



# **Report of the Auditor General of Canada to the Board of Trustees of the National Gallery of Canada**

Independent Auditor's Report

Special Examination—2019



Office of the  
Auditor General  
of Canada

Bureau du  
vérificateur général  
du Canada





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## Special examination reports

Special examinations are a form of performance audit that is conducted within Crown corporations. The Office of the Auditor General of Canada audits most, but not all, Crown corporations.

The scope of special examinations is set out in the *Financial Administration Act*. A special examination considers whether a Crown corporation's systems and practices provide reasonable assurance that its assets are safeguarded and controlled, its resources are managed economically and efficiently, and its operations are carried out effectively.

More details about the audit objective, scope, approach, and sources of criteria are in About the Audit at the end of this report.

*Ce document est également publié en français.*

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Cat. No. FA3-152/2019E  
ISBN 978-0-660-30134-1





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du Canada

10 June 2019

To the Board of Trustees of the National Gallery of Canada:

We have completed the special examination of the National Gallery of Canada in accordance with the plan presented to the Audit and Finance Committee of the Board of Trustees on 11 June 2018. As required by section 139 of the *Financial Administration Act*, we are pleased to provide the attached final special examination report to the Board of Trustees.

The Office of the Auditor General of Canada will present this report for tabling in Parliament shortly after it has been made public by the National Gallery of Canada.

I would like to take this opportunity to express my appreciation to the Board members, management, and the Corporation's staff for the excellent cooperation and assistance offered to us during the examination.

Yours sincerely,

Dusan Duvnjak, CPA, CMA, MBA  
Principal



# Table of Contents

<b>Introduction</b>	<b>1</b>
Background .....	1
Focus of the audit .....	2
<b>Findings, Recommendations, and Responses</b>	<b>2</b>
Corporate management practices .....	3
The Corporation had weaknesses in Board oversight, external performance reporting, and risk management .....	3
Management of operations .....	11
The Corporation had a significant deficiency in collection conservation and improvements were needed in other operational areas .....	11
<b>Conclusion</b>	<b>21</b>
<b>About the Audit</b>	<b>22</b>
<b>List of Recommendations</b>	<b>26</b>





# Introduction

## Background

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### Role and mandate

1. The National Gallery of Canada is a federal Crown corporation with a mandate under the *Museums Act* to develop, maintain, and make known, throughout Canada and internationally, a collection of works of art, both historic and contemporary, with special but not exclusive reference to Canada. It also has a mandate to further knowledge, understanding, and enjoyment of art in general among all Canadians. The Corporation reports to Parliament through the Minister of Canadian Heritage.

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### Nature of business and operating environment

2. The National Gallery of Canada is located in Ottawa (Exhibit 1). It also operates an exhibition space, the Canada Pavilion, in Venice, Italy.

3. In the 2017–18 fiscal year, the Corporation reported that its Ottawa location had about 385,000 visitors and that Canada's exhibition at the 2017 Venice Biennale had an attendance of just over 400,000. Furthermore, about 175,000 people visited the Corporation's travelling exhibitions or viewed programs organized with its partners. Many more individuals visited the Corporation's website.

4. The Corporation's expenses totalled \$70.5 million in the 2017–18 fiscal year. Its revenue totalled \$67.8 million and consisted of \$48.1 million in government appropriations and other revenue it received of \$19.7 million. This other revenue consisted of \$12.4 million in sponsorships and contributions, including contributed items for the collection, and \$7.3 million raised through such activities as boutique and publication sales, admissions, and parking fees. The Corporation had approximately 240 full-time equivalent employees.

### Exhibit 1 The National Gallery of Canada in Ottawa



Photo: © National Gallery of Canada

## Focus of the audit

5. Our objective for this audit was to determine whether the systems and practices we selected for examination at the National Gallery of Canada were providing it with reasonable assurance that its assets were safeguarded and controlled, its resources were managed economically and efficiently, and its operations were carried out effectively as required by section 138 of the *Financial Administration Act*.

6. In addition, section 139 of the *Financial Administration Act* requires that we state an opinion, with respect to the criteria established, on whether there was reasonable assurance that there were no significant deficiencies in the systems and practices examined. A significant deficiency is reported when the systems and practices examined did not meet the criteria established, resulting in a finding that the Corporation could be prevented from having reasonable assurance that its assets are safeguarded and controlled, its resources are managed economically and efficiently, and its operations are carried out effectively.

7. Based on our assessment of risks, we selected systems and practices in the following areas:

- corporate management practices, and
- management of operations.

The selected systems and practices and the criteria used to assess them are found in the exhibits throughout the report.

8. We did not examine the quality of treatments that the Corporation's employees applied to art objects.

9. More details about the audit objective, scope, approach, and sources of criteria are in **About the Audit** at the end of this report (see pages 22–25).

## Findings, Recommendations, and Responses

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### Overall message



10. We found that the Corporation had a significant deficiency in how it managed collection conservation. Some requirements of its Conservation Policy were not met. For example, it did not have an approved plan for the conservation of technology-dependent art objects. We also found that the Corporation lacked written formal procedures and guidelines for the approval, documentation, and review of treatment-related activities, and for ensuring that such activities were accurately tracked and reported. We noted that the Corporation had some good conservation-related practices, such as controlling environmental conditions and access to its collection.

11. The Corporation developed its collection and delivered a range of exhibitions, as well as educational and public programs, in keeping with its mandate. However, we found that the Corporation needed to improve how it carried out these activities. For example, despite some recent progress, the Corporation still lacked sufficient guidelines and tools for planning and delivering its operations. Furthermore, the Corporation developed its collection without explicitly assessing its acquisitions against the priorities identified in its corporate plan for art acquisition. Consequently, it could not readily determine whether its priorities were being met.

12. At the corporate management level, the Corporation had many good practices, including the Board's involvement in the strategic direction setting and monitoring of the Corporation's activities against its corporate plan. However, we found weaknesses in how the Corporation monitored its management of key corporate risks and how it reported results. Because we found weaknesses that had been reported in our 2009 special examination—and identified in internal audits—we determined that stronger Board oversight was needed to ensure that identified weaknesses could be addressed in a reasonable amount of time. Likewise, the significant deficiency in how the Corporation managed collection conservation demonstrated the need to strengthen Board oversight of compliance with corporate policies.

## Corporate management practices

### The Corporation had weaknesses in Board oversight, external performance reporting, and risk management

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#### What we found

13. The Corporation had some good corporate management practices. However, the Board did not have the oversight mechanisms it needed to ensure that the Corporation complied with its policies and addressed weaknesses identified through audits within a reasonable time. The Corporation also identified the risks to achieving its strategic objectives, but lacked detailed action plans for mitigating them—and consequently lacked comprehensive monitoring and reporting on their management. Furthermore, while the Corporation had good internal performance monitoring and reporting against its corporate plan, its annual report lacked clear information for external stakeholders on the Corporation's performance against expectations.

14. Our analysis supporting this finding discusses the following topics:
- Corporate governance
  - Strategic planning and performance measurement, monitoring, and reporting
  - Corporate risk management

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## Context

15. The Board of Trustees is responsible for the overall management of the Corporation and for ensuring achievement of its mandate. The *Museums Act* requires the Corporation to have a Board that includes a Chairperson, a Vice-Chairperson, and up to nine other trustees, who are appointed by the Minister of Canadian Heritage with the **Governor in Council's** approval. As of August 2018, after the recent appointment of a new Chairperson, a Vice-Chairperson, and five other trustees, the Board had one vacancy and three trustees whose terms had expired but who continued in office while awaiting appointments, as permitted by the Act. The Board is supported by six standing committees: Executive, Acquisitions, Audit and Finance, Governance and Nominating, Human Resources, and Programmes and Advancement.

16. Annually, the Corporation must submit a five-year corporate plan to the Minister of Canadian Heritage, for ultimate approval by the government. As a type of strategic plan, the corporate plan sets out objectives, strategies, and performance measures and targets. Once it is approved, a summary of the corporate plan is tabled in Parliament and becomes public. On 26 March 2018, the government approved the Corporation's corporate plan covering the 2017–18 to 2021–22 fiscal years. The plan covering 2018–19 to 2022–23 was approved on 22 November 2018. Corporations are required to operate in a manner consistent with the most recently approved corporate plan.

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## Recommendations

17. Our recommendations in this area of examination appear at paragraphs 23, 27, and 33.







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**Governor in Council**—The Governor General, acting on the advice of Cabinet, as the formal executive body that gives legal effect to those decisions of Cabinet that are to have the force of law.





## Corporate governance

18. **Analysis.** We found that the Corporation had good corporate governance systems and practices. However, we found weaknesses in Board oversight (Exhibit 2).

### Exhibit 2 Corporate governance—key findings and assessment

Systems and practices	Criteria used	Key findings	Assessment against the criteria
Board independence	The Board functioned independently.	<p>The Corporation's Governance Policy established the Board's independence from day-to-day management.</p> <p>The Board held closed sessions without management in attendance.</p> <p>Board members completed annual declarations expressing their adherence to the Corporation's Code of Conduct and reporting on any conflicts of interest.</p>	
Providing strategic direction	The Board provided strategic direction.	<p>The Board provided strategic direction through review and approval of corporate plans prepared by management.</p> <p>The Board set the Chief Executive Officer's annual performance objectives, which aligned with the Corporation's strategic direction.</p>	
Board oversight	The Board carried out its oversight role over the Corporation.	<p>The Board regularly discussed the Corporation's financial status, progress against targets, and various initiatives.</p> <p>The Board assessed the Chief Executive Officer's performance.</p> <p>The Corporation's internal audit function contributed to the Board's oversight.</p> <p><b>Weaknesses</b></p> <p>The Board did not systematically monitor the Corporation's compliance with its policies.</p> <p>The Board did not ensure that weaknesses identified in audits were addressed in a timely manner.</p>	
<b>Legend—Assessment against the criteria</b> <ul style="list-style-type: none"> <li> Met the criteria</li> <li> Met the criteria, with improvement needed</li> <li> Did not meet the criteria</li> </ul>			

## Exhibit 2 Corporate governance—key findings and assessment (continued)

Systems and practices	Criteria used	Key findings	Assessment against the criteria
Board appointments and competencies	The Board collectively had the capacity and competencies to fulfill its responsibilities.	<p>The Board established a profile of the skills, knowledge, and expertise it needed, and provided information on its needs to the Department of Canadian Heritage to assist in the appointment processes.</p> <p>The Board engaged external advisers to provide advice on art acquisitions.</p> <p>The Corporation had an orientation program for new Board members.</p>	
<b>Legend—Assessment against the criteria</b>  Met the criteria  Met the criteria, with improvement needed  Did not meet the criteria			

19. **Weaknesses—Board oversight.** We found weaknesses in how the Board monitored the Corporation's compliance with corporate policies and the Corporation's response to recommendations by internal audit and our 2009 special examination.

20. Under the Corporation's Governance Policy, the Board has overall responsibility for ensuring compliance with the Corporation's policies. The Board reviewed and approved policies on a five-year cycle, according to a set schedule. However, we found that the Board did not systematically identify key policy requirements that it should monitor to ensure the Corporation's compliance. We found examples where the Corporation had not met policy requirements, such as having an approved plan for the conservation of technology-dependent works of art, as required under its Conservation Policy (see paragraph 58).

21. The Corporation carried out internal audits, with the results reported to the Board's Audit and Finance Committee. Management also updated the committee on the implementation of its responses to audit recommendations. However, several weaknesses discussed in this report, such as the need to strengthen operational planning (see paragraphs 45 to 49), had also been identified in internal audits years before, as well as in our previous special examinations. The Corporation was working to address some of them at the time of this audit.

22. These weaknesses matter because the Board must have confidence that the Corporation is complying with corporate policies and is promptly addressing known weaknesses in its systems and practices.






23. **Recommendation.** The Corporation's management should work with the Board to identify ways to ensure that key policy requirements are met and that identified weaknesses in the Corporation's systems and practices are addressed in a timely manner.

*The Corporation's response.* Agreed. By 31 March 2020, the Corporation's management will have worked with the Board to identify ways to systematically monitor the Corporation's compliance with its policies. The Board and management will ensure that weaknesses identified through audits are addressed, as appropriate, in a timely manner.





**Strategic planning and performance measurement, monitoring, and reporting**

24. **Analysis.** The Corporation had good systems and practices for strategic planning, performance measurement, and internal monitoring and reporting. However, we found a weakness in external reporting of performance (Exhibit 3).

**Exhibit 3 Strategic planning and performance measurement, monitoring, and reporting—key findings and assessment**

Systems and practices	Criteria used	Key findings	Assessment against the criteria
Strategic planning processes	The Corporation established a strategic plan and strategic objectives that were aligned with its mandate.	<p>The Corporation prepared strategic plans as part of its annual corporate planning process.</p> <p>The Corporation defined a strategic direction that aligned with its mandate and authorities, as set out in the <i>Museums Act</i>.</p> <p>The Corporation took into consideration its internal and external environments when preparing its corporate plan.</p>	
Performance measurement	The Corporation established performance indicators in support of achieving its strategic objectives.	The Corporation established both quantitative and qualitative performance indicators to assess achievement of its strategic objectives, priorities, and key deliverables, which aligned with its strategic direction.	
<b>Legend—Assessment against the criteria</b>  Met the criteria  Met the criteria, with improvement needed  Did not meet the criteria			

**Exhibit 3 Strategic planning and performance measurement, monitoring, and reporting—key findings and assessment (continued)**

<b>Systems and practices</b>	<b>Criteria used</b>	<b>Key findings</b>	<b>Assessment against the criteria</b>
Performance monitoring and reporting	The Corporation monitored and reported on progress in achieving its strategic objectives.	<p>Management monitored implementation of the Corporation's strategic priorities against its key deliverables and targets, and reported quarterly to the Board.</p> <p>Management monitored its key performance indicators and reported this information quarterly to the Board.</p> <p>The Corporation's departments reported regularly to the executive management, the Board, and its committees.</p> <p>The Corporation held an annual public meeting.</p> <p><b>Weakness</b></p> <p>The Corporation's annual report did not provide a clear and complete assessment of its performance against the strategic objectives and targets set in its publicly available corporate plan summary.</p>	
<p><b>Legend—Assessment against the criteria</b></p> <p> Met the criteria</p> <p> Met the criteria, with improvement needed</p> <p> Did not meet the criteria</p>			

25. **Weakness—Performance reporting.** We found that, in its annual report, the Corporation had not reported clearly and against all the strategic objectives and targets in its corporate plan summary, which was available to the public. The Corporation did report this information internally, but readers of the annual report would not be able to assess whether all the strategic objectives and targets had been met or exceeded. In our 2009 special examination, we recommended that the Corporation report its performance in line with its objectives.

26. This weakness matters because external reporting of achievements against corporate objectives to government, Parliament, and Canadians is vital for public accountability.

27. **Recommendation.** The Corporation should communicate in its annual reports the results it achieved in a manner that clearly links them to the planned results, objectives, and targets in its corporate plan summaries.









**The Corporation's response.** Agreed. The Corporation's annual report includes an assessment of corporate performance against major business lines and activities. The Corporation will ensure that its 2018–19 and subsequent annual reports include an assessment of results that is clearly linked to all objectives and targets set forth in its corporate plan summaries.

#### Corporate risk management

28. **Analysis.** We found that the Corporation had good systems and practices in risk identification and assessment, but there were weaknesses in risk mitigation, monitoring, and reporting (Exhibit 4).

**Exhibit 4 Corporate risk management—key findings and assessment**

Systems and practices	Criteria used	Key findings	Assessment against the criteria
Risk identification and assessment	The Corporation identified and assessed risks to achieving its strategic objectives.	The Corporation identified corporate risks and assessed their likelihood and impact.  The Corporation had a Board-approved Policy on Risk Management.	
Risk mitigation	The Corporation defined and implemented risk mitigation measures.	The Corporation had recently prepared a business continuity plan to help it continue critical operations in the event of a serious, unexpected interruption.  The Corporation recently completed an internal audit on cybersecurity, as part of its risk-based audit plan.  <b>Weaknesses</b>  The Corporation's risk management practices lacked action plans, which would include timelines for mitigating risks.  The Corporation had not defined and documented its risk tolerance levels.	
Risk monitoring and reporting	The Corporation monitored and reported on the implementation of risk mitigation measures.	The Corporation reported summary information on top risks to the Board and the government through its corporate plan.  <b>Weakness</b>  The Corporation was unable to comprehensively monitor how top risks were being managed.	
<b>Legend—Assessment against the criteria</b>  Met the criteria  Met the criteria, with improvement needed  Did not meet the criteria			

29. **Weaknesses—Risk mitigation, monitoring, and reporting.**

The Corporation identified top risks to achieving its strategic objectives through an assessment of their likelihood and impact, and developed broad risk mitigation strategies. However, we found that it did not define risk tolerance levels and lacked detailed plans identifying actions, along with timelines, to minimize the impact of specific risks. We also found that, without these detailed plans, the Corporation was unable to monitor how those risks were being managed, and consequently it was unable to report on them.

30. We noted that despite these weaknesses, management was addressing and reporting on key risks through other business practices. For example, one risk was a lack of storage space for art objects; officials were taking several actions to address the issue, and reporting them to the Board.

31. In our 2009 special examination, we recommended that the Corporation update its risk assessment annually to ensure that timely information would be available for planning and monitoring mitigation strategies. Furthermore, in 2016, the internal auditor recognized the absence of a formal enterprise risk management program and suggested next steps for strengthening the Corporation's risk management practices—for example, by implementing systematic risk monitoring and reporting.

32. These weaknesses matter because the Corporation needs to ensure that it has effective measures to mitigate risks that threaten its service to the public or could lead to other types of losses, such as damage to its collection. The Corporation also needs to put in place specific actions and timelines for risk responses, so that management and the Board can monitor them comprehensively.

33. **Recommendation.** The Corporation should establish risk tolerance levels and manage its risks by establishing action plans that are specific, time-bound, and measurable. Management and the Board should monitor how the Corporation carries out those plans.

***The Corporation's response.** Agreed. By 31 March 2020, the Corporation will strengthen its risk management practices by establishing risk tolerance levels as well as developing risk-mitigation action plans for its major risks and ensuring that these action plans are monitored by management and the Board.*

## Management of operations

### The Corporation had a significant deficiency in collection conservation and improvements were needed in other operational areas

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#### What we found

34. The Corporation developed and maintained its collection, and implemented a range of exhibitions and educational and public programs, in keeping with its mandate.

35. However, we found a significant deficiency in how it managed its conservation activities. Although the Corporation provided good environmental conditions and controlled physical access to its collection, we found instances where the Corporation did not comply with its Conservation Policy. While we did not examine the quality of treatments that the Corporation's employees applied to art objects, we found that the Corporation lacked written formal procedures and guidelines for those treatments. Such procedures and guidelines would specify how treatment-related activities should be approved, documented, reviewed, tracked, and reported.

36. We also found weaknesses in other areas. For example, the documentation to support operational planning varied across the Corporation's departments. While there was generally good monitoring and reporting of the acquisition of individual art objects, the Corporation did not monitor or report on implementation of its 2015 art acquisition plan. We also noted that the Corporation had made some progress in establishing formal procedures for the management of exhibitions and educational and public programs, but opportunities for improvement remained.

37. Some of our findings in management of operations had been identified by internal audits and our 2009 special examination.

38. Our analysis supporting this finding discusses the following topics:

- Operational planning and performance monitoring and reporting
- Collection development and conservation
- Exhibitions and educational and public programs

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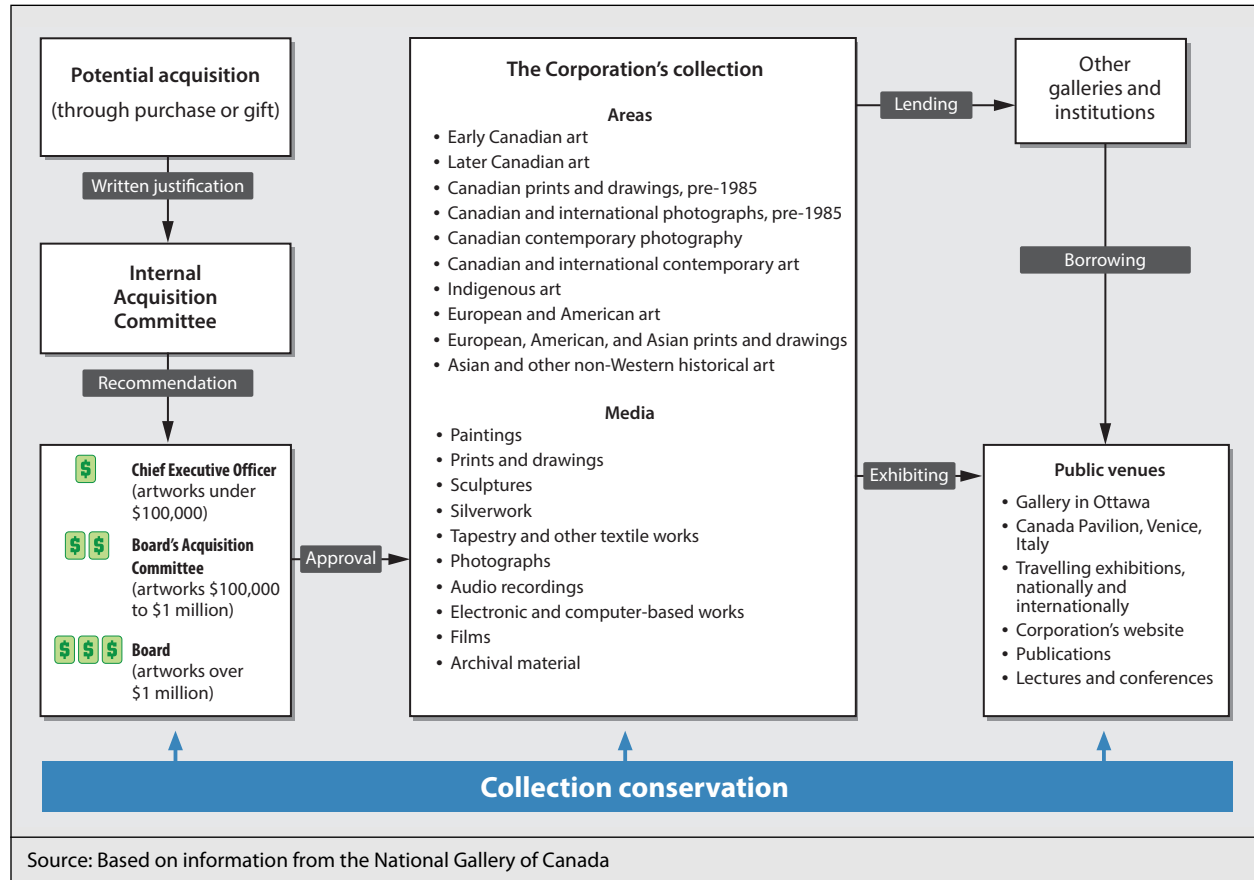
#### Context

39. The Corporation's key business activities consisted of developing and conserving its collection, delivering exhibitions, and delivering educational and public programs.

40. **Collection development and conservation.** During the period of the audit, the Corporation had about 78,000 art objects in its collection, not including 16,000 donated pieces that it was reviewing for possible addition to its collection, and 115,000 negatives and transparencies from the National Film Board. The Corporation added to its collection

through purchases, using \$8 million of its annual budget provided by the government for acquisitions, and through accepting donated art. Its acquisitions during the 2017–18 fiscal year were valued at \$14.2 million. Acquisitions were assessed by curators who specialized in the Corporation’s art collecting areas. Acquisitions were approved by either the Chief Executive Officer, the Board’s Acquisitions Committee, or the full Board, depending on their value (Exhibit 5).

**Exhibit 5 The Corporation develops, maintains, and makes known its collection of works of art**



41. The Corporation’s art conservation program was governed by its Conservation Policy. Program activities included prevention of deterioration and damage, scientific examination and research, documentation, conservation treatment, management of risk in exhibiting and lending art, and education. The Corporation’s conservators, many of whom had advanced formal education in conservation, performed tasks such as assessing the condition of art objects, and cleaning, repairing, and restoring them. Other staff members performed functions critical to safeguarding the art objects, such as preparing objects from the collection for transportation, maintaining physical security and proper environmental conditions, and tracking their location.

42. **Exhibitions and educational and public programs.** Exhibitions and educational and public programs are key means by which the Corporation makes its collection known and furthers knowledge and enjoyment of art. Exhibitions are complex endeavours involving employees across the Corporation—as well as external stakeholders, when the Corporation engages other organizations to borrow and lend art. The Corporation displays art objects within its galleries through permanent and temporary exhibitions in Ottawa and Venice, and through touring exhibitions and images online. Examples of recent installations and exhibitions in Ottawa include the following:

- Canadian and Indigenous Galleries: newly reinstated permanent galleries showcasing paintings, sculptures, prints, photographs, and decorative art objects from across Canada;
- James Wilson Morrice: The A.K. Prakash Collection in Trust to the Nation, a touring exhibition on one of Canada’s modernist painters; and
- Impressionist Treasures: The Ordrupgaard Collection, a borrowed exhibition of paintings from Denmark’s renowned collection of European Impressionist and Post-Impressionist art.

Educational and public programs include tours for school groups of various grades, guided tours, family-oriented activities, lecture series, guest speakers, children’s camps, workshops, and in-gallery interactive experiences.

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## Recommendations






43. Our recommendations in this area of examination appear at paragraphs 50, 55, 62, and 68.

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## Operational planning and performance monitoring and reporting

44. **Analysis.** We found that the Corporation had weaknesses in systems and practices for operational planning and performance monitoring and reporting (Exhibit 6).

**Exhibit 6 Operational planning and performance monitoring and reporting—key findings and assessment**

<b>Systems and practices</b>	<b>Criteria used</b>	<b>Key findings</b>	<b>Assessment against the criteria</b>
Operational planning	The Corporation defined operational plans that were aligned with its strategic plans and the mandate.	<p>The planning documents we examined were consistent with the Corporation's mandate.</p> <p>Performance objectives for individual managers were framed around objectives set out in corporate plans.</p> <p><b>Weakness</b></p> <p>The quality of operational planning varied across departments.</p>	
Performance monitoring and reporting	The Corporation monitored and reported on its operational results.	<p>The Corporation evaluated employee performance annually.</p> <p>Management reported quarterly to the Board on operational activities with both quantitative and qualitative information, key performance indicators, and progress in implementing deliverables in support of strategic objectives.</p> <p>Management's Exhibitions Program Committee monitored exhibitions.</p> <p>The Corporation periodically conducted evaluations of various public programs.</p> <p>The Corporation performed a verification to confirm the presence of selected art objects listed in its collection management system.</p> <p><b>Weakness</b></p> <p>The Corporation did not systematically monitor and report on the implementation of its art acquisition plan.</p>	
<p><b>Legend—Assessment against the criteria</b></p> <p> Met the criteria</p> <p> Met the criteria, with improvement needed</p> <p> Did not meet the criteria</p>			

45. **Weakness—Operational planning.** Although operational planning overall was adequate, we found that it varied across the Corporation's departments and that there were opportunities for improvement.

46. Apart from templates to develop employee performance plans and corporate-level budgetary allocations, the Corporation did not have guidelines on how to perform operational planning. Consequently, individual departments adopted their own practices.

47. Operational planning documents prepared by departments included schedules, manager assignments, and task breakdowns. However, the extent and quality of this documentation varied among departments. For example:

- The Education and Public Programs department prepared a reasonably detailed list of activities to be delivered during the 2017–18 fiscal year, but this was not formally approved. Also, several activities were not carried out, for reasons such as workload issues and lack of funds.
- The Conservation and Technical Research department did not have any operational planning documents except for the employee performance plans and corporate-level budgetary allocations provided by the Corporation.
- The objectives set in some senior managers' performance plans did not include some of the objectives assigned to their functions in the corporate plan.

48. Recommendations for strengthening the Corporation's operational planning were made in our previous special examinations, in the internal audit on governance conducted in the 2012–13 fiscal year, and in the 2014–15 internal audit on educational and public programs.

49. This weakness matters because sound operational planning is needed to help the Corporation successfully fulfill corporate objectives and allow management to monitor progress.

50. **Recommendation.** The Corporation should strengthen its operational planning so that it sets out deliverables, time frames, targets, responsibilities, and required financial and human resources, and considers operational risks. These plans should be formally approved.

***The Corporation's response.** Agreed. By January 2021, the Corporation will take steps to strengthen its operational planning for each key activity in order to successfully fulfill corporate objectives. The Corporation will also put in place a practice to have operational plans formally approved by management.*

51. **Weakness—Performance monitoring and reporting.** We found that the Corporation did not systematically monitor and report on implementation of its art acquisition plan.

52. The Corporation's current corporate plan for art acquisition was developed and presented by management to the Board in 2015. It described strengths and weaknesses of the collection, and it set priorities for acquiring art, ranging from works of specific artists to broad genres.

53. Management reported individual art acquisitions with written justifications to the Board. It also provided the status of its \$8-million annual purchase budget, which was largely unallocated at the beginning of fiscal years, to provide flexibility for the Corporation to capitalize on opportunities as they emerged. While individual curators prepared acquisition work plans for their respective art collecting areas, we found that management did not monitor and report to the Board on the implementation of the corporate plan for art acquisition. We also observed that the plan did not fully align with collection development priorities set out in a more recent plan prepared by the Corporation's photography division. For example, the photography division's plan set acquiring works of certain photographers as a top priority, but this was not indicated as a priority in the Corporation's plan.

54. This weakness matters because without monitoring and reporting on implementation of the art acquisition plan, the Corporation cannot readily assess its performance in addressing its priorities and consider whether adjustments ought to be made.

55. **Recommendation.** The Corporation should monitor and report on implementation of its art acquisition plan, and make adjustments as appropriate.






***The Corporation's response.** Agreed. By 31 March 2021, the Corporation agrees to implement systems and practices to monitor and report on the implementation of its art acquisition plan in order to assess its performance against stated acquisition priorities. The Corporation will also revise the acquisition plan to better reflect the nature of the art market, which sometimes requires seizing opportunities when they arise.*



**Collection development and conservation**

56. **Analysis.** We found that the Corporation had good systems and practices for collection development. However, we found a significant deficiency in the systems and practices for collection conservation (Exhibit 7).

**Exhibit 7 Collection development and conservation—key findings and assessment**

Systems and practices	Criteria used	Key findings	Assessment against the criteria
Collection development	The Corporation developed its collection of historical and contemporary art, with special but not exclusive reference to Canada.	<p>The Corporation had a Board-approved Acquisitions Policy.</p> <p>The art acquisitions that we examined were supported by written justifications covering most Acquisitions Policy requirements, and were properly authorized.</p>	
Collection conservation	The Corporation preserved its collection for future generations of Canadians.	<p>The Corporation examined the condition of art objects and considered their conservation needs when deciding to acquire, display, and lend works of art.</p> <p>The Corporation had set temperature and humidity standards for the storage and display of art at its facilities, and monitored conditions against those standards.</p> <p>The Corporation controlled personnel access to art storage facilities.</p> <p><b>Significant deficiency</b></p> <p>The Corporation did not meet some requirements of its Board-approved Conservation Policy.</p> <p>The Corporation lacked written formal procedures and guidelines to support and demonstrate compliance with some examination and treatment policy requirements, and to report accurately on its treatment activities.</p>	
<p><b>Legend—Assessment against the criteria</b></p> <p> Met the criteria</p> <p> Met the criteria, with improvement needed</p> <p> Did not meet the criteria</p>			

57. **Significant deficiency—Collection conservation.** The Corporation had not met some of the requirements of its Conservation Policy. It also lacked well-defined processes to support art treatment activities and demonstrate that they were properly documented, approved, and reviewed—and that the activities were accurately tracked and reported.

58. The Conservation Policy set direction for the broad range of activities that were part of the Corporation's general conservation program. We found instances of non-compliance or related weaknesses, including the following:

- Under the policy, strategic priorities for the conservation program and technical research were to be established. However, we found no documentation or articulation of such priorities. Given the broad range of activities expected by the Corporation's conservation efforts—from restoration of specific objects to research and education—it was unclear what the priorities were and therefore whether they were being met.
- The policy required preventive conservation of time-based and technology-dependent art objects to follow an approved plan. However, we found that the Corporation did not have such a plan. It was therefore unclear whether the related work performed by some employees was meeting corporate expectations, whether work was properly prioritized, and whether it was done on time. In our 2009 special examination, we recommended that the Corporation develop and implement a plan for conserving technology-dependent works of art.
- Senior conservators and curators were required by the policy to co-sign the proposed treatments for major conservation work, because curators are responsible for providing information and advice on art objects and historical aspects of conservation projects. Although the Corporation did not define "major," we found several examples where such signatures were missing for treatments that officials considered major.
- The policy required conservation information to be captured in a technical data bank. This information consisted of research on artists' materials, techniques, and application; conservation methods and materials; and environment and deterioration studies. Officials informed us that while information was placed in paper files for individual art objects, a technical data bank did not exist, making this information more difficult to access.

59. We also found that the Corporation did not have written formal procedures and guidelines for conservation examination and treatment activities. Among the treatments we selected for examination, we found that practices and documentation varied—even after we took into account the type of work required. While we observed that conservators and curators discussed treatment-related activities, they did not have written formal procedures and guidelines that would clarify corporate expectations on documentation and supervisory involvement and would help demonstrate that those expectations were being met.

60. Similarly, we found that the Conservation and Technical Research department lacked comprehensive procedures to track its workflow and compile statistics for reporting purposes. For example, the department had a log to track service requests and manage workload, but it was not kept up to date. This log was not used for performance reporting purposes; instead, managers based statistics on informal inquiries made to conservators about what they had done. This informal practice made it difficult to verify the accuracy of reported statistics. Moreover, we found instances where the movement of art in and out of the department was not properly recorded in the Corporation's collection management system.

61. This significant deficiency matters because conservation work is vital to the Corporation's mandate of maintaining an art collection and safeguarding its assets. Compliance with corporate policies and the implementation of well-defined procedures provide assurance that the work meets corporate expectations.

62. **Recommendation.** The Corporation should strengthen its conservation systems and practices through






- implementation of the requirements set out in its Conservation Policy, and
- development and implementation of formal processes for work carried out by its conservators.

***The Corporation's response.** Agreed. Care and preservation of the national collection is at the heart of the work undertaken by the Corporation's conservation program. The Corporation is confident that the restoration and conservation work it performs on all exhibited and loaned artworks is performed by the Corporation's highly skilled conservation experts and is of the highest quality. However, the Corporation will take steps to ensure compliance with the requirements of its Conservation Policy. Additionally, the Corporation will develop and implement appropriate formal workflow procedures and guidelines for work carried out by its conservators, and for the management of the conservation program. A detailed action plan will be developed by 31 March 2020 to address identified weaknesses in a timely manner.*

**Exhibitions and educational and public programs**

63. **Analysis.** The Corporation delivered exhibitions and educational and public programs in keeping with its mandate. However, they lacked well-defined processes (Exhibit 8).

**Exhibit 8 Exhibitions and educational and public programs—key findings and assessment**

Systems and practices	Criteria used	Key findings	Assessment against the criteria
Exhibiting art	The Corporation exhibited art to make its collection known throughout Canada and internationally, and to further the knowledge, understanding, and enjoyment of art.	<p>The Corporation had a Board-approved Exhibitions Policy.</p> <p>The Corporation exhibited art through permanent, temporary, and touring exhibitions, through loans to other institutions, by creating and circulating publications, and by sharing images on its website.</p> <p>The Corporation had a policy and supporting procedures for lending its art to other institutions. Selected procedures were followed for the loans we examined.</p> <p><b>Weakness</b></p> <p>The Corporation lacked well-defined processes for managing exhibitions.</p>	
Educational and public programming	The Corporation delivered educational and public programs to make its collection known throughout Canada and internationally, and to further the knowledge, understanding, and enjoyment of art.	<p>The Corporation had a Board-approved Education and Public Programs Policy.</p> <p>The Corporation delivered a range of programs consistent with its mandate, including education programs for school groups, public tours, and activities in support of its temporary art exhibitions.</p> <p><b>Weakness</b></p> <p>The Corporation lacked well-defined processes for managing educational and public programs.</p>	
<p><b>Legend—Assessment against the criteria</b></p> <p> Met the criteria</p> <p> Met the criteria, with improvement needed</p> <p> Did not meet the criteria</p>			

64. **Weaknesses—Exhibitions and educational and public programs management.** We found that the Corporation lacked formal processes and guidelines for managing the development and delivery of its exhibitions and its educational and public programs.

65. The need for formal processes or defined requirements for managing exhibitions had already been indicated to the Corporation in various ways. For example, the Exhibitions Policy, last updated in 2014, required that the

internal Exhibitions Program Committee select exhibitions according to clear descriptions and criteria. The selection criteria and additional process controls were not added to the Committee's terms of reference until 2018. Also, an internal audit conducted in the 2010–11 fiscal year recommended the use of standardized templates to assess exhibition proposals and the development of formal guidelines to manage exhibitions. This recommendation was consistent with a recommendation we made in our 2009 special examination. By the end of the period covered by the audit, the Corporation was still working to address these recommendations. It was also exploring technical solutions to achieving integrated and timely project tracking.

66. Similarly, the Corporation had not formalized processes for the development and delivery of its educational and public programs. For the educational and public program activities that we selected for examination, we found that there was no systematic process with documented formal approvals. An internal audit conducted in the 2014–15 fiscal year recommended that the Corporation implement a template for program planning and approvals. The Corporation recently started to use a template for programs supporting temporary exhibitions, but had not done so for other programs.

67. These weaknesses matter because standard processes are an important part of a corporate control framework that would clarify corporate expectations for selecting, developing, and delivering exhibitions and educational and public programs. They could also contribute to more efficient and effective use of resources.

68. **Recommendation.** The Corporation should finalize development of formal processes and implement them to support the selection, development, and implementation of its exhibitions and its educational and public programs.

***The Corporation's response.** Agreed. By 31 March 2021, the Corporation will complete its review and formalization of the processes and practices pertaining to the selection, development, and implementation of its exhibitions program. It will also finalize the development and implementation of formal processes for the selection, development, and implementation of its educational and public programs.*

## Conclusion

69. In our opinion, based on the criteria established, there was a significant deficiency in the National Gallery of Canada's collection conservation, but there was reasonable assurance there were no significant deficiencies in the other systems and practices that we examined. We concluded that, except for this significant deficiency, the Corporation maintained its systems and practices during the period covered by the audit in a manner that provided the reasonable assurance required under section 138 of the *Financial Administration Act*.

# About the Audit

This independent assurance report was prepared by the Office of the Auditor General of Canada on the National Gallery of Canada. Our responsibility was to express

- an opinion on whether there is reasonable assurance that during the period covered by the audit, there were no significant deficiencies in the Corporation's systems and practices that we selected for examination; and
- a conclusion about whether the Corporation complied in all significant respects with the applicable criteria.

Under section 131 of the *Financial Administration Act* (FAA), the Corporation is required to maintain financial and management control and information systems and management practices that provide reasonable assurance that

- its assets are safeguarded and controlled;
- its financial, human, and physical resources are managed economically and efficiently; and
- its operations are carried out effectively.

In addition, section 138 of the FAA requires the Corporation to have a special examination of these systems and practices carried out at least once every 10 years.

All work in this audit was performed to a reasonable level of assurance in accordance with the Canadian Standard for Assurance Engagements (CSAE) 3001—Direct Engagements set out by the Chartered Professional Accountants of Canada (CPA Canada) in the CPA Canada Handbook—Assurance.

The Office applies Canadian Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

In conducting the audit work, we have complied with the independence and other ethical requirements of the relevant rules of professional conduct applicable to the practice of public accounting in Canada, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

In accordance with our regular audit process, we obtained the following from the Corporation's management:

- confirmation of management's responsibility for the subject under audit;
- acknowledgement of the suitability of the criteria used in the audit;
- confirmation that all known information that has been requested, or that could affect the findings or audit conclusion, has been provided; and
- confirmation that the audit report is factually accurate.

## Audit objective

The objective of this audit was to determine whether the systems and practices we selected for examination at the National Gallery of Canada were providing it with reasonable assurance that its assets were safeguarded and controlled, its resources were managed economically and efficiently, and its operations were carried out effectively as required by section 138 of the *Financial Administration Act*.

## Scope and approach

Our audit work examined the National Gallery of Canada. The scope of the special examination was based on our assessment of the risks the Corporation faced that could affect its ability to meet the requirements set out by the *Financial Administration Act*.

As part of our examination, we interviewed Board trustees, senior management, and other employees throughout the Corporation, to gain insights into its systems and practices. In performing our work, we reviewed key documents related to the systems and practices selected for examination. We selected and tested samples of items, such as art acquisitions, art loans, conservation treatments, employee access to art storage, environmental reports, exhibitions, educational and public program activities, and management performance objectives, to determine whether systems and practices were in place and functioned as intended.

The systems and practices selected for examination for each area of the audit are found in the exhibits throughout the report.

We did not audit the not-for-profit charitable organization called the National Gallery of Canada Foundation. This organization is a separate legal entity, with a mandate to obtain major donations to support the National Gallery of Canada.

We also did not examine the quality of treatments that the Corporation's employees applied to art objects.

We examined some areas that had been previously examined through the Corporation's internal audits. We found that there were consistencies between the weaknesses identified and recommendations made in this audit and those internal audits.

## Sources of criteria

The criteria used to assess the systems and practices selected for examination are found in the exhibits throughout the report.

## Corporate governance

Meeting the Expectations of Canadians: Review of the Governance Framework for Canada's Crown Corporations, Treasury Board Secretariat, 2005

Internal Control—Integrated Framework, Committee of Sponsoring Organizations of the Treadway Commission, 2013

Corporate Governance in Crown Corporations and Other Public Enterprises—Guidelines, Department of Finance and Treasury Board, 1996

20 Questions Directors Should Ask about Risk, Canadian Institute of Chartered Accountants, 2006

Performance Management Program for Chief Executive Officers of Crown Corporations—Guidelines, Privy Council Office, 2016

Practice Guide: Assessing Organizational Governance in the Public Sector, The Institute of Internal Auditors, 2014

### **Strategic planning and performance measurement, monitoring, and reporting**

Meeting the Expectations of Canadians: Review of the Governance Framework for Canada's Crown Corporations, Treasury Board Secretariat, 2005

Guidelines for the Preparation of Corporate Plans, Treasury Board Secretariat, 1996

Corporate Governance in Crown Corporations and Other Public Enterprises—Guidelines, Department of Finance and Treasury Board, 1996

Recommended Practice Guideline 3, Reporting Service Performance Information, International Public Sector Accounting Standards Board, 2015

20 Questions Directors Should Ask about Risk, Canadian Institute of Chartered Accountants, 2006

### **Risk management**

20 Questions Directors Should Ask about Risk, Canadian Institute of Chartered Accountants, 2006

Internal Control—Integrated Framework, Committee of Sponsoring Organizations of the Treadway Commission, 2013

Corporate Governance in Crown Corporations and Other Public Enterprises—Guidelines, Department of Finance and Treasury Board, 1996

Policy on Risk Management, National Gallery of Canada, 2017

### **Operational planning and performance monitoring and reporting**

Plan-Do-Check-Act management model adapted from the Deming Cycle

Guidelines for the Preparation of Corporate Plans, Treasury Board Secretariat, 1996

A Guide to the Project Management Body of Knowledge (PMBOK® Guide), fourth edition, Project Management Institute Inc., 2008

Internal Control—Integrated Framework, Committee of Sponsoring Organizations of the Treadway Commission, 2013

COBIT 5 Framework—EDM02 (Ensure Benefits Delivery), ISACA

COBIT 5 Framework—APO05 (Manage Portfolio), BAI01 (Manage Programmes and Projects), ISACA

### **Collection development and conservation**

*Museums Act*

Acquisitions Policy, National Gallery of Canada, 2017



Disposition Policy, National Gallery of Canada, 2017

Conservation Policy, National Gallery of Canada, 2016

Internal Control—Integrated Framework, Committee of Sponsoring Organizations of the Treadway Commission, 2013

Plan-Do-Check-Act management model adapted from the Deming Cycle

### **Exhibitions and educational and public programs**

*Museums Act*

Exhibitions Policy, National Gallery of Canada, 2014

Education and Public Programs Policy, National Gallery of Canada, 2013

A Guide to the Project Management Body of Knowledge (PMBOK® Guide), fourth edition, Project Management Institute Inc., 2008

Internal Control—Integrated Framework, Committee of Sponsoring Organizations of the Treadway Commission, 2013

Plan-Do-Check-Act management model adapted from the Deming Cycle

### **Period covered by the audit**

The special examination covered the period between 1 November 2017 and 31 August 2018. This is the period to which the audit conclusion applies. However, to gain a more complete understanding of the significant systems and practices, we also examined certain matters that preceded the starting date of this period.

### **Date of the report**

We obtained sufficient and appropriate audit evidence on which to base our conclusion on 11 March 2019, in Ottawa, Canada.

### **Audit team**

Principal: Dusan Duvnjak

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# List of Recommendations

The following table lists the recommendations and responses found in this report. The paragraph number preceding the recommendation indicates the location of the recommendation in the report, and the numbers in parentheses indicate the location of the related discussion.

Recommendation	Response
<b>Corporate management practices</b>	
<b>23.</b> The Corporation's management should work with the Board to identify ways to ensure that key policy requirements are met and that identified weaknesses in the Corporation's systems and practices are addressed in a timely manner. <b>(19–22)</b>	<b>The Corporation's response.</b> Agreed. By 31 March 2020, the Corporation's management will have worked with the Board to identify ways to systematically monitor the Corporation's compliance with its policies. The Board and management will ensure that weaknesses identified through audits are addressed, as appropriate, in a timely manner.
<b>27.</b> The Corporation should communicate in its annual reports the results it achieved in a manner that clearly links them to the planned results, objectives, and targets in its corporate plan summaries. <b>(25–26)</b>	<b>The Corporation's response.</b> Agreed. The Corporation's annual report includes an assessment of corporate performance against major business lines and activities. The Corporation will ensure that its 2018–19 and subsequent annual reports include an assessment of results that is clearly linked to all objectives and targets set forth in its corporate plan summaries.
<b>33.</b> The Corporation should establish risk tolerance levels and manage its risks by establishing action plans that are specific, time-bound, and measurable. Management and the Board should monitor how the Corporation carries out those plans. <b>(29–32)</b>	<b>The Corporation's response.</b> Agreed. By 31 March 2020, the Corporation will strengthen its risk management practices by establishing risk tolerance levels as well as developing risk-mitigation action plans for its major risks and ensuring that these action plans are monitored by management and the Board.
<b>Management of operations</b>	
<b>50.</b> The Corporation should strengthen its operational planning so that it sets out deliverables, time frames, targets, responsibilities, and required financial and human resources, and considers operational risks. These plans should be formally approved. <b>(45–49)</b>	<b>The Corporation's response.</b> Agreed. By January 2021, the Corporation will take steps to strengthen its operational planning for each key activity in order to successfully fulfill corporate objectives. The Corporation will also put in place a practice to have operational plans formally approved by management.
<b>55.</b> The Corporation should monitor and report on implementation of its art acquisition plan, and make adjustments as appropriate. <b>(51–54)</b>	<b>The Corporation's response.</b> Agreed. By 31 March 2021, the Corporation agrees to implement systems and practices to monitor and report on the implementation of its art acquisition plan in order to assess its performance against stated acquisition priorities. The Corporation will also revise the acquisition plan to better reflect the nature of the art market, which sometimes requires seizing opportunities when they arise.

Recommendation	Response
<p><b>62.</b> The Corporation should strengthen its conservation systems and practices through</p> <ul style="list-style-type: none"> <li>• implementation of the requirements set out in its Conservation Policy, and</li> <li>• development and implementation of formal processes for work carried out by its conservators.</li> </ul> <p><b>(57–61)</b></p> <p><b>68.</b> The Corporation should finalize development of formal processes and implement them to support the selection, development, and implementation of its exhibitions and its educational and public programs. <b>(64–67)</b></p>	<p><b>The Corporation's response.</b> Agreed. Care and preservation of the national collection is at the heart of the work undertaken by the Corporation's conservation program. The Corporation is confident that the restoration and conservation work it performs on all exhibited and loaned artworks is performed by the Corporation's highly skilled conservation experts and is of the highest quality. However, the Corporation will take steps to ensure compliance with the requirements of its Conservation Policy. Additionally, the Corporation will develop and implement appropriate formal workflow procedures and guidelines for work carried out by its conservators, and for the management of the conservation program. A detailed action plan will be developed by 31 March 2020 to address identified weaknesses in a timely manner.</p> <p><b>The Corporation's response.</b> Agreed. By 31 March 2021, the Corporation will complete its review and formalization of the processes and practices pertaining to the selection, development, and implementation of its exhibitions program. It will also finalize the development and implementation of formal processes for the selection, development, and implementation of its educational and public programs.</p>









