# CHAPTER 7: COMMUNICATION, ADVERTISING AND PROMOTIONAL EXPENDITURE

## Key findings of the Committee:

**7.1 The Auditor-General's September 2006 report on *Government advertising* is a valuable accountability document which should assist the government and Parliament in their ongoing pursuit of avenues for maintaining the highest standards in the delivery of advertising and communications programs.**

**7.2 Based on information submitted by departments, advertising and promotional expenditure in 2007-08 is likely to total at least $73 million.**

**7.3 Several departments advised the Committee that they do not develop a specific budget for advertising and promotional purposes as expenditure is determined by different organisational units according to program needs.**

**7.4 For greater accountability, the annual reporting responsibilities of departments should encompass measures to further improve disclosure of performance against budgets set for advertising and communications activities, in line with earlier recommendations of the Committee and the Auditor-General.**

## 7.1 Past coverage of subject by the Committee and the Auditor-General

Public debate concerning the magnitude and appropriateness of advertising and promotional expenditure by governments has been a frequent occurrence in Australian and international jurisdictions. Not surprisingly, therefore, this aspect of public administration has often been subject to official scrutiny.

### *7.1.1 Past audits by the Auditor-General on government advertising*

In Victoria, the Auditor-General has reported to Parliament on government advertising on four occasions over the last 11 years, the most recent in September 2006.[122] The reviews conducted by the Auditor-General have mainly centred on specific matters referred by Members of Parliament and the community to the Auditor-General's Office alleging that certain government–funded advertising or promotional campaigns contained party-political material and represented inappropriate use of public moneys.

In assessing such campaigns, the Auditor-General has drawn attention in reports over the years to the legitimate right of governments to engage in advertising and promotional activities such as explaining policies, programs and services, informing the public of their rights and entitlements and encouraging community behaviour (for example, respect for the environment and responsible use of scarce natural resources) regarded as in the public interest.

[122] Victorian Auditor-General's Office, *Government advertising*, September 2006

### Some key issues addressed in the Auditor-General's September 2006 report

As early as 1996, the Auditor-General called for the development of a convention in Victoria to provide guidance to government agencies on advertising and promotional expenditure.

An important initiative was subsequently taken by the government in October 2002 with the issue of guidelines for advertising and communications.[123] The guidelines set out:

- the basic principles applying to government advertising and communications;
- the objectives to be adopted by agencies for the use of public funds;
- areas which would constitute misuse of public funds and therefore to be avoided; and
- 13 desirable features of government communications in order to uphold the highest standards of fairness, equity, probity and public responsibility.

Other significant action by the government has involved the centralising within the Department of Premier and Cabinet of strategic responsibility for oversight of activities and coordination of whole of government advertising and communications.

The importance of governments adhering to appropriate forms of advertising and communications is clearly reinforced in the following comment of the Auditor-General in the Foreword to the September 2006 report:[124]

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

The Committee considers the Auditor-General's September 2006 report is highly informative in that it:

- outlines the results of its assessment of eight selected government-funded campaigns against the principles embodied in the government guidelines, with aspects of six of the campaigns considered to be inconsistent with the guidelines;
- presents a useful analysis of the following contemporary practices used in public sector advertising and communications in Victoria that, while likely to enhance efficient and effective delivery of information to the community, also have the potential to raise perceptions of political intent:
  - use of market research;
  - use of branding;
  - use of authorisations; and
  - links to websites.
- draws on the results of research of Australian and international practices conducted during the audit to present in an appendix a better practice guide identifying suggested criteria for government-funded publicity activities.

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[123] www.dpc.vic.gov.au, *Guidelines for Victorian Government Advertising and Communications*, accessed 25 July 2007

[124] Victorian Auditor-General's Office, *Government advertising*, September 2006, foreword

The Committee noted the general conclusion of the Auditor-General regarding the appropriate use of government advertising and information programs: [125]

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

The Auditor-General did examine a number of advertising campaigns and raised several issues. However, the matters were described as *'relatively minor issues of non-compliance'*.

In addressing the above issues, the report provides valuable input into the Parliament's and government's ongoing consideration of what is a complex but important aspect of public administration. The report should assist both the government and Parliament in their continuing pursuit of avenues for maintaining the highest standards in the delivery of government advertising and communication programs and further enhancing the accountability obligations of spending agencies.

One of the report's recommendations is that the government review its guidelines to provide more explicit and detailed guidance about the appropriate use of public funds for advertising. In its response to the report's executive summary, the Department of Premier and Cabinet stated:[126]

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

The Committee welcomes the government's commitment to reviewing its guidelines and looks forward to early disclosure of the results of that work. It noted that the current guidelines, available on the department's website, are an improvement on the previous guidelines. The Committee understands the review is still underway.[127]

The Committee recommends that:

**Recommendation 22:** **The government issue the revised guidelines for advertising and communications as soon as possible and that the guidelines be reviewed and updated every four years.**

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125 ibid.
126 ibid., p.13
127 www.dpc.vic.gov.au, accessed 25 July 2007

### 7.1.2 Importance of strengthening the guidelines

Like the Auditor-General, the Committee has addressed the subject of advertising and promotional expenditure by government on several occasions.

In its *Report on the 2004-05 Budget Outcomes* in April 2006, the Committee considered some matters relating to the enforceability of the advertising guidelines.[128] At the time, the Committee was aware of the impending report of the Auditor-General (subsequently released in September 2006). The Committee considered that the propensity for government advertising to attract recurring political and media attention warrants the introduction of a framework in Victoria that strengthens the enforcement of the guidelines. Such a framework would give greater assurance to Parliament and the community on the appropriateness of government expenditure.[129]

The fact that the Auditor-General found it necessary in September 2006 to again report that improvements are needed to achieve greater compliance with the guidelines accentuates the Committee's earlier comments.

The Committee considers that it is necessary to seek continuous improvement in the guidelines and their implementation. The Committee will continue to seek information from departments as a way of improving transparency.

The Committee noted that some jurisdictions have either adopted or recommended stronger accountability frameworks involving an expanded role for the Auditor-General.

For example, the Canadian province of Ontario introduced a law which became effective from 30 January 2006 that gives legislative status to the provincial standards established for government advertising. The law provides for advertising to be screened by the Auditor-General in advance of public release to ensure it is free of partisan content. The primacy of the Parliament in Ontario is maintained by the Auditor-General providing it with an annual report on the cost of advertising and any breach of the statute.[130]

Also, in Australia, the Senate Finance and Public Administration References Committee recommended in a December 2005 report that the Auditor-General assess advertising proposals valued at $250,000 or more when their creative content was finalised. The Auditor-General would also be required to report to Parliament periodically on the results of the audit assessments.[131]

The Committee noted that the Auditor-General already has the power to scrutinise advertising and promotional expenditure.

The Committee recommends that:

**Recommendation 23:** **The Auditor-General include, within the scope of performance audits of particular programs, an examination of advertising and communications expenditure and the extent of compliance with the government's guidelines.**

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128 Public Accounts and Estimates Committee, *Report on the 2004-05 Budget Outcomes*, April 2006, pp.135–137

129 ibid.

130 www.mgs.gov.on.ca, *Government Advertising Act 2004*, summarised on the website of the Ontario Ministry of Government Services, accessed 25 July 2007

131 Senate Finance and Public Administration References Committee, *Report on Inquiry into Government Advertising and Accountability*, December 2005

## 7.2 Advertising and promotional expenditure by departments

During its 2007-08 Budget Estimates inquiry, the Committee sought from each department the following financial information relating to their advertising and promotional activities:

- the communication, advertising and promotion budget for 2007-08;
- the actual expenditure incurred on communications, advertising and promotion in 2005-06 and 2006-07; and
- a break down of data according to like agencies, where possible, if machinery of government changes had impacted on the structure of the department.

The information received from departments is presented in table 7.1.

**Table 7.1: Departmental advertising and promotional (actual and budgeted) expenditure 2005-06 to 2007-08**

| Department | 2005-06 Actual ($ million) | 2006-07 Estimated Actual (g) ($ million) | 2007-08 Budget ($ million) |
|---|---|---|---|
| Education (a) | 3.9 | 3.0 | 3.0 |
| Human Services (b) | 15.1 | 12.5 | 12.1 |
| Infrastructure (c) | 9.3 | 6.9 | 14.3 |
| Innovation, Industry and Regional Development (d) | 20.5 | 18.2 | 18.7 |
| Justice (e) | 6.0 | 4.5 | 5.9 |
| Premier and Cabinet (f) | 3.0 | 2.9 | 3.0 |
| Primary Industries | 4.3 | 2.7 | 2.7 |
| Sustainability and Environment | 9.7 | 8.4 | 7.9 |
| Treasury and Finance | 1.6 | 1.4 | 1.5 |
| Victorian Communities | 3.7 | 3.5 | 3.5 |
| Parliamentary departments | 0.3 | 0.3 | 0.4 |
| **Total** | **77.4** | **64.3** | **73.0** |

*Notes:*

*(a) figures for 2007-08 take into account machinery of government changes which resulted in the transfer of the Office of Training and Tertiary Education to the Department of Innovation, Industry and Regional Development and the Adult, Community and Further Education function to the Department for Victorian Communities*

*(b) budget figure for 2007-08 is an initial estimate which is subject to the outcome of the department's business planning process and specific campaign activity*

*(c) these figures include advertising by Vic Roads and the Southern and Eastern Integrated Transport Authority*

*(d) these figures include Tourism Victoria*

*(e) the 2007-08 budgeted figure includes an allocation of $3.5 million for the Problem Gambling campaign which will carry over beyond 2007-08*

*(f) the department is not in a position to provide budgeted and actual data for its operations. Figures shown relate to the National Gallery of Victoria and the Museums*

*(g) the expected actual figures for 2006-07 provided by most departments represent expenditure at a point in time during the year and do not necessarily reflect expected expenditure for the full year*

*Sources: Responses to the Committee's 2007-08 Budget Estimates questionnaire*

The Committee noted that the recent report of the Auditor-General on advertising included a figure of over $160 million for advertising and communications in 2004-05.[132] That figure covered every statutory authority, entities such as the Grand Prix Corporation, and recruitment tender advertisements. The Committee understands it included costs of staffing, launches, printing and websites as well as direct advertising costs. The Auditor-General noted that, while the Commonwealth Games advertising had an impact on this figure, it was less than what was spent on advertising in 1998.

The Committee is concerned to ensure continued full reporting of all government expenditure on communications, advertising and promotion. There seems to be a considerable discrepancy between the $160 million figure in the Auditor-General's report and the returns provided by departments. This may well be because departments in their responses did not include all expenditure by statutory authorities and government-related entities including water authorities.

The Committee recommends that:

**Recommendation 24:** **Departments include expenditure on communications, advertising and promotion by all statutory authorities and government entities in future reporting to allow for full reporting and transparency.**

One of the efficiency measures to be implemented from 2007-08 under the government's *Efficient Government* policy involves a reduction in advertising expenditure.

Five departments: Education, Human Services, Premier and Cabinet, Primary Industries and Victorian Communities advised the Committee that they do not develop a central budget for communications, advertising and promotional activities. Each of these departments conveyed a broadly similar message that budgets for these activities are determined by their different organisational units according to specific program needs.

Some departments also indicated that their communications expenditure relates mainly to specific communications support for their core business rather than as a result of direct campaigns.

The status of the Committee's information requests to the five departments on this subject was included in the *Report on the 2007-08 Budget Estimates – Part One* and the *Report on the 2007-08 Budget Estimates – Part Two*. Four of the five departments have since furnished information to the Committee for inclusion in this report. In the case of the Department of Premier and Cabinet, which initially provided data for the National Gallery of Victoria and the museums, no further information was given in respect of its own operations. The final response from the department indicated that its earlier comment to the Committee for the purpose of the Part One report is *'an accurate statement of the way advertising and promotion is conducted'*.

Two recommendations relating to external reporting on advertising and communications included in the earlier mentioned Auditor-General's September 2006 report to Parliament were: [133]

> *That to improve public accountability, agencies should:*
>
> - *set a budget for advertising and communications; and*
> - *identify in their annual report the original budget, revisions to the budget and actual expenditure for government-funded advertising and communications. Variations should be explained.*

[132] Victorian Auditor-General's Office, *Government advertising*, September 2006, Executive summary, p.4
[133] ibid., p.7

*That agencies develop the capacity to accurately identify and report on the cost of their advertising and communications.*

The Committee in its previously mentioned April 2006 report recommended that the Department of Treasury and Finance expand the annual reporting requirements of departments to incorporate information on the cost and management of government advertising and promotional programs.[134] The Auditor-General's September 2006 report indicated that adoption of the recommendation would provide for greater public transparency. [135]

The government's response to the Committee's report was tabled in Parliament on 3 October 2006. It accepted in principle the Committee's recommendation on the expansion of annual reporting requirements for advertising and identified that existing financial reporting directions required departments to include in annual reports details of major promotional, public relations and marketing activities. The response also stated the Department of Treasury and Finance would continue to work with agencies to ensure that information disclosure is appropriate and relevant.[136]

The Committee now looks forward to considering the 2006-07 annual reporting cycle and the extent to which its recommendations and those of the Auditor-General are reflected in departmental reporting. The Committee would particularly like to see specific attention by agencies to the setting of specific cost budgets for advertising and communications activities and regular monitoring and reporting against budgets. Reported information could also differentiate between funds expended on government-wide and agency-specific publicity or promotional campaigns and on internal communications support provided for core programs.

The Committee recommends that:

**Recommendation 25:** **The Department of Treasury and Finance ensure, as part of its enhancements to annual reporting practices, that agencies identify and report on performance against advertising budgets, identifying key components of expenditure including government-wide or agency-specific publicity campaigns.**

134 Public Accounts and Estimates Committee, *Report on the 2004-05 Budget Outcomes*, p.137

135 Victorian Auditor-General's Office, *Government advertising*, September 2006, Executive summary, p.5

136 Victorian Government, response to the Committee's *Report on the 2004-05 Budget Outcomes*, tabled 3 October 2006, p.13