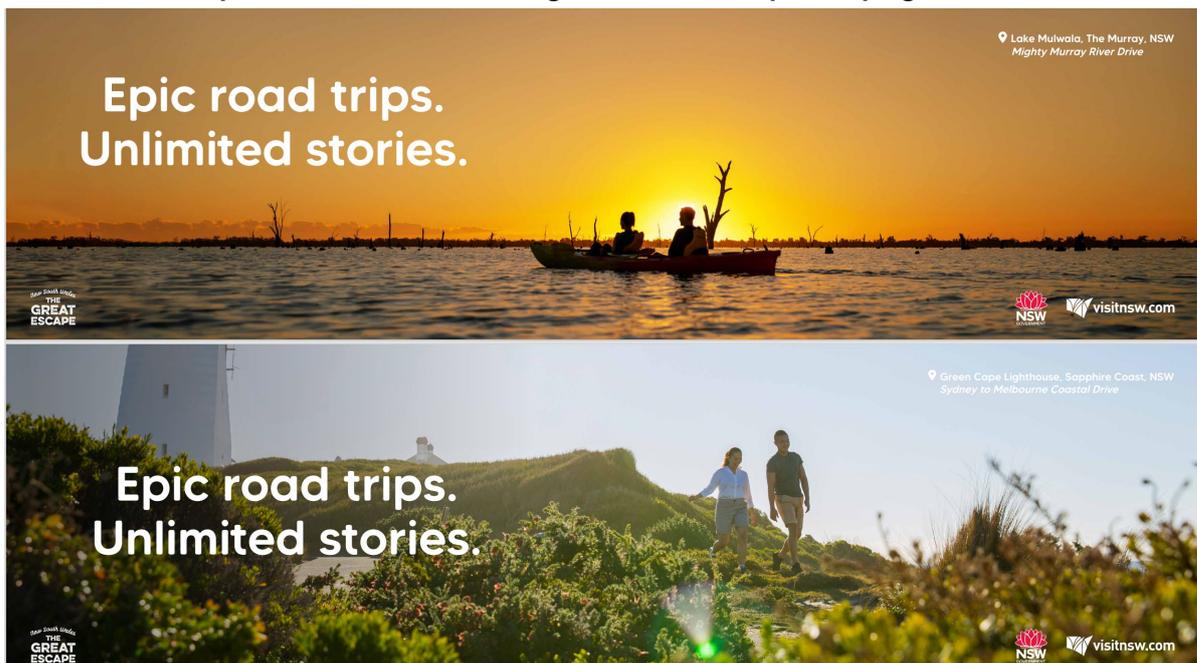
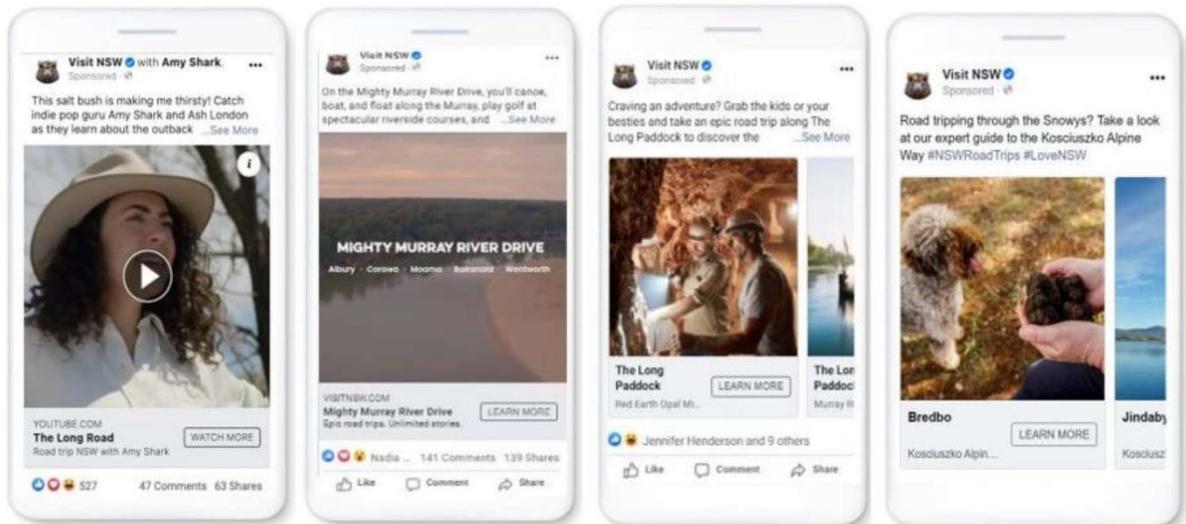


Exhibit 21: Example of 30 audio streaming advertisement from the Road Trips campaign

Craving an adventure?
Grab the kids, bring your furbaby, and get the engine running...
This year is the year of the New South Wales road trip.
(Music)
Wander through lush wine regions...
Sound effect: Whip bird
Listen to ancient stories...
Sound effect: Crickets, campfire crackling
Climb breath-taking mountains...
Or learn to surf your first wave.
Sound effect: Waves crashing on the shore.
Epic road trips and unlimited stories are waiting for you.
Click or tap the banner below for inspo on your next NSW road trip.

Exhibit 22: Example of social media advertising for the Road Trips campaign



Appendix four – About the audit

Audit objective

This audit assessed whether the selected government advertising campaigns were carried out effectively, economically and efficiently and in compliance with the *Government Advertising Act 2011*, the regulations, other laws and the Government Advertising Guidelines.

Audit criteria

We addressed the audit objective with the following audit criteria:

1. Did the selected advertising campaigns comply with the *Government Advertising Act 2011*, the regulations, other laws and the Government Advertising Guidelines?
 - a) The campaign is compliant with the *Government Advertising Act 2011*, the Government Advertising Regulation 2018, the NSW Government Advertising Guidelines and the NSW Government Advertising Handbook.
 - b) The campaign complied with other relevant laws, regulations and requirements, including:
 - Cost-Benefit Framework for Government Advertising and Information Campaigns
 - NSW Government Brand Guidelines
 - NSW Government evaluation framework for advertising and communications.
2. Were the selected government advertising campaigns carried out effectively, economically and efficiently?
 - a) The campaign had measurable targets which could be attributed to the campaign and which aligned with the objectives of the campaign.
 - b) The campaign achieved its targets and this was verified through post-campaign evaluation.
 - c) The agency demonstrated that the campaign was the most efficient way to achieve its objectives.
 - d) The agency achieved efficient expenditure on media placement.
 - e) The campaign was efficiently targeted to its intended audience.
 - f) The agency ensured value for money through its procurement.

Audit scope and focus

The audit examined the following three advertising campaigns conducted by Destination MSW in 2020–21:

- Love Sydney (which comprised two sub-campaigns being ‘Sydney - Love It Like You Mean It’ and ‘Get Your Sydney On’)
- Love NSW
- Road Trips.

Audit exclusions

The audit did not:

- examine government advertising framework issues unless directly relevant to in-scope campaigns (peer reviews, cost-benefit analysis, post campaign evaluations)
- examine the use of social media by agencies outside of paid social media spend for selected campaigns
- question the merits of government policy objectives.

Audit approach

Our procedures included:

1. Interviewing:
 - select staff from Destination NSW involved in campaign development and approval to discuss government advertising procedures and assess agency views on the effectiveness, efficiency and economy of the campaigns
 - Department of Customer Service staff to discuss their observations of the selected campaigns, role in the campaign approval process, and understanding of the application of the Act and Guidelines.
2. Examining:
 - a) campaign materials and documentation
 - b) documents evidencing internal controls/processes designed to ensure compliance with the Act, Regulations and Guidelines
 - c) DCS or cabinet approval of campaign budget (for campaigns approved in 2019–20)
 - d) documentation regarding targeting of intended audience, including any research, analysis or testing of message and medium (including targeting CALD and Aboriginal audiences)
 - e) peer review reports
 - f) compliance certificates
 - g) cost-benefit analysis
 - h) post-campaign evaluations.
3. Analysing data:
 - a) evidence of monitoring and evaluation regarding quality of advertising and public awareness of subject matter
 - b) campaign expenditure.

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 Standard ASAE 3500 'Performance Engagements' and other professional standards. The standards require 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 requirements specified in the *Government Sector Audit Act 1983* and the *Local Government Act 1993*.

Acknowledgements

We gratefully acknowledge the co-operation and assistance provided by Destination NSW and the Department of Customer Service.

Audit cost

The estimated cost of this audit including overheads is \$224,000.

Appendix five – Performance auditing

What are performance audits?

Performance audits determine whether State or local government entities carry out their activities effectively, and do 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 an audited entity, or more than one entity. They can also consider particular issues which affect the whole public sector and/or the whole local government sector. They cannot question the merits of government policy objectives.

The Auditor-General's mandate to undertake performance audits is set out in section 38B of the *Government Sector Audit Act 1983* for State government entities, and in section 421B of the *Local Government Act 1993* for local government entities.

Why do we conduct performance audits?

Performance audits provide independent assurance to the NSW Parliament and the public.

Through their recommendations, performance audits seek to improve the value for money the community receives from government services.

Performance audits are selected at the discretion of the Auditor-General who seeks input from parliamentarians, State and local government entities, other interested stakeholders and Audit Office research.

How are performance audits selected?

When selecting and scoping topics, we aim to choose topics that reflect the interests of parliament in holding the government to account. Performance audits are selected at the discretion of the Auditor-General based on our own research, suggestions from the public, and consultation with parliamentarians, agency heads and key government stakeholders. Our three-year performance audit program is published on the website and is reviewed annually to ensure it continues to address significant issues of interest to parliament, aligns with government priorities, and reflects contemporary thinking on public sector management. Our program is sufficiently flexible to allow us to respond readily to any emerging issues.

What happens during the phases of a performance audit?

Performance audits have three key phases: planning, fieldwork and report writing.

During the planning phase, the audit team develops an understanding of the audit topic and responsible entities 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 audited entity, program or activities are assessed. Criteria may be based on relevant legislation, internal policies and procedures, industry standards, best practice, government targets, benchmarks or published guidelines.

At the completion of fieldwork, the audit team meets with management representatives 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 management representatives to check that facts presented in the draft report are accurate and to seek input in developing practical recommendations on areas of improvement.

A final report is then provided to the head of the audited entity who is invited to formally respond to the report. The report presented to the NSW Parliament includes any response from the head of the audited entity. The relevant minister and the Treasurer are also provided with a copy of the final report. In performance audits that involve multiple entities, there may be responses from more than one audited entity or from a nominated coordinating entity.

Who checks to see if recommendations have been implemented?

After the report is presented to the NSW Parliament, it is usual for the entity's Audit and Risk Committee / Audit Risk and Improvement Committee to monitor progress with the implementation of recommendations.

In addition, it is the practice of Parliament's Public Accounts Committee 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 received by the NSW Parliament. These reports are available on the NSW Parliament website.

Who audits the auditors?

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

The Public Accounts Committee appoints an independent reviewer to report on compliance with auditing practices and standards every four years. The reviewer's report is presented to the NSW Parliament and available on its website.

Periodic peer reviews by other Audit Offices test our activities against relevant standards and better practice.

Each audit is subject to internal review prior to its release.

Who pays for performance audits?

No fee is charged to entities 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 or contact us on 9275 7100.

OUR VISION

Our insights inform and challenge government to improve outcomes for citizens.

OUR PURPOSE

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

OUR VALUES

Pride in purpose
Curious and open-minded
Valuing people
Contagious integrity
Courage (even when it's uncomfortable)

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Monday to Friday.