

**NATIONAL GALLERY OF CANADA
SPECIAL EXAMINATION REPORT
PRESENTED TO THE BOARD OF
TRUSTEES ON 22 MARCH 2005**



Office of the Auditor General of Canada
Bureau du vérificateur général du Canada

14 April 2005

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 20 September 2004. As required by section 139 of the *Financial Administration Act*, we are pleased to provide the Special Examination report to the Board of Trustees.

We would like to express our appreciation to the Board, management, and the staff of the Gallery for the excellent co-operation and assistance offered during the examination.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'R. Flageole'.

Richard Flageole, FCA
Assistant Auditor General
Attach.

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SPECIAL EXAMINATION OPINION

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

1. Under Part X of the *Financial Administration Act* (FAA), the National Gallery of Canada 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.
2. The FAA also requires the National Gallery of Canada (the Gallery) to have a Special Examination of these systems and practices carried out at least once every five years.
3. Our responsibility is to express an opinion on whether there is reasonable assurance that during the period covered by the examination from June 2004 to December 2004, there were no significant deficiencies in the systems and practices we examined.
4. We based our examination plan on a survey of the Gallery's systems and practices, which included a risk analysis. We submitted the plan to the Audit and Finance Committee of the Board of Trustees on 20 September 2004. The plan identified the systems and practices that we considered essential to providing the Gallery with reasonable assurance that its assets are safeguarded and controlled, its resources managed economically and efficiently, and its operations carried out effectively. Those are the systems and practices that we selected for examination.
5. The plan included the criteria for the Special Examination that we selected specifically for this examination in consultation with the Gallery. The criteria were based on our experience with performance auditing. Our choice of criteria was also influenced by legislative and regulatory requirements, professional literature and standards, and practices followed by the Gallery and other organizations. The systems and practices we examined and the criteria we used are listed in Appendix A.
6. We conducted our examination in accordance with our plan and with the standards for assurance engagements established by the Canadian Institute of Chartered Accountants. Accordingly, it included the tests and other procedures we considered necessary in the circumstances. In carrying out the Special Examination, we relied on an internal audit of collection inventory.

7. In our opinion, based on the criteria established for the examination, there is reasonable assurance that there were no significant deficiencies in the systems and practices we examined.

8. The rest of this report provides an overview of the Gallery and more detailed information on our examination findings.



Richard Flageole, FCA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
31 December 2004

OVERVIEW OF THE NATIONAL GALLERY OF CANADA

Legislative mandate and corporate objectives

9. The National Gallery of Canada, a fine arts museum, holds its collections of art in trust for all Canadians since its creation in 1880. The Gallery will be celebrating its 125th anniversary this year. Since its founding, the Gallery has built pre-eminent collections of great breadth and depth, contemporary and historical, national and international. It became an autonomous Crown corporation on 1 July 1990 with the passage of the *Museums Act*. The Gallery is accountable to Parliament through the Minister of Canadian Heritage. It manages the National Gallery of Canada (NGC) as well as the Canadian Museum of Contemporary Photography (CMCP).

10. The mandate of the Gallery as set out in the *Museums Act* is 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, and to further knowledge, understanding and enjoyment of art in general among Canadians.

11. In the 2004–09 Corporate Plan, the Gallery established the following key objectives to guide its strategies and activities:

To acquire, preserve, research, and record historic and contemporary works of art, both national and international, to represent Canada's visual arts heritage

To further knowledge, understanding, and enjoyment of the visual arts among all Canadians, and to make the collections known both in Canada and abroad

To provide direction, control, and the effective development and administration of resources

To provide secure and suitable facilities, which are readily accessible to the public, for the preservation and exhibition of the national collections

The strategies related to each of these objectives are listed in Appendix B.

12. The Gallery also identified three strategic issues as priorities:

Reflecting and engaging a more diverse population

Maintaining a strong workforce

Sustaining financial and operational viability and accommodating growth

Corporate resources and programs

13. The Gallery is financed through annual appropriations from Parliament and by revenue generating activities. Its budgeted expenditures (including acquisitions of works of art) for 2004–05 are \$52.4 million of which about \$7.8 million (15 percent) is financed by revenue-generating activities and contributions. Its parliamentary appropriations for

operating, capital expenditures, and acquisitions in 2004–05 total \$44.6 million. The Gallery has approximately 300 employees and also benefits from the services of volunteers. The Gallery forecasts the following attendance in 2004–05: 485,000 at the National Gallery and the Canadian Museum of Contemporary Photography, 275,000 at the Gallery's travelling exhibitions, and 1,531,000 at its user sessions on its Web sites (see Appendix C for more detail).

14. The Gallery carries out four programs that supports its mandate:

Collections, comprised of curatorial research, acquisitions, preservation, and collections management

Outreach, including exhibitions, educational programming, and communication activities

Accommodation, including building operations (maintenance, security, etc.) and capital projects

Corporate management including governance, administration, and the Gallery's revenue generation activities

15. The **collections program** is at the core of the Gallery's mandate. As part of this program, curators carry out research to advance scholarship in art history and assure authenticity, provenance, quality, and historical importance of works in the collection and works proposed for acquisition. The Gallery acquires works of art through purchases and donations. The government has recently increased the Gallery's acquisition budget from \$3 million in 2001–02 to \$8 million in 2003–04. The curatorial staff is responsible for identifying opportunities for acquisitions in 12 collecting areas. Acquisitions build on the strengths and address gaps in the collection. The Gallery has a separate acquisition budget for its Library collection of approximately \$200,000 per year.

16. The Gallery's restoration staff conduct preservation activities by examining all works in the collection that will be on exhibition and all art proposed for acquisition, to assure their condition. Work is also performed on the collection to enhance the longevity of the works of art and to ensure that they will endure for the appreciation of future audiences. Collection's management staff are responsible for the documentation, storage, and the ongoing inventory of works of art in the collection, management of the Gallery's loan program, and the insurance and the indemnification of art in transit.

17. The **outreach program** is designed to foster broad access nationally and internationally to the Gallery's collection, research, exhibitions, and expertise. Exhibitions and installations are the prime means of giving direct access to the Gallery's collection. In the past, the Gallery has presented, on average, fourteen new exhibitions per year encompassing the Gallery's own collection and loans of individual works of art in addition to its permanent exhibitions. The Library has three special exhibitions on display per year. The Gallery also provides a travelling exhibitions program that reaches Canadians in a broad range of institutions, including small and remote communities as well as audiences abroad. In 2003–04, the Gallery offered 35 travelling exhibitions that were displayed in eight Canadian provinces and in Finland.

18. The Gallery offers a wide range of educational and public programs to schools, families, youth, adults, seniors, and people with disabilities. The programs are designed to make art relevant to Canadians and to encourage learning among people of all ages, backgrounds, capacity, mastery, and interest. The Gallery has an on-line educational tool, Cybermuse, which features the works of artists represented in the permanent collection. The Gallery also produces a range of publications and exhibition catalogues to document its exhibitions, holdings, and research.

19. The **accommodation program** provides secure and suitable facilities for the preservation and exhibitions of the national collection that are readily accessible to the public. Security is accomplished through a balance of physical presence, electronic surveillance, and equipment without affecting the study and enjoyment of art or the public's participation in functions at the Gallery. The Gallery undertakes facilities-related capital projects to ensure proper maintenance of its building.

20. The **corporate management program** ensures that resources are effectively developed, directed, administered, and controlled. The Gallery's Board of Trustees has the primary responsibility for the stewardship of the organization and holds management accountable for its performance and the achievement of corporate objectives. The program also includes revenue-generating activities including fundraising initiatives and programs, such as memberships, annual giving, and sponsorships. The Gallery generates revenues through admission charges, educational and special programming, and through sales at its bookstore. The Gallery also receives support from the National Gallery of Canada Foundation.

FINDINGS

Governance

21. Corporate governance refers to the structures, systems, and practices for overseeing the direction and management of an organization, so it can carry out its mandate and achieve its objectives. We expected that the Gallery would have a well-performing corporate governance framework that enables the Board and senior management to be accountable for the responsibilities that are assigned to them by governing legislation.

22. The Board of Trustees has up to 11 external members, including the Chair, all appointed by Minister of Canadian Heritage with the approval of the Governor in Council. Seven committees support the Board: Executive Committee, Acquisitions Committee, Audit and Finance Committee, Governance and Nominating Committee, Public Programs Committee, Human Resources Committee, and the Advisory Committee for the Canadian Museum of Contemporary Photography. The Director of the Gallery is an ex-officio member of all these committees, and other senior staff attend meetings as required. However, none of the staff are voting members.

23. We interviewed board members and reviewed corporate documents including the Board's profile, board self-assessments, corporate plans and policies, the terms of reference for the Board and the committees, minutes, and information packages.

A good governance framework is in place

24. We found that the Board of Trustees has the core elements of a good governance framework in place. In September 2004, the Board approved a revised governance policy that defines the corporate governance practices the Gallery is committed to use as it pursues its mandate. The role and responsibilities of the Chair, the Board members, and the Director of the Gallery are well defined. Terms of reference have been established for the Board's various committees and are reviewed each year as required.

25. To reflect recent government requirements, the Board updated its profile outlining the mix of skills, experience, and regional and demographic representation required to meet the Gallery's needs. It has identified the gaps in its composition and used this information when making recommendation to the Minister of Canadian Heritage for consideration in filling board vacancies. At the time of writing this report, there were four positions for which the members' terms had expired or were left vacant. Selection criteria for the Chair and the Director of the Gallery were also developed.

26. Since 1999, the board annually does a self-assessment of its collective effectiveness. While this is a good practice, we noted the need for more effort in assessing the contributions of individual board members. This is important if the Board is to improve its effectiveness and fulfil its responsibility for renewal. The self-assessment could also identify any training from which the Board, as a whole or as individual members, would benefit.

27. We noted that while an information package is provided to new members about their duties, there was no formal orientation program in place for new board members. This could include, for example, the orientation program offered to Crown corporation directors by the Privy Council Office. We noted that seven members attended a condensed version of that program in June 2004. It would also be important to put the mechanisms in place to ensure that board members have access to continuing education programs in areas such as public sector developments, governance practices, financial literacy, and risk management.

28. Providing strategic direction. The board has an important role to play in establishing the Gallery's strategic direction. In the last years, it became more involved in that area. It attended in September 2004 a planning retreat with senior management to discuss the Gallery's strategic issues and core values and gave guidance on the strategic direction and the priorities to pursue in the future.

29. Succession planning. Some of the Gallery's positions require very specific skills, qualifications, and experience. In the event of the retirement or leave of employees in key positions, the Board of Trustees needs to ensure that the Gallery has a succession plan to ensure continuity of the management of its operations. We encourage management to prepare such a succession plan, something it currently lacks, and discuss it with the Board of Trustees.

30. Gallery's risk assessment. The governance policy requires that the Board ensure that the principal risks have been identified and that appropriate systems and practices to monitor and manage these risks have been implemented. The Gallery's Corporate Plan identifies the risks (strategic issues) that require the most attention and

what will be done to address them. We noted that the Gallery undertook a risk assessment exercise at the senior management level for the purpose of developing an Audit Plan, which was endorsed by the Audit and Finance Committee. However, management has yet to build on this to provide the Board with an overall assessment of all the Gallery's key risks, and of the systems and practices in place to mitigate them as well as the priority level of action in areas where gaps have been identified.

31. Values and ethics. Recent events in both the private and the public sectors highlight the need for a sound framework of values and ethics. The government has asked all federal public institutions not covered by the new *Values and Ethics Code* for the Public Service, including Crown corporations, to respect the code's spirit and adopt similar provisions for their organizations. The Gallery has a Code of Ethics that was updated in September 2004. It applies to management, employees, and board members, as well as to the external advisors to the Board. We noted that the Gallery's Code of Ethics is in line with the public service code.

32. It would be important for the Board to receive information as to whether management has ensured that appropriate steps have been taken to communicate the Code of Ethics, has overseen compliance with the code, and has addressed any identified non-compliance.

33. The government has also recently introduced legislation in the House of Commons pertaining to "whistle-blowing" in the public service, which would also apply to Crown corporations. We encourage management to develop and implement procedures to handle complaints and concerns from interested parties.

Information to the Board needs to be enhanced

34. In our last Special Examination, we noted that there was no clear link between the information presented to the Board and the Gallery's strategic objectives or priorities, that no analysis of the information were carried out, and that variances were not adequately explained by management. When the Board was surveyed on its information needs in 2002, the need to better link performance information with the corporate objectives was also highlighted.

35. Our review of the information packages provided to the Board showed limited progress toward addressing our 1999 observation. The Gallery has started to develop a new format for reporting on corporate performance to the Board, but at the time of our examination the work was on hold due to workload issues. We encourage the Gallery to pursue this initiative and take into account our observations outlined in this report's section on performance measurement and reporting. We also noted that the minutes of the Board and its committees did not always provide enough detail on the nature of the discussions, options considered, or analyses provided to support important decisions.

Strategic and operational planning

36. Strategic planning guides what an organization is, what it does, and why it does it, all with a focus on the future. It includes assessing and adjusting the organization's direction in response to a changing environment, an area where a board of trustees

plays an important role. The Corporate Plan ultimately guides the setting of corporate objectives and the allocation of resources.

37. We assessed whether the strategic direction of the Gallery is clearly defined, communicated, and takes into consideration the internal and external environment, the government priorities, and key risks.

38. The Corporate Plan is the Gallery's main planning instrument and cornerstone of its control and accountability framework. It translates the Gallery's commitment to carrying out its mandate. We noted that the content of the Corporate Plan has improved since our last Special Examination. We found that the objectives and the related strategies established by the Board in the Corporate Plan are consistent with its mandate and provide sufficient direction to management. The Gallery gathers information from many sources—including the Speech from the Throne, discussion with the Minister of Heritage, and with the Heritage portfolio members. This ensures that its Corporate Plan reflects government priorities and its operating environment. Management informed us that it is taking steps to enhance its understanding of its existing and potential audiences. As part of the strategic planning process, the Gallery's managers held a retreat in the fall to provide their input on the Gallery's orientation in advance of the Board's discussion on the Corporate Plan.

39. Managers are responsible for informing their staff of the corporate direction. Other practices to ensure employee awareness of, and support for, the strategic direction include the wide distribution of the Corporate Plan summary, information sessions, and new-hire orientations. However, our examination found that the Gallery's efforts to communicate its strategic direction and priorities throughout the organization could be more effective. Interviews with staff indicated that few were familiar with the strategic plan and that discussion with management about the Gallery's direction rarely took place.

40. We also expected that the strategic direction set in the Corporate Plan would be translated into realistic operational plans and allocation of resources. In our previous Special Examination, we noted that the different parts of the organization did not systematically prepare work plans except for budget allocations. Despite some efforts toward addressing this issue, we found that our observation still holds today—that is, operational plans are not consistently developed across the Gallery. In addition, when these plans were developed, they were not always clearly linked to the corporate objectives. Operational plans would help to ensure that the corporate objectives and strategies are adequately acted upon and resourced. Management informed us that they are committed to develop an integrated planning process to ensure Corporate Planning cascades down through the organization.

Performance measurement and reporting

41. Clear measurement and reporting of performance toward achieving the Gallery's objectives is essential to sound management and to meeting public sector expectations for accountability and transparency. We expected that the Gallery would report adequately on the realization of its mandate and the achievement of its results as set out in its Corporate Plan. We also expected that the board and management would have appropriate and timely financial and management information for decision-making purposes and accountability.

Key performance measurement issues need to be addressed

42. The Gallery endeavours to achieve its broad objectives through a variety of strategies. In 2003, a committee was struck to review the Gallery's performance measures and, as a result, new performance indicators were developed for each of the strategies. Although the Gallery has made a noticeable effort to determine how the achievement of the strategies could best be measured, it still has to address some key issues.

43. We found that targets have not been set for many performance measures. For example, the ability to attract co-publishers is an indication of the extent to which the Gallery offers an outstanding publishing program. However, the Gallery has not determined what would constitute an adequate range of co-publications.

44. We also noted that the Gallery has currently more than 50 performance indicators against which it has to assess performance. Many of these performance measures are operational in nature and would be better included in operational plans instead of in the Gallery's Corporate Plan. The Gallery has to determine which of these indicators need to be monitored by management and the Board to guide performance measurement and decision-making.

45. The Gallery needs to develop an information-gathering strategy that would determine, among other things, the nature of the information that needs to be gathered, how it will be collected, and at what frequency.

46. Crown corporations report on the realization of their mandate through annual reports. We noted that the content of the Gallery's annual report has improved over the past years. For example, the Gallery now provides projected numbers against actual attendance numbers. The report now contains a management discussion and analysis of its financial performance. However, several areas remain to be strengthened. For example, the annual report for 2003–04 gives little details of what was expected to be achieved during the year. This makes it difficult to assess the extent of the progress achieved. The annual report would also benefit from providing more information on the Gallery's internal and external environment, its priorities, budgets, and forecasts. It would benefit from enhancing the section on the activities of the Board of Trustees.

Collections development, management, and preservation

47. The collections constitutes the country's heritage for future generations and are the source of its research, its exhibitions in the National Capital, its travelling exhibitions, and its loans to other institutions across the country and abroad. Accordingly, the collections need to be strengthened, preserved, researched, and managed adequately. The Gallery also needs to ensure that its facilities are secure, suitable for the preservation and exhibition of the national collections, readily accessible to the public, and safe for both visitors and employees.

Sound acquisition practices are in place for developing the artworks collections

48. Acquisitions enable the Gallery to build on the strengths and fill gaps in its collection. We expected that the policies and practices for acquisition and de-accession

(removing items from the collection) would allow the Gallery to develop a national and international collection that would represent Canada's visual arts heritage.

49. Purchases of art work at the Gallery are guided by the current Acquisitions Policy, approved by the Board of Trustees in 2000. The policy states the principles and procedures to be followed when acquiring and disposing of artworks. It also specifies where the collection needs enhancement on a priority basis for each of the 12 collecting areas (see Table 1).

Table 1 Collecting areas

- | | |
|-----|--|
| 1. | Early Canadian Art before 1867 |
| 2. | Later Canadian Art, 1867–1975 |
| 3. | Canadian Prints and Drawings |
| 4. | Inuit Art |
| 5. | Contemporary Canadian Art, post 1975 |
| 6. | Media Arts—Canadian and International |
| 7. | International Contemporary Art, after 1975 |
| 8. | International Painting, Sculpture and Decorative Arts, 1300–1975 |
| 9. | International Prints and Drawings |
| 10. | Historic Asian and Other non-Western Art |
| 11. | Photographs—Canadian and International |
| 12. | Canadian Museum of Contemporary Photography |

50. In our view, the acquisition practices—on-site analysis of works of art, documentation, verification of provenance, opinion sought from outside advisors, and the final approval process—allow the Gallery to acquire representative works and build its collection. We reviewed a sample of acquisitions and concluded that they were made in compliance with the Acquisitions Policy authority schemes and were adequately justified as per the requirements of the policy.

51. The Gallery's Acquisitions Policy also outlines the criteria and conditions for disposition. Authority for disposition lies with the Board of Trustees on the recommendation of its Acquisitions Committee with the advice of the Director. In the last five years, we noted only two cases of disposition and concluded that they were made in compliance with the policy.

An analysis of the progress made in meeting the Gallery's collecting priorities needs to be undertaken

52. Management informed us that an updated Acquisitions Policy will be tabled in 2005 for the Board's review as part of the Gallery's regular policy-update schedule. The current policy identifies the gaps in the collection for each of the collecting areas and allocates the \$8 million acquisition budget among the collecting areas. Management has informed us that they intend to present to the Board an analysis of the extent to which the acquisitions made in the past five years helped to fill the gaps identified in the policy as priorities. In our view, this analysis should include an assessment of the extent to which it will be able to continue to fulfill its mandate with respect to the collection of art

work (especially international art), given the continuing increase in the price of Canadian and foreign art.

The development of the Library and archives collections requires more attention

53. The Library of the National Gallery of Canada houses an extensive collection of research materials devoted to the history of the visual arts. The historical function of the Library and archives has been to serve the research requirements of the National Gallery's curatorial and research staff. It also serves as Canada's de facto national art library, and through its outreach and resource-sharing programs, it supports the research requirements of the general public, the universities, and art museum communities.

54. The Library and archives activities are guided by the Collection Development Policy of 1997, which summarizes the scope and nature of the existing collections, and outlines the collection development objectives. The Policy includes an assessment of the Library's existing collection coverage (minimal to comprehensive) for major collecting interests of the Gallery and identifies the areas where there is a need to expand current coverage. It also includes recommendations to address the weaknesses in the collection as well as how to improve library services.

55. Management informed us that, as far as addressing the weaknesses of the collection were concerned, no significant progress has been made in any of the areas in which improvement was sought. At best, the acquisitions budgets helped to maintain the status quo. For example although the Policy of 1997 indicates the desirability of strengthening the collection in the art of non-Western traditions, such as that of Central and South America, Africa, and Asia, the budget has not allowed pursuit of this goal. Nor has the Library been able to purchase new publications devoted to the Renaissance period of the Western tradition. The consequence is that the collection is becoming dated in this field. The Library has however been able to maintain strength in the Canadiana collections, which remain at the comprehensive level. Some gains have also been made in certain areas of the collection through donations.

56. We were also informed that the recommendations that did not require significant resources were addressed. For example, the Gallery has further developed its exchange program to ensure it collects exhibition catalogues without delays and has built exhibition areas in the Library. However, as no timeframe is included in the Collection Development Policy and no operational plan has been developed for the Library, we could not determine whether the recommendations of the Policy were adequately addressed within a reasonable timeframe.

57. The Collection Development Policy is scheduled to be updated in 2005. Management will need to provide information to the Board on its performance against the stated objectives in the 1997 policy, including an explanation for the lack of progress in collection development. The Board of Trustees will need to clarify in the new policy their expectations related to the Gallery's Library and archives collection objectives, and ensure that adequate resources are allocated to support its policy. Management should assess its progress with respect to the objectives stated in its policy and report to the Board on a regular basis.

The collections are effectively managed, housed, secured, and conserved

58. A major challenge for any museum is not only to determine what items it will collect but also how the collection will be organized, and how the items in the collection will be preserved for future generations. We assessed whether the collections are effectively managed, housed, secured, documented, and conserved.

59. The Gallery recognizes that it must maintain rigorous control over all collection items in its inventory to ensure that each item can be located at all times. In 1998, the Gallery implemented a collections management system, Multimimsy, in which standardized information about the artwork itself (title, date of acquisition, artist) and its location (in the Gallery or on loan) is entered.

60. We noted that the Gallery has adequate systems and practices for controlling and documenting its collection. Basic information on the artworks is recorded for virtually all of the collection. During our examination period, the Gallery completed recording the location of almost two-thirds of the Canadian Museum of Contemporary Photography in its system. Since 2002–03, the Gallery verifies, on a sample basis, whether the inventory is indeed located where it is supposed to be.

61. We noted, however, that the curatorial and restorative staff maintained parallel systems for recording other information on items in the collection such as the restorative work performed on artworks or research performed by curators on works proposed for acquisition. In our view, linking or transferring this type of information in the Gallery's main collection management system would contribute to better efficiency and the transfer of knowledge among staff. This is an issue that could be examined by the Information and Knowledge Committee which we refer to in the section on knowledge management.

62. Storage and restoration of artwork. The Gallery has developed environmental standards for storage of art work. We compared the Gallery's standards for humidity, temperature, light, and ultraviolet rays to national and international standards for art museums and found that they were comparable. We reviewed control logs at different periods during the year to ensure it complied with its standards. We also reviewed the procedures in place to ensure that environmental standards applied to art work on loan to other museums comply with the Gallery's standards.

63. The work of the conservation and restoration staff is guided by the updated 2004 policy on conservation. We reviewed files and conducted interviews with staff to ensure compliance with the conservation policy. We concluded that the Gallery has adequate systems and practices to ensure that its artworks are stored and restored according to recognized national and international standards.

64. Security of Gallery's facilities. We assessed whether the Gallery's facilities were secured and well maintained. The Gallery has put in place adequate systems and practices to prevent theft and vandalism. The protection services work closely with other teams to co-ordinate the security effectively whether it is when an artwork is on loan or when a special event takes place. The Gallery has contingency and business resumption plans that are up-to-date and tested periodically.

65. Managing capital projects. The Gallery assesses and rates the level of priority of its capital projects according to well-defined criteria. We noted that for the past two

years, the Gallery has approved its capital plans budget several months after the beginning of the fiscal year, although the most pressing projects were approved when necessary on an individual basis. However, many other capital projects have been postponed from one year to the next and are creating a backlog. While they may not represent a threat to the collection, the postponement of these projects will likely result in higher maintenance costs and the projects might be more costly than anticipated. In our view, this can only be a short-term solution. Given the fact that management has indicated that it will need an investment of \$3 million to \$4 million per year to operate, maintain, and repair its facilities in the coming years, management and the Board will need to find a long-term solution as the building is aging, and the maintenance and repair costs continue to grow.

Knowledge management

Progress has been made in addressing knowledge management issues

66. In our 1999 Special Examination report, we noted that while the Gallery's practices allowed for the protection of its institutional memory to a certain extent, it was difficult to conclude that the transfer of knowledge was managed in a concerted manner. Since then, the Gallery has formed an information and knowledge management committee, has surveyed literature on knowledge management, and has consulted with other government departments on the issue. The Gallery has identified key gaps in the management of its information. For example, it found that valuable information was not shared among staff and was not stored and recorded efficiently. Management informed us that the committee intends to make recommendations to senior management to address the issues identified. We encourage the Gallery to pursue its efforts to ensure that it has in place the systems and practices to ensure that people get to the knowledge and tools needed to do their work as quickly and intuitively as possible.

Outreach

67. Outreach is central to fulfilling the Gallery's mandate, and it takes various forms: exhibitions, both in the National Capital Region and other venues in Canada and abroad; educational programming and publications; and communications and marketing activities; designed to reach as wide an audience as possible. The Gallery also offers a range of study, training, and research opportunities to staff in Canadian art museums, independent Canadian curators, students, scholars, and conservation scientists.

68. We expected that the Gallery would effectively manage its outreach programs and activities taking into consideration the interests of its stakeholders to further knowledge, understanding, and enjoyment of the visual arts, among all Canadians.

The exhibition management process is well managed

69. In past years, the Gallery presented an average of fourteen special exhibitions per year. These exhibitions are increasingly designed in partnership with, or only by, other museums. In keeping with its goal to increase the availability of the national collections across Canada, the Gallery has also in place an important travelling exhibitions program. In 2004–05, 32 exhibitions were offered to other institutions across

Canada and abroad. Since 2003, two summer exhibitions have also been presented in “La Cité de l’Énergie” in Shawinigan, Québec.

70. We selected three exhibitions to determine whether they were well planned and implemented. Overall, we found that this was the case. The practices in place are well established and are key to ensuring that the exhibition process is well managed.

71. The Exhibition Policy, approved by the Board in 2003, outlines the criteria on which decisions related to exhibitions are to be based on. While these criteria are broad, more specific ones along with related targets are included in the exhibition division’s strategic plan. For example, while the emphasis is placed on exhibitions developed and organized by the Gallery, it is expected that nearly a third of the exhibitions would be co-organized or organized by other institutions. It is also expected that nearly half of the exhibitions would present contemporary art.

72. The Gallery has an internal exhibition committee composed of senior staff, who are involved in the choice of the exhibitions to be held. The committee also discuss specific exhibitions related issues such as publications. However, the role of the Committee needs to be clarified in clear terms of references. We noted in our review of the Committee’s minutes that some major exhibitions were not approved by the Committee. It is also not clear what role the Committee plays during the planning process or in ensuring that the criteria set by the Gallery are met.

The exhibition management process needs to be documented

73. We noted that the Gallery has not documented its exhibition-management process. To compensate for this lack of documentation, staff go through the previous files of well-managed exhibitions as identified by management. In our opinion, this process is not efficient and relies too heavily on the assumption that the corporate memory won’t leave the Gallery and that all the best practices have been followed in the past. In our view, the Gallery would benefit from having a thoroughly documented management process that would be updated regularly to reflect lessons learned and emerging best practices in this area.

74. We expected to find well-established practices to ensure that lessons learned from the exhibitions’ activities would be identified, analyzed, and acted upon. We found that little was done in this regard. Once an exhibition ends, there is no report prepared by the divisions involved in the process that analyzes what worked well and what did not. For example, while a marketing plan with specific objectives is prepared for each special exhibition and data related to the attendance is collected, the Gallery does not assess the extent to which the marketing strategy was effective.

Significant outreach activity introduced without adequate analysis

75. La “Cité de l’Énergie” (la Cité) located in the city of Shawinigan, Quebec, approached the National Gallery of Canada in October 2002 to organize and present, in an old Alcan building, one major art exhibition each summer for the next five years, starting in 2003. After reviewing the proposal, the management of the Gallery presented the project to the Board of Trustees, who gave its support. Management and staff of the Gallery started planning the first exhibition, “The Body Transformed,” which took place

from June to October 2003. The exhibition differed from the travelling ones in that it was specifically designed for this location and not meant to be presented elsewhere in Canada. We noted that management had taken the necessary steps to ensure that the exhibition space at la Cité complied with the Gallery's environmental standard as well as its security requirements.

76. Although the Gallery has authority under the *Museums Act* to undertake such exhibitions, we noted that the Board had agreed to pursue this project even though the funding had not yet been secured. The Gallery risked having to reallocate funds from other projects or potentially going into a deficit to cover the cost of the exhibition, had funding from the government not been forthcoming. Moreover, we found that the first exhibition took place before an agreement was signed between the Gallery and La Cité. However, management informed us that there was a verbal agreement with La Cité. In our view, an interim written agreement would have provided more protection to the Gallery.

77. In September 2003, the Gallery submitted a proposal to the government in which it outlined a need for an additional \$1 million each year to sustain its outreach program and to meet additional demands. Funding for the initial five years would be devoted to exhibitions at "La Cité." In future years, the funding would be used to increase the Gallery's efforts to help strengthen the capacity of art institutions across Canada, expand its travelling exhibition programs, and strengthen the electronic section of its outreach program. The government approved the funding in October 2003. The Gallery subsequently entered into an agreement with "La Cité" in November 2003 in which it committed to present five summer exhibitions starting in 2003. A second exhibition, "Noah's Ark," was presented in the summer of 2004.

78. Considering the nature and scope of the proposal, we expected to find a thorough analysis of the merits, drawbacks, costs, and risks associated with the decision to undertake such a project. In addition, we expected that other important aspects such as the impact on ongoing activities and the additional burden on the staff would have been adequately analyzed. We were not provided with documented evidence that such analyses were performed. In order to guide management and the Board's decision on future proposals, it is important for the Gallery to develop comprehensive criteria on which a rigorous analysis would be based.

79. The Gallery does not allocate salaries and related benefits to specific exhibitions because it considers that the complexity and cost of doing so would outweigh the benefit. Consequently, the cost estimates presented to the Board for the Shawinigan exhibitions included only the incremental costs. In our view, the salaries and benefits of employees assigned to that project should have been taken into account in reaching a decision on this proposal. Table 2 provides key information on both exhibitions.

Table 2 Shawinigan exhibitions: Key information

Results	The Body Transformed (unaudited)	Noah's Ark (unaudited)
Incremental costs	\$ 1,371,674 (1)	\$ 1,347,027 (1) (2)
Revenues	\$ 630,146	\$ 282,243
Difference	\$ 741,528	\$ 1,064,784
Attendance	58,030	27,240

1. Figures do not include costs related to salaries and related benefits.
2. Estimate as of December 2004.

Public and educational programs contribute to the achievements of the Gallery's mandate

80. The Gallery has many public and educational programs aimed at the advancement of knowledge and the increase of the public understanding and the enjoyment of art. These programs are also an important component of the Gallery's strategy to maintain its existing audience, while expanding its reach to a younger, more diversified audience. Some programs focus at attracting targeted clientele such as children and seniors to the Gallery, while others aim at getting the artworks known across the country through the Internet.

81. Given the limited resources devoted to these programs, it is important that the Gallery ensures that they make the greatest possible contribution to achieving this part of its mandate. We found that the Gallery has, to some extent, translated its broad objectives of advancing knowledge and increasing its public into specific and measurable objectives. For example, we noted that it has set clear and measurable objectives for its school educational programs that are in line with the schools' curriculum. However, the objectives of some other programs remain broad. For example, the objective of the Salt and Pepper workshops for seniors is to make its collection and exhibitions to seniors more accessible—with education as its primary goal. In our view, setting specific and measurable objectives would help to determine the effectiveness of these programs both at the individual and the overall levels. It would also help to identify any overlap between the programs.

82. While the Board of Trustees have supported the Gallery's efforts to offer a rich calendar of educational programs, we noted that there is currently no policy to govern those programs. Management has informed us that it intends to develop a policy for public and educational programs and, within this context, it would review the objectives of its current programs.

Research and publications activities are well managed

83. To contribute to the achievement of its mandate, the Gallery undertakes research not only on the individual objects that constitute the collection but also into the cultural and historical context in which these works were created. We expected that the Gallery would not only undertake this research but would also disseminate its results.

84. We reviewed the work done under four types of research. We were satisfied that the policy on research was adhered to. We also reviewed the various means used by the Gallery to share its research; this is done through publications, the exhibitions themselves, its Web sites, conferences and seminars, and responses to requests from the public or other museums. We concluded that there are adequate practices in place to ensure that the research is disseminated. For example, a long-term and balanced publication program is elaborated and reviewed regularly.

85. The Gallery measures the participation to its outreach programs through various means: tracking of the attendance to programs, the use of audio-guides, and user sessions on its Web sites (see Table 3). We noted that the Gallery recently surveyed cultural institutions to assess its travelling exhibition program. It also regularly assesses visitors' satisfaction. We recognize that this information is useful to measure the effectiveness of its outreach programs. However, we encourage the Gallery to pursue its efforts to determine the extent to which its programs have contributed to its objectives such as enhancing the visitors' experiences and bringing new and diverse audiences to the Gallery.

Table 3 Participation in the Gallery's outreach activities—projected and actual

	2002–03		2003–04		2004–05	
	Projected	Actual	Projected	Actual	Projected	Actual
Total attendance - Gallery	600,000	608,904	610,000	539,826	520,000	n/a
Traveling exhibitions	200,000	250,000	262,000	368,493	275,000	n/a
School and Teachers programs	40,000	61,138	40,000	67,991	40,000	n/a
Adult programs	n/a	25,142	19,000	22,982	n/a	n/a
Family and Youth programs	17,175	17,990	18,000	20,671	n/a	n/a
Special needs program	n/a	1,715	1,400	1,693	n/a	n/a
Virtual attendance –user sessions (Cybermuseum, NGC and CMCP)	755,000	871,140	852,400	1,265,026	879,000	n/a

n/a: not available

Source: National Gallery of Canada

Information technology

86. Information systems provide key support to all the Gallery's sectors and activities. The digitization of objects in the collection assists in the dissemination of information on the Internet, and national outreach depends in large measure on adequate funding for technology. We expected that the planning, development, implementation, and management of information technology systems would ensure that business continuity and informational needs would be met.

87. In our last Special Examination, we noted that the Gallery had not developed a comprehensive information technology plan to set out its directions based on needs and available resources. We also noted that the role and the responsibilities of the information technology function were not clearly defined. Finally, following our examination of the management of major information technology projects, we concluded that a clearly defined management framework was needed for effective project management and monitoring.

Significant improvements have been made in the management of Information Technology

88. We noted significant improvements in the management of Information Technology. The Information Technology and Systems (ITS) group has an up-to-date strategic plan that is harmonized with the Gallery's Corporate Plan and adequately linked to its IT planned projects and to its Web site triennial plan.

89. We also found that the ITS group seeks ways to modernize its infrastructure in a cost-effective manner and adequately assesses the impacts and risks associated to its planned projects.

90. The Gallery has measures in place to address risks to IT infrastructure and has performed ongoing testing and reviews of potential vulnerabilities of its Web sites. Finally, the Gallery has adequate systems and practices in place to prevent and detect errors and minimize system failures.


Human Resources Management

91. The Gallery's success depends in large part on the quality and performance of its people. We expected that the Gallery would have in place the systems and practices required to manage human resources strategically and to have staff equipped with the key competencies needed to meet its objectives in a timely manner. We also expected that the systems and practices would make staff members accountable for the Gallery's results and provide them with a positive and engaging work environment.

The Gallery has faced many challenges over the years

92. Since our last Special Examination, the Gallery has faced a number of challenges: legal challenges involving the job evaluation system in effect, a ten-week strike by the Gallery's Public Service Alliance of Canada (PSAC) employees in the spring of 2001, the complete replacement of the human resources team, and a large

number of grievances. During our examination, a new three-year collective agreement was signed with PSAC in July 2004.

93. We noted that the Gallery has improved its human resources management structure. In response to recommendations made in an internal audit report, the position of Director of Human Resources, with expanded responsibilities, was created, and a Human Resources Management  mmittee of the Board of Trustees was formed.

94. We noted that the Gallery has invested significant efforts to manage work relations and rebuild a trusting and constructive relationship with the labour union. For example, the recent collective agreement with PSAC contains a new provision that promotes mediation rather than arbitration to resolve grievances. The Gallery is also planning to conduct a survey on employee satisfaction and the working climate.

95. In response to one of our recommendations made in 1999, the Gallery, in co-operation with one of the labour unions, undertook to develop a job evaluation system by adapting a plan designed for another Canadian museum. We found that this project is going in the right direction and that significant progress has been made. Given the technical complexity of a project like this one, we strongly encourage the Gallery to pursue its efforts, drawing on best practices in that area, to ensure that it can demonstrate the validity and reliability of the job evaluation results while taking into consideration the requirements of the *Canadian Human Rights Act*.

More efforts are needed in some areas

96. In 1999, we recommended that the Gallery adopt a strategic approach to human resources management. At the time of our examination, the Gallery was working on developing a new HRM framework with a view to guiding its strategic planning process. Management has informed us that it will be presenting this framework to the Board of Trustees in March 2005 for approval.

97. We have also noted that the Gallery did not have a performance management policy in place in which strategic and operational objectives are linked to individual performance expectations. With the exception of the managers' performance assessments, employee performance is neither planned nor assessed systematically. We noted that the Gallery has yet to establish the competencies available in relation to the competency profiles required to meet long-term needs.

98. The priority given to strengthening its work relations, combined with the expertise of the new team currently in place, provides the basis for improving the management of its human resources. Although we acknowledge the progress made, the Gallery must increase its efforts to ensure that its systems and practices will be better able to meet the operational and strategic needs of the organization in the long-term. This will require sustained attention and commitment from the Board of Trustees and senior management.

CONCLUSION

99. As stated in our Special Examination opinion, we concluded that during the period under examination, the systems and practices of the National Gallery of Canada

were designed and operated in a way that provided reasonable assurance that assets were safeguarded and controlled, resources managed economically and efficiently, and operations carried out effectively.

100. Since our last Special Examination conducted in 1999, we recognize that, overall, the Gallery has improved its management practices in a number of key areas. However, throughout this report we also identified various opportunities to enhance the quality of these systems and practices. In our view, the Gallery should pay particular attention to the following:

Enhancing the information to the Board of Trustees

Developing operational plans across the Gallery

Addressing key performance measurement issues

Documenting the exhibition management process

Establishing criteria for conducting new outreach activities

Sustaining the attention and commitment to resolving human resources issues

National Gallery of Canada's response. *The Board of Trustees and Management of the National Gallery of Canada wish to express their appreciation to the Office of the Auditor General (OAG) for its independent assessment of the Gallery's management systems and practices.*

The Board and Management place a high priority on continuously strengthening the Gallery's governance and management practices, and are pleased to note that their considerable efforts since the 1999 Special Examination have been reflected in the Auditor General's Report. In particular, the Report confirms that sound acquisition practices are in place; that the collections are effectively managed, housed, secured, and conserved; and that the Gallery's important exhibitions, research, publications, and information technology activities are well managed.

We also appreciate that the Report identifies opportunities to further enhance the Gallery's management practices. Work in the areas where improvements have been suggested is currently under way. However, some of the initiatives identified by the OAG will place additional financial and human resource pressures on the Gallery and will need to be prioritized.

The Report has pointed to a number of issues related to the pressures on the Gallery's budget—including the impact of rising prices on acquisitions of art and research materials and the growing gap between the Gallery's capital budget and the rising cost of maintaining and recapitalizing its aging facilities. These issues are well known and of serious concern to the Board and Management. We will continue to work closely with the Government to seek an appropriate long-term resolution of these issues.

Management will provide a detailed response to the Board of Trustees and the Office of the Auditor General in June 2005, outlining relative priorities and timelines, and progress reports will be made on a regular basis.

APPENDIX A

Systems and practices examined and related criteria

Key systems and practices	General examination criteria
<p>Collection</p> <p>Acquisition and disposition practices</p> <p>Collection cataloguing, and recording systems</p> <p>Collection storage and protection practices</p> <p>Restoration and conservation practices</p>	<p>The Gallery develops a collection that is both national and international that represents Canada's visual arts heritage.</p> <p>The collections are effectively managed, housed, protected, documented, and conserved.</p>
<p>Outreach</p> <p>Research project, public program, and exhibition planning</p> <p>Visitor and general public surveys</p> <p>Exhibition and program evaluations</p> <p>Marketing, communication, and outreach strategies</p>	<p>The Gallery effectively manages its programs and activities while taking into consideration its stakeholders, so as to further knowledge, understanding, and enjoyment of the visual arts among all Canadians.</p>
<p>Governance</p> <p>Corporate governance</p>	<p>The Gallery has a well-performing corporate governance framework that enables the Board of Trustees and senior management to be accountable for the responsibilities assigned to them by governing legislation.</p>
<p>Strategic and operational planning process</p> <p>Integrated risk management and implementation framework and practices</p> <p>Performance and accountability follow-up mechanism</p> <p>Strategic and operational planning and accountability</p>	<p>The strategic direction of the Gallery is clearly defined, communicated, and takes into consideration the internal and external environment, the government priorities, and key risks. The direction is translated into realistic operational plans and allocation of resources.</p> <p>The Gallery reports adequately on the realization of its results, as set out in its Corporate Plan.</p> <p>The Gallery's Board of Trustees and the</p>

Key systems and practices	General examination criteria
	management of the Gallery have appropriate and timely financial and management information for decision-making purposes and accountability.
<p>Human resources management</p> <p>Strategic human resources management plan</p> <p>Human resources planning</p> <p>Job evaluation/compensation system</p> <p>Performance management system</p> <p>Employer/Employee relations systems</p>	The Gallery has a workforce with the key competencies needed to achieve its strategic and operational objectives when needed. This workforce is accountable for its results and works in an engaging, positive work environment.
<p>Information system management</p> <p>Long-term strategic plan for information systems</p> <p>Management of activities related to IT</p> <p>Maintenance and follow-up of IT systems</p> <p>Protection and safekeeping of data and equipment.</p>	The planning, development, implementation, and management of information technology systems ensure business continuity and satisfy informational needs.

APPENDIX B

2004–2009 Gallery’s objectives and related strategies

Objective 1: To acquire, preserve, research, and record historic and contemporary works of art, both national and international, to represent Canada’s visual arts heritage.

- 1.1 Acquire works of art of outstanding quality
- 1.2 Maintain and protect the national collection and works of art loaned to the Gallery
- 1.3 Research and document the Gallery and CMCP collections

Objective 2: To further knowledge, understanding, and enjoyment of the visual arts among all Canadians and to make the collections known both in Canada and abroad.

- 2.1 Offer an outstanding exhibition and installation program
- 2.2 Offer an outstanding publishing program
- 2.3 Offer a rich calendar of educational programs
- 2.4 Engage a more diverse audience
- 2.5 Increase the availability of the national collection across Canada and enhance the visibility of Canadian art abroad
- 2.6 Increase partnerships and collaboration with other institutions and Canadian art museums
- 2.7 Play a leadership role in strengthening the capacity of art institutions across Canada

Objective 3: To provide direction, control, and the effective development and administration of resources.

- 3.1 Strengthen governance
- 3.2 Strengthen the work environment at the Gallery and CMCP
- 3.3 Increase and broaden the Gallery’s revenue base
- 3.4 Ensure the Gallery operates effectively and efficiently

Objective 4: To provide secure and suitable facilities, which are readily accessible to the public, for the preservation and exhibition of the national collections.

- 4.1 Safeguard the collection and intellectual property; ensure a safe environment for staff and visitors
- 4.2 Provide safe, suitable, and accessible facilities for visitors and staff and for properly housing the collection

Source: National Gallery of Canada 2004–2009 Corporate Plan

APPENDIX C

Key performance information

	Actual				Forecast
	2000-01	2001-02	2002-03	2003-04	2004-05
Visitor attendance					
NGC	612,339	611,138	524,059	454,981	425,000
CMCP	51,592	60,913	84,845	60,041	60,000
Total	663,931	672,051	608,904	515,022	485,000
Number of special exhibitions					
NGC	10	6	12	7	4
CMCP	11	10	6	7	4
Total	21	16	18	14	8
Visitor attendance at travelling exhibitions	n/a	455,426	250,000	262,000	275,000
Number of travelling exhibitions available					
NGC	15	18	18	19	18
CMCP	16	18	19	16	14
Total	31	36	37	35	32
Number of new travelling exhibitions					
NGC	n/a	8	11	6	5
CMCP	n/a	11	9	4	6
Total	n/a	19	20	10	11
Virtual attendance					
User sessions for NGC & CMCP Web sites	n/a	711,606	702,487	625,350	631,000
Virtual attendance User sessions for CyberMuse	58,698	69,175	168,653	639,676	900,000
Total	n/a	780,781	871,140	1,265,026	1,531,000

n/a: not available

Source: National Gallery of Canada