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# Appendix two – Response from agencies

## Response from Department of Customer Service



Customer  
Service

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Office of the Secretary

*Our reference: COR-08102-2021*

Ms Margaret Crawford  
Auditor-General  
NSW  
By email: [mail@audit.nsw.gov.au](mailto: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**