



Office of the Auditor General of Ontario

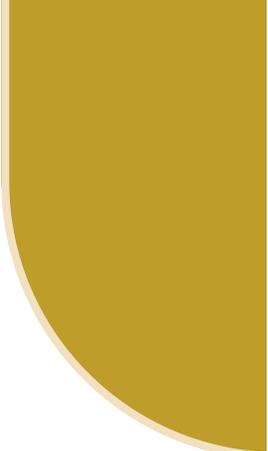
## Value-for-Money Audit Museums and Galleries:

Art Gallery of Ontario  
Royal Ontario Museum  
McMichael Canadian Art Collection



*December 2020*





# Table of Contents

	<b>Museums and Galleries</b>	3
<b>Chapter 1</b>	<b>Ministry of Heritage, Sport, Tourism and Culture Industries</b>	6
<b>Chapter 2</b>	<b>Art Gallery of Ontario</b>	17
<b>Chapter 3</b>	<b>Royal Ontario Museum</b>	54
<b>Chapter 4</b>	<b>McMichael Canadian Art Collection</b>	83



# Museums and Galleries

## 1.0 Overall Summary

The Ministry of Heritage, Sport, Tourism and Culture Industries (Ministry) provides funding to museums and art galleries to support the culture sector and the Ministry's overall objective to improve the quality of life of Ontarians, and promote economic growth.

In 2019/20, the Ministry provided a total of \$52 million in funding to the Art Gallery of Ontario (AGO), the Royal Ontario Museum (ROM) and the McMichael Canadian Art Collection (McMichael). Each of these organizations is governed by its own legislation that establishes its mandated activities. Consistent with the traditional role of museums and galleries, these activities include collecting objects and artwork, displaying them, providing education programs related to their collections, and generating public interest in their collections and exhibitions. In 2019/20, these three institutions had more than 2 million visitors.

The AGO, ROM and McMichael are accountable to the Ministry—ROM and McMichael are board-governed provincial agencies, while the AGO is a transfer payment recipient. The Ministry's role is to inform them of its broad expectations for their performance, and to oversee that they fulfill their legislative mandates and comply with applicable government policies, direction and agreements.

Overall, we found that all three institutions did a good job of safely storing the artworks, objects and artefacts in their collections in line with best practices. All three had sufficient environmental controls and kept their storage vaults at the appropriate temperature and humidity levels. All three also offered a variety of education programs to the public related to their collections.

However, we found that none of the three institutions had policies in place to conduct regular inventory checks to verify the existence of the artworks, objects and artefacts in their collections, and none of them routinely estimated the financial value of their collections to assist them to evaluate whether they maintained sufficient insurance coverage. In addition, they could not always demonstrate that the acquisitions they made were needed to meet their collection objectives.

We also found that the AGO alone accounted for \$101 million, or 22%, of all income tax certificates issued by the Canadian Cultural Property Export Review Board (CCPERB) for donations made to all Canadian institutions over the last five years. Donations certified by CCPERB provide donors with additional tax advantages compared to those that are not certified—for example, the increase in value of a donated item relative to its purchase price is normally taxable, but it is not taxable if it is certified by CCPERB.

Despite the cost to taxpayers of the AGO's acquisitions, we found that the AGO had not displayed

the majority of the donated artworks it has received in the last five years that were certified by CCPERB. As well, the AGO has not experienced a significant increase in its attendance. Instead, the AGO's attendance has fluctuated from year to year, primarily based on the strength or weakness of its temporary exhibitions, with overall attendance at the AGO decreasing in each of the last two years.

While management at the museum and the two galleries indicated that it is important to have successful exhibitions in order to draw attention and attendance to their institutions, we found that none of them had an effective process to demonstrate that they select exhibitions that are most likely to be successful. In addition, all three organizations did not assess the cost-effectiveness of their exhibitions. They either did not set targets for the profit or loss they expected their exhibitions to achieve, or had not analyzed the results to identify why they had missed their targets.

We also found weaknesses in the Ministry's oversight of the museum and galleries. We found that the performance indicators and targets that the AGO, ROM and McMichael report on to the Ministry do not cover the full range of their significant activities, limiting the Ministry's ability to monitor how effectively they deliver on their mandates.

The Ministry also could not demonstrate why it provided \$21 million in annual funding to the AGO—which is a transfer payment recipient—or what the Ministry's specific objectives were in providing that funding, beyond generally assisting the AGO to fulfill its mandate. The ROM and McMichael are entities that are controlled by the province of Ontario and receive annual funding based on that relationship.

This consolidated report contains 58 recommendations, with 123 action items, to address our audit findings.

The observations in this report are organized into separate chapters for each of the Ministry, AGO, ROM and McMichael as follows:

- **Chapter 1: Ministry of Heritage, Sport, Tourism and Culture Industries**, contains four recommendations and 8 action items;
- **Chapter 2: Art Gallery of Ontario**, contains 19 recommendations and 50 action items;
- **Chapter 3: Royal Ontario Museum**, contains 16 recommendations and 31 action items; and
- **Chapter 4: McMichael Canadian Art Collection**, contains 19 recommendations and 34 action items.

## Overall Conclusion

The province appoints Board members and provides funding to each of the ROM, McMichael and the AGO. Our audit concluded that Ministry oversight of the ROM, McMichael and, in particular, the AGO should be strengthened to confirm that effective systems and procedures are in place to meet all key legislative and public policy requirements, as well as encouraging best practices for the operations of the museum and two galleries in a cost-effective manner.

We found that while the museum and the two galleries were acquiring artworks, objects and artefacts to add to their collections, they could not always demonstrate that the acquisitions they made were needed to meet their collection objectives to justify the costs of these acquisitions to taxpayers, and additionally the AGO did not always acquire artwork in a cost-effective manner. While we found that the museum and galleries were effective in preserving their collections through maintaining appropriate environmental conditions in their storage facilities, we found that they did not have certain procedures in place to protect their collections from theft. For example, they did not have policies to conduct regular inventory checks, and there were weaknesses in their collection management systems. While we found that the museum and galleries were exhibiting artworks, objects and artefacts related to their mandates, none of them had an effective process to demonstrate that they

selected exhibitions that were most likely to be successful. In addition, we found that they could explore opportunities to share their collections more widely across the province by looking for ways to increase the number of loans of artworks, objects and artefacts to other museums and galleries in Ontario.

We also concluded that the Ministry, together with the museum and these two galleries, did not sufficiently measure, evaluate and publicly report on the effectiveness of the museum and the galleries. We found that the performance indicators and targets they reported to the Ministry did not sufficiently address the full range of their activities to provide the Ministry with the information it needs for effective oversight.

# Ministry of Heritage, Sport, Tourism and Culture Industries

## 1.0 Summary

The Ministry of Heritage, Sport, Tourism and Culture Industries (Ministry) provides funding to museums and art galleries to support the culture sector and the Ministry's overall objective to improve the quality of life of Ontarians, and promote economic growth.

In 2019/20, the Ministry provided a total of \$52 million in funding to the Art Gallery of Ontario (AGO), the Royal Ontario Museum (ROM) and the McMichael Canadian Art Collection (McMichael). Each of these organizations is governed by its own legislation that establishes its mandated activities. Consistent with the traditional role of museums and galleries, these activities include collecting objects and artwork, displaying them, providing education programs related to their collections, and generating public interest in their collections and exhibitions. In 2019/20, these three institutions had more than 2 million visitors.

The AGO, ROM and McMichael are accountable to the Ministry—the ROM and McMichael are board-governed provincial agencies, while the AGO is a transfer payment recipient. The Ministry's role is to inform them of its broad expectations for their performance, and to oversee that they fulfill their legislative mandates and comply with applicable government policies, direction and agreements.

Overall, we found that the Ministry can be more effective in its oversight of the museum and galleries. We found that the performance indicators and

targets that the AGO, ROM and McMichael report on to the Ministry do not cover the full range of their significant activities, limiting the Ministry's ability to monitor how effectively they deliver on their mandates. Based on our observations, we found a number of areas where the Ministry could request additional performance indicators and targets to improve its monitoring of these institutions' delivery of their mandates, and to identify areas where it may need to discuss or work with them to require improvements that support continued taxpayer funding.

Regarding the AGO, the Ministry could not demonstrate why it provides \$21 million in annual funding to the AGO—which is a transfer payment recipient—or what the Ministry's specific objective was in providing that funding, beyond generally assisting the AGO to fulfill its mandate. We also identified weaknesses in the AGO's Board governance processes where Board members donated artworks to the AGO, but there was no evidence that they declared their conflict of interest or excused themselves during the vote to approve their donations.

This report contains four recommendations, with eight action items, to address our audit findings.

### OVERALL MINISTRY RESPONSE

The Ministry of Heritage, Sport, Tourism and Culture Industries (Ministry) welcomes the recommendations made by the Auditor General

to improve the Ministry's oversight of the AGO, the ROM and McMichael.

The AGO, ROM and McMichael are vital cultural institutions that contribute to the Ministry's double bottom line—strong economic growth and a resilient cultural fabric that reflects the diversity and strength of Ontario's communities. The Ministry is confident that these entities will use the findings and recommendations made in this report to explore opportunities to further improve their operations and continue to provide value for the people of Ontario.

The Ministry is committed to ensuring effective oversight of these entities and will consider potential improvements to its oversight framework and performance measurement within the context of existing processes and requirements. The Ministry notes that its oversight processes for these three entities are distinct, given that the AGO is a transfer payment recipient and the ROM and the McMichael are Crown agencies. As such, the Ministry will work with each entity to explore meaningful opportunities for improvements.

The Ministry also notes the significant impact that the COVID-19 pandemic has had on the culture sector, including these three entities. The revenues of these entities, as well as their educational programming and broader operations, have all been impacted during this challenging time. The Ministry will continue to work with these entities in response to these recommendations and in the context of the broader recovery of the sector.

## 2.0 Audit Objective and Scope

Our audit objective was to assess whether the Ministry of Heritage, Sport, Tourism and Culture Industries (Ministry) together with museums and galleries have effective systems and procedures in place to:

- meet key legislative and policy requirements, and best practices for the operation of museums and galleries in a cost-effective manner; and
- measure, evaluate, and publicly report on the effectiveness of museums and galleries.

In planning for our work, we identified the audit criteria (see **Appendix 1**) we would use to address our audit objective. These criteria were established based on a review of applicable legislation, policies and procedures, and internal and external studies. Senior management at the Ministry reviewed and agreed with the suitability of our objective and related criteria. We subsequently shared our objective and criteria with senior management at the Art Gallery of Ontario (AGO), the Royal Ontario Museum (ROM), and the McMichael Canadian Art Collection (McMichael).

We focused on the activities at museums and galleries in the five-year period ending March 2020 and conducted our audit between January 2020 and October 2020. We obtained written representation from Ministry management, the AGO, McMichael and the ROM that, effective November 18, 2020, they had provided us with all the information they were aware of that could significantly affect the findings or the conclusion of this report.

Our audit work was conducted at the AGO, McMichael, ROM and the Ministry's Agency Relations and Accountability Division (Division), which is responsible for overseeing that museums and galleries fulfill their legislated mandates.

Our work at the Ministry's Division included analysis of policies and procedures, as well as discussion with staff responsible for overseeing whether museums and galleries meet their legislated mandates, achieve performance targets, and comply with applicable government directives, Ministry policies and guidelines.

Our audit work at the museum and the two galleries included an analysis of policies and procedures, as well as discussions with senior management and staff who are responsible for managing overall operations, managing collections, organizing

exhibitions, delivering education programs, and measuring and reporting on the performance of the organizations. Data analysis and sample testing were performed to determine whether the museum and galleries comply with applicable requirements and best practices, and to identify trends related to their efficiency, effectiveness and compliance with legislative requirements, government directives, and museum and gallery policies, and applicable best practices.

As part of our audit, we also contacted the Canadian Cultural Property Export Review Board (CCPERB), which certifies cultural property for tax purposes. In addition, we consulted with an income tax lawyer to review the tax implications of specific donations of artwork. We also engaged an expert to review our procedures related to the storage and care of artwork and objects at the AGO, ROM and McMichael (including its offsite storage locations).

As well, we conducted a survey of 197 small and medium-sized museums and galleries in Ontario (64% response rate) to get their perspectives on the public accessibility of the AGO, ROM and McMichael's collections. We also conducted research into other jurisdictions to identify best practices. In addition, we held discussions with senior representatives of museum and gallery associations and stakeholder groups in Ontario, Canada, the United States and Europe to obtain their perspectives on issues related to managing museums and galleries, including operational best practices.

We also reviewed the relevant audit reports issued by the province of Ontario's Internal Audit Division in determining the scope and extent of our audit work.

We conducted our work and reported on the results of our examination in accordance with the applicable Canadian Standards on Assurance Engagements—Direct Engagements issued by the Auditing and Assurance Standards Board of the Chartered Professional Accountants of Canada. This included obtaining a reasonable level of assurance.

The Office of the Auditor General of Ontario applies the Canadian Standards of Quality Control

and, as a result, maintains a comprehensive quality control system that includes documented policies and procedures with respect to compliance with rules of professional conduct, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Professional Conduct of the Chartered Professional Accountants of Ontario, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

## 3.0 Background

Museums and art galleries play an important role in society by collecting and preserving objects and artwork of cultural and historical importance, and presenting these to the public for the purposes of education, research and enjoyment. They also provide economic benefits to their communities, and are an important part of the cultural tourism industry.

In Ontario, the Ministry of Heritage, Sport, Tourism and Culture Industries (Ministry) provides annual funding to museums and galleries as part of its support for the culture sector, and the Ministry's overall objective to improve the quality of life of Ontarians and promote economic growth.

In 2019/20, the Ministry provided approximately \$31 million in funding to the Royal Ontario Museum (ROM) and the McMichael Canadian Art Collection (McMichael), which are agencies of the province. In addition, while the Art Gallery of Ontario (AGO) is not classified as a provincial agency, the Ministry also provided it with approximately \$21 million in funding in 2019/20 under a transfer payment agreement. These three organizations are the subject of our audit.

Each of the ROM, McMichael and AGO is governed by its own legislation that establishes its mandated activities. Consistent with the traditional

role of museums and galleries, these activities include collecting objects and artwork, displaying them, providing education programs related to their collections, and generating public interest in their collections and exhibitions.

As provincial agencies, or as a transfer payment recipient (AGO), these organizations are accountable to the Ministry, but do not form part of it.

## Ministry Role and Responsibilities

The Ministry's role is to inform the organizations of its broad expectations with respect to their performance priorities (through an annual mandate letter), and to oversee that these museums and galleries fulfill their legislative mandates and comply with applicable government policies, direction and agreements.

The Ministry's responsibilities are carried out by the Agency Relations and Accountability Division (Division). **Appendix 2** illustrates the Division's organizational structure. The Division supports the Ministry and Minister in discharging their responsibilities for the provincial agencies the Ministry funds. These include:

- outlining, through the government's mandate letter, the high-level expectations, key commitments and performance priorities of each agency;
- reviewing and approving each agency's annual business plan;
- recommending to Treasury Board/Management Board of Cabinet (TB/MBC) each agency's provincial funding allocation;
- reporting and responding to TB/MBC on agency performance and compliance with applicable government policies and directives;
- reviewing, approving and tabling in the Legislature each agency's annual report; and
- when appropriate or necessary, taking action or directing that an agency take corrective action with respect to its administration or operations.

The Ministry is also responsible for recommending to TB/MBC any required changes to agencies. This may include recommendations for mergers, dissolutions, changes to mandates, or changes to the governance or administration of the agency.

Although the Art Gallery of Ontario (AGO) is not a provincial agency, the Ministry is also responsible for overseeing that the AGO complies with the terms of its transfer payment agreement, which includes the requirement to fulfill its legislative mandate, and report on agreed-upon performance indicators in its business plan and annual report. The Ministry also has a role in appointments to the AGO's board—just as it does for the ROM and McMichael. **Appendix 3** shows the composition of the AGO, ROM and McMichael's Boards, including the number of provincially appointed board members.

## 4.0 Detailed Audit Observations

### 4.1 Ministry Oversight Insufficient

#### 4.1.1 Performance Targets and Indicators Reported by AGO, ROM and McMichael Limit the Ministry's Ability to Monitor the Delivery of Their Mandates

##### Performance Indicators Do Not Measure the Full Range of Significant Activities

We found that the performance indicators and targets reported on to the Ministry by the AGO, ROM and McMichael do not measure the full range of their significant activities, and therefore limit the Ministry's ability to monitor the delivery of their mandates. We found that over the last three years, the performance indicators reported on by the AGO, ROM and McMichael have been limited to measures such as total attendance and membership growth, and have not included performance indicators relating to other areas of their mandates such as their collections or education programs.

The ROM and McMichael set out their performance targets and indicators in their annual business plans, which, as provincial agencies under the Agency and Appointments Directive, they are required to prepare and submit to the Ministry. Unlike the ROM and McMichael, the AGO is a transfer payment recipient, not a provincial agency. The AGO proposes the performance indicators that it will report on as part of the negotiation of the terms of its transfer payment agreement with the Ministry and it sets its targets in an annual business plan that it is also required to submit to the Ministry.

Although the AGO, ROM and McMichael propose the performance indicators and targets to report on, the Ministry is ultimately responsible for reviewing and approving their transfer payment agreements or business plans before providing its annual funding. Therefore, the Ministry has the opportunity to negotiate additional or different performance indicators and targets that it would need in order to better monitor these organizations' delivery of their mandates.

Based on the observations pertaining to the AGO, ROM and McMichael in this report, there are a number of areas in which the Ministry could request additional performance indicators and targets to enhance its monitoring of their delivery of their mandates, including with respect to their collections, exhibitions and education programs. Such indicators could assist the Ministry to identify promising results at one organization that it could use to communicate to the others to facilitate improvements. The Ministry could also use such indicators to compare, where applicable, results between organizations to determine whether an organization is meeting the Ministry's expectations.

### ROM and McMichael Performance Indicators Inconsistent or Targets Not Set

We found that the performance indicators reported on to the Ministry by the ROM and McMichael have been inconsistent between different years or have not included targets for the upcoming three years

as required to illustrate trends in their performance. As a result, the Ministry does not have the information it needs to assess or hold the ROM and McMichael accountable for their performance.

### AGO Sets Targets Lower than Prior Year Results

It is a requirement in the government's Transfer Payment Accountability Directive, as well as a fundamental principle, that an organization receiving taxpayer funding should be held accountable for what it achieves with the funding. Nevertheless, we found that the Ministry allows the AGO to set its performance indicator targets lower than results achieved in prior years, thereby significantly increasing the probability that the AGO will meet or exceed its annual targets. For example, in 2018/19, the AGO set all its targets lower than the prior year results and achieved all but one of these targets.

**Figure 1** shows the performance indicators and targets selected by the AGO along with the results over the last five fiscal years.

## RECOMMENDATION 1

To monitor whether the Art Gallery of Ontario (AGO), the Royal Ontario Museum (ROM) and the McMichael Canadian Art Collection (McMichael) are fulfilling their mandates and achieving desired government priorities, we recommend that the Ministry of Heritage, Sport, Tourism and Culture Industries:

- review the observations in this report to identify which aspects of the AGO, ROM and McMichael's activities would be beneficial to monitor more closely;
- work with the AGO, ROM and McMichael to set and consistently report on targets and performance indicators to facilitate improvement in these areas; and
- require that the AGO, ROM and McMichael set reasonable performance targets, including for the upcoming three years, and take corrective action, such as requiring the

**Figure 1: Art Gallery of Ontario Performance Indicator Targets and Results, 2015/16–2019/20**

Sources of data: Ministry of Heritage, Sport, Tourism and Culture Industries and Art Gallery of Ontario

	2015/16		2016/17		2017/18		2018/19		2019/20	
	Target	Result <sup>1</sup>	Target	Result <sup>1</sup>	Target	Result <sup>1</sup>	Target	Result <sup>1</sup>	Target	Result <sup>1</sup>
Total attendance	722,249	718,200	780,296	965,589	785,320	917,261	804,239	845,677	823,567	780,228
AGO members (# households)	53,602	49,393	59,240	53,717	53,500	59,815	57,743	53,939	53,500	44,028
School group visits	39,382	33,786	30,500	46,005	29,750	42,715	34,254	39,437	33,781	23,055
Self-generated revenues (% of revenues)	64	61	63	65	63	66	64	68	66	65
Net promoter score <sup>2</sup>	No target set	77	73	74	75	76	73	78	73	83

Note: Targets that are shaded in grey were set lower than the prior year results.

1. The results represent the information reported to the Ministry by the Art Gallery of Ontario (AGO).
2. The AGO calculates its net promoter score through its visitor exit surveys. The surveys are carried out by AGO staff and the results are not audited by a third party.

submission of remedial action plans where targets are not met.

### MINISTRY RESPONSE

The Ministry agrees with the recommendations made by the Auditor General and is confident that the ROM, AGO and McMichael will explore opportunities to further improve their operations and continue to provide value to the people of Ontario.

The Ministry is committed to ensuring effective oversight of these entities. The Ministry will consider potential improvements to its oversight framework and performance measures within the context of existing processes that include agency mandate letters, business plans, annual reports and quarterly reporting.

The Ministry notes that, since March 2020, the COVID-19 pandemic has had a sudden and dramatic impact on the culture sector, including the three in-scope entities. Closures, new public health expectations, and evolving public sentiment have significantly impacted attendance,

revenues, educational programming and operations. The Ministry will work with the entities to explore meaningful enhancements to targets and indicators within the context of entity and sectoral recovery.

### RECOMMENDATION 2

We recommend that the Ministry of Heritage, Sport, Tourism and Culture Industries (Ministry) require that the Art Gallery of Ontario, the Royal Ontario Museum and the McMichael Canadian Art Collection:

- submit action plans, including timelines, on how they will address the recommendations in their individual reports; and
- report annually to the Ministry on their progress in implementing the recommendations.

### MINISTRY RESPONSE

The Ministry agrees with the recommendation and will work with the AGO, ROM and McMichael to review findings from their reports

and ensure that action plans are developed to address them where appropriate.

The Ministry will work with in-scope entities to ensure that their action plans reflect appropriate governance and accountability, noting areas of management responsibility, areas that fall within the scope of entity Boards of Directors, and recognizing the oversight role of the Ministry.

The Ministry notes that the COVID-19 pandemic has had an immediate impact on the in-scope entities; anticipated recovery time frames are not known at this time. The Ministry will work with the entities to ensure that regular reporting occurs, within the context of a multi-year recovery.

#### 4.1.2 Ministry Unaware of Conflict-of-Interest Issues at the AGO

##### No Evidence Exists that Board Members Excluded Themselves from the Approval of Their Own Donations

We identified weaknesses in the AGO's governance processes, described in **Chapter 2, Section 4.2.1**, where Board members donated artworks to the AGO, but there was no evidence that they declared their conflict of interest or excused themselves during the vote to approve their donations. For example, we found that one Board member, who donated a collection of artworks to the AGO was also the Chair of the Curatorial Working Committee responsible for approving the AGO's acquisitions in this collecting area. There was no indication in the committee minutes that the Chair of the committee declared their conflict of interest or excused themselves during the vote to approve the donation.

In another instance, a different Board member who donated a painting to the AGO, was one of six members on the Board's Collections Committee who approved the donation of the painting. The Committee minutes indicate the donation was unanimously accepted. However, there is no indication that the Board member declared their conflict

of interest, or excused themselves during the vote to approve the donation.

##### AGO Board Members Serve Lengthy Terms That Are Not in Line with Best Practices

As we describe in detail in **Chapter 2, Section 4.2.2**, we found that contrary to other comparable galleries and best practices, many of the AGO's Board members serve lengthy terms.

The AGO's legislation and bylaws include few restrictions on the lengths of Board members' terms, allowing Board members to serve on the Board indefinitely. We found that 50% of the AGO's Board members had served on the Board for more than 10 years. In addition, nearly 10% of the AGO's board members had served on the Board for more than 30 years. One had served as long as 42 years.

Best practices on board governance state that by imposing forced retirement, Boards can refresh their membership and bring in new skills, talents and perspectives. Boards that have a majority of longstanding members may intimidate newer members, causing them to hold back new thoughts and ideas. Rotating Board members helps ensure the Board maintains its independence from management and helps prevent it from becoming static; this may lead to unhealthy attitudes that can cause boards to govern out of self-interest rather than in the best interest of the community they serve. We note these concerns in light of the instances we have found where Board members who donated artwork to the AGO received preferential treatment relative to other donors (**Chapter 2, Section 4.1.1**), and where Board members donated artworks to the AGO, but there was no evidence that they declared their conflict of interest or excused themselves during the vote to approve their own donations (**Chapter 2, Section 4.2.1**).

We compared the tenure of the Board members at the AGO to those of other comparable museums and galleries and found that the Board members with the longest service typically serve between 10 and 15 years. Thus, the AGO's practice of allowing

Board members to serve on the Board for an indefinite period is not in line with the practices of other comparable institutions, nor is it in line with the practices of the ROM and McMichael, which were audited by our Office.

### RECOMMENDATION 3

We recommend that the Ministry of Heritage, Sport, Tourism and Culture Industries:

- require as part of its transfer payment agreement with the Art Gallery of Ontario (AGO) that the AGO put in place rigorous conflict-of-interest policies that prohibit its Board members from participating in decisions to approve their own donations; and
- review the legislation of the AGO and make recommendations to the provincial government to include reasonable term limits for the AGO's Board members.

### MINISTRY RESPONSE

The Ministry agrees with the recommendation and recognizes the importance of effective conflict of interest policies and procedures, as a key component of good governance. The Ministry notes that the ethics executive for the AGO is the entity's Board Chair and will therefore look to the entity and its Board to ensure that an appropriate conflict of interest policy, based on current best practices, is in place. The Ministry will ensure that this work is implemented in conjunction with future transfer payment agreements with the AGO.

The Ministry acknowledges the Auditor General's findings with respect to Board term limits, and will give consideration to the issues raised, including through an assessment of the AGO's constituting legislation, as well as exploration of other possible approaches.

### 4.1.3 Ministry Could Not Demonstrate Its Rationale for the Amount of Funding It Provides to the AGO

The annual funding that the Ministry provides to the AGO is discretionary. We found that the Ministry has provided the AGO with approximately \$21 million in annual funding for at least the last 10 years. According to the government's Transfer Payment Accountability Directive, the Ministry must have and keep appropriate documentation to show its rationale for its funding decisions. However, the Ministry was unable to demonstrate how it determined the specific amount of funding it provides to the AGO, or its specific objectives for the funding provided beyond generally assisting the AGO to fulfill its mandate.

### RECOMMENDATION 4

To achieve value for money from its transfer payment agreement with the Art Gallery of Ontario (AGO), we recommend that the Ministry of Heritage, Sport, Tourism and Culture Industries ensure that there is an assessment of need and clearly documented rationale for the amount of future funding provided to the AGO.

### MINISTRY RESPONSE

The Ministry agrees with the recommendation and is committed to ensuring value and accountability in its transfer payment agreements. The Ministry acknowledges that the amount and rationale for the AGO's transfer payment has not been subject to a recent review. The Ministry will explore how best to strengthen the documented rationale for the amount of the AGO's transfer payment.

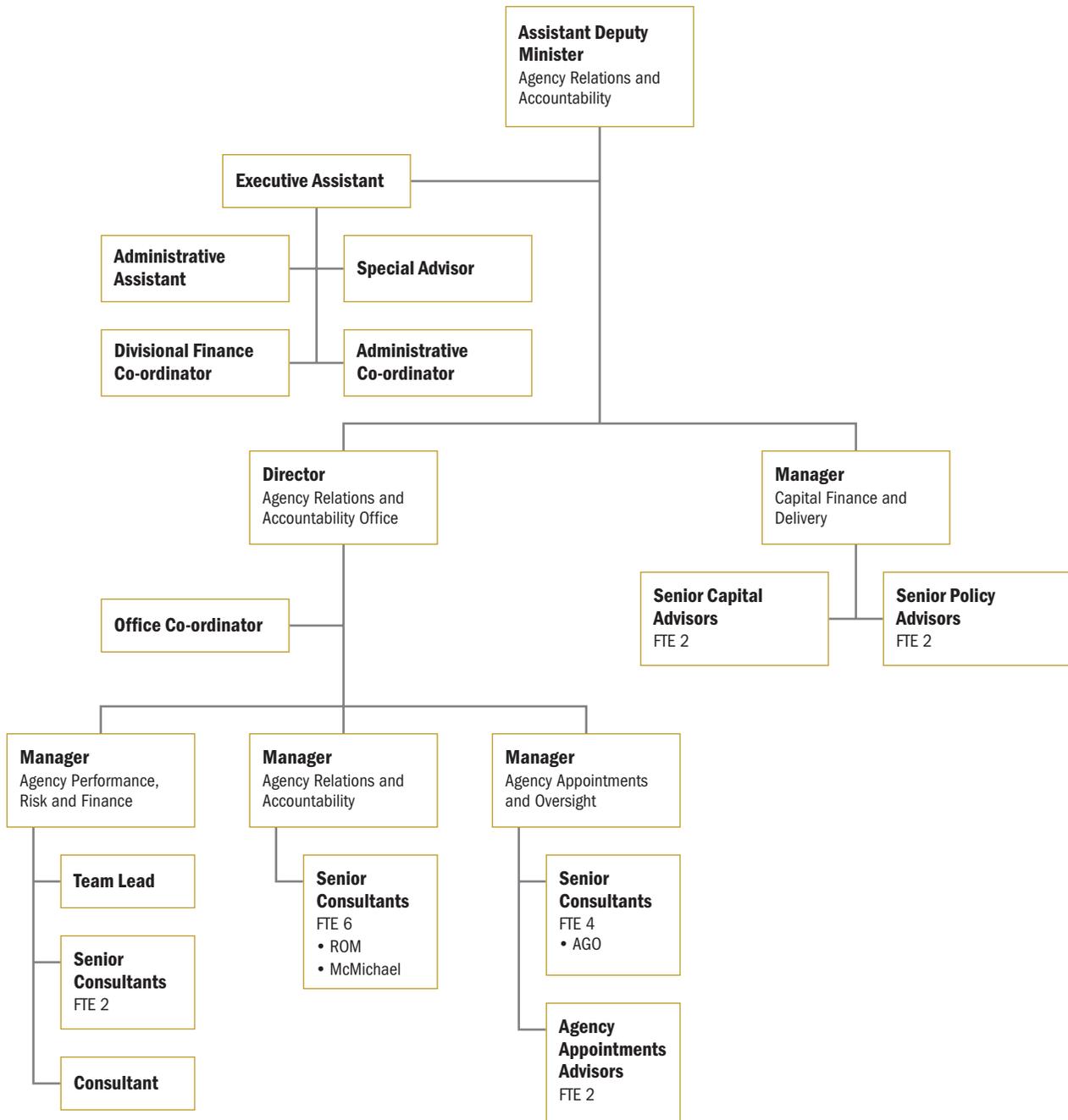
## Appendix 1: Audit Criteria

Prepared by the Office of the Auditor General of Ontario

1. Effective Ministry of Heritage, Sport, Tourism and Culture Industries oversight processes are in place so that museum and gallery operations achieve their legislative mandates, comply with applicable government requirements and guidelines and are in alignment with best practices. Corrective action is taken on a timely basis when necessary.
2. Museums and galleries effectively acquire, preserve and deaccession objects and artworks in accordance with their legislative and policy requirements as well as best practices.
3. Museums and galleries economically and efficiently develop and display exhibitions, including artwork and objects, that effectively engage and educate the public and increase visits and attendance.
4. Museums and galleries deliver effective education programs in their respective fields.
5. Museums and galleries govern and manage their operations and facilities efficiently, effectively and economically.
6. Meaningful performance indicators and targets for museums and galleries are established, monitored and compared against actual results so that goals, legislative and other requirements, guidelines, and best practices are achieved. Results are publicly reported and corrective action is taken on a timely basis.

## Appendix 2: Agency Relations and Accountability Division, January 2020

Source of data: Ministry of Heritage, Sport, Tourism and Culture Industries



Note: The Agency Relations and Accountability Division is responsible for overseeing all of the Ministry's provincial agencies. Senior Consultants are assigned responsibility for specific agencies from the Ministry's portfolio of agencies.

## Appendix 3: Board Composition and Committees, June 1, 2020

Source of data: Ministry of Heritage, Sport, Tourism and Culture Industries

Agency Type	Total # of Trustees	Required # of Provincially Appointed Trustees	# of Provincially Appointed Trustees on the Board as of June 1, 2020	Quorum	Committees of the Board
Royal Ontario Museum	21 <sup>1</sup>	15	13	7	<ul style="list-style-type: none"> <li>• Finance and Audit</li> <li>• Collections, Engagement and Research</li> <li>• Human Resources and Compensation</li> <li>• Governance</li> </ul>
Art Gallery of Ontario	27 <sup>2</sup> + 15 lifetime Trustees Emeritus <sup>3</sup>	10	10	10	<ul style="list-style-type: none"> <li>• Finance</li> <li>• Governance and Nominating</li> <li>• Advancement</li> <li>• People</li> <li>• Building</li> <li>• Collections</li> <li>• Education</li> <li>• Executive</li> </ul>
McMichael Canadian Art Collection	Up to 23	All	5	A majority of the trustees constitutes a quorum	<ul style="list-style-type: none"> <li>• Finance and Audit</li> <li>• Art Advisory</li> <li>• Property and Buildings</li> <li>• Governance and Nominating</li> <li>• Human Resources</li> </ul>

1. Members of the museum elect three board members, and three are board members by virtue of their office (the CEO of the museum, the President of the University of Toronto, and the Chair of the Governing Council of the University of Toronto).

2. The College of Founders of the Art Gallery of Ontario appoints five board members, the Council of the City of Toronto appoints two board members (one of whom shall also be a member of the council), and the membership of the gallery (for example, members of the public with paid memberships) elects 10 members.

3. The Board, on recommendation of the Governance and Nominating Committee, may appoint any retiring or former Trustee or a current, retiring or former Trustee of the Art Gallery of Ontario Foundation Board of Trustees, as a lifetime Trustee Emeritus of the Board in recognition of distinguished service to the AGO.

# Art Gallery of Ontario

## 1.0 Summary

The Art Gallery of Ontario (AGO) is an art museum located in Toronto. It is a transfer payment recipient that receives approximately \$21 million in annual funding from the Ministry of Heritage, Sport, Tourism and Culture Industries (Ministry). Its legislation, the *Art Gallery of Ontario Act, 1990* (Act), sets out the AGO's mandate. Consistent with the traditional role of museums and galleries, its mandate includes collecting artworks, displaying them, providing education programs related to its collections, and generating public interest in its collections and exhibitions. In 2019/20, the AGO had approximately 840,000 visitors.

The AGO is governed by a Board of Trustees (Board) consisting of 27 members, 10 of which are appointed by the provincial government. As a charitable organization, the AGO prepares a balanced budget each year, where budgeted revenues are equal to budgeted expenses.

Overall, we found that the AGO did a good job of safely storing the artworks in its collections in line with best practises. It had adequate environmental controls and kept its storage vaults at appropriate temperature and humidity levels. The AGO also offered a variety of education programs to the public related to its collections—including many at no cost to those attending.

However, we found that the AGO did not have an accurate valuation of its collection to assist it to

evaluate whether it maintained sufficient insurance coverage. In addition, we found that the AGO had never conducted an inventory check of its collections and it did not have a policy in place to conduct regular inventory checks to verify the existence of the artworks in its collection. We also found that the AGO did not have a collection development plan to guide its acquisitions. As a result, it was unclear whether the items the AGO acquired were needed to meet its collection objectives, or that the acquisitions represented value for money to taxpayers.

We also found that the AGO alone accounted for \$101 million, or 22%, of all income tax certificates issued by the Canadian Cultural Property Export Review Board (CCPERB) for donations made to all Canadian institutions over the last five years. Donations certified by CCPERB provide donors with additional tax advantages compared to those that are not certified by CCPERB. Despite the cost to taxpayers of the AGO's acquisitions, we found that the AGO has not displayed the majority of these donations that it has received in the last five years that were certified by CCPERB. In addition, the AGO has not experienced a significant increase in its attendance as a result of these donations. Instead, the AGO's attendance has fluctuated from year to year, primarily based on the strength or weakness of its temporary exhibitions, with overall attendance at the AGO decreasing in each of the last two years.

While management at the AGO indicated that it is important to have successful exhibitions in order to draw attention and attendance to their

institution, we found that the AGO did not have an effective process to demonstrate that it selected exhibitions that are most likely to be successful. In addition, even though 60% of the exhibitions it held over the last five years had missed their attendance targets, the AGO had not investigated the reasons for this in order to help improve the success of its future exhibitions.

The following are some of our specific concerns related to the AGO.

- **AGO does not have a collection development plan to guide its acquisitions and justify their cost to taxpayers.** Although best practices recommend that museums and galleries should have a written collection development plan identifying what they will collect, we found that the AGO does not have such a plan in place to guide its acquisitions. As a result, it was unclear whether the items the AGO had acquired were needed to meet its collection objectives. In the last five years, the AGO's collection has grown by 23%, but without an up-to-date collection development plan it is not possible to demonstrate that these acquisitions met the AGO's collection objectives and added sufficient value to the collection to justify the acquisition cost and the on-going costs for their care and storage. In particular, it is not possible to demonstrate to taxpayers that donated new acquisitions, which cost taxpayers millions in forgone tax revenues, are needed to meet the AGO's objectives. A collection development plan can also enhance accountability and transparency when a museum or gallery accepts donations and issues tax receipts to related parties. Over the last five years, the AGO has issued tax receipts for donations from related parties, including Board members, totalling approximately \$17.5 million.
- **No evidence exists that AGO Board members excluded themselves from the approval of their own donations.** We identified weaknesses in the AGO's governance

processes where Board members donated artworks to the AGO, but there was no evidence that they declared their conflict of interest or excused themselves during the vote to approve their own donations. For example, we found that one Board member, who donated a collection of artworks to the AGO was also the Chair of the Curatorial Working Committee responsible for approving the AGO's acquisitions in this collecting area. There was no indication in the committee minutes that the Chair of the committee declared their conflict of interest or excused themselves during the vote to approve the donation.

- **AGO provides preferential treatment to Board members donating artwork with terms that are not ordinarily extended to other donors.** Based on our testing of acquisitions at the AGO, we identified instances where Board members who donated artwork received preferential treatment. For example, in one instance, the AGO appealed a ruling by CCPERB on the value of the donated artwork even though the gallery acknowledged in writing that, based on CCPERB's rules, it had no basis to do so. In another instance, a Board member was allowed, for a fee, to borrow artwork that had been purchased by the AGO with funds the Board member had donated. Although we were advised that this option has not been exercised by the Board member, the opportunity to borrow items to display in one's personal residence is not an opportunity afforded to other donors.
- **Lengthy terms of AGO Board members not in line with best practices.** We found that contrary to other comparable galleries and best practices related to Board governance, many of the AGO's Board members serve lengthy terms. We found that approximately 50% of the AGO's board members had served for more than 10 years, including nearly 10% who had served more than 30 years and as long as 42 years. Best practices on

board governance state that boards that have a majority of long-standing members may intimidate newer members, causing them to hold back new thoughts and ideas. Rotating board members helps ensure that a board maintains its independence from management and helps prevent it from becoming static, which may lead to unhealthy attitudes. This can cause boards to govern out of self-interest rather than in the best interest of the community they serve.

- **Research into provenance and authenticity of acquisitions is not always complete or documented.** We found that in 18% of the acquisitions we reviewed, the AGO did not fully address the requirements of its policies to establish the provenance of the items in order to prove ownership, or to verify the authenticity of the item. This included a large donation of 77 paintings valued at \$33.2 million. For several paintings in the collection, the donor did not have, and the AGO did not seek, sufficient evidence to support the provenance of the collection, including ownership history, and where and how the paintings had been displayed, as its policies require.
- **AGO does not know the complete financial value of its collection to ensure it maintains adequate insurance coverage.** Although AGO's records indicate the value of its collection is \$3 billion, we found that 50% of the items in the AGO's collection did not have a value assigned to them in AGO's collection management system, TMS. We noted the AGO has \$500 million in insurance coverage for its collection. Although it is not a common practice for a museum or gallery to obtain insurance to cover the total value of its collection, without a more complete valuation for its collection it is not clear whether the AGO's insurance coverage is sufficient relative to its commercial value—particularly as just one of the AGO's paintings, *The Massacre of the Innocents*, is valued at \$238 million.
- **AGO does not conduct inventory checks to verify the existence of its collection.** We found that the AGO does not conduct inventory checks and does not have a policy in place to do so on a regular basis for all its collection areas.
- **AGO does not assess why its exhibitions often fall short of attendance targets to help improve the attendance results of future exhibitions.** We analyzed data from the AGO and found that in the last five years, 60% of all its exhibitions for which it charges a separate admission fee had not met their attendance targets. Attendance ranged from between 56% and 90% of the total targeted attendance. Although AGO indicated it informally monitored and analyzed attendance, it did not document these analyses and could not provide them to us for review. Exhibition attendance is important, as the AGO attributes changes in overall visits to its galleries to the success or failure of its exhibitions.
- **Despite admission incentives, visits to the AGO, admission revenues and membership sales declined.** We found that in 2019/20, despite introducing a free annual pass for those 25 years of age and under, and a discounted annual pass for those over 25 years of age, the AGO's attendance to tour the gallery declined by 11% from about 833,000 in 2018/19 to about 743,000 in 2019/20. The AGO's management attributed the decline in attendance to exhibitions that did not meet their attendance targets. AGO's management also expected that in 2019/20, overall combined revenues from admissions, memberships and annual passes would total \$11.6 million—an increase of more than 8% from 2018/19. Instead, actual revenues from these sources declined significantly, by 27%, from \$10.7 million in 2018/19 to \$7.8 million in 2019/20.
- **Leadership team bonuses paid are not based on attendance and revenue results.**

We found that between 2015/16 and 2018/19, the AGO had paid annual bonuses averaging 11% to its leadership team members. The only institutional performance target that had to be met was whether the AGO broke even—which it is required to do—rather than additional institutional targets reflective of the AGO’s overall achievement in a given year, such as whether it achieved its attendance and revenue targets, or other targets related to its overall mandate.

This report contains 19 recommendations, with 50 action items, to address our audit findings.

## OVERALL AGO RESPONSE

The Art Gallery of Ontario (AGO) appreciates the Auditor General’s recommendations on how it can make improvements in the areas highlighted in its report. The AGO commits to making changes that incorporate these learnings.

On behalf of the people of Ontario, the AGO acquires, conserves, researches and displays extraordinary works of art. A key aspect of its mission is to present exhibitions and public programs that provide opportunities for audiences to learn and engage with art and artists that spark creativity and conversation. In addition, the AGO serves its public through a balanced presentation of exhibitions by well-known artists and artists who have been traditionally underrepresented in museums.

The AGO’s attendance and budget fluctuates from year to year, largely depending on the exhibition and programs schedule. It is important to note that COVID-19 has had a devastating impact on attendance and revenue streams. Since 2016, the AGO has worked to enrich its collection with strategic acquisitions and has introduced a new admission policy that has significantly increased access to younger and more diverse audiences.

The AGO recognizes that its art acquisition process needs to be strengthened and will take

action to address this. It will also review trustee term limits. The AGO is committed to writing a formal collection and education plan that reflects its strategic priorities. It will document provenance details to the best of its ability, formalize regular inventory checks and improve its current analysis and projections of exhibition targets. The AGO will review its performance assessment measures and ensure institutional goals are more clearly articulated.

## 2.0 Audit Objective and Scope

Our audit objective was to assess whether the Ministry of Heritage, Sport, Tourism and Culture Industries (Ministry) together with museums and galleries have effective systems and procedures in place to:

- meet key legislative and policy requirements, and best practices for the operation of museums and galleries in a cost-effective manner; and
- measure, evaluate, and publicly report on the effectiveness of museums and galleries.

**Appendix 1** lists the audit criteria we used to address our audit objective. Senior management at the Ministry reviewed and agreed with the suitability of our objective and related criteria. We subsequently shared our objective and criteria with senior management at the museum and galleries under the scope of the audit, including the Art Gallery of Ontario (AGO), the subject of this chapter.

We focused on the activities of the AGO in the five-year period ending March 2020 and conducted our audit between January 2020 and October 2020. We obtained written representation from the management of the Art Gallery of Ontario that, effective November 17, 2020, they had provided us with all the information they were aware of that could significantly affect the findings or the conclusion of this report.

Our audit work at the AGO included an analysis of policies and procedures, as well as discussions with senior management and staff who are responsible for managing overall operations, managing collections, organizing exhibitions, delivering education programs, and measuring and reporting on the performance of the organization. Data analysis and sample testing were performed to determine whether the AGO complies with applicable requirements and best practices, and to identify trends related to its efficiency, effectiveness and compliance with legislative requirements, government directives, its own policies, and applicable best practices.

As part of our audit, we also contacted the Canadian Cultural Property Export Review Board (CCPERB), which certifies cultural property for tax purposes. In addition, we consulted with an income tax lawyer to review the tax implications of specific donations of artwork to the AGO. We also engaged an expert to review our audit procedures relating to the storage and care of artwork at the AGO—this did not include the AGO’s offsite storage locations.

As well, we conducted a survey of 197 small and medium-sized museums and galleries in Ontario (64% response rate) to get their perspectives on the accessibility of the AGO’s collections. We also conducted research into other jurisdictions to identify best practices. In addition, we held discussions with senior representatives of museum and gallery associations and stakeholder groups in Ontario, Canada, the United States and Europe to obtain their perspectives on issues related to managing museums and galleries, including operational best practices. We also reviewed the relevant audit reports issued by the province of Ontario’s Internal Audit Division in determining the scope and extent of our audit work.

## 3.0 Background

The Art Gallery of Ontario (AGO) is an art museum located in Toronto. It is a transfer payment recipient that receives approximately \$21 million in annual funding from the Ministry of Heritage, Sport, Tourism and Culture Industries (Ministry). Its legislation, the *Art Gallery of Ontario Act, 1990* (Act), sets out the AGO’s mandate as follows:

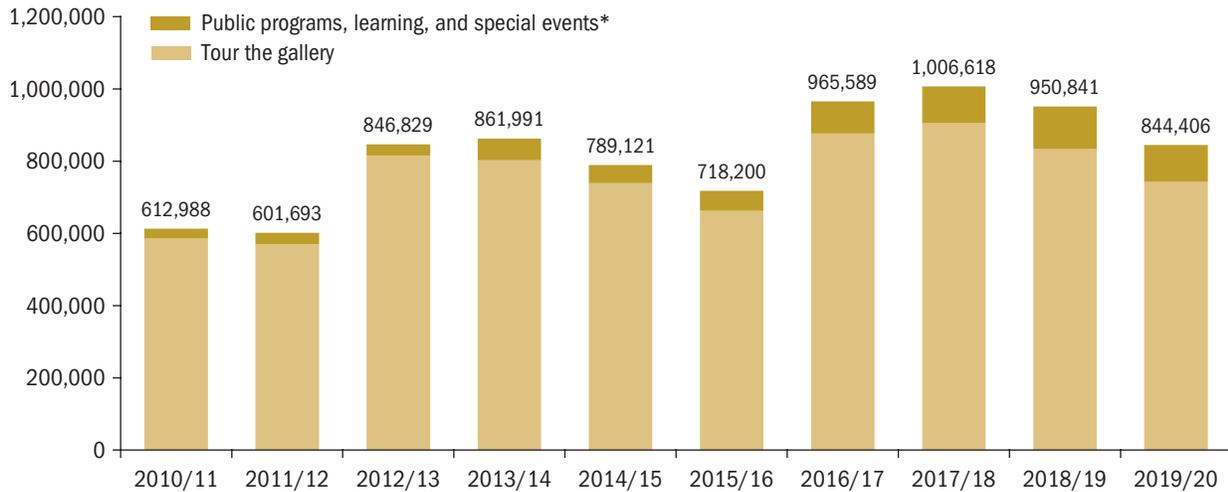
- to cultivate and advance the cause of the visual arts in Ontario;
- to conduct programs of education in the origin, development, appreciation and techniques of the visual arts;
- to collect and exhibit works of art and displays and to maintain and operate a gallery and related facilities as required for this purpose; and
- to stimulate the interest of the public in matters undertaken by the gallery.

As a charitable organization, the AGO prepares a balanced budget each year, where budgeted revenues equal budgeted expenses. In 2019/20, the AGO’s budgeted revenues and expenses were approximately \$65 million. In addition to annual funding from the Ministry, the AGO also receives private-sector funding from the Art Gallery of Ontario Foundation (AGO Foundation). The AGO Foundation was incorporated in 1967; its objectives are to receive, accumulate and distribute income for the benefit of the AGO. In 2019/20, the AGO Foundation provided \$5.4 million in funding to the AGO.

The AGO is governed by a Board of Trustees (Board) consisting of 27 members, 10 of which are appointed by the provincial government. The AGO also has a number of emeritus trustees, retired or former trustees appointed in recognition of distinguished service to the AGO, who attend all meetings of the Board but do not have any of its duties, rights or responsibilities. See **Appendix 2** for the composition of the AGO’s Board and its committees.

**Figure 1: Annual Attendance, 2010/11–2019/20**

Source of data: Art Gallery of Ontario



\* Public programs, learning, and special events relate to activities such as educational courses, summer camps and events such as the Nuit Blanche, an annual free all-night event. The attendance numbers in this category are estimates, and rely on a combination of estimation methods such as manual clicker counts for events, and formulas for calculating course attendance based on duration. Note, from 2013/14 onwards, the method for counting attendance at camps and educational courses changed to count each entry into the building for a course as one visit.

A CEO, appointed by the Board, is responsible for the management of the AGO, which employs approximately 349 full-time and 327 part-time staff, and receives assistance from over 500 volunteers. The AGO is a unionized workplace with about three-quarters of its employees represented by two unions. See **Appendix 3** for the AGO's organizational structure.

### Visitor Attendance

As part of its mandated role in stimulating the interest of the public, the AGO welcomes visitors to its site. In 2019/20, the AGO welcomed approximately 840,000 visitors, consisting of visits to tour the gallery, or for other purposes, such as to attend an educational program or attend an external event hosted on site, such as a wedding or a corporate event. **Figure 1** shows the AGO's overall attendance from fiscal year 2010/11 to 2019/20 for both of these categories of visitors.

Over the past 10 fiscal years, the AGO's overall attendance increased by 38%, from about 613,000 visitors in 2010/11 to about 844,000 in 2019/20.

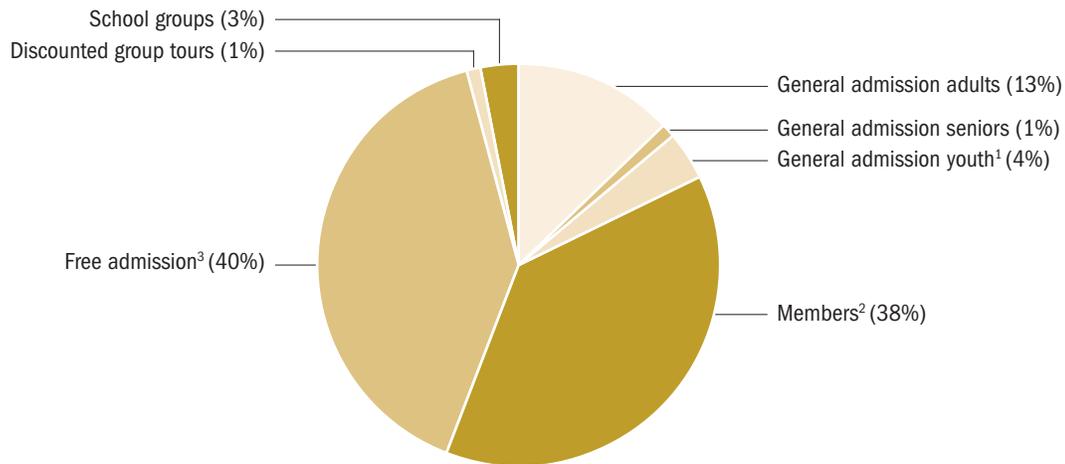
We noted that 2019/20 was impacted by the

COVID-19 pandemic, which required the AGO to close two weeks before the end of its fiscal year. However, even after accounting for the impact of the pandemic, we noted that attendance was lower than in 2018/19. AGO management attributed fluctuations in its yearly attendance to exhibitions that did not meet their attendance targets.

The majority of individuals who visit the AGO come to tour the gallery—in 2019/20 these visits totalled approximately 743,000 and accounted for 88% of total attendance. As illustrated in **Figure 2**, 40% of visitors to tour the gallery visited free of charge, 38% had paid a membership fee or purchased an annual pass that allowed them to visit, and 18% of paid general admission (youth, adults and seniors). The balance of visitors comprised school groups and discounted group tours at 3% and 1%, respectively.

**Figure 2: Type of Ticket Purchased to Tour the Art Gallery of Ontario, 2019/20**

Source of data: Art Gallery of Ontario



1. General admission youth includes visitors from six to 17 years of age.
2. Members consist of the 206,773 visits by Art Gallery of Ontario Membership holders and 71,663 visits by those who purchased an annual pass to visit the gallery in 2019/20.
3. Included in free admission are 134,616 visits by visitors aged 25 and under who entered with the free annual pass, and approximately 90,100 visits when the Art Gallery of Ontario is open for free on Wednesday evenings. The remaining free admission visits relate primarily to complimentary access through MAP, a museums art pass from Toronto public library, and students from OCAD university.

## 4.0 Detailed Audit Observations

### 4.1 Collections Management

The AGO collects art in the following five areas:

- Indigenous and Canadian art;
- European art;
- prints and drawings;
- photography; and
- modern and contemporary art.

#### Acquisitions of Artwork

The AGO's policies set out the requirements for acquiring new artwork either through donation or purchase. These requirements include the following provisions:

- The item must be consistent with the mission or collection goals of the gallery.
- The gallery must exercise due diligence in determining legal title and ownership. The item must have a fully documented proven-

ance, source and authenticity where possible, and must be ethically acceptable.

- The item must be accompanied by valuation(s) where possible.
- Donations must be free of any unreasonable conditions or restrictions imposed by the donors regarding the gallery's use of the item(s).
- The gallery must be satisfied that there is no reasonable cause to believe that the item was stolen or illegally acquired, collected or imported.

**Figure 3** shows the total number of artworks in the AGO's collection, and how its collection has grown between 1900 and 2020.

All acquisitions require the preparation of a detailed research report on the artwork, which includes its provenance, condition, and importance and relevance to the AGO's collection.

Recommendations for acquisitions are brought forward by the relevant curator, in consultation with the CEO and Chief Curator, and are presented to the appropriate Curatorial Working Committee. Curatorial Working Committees are responsible for

**Figure 3: Art Gallery of Ontario Collection Growth by Method of Acquisition, 1900–2020**

Source of data: Art Gallery of Ontario

	Donation	Purchase	Total Acquisitions	Cumulative Total	10-Year Growth (%)
1900–1910	148	2	150	150	–
1911–1920	340	33	373	523	249
1921–1930	757	333	1,090	1,613	208
1931–1940	226	297	523	2,136	32
1941–1950	283	238	521	2,657	24
1951–1960	245	434	679	3,336	26
1961–1970	1,215	765	1,980	5,316	59
1971–1980	3,068	933	4,001	9,317	75
1981–1990	5,577	1,570	7,147	16,464	77
1991–2000	9,644	678	10,322	26,786	62
2001–2010	67,507	639	68,146	94,932	255
2011–2020	17,817	8,262	26,079	121,011	27
<b>Total</b>	<b>106,827</b>	<b>14,184</b>	<b>121,011</b>	<b>–</b>	<b>–</b>

reviewing proposed acquisitions and providing a recommendation to the Board of Trustees' Collections Committee. The Collections Committee then votes to decide whether to accept or reject proposals to acquire artwork. See **Appendix 4** for the organizational structure of the Curatorial Department.

In the case of donations, once the Board has accepted the acquisition, the donor is asked to sign a gift agreement that transfers the legal title of the artwork to the AGO. Once this has been completed, the AGO issues a charitable tax receipt to the donor for up to the fair market value of the artwork, as determined by an independent appraisal.

#### **Certifying Donations of Outstanding Significance for Tax Purposes**

In certain cases involving the donation of valuable artwork, a donor may request that the AGO submit an application to the Canadian Cultural Property Export Review Board (CCPERB), an independent tribunal of the federal Department of Canadian Heritage, to review the donated artwork and assess whether it qualifies to be certified as having outstanding significance. As defined in law, this means that the artwork must be of outstanding significance by reason of its close association with Canadian history or national life, its aesthetic qualities, or its value in the study of the arts or sciences.

In cases where CCPERB certifies artwork as being of outstanding significance, CCPERB will issue an income tax certificate to the donor based on the item's fair market value. There is a substantial tax benefit to the donor if the donation is certified by CCPERB. Normally, artworks are subject to tax on capital gains when they change ownership (including when they are donated), but artworks determined by CCPERB to be of outstanding significance, and donated to a qualifying institution like the AGO, are exempt from the normal tax on capital gains. In addition, the income tax certificate issued by CCPERB for the fair market value of the donation can be used to offset up to 100% of the donor's net income. In contrast, the charitable tax credit for a donation to institutions like the AGO that is not certified by CCPERB can only be used to offset up to 75% of the donor's net income.

**Figure 4** provides an illustration of the differences that result in personal income tax from having donated artwork certified as cultural property by CCPERB. For simplicity, the example assumes that the artwork originally cost the donor \$500,000 and its fair market value (FMV) at the time of the donation was \$1,000,000. The example also assumes that the donor has an annual income taxed at the highest marginal tax rate.

**Figure 4: Comparison of Personal Income Tax Implications for Donations Certified and Not Certified by Canadian Cultural Property Export Review Board (CCPERB)**

Prepared by the Office of the Auditor General of Ontario

	Certified by CCPERB	Not Certified by CCPERB
Fair market value of artwork	\$1,000,000	\$1,000,000
Purchase cost of artwork	\$500,000	\$500,000
Taxable capital gain on donation of artwork	0	\$250,000 <sup>1</sup>
Tax on capital gain <sup>2</sup>	0	\$133,824
Donation tax receipt	\$1,000,000	\$1,000,000
Tax receipt limit	Up to 100% of net income	Up to 75% of net income
Tax savings on donation <sup>3</sup>	\$504,096	\$504,096
Less: tax on capital gains	0	\$133,824
Net tax savings on donation	\$504,096	\$370,272

1. The capital gain is \$500,000, which is the difference between the donation value at fair market value and the purchase price (\$1,000,000 - \$500,000), and 50% of the capital gain is taxable if the donation is not certified by CCPERB.
2. Donations that are certified as cultural property by CCPERB are not subject to capital gains tax; tax on capital gains is calculated as the taxable capital gain of \$250,000 multiplied separately by the federal tax rate of 33% and the provincial tax rate (including surtax) of 20.53%.
3. Tax savings are calculated based on 2019 personal income tax rates for an individual at the highest income tax rate that has made donations greater than \$200, including 33% for federal tax and 11.16% for provincial tax, and 56% for provincial surtax.

#### 4.1.1 AGO Does Not Have a Collection Development Plan to Guide Its Acquisitions

We found that the AGO does not have a collection development plan to guide its acquisitions. As a result, it was unclear whether the items the AGO has acquired were needed to meet its collection objectives.

Best practices issued by professional associations that the AGO is a member of recommend that museums and galleries should have a written collection development strategy and plan identifying what they will collect. In addition, these plans should be consistent with the organization's mission, include an analysis of the existing collection strengths, and identify priority areas for the collection to grow and areas where deaccessioning should be considered.

Although the AGO provided us with a draft collection development plan, it could not say how old it was but indicated it was drafted more than five years ago, and does not reflect its current objectives for developing its permanent collection. The AGO indicated that it is currently in the process of developing an updated collection development plan

**Figure 5: Art Gallery of Ontario Collection Growth, 2015/16–2019/20**

Source of data: Art Gallery of Ontario

<b># of Artworks at April 1, 2015</b>	<b>98,126</b>
Plus: Purchases	7,678
Plus: Donations	15,478
Less: Deaccessioned Items	(271)
<b># of Artworks at March 31, 2020</b>	<b>121,011</b>
% Increase	23

for its five existing curatorial areas and collecting departments: Indigenous and Canadian art; European art; prints and drawings; photography; and modern and contemporary art.

Figure 5 shows the change in the AGO's collection over the last five years. The AGO's collection has grown by approximately 23%, from 98,126 to 121,011 artworks. However, without an up-to-date collection development plan, it is not possible to demonstrate that these acquisitions were needed to meet the AGO's collection objectives, and that they added sufficient value to the collection to justify the acquisition cost, and the ongoing costs for the care and storage of the artworks. In particular, it is not

**Figure 6: Donations of Artwork by Art Gallery of Ontario Board or Committee Members, Employees or Relatives, 2015/16–2019/20**

Prepared by the Office of the Auditor General of Ontario

	Board Members	Committee Members <sup>1</sup>	Employees	Total
# of donations <sup>2</sup>	14	9	3	<b>26</b>
Total value of charitable tax gift receipts issued (\$ million)	10.51	6.93	0.08	<b>17.52</b>

1. Committee members refers to individuals that belong to the AGO's curatorial working committees. These committees had the authority to approve the AGO's acquisitions until March 31, 2017. Starting April 2017, the working committees are now responsible for recommending acquisitions to the Collections Committee, a committee of the Board, for approval.
2. Includes only donations that were certified as cultural property by the Canadian Cultural Property Export Review Board (CCPERB).

possible to demonstrate to taxpayers that donated new acquisitions, which cost taxpayers millions in forgone tax revenues, are needed to meet the AGO's objectives.

In addition, the AGO accepts donations from Board members. **Figure 6** shows the number of donations from Board members and other related parties over the last five years that were certified by CCPERB, and the value of charitable donation tax receipts issued for those donations. A collections development plan can enhance accountability and transparency when a museum or gallery accepts donations and issues tax receipts to a related party such as a Board member. Such a plan could help demonstrate that the donation is needed and will add significant value to the collection.

#### Board Members Donating Artworks to the AGO Received Preferential Treatment

Based on our testing of acquisitions at the AGO, we also identified instances where Board members who donated artwork received preferential treatment. For example:

- In one instance, the AGO appealed a ruling by CCPERB on the value of the donated artwork even though the AGO acknowledged in writing that it had no basis to do so based on CCPERB's rules.
- In another instance, an arrangement was made where a Board member can, for a fee, borrow artwork that had been purchased by the AGO with funds the Board member had donated. Although the AGO advised us

that the Board member has not exercised this option, the opportunity to borrow items to display in one's personal residence is not an opportunity ordinarily afforded to other donors.

#### 4.1.2 Many New AGO Acquisitions that Cost Taxpayers Millions Are Not Promptly Displayed

As discussed in **Section 4.1.1**, the AGO's acquisitions have led to a 23% increase in its collection in the last five years. Although the vast majority of the AGO's acquisitions are from donations (as shown in **Figure 3**), these donations come at cost to taxpayers. Over the last five years the AGO's acquisitions have accounted for over 20% of all cultural property certified by CCPERB in Canada for tax purposes. However, we found that many of these acquisitions certified by CCPERB that result in additional forgone tax revenues (as shown in **Figure 4**) are not promptly displayed by the AGO.

#### AGO Accounts for 22% of All Cultural Property Certified by CCPERB across Canada

Although over 300 institutions across Canada are eligible to apply to CCPERB to certify the donations they receive for tax purposes, donations of art to the AGO in the last five years have accounted for 22% of the total value of all cultural property certified by CCPERB across Canada. In comparison, the donations to McMichael and the ROM certified by CCPERB represent just 0.7% and 0.8% of the total

value of cultural property certified by CCPERB (2015/16–2019/20).

**Figure 7** shows the total fair market value of applications approved by CCPERB across Canada between 2015/16 and 2019/20. We estimate that over this period of time, the AGO's acquisitions of art through donations that were submitted to CCPERB have cost taxpayers approximately \$49.8 million in forgone tax revenues, of which \$32.2 million relates to federal tax and \$17.6 million relates to provincial tax.

### 63% of CCPERB Certified Donations over Last Five Years Have Not Been Displayed to the Public

We reviewed all of the donations of artwork submitted by the AGO and approved by CCPERB between 2015/16 and 2019/20 and found that 63% had yet to be displayed. **Figure 8** illustrates the number of donations to the AGO certified by CCPERB and whether they have been displayed or loaned since their acquisition.

**Figure 7: Fair Market Value (FMV) of Applications Approved by the Canadian Cultural Property Export Review Board (CCPERB), 2015/16–2019/20**

Sources of data: CCPERB, Art Gallery of Ontario, Royal Ontario Museum and McMichael Canadian Art Collection

	Total FMV determined by CCPERB – Canada (\$ million)	McMichael		ROM		AGO			
		FMV (\$ million)	%	FMV (\$ million)	%	FMV (\$ million)	%	Federal Tax Forgone (\$ million) <sup>1</sup>	Provincial Tax Forgone (\$ million) <sup>2</sup>
2015/16	109	0.2	0.2	0.9	0.8	29.2	27	8.5	5.1
2016/17	122	0.5	0.4	0.2	0.2	16.6	14	5.5	2.9
2017/18	132	0.5	0.4	1.9	1.4	38.9	29	12.8	6.8
2018/19	47	1.2	2.6	0.7	1.5	2.3	5	0.8	0.4
2019/20	43	0.7	1.6	0.1	0.2	14.0	33	4.6	2.4
<b>Total</b>	<b>453</b>	<b>3.1</b>	<b>0.7</b>	<b>3.8</b>	<b>0.8</b>	<b>101.0</b>	<b>22</b>	<b>32.2</b>	<b>17.6</b>

1. Based on the top personal income tax rate for federal tax (2016 to 2019–33%, 2014 to 2015–29%).

2. Based on the top personal provincial income tax rate applicable to donations of 11.16% plus the provincial surtax of 56%.

**Figure 8: Number of Art Gallery of Ontario Donations Certified as Cultural Property Exhibited or Loaned Since Acquisition, 2015/16–2019/20**

Prepared by the Office of the Auditor General of Ontario

Fiscal Year	# of Donations Certified as Cultural Property by Canadian Cultural Property Export Review Board (CCPERB)	Total Tax Receipts Issued to Donors Based on FMV Determined by CCPERB (\$ million)	Donations Where At Least One Artwork from the Donation Has Been Exhibited or Loaned Since Acquisition*		Donations Where No Artworks from the Donation Have Ever Been Exhibited or Loaned Since Acquisition*	
			#	%	#	%
2015/16	24	29.1	9	38	15	62
2016/17	27	16.5	10	37	17	63
2017/18	30	38.9	11	37	19	63
2018/19	24	2.9	9	38	15	62
2019/20	21	13.3	7	33	14	67
<b>Total</b>	<b>126</b>	<b>100.7</b>	<b>46</b>	<b>37</b>	<b>80</b>	<b>63</b>

\* The time from the date the artwork was acquired up until September 30, 2020.

## RECOMMENDATION 1

So that it acquires artworks that best meet its collection priorities and needs, and that it operates in a manner that is consistent with its transfer payment agreement with the Ministry of Heritage, Sport, Tourism and Culture Industries, to obtain value for money and to use public funds wisely, we recommend that the Art Gallery of Ontario (AGO):

- establish a collection development plan, identifying its specific collection priorities for each of its five collection departments;
- restrict, except in extenuating circumstances, the acquisition of artworks that do not meet the plan's specific priority areas;
- promptly display a greater proportion of artworks acquired that have been certified as significant by the Canadian Cultural Property Export Review Board; and
- prohibit the provision of preferential treatment and benefits to AGO Board members who have donated artwork that are not ordinarily available to other donors to the AGO.

## AGO RESPONSE

We agree with the recommendation. The AGO will create a written plan to clearly articulate its collecting ambitions and priorities. The AGO will also ensure its acquisitions align with its collecting priorities and continue to collect within its designated collecting areas of art. The AGO will also endeavour to display a greater proportion of new acquisitions. Furthermore, the AGO will also ensure that no special privileges or benefits are extended to Board members.

### 4.1.3 Research into Provenance and Authenticity of Acquisitions Is Not Always Complete or Documented

We found that the AGO approved the acquisition of items that did not address the requirements of its policies to establish the provenance and authenticity of the items.

Based on our review of a sample of items acquired by the AGO in the last three fiscal years (2017/18–2019/20), we found that for 18% of the items we reviewed, the AGO did not fully address the requirements of its policies to establish the provenance of the items in order to prove ownership, or to verify the authenticity of the item.

For example:

- The AGO accepted a large donation of 77 paintings that was valued by an independent appraiser at \$33.2 million. However, for several paintings in the collection, the donor did not have, and the AGO did not seek, sufficient evidence to support the provenance of the collection, including the ownership history, and where and how the paintings had been displayed. The AGO's policies require a detailed research report that includes a description of the provenance of each item.
- A drawing by a German artist from 1916 was donated and accepted by the AGO. The drawing was valued at approximately \$79,000. When reviewing the documentation surrounding the accessioning, we noted provenance was not completed with adequate due diligence. AGO records on ownership history were limited to the donor's purchase of the drawing in Germany in 2011 and did not extend to the drawing's prior ownership history as would be expected under the AGO's policy. This increases the uncertainty surrounding the origin of the artwork, legality of its exportation, and previous exhibition history, increasing the risk of a future dispute over its legal title. The AGO Acquisition Policy states that all collecting activities should be

in accordance with the terms of the UNESCO Convention. As part of the due diligence process surrounding the acquisition of this drawing, the AGO was therefore required to verify its legal exportation from its country of origin in compliance with the UNESCO Convention. However, there is no evidence this was done.

## RECOMMENDATION 2

We recommend that the Art Gallery of Ontario implement processes so that the steps required by its policies to establish the provenance and authenticity of the artworks it acquires are consistently completed, documented and reviewed.

## AGO RESPONSE

We agree with the recommendation. AGO staff will consistently follow the existing AGO Acquisition Policy, requiring that all acquisition considerations include a fully documented description of provenance whenever possible, based on available historical evidence and records. It is important to note that in some cases a full provenance history cannot be established; in these cases, AGO staff will document their conclusions as to why provenance history cannot be established and provide such information to the Board's Collection's Committee for consideration. Staff will ensure that this process has been completed and documented in order for a work to enter the AGO's collection.

### Registration and Cataloguing

Standard practice for the operation of museums and galleries includes keeping accurate records and information on the items in their collections. Basic and essential information on artworks includes information such as date and method of acquisition, unique identifying number, description, provenance information and location. The AGO uses The Museum System (TMS), an electronic records management system, to record information on the items in its collection.

### 4.1.4 Inadequate Controls to Prevent the Deletion of Artwork from the AGO's Inventory

We found that artwork records could be deleted from the AGO's collection management system, TMS, without authorization and that there was no process in place at the AGO to review deleted records to ensure that they had been deleted only for authorized purposes.

The AGO advised us that it is not its practice to delete items from its collection management system—even in cases where an item has been disposed of. Instead, we were told that in such circumstances the number and status of the artwork would simply be changed. The AGO advised us that typically the only reason to delete the record of an item is if it was at the AGO temporarily and was not formally acquired.

We noted that TMS allows users with certain levels of access rights to delete artwork records, and we were advised that three individuals at the AGO had the necessary level of access rights, and these same three individuals also have full access to the AGO's on-site collection vaults. However, we found that the AGO does not have a process in place to review deleted artwork records. The AGO advised us that TMS does not have the ability to produce reports with deleted artwork records.

Nevertheless, at our request, the AGO's IT department was able to extract a report of deleted artwork records from the backend database that stores all TMS data. The report showed that since 2009, approximately 5,700 artwork records had been deleted. We reviewed this list and found that over 3,000 records had been deleted by six individuals who also had access to AGO's vaults, raising security concerns about AGO's inventory of artwork. We evaluated a sample of these deleted records, and found that in 30% of the cases we reviewed, we could not verify the reason for the deletion because the AGO could not provide evidence to show what happened to the item in these records.

### RECOMMENDATION 3

So that the artworks in the Art Gallery of Ontario's (AGO) collection are secured, we recommend that management:

- segregate the responsibilities for deleting records, approving the deletion of records, and accessing the AGO's vaults; and
- periodically review a list of deleted artwork records, and ensure that artworks have been deleted only for authorized purposes.

### AGO RESPONSE

We agree with the recommendation. The AGO will segregate the responsibilities as recommended. A "record delete" report will also be generated quarterly and reviewed by the Chief Curator.

#### 4.1.5 AGO Does Not Know the Complete Financial Value of Its Collection

We found that the AGO does not know the financial fair market value of the majority of artworks in its collection; as a result, it is unclear whether the AGO has sufficient information to assess the adequacy of its insurance coverage.

We analyzed AGO's records to determine the value of its collection and noted that its records showed a value of \$3 billion. However, we found that the valuation of AGO's collection is incomplete.

We found that approximately 50% of the 121,000 items in AGO's collection did not have a value assigned to them in TMS. Where items were valued, 70% of these items, accounting for \$803 million, had a valuation that was more than 10 years old.

The AGO has \$500 million in insurance coverage for its collection that it currently estimates has a value of \$3 billion. Although it is not a common practice for a museum or gallery to obtain insurance to cover the total value of its collection, without a more complete valuation for its collec-

tion it is not clear whether the AGO's insurance coverage is sufficient relative to the commercial value of its collection—particularly as just one of the AGO's paintings, *The Massacre of the Innocents*, is valued at \$238 million. We noted that the AGO's Finance Committee—which is responsible for the organization's insurance coverage—reviewed the AGO's insurance coverage in 2017 and reported to the AGO's Board that it was adequate. However, the AGO could not demonstrate that it considered the value of its collection in making that determination, or the proportion of the value of the collection that the insurance coverage is intended to cover.

### RECOMMENDATION 4

So that the Art Gallery of Ontario knows the financial value of its collection and can assess whether its insurance coverage is sufficient, we recommend that it:

- review artworks that do not have a value assigned to determine which artworks should be valued;
- put in place a process to update the valuation of its collection to reflect the value of these artworks; and
- assess the risks of potential loss of its collection and obtain the level of insurance deemed necessary based on the updated valuation of the collection.

### AGO RESPONSE

We agree with the recommendation. The AGO completely agrees with the assessment of risks of potential loss to inform the level of insurance coverage required. The AGO currently determines the desired insurance coverage level for its collection based on the assessment of potential loss scenarios, including with respect to flood, fire, explosion, theft, vandalism or other situations. The top-valued works of art in the AGO collection are specifically named in the insurance policy. Any recovery from a loss would be based on the current value of the work

at the time of the loss. Building on our existing approach, we will also review the artworks in our collection and obtain a valuation or updated valuation for those that have a large financial value. We will use these valuations when assessing the adequacy of our insurance coverage.

### Inventory Counts

It is considered a standard practice for museums and galleries to periodically conduct an inventory check and to establish the necessity for such checks in their policies. Inventory checks allow museums and galleries to verify that their items are present, which is crucial to maintaining accountability.

#### 4.1.6 AGO Does Not Conduct Inventory Counts to Verify the Existence of Its Collection

We found that the AGO has never conducted an inventory check of its different collection areas, and it does not have a formal policy in place to conduct periodic inventory checks on systematic basis for its collection areas.

We conducted a spot check of the AGO's inventory on a sample basis. Except for a small number of items that we could not verify because they were stored in large crates that would have required multiple handlers and a forklift to access, we located all but two of the items in our sample. These items were a wooden desk and a glass vase that the AGO could not locate or specifically identify. We found that the AGO had one vault with several shelves of furniture and accessories that it informed us was not catalogued, and advised us that these pieces may be among those. At the conclusion of our audit, the AGO advised us that it does not consider the furniture and accessories to be part of its permanent collection, and that the AGO had no plans to use them in the future.

## RECOMMENDATION 5

To safeguard the items in its collection, and improve the utilization of its storage facilities, we recommend that the Art Gallery of Ontario:

- establish a policy for carrying out inventory checks that includes the frequency and methodology of such checks;
- perform inventory checks in accordance with this policy; and
- review the contents of its vault containing items of furniture that are not accessioned items in the collection, and develop a plan to dispose of the items it does not intend to use in the future.

## AGO RESPONSE

The AGO agrees with the recommendation. The AGO will formalize an inventory policy that details the method and frequency of quarterly inventory checks. Those checks will be put in place immediately. The AGO will also review the furniture and accessories in its vaults that are not part of its permanent collection, and take steps to dispose of those items it does not intend to use in the future.

### Conservation and Storage

The AGO's conservation policy identifies its responsibilities for taking care of its collections. This involves both preventive conservation and treatment to restore items in the collection. Preventive conservation involves making sure that artworks are properly stored under the appropriate environmental conditions, and protected against fire, flood, pests, theft and vandalism. This applies to both artworks that are on display to the public in the gallery and those that are in storage, both on-site in their vaults or storage rooms (typically below ground level), and in off-site privately rented storage units.

The AGO references best practices for the care of its collections, including the Canadian Conservation Institute's (CCI) guidelines. These guidelines

detail for each type of item (for example, fine art, photographs, paper and books), the vulnerabilities of the items and the ways they can deteriorate, as well as proper handling and storage techniques. For example, according to the guidelines, museums and galleries should display or store paintings on canvas or wood at stable relative humidity level of between 40% and 60%. The AGO operates environmental control and monitoring systems intended to maintain the correct climate for its collections.

The AGO employs 10 conservators, including the head of conservation (see **Appendix 4**) specializing in various materials who are responsible for carrying out conservation examination and treatment to restore artworks. Conservation treatments are to be approved by the item's custodial curator, and to proceed with regular collaboration between conservation, curatorial, and other experts as needed. In addition, the AGO's policies state that major conservation projects require the approval of the Chief of Exhibitions and Collections and the Chief Curator.

The AGO advised us that its conservation efforts give priority to items that are to be used—that is, items that it plans to display or to lend out to other institutions, or items for which access has been requested, such as for scholarly research.

#### 4.1.7 Storage Conditions Were Found to Be in Line with Best Practices

As part of the inventory spot check we performed, described in **Section 4.1.6**, we also reviewed the conditions under which the items were stored.

We found that the AGO's vault facilities achieved consistency across multiple rooms in both temperature and humidity, and the levels reflect safe values, according to the Canadian Conservation Institute guidelines, for the kind of materials that are found in the collection. The AGO uses a centralized and automated building system (HVAC) to set, control and monitor the environment in individual rooms, with hygrometers (an instrument that measures and records humidity

and temperature) as independent corroboration for environmental readings. During the site visit, the hygrometers provided visual evidence of recent stability, and in all but one room the graphs showed very steady temperatures and humidity levels in the vaults. The one room that showed variation in relative humidity had a dehumidifier installed to remedy the levels.

Lighting presents a significant concern within preventive conservation. However, within the AGO's vaults a number of measures were in place that reduced the potential for light damage and are indicators of best practice. Lighting was LED, or a mixture of LED and fluorescent tubes with UV filters. In most storage locations, the lights were turned off unless staff were inside the specific room, drastically reducing light levels to which items are exposed. Lights were on in storage locations that doubled as collections or conservation work spaces; in those cases, items were stored in closed cabinets. Additionally, many of the items we viewed were stored in crates, and so protected from any light exposure.

The AGO's decision to store works in shipping crates offers benefits and challenges. The significant challenge of the crates is that they limit the ability of collections staff and conservators to monitor the physical condition of the works inside. This is particularly the case when, as at the AGO, crates are used to store large and heavy works that require mechanical lifts and multiple people to manoeuvre safely.

### RECOMMENDATION 6

To verify the physical integrity of artworks in crates, we recommend that the Art Gallery of Ontario develop a schedule to identify works that have not been examined over a long period of time (for example, 10 years) and conduct a visual examination of these works, or a representative sample of the works.

## AGO RESPONSE

We agree with the recommendation. The AGO applies “empty” and “full” stickers to each crate in its collection vaults. AGO collection staff will conduct and schedule a regular examination of a sample of “full” crates on a consistently scheduled basis.

### Deaccessioning

Deaccessioning is the process by which a museum or gallery permanently removes artwork from its collection. Curators at the AGO are responsible for deaccessioning items from its collection in accordance with the AGO’s policies. These policies allow artwork to be deaccessioned for reasons that include:

- the work does not add significantly to the gallery’s holdings;
- the work is of poor quality and lacks value for exhibition or study purposes;
- the work is no longer consistent with the mission or collecting goals of the gallery;
- the work is a duplicate that has no value as part of a series;
- the work has been legitimately claimed by a third party; and
- in general, the work is being sold to support the acquisition of a similar but superior item in order to strengthen the gallery’s collections.

A proposal to deaccession an artwork is initiated by the curator responsible for it. Items recommended for deaccessioning are presented to the appropriate Curatorial Working Committee, including the presentation of an independent appraisal of the value of the item—if the item is worth more than \$50,000, two appraisals should be presented. All works recommended by the Curatorial Working Committee are then forwarded to the Collections Committee of the AGO’s Board of Trustees for approval.

According to the AGO’s policies, deaccessioned items may be offered to sister institutions in Canada by gift, exchange or sale, before disposal by other methods is considered—such as by sale at a public auction or to other recipients as recommended by the curator. Only public institutions may be the recipients of gifts of deaccessioned works. The proposed disposal method must be approved by the director and chief curator. If the item is to be given to a sister institution in Canada as a gift or in an exchange, the approval of the Board’s Collection Committee is required. The AGO’s policies also require that the proceeds of deaccessioned items be dedicated to new purchases.

### 4.1.8 AGO Generally Follows Deaccessioning Policies but Opportunities Exist to Improve the Process

Based on our review of a sample of deaccessioned items at the AGO, we found that it followed its key policy requirements in almost all cases. The deaccessioned items we reviewed met the AGO’s criteria for deaccessioning, and were approved by the Board’s Collections Committee. Nevertheless, we found that some opportunities exist to improve the deaccessioning process. Specifically, we found that:

- **Donor consultation** was not always documented to illustrate that donors were consulted before the item was deaccessioned, or that the questions and concerns of donors were addressed. The AGO’s policy requires that as a courtesy, donors of items that are proposed to be deaccessioned should be notified about the proposed deaccessioning and have their questions concerning the process addressed.
- **Independent appraisals** are to be provided to the Board’s Collections Committee to consider as part of their decision whether to approve the deaccessioning of an item. However, we found that valuations for two deaccessioned items were conducted after the Collections Committee had already

approved their deaccessioning. In addition, we found two instances where the value of the item proposed to be deaccessioned exceeded \$50,000. In such cases, the AGO's policies require that two independent appraisals be completed. However, we found that in these two cases the second appraisal was conducted after the Collections Committee had already approved the deaccession.

- **The proposal and related documentation** outlining the reason for the deaccessioning, and that it was in line with the AGO's criteria, was missing for 25% of the deaccessioned items we reviewed. Upon further discussion with the curator at the AGO, the reason for deaccessioning appeared to be reasonable. However, in the absence of a documented proposal for the deaccessioning, it is unclear what information was provided to the appropriate committees, and whether they had all the information they should have had to consider as part of the approval process.

We also found instances where the subsequent sale of the deaccessioned items we reviewed was not recorded in the AGO's collections management system, TMS, to ensure that its records are up to date.

## RECOMMENDATION 7

So that it maintains donor relations, its decisions to deaccession items from its collection are fully supported, and its collections database is up to date, we recommend that the Art Gallery of Ontario (AGO):

- consult with donors of deaccessioned items, and document how it addressed donor concerns in all cases;
- put in place a process to ensure that the reason for deaccessioning is documented, including how the AGO's criteria for deaccessioning have been met;
- ensure all deaccessioned items are independently appraised and that this information

is provided to the Collections Committee before they approve deaccessioning; and

- put in place processes to ensure its collections database is updated on a timely basis to reflect items that have been disposed of.

## AGO RESPONSE

We agree with the recommendation. The AGO will ensure that it adheres to the policy and protocols that have been established for the responsible deaccession of artworks from its collection. The AGO recognizes that opportunities exist to improve the documentation related to deaccessioning and commits to doing so in a manner that appropriately informs decision-making by committees.

### 4.1.9 Opportunities Exist to Deaccession Artworks to Other Ontario Museums and Galleries

We found that the AGO deaccessions few artworks even though large parts of its collection remain idle for extended periods. According to the AGO's policies, deaccessioning is a legitimate part of the care of collections and it is carried out to refine and improve the public, community and art historical value of collections. We found that while the AGO's collection totals approximately 121,000 artworks, the number of deaccessioned items the AGO had marked for sale but not sold, or disposed of during the last three fiscal years (2017/18–2019/20) was just 150 items. We reviewed the AGO's collection and found that approximately 88,000, or 72%, of artworks had been idle since they were acquired—that is, they had not been displayed, loaned to other institutions, or accessed for reasons such as research. We also found that about 14,000, or 16%, of these artworks were acquired more than 20 years ago.

We surveyed small and medium-sized museums and galleries across Ontario, and 88% indicated that they would be interested in acquiring artworks

from the AGO as gifts or at a low cost. However, we found that just two of the 150 deaccessioned items the AGO had disposed of over the last three fiscal years were provided as gifts to other institutions—in both those instances, the items had been on loan to the institutions for over 45 years. In addition, we found the AGO considers it a best practice to notify directors belonging to the Canadian Art Museum Directors Organization (“CAMDO”) of items it intends to sell. However, based on our review of a sample of deaccessioned items, we found that it seldom does so in practice, and when it does, it provided little notice (less than a month) to allow these galleries time to determine if they could acquire these items. This was the case for a recent high-profile deaccessioning of 20 paintings by A.Y. Jackson, a member of the Group of Seven. Although the AGO notified other directors in CAMDO—including McMichael and the ROM—it provided them less than a month’s time to express their interest in the paintings. The AGO subsequently sold these items at auction.

Based on our review of a sample of deaccessioned items, we noted that after the AGO had reached a decision to deaccession an item through sale at an auction, it often took years before the sale was completed—indicating that the deaccessioning process did not have to be rushed, and more time could be given to other Ontario galleries, in particular, to assess whether they could acquire the items.

## RECOMMENDATION 8

To refine and improve the quality of its collections, and improve Ontarians’ access to Canadian artwork in particular, we recommend that the Art Gallery of Ontario:

- analyze its collection to identify additional items that could be deaccessioned;
- extend the length of time it provides other galleries in Ontario to express their interest in acquiring items it plans to deaccession; and

- consider providing items it plans to deaccession as gifts to other galleries in Ontario, particularly in cases where it may be difficult to sell the items on a timely basis.

## AGO RESPONSE

We agree with the recommendation. The AGO is committed to increasing access to artworks in its collection for all Ontarians. It will continue to analyze its collection with a view to future deaccessioning, and extend the period of review for other galleries in Ontario should they be interested in artworks that are relinquished through this process. Whenever possible, the AGO will transfer artworks to other galleries in Ontario, as it recently did in fall 2020 with the transfer of 475 drawings by Frederick Varley to the Varley Art Gallery of Markham.

### Access to Collections and Loans

The AGO provides access to its collection of artworks through a variety of means, including holding exhibitions and displays, granting specialized access to scholars, graduate students, heritage communities and other interested parties, and sharing information through the E.P. Taylor Library and Archives, which has 300,000 volumes of rare books and artist books available for public use. In 2019/20, approximately 1,450 members of the public accessed the library and archives in person, and a further 4,100 submitted research questions via phone and email. In addition, the AGO estimates that in 2019/20, almost 5,600 visitors accessed its collection of 90,000 prints, drawings and photographs in the Marvin Gelber Print and Study Centre.

The AGO also lends items from its collections to other institutions, including museums and galleries, so that they can be displayed, researched or used for public programming and education. Over the last three fiscal years (2017/18–2019/20) the AGO has loaned more than 5,300 items to other institutions. Through its outgoing loans, the AGO aims to broaden access to its collections and support educational initiatives that promote a new

understanding of art. The AGO requires a minimum lead time of 12 months to lend out artworks and charges Canadian institutions a fee of \$100 per item and international institutions a fee of \$200 per item. In addition, it charges institutions a minimum conservation fee of \$150 per item (waived for provincial loans), crating costs (starting at \$1,500), packing materials, frames and mounting costs.

#### 4.1.10 AGO Does Not Know Whether the Access It Provides to Its Collection Meets the Needs of Ontarians

Although the AGO provides access to its collection of artworks, it has not assessed whether such access meets the needs of those who require it, including with respect to adequacy of access to all items requested, the length of time it takes to gain access, and the sufficiency of access time once it is granted. In addition, the AGO has not assessed whether the access to its collection that it provides online meets the needs of those who seek access.

#### 4.1.11 Opportunities Exist to Lend Significantly More Artworks to Other Ontario Museums and Galleries

The AGO has a large collection of artworks, and smaller museums and galleries appear to have an interest in borrowing items from the AGO. While the AGO does lend items to meet its objective to increase access to its collection, we noted there are opportunities to increase the number of loans.

We found that although the AGO has loaned more than 5,300 items to other institutions over the last three fiscal years (2017/18–2019/20), it tracks and keeps records of only the loans it has approved. Therefore, it is unclear how many requests to borrow items from the AGO were rejected, and whether those decisions were made in accordance with the AGO's policies.

As noted in **Section 4.1.9**, we reviewed the AGO's collection and found that 72% of the approximately 121,000 artworks in the collection had been idle

since they were acquired—that is, the artworks had not been displayed, loaned to other institutions, or accessed for reasons such as research.

We surveyed small and medium-sized museums and galleries across Ontario, and 71% indicated that they would be interested in borrowing artworks from the AGO. However, of those that indicated they would be interested in borrowing artworks, over 75% indicated that the cost to borrow items from the AGO can be prohibitively high. Approximately 40% of the institutions that responded to our survey indicated they had a budget of \$400,000 or less. In addition to our survey, our discussions with select small and medium-sized galleries in Ontario identified other constraints to borrowing from the AGO, including:

- meeting the AGO's strict environmental requirements; and
- high costs associated with borrowing due to conservation, crating and shipping.

### RECOMMENDATION 9

So that it meets the needs of Ontarians for access to its collections, we recommend that the Art Gallery of Ontario:

- review and assess the sufficiency and timeliness of the access it provides to its collections; and
- take corrective action to improve access where it is determined to be necessary.

### AGO RESPONSE

We agree with the recommendation. One of the key pillars of the AGO's mission is to provide access to its audiences, whether it be art students accessing the library and archives for research, or visitors coming through the Prints & Drawings Centre on Wednesday nights. The AGO was proud to loan one of its most iconic and popular works, Tom Thomson's *The West Wind*, to the Tom Thomson Art Gallery in Owen Sound for Canada150 commemorations. We will take steps to formally assess the access

we provide to our collections and, where necessary, examine ways to further improve access to our Collection.

## RECOMMENDATION 10

To improve access to its collection for Ontarians—particularly to Canadian artwork—we recommend that the Art Gallery of Ontario:

- identify and take advantage of opportunities to lend items that it is not likely to display to other Ontario institutions; and
- review the fees it charges other Ontario institutions to borrow items from its collection, and identify opportunities to reduce those fees to increase the number of items loaned to such institutions.

## AGO RESPONSE

We agree with the recommendation. As part of our mandate, the AGO takes seriously its commitment to maintaining the integrity and condition of the artworks in its collection. Bearing in mind this consideration, the AGO will work with the Ministry of Heritage, Sport, Tourism and Culture Industries to explore potential opportunities that would allow more of the AGO's collection to be shared and put safely on view at other Ontario museums and galleries.

With respect to the costs the AGO charges other Ontario institutions to borrow items from its collection, the AGO already looks for ways to reduce costs, such as by reusing shipping crates, and will continue with this practice and look for more opportunities to reduce costs in order to make the AGO's collection more accessible to Ontarians.

## 4.2 Governance

The AGO is governed by a Board of Trustees (Board) consisting of 27 members. Although 10 of the Board members are appointed by the provincial government, the majority of the AGO's Board members are elected by the AGO's membership or the

Board's Governance and Nominating Committee. The AGO also has a number of former or retiring Board members appointed as emeritus trustees in recognition of distinguished service to the AGO. They can attend Board meetings, but they do not have any duties, rights or responsibilities.

The responsibility of a Board of a charitable organization is to steer the organization to adopt sound, ethical and legal financial management policies and governance, as well as to ensure the organization has adequate resources to advance its mission.

### 4.2.1 No Evidence Exists that Board Members Excluded Themselves from the Approval of Their Own Donations

Board members are responsible for overseeing the AGO and ensuring it maintains sound and ethical governance practices. However, we identified weaknesses in the AGO's governance processes where board members donated artworks to the AGO, but there was no evidence that they declared their conflict of interest or excused themselves during the vote to approve their own donations.

For example, we found that one Board member who donated a collection of artworks to the AGO was also the Chair of the Curatorial Working Committee responsible for approving the AGO's acquisitions in this collecting area.

Up until April 2017, the aforementioned Curatorial Working Committee was responsible for approving the AGO's acquisitions in this collecting area, and in its September 2016 meeting, it approved the donation to the AGO of the collection of artworks, with the committee minutes indicating the donation was unanimously accepted. However, there was no indication in the minutes that the Chair of the committee declared their conflict of interest, or excused themselves during the vote to approve the donation.

From April 2017 onwards, a new committee of the Board was established—the Collections Committee, which became responsible for approving

all AGO acquisitions. The responsibilities of the working committees changed from approving acquisitions to recommending acquisitions to the Board's Collections Committee for approval. The membership of the Board's Collections Committee consisted of the Chairs of the Curatorial Working Committees that recommend the acquisitions to it for approval. We found that subsequent to this change, another Board member who donated a painting to the AGO in 2018 was one of the six members of the Board's Collections Committee. The Committee approved the donation of the painting in its June 2018 meeting, with the Committee minutes indicating the donation was unanimously accepted. However, there was no indication that the Board member declared their conflict of interest, or excused themselves during the vote to approve the donation.

#### 4.2.2 Lengthy Terms of AGO Board Members Not in Line with Best Practices

We found that contrary to other comparable galleries and best practices related to Board governance, many of the AGO's Board members serve lengthy terms.

We found that the AGO's legislation and bylaws include few restrictions on the lengths of Board members' terms, allowing Board members to serve on the Board indefinitely. This is compounded by the fact that the AGO's Board includes 15 emeritus trustees that are appointed for their lifetime. Emeritus trustees are retired or former trustees, appointed in recognition of distinguished service to the AGO. While emeritus trustees are not voting members of the Board, we were advised they are otherwise fully participating Board members. In addition, we noted that nearly half of the emeritus trustees were members of Board committees on which they did have voting rights. We also found that approximately 50% of the AGO's Board members had served for more than 10 years, including almost 20% who had served for more than

20 years, and nearly 10% who had served more than 30 years and as long as 42 years.

Best practices on board governance state that by imposing forced retirement, Boards can refresh their membership with new Board members to replace older serving members, and bring in new skills, talents and perspectives. Boards that have a majority of longstanding members may intimidate newer members, causing them to hold back new thoughts and ideas. Rotating Board members helps ensure the Board maintains its independence from management and helps prevent it from becoming static; this may lead to unhealthy attitudes that can cause boards to govern out of self-interest rather than in the best interest of the community they serve. As noted **Section 4.1.1**, we found instances where Board members who donated artwork to the AGO received preferential treatment relative to other donors, and where Board members donated artworks to the AGO, but there was no evidence that they declared their conflict of interest or excused themselves during the vote to approve their own donations as discussed in **Section 4.2.1**.

We compared the tenure of the Board members at the AGO to those of other comparable museums and galleries and found that the Board members with the longest service typically serve between 10 and 15 years. Thus, the AGO's practice of allowing Board members to serve on the Board for an indefinite period of time is not in line with the practices of other comparable institutions, nor is it in line with the practices of the ROM and McMichael that were audited by our Office.

### RECOMMENDATION 11

To strengthen the Board of Trustees' governance and oversight of the Art Gallery of Ontario, we recommend that the President of the Board of Trustees:

- clarify its policies on conflict of interest, including how to mitigate conflicts of interest, and reinforce to members of the Board of

Trustees the requirement to disclose and/or avoid all potential conflicts of interest;

- review the term lengths of members of the Board of Trustees, and establish reasonable maximum term lengths; and
- exclude emeritus Board trustees from participating in decisions of the Board and its committees; and
- along with its CEO, review the governance issues identified in this report with the Ministry of Heritage, Sport, Tourism and Culture Industries (Ministry) and commit to improvements in future funding agreements with the Ministry.

## AGO RESPONSE

We agree with the recommendation. The AGO is governed by a very engaged Board of Trustees. It recognizes that a key to its long-standing success as a contributor to cultural life in Ontario is effective board leadership and good governance. The AGO will examine and address the points outlined in the recommendation and commit to taking action to strengthen its governance in these areas. The AGO will also review the governance issues identified in this report with the Ministry, and commit to improvements as part of future funding arrangements with the Ministry.

## 4.3 Exhibitions

An exhibition is the display of a collection of artworks. Some exhibitions are permanent, while others are temporary and rotated periodically. The goal of exhibitions is to increase the public's understanding of a given subject and improve visitor experience. Management at the AGO indicated that successful exhibitions are the most important way to increase admissions and to attract new members.

The AGO has an exhibition team that is responsible for planning, developing, implementing and managing exhibitions to be displayed in its gallery.

Exhibitions may be borrowed in their entirety from other museums and galleries, or they may be developed internally and include artworks from the AGO's own collection, as well as artworks loaned from other institutions.

Developing an exhibition at an art gallery can be costly; to help offset these costs, the AGO solicits support for its exhibitions from sponsors. Over the last five years, the AGO secured support from sponsors for almost two-thirds of the exhibitions it held, totalling almost \$4.8 million.

### 4.3.1 AGO Does Not Use Criteria Developed to Select the Exhibitions Most Likely to Be Effective

We found that the AGO was not using the criteria it had developed to assess and select the exhibitions it would display, and that the basis upon which the AGO selects the exhibitions it displays is unclear.

According to best practices for exhibition development, museums should develop written criteria and use those criteria to guide the process of selecting exhibitions. We found that the AGO had developed and put in place criteria to evaluate proposed exhibitions; however, there was no evidence the AGO was using them to evaluate and select its exhibitions. These criteria, which are described in **Figure 9**, are intended to help select the exhibitions that are most likely to be successful in meeting the AGO's goals and attracting additional visitors.

### AGO Does Not Assess Audience Interest in the Exhibitions It Selects

We found that the AGO does not formally assess whether prospective audiences are interested in the exhibitions it selects to display. In contrast, as described in **Chapter 3, Section 4.2**, we found that the ROM annually assesses audience interest in potential exhibition topics.

**Figure 9: Art Gallery of Ontario's Exhibition Selection Criteria**

Source of data: Art Gallery of Ontario

New Idea	The exhibition presents new, innovative perspectives in its ideas or presentation (e.g., scholarship, new research, an original concept). The point of view is clear and compelling. The subject is of current interest or links to how we think about ideas and issues today. (Why this exhibition now?)
Visitor Experience	Opportunities exist for outstanding audience engagement (in-gallery, through programming, online, etc.).
Target Audiences	The exhibition aims at driving attendance from one of five targets: Culturally Active Adults, Young Cosmopolitans, Families (with kids under 14), Students & Teachers, and Tourists, and will deliver the attendance figures required.
AGO Brand	The exhibition supports and strengthens the AGO brand, increasing its international reach and reputation, providing opportunities to broaden its audience, and enabling it to be a platform for the art and artists of the city.
Leverage	The exhibition achieves other pan-gallery institutional or strategic goals, and/or provides opportunities for strong partnerships.
Funding Potential	The exhibition provides opportunities for fundraising from foundations, for corporate and individual sponsorship, for partnerships and for collaborations across revenue streams (with Retail, Food & Beverage, Membership, etc.).

**RECOMMENDATION 12**

So that it designs and selects exhibitions that best meet its goals and attract visitors to the gallery, we recommend that the Art Gallery of Ontario:

- use its established selection criteria to assess and select the exhibitions it will display; and
- assess and consider audience interest in the exhibitions it selects to display.

**AGO RESPONSE**

We agree with the recommendation. The AGO will consistently use, and document the use of, its existing criteria to determine the exhibition schedule and formulate a research and data gathering plan that will inform decision-making. As part of its mission, the AGO balances presenting exhibitions from well-known, global artists, with introducing new, emerging and under-represented artists. Bearing in mind these competing priorities, the AGO will nevertheless assess and consider audience interest in the exhibitions it selects to display.

**4.3.2 AGO Does Not Assess Why Its Exhibitions Often Fall Short of Attendance Targets**

We reviewed a sample of the AGO's exhibitions in the last three years for which it charges a separate admission, and found that the AGO had not met its attendance targets in 40% of the exhibitions we reviewed, and that it had not analyzed its attendance results to identify why it had failed to meet its attendance targets. In these cases, attendance ranged from between 69% and 90% of the total targeted attendance. In addition, we found that the AGO's ability to analyze why its attendance targets had not been met was compromised because the AGO had not established who its intended target audience was—as its selection criteria (described in **Section 4.3.1**) require—in any of the exhibitions in our sample.

We also analyzed data from the AGO and found that in the last five years, 60% of the exhibitions for which it charges a separate admission had not met their attendance targets. Attendance ranged between 56% and 90% of the total targeted attendance. Although the AGO told us that it informally monitored and analyzed attendance—including when it fell short of its targets—it did not document these analyses and could not provide them to us for our review.

### 4.3.3 AGO Does Not Assess the Cost-Effectiveness of Its Exhibitions

We reviewed a sample of the AGO's exhibitions in the last three years for which it charges a separate admission, and found that the AGO had exceeded its budget for expenditures related to the exhibition in almost 40% of the exhibitions in our sample. In these cases, the AGO spent between 12% and 26% more than budgeted. In addition, although the AGO informed us that it projects revenues from different sources for each exhibition, it does not record total projected revenues. As a result, we found that the AGO does not project the profit or loss for each exhibition, and therefore is unable to determine whether its exhibitions met their financial targets.

#### RECOMMENDATION 13

To improve the cost-effectiveness of its exhibitions, we recommend that the Art Gallery of Ontario:

- establish the intended audience for each of the exhibitions it selects to display, and set attendance targets in accordance with its intended audience;
- where attendance targets are not met, analyze actual attendance to identify the reasons, and apply lessons learned to targets set in future exhibitions;
- establish targets for the profit or (loss) it expects each exhibition to achieve; and
- where targeted profits or (losses) on exhibitions are not met, analyze the results to identify the reasons, and apply lessons learned to targets set in future exhibitions.

#### AGO RESPONSE

We agree with the recommendation. The AGO will improve its current process for establishing target audiences, attendance goals and budgets. The AGO will also regularly assess and analyze results relative to these targets for continuous learning and improvement.

### 4.3.4 The Effectiveness of Exhibitions Is Not Always Measured

According to best practices, the goal of exhibitions is to increase the public's understanding of a given subject and improve visitor experience. To assess the effectiveness of exhibitions, it is a common practice to conduct evaluations of them to determine if they met their goals. We reviewed a sample of the exhibitions displayed by the AGO in the last three years and found that 88% of the exhibitions in our sample had been evaluated at the conclusion of the exhibition, and 63% of these exhibitions included an evaluation of the design of the exhibition shortly after it was launched to ensure it met the needs of the intended audience, and to make adjustments where it did not.

However, we also analyzed overall data from the AGO and found that only 35% of all the exhibitions held by the AGO over the last five years had been evaluated. In contrast, as described in **Chapter 3 Section 4.2.3**, the ROM had evaluated over 85% of the exhibitions it had held in the last five years.

#### RECOMMENDATION 14

To enhance the effectiveness of its exhibitions in increasing the public's understanding of a given subject and improving visitor experience, we recommend that the Art Gallery of Ontario:

- establish a policy that specifies the criteria for when an exhibition should be evaluated;
- evaluate exhibitions, including their design and the early stages of their implementation, in accordance with its policy; and
- put in place processes to review lessons learned from evaluations of past exhibitions, and apply them to plans to select and design exhibitions in the future.

#### AGO RESPONSE

We agree with the recommendation. The AGO will expand its exhibition evaluation process to include a larger proportion of its exhibitions,

including smaller exhibitions. While the AGO currently has a process in place to evaluate the effectiveness of its exhibition design on a regular basis, consideration will be given to how to document tactical decisions and learnings to bring them forward for future planning.

## 4.4 Education

The governing legislation of the AGO includes a requirement to conduct programs of education in the origin, development, appreciation and techniques of the visual arts.

As illustrated in **Figure 10**, over the last three fiscal years (2017/18–2019/20), the AGO has allocated approximately 6.5% (\$4.1 million) of its annual budget to providing education and public programs. **Figure 11** shows that the average annual attendance over the last three fiscal years for these programs was just over 191,000. The majority of the attendance, approximately 112,000 or 59%, related to the AGO’s estimate of the number of visitors participating in activities that are free with admission to the gallery; this includes gallery tours, art talks and visiting the AGO’s interactive Hands-On Centre. In addition, approximately 32,000 visits, or 17% of attendance, related to learning programs and professional development for schools and teachers.

### 4.4.1 Education Program Effectiveness Is Not Always Measured to Ensure Objectives Met

We found that the AGO does not always evaluate the effectiveness of its education programs, and where it did evaluate its programs, in most cases it could not demonstrate how it used those results to

identify and address areas requiring improvement. In addition, we found that the AGO did not have a policy in place outlining the process it should follow to evaluate its education programs.

Best practices for evaluating education programs indicate that the evaluation process should include collecting, analyzing and interpreting evaluation data, such as participant survey results. In addition, best practices state that institutions should produce a conclusion and summary of findings to inform future decisions and potential changes to the program, and identify any limitations in the evaluation process that impact the conclusions reached (such as small sample size).

We reviewed a sample of the AGO’s education programs and found that for 20% of the programs we reviewed, the AGO had not carried out any part of the evaluation process to determine whether its programs were effective in achieving the AGO’s goals. For the remaining programs we reviewed, we found that for 63% of these programs, the AGO had carried out only the data collection part of the evaluation process. We found that the AGO had surveyed participants to collect data such as age, gender and membership status and to determine if they were satisfied with the program. However, we found that while the AGO had tabulated the results of these surveys, in most cases the AGO had not interpreted the results and produced summaries of its analysis, findings and recommendations to facilitate improvement. This includes, for example, one program where we found that the tabulated results of surveys indicated that 25% of participants did not find the program very engaging. However, it was unclear whether the specific problem was identified, and there was no record of action taken to address the concern.

**Figure 10: Education and Public Programs Average Annual Expenditure, 2017/18–2019/20**

Source of data: Art Gallery of Ontario

	Avg. Expenditures
Total budgeted expenditure (\$ million)	63.5
Education program budgeted expenditure (\$ million)	4.1
% of budgeted expenditures for education programs	6.5

**Figure 11: Education and Public Programs by Demographic Group and Average Annual Attendance, 2017/18–2019/20**

Source of data: Art Gallery of Ontario

Program	Description	Avg. Attendance	% of Total Attendance
<b>Children</b>		<b>69,754</b>	<b>36</b>
Studio Courses <sup>1</sup>	Courses and single-day workshops for children, including painting, drawing and printmaking.	4,149	
AGO Art Camp (Summer Camp) <sup>1</sup>	One- and two-week camp for children ages 5-13, allowing them to explore the AGO's galleries, collections and exhibitions.	5,965	
Art Carts <sup>2</sup>	A moving maker station at the AGO galleries that allows participants to engage in various hands-on activities such as drawing and painting.	11,582	
Hands On Centre <sup>2</sup>	A designated centre for visitors to engage in interactive activities, including art-making and story-telling, among others.	48,058	
<b>Youth</b>		<b>5,173</b>	<b>3</b>
Free After Three <sup>2</sup>	Program for youth, providing free admission on weekdays after 3:00 p.m. and free workshops that explore a range of media with emerging artists.	5,173	
<b>Schools</b>		<b>32,259</b>	<b>17</b>
Guided Tours and Studio Programs	Learning programs and professional development opportunities for schools and teachers.	32,259	
<b>Adult</b>		<b>9,861</b>	<b>5</b>
Studio Courses <sup>1</sup>	Courses and single-day workshops for adults, including painting, drawing, printmaking, and more.	8,977	
Seniors' Arts Engagement Program	One-day senior programs, including a tour of the gallery and art-making activities.	186	
Access to Art	Interactive tours for non-sighted participants, participants living with various forms of mental illness, and participants with Alzheimer's or dementia.	697	
<b>All Ages</b>		<b>74,244</b>	<b>39</b>
Talks (paid and free)	Various discussions with artists, writers, and curators to discuss art in relevant and meaningful ways.	11,174	
In-Gallery Conversations (Tours—free and paid) <sup>2</sup>	Gallery tours and pop-up 10-minute talks, engaging visitors in conversations about art to develop communication skills and visual literacy in an informal learning environment.	61,889	
Library Programs	Free public programs held in the library, where visitors engage with specialized collections and staff.	1,181	
<b>Total</b>		<b>191,292</b>	<b>100</b>
<b>Free programs</b> (Free Talks, Free after Three, Seniors' Arts Engagement)		<b>11,500</b>	<b>6</b>
<b>Free programs with admission</b> (Art Carts, Hands-On Centre, In-Gallery Conversations)		<b>112,375</b>	<b>59</b>
<b>Total</b>		<b>123,875</b>	<b>65</b>

1. Attendance is counted according to the number of days attended, e.g., one child attending a one-week camp counts as five in the attendance numbers.

2. Attendance numbers are estimates based on manual clicker counts.

## RECOMMENDATION 15

So that its education programs meet their goals and the learning expectations of those who participate in them, we recommend that the Art Gallery of Ontario:

- put in place a policy that defines when programs should be evaluated and the method by which they should be evaluated;
- ensure its evaluation sampling methodology produces results that are representative of participants' experience in its education programs; and
- produce evaluation reports on its education programs that can be used to identify and address areas that require improvement.

## AGO RESPONSE

We agree with the recommendation. A key aspect of the AGO's mission is to provide education and programming for all ages. Evaluations of education programs have been largely informal through participation rates, positive community engagement, testimonials and constructive feedback. The AGO commits to developing a robust written policy that it will execute to ensure that the effectiveness of these programs is evaluated, reported on and used to identify and address areas that require improvement.

### 4.4.2 AGO Lacks Strategy and Data Needed to Oversee Its Education Programs

We found that the AGO does not have a strategy in place for its education and public programs that identifies the AGO's goals for these programs and how they are intended to meet the AGO's legislated mandate for providing education programs. We also found that the AGO lacks important data about its education programs. As illustrated in **Figure 11**, annual school visits over the last three years averaged approximately 32,000. However, the AGO advised us that due to limitations in its booking system, it cannot provide an accurate breakdown of

how many schools or students attended each of its programs for elementary and high-school students. These programs include guided tours and a range of studio programs, such as Mixing Math and Art, and Social Change through Art.

In the absence of a strategy for its education and public programs, limitations in the attendance data for these programs, and the absence of an effective process to evaluate its individual programs (described in **Section 4.4.1**), the AGO's Education Committee, a committee of the Board of Trustees, lacks the information it needs to oversee the effectiveness of the AGO's education programs, and whether the AGO is meeting its education program goals.

## RECOMMENDATION 16

To help improve the Board of Trustees' oversight of the Art Gallery of Ontario's (AGO) education and public programs, and to drive improvement and growth in this area, we recommend that the AGO:

- develop a strategy for its education and public programs that outlines the AGO's goals and the actions needed to meet those goals;
- put in place a process to capture attendance data for all of its education and public programs; and
- review and improve the information provided to its Board of Trustees relating to education and public programs.

## AGO RESPONSE

We agree with the recommendation. The AGO's Education & Programming Committee has recently been re-established as a Board Standing Committee with a new mandate and regular reporting structure. The AGO's Director and CEO and the Chief of Education & Programming will work together to ensure that there is a written strategy that can be publicly shared, with clear goals and the actions that will be taken to meet those goals. The AGO will

also put in place processes to track attendance data for all programs. Additionally, the AGO will provide regular updates to the Board and committee on the AGO's education programs, including on attendance for all programs, as well as their effectiveness.

## 4.5 Self-Generated Revenues

The AGO's revenues consist of its annual operating grant of over \$21 million from the Ministry, other grant revenues and self-generated revenues such as those from donations, admissions, memberships, food and beverage, and retail sales. **Figure 12** shows the AGO's total and self-generated revenues over the last five fiscal years.

### Admission and Membership Revenues

Admission and membership sales are important sources of revenue for the AGO, accounting for \$7.8 million—or 15% of the AGO's self-generated

revenues in 2019/20. Admission and membership sales also impact several other AGO revenue sources—including food and beverage and retail sales. In addition, they are an important indicator of whether the AGO is meeting its legislated mandate to stimulate the public's interest in its collection.

To help increase its sale of memberships the AGO exchanges membership lists with other museums and galleries, such as the ROM, to target individuals who are more likely to purchase a membership. We noted that the AGO also tracks which of its exhibitions its members visit.

### 4.5.1 Despite Incentives, Visits to the AGO, Admission Revenues and Membership Sales Declined

We found that in 2019/20, after introducing a new pricing model intended to increase access and visits to the AGO, attendance at the AGO declined, and revenues from admissions and membership sales

**Figure 12: Art Gallery of Ontario Revenue Streams, 2015/16–2019/20 (\$ 000)**

Source of data: Art Gallery of Ontario Audited Financial Statements

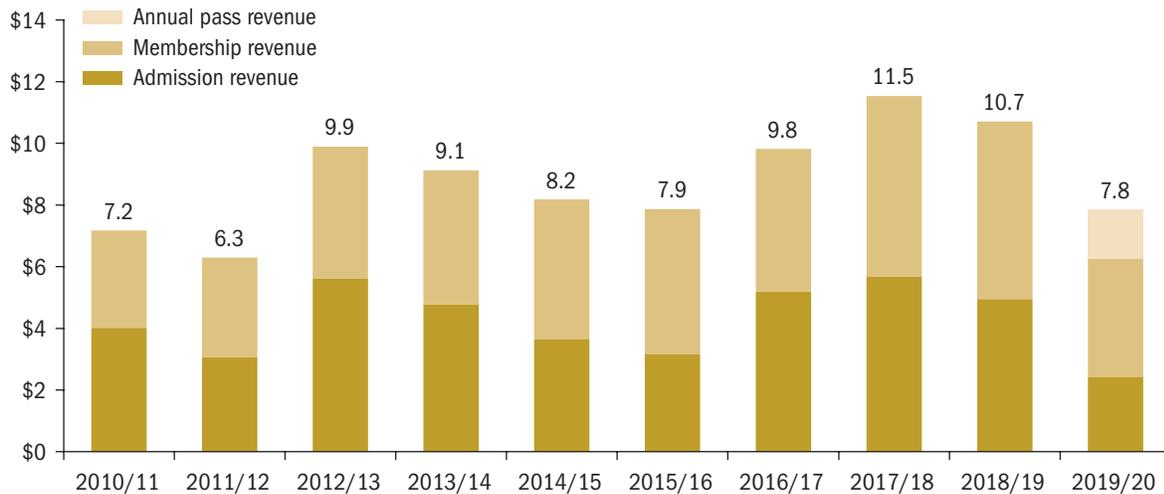
	2015/16	2016/17	2017/18	2018/19	2019/20
Province of Ontario	21,837	21,722	21,047	21,340	21,082
Other government grants	930	992	1,119	1,211	1,471
Art Gallery of Ontario Foundation <sup>1</sup>	1,932	2,368	2,021	3,954	5,445
Amortization of deferred capital contributions <sup>2</sup>	8,914	8,951	9,165	9,699	9,750
<b>Subtotal Grants</b>	<b>33,613</b>	<b>34,033</b>	<b>33,352</b>	<b>36,204</b>	<b>37,748</b>
Donations – gifts in kind	24,638	16,878	39,364	4,717	13,544
Donations	10,148	10,189	10,504	13,858	12,297
Food and beverage	8,904	11,392	10,986	11,111	8,448
Membership fees	4,699	4,636	5,850	5,753	5,428
Gallery shop	4,330	5,333	5,383	4,803	4,020
Miscellaneous revenue	1,577	1,216	1,292	1,699	2,597
Admission fees	3,172	5,183	5,687	4,950	2,407
Education, outreach and programs	1,647	1,910	1,708	1,682	1,672
Investment income	326	232	295	376	302
<b>Subtotal Self-Generated</b>	<b>59,441</b>	<b>56,969</b>	<b>81,069</b>	<b>48,949</b>	<b>50,715</b>
<b>Total</b>	<b>93,054</b>	<b>91,002</b>	<b>114,421</b>	<b>85,153</b>	<b>88,463</b>

1. The Art Gallery of Ontario (AGO) has a non-governmental foundation for the purpose of receiving and stewarding funds to support the AGO. The amounts refer to approved transfers from the AGO Foundation to the AGO.

2. Deferred capital contributions are grants and donations from government and private donors for the purchase of capital assets. Revenue is recognized to match the amortization costs of the purchased assets as these are used each year.

**Figure 13: Admissions, Membership and Paid Annual Pass Revenues, 2010/11–2019/20 (\$ million)**

Source of data: Art Gallery of Ontario Audited Financial Statements



declined by 27%, from \$10.7 million in 2018/19 to \$7.8 million in 2019/20.

In 2019/20, the AGO introduced two annual passes—one for those 25 and under, which was provided free of charge—and one for those over 25, at a cost of \$35. Although the AGO expected that these passes would increase the number of visits, we found, as shown in **Figure 1**, that attendance to tour the gallery declined by 11%, from about 833,000 in 2018/19 to about 743,000 in 2019/20. We noted that 2019/20 was affected by the COVID-19 pandemic that required the AGO to close two weeks before the end of its fiscal year—however, even after accounting for the impact of the pandemic, we noted that attendance was lower than in 2018/19. As noted in **Section 3.0**, AGO management attributed the decline in attendance to exhibitions that did not meet their attendance targets.

AGO management expected that in 2019/20, overall combined revenues from admissions, memberships and annual passes would total \$11.6 million—an increase of more than 8% from 2018/19. However, as shown in **Figure 13**, actual revenues from these sources declined significantly—by 27%, from \$10.7 million in 2018/19 to \$7.8 million in 2019/20.

### Donations to Fund Free Annual Passes May Not Be Sustainable

The AGO received donations totalling approximately \$2 million from a group of donors to support the cost of introducing the free annual pass for those under 25 in 2019/20. However, we found that to date, it has received pledges for only \$422,000 for the 2020/21 fiscal year, and \$373,000 for 2021/22 fiscal year to help fund these passes. Therefore, it is unclear, if revenues from other sources do not increase, whether this pricing model is sustainable.

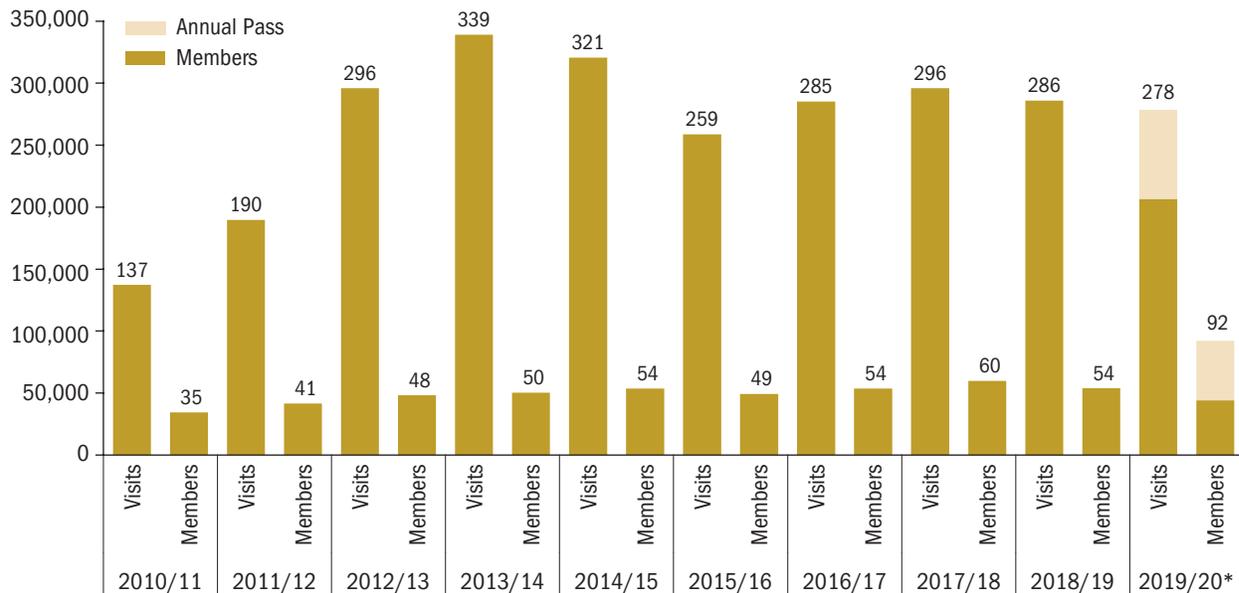
### 4.5.2 Memberships and Member Attendance Declined

We found that with the introduction of the annual passes, both the number of memberships and attendance by members declined significantly in 2019/20. **Figure 14** shows the number of members and annual passholders, as well as their related visits over the last 10 years.

Although the AGO's management did not expect the introduction of the annual passes to significantly impact memberships, as shown in **Figure 14** the number of memberships declined in 2019/20 by approximately 10,000, or 19%, from 54,000 in 2018/19 to 44,000 in 2019/20. In addition, the number of visits by members also declined by 28%,

**Figure 14: Number of Members and Annual Passholders and Related Visits, 2010/11–2019/20 (000)**

Source of data: Art Gallery of Ontario



\* In 2019/20, the AGO introduced an annual pass for those over the age of 25 that can be used to visit the AGO.

from about 286,000 in 2018/19 to approximately 207,000 in 2019/20.

Although the decline in memberships was more than offset by the number of paid annual passholders, it is unclear how many of these passes were sold in substitute of memberships versus in substitute of single-ticket admissions. However, as shown in **Figure 1**, overall attendance declined by 11% in 2019/20, and as noted in **Section 4.5.1**, combined revenues from admissions, memberships and annual passes fell by 27% in 2019/20.

### 4.5.3 AGO Does Not Collect Demographic Data to Help Increase Membership Sales and Meet Member Expectations

Even though it had hired a dedicated data analytics manager to develop strategies to increase revenues, we found the AGO does not collect demographic data from its members to better understand who they are to improve its ability to increase sales of memberships and visits by members.

Leading practices recommend the use of data to increase revenues by offering personalized experiences based on the demographics and behaviours

of its visitors. However, we found that the AGO does not collect any demographic data on its members such as their age, income level, ethnicity, gender, marital status and family size. As a result, the AGO has not developed targeted strategies to better serve its members and increase membership sales and attendance by members.

We noted, for example, that the average number of annual visits per member in 2019/20 was just 4.7, compared to 6.7 in 2013/14.

## RECOMMENDATION 17

To help meet its revenue targets, and increase sales of annual passes and memberships, we recommend that the Art Gallery of Ontario (AGO):

- review the impact of the annual passes on the AGO's revenues, and determine whether they are sustainable;
- collect and use data from its members on their demographics to refine its initiatives for membership sales; and
- review and identify the reasons that visits by members and the number of memberships declined, and take steps to address these reasons.

## AGO RESPONSE

We agree with the recommendation. To help fulfill its mission of providing great art to all, the AGO introduced the Annual Pass to provide expanded access to the gallery for free or a significantly lower cost than memberships, and to expand and diversify the audience base to better reflect the people of Ontario. The annual passes form part of a long-term strategy; over the coming years, we will review their impact on revenues and revisit their sustainability if they do not produce the desired results. Leveraging our integrated customer strategy, we will take steps to learn more about our members, annual pass holders and single-ticket purchasers. We will also continue to refine our customer strategy in order to better communicate with our audiences and learn more about their interests in exhibitions and programming, and to review and address the reasons for changes to the number of members and member visits.

## 4.6 Operating Expenses

AGO's largest expenditures include salaries and benefits, curatorial and exhibition-related expenses, and facility operations and security. **Figure 15** shows AGO's total expenditures for each of the last five fiscal years.

### 4.6.1 Salaries Are the AGO's Largest Expense but It Does Not Evaluate the Effectiveness of the Majority of Its Staff

Although salaries and benefits are the AGO's largest category of expense, as shown in **Figure 15**, we found that except for its leadership team, consisting of between eight and 12 employees, the AGO does not have a process in place to evaluate the performance of its nearly 350 full-time staff. A performance management system is important to ensure staff meet performance expectations and the organization's goals are met.

**Figure 15: Art Gallery of Ontario Expenditures, 2015/16–2019/20 (\$ 000)**

Source of data: Art Gallery of Ontario Audited Financial Statements and Annual Business Plan Submissions

	2015/16		2016/17		2017/18		2018/19		2019/20	
	\$	%	\$	%	\$	%	\$	%	\$	%
Salaries and benefits	33,892	50	35,701	48	37,302	50	38,031	47	36,456	48
Restaurant/food service	4,425	7	5,523	7	5,264	7	5,310	6	6,309	8
Program delivery	6,558	10	7,231	10	5,944	8	6,136	8	6,266	8
Purchase of art work	742	1	1,344	2	1,280	2	3,855	5	4,031	5
Gift shop/retail	2,726	4	3,191	4	3,145	4	2,801	3	2,908	4
Maintenance/utilities	2,803	4	2,956	4	3,041	4	3,043	4	3,286	4
Marketing and communications	2,951	4	3,716	5	3,432	4	3,017	4	2,953	4
Fundraising and membership development	1,902	3	1,940	3	2,249	3	2,117	3	2,313	3
Other expenditures <sup>1</sup>	1,959	3	3,179	4	3,795	5	5,903	7	2,126	3
Amortization of capital assets	9,248	14	9,314	13	9,589	13	10,195	13	10,269	13
<b>Operating Expenditures</b>	<b>67,206</b>	<b>100</b>	<b>74,095</b>	<b>100</b>	<b>75,041</b>	<b>100</b>	<b>80,408</b>	<b>100</b>	<b>76,917</b>	<b>100</b>
Gift of artwork <sup>2</sup>	24,638		16,878		39,364		4,717		13,544	
<b>Total Expenditures<sup>3</sup></b>	<b>91,844</b>		<b>90,973</b>		<b>114,405</b>		<b>85,125</b>		<b>90,461</b>	

1. Other expenditures includes all other expenses such as administration, information technology, fleet & security, interest, media services, and lease expenses.
2. For accounting purposes, the AGO elects to record gifts of artwork as revenue with an equal and offsetting expense in its annual audited financial statements. As a result, gifts of artwork do not impact the AGO's reported net financial results each year. For this reason, we exclude gifts of artwork from operating expenditures.
3. Total agrees to the AGO's audited financial statements.

## RECOMMENDATION 18

So that it can monitor and improve the effectiveness of its staff and to help meet its organizational goals, we recommend that the Art Gallery of Ontario prepare and implement a performance review system for all its staff.

## AGO RESPONSE

We agree with the recommendation. The AGO will supplement its informal performance reviews with a formal performance evaluation process for all its staff that is in line with current best practices.

### 4.6.2 Bonuses Paid Are Independent of Visitor Numbers and Revenues

We found that when determining whether its leadership team is eligible for an annual performance bonus, the AGO does not require the achievement of institutional-level targets such as targets based on total attendance or revenues, or other targets related to its overall mandate. The only institutional-level target that has to be met is whether the AGO achieves its forecast net operating budget. Assuming this target is met, the leadership team members' bonuses are then determined by the CEO based on his review of their performance against their individual goals. The CEO's assessments are then reviewed by the People Committee, a committee of the AGO's Board of Trustees.

Based on our review of the AGO's financial results, we found that whether the AGO has achieved its forecast net operating budget may not be the most useful institutional-level measure of the AGO's overall achievement in a given year and can mask poor performance. For example, if the AGO's revenues are lower than forecast due to weak exhibition performance resulting in lower attend-

ance and admissions revenues, the AGO will scale back expenditures and therefore still achieve its forecast net operating result.

We found that the AGO had paid bonuses to its leadership team members between 2015/16 and 2018/19 at an average annual rate of 11% of their base salary.

## RECOMMENDATION 19

To maximize the effectiveness of its leadership team, we recommend that the Art Gallery of Ontario (AGO):

- review its current institutional target that must be achieved for its leadership team to be eligible for performance pay, and assess whether additional institutional targets should be set that measure the overall effectiveness of the AGO in meeting its legislated objectives; and
- factor in the achievement of these additional AGO institutional targets when determining the performance pay of the members of its leadership team.

## AGO RESPONSE

The performance of the AGO's leadership team is measured against a range of individual objectives such as showing great art, providing access and facilitating learning, as well as fundraising and audience engagement, and reviewed twice yearly by the People Committee of the Board. In addition to reaching a balanced financial position, the AGO will review and identify whether additional institutional targets can be set that can help better demonstrate whether the AGO is effectively meeting its objectives, and use these when determining the performance pay of its senior leadership team.

## Appendix 1: Audit Criteria

Prepared by the Office of the Auditor General of Ontario

1. Effective Ministry of Heritage, Sport, Tourism and Culture Industries oversight processes are in place so that museum and gallery operations achieve their legislative mandates, comply with applicable government requirements and guidelines and are in alignment with best practices. Corrective action is taken on a timely basis when necessary.
2. Museums and galleries effectively acquire, preserve and deaccession objects and artworks in accordance with their legislative and policy requirements as well as best practices.
3. Museums and galleries economically and efficiently develop and display exhibitions, including artwork and objects, that effectively engage and educate the public and increase visits and attendance.
4. Museums and galleries deliver effective education programs in their respective fields.
5. Museums and galleries govern and manage their operations and facilities efficiently, effectively and economically.
6. Meaningful performance indicators and targets for museums and galleries are established, monitored and compared against actual results so that goals, legislative and other requirements, guidelines, and best practices are achieved. Results are publicly reported and corrective action is taken on a timely basis.

## Appendix 2: Board Composition and Committees, June 2020

Source of data: Art Gallery of Ontario

Agency Type	Total # of Trustees	Required # of Provincially Appointed Trustees	# of Provincially Appointed Trustees on the Board as of June 2020	Quorum	Committees of the Board
Art Gallery of Ontario Transfer payment entity	27 <sup>1</sup> + 15 lifetime Trustee Emeritus <sup>2</sup>	10	10	10	<ul style="list-style-type: none"> <li>• Finance</li> <li>• Governance and Nominating</li> <li>• Advancement</li> <li>• People</li> <li>• Building</li> <li>• Collections</li> <li>• Education</li> <li>• Executive</li> </ul>

1. The College of Founders of the Art Gallery of Ontario appoints five board members, the Council of the City of Toronto appoints two board members (one of whom shall also be a member of the council), and the membership of the gallery (for example, members of the public with paid memberships) elects 10 board members.

2. The Board, on recommendation of the Governance and Nominating Committee, may appoint any retiring or former Trustee or a current, retiring or former Trustee of the Art Gallery of Ontario Foundation Board of Trustees, as a lifetime Trustee Emeritus of the Board in recognition of distinguished service to the AGO.

## Appendix 3: Art Gallery of Ontario Organizational Structure, March 2020

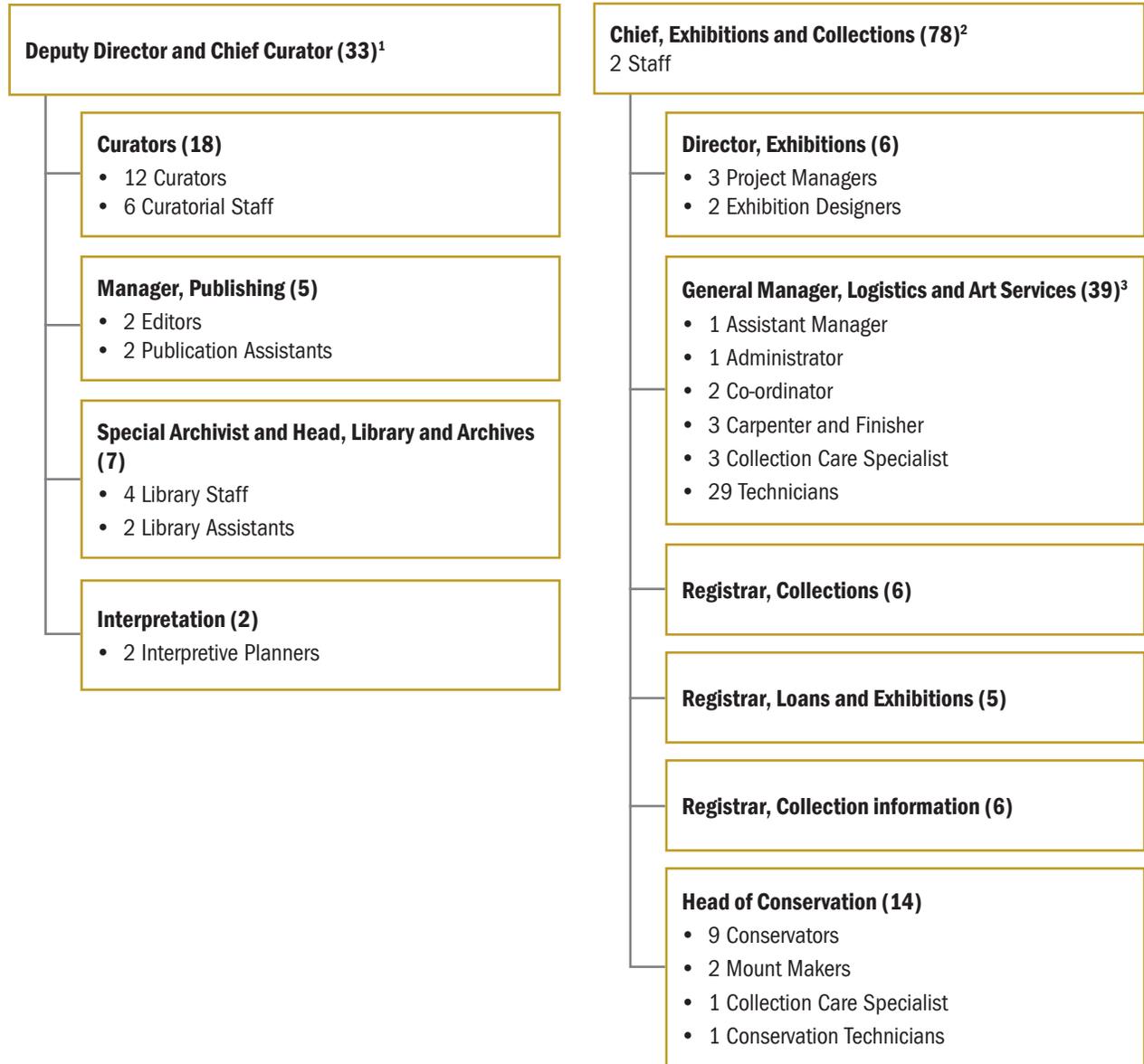
Source of data: Art Gallery of Ontario



1. Total staff of 676 includes 327 part-time staff.
2. See Appendix 4 for detailed structure of the Curatorial Department.
3. See Appendix 4 for detailed structure of the Exhibitions and Collections Department.
4. Includes 137 food and beverage staff (e.g., wait person, dishwasher, etc.)
5. Includes 40 security staff, 17 maintenance and facility staff, and 16 customer service staff.

## Appendix 4: Art Gallery of Ontario Curatorial Department, and Exhibitions and Collections Department Structures, March 2020

Source of data: Art Gallery of Ontario



1. The total of 33 staff in the Curatorial Department includes 6 part-time staff.

2. The total of 78 staff in the Exhibitions and Collections Department includes 29 part-time staff.

3. Includes 20 part-time Technicians.

# Royal Ontario Museum

## 1.0 Summary

The Royal Ontario Museum (ROM) is a museum of art, culture and natural history located in Toronto. It is a provincial agency and receives approximately \$27 million in annual funding from the Ministry of Heritage, Sport, Tourism and Culture Industries (Ministry). Its legislation, the *Royal Ontario Museum Act, 1990 (Act)*, sets out the ROM's mandate. Consistent with the traditional role of museums and galleries, its mandate includes collecting objects of artwork, cultural artefacts and natural history specimens, displaying them, providing education programs related to its collections, and generating public interest in its collections and exhibitions. In 2019/20, the ROM had approximately 1,160,000 visitors.

The ROM is governed by a Board of Trustees (Board) consisting of 21 members, 15 of whom are appointed by the provincial government. As a charitable corporation, the ROM prepares a balanced budget each year, where budgeted revenues equal budgeted expenses.

Overall, we found that the ROM did a good job of safely storing its objects and artefacts in its collections in line with best practices. It had adequate environmental controls and kept its storage vaults at appropriate temperature and humidity levels. It also offered to the public a variety of education programs related to its collections.

However, we found that the ROM did not routinely estimate the financial valuation of its collections to ensure it maintained sufficient insurance coverage. In addition, we found that the ROM did not have an electronic record for the majority of its natural history collection, and it did not have a policy in place to conduct regular inventory checks to verify the existence of the objects and artefacts in its collections. We also found that the ROM's acquisitions were not always in line with its collection development plan, and it could not always demonstrate that the acquisitions it made were needed to meet its collection objectives.

While management at the ROM indicated that it is important to have successful exhibitions in order to draw attention and attendance to their institution, we found that it could not demonstrate how it selected exhibitions that were most likely to be successful due to the lack of a documented assessment and selection process.

The following are some of our specific concerns related to the ROM:

- **Research into provenance of acquisitions is not always complete or documented.** We found that the ROM approved the acquisition of items that did not always satisfy the requirements of its policies to establish provenance, including the ownership and authenticity of the items. We reviewed a sample of purchased and donated items that the ROM had acquired in the last three fiscal years. We found that for one-third of the items we

reviewed, the ROM had not fully addressed the requirements of its policies to prove ownership, to ensure the items were legally obtained, and to establish the authenticity of the items.

- **Acquisitions do not always match the ROM's collection development plan.** We reviewed a sample of the ROM's acquisitions over the last three years, and found that nearly half the items acquired were in areas where the ROM's acquisition plan noted that its collection was already sufficient, or in areas where the ROM's plan identified that only special items or certain types of items should be accepted. The acquisition of items that are of low priority negatively impacts the ROM's limited storage capacity and adds to the costs associated with the long-term care and storage of items.
- **ROM does not have an electronic record, including location, for the majority of its natural history collection.** We found that the ROM's count of 11 million specimens in its natural history collection is an estimate, and it has an electronic record cataloguing only approximately 3.5 million of these specimens in its collection management system. Without electronic records, the utility of ROM's collection is limited, including its accessibility for research. In contrast, the Natural History Museum in London told us that it has a record by specimen lot (for example, a collection of mosquitoes) in its database of all specimens that enter the museum, including the location where each specimen is stored.
- **ROM does not routinely estimate the financial value of its collection.** We found that the ROM's collection management system indicates that the value of its arts and culture collection is \$455 million. However, this valuation is outdated and incomplete. Over 95% of the objects and artefacts in its collection did not have a value assigned, and for those with a value, nearly 40% were more than 20 years old, including the ROM's most valuable item, which was last valued in 1998 at \$9.4 million. Without a more complete and up-to-date valuation for its collection, including its most valuable items, it is not clear whether the ROM's insurance coverage of \$150 million is sufficient relative to the financial value of its collection.
- **ROM does not routinely conduct inventory counts to verify the existence of its collection.** It is a standard practice for museums to maintain up-to-date information detailing the location of all items within their collections and to periodically conduct inventory checks to verify that the items are present. We found that while the ROM carried out an inventory check in 2019 covering 900 random objects and artefacts from across all areas of its arts and culture collections, it does not have a policy in place requiring periodic inventory checks. It also does not have guidelines on how to carry out these inventory checks so that they are most effective.
- **Opportunities exist to deaccession objects and artefacts to other Ontario museums and galleries.** We found that despite identifying many items for deaccessioning in its 2012 collection development plan, the ROM has deaccessioned few items from its arts and culture collection since that time. For example, under the ROM's Chinese collection, the plan identified clusters of high-quality but duplicated porcelain wares and architectural stones that could be deaccessioned because they would not be displayed, as the ROM has many better representative items. We surveyed small and medium-sized museums and galleries in Ontario, and 91% indicated that they would be interested in acquiring objects and artefacts from the ROM as gifts or at a low cost.
- **No documented assessment process to select the exhibitions most likely to meet ROM's objectives.** We found that while the

ROM conducts surveys to assess audience interest in potential exhibition topics, the ROM does not have a documented assessment process to evaluate which exhibitions to select. This would include, for example, how much weighting to apply to the results of its surveys assessing audience interest compared with the ROM's other exhibition objectives. We found that in the absence of a documented assessment process to evaluate potential exhibition choices, it was unclear why one of the exhibitions we reviewed was selected. It fell well short of its attendance and revenue targets, and incurred losses totalling over \$1 million.

- **Despite salaries and benefits comprising almost half of its expenses, the ROM does not evaluate the effectiveness of the vast majority of its staff.** The ROM spends approximately \$35 million annually on salaries and benefits. However, we found that with the exception of its executive leadership team and its curators, the ROM did not have a performance management system in place to evaluate its nearly 350 full-time staff. Without such a system, the ROM is unable to monitor and improve the effectiveness of its staff.

This report contains 16 recommendations, with 31 action items, to address our audit findings.

## OVERALL ROM RESPONSE

The Royal Ontario Museum (ROM) would like to thank the Office of the Auditor General of Ontario for preparing this report and for conducting a thorough review of the value for money that the ROM delivers for the people of Ontario. The ROM agrees with the recommendations in this report and will make improvements to its operations accordingly.

In the new strategic plan, approved by the Museum's Board of Trustees in fall 2018, the ROM sets itself the goal to become a museum that is ever more central in and relevant to the

lives of the people we serve. As the museum holding Canada's largest collection of artworks, cultural objects and natural history specimens—about 13 million—collections are central to the museum's activities. The ROM is committed to enhancing access to and the stewardship of the collections that the museum holds in trust for the people of Ontario. Exhibitions and educational programs are among the most significant activities that museums undertake, and the ROM is committed to becoming globally known for expanding the boundaries of knowledge, innovation in presenting that knowledge, and public relevance within the intersecting worlds of art, culture and nature.

To realize the ROM's strategic vision, the museum is enhancing its facilities, upgrading digital capabilities, investing in talent, and building a resilient and sustainable financial foundation. Despite the recent challenges resulting from COVID-19, the museum remains committed to its strategic direction. This work is coupled with data- and evidence-driven efforts to further improve efficiency, effectiveness and value for money for taxpayers. The Auditor General's recommendations have been reviewed and received in this light, and the museum is grateful for the opportunity to further improve its operations and enhance its institutional impact.

## 2.0 Audit Objective and Scope

Our audit objective was to assess whether the Ministry of Heritage, Sport, Tourism and Culture Industries (Ministry) together with museums and galleries have effective systems and procedures in place to:

- meet key legislative and policy requirements, and best practices for the operation of museums and galleries in a cost-effective manner; and

- measure, evaluate, and publicly report on the effectiveness of museums and galleries.

**Appendix 1** lists the audit criteria we used to address our audit objective. Senior management at the Ministry reviewed and agreed with the suitability of our objective and related criteria. We subsequently shared our objective and criteria with senior management at the museum and galleries under the scope of the audit, including the Royal Ontario Museum (ROM), the subject of this chapter.

We focused on the activities at the ROM in the five-year period ending March 2020 and conducted our audit between January 2020 and October 2020. We obtained written representation from the management of the ROM that, effective November 13, 2020, they had provided us with all the information they were aware of that could significantly affect the findings or the conclusion of this report.

Our audit work at the ROM included an analysis of policies and procedures, as well as discussions with senior management and staff who are responsible for managing overall operations, managing collections, organizing exhibitions, delivering education programs, and measuring and reporting on the performance of the organization. Data analysis and sample testing were performed to determine whether the ROM complies with applicable requirements and best practices, and to identify trends related to its efficiency, effectiveness and compliance with legislative requirements, government directives, its own policies, and applicable best practices.

As part of our audit, we also engaged an expert to review our procedures relating to the storage and care of objects and artefacts at the ROM—this did not include the ROM’s offsite storage locations. As well, we conducted a survey of 197 small and medium-sized museums and galleries in Ontario (64% response rate) to get their perspectives on the accessibility of the ROM’s collections. We also conducted research into other jurisdictions to identify best practices. In addition, we held discussions with senior representatives of museum and gallery associations and stakeholder groups in Ontario, Canada, the United States and Europe to obtain

their perspectives on issues related to managing museums and galleries, including operational best practices. We also reviewed the relevant audit reports issued by the province of Ontario’s Internal Audit Division in determining the scope and extent of our audit work.

## 3.0 Background

The Royal Ontario Museum (ROM) is a museum of art, culture and natural history located in Toronto. It is a provincial agency and receives approximately \$27 million in annual funding from the Ministry of Heritage, Sport, Tourism and Culture Industries (Ministry). Its legislation, the *Royal Ontario Museum Act, 1990* (Act), sets out the ROM’s mandate as follows:

- collection and exhibition of objects, documents and books to illustrate and make known to the public the natural history of Ontario, Canada and the world;
- collection and exhibition of objects, documents and books to illustrate and make known to the public human history in all the ages; and
- promotion of education, teaching, research and publication in fields related to the ROM’s objects.

As a charitable corporation, the ROM prepares a balanced budget each year, where budgeted revenues equal budgeted expenses. In 2019/20, the ROM’s budgeted revenues and expenses were approximately \$67 million. In addition to annual provincial funding from the Ministry, the ROM also has private-sector funding support from the Royal Ontario Museum Foundation (ROM Foundation). The ROM Foundation was incorporated in 1992; its objectives are to co-ordinate all private-sector fundraising activities undertaken on behalf of the ROM to raise funds for enhancing exhibitions and public programs, research, acquisitions and capital projects. In 2019/20, the ROM Foundation provided \$9 million in funding to the ROM.

The ROM is governed by a Board of Trustees (Board) consisting of 21 members, 15 of whom are appointed by the provincial government—see **Appendix 2** for the composition of the ROM’s Board, and a list of its committees. The Board is accountable to the Ministry, and is responsible for the oversight and governance of the ROM. This includes:

- setting the strategic direction of the ROM within its mandate;
- establishing performance measures, targets and management systems for monitoring and assessing the ROM’s performance;
- directing corrective action on the functioning or operations of the ROM; and
- ensuring that the ROM is governed in an effective and efficient manner, including using public funds with integrity and honesty.

A CEO, appointed by the Board, is responsible for the management of the ROM, which employs over 300 full-time and approximately 150 part-time staff, and receives assistance from 1,200 volunteers. The ROM is a unionized workplace with the majority of its employees represented by three unions. See **Appendix 3** for the organizational structure of the ROM.

### Visitor Attendance

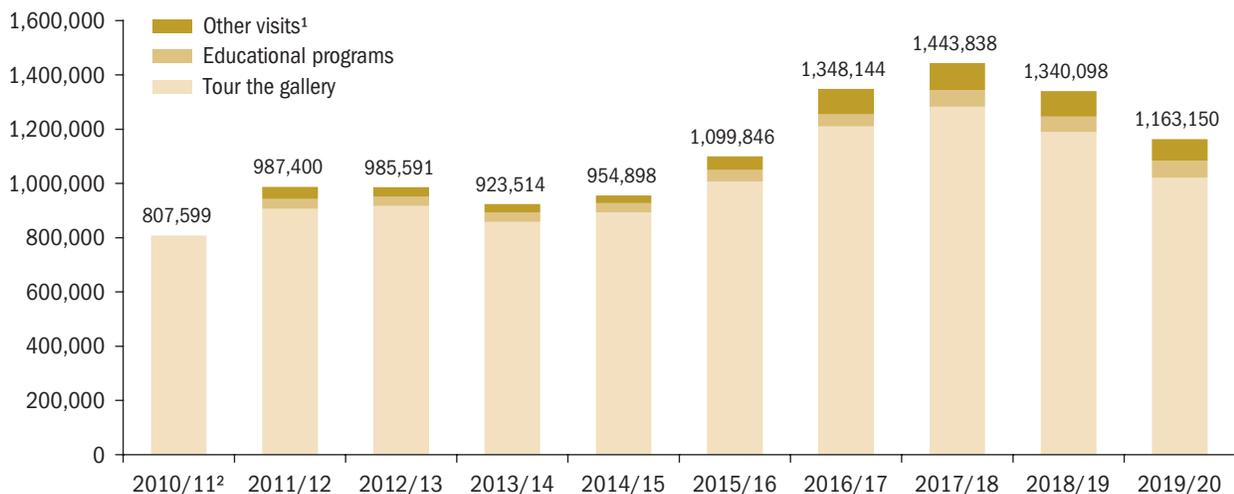
As part of its mandated role to present its collection to the public, and to help meet the government’s objectives of increasing tourism in Ontario, the ROM welcomes visitors to its site. In the 2019/20, the ROM received approximately 1.2 million visitors, consisting of visitors touring the museum and its exhibitions, attendees to the ROM’s educational programs, and other attendees at events such as weddings or corporate events. **Figure 1** shows the ROM’s annual attendance from fiscal year 2010/11 to 2019/20 for all three categories of visitors.

Overall attendance at the ROM increased by 44% from about 808,000 visitors in 2010/11 to 1,163,000 visitors in 2019/20. However, we noted that since 2017/18, attendance has been declining, which ROM management attributes to teacher job actions in 2019/20 and less-than-expected attendance for the temporary exhibitions. In addition, in 2019/20 the ROM’s total attendance was impacted by the COVID-19 pandemic, which resulted in the closure of the ROM two weeks before the end of its fiscal year.

The majority of individuals who visit the ROM do so to tour the gallery; in 2019/20 these visits totalled approximately 1,021,000 and accounted

**Figure 1: Annual Attendance, 2010/11–2019/20**

Source of data: Royal Ontario Museum

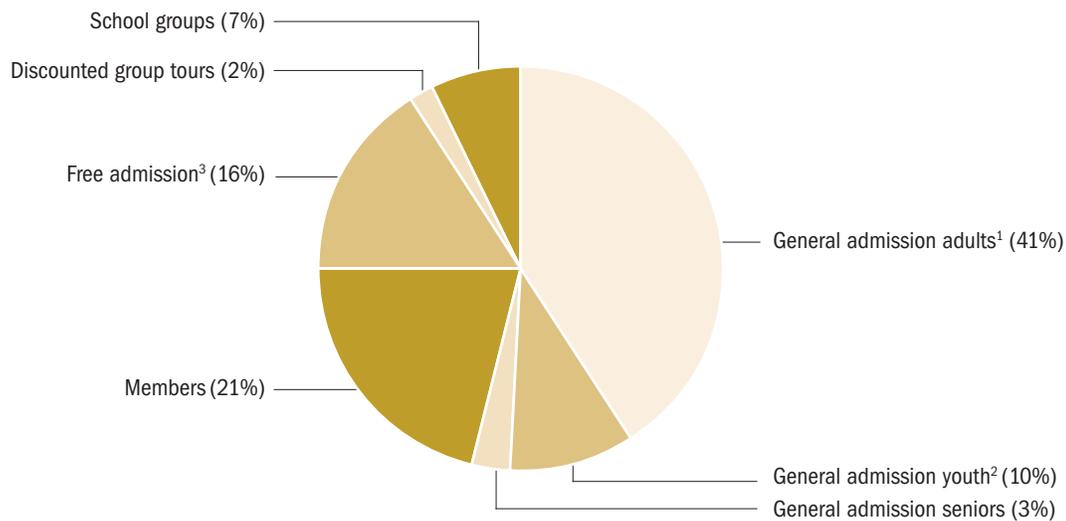


Note: The Royal Ontario Museum does not have a breakdown of total attendance into categories for fiscal year 2010/11.

1. Other visits pertains to the number of visitors who attended weddings, corporate meetings, or other external events hosted at the Royal Ontario Museum.
2. Attendance for fiscal year 2010/11 includes only the number of visitors who came to tour the gallery.

**Figure 2: Type of Ticket Purchased to Tour the Royal Ontario Museum, 2019/20**

Source of data: Royal Ontario Museum



1. Included in general admission adults are approximately 142,000 CityPASS tickets and 73,000 discounted tickets.

2. General admission youth includes visitors from four to 19 years of age.

3. Free admission includes approximately 105,000 complimentary tickets from the ROM Community Access Program and 53,000 tickets to Third Tuesday Nights Free at the ROM.

for 88% of total attendance. As illustrated in **Figure 2**, 54% of visitors to the ROM to tour the gallery paid general admission (youth, adults and seniors), 21% paid a membership fee that allowed them to visit, and 16% visited free of charge. The balance of visitors comprised school groups, which accounted for 7% of visitors, and tour groups, which accounted for 2%.

## 4.0 Detailed Audit Observations

### 4.1 Collections Management

The ROM collects art and archaeological and scientific objects of significance to explore the natural world and humankind's cultural past. It has two distinct collections: natural history and arts and culture. This report primarily focuses on the ROM's arts and culture collection.

The ROM's collections were originally founded from collections of the University of Toronto, and have been built through purchases, donations and

active collection, such as archaeological excavations. **Figure 3** shows how the ROM's arts and culture collection has grown in each decade since 1950.

#### Acquisitions of Objects and Artefacts

The ROM employs 12 curators in its Arts and Culture Division (see **Appendix 4**) who are responsible for overseeing and managing its arts and culture collections. One role of a curator is to propose the acquisition of new objects and artefacts in accordance with the ROM's policies. These set out the requirements for acquiring new objects and artefacts either through donations or purchase, which include that the objects or artefacts:

- must be consistent with and relevant to the ROM's mission;
- must be accompanied by warranties of good legal title;
- must be accompanied by a good record of provenance and must be authenticated—curators must demonstrate due diligence in proposing acquisitions whose provenance records are incomplete;

**Figure 3: Arts and Culture Acquisitions, 1950–2020**

Source of data: Royal Ontario Museum

	Donation	Purchase	Exchange	Excavation*	# of Acquisitions	Cumulative Total	10-Year Growth (%)
1950 and earlier	149,613	59,041	1,358	3,143	<b>213,155</b>	213,155	
1951–1960	46,561	6,150	97	5,752	<b>58,560</b>	271,715	27
1961–1970	18,940	6,217	622	18,996	<b>44,775</b>	316,490	16
1971–1980	42,527	8,437	3	18,813	<b>69,780</b>	386,270	22
1981–1990	34,673	3,357	–	18,717	<b>56,747</b>	443,017	15
1991–2000	30,595	2,705	1	3,785	<b>37,086</b>	480,103	8
2001–2010	16,389	5,258	–	60	<b>21,707</b>	501,810	5
2011–2020	21,692	2,678	–	–	<b>24,370</b>	526,180	5
<b>Total</b>	<b>360,990</b>	<b>93,843</b>	<b>2,081</b>	<b>69,266</b>	<b>526,180</b>		
<b>% of Total</b>	<b>69</b>	<b>18</b>	<b>–</b>	<b>13</b>	<b>100</b>		

\* Excavation refers to acquisitions where ROM curators travel to other countries to collect archaeological materials for museum acquisition.

- must be free and clear of conditions and restrictions imposed by the donors regarding the ROM's use of the objects and artefacts; and
- are not stolen or otherwise illegally acquired or collected: acquisition of cultural property that has been in foreign countries must comply with the *Cultural Property Export and Import Act*, and acquisitions made after November 14, 1970, require comprehensive provenance records.

All acquisitions proposed by curators require at a minimum the approval of the applicable department head, while those greater than \$50,000 require the approval of the Director and CEO, and those over \$1,000,000 require the approval of the Board of Trustees. See **Appendix 5** for the ROM's acquisition approval requirements.

#### 4.1.1 Research into Provenance of Acquisitions Is Not Always Complete or Documented

We found that the ROM approved the acquisition of items that did not always address the requirements of its policies to establish provenance—including the ownership and authenticity of the items.

The ROM's policies note that curators need to acquire documents to support the provenance of an object. Provenance requirements vary, and may include export permits, publications, wills, applicable correspondence, auction catalogues, photographs and bills of sale. In addition, for items considered cultural property and originating from another country, the policies state that the ROM will acquire only objects and artefacts that have been legally exported from their country of origin unless they have been outside their country before November 14, 1970. In the absence of documentary evidence, the ROM's policies require it to undertake due diligence to establish the facts of the history of an object's ownership and export, including obtaining and critically evaluating a sworn affidavit from the vendor or donor specifying the provenance and/or export history of the object.

Based on our review of a sample of items acquired by the ROM in the last three fiscal years (2017/18–2019/20) through purchases and donations, we found that in one-third of the items we reviewed, the ROM did not fully address the requirements of its policies to establish the provenance of the items to prove ownership, ensure the items were not illegally obtained, and establish the authenticity of the items. For example:

- A jade pendant from the Qing Dynasty was donated to and accepted by the ROM. However, the donor did not have sufficient evidence to support the authenticity and ownership of the item, including how the donor came to own the item, when it was exported from China, or its history. The curator's due diligence was limited to conversations with the donor and reliance on their own broad knowledge and expertise. Based on this alone, the curator concluded that they were not alerted to any possibility of questions regarding the legality of the item's export into Canada and that the ROM could accept the donation of the item. In addition, neither the Curatorial Department head nor the Deputy Director of Collections and Research made any inquiries before approving the acceptance of the donation.
- A set of twelve letters by civil officials associated with Korean King Sukchong (late 17th to early 18th century) were donated to and accepted by the ROM. These letters had been on loan to the ROM since 1997. The donation was accepted without conducting provenance procedures, including to verify their authenticity.

### RECOMMENDATION 1

We recommend that the Royal Ontario Museum implement processes so that the steps required by its policies to establish the provenance of objects and artefacts it acquires are completed, documented and reviewed.

### ROM RESPONSE

We agree with the recommendation. The Museum's Collections Policy requirements to secure necessary provenance and authenticity documentation are a priority and we appreciate the need to ensure that this occurs consistently. Going forward, this will entail reinforcement of the policy's requirements with curators and

the appropriate reviewing/approving parties and processes to review that requirements are carried out.

### 4.1.2 Acquisitions Do Not Always Match the ROM's Collection Development Plan

We found that the reason the ROM acquired many of the items we reviewed is not clear, as they either did not match the ROM's collection development plan or were deemed a low priority under the plan.

Best practices issued by professional associations that the ROM is a member of recommend that museums should have a written collection development strategy and plan identifying what the museum will collect. In addition, these plans should be consistent with the organization's mission, include an analysis of the existing collection strengths, and identify priority areas for the collection to grow and areas where deaccessioning should be considered.

We found that the ROM had a collection development plan that was drafted in 2012. We reviewed the plan and found that it was detailed, and included the specific types of items the ROM wanted to acquire in each of its collection areas, and the level of priority for these acquisitions.

We reviewed a sample of the ROM's acquisitions over the last three fiscal years and found that they were all broadly in line with the ROM's mission. However, we found that the ROM had not referenced its collection development plan in its acquisition decisions. We compared the acquisitions to the ROM's collection development plan and found that nearly half of the acquired items we reviewed were in areas where the plan noted the ROM's collection was already sufficient, or in areas where the plan stated that only special items or certain types of items should be accepted—yet documentation supporting the acquisition of these items did not make clear that they met the plan's criteria. The ROM advised us that it often acquires items such as those in our sample due to their rarity or the value they provide to the ROM as a whole, or because they

are in an emerging collection area of focus that has changed since the initial development of the collection plan. However, the acquisition of items that are low priority negatively impacts the ROM's limited storage capacity and adds to the costs associated with the long-term care and storage of items.

## RECOMMENDATION 2

So that it acquires objects and artefacts that best meet its collection priorities and needs, and so as not to incur unnecessary storage and conservation costs, we recommend that the Royal Ontario Museum put in place processes to:

- determine and document whether proposed acquisitions of objects and artefacts match the priorities of its collection development plan; and
- require written justification be prepared and reviewed for approval where items that do not match the priorities of its collection development plan are proposed for acquisition.

## ROM RESPONSE

We agree with the recommendation. We note, however, that it is not uncommon for museums to respond to opportunities that their existing Collections Plan does not include or could not have foreseen. The ROM has undergone a variety of changes over the past decade, including the 2018 adoption of a strategic plan that impacts our Collection Development Plan. Revising and updating our 2012 Collection Development Plan to match current priorities and strategic direction is in order. A new procedure will also be implemented that will require written justification from curators for proposed acquisitions that do not conform to the revised plan.

### Registration and Cataloguing

Standard practice for the operation of museums and galleries includes keeping accurate records

and information on the objects and artefacts in their collections. Basic and essential information on objects and artefacts includes information such as date and method of acquisition, unique identifying number, description, provenance information and location. The ROM uses The Museum System (TMS), an electronic records management system, to record information on the objects and artefacts in its collection.

### 4.1.3 ROM Does Not Have an Electronic Record, Including the Location, for the Majority of Its Natural History Collection

We found that the size and location of the ROM's Natural History Collection are not clearly documented. The ROM estimates that it has almost 11 million specimens in its Natural History Collection. Although it is not standard practice to catalogue every specimen in a natural history collection, we found that the ROM has approximately 1.5 million records in TMS, comprising about 3.5 million specimens, or only 32% of all the specimens in its collection. In addition, we found that out of these 1.5 million records, fewer than 340,000 have a location recorded.

We also found that the ROM does not have a common practice in place to track the majority of the specimens that are electronically uncatalogued, about 7.5 million. Instead, the number of specimens in the collection is simply based on a pure estimate; for example, one area of the natural history department told us that it bases its estimate of the number of uncatalogued specimens on the number of jars that it has multiplied by the estimated number of specimens in each jar.

In contrast, the Natural History Museum in London, UK, told us that in its database it has a record by specimen lot (for example, a collection of mosquitoes taken from a single location) of all specimens that enter the museum, including the location where the specimen is stored.

### RECOMMENDATION 3

So that it can make the best use of its Natural History Collection and improve its accessibility for research, we recommend that the Royal Ontario Museum develop and execute a plan to catalogue specimens in the collection, including their location.

### ROM RESPONSE

We agree with the recommendation and will develop and execute a plan to complete the process of entering our paper and other types of specimen records into TMS, including the location of each bulk lot of specimens, in keeping with the practice of other natural history collections.

#### 4.1.4 Inadequate Controls to Prevent the Deletion of Items from the ROM's Inventory

We found that items could be deleted from the ROM's collection management system (TMS) without authorization, and there was no process in place at the ROM to review deleted records to ensure that they were deleted only for authorized purposes.

The ROM advised us that it is not its practice to delete items from its collection management system—even in cases where an item has been disposed of. Instead, we were told that in such circumstances the status of the item would simply be changed. The ROM informed us that typically, the only reason to delete the record of an item is if it was recorded in error in the first place.

We noted that TMS allows users with certain levels of access rights to delete items. We were advised that 11 individuals at the ROM had the necessary level of access rights to delete items, including two who also had access to the ROM's vaults. However, we found that the ROM does not have a process in place to review reports of deleted items. The ROM advised us that TMS does not have the ability to produce reports with deleted item records.

Nevertheless, at our request, the ROM's IT department was able to extract a report of deleted item records from a backend database that stores all TMS data. This report showed that since 2016, approximately 2,700 item records had been deleted. We reviewed this list and found that some of these records had been deleted by individuals who also had access to ROM's vaults, raising security concerns about the ROM's inventory of items. We evaluated a sample of these deleted item records, and the ROM was able to provide reasonable explanations for the deletions and evidence to show that the items still existed in TMS.

### RECOMMENDATION 4

So that the items in the collection of the Royal Ontario Museum (ROM) are secured, we recommend that management:

- segregate the responsibilities for deleting records, approving the deletion of records, and accessing the ROM's vaults; and
- periodically review the list of deleted item records, and ensure that items were deleted only for authorized purposes.

### ROM RESPONSE

We agree with the recommendation and will develop and implement policy and system changes to improve collections care and storage through stronger review and oversight of record deletion, including greater segregation of responsibility for deleting records and the periodic review of deleted records.

#### 4.1.5 ROM Does Not Routinely Estimate the Financial Value of Its Collection

We found that the ROM does not routinely estimate the financial value of the vast majority of objects and artefacts in its arts and culture collection, and does not periodically review and revise valuations for the items it has valued. As a result, it is unclear whether the ROM has sufficient information to assess the adequacy of its insurance coverage.

We analyzed the ROM's records to determine the value of its arts and culture collection. We noted that its records showed a value of \$455 million; however, we found that the valuation of the ROM's collection is incomplete and outdated.

We found that over 95% of the items in the ROM's collection did not have a value assigned to them in TMS. Where they did have a value, the majority were not based on a recent appraisal, but instead, values were attached by curators to objects and artefacts loaned out to other institutions for insurance purposes. The value of these items accounted for \$450 million of the total collection value of \$455 million. Furthermore, nearly 40% of these assigned values, accounting for \$143 million, were more than 20 years old, including the ROM's most valuable item—last valued in 1998 for insurance purpose at nearly \$9.4 million.

The ROM has \$150 million in insurance coverage for its collection. Although it is not a common practice for a museum or gallery to obtain insurance based on the total value of its collection, without a more complete and up-to-date valuation for its collection, including its most valuable items, it is not clear whether the ROM's insurance coverage is sufficient relative to the commercial value of its collection. We noted that the ROM's Finance and Audit Committee (a committee of the ROM's Board) reviewed the ROM's insurance coverage in September 2020. However, the Committee could not demonstrate that it considered the value of the ROM's collection in assessing the adequacy of its insurance coverage, nor could the Committee demonstrate the proportion of the value of the collection that its insurance coverage is intended to cover.

## RECOMMENDATION 5

So that the Royal Ontario Museum knows the financial value of its collection and can assess whether its insurance coverage is sufficient, we recommend that it:

- review items that do not have a value assigned to determine which items should be valued;

- implement a process to periodically update the valuation of its most valuable items; and
- assess the risks of potential loss of its collection and obtain the level of insurance deemed necessary based on the updated valuation of the collection.

## ROM RESPONSE

We agree with the recommendation. We will review and obtain a valuation for the items in our collection with the most significant financial value, and periodically update the valuation of our most valuable items. We will use this information when we assess the adequacy of our insurance coverage.

### Inventory Counts

It is considered a standard practice for museums and galleries to periodically conduct an inventory check and to establish the necessity for such checks in their policies. Inventory checks allow museums and galleries to verify that their objects and artefacts are present, which is crucial to maintaining accountability.

### 4.1.6 ROM Does Not Routinely Conduct Complete Inventory Counts to Verify the Existence of Its Collection

We found that the ROM conducts inventory checks on an ad hoc basis to verify the existence of the objects and artefacts in its collection, but does not have a formal policy in place to conduct inventory checks on regular basis for all its collection areas.

We found that over the last five years, the ROM had conducted several inventory checks in different collection areas, including one in 2019 covering 900 random objects and artefacts from across all areas of its arts and culture collection. According to the ROM, all 900 items were accounted for, though in some cases they were found in a different location than the one recorded in its collection management system, TMS.

We also conducted a spot check of the ROM's inventory on a sample basis and located each of the items we selected for review. However, as in the case of the ROM's own review in 2019, we found that nearly 20% were not in the location recorded in TMS, or were mislabelled.

While the ROM does conduct some inventory checks for specific reasons, such as to photograph a collection or to prepare it to be exhibited, it does not have a policy in place requiring periodic inventory checks on a systematic basis, nor does it specify who should conduct inventory checks.

## RECOMMENDATION 6

To safeguard the objects and artefacts in its collection, we recommend that the Royal Ontario Museum:

- establish a policy for carrying out inventory checks that includes the frequency and methodology for such checks; and
- perform inventory checks in accordance with this policy.

## ROM RESPONSE

We agree with the recommendation. We will update our collections practice to require the performance of periodic inventory checks, including the methodology, frequency and reporting of results. Our Collections Policy will be updated to include a reference to the inventory checks required in the practice.

### Conservation and Storage

The ROM's policies identify its responsibilities for taking care of its arts and culture collection. This involves both preventive conservation and treatment to restore items in the collection. Preventive conservation involves ensuring that objects and artefacts are properly stored under the appropriate environmental conditions, and protected against fire, flood, pests, theft and vandalism. This applies to both objects and artefacts that are on display to the public in the museum and those that are in stor-

age, both on-site in their vaults or storage rooms (typically below ground level), and in off-site privately rented storage units. The ROM's onsite storage consists of 56 collection spaces totalling 63,000 square feet. It has two off-site storage locations totalling 47,000 square feet that cost the ROM approximately \$500,000 annually.

The ROM's policies for the care of its collections reference a number of recognized bodies and best practices, including the Canadian Conservation Institute's (an agency of the Department of Canadian Heritage) guidelines for the care of items and collections. These guidelines detail for each type of item (for example, ceramics and glass, fine art, textiles and costumes), the vulnerabilities of the items and the ways they can deteriorate, as well as proper handling and storage techniques. For example, according to the guidelines, museums should display or store paintings on canvas or wood at stable relative humidity of between 40% and 60%. The ROM operates environmental control and monitoring systems intended to maintain the correct climate for their collections.

The ROM employs eight conservators (as illustrated in **Appendix 4**) specializing in various materials, who are responsible for carrying out conservation assessment and treatment to restore objects and artefacts.

### 4.1.7 Storage Conditions Were Found to Be in Line with Best Practices

As part of the inventory spot check we performed, described in **Section 4.1.6**, we also reviewed the conditions under which the objects and artefacts were stored.

We found that the ROM's on-site storage environments vary from modern storage cabinetry, in purpose-built vaults, to older cabinetry in limited-access work spaces. Rooms are also designated for specialized environments, including cold storage, and "wet" and "dry" rooms.

Across all spaces, there was evidence that ROM staff were adhering to the best practices of collections care. This included positioning artefacts to

reduce handling; lining surfaces with conservation materials; installing compact storage to reduce light and dust exposure, and maximize space; protecting artefacts with mylar sleeves, volara foam liners, matting enclosures and other conservation materials; and utilizing an integrated pest management approach. Lighting levels and humidity levels were also managed in accordance with the Collections Care Guidelines.

#### 4.1.8 ROM Does Not Consistently Assess the Condition of Its Items

The ROM advised us that its conservators do not conduct regular surveys of the ROM's collection to assess and document an object or artefact's condition. Instead, it told us that its conservation efforts are focused on need, and their work prioritizes assessing and treating items that it displays or loans to other institutions. The ROM noted that through this process, it is actively monitoring and responding to the treatment needs of its collection.

We tested a sample of exhibitions and outgoing loans of items to determine whether condition assessments were undertaken and documented with respect to exhibited or loaned items. We found that the ROM does not complete a written condition assessment for items prior to exhibiting them within the ROM—therefore, we could not determine if the assessment took place. In addition, we also found that for 17% of the items loaned to other institutions the ROM could not produce documentation demonstrating that a condition assessment was completed by either the ROM or the borrowing institution after the loaned items were returned.

The ROM policy states it is dedicated to preserving its collections. To ensure its collection is adequately preserved, in line with best practices at other galleries and museums across Canada, the condition of an item should be assessed and documented prior to and after exhibition or loan.

#### 4.1.9 Restorative Conservation Treatments Are Not Tracked or Reviewed to Ensure Appropriateness

We found that the ROM does not have a process in place to track the number of conservation treatments it completes, nor does it have a process to review the conservation treatments completed by conservators to restore objects and artefacts.

The ROM does not have a record of the number of conservation treatments performed either in total or by department, and we were advised that because treatment needs of artefacts vary, the number of conservation treatments performed each year can also differ significantly.

The ROM's conservators specialize in dealing with particular types of materials. They are responsible for developing conservation treatment plans in consultation with curatorial staff, and for executing conservation treatments. The ROM's conservators operate with a high level of independence. Although the ROM advised us that conservators do report on their work to the manager of conservation and answer the manager's questions, such discussions are informal and are not documented. Neither the responsible curator nor the manager of conservation reviews or approves conservators' treatment plans. Nor is the quality of the treatment work reviewed after it is applied. We were advised that the manager of conservation is generally involved only in larger scale projects and those requiring access to funding to complete.

In contrast, as discussed in **Chapter 2, Section 4.1.7**, "Conservation and Storage," the AGO's policies require conservation treatments to be approved by its custodial curator, and to proceed with regular collaboration between conservation, curatorial and other experts as needed. In addition, the AGO's policies state that major conservation projects require the approval of the Chief of Exhibitions, Collections and Conservation and the Chief Curator. We also noted that the National Gallery of Canada has policies that require the senior conservator and applicable curator to co-sign proposed

treatments for major conservation treatments. Although the ROM's collection of objects and artefacts differs from the collections of the AGO and the National Gallery of Canada, a significant portion of the ROM's collection is sufficiently comparable to warrant similar oversight processes for conservation treatments.

### RECOMMENDATION 7

So that objects and artefacts that require restoration receive appropriate conservation treatments, we recommend that the Royal Ontario Museum put in place processes to:

- assess and document the condition of objects and artefacts before and after exhibiting and lending them;
- where appropriate, review and approve the conservation treatments proposed by conservators before they are applied; and
- assess the quality of the treatment work after it is applied.

### ROM RESPONSE

We agree with the recommendation and will modify our conservation and documentation practices accordingly, to ensure we assess and document the condition of all objects and artefacts before and after exhibiting and lending them, including tracking records of these condition assessment reports in our database. Formal review of the quality of treatment after its application will require the hiring of a new Manager for the Conservation Department and we will therefore work toward determining funding to implement the recommendation.

#### Deaccessioning

The ROM's policies identify that objects and artefacts may be deaccessioned for any of the following reasons:

- an item is no longer relevant within the collection, exhibition or research programs of the ROM;

- an item was acquired illegally or unethically;
- an item has failed to retain its physical integrity or authenticity and/or cannot be properly preserved, stored and used; or
- for the purposes of upgrading the ROM's collections and their care.

The ROM's policies also identify the means by which deaccessioned objects and artefacts are to be disposed of, which include the sale, exchange with or donation to another museum or charitable institution; sale at public auction; in the case of repatriation, the return of items to the Indigenous community of record.

#### 4.1.10 Opportunities Exist to Deaccession Objects and Artefacts to Other Ontario Museums and Galleries

We found that despite identifying many items for deaccessioning in its 2012 collection development plan, the ROM has deaccessioned few items from its arts and culture collection since that time.

The ROM has over 525,000 items in its arts and culture collections. In 2012, the ROM completed its collection development plan (described in **Section 4.1.2**), which identified opportunities for deaccessioning items from three of its collection areas, including the Chinese, South Asia and a subset of the Greek and Roman collections. For example, under the ROM's Chinese collection, the plan identified clusters of high-quality but duplicated porcelain wares and architectural stones that could be deaccessioned because they would never be displayed, since it has many better representative examples. The plan also identified that exchange of these items with needy museums through permanent exchange or loan could be attempted. However, since the plan's development in 2012, we found that the only items that the ROM has deaccessioned from its arts and culture collections were items that were repatriated to Indigenous communities, a collection of 1,517 coins from the Greek and Roman collection in 2014, and 91 items, including various metal items, a Nativity scene and various figures, and two guns in 2012.

In addition to our review of the ROM's collection development plan, we reviewed the museum's collection and found that approximately 99,000 objects and artefacts, or 19% of its arts and culture collection, had been idle for more than 20 years—that is, they had not been displayed, loaned to other institutions, or accessed for purposes such as research. We surveyed small and medium-sized museums and galleries across Ontario, and 91% indicated that they would be interested in acquiring objects and artefacts from the ROM as gifts or at a low cost.

## RECOMMENDATION 8

To refine and improve the quality of its collections, and improve access for Ontarians—particularly to Canadian and culturally significant objects and artefacts—we recommend that the Royal Ontario Museum:

- deaccession items identified as candidates for deaccessioning in its collection development plan; and
- consider providing items it plans to deaccession as gifts to other public institutions in Ontario.

## ROM RESPONSE

We agree with the recommendation. We note that deaccessioning is a complex process that is labour-, time- and expertise-intensive. We will take steps to implement the recommendation and will seek sources of funding and devote the resources necessary to make progress in this area. We will also consider where it is feasible to provide items we plan to deaccession to other public institutions in Ontario by gift transfer or sale.

### Access to Collections and Loans

The ROM provides access to its collection of objects and artefacts through a variety of means, including its public exhibitions and displays; specialized access to scholars, graduate students, heritage

communities and other interested parties; and sharing information on its collections online, including through its affiliation with the University of Toronto Library.

The ROM also lends objects and artefacts from its collections to other institutions, including museums and galleries, so that they can be displayed, researched or used for public programming and education. According to the ROM's policies, loans help the ROM meet its mandate and allow its collection to be used and enjoyed more widely in Canada and elsewhere. The ROM charges interested institutions a \$100 flat rate to borrow each item. In addition, it charges institutions for conservation work, crating, packing material, frames, mounts and shipping costs.

In addition to the objects and artefacts the ROM lends from its collections, until 2019/20, the ROM also had 10 small travelling exhibitions that it typically loaned to community museums across Canada. These exhibitions consisted of a set of pre-packaged objects, artefacts and specimens with display cases and contextual information. These exhibitions ranged in size from 500 to 2,500 square feet and covered different themes such as the arts of China and exploring biodiversity. The cost of borrowing these exhibitions ranged from \$1,800 to \$5,500 plus shipping for a period of eight weeks. The ROM advised us that it cancelled its small travelling exhibitions in 2020/21 after determining that the cost to update them so that they would continue to be relevant to community museums was too high.

### 4.1.11 ROM Cannot Demonstrate That the Access It Provides to Its Collection Meets the Needs of Ontarians

The ROM has not assessed whether the access it provides to its collection of objects and artefacts, including specialized access to scholars, graduate students and heritage communities, meets the needs of those who require it, including with respect to adequacy of access to all items requested,

the length of time it takes to gain access, and the sufficiency of access time once it is granted. In addition, the ROM has not assessed whether the access to its collection that it provides online, such as through the University of Toronto, meets the needs of those who seek access.

#### 4.1.12 Opportunities Exist to Lend Significantly More Objects and Artefacts to Other Ontario Museums and Galleries

Although the ROM has a large collection of objects and artefacts, and other museums and galleries appear to be interested in borrowing items from the ROM, we found that the ROM lends few items to other institutions.

The ROM has a collection of over 525,000 items in its arts and culture collection. However, we found that in the last three fiscal years (2017/18–2019/20), the ROM completed just 34 loans to other institutions, consisting of a total of approximately 780 items.

We also found that although the ROM has a policy that permits other institutions to borrow items from its collection, it does not publicize its loan program. In addition, the ROM only tracks and keeps a record of the loans it has approved, and therefore it is unclear how many requests to borrow items from the ROM were rejected, and whether those decisions were made in accordance with the ROM's policies.

We noted that, in contrast, the AGO, which boasts a significantly smaller collection consisting of approximately 121,000 items, loaned more than 5,300 items to other institutions in the past three fiscal years. In addition, McMichael, which boasts a collection of about 6,700 items, loaned a total of 55 items from its permanent collection to other institutions during this same period.

As noted in **Section 4.1.10**, we reviewed the ROM's collection and found that approximately 99,000 objects and artefacts, or 19% of its arts and culture collection, had been idle for more than 20 years—that is, they had not been displayed, loaned to other institutions, or accessed for research or

other purposes. We surveyed small and medium-sized museums and galleries across Ontario, and 76% indicated that they would be interested in borrowing objects and artefacts from the ROM. However, of those that indicated they would be interested in borrowing objects and artefacts, approximately 60% indicated that the cost to borrow items from the ROM can be prohibitively high. Over 40% of the institutions that responded to our survey noted that they had an annual budget of \$400,000 or less.

### RECOMMENDATION 9

So that it meets the needs of Ontarians for access to its collections, we recommend that the Royal Ontario Museum:

- review and assess the sufficiency of the access it provides to its collections; and
- take action to improve access, as needed.

### ROM RESPONSE

The ROM agrees with this recommendation. We are committed to enhancing access to our collection and will assess the sufficiency of the access we provide, including by engaging with relevant stakeholders, and implement measures to improve access.

### RECOMMENDATION 10

To improve access to its collection for Ontarians—and particularly to Canadian objects and artefacts—we recommend that the Royal Ontario Museum:

- identify opportunities to better publicize its loan program to other institutions in Ontario;
- promote the lending of items that it is not likely to display, because it has better and more representative items, to other Ontario institutions; and
- review the fees it charges other Ontario institutions to borrow items from its collection,

and identify opportunities to reduce those fees to increase the number of items loaned to such institutions.

## ROM RESPONSE

The ROM agrees with this recommendation. We support enhancing our loans program to provide greater access to ROM collections to Ontarians, including reviewing how we can better publicize the program and how to make more of the collections available as loans to other museums, and reviewing and identifying opportunities to improve the affordability of our current fee structure, as feasible. We will seek out additional sources of funding so that we can make progress in this area.

## 4.2 Exhibitions

An exhibition is the display of a collection of objects, artefacts and specimens. Some exhibitions are permanent, while others are temporary and are rotated periodically. The goal of exhibitions includes increasing the public's understanding of a given subject and improve visitor experience. Management at the ROM indicated that successful exhibitions are the most important way to increase admissions and to attract new members.

The ROM has an exhibition team that is responsible for planning, developing, implementing and managing exhibitions to be displayed in its gallery. Exhibitions may be borrowed in their entirety from other museums, or they may be developed internally, and include objects, artefacts and specimens from the ROM's own collection, as well as objects and artefacts loaned from other institutions.

### 4.2.1 No Documented Assessment Process to Select the Exhibitions Most Likely to Meet ROM's Objectives

We found that the basis upon which the ROM selects the exhibitions it chooses to display is

unclear. According to best practices for exhibition development, museums should develop written criteria and use those criteria to guide the process of selecting exhibitions. We examined the process the ROM uses to select exhibitions and found that it does not have a documented assessment process in place to evaluate proposed exhibitions in order to select those most likely to meet the ROM's goals and attract additional visitors.

### ROM Does Not Always Use the Results of Its Topic Assessments to Select Exhibitions

We found that the ROM has a good process in place where it annually assesses audience interest in potential exhibition topics. This process involves surveying potential audiences on the topics the ROM is considering for an exhibition. Questions include:

- the likelihood they will visit the exhibition;
- willingness to pay a surcharge (in addition to general admission to the ROM) to view the exhibition;
- interest in specific themes related to the exhibition topic; and
- the target audience for each exhibition topic.

However, it is not always evident that the ROM considers the results of these assessments to reach its final decision on which exhibitions to display. In addition, in the absence of a documented assessment process for exhibitions it is unclear how much weight is or should be placed on these assessments. For example, even though its topic assessment identified that interest in one of its proposed exhibitions ranked in the bottom half of topics, the ROM selected it nevertheless. The ROM subsequently displayed the exhibition, but we found that it fell well short of its attendance target, with fewer than half the expected number of visitors attending. As a result, the ROM incurred losses on the exhibition totalling over \$1 million.

## RECOMMENDATION 11

So that it designs and selects exhibitions that best meet its goals and attract visitors, we recommend that the Royal Ontario Museum:

- establish a documented assessment process based on industry best practices, and use that process to assess and select the exhibitions it will display; and
- determine and assign appropriate weight to the results of its exhibition topic assessments in the selection of exhibitions.

## ROM RESPONSE

We agree with the recommendation. A better documented assessment process, which gives appropriate weight to topic assessment, to select exhibitions would inform and improve both the selection and ongoing evaluation of individual and overall exhibition program performance.

### 4.2.2 ROM Does Not Assess the Cost-Effectiveness of Its Exhibitions

We reviewed a sample of the ROM's exhibitions in the last three years for which it charges a separate admission fee, and found that the ROM missed its targets for the profit it expected the exhibition to achieve in 50% of the exhibitions in our sample. In these cases, the ROM made between \$13,000 and \$1,351,000 less than it budgeted. However, we found that in these cases, the ROM had not analyzed the results to identify why it had missed its targets.

## RECOMMENDATION 12

Where targeted profits on exhibitions are not met, to improve the cost-effectiveness of its exhibitions, we recommend that the Royal Ontario Museum analyze the results to identify the reasons, and apply lessons learned to targets set in future exhibitions.

## ROM RESPONSE

We agree with the recommendation. We will formally analyze the results of exhibitions that do not meet their targets to determine and document the reasons, so that we can effectively use the results in future planning.

### 4.2.3 The Effectiveness of Exhibitions Is Not Always Measured

According to best practices, the goal of exhibitions includes increasing the public's understanding of a given subject and improve visitor experience. To assess the effectiveness of exhibitions, it is a common practice to conduct evaluations of them to determine if they met their goals. In this regard, we found that the ROM had evaluated 87% of the exhibitions it held in the last five years. However, our review of a sample of exhibitions identified that all but one of the evaluations took place only after the conclusion of the exhibition. In contrast, as described in **Chapter 2, Section 4.3.4**, over 60% of the exhibitions we reviewed at the AGO included an evaluation of the design of the exhibition shortly after it was launched to ensure it met the needs of the intended audience, and to make adjustments where it did not.

## RECOMMENDATION 13

To enhance the effectiveness of its exhibitions in increasing the public's understanding of a given subject and improving visitor experience, we recommend that the Royal Ontario Museum:

- evaluate all key exhibitions, including their design and the early stages of their implementation; and
- put in place processes to review lessons learned from evaluations of past exhibitions, and apply them to plans to select and design exhibitions in the future.

## ROM RESPONSE

We agree with the recommendation. We will evaluate all our key exhibitions including at their design and the early stages of their implementation. Evaluations will include whether visitor experience goals are achieved. We will also better document our analysis of exhibition effectiveness so that it can be more easily and effectively used to formatively improve our exhibitions and in future planning.

### 4.3 Education Programs

The governing legislation of the ROM includes a requirement to promote education and teaching in fields related to its collections. The ROM has established a learning strategy that describes the programs, resources and learning experiences it provides. Through this strategy, and its collection of objects, artefacts, and specimens, the ROM aims to promote curiosity, discovery, learning and critical thinking by using relevant and progressive education methodologies, content knowledge and expertise.

As illustrated in **Figure 4**, over the last three fiscal years (2017/18–2019/20), the ROM has devoted approximately 3.3% (\$2.1 million) of its annual budget to providing education programs. **Figure 5** shows that the average attendance over the last three fiscal years for these programs was almost 864,000. The ROM estimates that the majority of these visitors, approximately 698,000, or 81%, were participating in activities that are free with admission to the museum; this includes tours of the museum and visiting the ROM's interactive Hands-On Galleries. In addition, over 92,000, or

11% of attendance, relates to tours and programs for school students.

#### 4.3.1 Education Program Effectiveness Is Not Always Measured to Ensure Objectives Met

We found that the ROM does not always evaluate the effectiveness of its education programs, and where it did evaluate its programs, in some cases it could not demonstrate how it used those results to identify and address areas requiring improvement in each program. In addition, we found that the ROM did not have a policy in place outlining the process it should follow to evaluate its education programs.

Best practices for evaluating education programs indicate that the evaluation process should include collecting, analyzing and interpreting evaluation data, such as participant survey results. In addition, best practices state that institutions should produce a conclusion and summary of findings to inform future decisions and potential changes to the program, and identify any limitations in the evaluation process that impact the conclusions reached (such as small sample size).

We reviewed a sample of the ROM's education programs, and found that for 20% of the programs we reviewed, the ROM had not completed any formal evaluations of these programs, despite these programs having operated for over five years. For the remaining programs we reviewed, we found that the ROM had surveyed participants to collect data about the participants, such as age, gender and membership status, and to determine if they were satisfied with the program. We also found that the ROM had analyzed the results of these surveys

**Figure 4: Education and Public Programs' Average Annual Expenditures, 2017/18–2019/20**

Source of data: Royal Ontario Museum

	Avg. Expenditures
Total budgeted expenditure (\$ million)	63.9
Education program budgeted expenditure (\$ million)	2.1
% of budgeted expenditures for education programs	3.3

**Figure 5: Education and Public Programs by Demographic Group and Average Annual Attendance, 2017/18–2019/20**

Source of data: Royal Ontario Museum

Program	Description	Avg. Attendance	% of Total Attendance
<b>Children</b>		<b>32,410</b>	<b>4</b>
ROMKids Junior	Eight-week sensory program with learning instructors to tour the gallery and conduct creative play-based activities.	4,128	
Saturday Club	Full-day or half-day classes held on Saturdays providing supervised hands-on activities, art projects and science experiments.	3,229	
ROMKids Day Camp (PD Day Camp)	Day camps held on school professional development days, providing supervised educational activities, art projects and science experiments.	843	
March Break Camp/ROM for the Holidays Camp <sup>1</sup>	March Break camps offering an array of activity-based programs with trained instructors.	2,227	
Summer Club <sup>1</sup>	Summer camps that offer an array of activity-based programs inspired by the collections and research of the ROM.	21,983	
<b>Schools</b>		<b>92,477</b>	<b>11</b>
Tours and Lab programs	School visits with tours and hands-on learning in the labs.	92,477	
<b>Adult</b>		<b>21,834</b>	<b>2</b>
Baby & Me	Six-week guided tour that allows adults and caregivers to enjoy adult learning and conversation in a baby-friendly atmosphere.	1,366	
ROM Speaks & ROM U	ROM Speaks: Speech series that present engaging and thought-provoking topics all year long. ROM U: One-day adult workshops led by ROM experts that offer lectures, hands-on activities and gallery tours.	7,883	
ROM Daytime & ROM Connects	Programs that are designed to offer both daytime and evening lectures and documentaries with a focus on ROM content related to art, culture and nature.	8,167	
ROMWalk (Free and paid) <sup>2</sup>	Guided walking tours of Toronto that encompass the diverse aspects of Toronto's neighbourhoods, including history, architecture, arts of all varieties, education and more.	4,418	
<b>All Ages</b>		<b>717,127</b>	<b>83</b>
Hands-On Galleries <sup>3</sup>	The Hands-On Biodiversity Gallery, the Discovery Gallery and the Earth Ranger Studio provide interactive and hands-on object-based learning experiences and workshops with trained facilitators.	665,398	
Daily Public Free Tours <sup>2</sup>	Trained volunteer guides offer daily tours to the public, including general ROM tours, specific gallery tours and tours of special exhibitions.	30,856	
Group tours (paid)	Group tours include VIP tours, ROM Governors cultivation tours, and paid client group tours. These may include behind-the-scenes access and tours of featured exhibitions.	20,576	
ROMBus	Day trips with historic, architectural, cultural or museum themes to places in Toronto and surrounding areas.	297	
<b>Total</b>		<b>863,848</b>	<b>100</b>
<b>Free programs (ROMWalk, ROM Connects)</b>		<b>10,180</b>	<b>1</b>
<b>Free programs with admission (Hands-On Galleries, Daily Public Free Tours, ROM Daytime)</b>		<b>698,278</b>	<b>81</b>
<b>Total</b>		<b>708,458</b>	<b>82</b>

1. Attendance numbers for these programs are estimates based on formulas for calculating course attendance based on duration; for example, a child attending a one-week camp counts as five in the attendance numbers.

2. ROM volunteers record attendance numbers on manual counts; for paid walks, attendance number is based on registration.

3. Attendance numbers are estimates based on manual clicker counts or by volunteers walking through the gallery and counting visitors every half hour.

and produced summaries of their analysis, findings and recommendations for improvement. However, in more than half of the programs that the ROM had evaluated, we found that the programs had been evaluated collectively rather than as individual programs. Thus, it was unclear how the ROM could use these results to identify problem areas in each education program in order to make improvements. For example, the evaluation suggested that stagnation in the ROM's learning program content can have a significant impact on program effectiveness; however, the degree to which each particular program's content requires renewal is unclear.

### RECOMMENDATION 14

So that its education programs meet their goals and the learning expectations of those who participate in them, we recommend that the Royal Ontario Museum:

- put in place a policy that defines when programs should be evaluated and the method by which they should be evaluated; and
- produce evaluation reports on its education programs that are sufficiently detailed to

be used to identify and address areas that require improvement.

### ROM RESPONSE

We agree with the recommendation. We launched a comprehensive reorganization of the Learning area in 2020. Once completed and fully implemented, our policies will make clear which programs should be evaluated, including the method by which they will be evaluated, and there will be ongoing evaluation of each significant education program category. We will also use the results of these evaluations and incorporate them into our regular workflow to address areas that require improvement.

## 4.4 Self-Generated Revenues

The ROM's revenues consist of its annual operating grant from the Ministry, other grant revenues and self-generated revenues such as from admissions, memberships and retail sales. As shown in **Figure 6**, the most significant self-generated funds are paid admissions, events and concessions, and proceeds

**Figure 6: Royal Ontario Museum Revenue Streams, 2015/16–2019/20 (\$ 000)**

Source of data: Royal Ontario Museum Audited Financial Statements

	2015/16	2016/17	2017/18	2018/19	2019/20
Province of Ontario	27,398	27,868	26,841	27,590	27,307
Royal Ontario Museum Foundation <sup>1</sup>	7,648	7,176	7,359	8,979	9,179
Other	90	418	224	345	688
Amortization of deferred capital contributions <sup>2</sup>	11,694	11,106	10,825	11,857	12,562
<b>Subtotal Grants</b>	<b>46,830</b>	<b>46,568</b>	<b>45,249</b>	<b>48,771</b>	<b>49,736</b>
Admission fees	9,254	12,916	14,747	12,523	11,056
Event and concessions <sup>3</sup>	8,350	8,411	9,558	9,562	8,622
Membership fees	2,572	3,016	3,693	4,129	3,999
Programs and education	2,572	2,313	2,619	2,838	2,559
Other	942	1,627	1,492	1,945	1,001
Donations	1,670	1,129	2,410	1,607	512
<b>Subtotal Self-Generated</b>	<b>25,360</b>	<b>29,412</b>	<b>34,519</b>	<b>32,604</b>	<b>27,749</b>
<b>Total</b>	<b>72,190</b>	<b>75,980</b>	<b>79,768</b>	<b>81,375</b>	<b>77,485</b>

1. The ROM has a non-governmental foundation for the purpose of raising and receiving funds to support the organization.

2. Deferred capital contributions are grants and donations from government and private donors for the purchase of capital assets. Revenue is recognized to match the amortization costs of the purchased assets as these are used each year.

3. Concessions revenues include retail sales and food and beverage sales.

from the sale of memberships which together totalled \$23.7 million in 2019/20 and accounted for 85% of self-generated revenues.

### Membership Revenues

Revenues from membership sales are one of ROM's main sources of self-generated revenues, accounting for almost \$4 million, or 14% of the ROM's self-generated revenues in 2019/20. The ROM's management advised us that membership sales are also an important contributor to its ability to generate other revenues, as members tend to be more engaged with the museum and more likely to promote the museum to others. Furthermore, members provide a steady source of revenue through purchases made at the ROM's gift shop and restaurant. The ROM undertakes a number of activities and initiatives to increase sales of memberships, including:

- advertising the sale of its memberships through various online channels, including Facebook;
- telemarketing and holiday advertising campaigns that promote membership sales; and
- exchanging membership lists with other museums and galleries, such as the AGO, to target individuals who are more likely to purchase a membership.

#### 4.4.1 ROM Does Not Collect Demographic Data to Help Increase Membership Sales and Meet Member Expectations

We found that the ROM does not collect demographic data from its members to better understand who they are to improve the ROM's ability to raise revenues from sales of memberships to new members.

Leading practices recommend the use of data to increase revenues by offering personalized experiences based on the demographics and behaviours of visitors. However, we found that the ROM does not collect any demographic data on its members,

such as their age, income level, ethnicity, gender, marital status and family size. As a result, the ROM cannot develop targeted strategies to better serve its members and increase membership sales and attendance by members.

#### 4.4.2 ROM Memberships and Visits by Members Are Declining

We found that memberships have declined in the last year and visits to the ROM by its members have declined in the last two years.

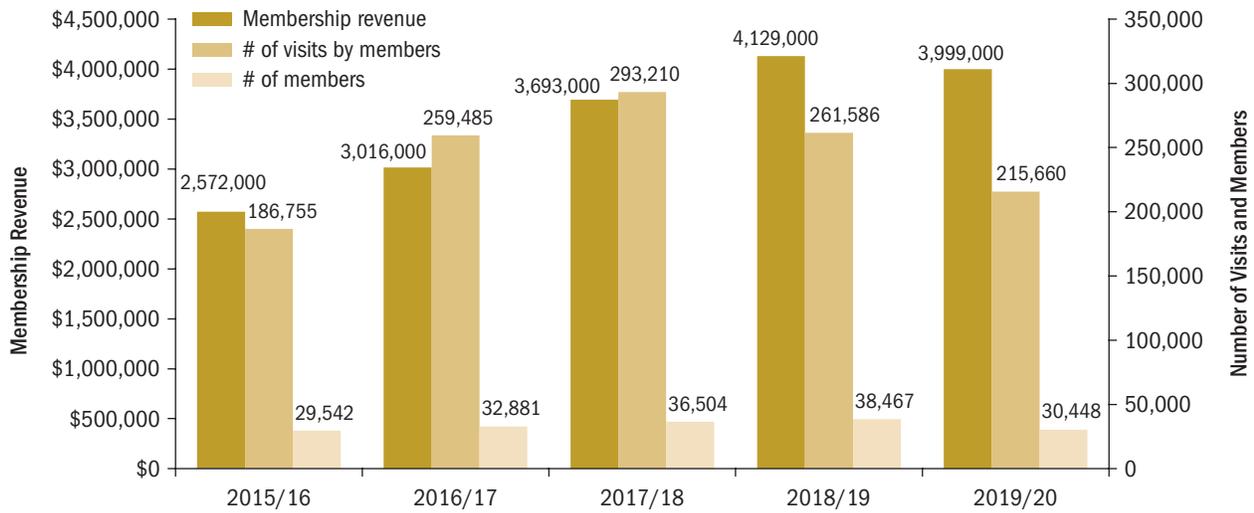
As shown in **Figure 7**, revenues from memberships have generally increased each year, from \$2.6 million in 2015/16 to \$4.1 million in 2018/19, before falling slightly to \$4.0 million in 2019/20, partly as a result of the COVID-19 pandemic.

However, we noted that from 2017/18 to 2019/20, the number of visits to the ROM by members has steadily declined by 26%, from about 293,000 in 2017/18 to about 216,000 in 2019/20. We also noted that in 2019/20, the number of members also declined after steadily increasing each year from 2015/16 to 2018/19.

The ROM's management attributed this decline to exhibitions that did not attract the interest of its members, and to some extent the impact of the COVID-19 virus, which resulted in the closure of the ROM two weeks before the end of its fiscal year in March 2020. The ROM indicated that it has identified actions that it will take to improve membership sales, including establishing a working group to develop a plan for increased member engagement. However, the ROM's planned actions do not fully address problems with its exhibitions. Specifically, as noted in **Section 4.2.1**, based on our examination of the process the ROM uses to select exhibitions, we found that it does not have a documented assessment process in place to evaluate proposed exhibitions in order to select those most likely to meet the ROM's goals and attract additional visitors.

**Figure 7: Royal Ontario Museum Memberships, Visits by Members and Membership Revenues, 2015/16–2019/20**

Source of data: Royal Ontario Museum



## RECOMMENDATION 15

To help meet its revenue targets and increase membership sales, we recommend that the Royal Ontario Museum:

- seek to collect and use data from its members on their demographics to refine its initiatives for membership sales; and
- integrate its plans to increase membership sales and visits by members with its plans to improve the process to select its exhibitions.

## ROM RESPONSE

We agree with the recommendation. The ROM will conduct a survey of its membership to assess their willingness to provide detailed demographic data and identify which kinds of data could be obtained from them. We will then assess how this data correlates to membership acquisition and retention activities, and take steps to use this information to refine our membership sales initiatives. We will also integrate our plans to increase membership sales and visits by members with our plans to improve our processes to select exhibitions.

## 4.5 Operating Expenses

The ROM's largest expenditures include salaries and benefits, administration expenses, and marketing and promotions. **Figure 8** shows the ROM's total expenditures for each of the last five fiscal years.

### 4.5.1 Despite Salaries and Benefits Accounting for Almost Half of Its Expenses, the ROM Does Not Evaluate the Effectiveness of the Vast Majority of Its Staff

Although salaries and benefits accounted for at least 45% of the ROM's annual operating expenditures in each of the last five years (see **Figure 8**), we found that with the exception of the executive leadership team (CEO, Deputy Director of Collections, Deputy Director of Operations and Deputy Director of Engagement), and its curators, the ROM does not have a process in place to evaluate the performance of its nearly 350 full-time staff. This also includes some senior managers who have significant responsibilities at the ROM. A performance management system is often the major difference in an organization delivering exceptional results, and it is a requirement of the Ministry that the ROM has such a system in place.

**Figure 8: Royal Ontario Museum Expenditures, 2015/16–2019/20 (\$ 000)**

Source of data: Royal Ontario Museum Audited Financial Statements

	2015/16		2016/17		2017/18		2018/19		2019/20	
	\$	%	\$	%	\$	%	\$	%	\$	%
Salaries and benefits	31,515	46	33,939	46	35,455	45	37,206	47	34,926	45
Utilities, repairs, maintenance, exhibition development	5,851	8	6,625	9	6,199	8	6,783	9	6,636	8
Administration	3,273	5	4,004	5	5,481	7	5,136	6	5,114	7
Marketing and promotions	3,646	5	3,689	5	4,277	5	4,086	5	4,390	6
Supplies and cost of goods sold	3,855	6	4,643	6	4,960	6	4,207	5	3,971	5
Amortization of capital assets	12,373	18	12,106	16	11,601	15	12,432	16	12,944	17
Objects and specimens	1,613	2	2,296	3	942	1	1,546	2	607	1
Other expenditures <sup>1</sup>	7,073	10	7,415	10	9,785	13	8,267	10	8,383	11
<b>Operating Expenditures</b>	<b>69,199</b>	<b>100</b>	<b>74,717</b>	<b>100</b>	<b>78,700</b>	<b>100</b>	<b>79,663</b>	<b>100</b>	<b>76,971</b>	<b>100</b>
Gifts in kind <sup>2</sup>	1,518		980		2,262		1,363		433	
<b>Total Expenditures<sup>3</sup></b>	<b>70,717</b>		<b>75,697</b>		<b>80,962</b>		<b>81,026</b>		<b>77,404</b>	

1. Other expenditures includes all other expenses such as freight and transportation, telephone and equipment, and rental expenses.
2. For accounting purposes, the ROM elects to record gifts of objects, artefacts and specimens as revenue with an equal and offsetting expense in its annual audited financial statements. As a result, gifts of objects, artefacts and specimens do not impact the ROM's reported net financial results each year. For this reason, we exclude gifts of objects, artefacts and specimens from operating expenditures.
3. Total agrees to the ROM's audited financial statements.

## RECOMMENDATION 16

So that it can monitor and improve the effectiveness of its staff, and meet the requirements of the Ministry of Heritage, Sport, Tourism and Culture Industries, we recommend that the Royal Ontario Museum prepare and implement a performance review system for all its staff.

## ROM RESPONSE

We agree with the recommendation and will work to implement an expanded performance review system that includes all staff.

## Appendix 1: Audit Criteria

Prepared by the Office of the Auditor General of Ontario

1. Effective Ministry of Heritage, Sport, Tourism and Culture Industries oversight processes are in place so that museum and gallery operations achieve their legislative mandates, comply with applicable government requirements and guidelines and are in alignment with best practices. Corrective action is taken on a timely basis when necessary.
2. Museums and galleries effectively acquire, preserve and deaccession objects and artworks in accordance with their legislative and policy requirements as well as best practices.
3. Museums and galleries economically and efficiently develop and display exhibitions, including artwork and objects, that effectively engage and educate the public and increase visits and attendance.
4. Museums and galleries deliver effective education programs in their respective fields.
5. Museums and galleries govern and manage their operations and facilities efficiently, effectively and economically.
6. Meaningful performance indicators and targets for museums and galleries are established, monitored and compared against actual results so that goals, legislative and other requirements, guidelines, and best practices are achieved. Results are publicly reported and corrective action is taken on a timely basis.

## Appendix 2: Board Composition and Committees, June 2020

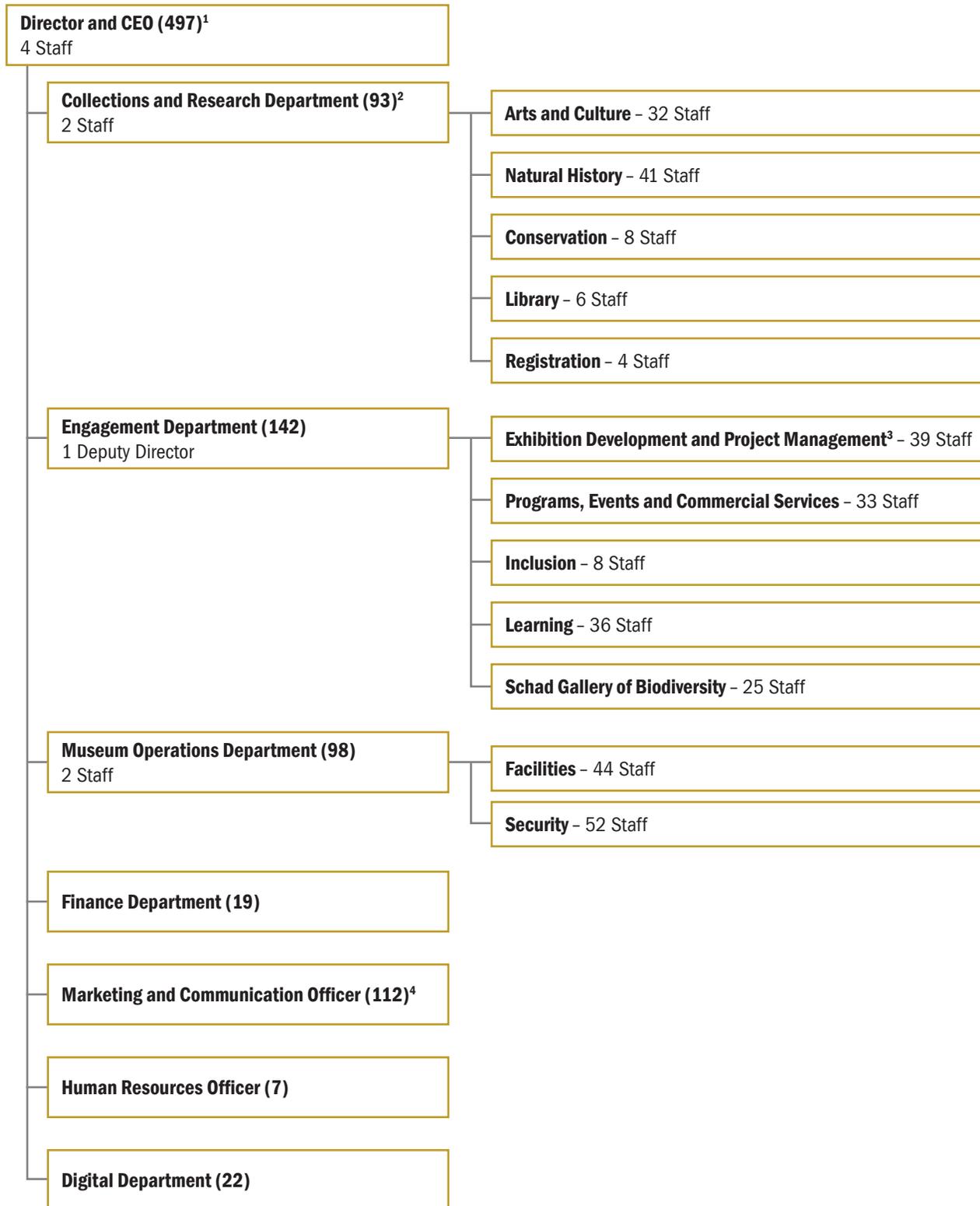
Source of data: Royal Ontario Museum

	Agency Type	Total # of Trustees	Required # of Provincially Appointed Trustees	# of Provincially Appointed Trustees on the Board as of June 2020	Quorum	Committees of the Board
Royal Ontario Museum	Board-governed provincial agency	21*	15	13	7	<ul style="list-style-type: none"> <li>• Finance and Audit</li> <li>• Collections, Engagement and Research</li> <li>• Human Resources and Compensation</li> <li>• Governance</li> </ul>

\* Members of the museum elect three board members, and three are board members by virtue of their office (the CEO of the museum, the President of the University of Toronto, and the Chair of the Governing Council of the University of Toronto).

## Appendix 3: Royal Ontario Museum Organizational Structure, March 2020

Source of data: Royal Ontario Museum



1. Total staff of 497 includes 149 part-time staff and 11 contract staff.

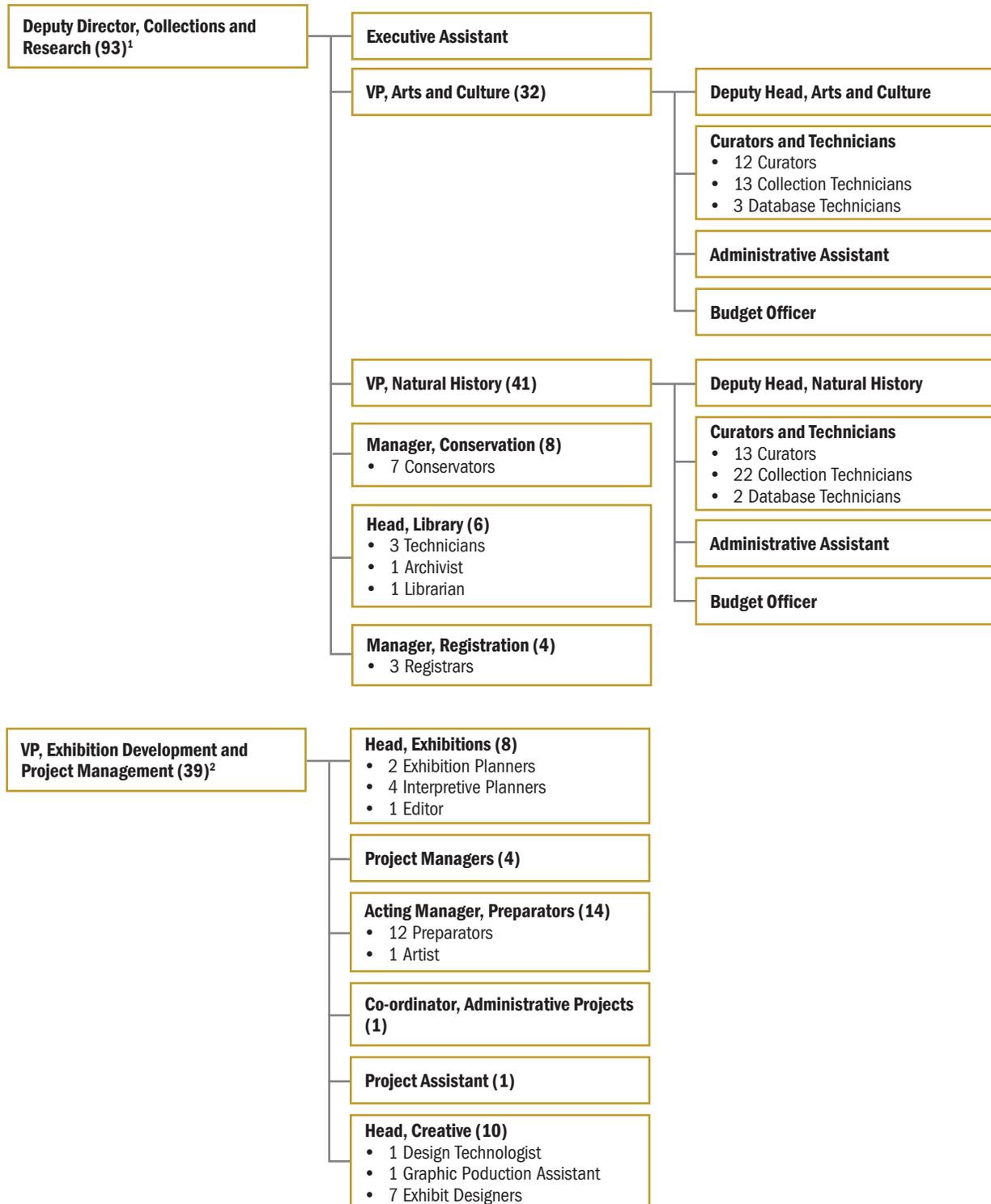
2. See Appendix 4 for detailed structure of the Collections and Research Department.

3. See Appendix 4 for detailed structure of the Exhibition Development and Project Management Department.

4. Includes 65 part-time visitor guides.

## Appendix 4: Royal Ontario Museum Collections and Research, and Exhibition Development and Project Management Department Structures, March 2020

Source of data: Royal Ontario Museum



1. The total of 93 staff in the Collections and Research Department includes seven part-time staff and three contract staff.

2. The total of 39 staff in the Exhibition Development and Project Management Department includes one part-time and four contract staff.

## Appendix 5: Required Authorization and Approval for Purchases and Donations

Source of data: Royal Ontario Museum

Collections Approval and Reporting Levels	Department Head Approval	Deputy Director, Collections and Research Approval	Director and CEO Approval	Collections, Engagement and Research Committee and Board Informed	Collections, Engagement and Research Committee Approval	Board Approval
Up to \$10,000	X					
>\$10,000-\$50,000	X	X				
>\$50,000-\$250,000	X	X	X*	X*		
>\$250,000-\$1,000,000	X	X	X	X	X	
>\$1,000,000	X	X	X	X	X	X

\* Approval from the Director and Collections, Engagement and Research Committee is required only for donations over \$100,000 that require Canadian Cultural Property Export Review Board (CCPERB) certification.

# McMichael Canadian Art Collection

## 1.0 Summary

The McMichael Canadian Art Collection (McMichael) is a public art gallery focusing on Canadian and Indigenous art located in the village of Kleinburg, in Vaughan. It is a provincial agency and receives approximately \$3 million in annual funding from the Ministry of Heritage, Sport, Tourism and Culture Industries (Ministry). Its legislation, the *McMichael Canadian Art Collection Act, 1990* (Act), sets out McMichael's mandate. Consistent with the traditional role of museums and galleries, its mandate includes collecting artwork, displaying it, and generating public interest in its collections and exhibitions. In 2019/20, McMichael had approximately 119,000 visitors.

McMichael is governed by a Board of Trustees (Board) consisting of a maximum of 23 members, all of whom are appointed by the provincial government. As a charitable corporation, McMichael prepares a balanced budget each year, where budgeted revenues equal budgeted expenses.

Overall, we found that McMichael did a good job of safely storing the artworks in its collections in line with best practices. McMichael had adequate environmental controls and kept its storage vaults at appropriate temperature and humidity levels. McMichael also offered to the public a variety of education programs related to its collections.

However, we found that McMichael did not have an accurate valuation of its collections to ensure it

maintained sufficient insurance coverage, and it did not have policies in place to conduct regular inventory checks to verify the existence of the items in its collections. In addition, we found that McMichael could not always demonstrate that the acquisitions it made were needed to meet its collection objectives.

While management at McMichael indicated that it is important to have successful exhibitions in order to draw attention and attendance to its institution, we found that it could not demonstrate how it selected exhibitions that are most likely to be successful.

The following are some of our specific concerns related to McMichael.

- **Research into the provenance of acquisitions is not always completed or documented.** In the acquisition files we reviewed, we found that except for donations of artworks that were submitted to the Canadian Cultural Property Export Review Board (CCPERB) to be certified for tax purposes, McMichael's research for provenance consisted only of an email to the donor to ask how they had obtained the artwork, and whether they had any information on previous owners or exhibition history. McMichael did not follow up to verify the information provided by the donor, or document why it was certain of the information provided by the donor such that these checks were not needed.

- **Authenticity concerns for three paintings not followed up on a timely basis.** We found that McMichael did not take steps to resolve concerns about the authenticity of three of the paintings we reviewed that were donated to gallery. These included a painting where an expert twice raised concerns to McMichael about its authenticity. Despite the expert's unresolved concerns, McMichael submitted the painting to CCPERB for certification for tax purposes and signed a declaration that, based on the work's provenance and the research undertaken on its history, the painting was an original work by the artist. After we brought this issue to McMichael's attention, it followed up and obtained a letter from the director of a gallery that had represented the artist who asserted that he recognized the handwriting of the artist on the artwork.
- **Collection priorities unlikely to be achieved.** In September 2019, McMichael finalized a collections strategy that outlined seven areas of focus for future acquisitions. However, we found that McMichael had not based its strategy on an analysis of the strengths and weaknesses of its existing collection, and an analysis of the donations it typically receives, to know whether the strategy is achievable. We analyzed McMichael's acquisitions and identified that McMichael does not attract a sufficient range and volume of donations—the primary means by which it acquires items—to support such a broad collection strategy. Since 2012, most of the additions to its collection have been in the area of Inuit, First Nations and Métis holdings; in the remaining focus areas, McMichael has received few donations.
- **McMichael does not know the financial value of its collection to ensure it maintains adequate insurance coverage.** We noted that McMichael's records in its collection management system, TMS, indicate that the value of its collection is \$258 million.

However, we found that 30% of the artwork in McMichael's collection did not have a value assigned to them, and where values were recorded they were generally outdated. We noted that 81% of the artwork that was valued, which accounted for \$230 million, had a valuation that was more than 20 years old. For example, a painting by a member of the Group of Seven that McMichael estimates is worth over \$10 million had an assigned value in TMS of \$130,000 from an appraisal done in 1979. McMichael has \$150 million in insurance coverage for its collection. Although it is not a common practice for a museum or gallery to obtain insurance based on the total value of its collection, without a more up-to-date valuation for its collection, it is not clear whether McMichael's insurance coverage is sufficient. We were also informed that neither McMichael's Board, nor any of the Board's committees have reviewed or evaluated the adequacy of McMichael's insurance coverage for its collection in the last five years.

- **McMichael's inventory checks are infrequent and it does not resolve issues found in inventory checks in a timely manner.** McMichael informed us that while it conducts inventory checks on specific areas of its collection on an ad hoc basis, it does not have a formal policy in place to conduct inventory checks on a regular basis for all its collection areas. McMichael last conducted an inventory check of all the artwork in its collection in 2012. According to McMichael, 11 items were not found during that check. We noted that although the combined value of these items was insignificant, at the time of our audit, eight years after the inventory check, McMichael had yet to locate these items or confirm that they were in fact lost. During our review of one of McMichael's off-site storage facilities, we located the majority of these items (eight out of 11) and brought them to the attention of McMichael, which confirmed

they were the missing items. McMichael informed us that it also located two of the other items at the same off-site storage location. One item is still missing.

- **Security problems were noted at one of McMichael’s off-site storage locations.** We noted that McMichael’s contract with the storage provider stated that it would provide enhanced security. However, we found that in one of the rooms where McMichael’s crates were stored, the security camera was obscured, limiting its effectiveness. We noted that some of McMichael’s crates in this storage room contained smaller items such as First Nations quill boxes and jewellery, which could easily be removed without detection by an employee or contractor of the storage provider in the absence of a functioning security camera. McMichael was unaware of this concern because it had not visited the off-site storage to check on its collection for several years.
- **McMichael has no plans to deaccession items that are idle or do not add to the value of its collection.** McMichael does not review its collection to identify artworks for deaccessioning that are idle and there is little or no likelihood that they will be displayed. Nor does it identify artworks that do not add significantly to its collection that could be disposed of in order to acquire artworks that would add to the value of its collection. We analyzed McMichael’s collection and found that approximately 3,420 items, or 51% of McMichael’s total collection of items, had been idle—that is, they had not been displayed or loaned—for more than 20 years.
- **McMichael does not measure or consider the cost-effectiveness of the exhibitions it chooses to display.** We found that one-third of McMichael’s exhibitions exceeded their budgeted costs by as much as 80%, but McMichael had not examined why. We also found that McMichael does not establish the profit or loss it expects each of its exhibitions to achieve.
- **Revenues from paid admissions to McMichael are low.** In 2019/20, McMichael recorded its highest visitor attendance in the last 10 years. Nevertheless, we noted that admission revenues to tour McMichael, which are one of its key revenue sources to sustain its operations, accounted for just 19% of McMichael’s self-generated revenues, compared to 40% of the ROM’s self-generated revenues. We also found that just 24% of visitors to tour McMichael in 2019/20 were adults who paid the full price of admission.
- **Despite low revenues from sales of memberships, McMichael has limited strategies to increase them.** Revenues from the sale of memberships accounted for just 6% of McMichael’s self-generated revenues in 2019/20, compared to 14% at the ROM and 11% at the AGO. We found several factors contributing to McMichael’s proportionately lower membership sales, including generic digital marketing that did not target specific demographics that might be interested in a membership; ineffective follow-up with former members to find out why they did not renew their membership; and no exchange of membership lists with other museums and galleries to identify individuals likely to be interested in a membership—a practice used by both the ROM and AGO.
- **Salaries and benefits are McMichael’s largest expense but it does not evaluate the effectiveness of the majority of its staff as required by the Ministry.** Although McMichael is required under its Memorandum of Understanding with the Ministry to evaluate the performance of its staff, we found that over the last five years (2015–19), McMichael evaluated between 0% and 19% of its staff.

This report contains 19 recommendations, with 34 action items, to address our audit findings.

## OVERALL MCMICHAEL RESPONSE

We welcome the Auditor General’s value-for-money report on the operations of the McMichael Canadian Art Collection (McMichael). We appreciate and agree with the Auditor’s recommendations in this report and will make improvements to address them.

McMichael describes itself as “the home of the art of Canada.” It acquires, conserves, researches and displays important Canadian works of art, up to and including contemporary art, with a focus on the Group of Seven and their contemporaries, and on the art of the Indigenous peoples of Canada, with particular strengths in our holdings of Norval Morrisseau and the Woodland School, and of Inuit artwork. McMichael presents exhibitions and public programs that provide opportunities for visitors to the gallery to learn about and engage with Canadian art and artists. To that end, McMichael curates exhibitions and displays to enhance the public’s understanding of Canadian artwork and artists, with regularly changing curated selections of artwork from its own permanent collection, and significant loan exhibitions using artworks borrowed from multiple lenders, institutional and private. These exhibitions are often produced in collaboration with sister institutions; and are regularly designed to tour.

We are committed to serving our public and will take steps to address the Auditor’s recommendations. We will improve the documentation related to the steps we take to establish the provenance and authenticity of our artwork acquisitions and to improve our efforts to catalogue important details about the artwork in our collection in our electronic collection management system. To help address our collection priorities, we will also establish clearly defined short-, medium- and long-term acquisition goals. In addition, we will also take additional steps to seek and maintain up-to-date valuations of our most significant artworks to assist

us in assessing the sufficiency of our insurance coverage. As well, to help safeguard our collection, we will update our policies and carry out periodic inventory checks.

To better meet the needs of Ontarians, we will take further steps to improve access to our collection. To help enhance our role as a leading producer of Canadian content exhibitions, we will establish a written set of criteria to help us hone the selection process for exhibitions that are most likely to meet our goals and attract additional visitors, and we will complete documented evaluations of the effectiveness of our key exhibitions. We will also improve our evaluations of the education programs we provide to the public.

## 2.0 Audit Objective and Scope

Our audit objective was to assess whether the Ministry of Heritage, Sport, Tourism and Culture Industries (Ministry) together with museums and galleries have effective systems and procedures in place to:

- meet key legislative and policy requirements, and best practices for the operation of museums and galleries in a cost-effective manner; and
- measure, evaluate, and publicly report on the effectiveness of museums and galleries.

**Appendix 1** lists the audit criteria we used to address our audit objective. Senior management at the Ministry reviewed and agreed with the suitability of our objective and related criteria. We subsequently shared our objective and criteria with senior management at the museum and galleries under the scope of the audit, including the McMichael Canadian Art Collection (McMichael), the subject of this chapter.

We focused on the activities at McMichael in the five-year period ending March 2020 and conducted our audit between January 2020 and October 2020.

We obtained written representation from McMichael's management that, effective November 13, 2020, they had provided us with all the information they were aware of that could significantly affect the findings or the conclusion of this report.

Our audit work at McMichael included an analysis of policies and procedures, as well as discussions with senior management and staff who are responsible for managing overall operations, managing collections, organizing exhibitions, delivering education programs, and measuring and reporting on the performance of the organization. Data analysis and sample testing were performed to determine whether McMichael complies with applicable requirements and best practices, and to identify trends related to its efficiency, effectiveness and compliance with legislative requirements, government directives, its own policies and applicable best practices.

As part of our audit, we also engaged an expert to review our procedures relating to the storage and care of artwork at McMichael, including McMichael's offsite storage locations. As well, we conducted a survey of 197 small and medium-sized museums and galleries in Ontario (64% response rate) to get their perspectives on the accessibility of McMichael's collections. We also conducted research into other jurisdictions to identify best practices. In addition, we held discussions with senior representatives of museum and gallery associations and stakeholder groups in Ontario, Canada, the United States and Europe to obtain their perspectives on issues related to managing museums and galleries, including operational best practices. We also reviewed the relevant audit reports issued by the province of Ontario's Internal Audit Division in determining the scope and extent of our audit work.

## 3.0 Background

The McMichael Canadian Art Collection (McMichael) is a public art gallery focusing on Canadian and Indigenous art located in the village of Kleinburg, in Vaughan. It is a provincial agency and receives approximately \$3 million in annual funding from the Ministry of Heritage, Sport, Tourism and Culture Industries (Ministry). Its legislation, the *McMichael Canadian Art Collection Act, 1990* (Act), sets out McMichael's mandate as follows:

- to acquire and preserve artworks, objects and related documentary materials for its collection, by or about artists who have made or are making a contribution to the development of Canadian art, with a focus on the Group of Seven and their contemporaries and on the aboriginal peoples of Canada;
- to exhibit artworks, objects and documentary materials, including but not limited to its collection;
- to conduct research on and provide documentation for its collection;
- to stimulate interest in its collection;
- to conduct activities in order to enhance and complement its collection;
- to hold, maintain and use the land as a permanent site for a public gallery and related facilities for its collection; and
- to hold and maintain the parcel of its land established as a cemetery, in accordance with the *Funeral, Burial and Cremation Services Act, 2002* and any other applicable legislation.

As a charitable corporation, McMichael prepares a balanced budget each year, where budgeted revenues equal budgeted expenses. In 2019/20, McMichael's budgeted revenues and expenses were approximately \$8.7 million. In addition to annual provincial funding from the Ministry, McMichael also has private-sector funding support from the McMichael Canadian Art Foundation (Foundation).

The Foundation is a separate legal entity and was incorporated in 1995; its objective is to raise funds to support McMichael. In 2019/20, the Foundation provided \$1.5 million in funding to McMichael.

McMichael is governed by a Board of Trustees (Board) consisting of a maximum of 23 members, all of whom are appointed by the provincial government—see **Appendix 2** for the composition of McMichael’s Board, and a list of its committees. The Board is accountable to the Ministry, and is responsible for the oversight and governance of McMichael. This includes:

- setting the strategic direction of McMichael within its mandate;
- establishing performance measures, targets and management systems for monitoring and assessing McMichael’s performance;
- directing corrective action on the functioning or operations of McMichael; and
- ensuring that McMichael is governed in an effective and efficient manner, including using public funds with integrity and honesty.

A CEO, appointed by the Board, is responsible for the management of McMichael, which employs approximately 41 full-time and 70 part-time staff, and receives assistance from 142 volunteers.

See **Appendix 3** for McMichael’s organizational structure.

### Visitor Attendance

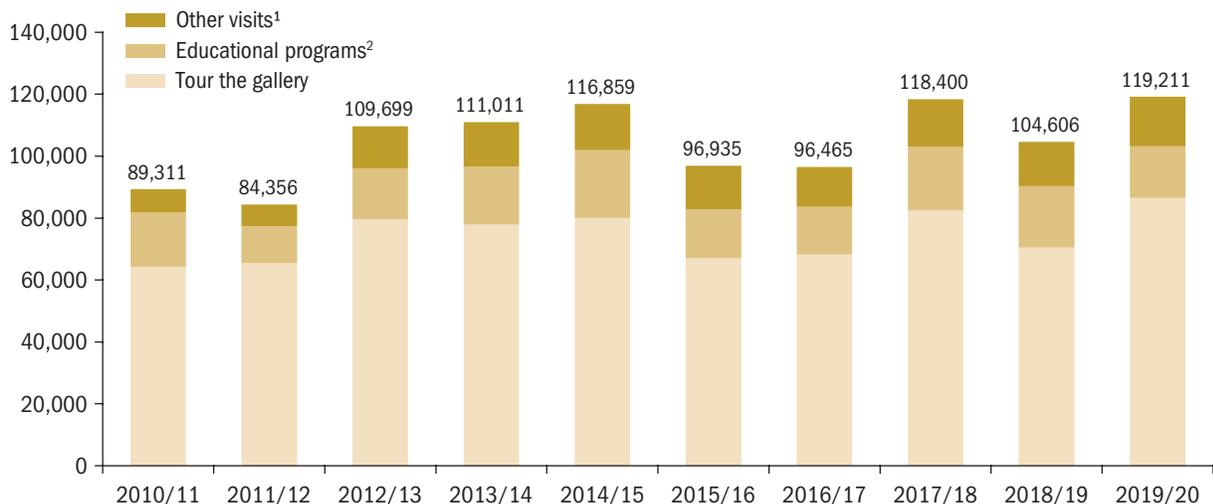
As part of its mandated role to stimulate interest in its collection, and to help meet the government’s objectives of increasing attendance and tourism in Ontario, McMichael welcomes visitors to its site. In the 2019/20 fiscal year, McMichael received approximately 119,000 visitors, consisting of visits to tour its galleries and exhibitions, attendees at its educational programs, and other attendees at events such as at weddings, or to access McMichael’s grounds.

**Figure 1** shows McMichael’s overall attendance from fiscal year 2010/11 to 2019/20 for all three categories of visitors.

Over the past 10 fiscal years, McMichael’s overall attendance increased by 33%, from about 89,000 visitors in 2010/11 to about 119,000 in 2019/20. The majority of individuals who visit McMichael do so to tour the gallery—in 2019/20, these visits totalled approximately 87,000 and accounted for 73% of total attendance. **Figure 2** provides a breakdown of the type of ticket purchased to tour the gallery in 2019/20.

**Figure 1: Annual Attendance, 2010/11–2019/20**

Source of data: McMichael Canadian Art Collection

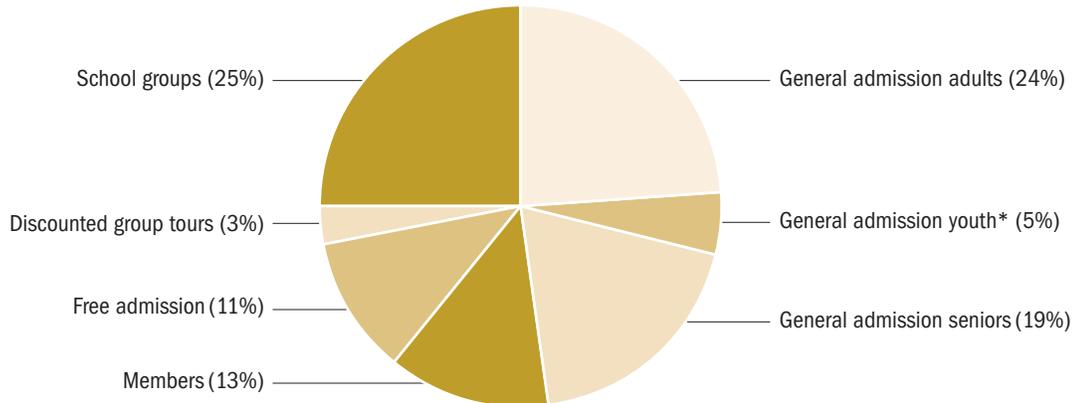


1. Other visits refers to the number of visitors attending weddings, corporate meetings, or other events hosted at the McMichael Canadian Art Collection. Visitors to these events may also tour the gallery because a gallery visit is included in the cost of the booking.

2. Visitors attending educational programs may also tour the gallery because a gallery visit is included in the cost of the program.

**Figure 2: Type of Ticket Purchased to Tour the McMichael Canadian Art Collection, 2019/20**

Source of data: McMichael Canadian Art Collection



\* General admission youth includes visitors from five to 18 years of age.

## 4.0 Detailed Audit Observations

### 4.1 Collections Management

McMichael collects artworks, and related documentary materials by or about artists who have made, or are contributing to the development of, Canadian art, with a focus on the Group of Seven and their contemporaries and on the Indigenous peoples of Canada.

McMichael acquires works of art by donation, purchase or bequest. McMichael's collection dates back to 1965, when Robert and Signe McMichael entered into an agreement with the Ontario government to donate their personal art collection, as well as their home, for the purpose of establishing a public gallery. At the time that Robert and Signe McMichael donated their collection it comprised 194 paintings by the Group of Seven and their contemporaries. The collection has expanded over time and now includes approximately 6,700 artworks as of August 2020. **Figure 3** illustrates the history of acquisitions since the establishment of the gallery.

### Acquisitions of Artworks

McMichael has one Chief Curator who is responsible for overseeing and managing its collection. (See **Appendix 4** for the structure of the Curatorial and Collections Department.) One of the Chief Curator's roles is to propose the acquisition of new artworks in accordance with McMichael's collection management policies. These set out the key criteria that should be addressed when acquiring new artwork through donation or purchase, and include:

- **Suitability and appropriateness for the collection:** This includes whether the artwork fits within collection priorities, is authentic, a significant example by the specific artist or cultural group, fills a gap in the collection, and can be used in exhibition and programming.
- **Condition and maintenance:** This includes whether the artwork is in sound condition, if any conservation treatment is required to allow it to be exhibited safely, and whether it presents problems in terms of storage or display.
- **Provenance:** This includes ensuring that all proposed acquisitions are legally and ethically owned by the present holders, and where an acquisition is being imported from a foreign

**Figure 3: McMichael Canadian Art Collection Acquisitions by Donation and Purchase, 1965–March 2020**

Source of data: McMichael Canadian Art Collection

	Donation	Purchase	Total	Cumulative Total	5-Year Growth (%)
1965*	–	–	194	194	–
1966-1970	305	27	332	526	171
1971-1975	503	184	687	1,213	131
1976-1980	613	168	781	1,994	64
1981-1985	865	356	1,221	3,215	61
1986-1990	1,274	288	1,562	4,777	49
1991-1995	668	70	738	5,515	15
1996-2000	69	30	99	5,614	2
2001-2005	100	2	102	5,716	2
2006-2010	110	2	112	5,828	2
2011-2015	500	5	505	6,333	9
2016-2020	322	17	339	6,672	5
<b>Total</b>	<b>5,329</b>	<b>1,149</b>	<b>6,672</b>		

\* On November 18, 1965, Robert and Signe McMichael signed a formal agreement to gift their private collection of 194 artworks, along with their buildings and land, to the province of Ontario.

country, ensuring that export from that state is not illegal.

- **No restrictions on its use:** McMichael may accept or purchase only artworks offered unconditionally, unless the specific conditions are approved by the Board.

All acquisitions proposed by the Chief Curator are to be reviewed by McMichael's Art Advisory Committee (Committee), a committee of the Board. The Committee then makes a recommendation to the Board on whether to accept or reject the acquisition.

In the case of donations, once the Board has accepted the acquisition, the donor is asked to sign a gift agreement, which transfers the legal title of the artwork to McMichael. Once this has been completed, McMichael issues a charitable tax receipt to the donor for up to the fair market value of the artwork, as determined by an independent appraisal.

In certain cases, a donor may request that McMichael submit an application to the Canadian Cultural Property Export Review Board (CCPERB), an independent tribunal of the federal Department of Canadian Heritage, to review the donation and assess whether it qualifies to be certified as having

outstanding significance. As defined in law, this means that the artwork must be of outstanding significance by reason of its close association with Canadian history or national life, its aesthetic qualities, or its value in the study of the arts or sciences. In cases where CCPERB certifies artworks as being of outstanding significance, it issues an income tax certificate that offers the donor more tax advantages than a tax receipt issued solely by McMichael, as a registered not-for-profit organization.

#### 4.1.1 Research into Provenance of Acquisitions Is Not Always Completed or Documented

According to best practices, the research for provenance (the background and history of ownership of an artwork) is integral to the collecting process because it is essential to understand the cultural, social and economic contexts that saw the creation of works, as well as those that helped determine their later histories. It is also an important first step in establishing the authenticity of an item. Although McMichael's policies require research to establish the provenance and authenticity of new artwork

acquisitions, it does not specify what procedures should be undertaken as part of this work. In the acquisition files we reviewed, we found that except for the donations that were submitted for assessment by the CCPERB (as described in **Section 4.1**), McMichael's research for provenance consisted only of an email to donors to ask how they obtained the artwork, and whether they had any information on previous owners or exhibition history. We found that McMichael did not follow up to verify the information provided by donors, or document why it was sufficiently certain of the information provided such that these checks were not needed. According to best practices, it is imperative to preserve known provenance, including keeping all documentation secure and accessible.

### **Authenticity Concerns about Three Paintings Were Not Followed Up on a Timely Basis**

We found that McMichael did not take steps to resolve concerns about the authenticity of items that were to be donated, or to bring these concerns to the attention of the Art Advisory Committee to make an informed recommendation to McMichael's Board of Trustees on whether to proceed with the acquisition.

One of the acquisition files we reviewed was a donation of 47 paintings by multiple artists, made in 2019/20. During our review of the documentation, we found an email that suggested an expert on a painter had expressed concerns relating to the authenticity of two of the paintings (valued at \$66,000 and \$45,000) from this artist that were part of the donation. On two separate occasions, the expert stated that she was very uncomfortable with one of the paintings, noting that she "[did] not recognize [the artist] anywhere in the painting," and that she also had a problem with one of the other paintings.

McMichael's collection policies state that an item's authenticity should be considered during acquisition, and the information is to be presented to the Art Advisory Committee so that the committee can consider it when deciding whether to

recommend the acquisition to the Board. However, we found that this information was not included in the justification for acquisition report. When the donation of the 47 paintings was recommended for approval to McMichael's Board, there were still unresolved issues relating to the authenticity of these paintings. However, there is no evidence that these concerns were brought to the Board's attention for its consideration.

We also found that despite the expert's unresolved concerns about these two paintings, McMichael submitted all 47 paintings in the donation, including these two, for certification to CCPERB, and signed a declaration that these were all original artworks by the artists based on their provenance and the research undertaken on their history. We do note, however, that after we brought this issue to McMichael's attention, it followed up and obtained a letter from the director of a gallery that had represented the artist. The letter indicated that he was familiar with the works and specifically asserted that one of the two paintings was authentic, and that the title of the other bore the handwriting of the artist.

Another acquisition file we reviewed at McMichael was a donation in 2018 of four paintings. For one of these paintings, valued at \$28,000, we found a handwritten note in the file from the artist dated 1967 stating that he could not confirm with certainty that he had painted the works. The letter reads as follows: "I went to Brockville a number of times usually in September and a group of us went painting every day. Your sketch may be one I painted at that time in the early thirties or I remember painting a cornfield some years later on the Richmond road which goes to Kingston. In the morning light, I painted cornfields but cannot remember any particular one. Sorry I cannot be more helpful." Based on our review of the acquisition file, no follow-up investigation of the painting's authenticity was carried out by McMichael, such as a conservation assessment to identify whether there are authenticity concerns and help determine what action McMichael should take next.

## Figure 4: Acquisition Proposals Not Addressing Key Criteria

Prepared by the Office of the Auditor General of Ontario

Acquisition Criteria*	% Not Addressed
Does the artwork or object fit within the scope of the collections and adhere to collecting priorities?	18
Is it authentic?	47
Is it a significant example by the specific artist, school or cultural group?	18
Does it complement and strengthen the understanding of artworks or objects already in the collection?	47
Does it fill a gap in the collection, whether in terms of depth or breadth of representation of an individual artist or specific school or culture, or of a particular medium, historical period or genre?	47
Can it be used in McMichael exhibitions and programming? In the case of culturally or ethnically sensitive objects, are there restrictions that will limit how, when and where they can be displayed?	76

\* The acquisition criteria are developed by the McMichael Canadian Art Collection as per its Collection Management Policy.

### RECOMMENDATION 1

So that the provenance and authenticity of acquisitions is established to the fullest extent possible, we recommend that the McMichael Canadian Art Collection:

- update its collection policies to clarify the procedures that should be undertaken to establish provenance and authenticity; and
- develop and implement a process to ensure that these procedures are followed.

### MCMICHAEL RESPONSE

We agree with the recommendation and the need to clarify and review the procedures we currently undertake to establish provenance and authenticity within an updated collections policy. An amended policy document informed by best practice will be presented to the Art Advisory Committee for recommendation to the Board of Trustees. That document will also specify the process for documentation according to established standards to be included in reports to the Art Advisory Committee. Going forward, we will ensure that procedures undertaken to establish provenance and authenticity will be fully documented.

### 4.1.2 Justifications for Acquisitions Were Not Always Clear

We found that the submissions to McMichael's Art Advisory Committee on proposed acquisitions did not always describe all the reasons why McMichael needed the items for its collection, as required by the acquisition criteria described in its collection management policies. For example, in the sample of acquisitions we reviewed, we found that the curatorial rationale for acquiring the item did not include the justification for how the item met a specific gap in the collection, or how the item could be used in McMichael's exhibitions and programming—two of McMichael's criteria that need to be addressed. **Figure 4** lists the acquisition criteria and our assessment of whether these were addressed in the curatorial rationale.

In addition, we found that detailed condition reports were not submitted to the Committee, as required by McMichael's policies.

### RECOMMENDATION 2

So that the Art Advisory Committee members have the necessary information to make acquisition recommendations to the Board of Trustees that enhance the strength of the collection, we recommend that the McMichael Canadian Art Collection:

- recirculate the acquisition criteria in its collection management policies to the committee members;
- format its reports justifying the acquisition of items to specifically address the criteria; and
- specifically indicate for each proposed acquisition which criteria are met and which are not.

### MCMICHAEL RESPONSE

We agree with the recommendation. In particular, the acquisition criteria will be included with each package of acquisition recommendations presented to the Art Advisory Committee. In addition, reports justifying the acquisition of items will specifically address the acquisition criteria and indicate which are met and which are not. The role of the Art Advisory Committee will also be clarified such that their responsibility will be to review (rather than approve) the recommendations made by the Chief Curator and Executive Director, and following their review, to present them to the Board for their approval.

#### 4.1.3 Collection Priorities Unlikely to Be Achieved

In September 2019, McMichael finalized a collections strategy that outlined seven areas of focus for future acquisitions. However, we found that McMichael had not based its strategy on an analysis of the strengths and weaknesses of its existing collection, and an analysis of the donations it typically receives, to know whether the strategy is achievable.

McMichael commissioned an analysis of its collection that was completed by an external curator in 2012, who found that the strength of McMichael's collection was its collection of the Group of Seven and their contemporaries, and the First Nations and Inuit collection, which had the potential to be an outstanding collection of its kind in Canada. McMichael advised us that this analysis

was carried out by one of Canada's leading authorities on Canadian art.

Regarding the rest of the collection, the analysis included that it was far from being a significant, comprehensive collection of 20th-century Canadian art, and that it was essential that McMichael's collecting priorities be clearly and tightly focused.

We noted that McMichael generally continues to prioritize the same collection areas, and now includes a total of eight focus areas, as follows:

- sustained development of holdings of best-quality works by the Group of Seven;
- selective, best-quality representation of the artistic precursors to the Group of Seven;
- expanded focus on women contemporaries of the Group of Seven, including the artists of the Beaver Hall Group and Emily Carr;
- sustained development of holdings of the Canadian Group of Painters and post-war art;
- continued enrichment of Inuit, First Nations and Métis holdings from across Canada;
- acquisition of contemporary and historical art from all parts of Canada currently under-represented in the collection;
- consideration of key library acquisitions, where justified by Canadian focus and by quality; and
- inclusion of art made by new Canadians.

Although McMichael has articulated these focus areas in its collection strategy, when we analyzed McMichael's acquisitions since 2012 we identified that McMichael does not attract a sufficient range and volume of donations—the primary means by which it acquires items—to support such a broad collection strategy.

As shown in **Figure 5**, since 2012, McMichael has received between four and 16 donations each year totalling between 39 and 265 works of art. Donations often consist of multiple works of art. **Figure 5** also illustrates that in each year since 2012, there has typically been one large donation that has accounted for on average 65% of all works of art received that year. These large donations have dictated the areas in which McMichael has expanded

**Figure 5: Donations and Purchases of Artworks, 2012–2019**

Prepared by the Office of the Auditor General of Ontario

	# of Donations	# of Artworks	# of Artworks in Largest Single Donation	% of Total Artworks Largest Donation Accounts For	# of Purchases
2012	4	83	56 prints and drawings by Sorel Etrog, a Romanian-born Israeli-Canadian artist, writer, and philosopher (1933–2014)	67	–
2013	6	46	30 photographs by Edward Burtynsky, a Canadian photographer born in 1955 in Ontario	65	3
2014	8	59	49 objects (masks, prints and paintings) from 10 different First Nations	83	–
2015	16	265	189 Inuit prints and drawings	71	2
2016	15	81	33 Inuit drawings	41	–
2017	9	39	28 prints by various contemporary artists by a Canadian publisher	72	13
2018	12	73	48 Inuit prints and drawings	66	2
2019	8	128	69 sculptures, tapestries and fabric samples by various Inuit artists	54	2
<b>Total</b>	<b>78</b>	<b>774</b>	<b>502</b>	<b>65</b>	<b>22</b>

its collection. Since 2012, based on the donations it has received, it has primarily expanded its Inuit, First Nations and Métis holdings. In the remaining focus areas, such as artistic precursors to the Group of Seven, McMichael has made few additions.

### RECOMMENDATION 3

To ensure that it can achieve its collection priorities, we recommend that the McMichael Canadian Art Collection develop realistic short-, medium- and long-term acquisition goals.

### MCMICHAEL RESPONSE

We agree with the recommendation and will incorporate clearly defined short-, medium- and long-term goals based on the strengths of our collection into our existing Acquisition (Collection) plan. These goals will be presented to the Art Advisory Committee for ratification.

### Registration and Cataloguing

Standard practice for the operation of museums and galleries includes keeping accurate records and information on the items in their collections. Basic and essential information on items includes information such as the date and method of acquisition, unique identifying number, description, provenance information and location. McMichael uses The Museum System (TMS), an electronic records management system, to record information on the objects in its collection.

#### 4.1.4 Inadequate Controls to Prevent the Deletion of Items from McMichael's Inventory

We found that items could be deleted from McMichael's collection management system (TMS) without authorization, and that there was no process in place at McMichael to review deleted records to ensure that they were only deleted for authorized purposes.

McMichael advised us that they only delete records under two circumstances: when they have created records in advance for items considered for acquisition or loan that do not materialize, and when they have created multiple records for the same item in error.

We noted that TMS allows users with certain levels of access rights to delete item records. We were advised that six individuals at McMichael had the necessary level of access rights to delete records. In addition, we were told that these individuals had full access to McMichael's on-site collection vaults. However, we found that McMichael does not have a process in place to review reports of deleted records to ensure the appropriateness of such deletions.

McMichael advised us that TMS does not have the ability to produce reports of deleted object records. However, at our request, McMichael's IT department was able to extract a report of deleted item records from a backend database that stores all TMS data. This report showed that since 2009, approximately 870 items records had been deleted. We reviewed this list and found that approximately 580 records had been deleted by individuals who also had access to McMichael's vaults, raising security concerns about McMichael's inventory of items. We evaluated a sample of these deleted item records, and found that in 40% of the cases we reviewed, McMichael deleted the records because it was not able to locate the items. We noted that the individual who deleted the records for these missing items also had access to McMichael's vaults.

#### RECOMMENDATION 4

So that the items in the McMichael Canadian Art Collection (McMichael) are secured, we recommend that management:

- segregate the responsibilities for deleting records, approving the deletion of records, and accessing McMichael's vaults; and
- periodically review the list of deleted items records, and ensure that item records were deleted only for authorized purposes.

#### MCMICHAEL RESPONSE

We agree with the recommendation and take very seriously the Auditor General's concerns regarding the deletion of records and vault access, and the need to periodically review the list of deleted items records in order to ensure that item records have been deleted only for authorized purposes. Resource limitations currently render it unfeasible to fully segregate vault access and the responsibility for deleting records in our collection management system, TMS. However, we will develop a system requiring a second senior staff member to sign off for TMS record deletions, and institute a policy to periodically review deleted records, two measures that will enhance the security of our collections and database access.

#### 4.1.5 McMichael Does Not Know the Financial Value of Its Collection

We found that McMichael does not periodically review and revise valuations it has recorded for the artworks in its collection; as a result, it is unclear whether McMichael has sufficient information to assess the adequacy of its insurance coverage. We were also informed that neither McMichael's Board, nor any of the Board's committees, have reviewed or evaluated the adequacy of McMichael's insurance coverage for its collection in the last five years.

We analyzed McMichael's records to determine the value of its collection and noted that its records showed a value of \$258 million based on appraisals, purchase prices or insurance valuations. However, we found that these valuations were outdated, with approximately 81% of the artworks, accounting for \$230 million, having values attached that were more than 20 years old. One notable example included a painting by one of the members of the Group of Seven that McMichael advised us is one of its top five most financially valuable paintings, estimated to be worth over \$10 million—yet it had a valuation of \$130,000 assigned to it from an appraisal in 1979.

In addition, we found that McMichael did not have a value recorded for approximately 30% of its collection. Where values were not recorded in TMS, McMichael advised us that this was either because no appraisal was sought, as donors had not needed a tax receipt issued to them, or because of an administrative oversight.

McMichael has \$150 million in insurance coverage for its collection. Although it is not a common practice for a museum or gallery to obtain insurance based on the total value of their collection, without a more up-to-date valuation for its collection, including for its most valuable items, it is not clear whether McMichael's insurance coverage is sufficient relative to the commercial value of its collection.

## RECOMMENDATION 5

So that the McMichael Canadian Art Collection knows the complete financial value of its collection and can assess whether its insurance coverage is sufficient, we recommend that it:

- review artworks that do not have a value assigned to determine which artworks should be valued;
- put in place a process to periodically update the valuation of its most valuable artworks; and
- assess the risks of potential loss of its collection and obtain the level of insurance deemed necessary based on the updated valuation of the collection.

## MCMICHAEL RESPONSE

We agree with the recommendation. We will consult with our fellow museums and will also conduct research on how to tackle this issue. The process of procuring meaningful appraisals of a collection of this size in its entirety would carry a significant cost implication, and therefore we will have to be selective about which items we select to value and obtain an updated value. We embrace the idea of undertaking more frequent valuation of our most valuable

artworks and calibrating our insurance coverage accordingly, and developing our strategies in consultation with fellow institutions.

### 4.1.6 McMichael Does Not Sufficiently Catalogue Its Artwork, Risking the Loss of Critical Information

We found that even though McMichael has used The Museum System (TMS), a sophisticated collection management software, for nearly 10 years, McMichael staff record very little information about an item on its electronic record other than basic descriptive data required for the physical management of the collection.

In our review of McMichael's electronic records, we found that these did not capture details such as whether McMichael had obtained the copyrights to an artwork or whether it would still need to contact the artist before displaying it, and important research information that it had carried out—including on the item's display history. In addition, McMichael's electronic records did not indicate where such details were held.

For example, information obtained from the research into the three paintings with authenticity concerns discussed in **Section 4.1.1** was not documented systematically on their electronic record. Instead, the information was scattered among a series of emails between McMichael and a contractor (who had conducted the research for McMichael) in a paper file containing many other emails. Without this information on the item's electronic record, there is a risk that the record of this research may be lost.

## RECOMMENDATION 6

To ensure that research and other important information is accessible and remains part of an artwork's permanent record, preserving the heritage and history of each item in its collection, we recommend that the McMichael Canadian Art Collection:

- put in place policies and procedures to establish thorough and consistent standards for recording information about artworks; and
- allocate time and resources to catalogue all artworks as fully as possible according to its policies and procedures.

### MCMICHAEL RESPONSE

We agree with the recommendation. We will put in place policies and procedures that establish thorough and consistent standards for recording information about artworks. As well, the addition of one more Assistant Registrar in 2020 provides us with the increased capacity to allocate more time and resources to cataloguing our artworks to address the recommendation.

#### Inventory Counts

It is considered a standard practice for museums and galleries to periodically conduct an inventory check, and to establish the necessity for such checks in their policies. Inventory checks allow museums and galleries to verify that their items are present, which is crucial to maintaining accountability.

#### 4.1.7 McMichael's Inventory Checks Are Infrequent and It Does Not Resolve Issues Found in Inventory Checks in a Timely Manner

Although conducting inventory checks on a regular basis is considered a basic practice for the operation of a museum or gallery, we found that McMichael's inventory checks are infrequent, and it is slow to resolve problems it identifies during its inventory checks.

We found that McMichael conducts inventory checks on an ad hoc basis, such as when collection vaults are renovated or reorganized and when items are requested for loan, exhibition or research, to verify the existence of items. However, it does not have a formal policy in place to conduct inventory checks on a regular basis for all its collection areas.

In 2012, McMichael conducted an inventory check of all 5,900 items in its collection at the time. According to McMichael, 11 items were not found during the check. We noted that the combined value of these items was insignificant. However, we found significant delay in resolving the issues found. At the time of our audit, eight years after the inventory check, McMichael had yet to locate these items or confirm that they were in fact lost. During our review of one of McMichael's off-site storage facilities, we located the majority of these items (eight out of 11) and brought them to the attention of McMichael, which confirmed they were the missing items. McMichael informed us that it also located two of the other items at the same off-site storage location. One item is still missing.

Between November 2018 and April 2019, McMichael also conducted an inventory check of artwork stored in drawers in one of its vaults that housed approximately 1,400 items. The summary report on the inventory check included that an item was missing, and several items were found that were not in TMS or were found in a different location from the one recorded in TMS. Issues relating to the storage condition of some items were also identified. Although the majority of the issues were resolved, McMichael did not update its record on the missing item in TMS until we followed up on its status in September 2020.

We conducted a spot check of McMichael's inventory on a sample basis and located each of the items we selected for review. However, as in the case of the review conducted by McMichael in 2019, we found 13% of items we checked had a different location than what was recorded in TMS.

While McMichael does conduct some inventory checks, it does not have a policy in place requiring periodic and regular inventory checks, nor does it specify who should conduct the checks. Since it last conducted an inventory check of its entire collection in 2012, McMichael has added approximately 800 items to its collection.

## RECOMMENDATION 7

To safeguard the items in its collection, we recommend that the McMichael Canadian Art Collection:

- establish a policy for carrying out inventory checks that includes the frequency and methodology for such checks;
- perform inventory checks in accordance with this policy; and
- resolve issues identified during inventory checks on a timely basis.

## MCMICHAEL RESPONSE

We agree with the recommendation. We will consult with colleagues in the sector to establish a best practice policy for carrying out inventory checks that includes the frequency and methodology of such checks, specifying who shall perform the checks. We commit to performing inventory checks in accordance with this policy, and we also commit to resolving all issues identified during inventory checks in a timely manner.

### Conservation and Storage

McMichael's policies identify its responsibilities for taking care of its collections. This involves both preventive conservation and treatment to restore items in the collection. Preventive conservation involves ensuring that artworks are properly stored under the appropriate environmental conditions, and protected against fire, flood, pests, theft and vandalism. This applies to both artworks that are on display to the public in the gallery and those that are in storage, both on-site in their vaults or storage rooms (typically below ground level), and in off-site privately rented storage units. McMichael's on-site storage consists of vault space totalling approximately 1,800 square feet, and two off-site storage locations totalling approximately 3,000 square feet.

McMichael follows the Canadian Conservation Institute (an agency of the Department of Canadian Heritage) guidelines for the care of objects and col-

lections. These guidelines detail for each type of item (for example, fine art and textiles), the vulnerabilities of the items and the ways they can deteriorate, as well as proper handling and storage techniques. For example, according to the guidelines, galleries should display or store paintings on canvas or wood at stable relative humidity of between 40% and 60%. McMichael operates environmental control and monitoring systems intended to maintain the correct climate for their collections.

McMichael employs one conservator (as illustrated in **Appendix 4**) who is responsible for carrying out conservation assessment and treatment to restore artwork.

### 4.1.8 Storage Conditions Were Found to Be in Line with Best Practices

As part of the inventory spot check we performed at McMichael—described in **Section 4.1.7**, we also reviewed the conditions under which the artworks were stored.

We found that McMichael's on-site storage includes modern storage units that are well suited to two-dimensional and smaller three-dimensional artworks. The vaults appeared full but not overcrowded.

We found that McMichael's vault facilities achieved consistency across multiple rooms in both temperature and humidity, and the levels reflect safe values, according to the Canadian Conservation Institute guidelines, for the kind of materials that are found in the collection.

Lighting presents a significant concern for preventive conservation; however, within the McMichael vaults, measures that are consistent with best practices were in place that reduced the potential for light damage. These include lights being turned off when no one is working in a room; the use of portfolio boxes and cabinets with drawers to keep light off artworks; compact shelving units that block light; and narrow shelving and vertical rolling racks that reduce light levels on the surface of works.

We also visited both of the off-site storage facilities that McMichael uses and found that the artworks stored there were crated effectively, and maintained in units with environmental controls that are consistent with Canadian Conservation Institute guidelines for preventive conservation.

#### 4.1.9 Ineffective Security and Oversight at Off-Site Storage Locations

##### Security Problems at One of McMichael's Off-Site Storage Locations

We found that one of the off-site storage facilities used by McMichael did not have adequate security measures in place to protect McMichael's items from theft.

We noted that McMichael's contract with the storage provider stated that it would provide enhanced security. However, we found that in one of the rooms where McMichael's crates were stored, the security camera was obscured by high shelving and crates, limiting the effectiveness of this measure of security. We noted that some of McMichael's crates in this storage room contained smaller items such as First Nations quill boxes and jewellery, which could be easily removed without detection by an employee or contractor of the storage provider in the absence of a functioning security camera. McMichael was unaware of this concern because it had not visited the off-site storage location (as described in the following section) to check on its collection for several years.

##### McMichael Does Not Visit One of Its Offsite Storage Locations to Check on Its Collection

We found that McMichael had not visited one of its off-site storage locations for several years to care for and check on the items it had stored there.

During our visit to this off-site storage location, we found what appeared to be a discolouration or mis-colouration of a conserved section of a painting by Norval Morrisseau, an important Indigenous Canadian artist. Following our visit, we provided

photos of this to McMichael's conservator who indicated that based on our observations she would like to revisit the work and undertake conservation treatment. However, at the time of our audit there was no plan for when the painting would be brought back to McMichael for conservation treatment.

We also observed that a series of seven hand-made guitars, each honouring a member of the Group of Seven artists, were stored at one of McMichael's off-site storage locations. McMichael commissioned the creation of these guitars for one of its exhibitions at a cost of \$210,000. Although the Canadian Conservation Institute recommends that musical instruments should be played often as part of their conservation, McMichael does not accomplish this as it rarely visits the storage facility and does not lend them out to musicians. Thus, storing these guitars at an off-site location may not be an effective means of ensuring their care and preventing their deterioration.

#### RECOMMENDATION 8

So that its collection of items is appropriately safeguarded, and to monitor and preserve its condition, we recommend that the McMichael Canadian Art Collection:

- update its collection policies to include a requirement to make periodic visits to its off-site storage facilities; and
- review the items stored off-site to determine if storage at an off-site location is appropriate based on the condition and care requirements of the items.

#### MCMICHAEL RESPONSE

We agree with the recommendation. We will update our collection policies to include a requirement to make regular periodic visits to our off-site storage facilities for inspection purposes. We will also review items stored off-site to determine if this method of storage is appropriate based on the condition and care requirements of the object, although it should

be noted that many such items are stored off-site only because there is no facility for storage (for example, furniture) or because an artwork's scale is incompatible with our on-site facility's capacity—a situation that we hope to address in the future. We have also followed up with our off-site storage provider and rectified the obstructed security camera that the auditors identified during their visit.

#### 4.1.10 McMichael Does Not Regularly Assess the Condition of Its Items

McMichael does not conduct regular surveys of its collection to assess and document an artwork's current condition. Instead, according to McMichael's policies, a conservator will examine and complete a condition report for all artworks prior to acquisition, and then not again unless they are requested for exhibition or loan. McMichael also advised us that conservation treatments are carried out only as time allows, or when items are requested for exhibition or loan.

To ensure collections are adequately preserved, best practices at galleries and museums across Canada state that the condition of an item should be assessed and documented prior to exhibiting or loaning it.

We tested a sample of items loaned or exhibited to determine whether condition assessments were undertaken and documented. In relation to items internally exhibited, we found that McMichael does not complete a written condition assessment for items prior to exhibiting them—therefore, we could not determine if the assessment had taken place. Furthermore, we found that McMichael does not complete a condition assessment and written report when an item is removed from an exhibition unless an incident has occurred.

In relation to loans, we found that McMichael carried out and documented condition assessments prior to sending the artwork to the borrowing institution. However, for approximately three-quarters of the loans we reviewed there was no documenta-

tion of McMichael's condition assessment when the artwork was returned, even though McMichael's policies require it. We found that McMichael relied on the borrowing institution's assessment and only reassessed the artwork if the borrowing institution had noted an issue.

### RECOMMENDATION 9

So that artworks that require restoration receive appropriate conservation treatments, we recommend that the McMichael Canadian Art Collection put in place processes to assess and document the condition of items before and after exhibiting and lending them.

### MCMICHAEL RESPONSE

We agree with the recommendation and will document our assessment of the condition of items before and after exhibiting and lending them. Documenting this assessment is a valuable example of best practice, regardless of whether there are changes in condition to note.

#### Deaccessioning

Deaccessioning refers to the removal of an item from the collection. In June 2019, McMichael presented an updated deaccessioning policy to its Art Advisory Committee (a committee of the Board). The policy states that deaccessioning will be considered in the following circumstances:

- if a work was acquired illegally;
- if a work has deteriorated, or it is determined to be a forgery, and cannot be used for exhibition or study;
- to divest the collection of works of demonstrably inferior quality or works that do not support McMichael's mandate according to its Act;
- if the work is an exact duplicate of another work in McMichael's collection (such as identical impressions of the same state of a print, or duplicate photographs);

- when the work is not relevant to McMichael’s collection goals and lacks a context within the collection; and
- when the terms of acquisition have become impracticable or detrimental to McMichael.

#### 4.1.11 McMichael Has No Plans to Deaccession Items That Are Idle or Do Not Add to the Value of Its Collection

We found that McMichael does not review its collection to identify artworks for deaccessioning that are idle and where there is little or no likelihood that they will be displayed. Nor does it identify items that do not add significantly to its collection and could be disposed of in order to acquire artworks that would add to the value of its collection.

McMichael advised us that it does not deaccession items from its collection and has not previously done so. In addition, we found that McMichael revised its policy on deaccessioning in 2019 in a way that significantly constrained its ability to identify items for deaccessioning. Specifically, it removed the provision that allowed for an item to be deaccessioned if it did not add significantly to its collection in order to acquire another artwork that would add significantly—a provision that we found both the Art Gallery of Ontario (AGO) and Royal Ontario Museum (ROM) have in their policy, and that the AGO uses.

We also noted that the Canadian Museums Association’s deaccessioning guidelines indicate that another valid reason for deaccessioning items is if they are underused. Examples are an item that has never seen the light of day, or one with little or no likelihood of ever being displayed.

We analyzed McMichael’s collection and found that approximately 3,420 items, or 51% of McMichael’s total collection, had been idle—that is, they had not been displayed or loaned for more than 20 years.

### RECOMMENDATION 10

To enhance the strength and value of its collection, we recommend that the McMichael Canadian Art Collection revise its deaccessioning policy, and review the artwork in its collection to identify items for deaccessioning that are idle and could be sold or gifted to another institution.

### MCMICHAEL RESPONSE

We agree with the recommendation. However, it is important to note that the role of the museum is both to display and to preserve works of art for the future: “unused” does not mean that such works have no value for understanding the evolution of art in this country. Nevertheless, we believe there could be merit in deaccessioning items that we do not plan to ever display, or display in the long term, and that could currently be displayed by another Canadian institution. Bearing in mind the size of our collection, we will review our policy to ensure there are mechanisms in place to identify items in our collection that we are unlikely over the long term to display, and consider deaccessioning such items to other public institutions.

#### Access to Collections and Loans

McMichael is mandated to make its collection of artworks accessible to the public. The gallery provides access to its collection of artworks through its exhibitions, through loans to other institutions, and online through its e-museums website. In addition, researchers, curators and scholars can request access to collection records or works in McMichael’s storage.

Unlike the AGO, McMichael does not charge a fee to borrow items from its collection. However, it does charge interested institutions for the direct costs it incurs to lend out its items, including shipping, conservation work, crating and insurance.

#### 4.1.12 McMichael Does Not Know Whether the Access It Provides to Its Collection Meets the Needs of Ontarians

Although McMichael provides access to its collection of artwork to researchers, curators, and scholars upon request, it has not assessed whether such access meets the needs of those who require it. In addition, McMichael has not assessed whether the access to its collection that it provides through its e-museums website meets the needs of those who seek access.

#### 4.1.13 McMichael Does Not Advertise the Ability to Borrow Items from Its Collection

Although McMichael has a policy that allows other institutions to borrow artwork from its collection, we found that it does not advertise this publicly. This limits the number of items that other institutions request to borrow, and affects McMichael's ability to meet its goal to make its collection accessible to the public.

McMichael has approximately 6,700 items in its collection. As noted in **Section 4.1.11**, we reviewed McMichael's collection and found that approximately 3,420 items, or 51% of its collection, had been idle for more than 20 years—that is, they had not been displayed or loaned to other institutions.

We found that in the last three fiscal years (2017/18–2019/20), McMichael initiated just nine loans to other institutions, consisting of a total of 55 items from its permanent collection. McMichael also made two loans consisting of 48 works on paper from a collection held in trust. In addition, we found that McMichael only tracks and keeps a record of the loans it has approved. Therefore, it is unclear how many requests to borrow items from McMichael were rejected, and whether those decisions were made in accordance with McMichael's policies.

### RECOMMENDATION 11

So that it meets the needs of Ontarians for access to its collections, we recommend that the McMichael Canadian Art Collection:

- review and assess the sufficiency of the access it provides to its collections; and
- take corrective action to improve access.

### MCMICHAEL RESPONSE

We agree with the recommendation. We are aware that physical access to the collection itself for researchers, curators and scholars is limited by space restrictions and the absence of key facilities. Last year we commissioned a report to address these, and other, accessibility issues, which will be the basis for long-term plans to rectify them.

We also recognize that the inability to access traffic data from our eMuseum website is a barrier to understanding whether it meets the needs of our stakeholders. Rectifying this is part of the McMichael's digital strategy. Our ongoing digital strategy to expand the visual record of our collection and improve bandwidth at the museum will be a long-term project.

### RECOMMENDATION 12

To improve access to its collection for Ontarians, we recommend that the McMichael Canadian Art Collection identify opportunities to better publicize its art lending program to other institutions in Ontario.

### MCMICHAEL RESPONSE

We agree with the recommendation and will take steps to better publicize our art lending program. Enhancing our presence in exhibitions beyond the walls of our museum is a key part of our strategy to disseminate the McMichael brand as the “home to the art of Canada.” Our online collection database makes information

on every object in the collection available to the public. However, only 40% of our entries are accompanied by images. One of the means by which we plan to publicize the availability of our art for loan is to make our collection properly accessible to all by actively building our inventory of high-quality digital images of collection objects while also securing the requisite copyright permissions. Other marketing ideas we will consider to better publicize our art lending program include ensuring prominent credit lines in exhibitions to which we have lent—for example, requesting special billing as “key lender” if we lend more than a certain number of works, and being more proactive in seeking publicity for major loans.

## 4.2 Exhibitions

An exhibition is the display of a collection of artwork. Some exhibitions are permanent, while others are temporary and rotated periodically. The goal of exhibitions is to increase the public’s understanding of a given subject, and improve visitor experience. Management at McMichael indicated that successful exhibitions are the most important way to increase admissions and to attract new members.

McMichael has an exhibition team that is responsible for the planning, development, implementation and management of exhibitions to be displayed in its gallery. Exhibitions may be borrowed in their entirety from other museums, or they may be developed internally, and include artwork from McMichael’s own collection as well as artwork loaned from other institutions.

### 4.2.1 No Documented Criteria in Place to Select the Exhibitions Most Likely to Be Effective

We found that the basis upon which McMichael selects the exhibitions it chooses to display is unclear. According to best practices for exhibition development, galleries should develop written

criteria and use those criteria to guide the process of selecting exhibitions. We examined the process in place at McMichael to select exhibitions and found that it does not have established criteria in place to evaluate proposed exhibitions in order to select the exhibitions that are most likely to meet McMichael’s goals and attract additional visitors. We noted that, in contrast, the AGO (as described in **Chapter 2, Section 4.3.1**) has such criteria in place to assess proposed exhibitions. We also found that another Canadian museum, the Royal British Columbia Museum similarly had criteria that it told us it uses to assess and select significant proposed exhibitions.

### RECOMMENDATION 13

So that it designs and selects exhibitions that best meet its goals and attract visitors to the gallery, we recommend that the McMichael Canadian Art Collection establish selection criteria based on industry best practices, and use these criteria to assess and select the exhibitions it will display.

### MCMICHAEL RESPONSE

We agree with the recommendation. We will develop a written set of selection criteria, referring also to other models in use across the sector where appropriate, and document our use of these criteria in assessing and selecting the exhibitions we will display.

### 4.2.2 McMichael Does Not Measure the Cost-Effectiveness of Its Exhibitions

We found that McMichael does not consider the cost-effectiveness of the exhibitions it chooses to display. It does not examine why it exceeds its budgeted exhibition costs and it does not establish the profit or loss it expects each of its exhibitions to achieve.

### Targets for Exhibition Attendance and Revenues Are Not Established

We found that McMichael does not set attendance targets for any of its exhibitions, in part because it does not charge its visitors any surcharges to view its exhibitions. In addition, although it sets budgets for the cost of its exhibitions, it does not set targets for revenues or the net profit or loss it expects its exhibitions to achieve.

### McMichael's Exhibitions Frequently Exceed Budgeted Costs

We found that over the last five fiscal years, McMichael exceeded the costs it budgeted in 33% of the exhibitions it displayed. In these cases, McMichael spent between 6% and 80% more than budgeted. However, McMichael's management told us it had not analyzed why its exhibitions had exceeded their budgeted costs.

#### RECOMMENDATION 14

To improve the cost-effectiveness of its exhibitions, we recommend that the McMichael Canadian Art Collection:

- establish targets for attendance, revenues, costs and the profit or loss it expects each exhibition to achieve; and
- where targets on exhibitions are not met, analyze the results to identify the reasons, and apply lessons learned to targets set for future exhibitions.

#### MCMICHAEL RESPONSE

We agree with the recommendation. In the future, we will establish targets for each of our exhibitions including the attendance and the profit or loss we expect each exhibition to achieve. Where we do not meet our targets, we will analyze the results to identify the reasons, and to use that information in planning our future exhibitions.

### 4.2.3 The Effectiveness of Exhibitions Is Not Always Measured

According to best practices, the goal of exhibitions is to increase the public's understanding of a given subject and improve visitor experience. To assess the effectiveness of exhibitions, it is a common practice to conduct evaluations of them to determine if they have met their goals. However, we found that McMichael had not evaluated any of the 50 exhibitions it had held over the last five years to determine if the exhibitions had met their intended goals. In contrast, as described in **Chapter 3, Section 4.2.3**, the ROM had evaluated over 85% of its exhibitions over this same period. As well, as noted in **Chapter 2, Section 4.3.4**, over 60% of the exhibitions we reviewed at the AGO included an evaluation of the design of the exhibition shortly after it was launched to ensure it met the needs of the intended audience, and to make adjustments where it did not.

#### RECOMMENDATION 15

To enhance the effectiveness of its exhibitions in increasing the public's understanding of a given subject and improving visitor experience, we recommend that the McMichael Canadian Art Collection:

- evaluate all key exhibitions, including their design and the early stages of their implementation; and
- put in place processes to review lessons learned from evaluations of past exhibitions, and apply them to plans to select and design exhibitions in the future.

#### MCMICHAEL RESPONSE

We agree with the recommendation. We will formally evaluate every key exhibition at multiple points during each exhibition's run (usually right after opening, midway if the show has a longer run, and "post-mortem"), considering metrics that include attendance figures, event

and program attendance, press coverage, visitor response (comment cards, emails through the website, online engagement/comments, anecdotes from educators and guides, and others), and retail sales (publication and exhibition merchandise). We will generate reports on the results of our exhibitions, and how or if they met their intended goals. We will also review the results of evaluations in order to apply, where applicable, lessons learned to our plans for the selection and design of future exhibitions.

### 4.3 Education Programs

McMichael aims to provide education programs related to its exhibitions and collections, as well as the Ministry of Education's curriculum.

As illustrated in **Figure 6**, over the last three fiscal years (2017/18–2019/20), McMichael has on average, devoted approximately 7.9% (\$0.66 million) of its annual budget to providing education programs. **Figure 7** shows that the average annual attendance over the last three fiscal years for these programs was almost 36,900. The majority of these visitors, approximately 31,500, or 86%, were attending tours, workshops and programs for school students. In addition, approximately 1,900, or 5%, of McMichael's visitors were participating in activities that are free with admission to the gallery; these include formal events, gallery talks, performances and community exhibitions. McMichael also provides tours of the gallery that are free with the price of admission, but does not track or estimate attendance for these tours.

#### 4.3.1 Education Program Effectiveness Is Not Always Measured to Ensure Objectives Met

We found that McMichael rarely completed evaluations of its education programs to assess their effectiveness. In addition, we found that McMichael did not have a policy in place outlining the process it should follow to evaluate its education programs.

Best practices for evaluating education programs indicate that the evaluation process should include collecting, analyzing and interpreting evaluation data, such as participant survey results. In addition, best practices state that institutions should produce a conclusion and summary of findings to inform future decisions and potential changes to the program, and identify any limitations in the process that affect the conclusions reached (such as small sample size).

We reviewed a sample of McMichael's education programs and found that for 20% of the programs we reviewed, McMichael had not carried out any part of the evaluation process to determine whether its programs were effective in achieving its goals. For the remaining programs we reviewed, we found that McMichael had carried out only the data collection part of the evaluation process. McMichael had surveyed participants to collect data about the participants such as age, gender and membership status and to determine if they were satisfied with the program, but had tabulated and analyzed the results of these surveys in only 10% of the programs we reviewed. Similarly, McMichael had produced summaries of their analysis, findings and recommendations for improvement in only 10% of the programs we reviewed. We were advised that one of the reasons that so few of McMichael's programs

**Figure 6: Education and Public Programs' Average Annual Expenditures, 2017/18–2019/20**

Source of data: McMichael Canadian Art Collection

	Avg. Expenditures
Total budgeted expenditure (\$ million)	8.39
Education program budgeted expenditure (\$ million)	0.66
% of budgeted expenditures for education programs	7.90

**Figure 7: Education and Public Programs by Demographic Group and Average Annual Attendance, 2017/18–2019/20**

Source of data: McMichael Canadian Art Collection

Program	Description	Avg. Attendance	% of Total Attendance
<b>Children</b>		<b>765</b>	<b>2</b>
ArtVenture Summer/ March Break Camps	Full-day camp offering art-making activities, gallery viewing and outdoor activities.	659	
Saturdays at the McMichael (SAM)	Studio-based art program for children, including gallery viewing.	106	
<b>Schools</b>		<b>31,537</b>	<b>86</b>
Tours and Workshops	Interactive in-gallery interpretive programs, including in-gallery and outdoor tours, and art-making workshops.	30,204	
VOICES	Free five-week program involving art-making and art-based discussions, designed for children experiencing financial or social hardships.	1,333	
<b>Adult</b>		<b>4,467</b>	<b>12</b>
PA Day Tour and Teachers' Events	Teacher professional activity/development programs.	123	
Artwell	Program for people living with dementia to engage in art-making activities designed to encourage memory recall.	240	
Studio Classes	Ongoing art classes for various skill levels, from beginners to advanced, based on specific medium (watercolour, acrylic painting, drawing, etc.).	87	
Master Classes and Artists' Workshops	Art classes for intermediate and advanced skill levels to fine-tune artistic techniques, and workshops led by the artists currently exhibiting at the McMichael to introduce their practices to intermediate and advanced artists.	54	
Art & Nature Meditations	Workshop consisting of an instructor-led meditation walk on the McMichael grounds, art-making, and a tour of the exhibitions.	21	
Formal Events	Exhibition openings that include official remarks, curatorial talks and "greet-and-meet" artists opportunities.	958	
Gallery Talks (including Matinée francophone)	Artists' and curatorial talks related to the exhibitions on view.	300	
Speaker Series	Special speaking engagements with established artists, scholars and curators.	317	
Concert Series/Gallery Performance	Musical performances, drama, and writers' events offered in conjunction with the exhibitions.	759	
Adult/Seniors Tours	Ticketed guided tours for adults and seniors, including special exhibition and outdoor tours.	1,608	
<b>All Ages</b>		<b>113</b>	<b>&lt;1</b>
Accessible Family Art Program	A studio-based program designed for children and youth living with special needs to engage in art-making with their family.	23	
Community Exhibitions	Exhibition of works by the McMichael's adult classes' participants and special school and community projects, adjacent to the Education Space.	90	
<b>Total</b>		<b>36,882</b>	<b>100</b>
<b>Free programs</b> (Artwell, Accessible Family Art Program and teachers' events, VOICES)		<b>1,638</b>	<b>4</b>
<b>Free programs with admission*</b> (formal events, gallery talks, speaker series, gallery performance, community exhibitions)		<b>1,916</b>	<b>5</b>
<b>Total</b>		<b>3,554</b>	<b>9</b>

\* McMichael also provides gallery tours that are free with admission, but attendance on these tours is not estimated or tracked.

had been evaluated is because the surveys were paper-based, making the tabulation and analysis of results time-consuming.

We also found that in 50% of the programs we reviewed, participants were issued a common survey, and McMichael did not have a way of distinguishing which survey responses corresponded with each specific program. Thus, even if it had attempted to tabulate and analyze the results, they would not provide useful information to identify areas requiring improvement in each specific program.

### RECOMMENDATION 16

So that its education programs meet their goals and the learning expectations of those who participate in them, we recommend that the McMichael Canadian Art Collection:

- put in place a policy that defines when programs should be evaluated and the method by which they should be evaluated; and
- produce evaluation reports on its individual education programs that can be used to identify and address areas that require improvement.

### MCMICHAEL RESPONSE

We agree with the recommendation and will formalize the evaluation of our education programs. We plan to produce a comprehensive Evaluation Policy that defines the processes and timing for evaluating programs that are specific to our various programming streams. We will produce evaluation reports on our individual education programs that we will use to identify and facilitate areas for improvement. We will also produce a quarterly evaluation overview that will be presented to our Board of Trustees, as well as a detailed annual report that includes an analysis of the results of each programming block (School Programs, Adult Classes, Community Program, and others).

Due to our antiquated registration system, our public program evaluations were offered on paper. We are currently experimenting with various software platforms with which to survey program participants, such as Survey Monkey and Google Forms, to determine which format is the most efficient with respect to its analytics ability, as well as with respect to value for money.

## 4.4 Self-Generated Revenues

McMichael's revenues consist of its annual operating grant from the Ministry, other grant revenues and self-generated revenues such as those from retail sales, admissions and memberships. **Figure 8** shows McMichael's total and self-generated revenues for each of the last five fiscal years.

### Admission Revenues

Admission revenues are McMichael's second largest source of self-generated revenues, following revenue from its retail operations, which are themselves dependent on the number of individuals that visit McMichael. As shown in **Figure 8**, admission revenues increased by 36% in the last five years, from \$541,000 in 2015/16 to \$735,000 in 2019/20.

#### 4.4.1 Revenues from Paid Admission to McMichael Are Low

We found that admission revenues, which are one of McMichael's key sources of revenue to sustain its operations, were proportionately, significantly lower than the ROM, impacting the ability of McMichael to meet its financial goals.

As shown in **Figure 1**, in 2019/20, McMichael recorded its highest visitor attendance in the last 10 years, including visits to tour the gallery. Nevertheless, we noted that admission revenues from gallery tours accounted for just 19% of McMichael's self-generated revenues in 2019/20. In contrast, we found that admission revenues accounted for 40% of the ROM's self-generated revenues in 2019/20.

**Figure 8: McMichael Canadian Art Collection Revenue Streams, 2015/16–2019/20 (\$ 000)**

Source of data: McMichael Canadian Art Collection Audited Financial Statements

	2015/16	2016/17	2017/18	2018/19	2019/20
Province of Ontario	4,049	3,480	3,789	3,379	3,452
Other government grants	71	180	279	138	228
McMichael Canadian Art Foundation <sup>1</sup>	577	586	325	1,060	1,532
Amortization of deferred capital contributions <sup>2</sup>	1,858	1,811	2,039	2,160	2,502
<b>Subtotal Grants</b>	<b>6,555</b>	<b>6,056</b>	<b>6,432</b>	<b>6,737</b>	<b>7,714</b>
Retail operations	653	698	909	719	880
Admissions	541	562	737	601	735
Special events	370	498	655	504	535
Programs and education	435	437	492	504	519
Donations - gifts in kind	0	479	332	371	361
Food services, facility rentals and catering	233	221	306	298	309
Memberships	217	207	214	201	246
Other revenues <sup>3</sup>	134	195	298	262	254
<b>Subtotal Self-Generated</b>	<b>2,583</b>	<b>3,297</b>	<b>3,943</b>	<b>3,460</b>	<b>3,839</b>
<b>Total</b>	<b>9,138</b>	<b>9,353</b>	<b>10,375</b>	<b>10,197</b>	<b>11,553</b>

1. McMichael has a non-governmental foundation for the purpose of raising and receiving funds to support the organization.
2. Deferred capital contributions are grants and donations from government and private donors for the purchase of capital assets. Revenue is recognized to match the amortization costs of the purchased assets as these are used each year.
3. Other revenues include sales from travelling exhibitions, interest revenues, monetary donations, miscellaneous revenues and sponsorships.

McMichael's management indicated that it was exploring opportunities to increase attendance and related revenues, including through outreach to tour operators and expanded transportation options to make it easier to visit the gallery. However, McMichael could not demonstrate that it had compared its attendance revenue-generating activities to other galleries and museums such as the ROM to identify opportunities to increase attendance revenues.

### McMichael Visitors Account for Few Full-Price Admissions

We analyzed McMichael's attendance data by type of ticket purchased (**Figure 2**) and found that school visits, which carry a low admission fee, accounted for 25% of all McMichael's gallery visitors in 2019/20. In contrast, school visits accounted for just 7% of the ROM's attendance. In addition, we found that just 24% of visitors to tour

McMichael in 2019/20 were adults who paid the full price of admission.

## RECOMMENDATION 17

To help increase its revenues and sustain its operations, we recommend that the McMichael Canadian Art Collection compare its attendance revenue-generating initiatives with those of other museums and galleries to identify and implement promising attendance revenue-generating initiatives.

## MCMICHAEL RESPONSE

We agree with the recommendation. We will compare our revenue-generating initiatives with those of other museums and galleries in Ontario and across Canada in order to identify and implement initiatives that will grow attendance revenue, particularly on adult full-price tickets. These comparisons will take into consideration

McMichael's location amid 100 acres of conservation land along the Humber River Valley that differentiates its selling proposition from those agencies with a downtown location and/or a street-facing façade.

### Membership Revenues

McMichael generates revenues from the sale of memberships to the gallery. Membership sales accounted for 6% of McMichael's self-generated revenues in 2019/20. According to McMichael's management, members tend to be more engaged with McMichael and are more likely to promote McMichael to others. In addition, members provide a steady source of revenue through purchases made at McMichael's gift shop and restaurant.

#### 4.4.2 McMichael Does Not Collect Demographic Data to Help Increase Membership Sales and Meet Member Expectations

We found that McMichael does not collect demographic data from its members to better understand who they are, and it does not collect information on their interactions with the gallery to improve McMichael's ability to raise revenues from sales of memberships to new members.

Leading practices recommend the use of data to increase revenues by offering personalized experiences based on demographics and behaviours of visitors. Although the majority of McMichael's members are seniors, it does not collect any specific demographic data on its members, such as their age, income level, ethnicity, gender, marital status and family size. As a result, McMichael cannot develop targeted strategies to better serve its members and increase membership sales and attendance by members.

We also found that McMichael does not track the behaviours of its members during their visits. For example, it does not track which exhibitions its members have viewed, to gauge their interest

in past exhibitions and use that information to inform its decisions on which exhibitions to display in the future.

### Despite Low Revenues from Sales of Memberships, McMichael Has Limited Strategies to Increase Them

Despite revenues from memberships that were proportionately much lower than at the ROM and AGO, we found that McMichael's strategies to increase such revenues were limited, and that McMichael did not collaborate with institutions such as the ROM and AGO to share information in order to increase membership sales.

As shown in **Figure 9**, in 2019/20 McMichael recorded its best results over the last five years, increasing the number of members, member visits and revenues from memberships.

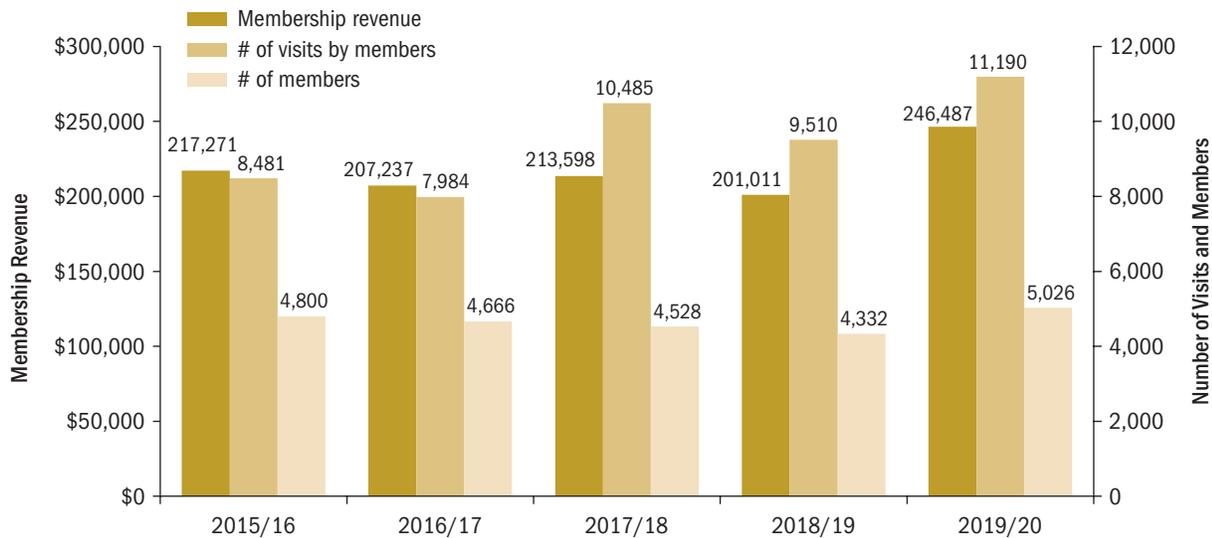
Although revenues from the sale of memberships peaked in 2019/20, totalling almost \$250,000, we found that they accounted for just 6% of McMichael's self-generated revenues. In contrast, we found that at the ROM and AGO, membership sales accounted for 14% and 11% of self-generated revenues.

We found several factors that contributed to McMichael's proportionately lower membership sales, including the following:

- **Generic digital marketing strategy.** In contrast to the ROM, for example, which uses social media such as Facebook to market its memberships to key demographics, McMichael generically uses social media to target people who live close to its location. It does not specifically target seniors—which are its key member demographic—nor does it target other demographic groups, such as young adults, to diversify its membership. McMichael's generic marketing strategy and reliance on seniors for membership sales may put its future membership revenues at risk, since the COVID-19 virus has been shown to pose a higher risk to seniors, potentially impacting

**Figure 9: Number of McMichael Canadian Art Collection Memberships, Visits by Members and Membership Revenues, 2015/16–2019/20**

Source of data: McMichael Canadian Art Collection



their willingness to renew their membership and visit the gallery.

- **No exchange of membership lists with other museums and galleries.** While we found that the ROM and AGO exchange their member lists to help them target potential members, we found that McMichael has not engaged either the ROM or the AGO to participate in such an exchange.
- **Ineffective follow-up with former members.** Although we found that McMichael regularly follows up with former members who do not renew their memberships, it advised us that it had been several years since it last asked them why they did not renew their membership to help determine the key reasons members do not renew and to plan to better meet member expectations.

### RECOMMENDATION 18

To help meet its targets and increase membership sales, we recommend that the McMichael Canadian Art Collection:

- collect data from its members on their demographics and interactions with the gallery; and
- review its strategies and implement changes that can help improve their effectiveness in increasing membership sales.

### MCMICHAEL RESPONSE

We agree with the recommendation. We will conduct annual satisfaction surveys of members to collect voluntary data on their demographics and their interactions with the gallery. We will also set in place a process to annually survey members who do not renew to determine the reasons they did not renew their membership. We will also review our strategies in order to implement changes that can help increase our membership sales, including reallocating more marketing dollars to undertake targeted digital marketing campaigns for membership on a biannual basis.

## 4.5 Operating Expenses

McMichael's largest expenditures include salaries and benefits, curatorial and exhibition-related expenses, and facility operations and security.

**Figure 10** shows McMichael's total expenditures for each of the last five fiscal years.

### 4.5.1 Salaries and Benefits Are McMichael's Largest Expense but It Does Not Evaluate the Effectiveness of the Majority of Its Staff

Although salaries and benefits were McMichael's largest expense in each of the last five fiscal years, we found that it did not evaluate the effectiveness of the vast majority of its staff as required by its Memorandum of Understanding (MOU) with the Ministry.

As shown in **Figure 10**, salaries and benefits accounted for between 38% and 45% of McMichael's expenditures in the last five fiscal years, representing McMichael's largest expenditure in each of those years.

The MOU between McMichael and the Ministry, which sets out McMichael's responsibilities, requires that McMichael's CEO put in place a system to review the performance of its staff. While McMichael informed us that it has a performance review system in place for its executive leadership team consisting of five staff, as well as its other 105 staff, when we requested copies of performance reviews for the last five years, we found that few had been completed. **Figure 11** shows the percentage of staff that received a performance review in each of the last five years.

**Figure 10: McMichael Canadian Art Collection Expenditures, 2015/16–2019/20 (\$ 000)**

Source of data: McMichael Canadian Art Collection Audited Financial Statements

	2015/16		2016/17		2017/18		2018/19		2019/20	
	\$	%	\$	%	\$	%	\$	%	\$	%
Salaries and benefits	4,093	45	3,658	41	3,837	38	4,016	40	4,302	39
Curatorial and exhibitions	244	3	546	6	781	8	687	7	840	8
Facility operations and security	780	9	822	9	833	8	853	9	825	7
Marketing and promotions	477	5	442	5	618	6	541	5	534	5
Cost of sales	326	4	366	4	438	4	345	3	428	4
Amortization of capital assets	1,836	20	1,785	20	2,002	20	2,142	22	2,492	22
Other expenditures <sup>1</sup>	1,296	14	1,410	16	1,524	15	1,353	14	1,687	15
<b>Operating Expenditures</b>	<b>9,052</b>	<b>100</b>	<b>9,029</b>	<b>100</b>	<b>10,033</b>	<b>100</b>	<b>9,937</b>	<b>100</b>	<b>11,108</b>	<b>100</b>
Gifts in kind <sup>2</sup>	0		480		331		371		361	
<b>Total Expenditures<sup>3</sup></b>	<b>9,052</b>		<b>9,509</b>		<b>10,364</b>		<b>10,308</b>		<b>11,469</b>	

1. Other expenditures includes all other expenses such as membership and fundraising, collection management, and administration.

2. Gifts in kind refer to non-monetary gifts, other than artworks, in support of McMichael's annual fundraising gala that are accounted for as income and expenditure in McMichael's financial statements for accounting purposes only with no impact on the net financial result each year. As a result, gifts in kind have been excluded from operating expenses because these do not represent an expense to the McMichael.

3. Total agrees to McMichael's audited financial statements.

**Figure 11: Percentage of Performance Evaluations Completed, 2015–2019**

Prepared by the Office of the Auditor General of Ontario

	2015	2016	2017	2018	2019
Executive leadership team	0	20	0	0	0
Other staff	1	0	19	0	12

We found that McMichael's Human Resources department does not set deadlines for the completion of performance evaluations, and does not take action to ensure they are completed. In addition, we found that objectives are not set for new staff when they first join McMichael against which their performance can be evaluated.

### **RECOMMENDATION 19**

To monitor and improve the effectiveness of its staff, and meet the requirements of the Ministry of Heritage, Sport, Tourism and Culture Industries, we recommend that the McMichael Canadian Art Collection review and strengthen its procedures to ensure that it evaluates the performance of all of its staff.

### **MCMICHAEL RESPONSE**

We agree with the recommendation. We recognize the importance of formally evaluating the performance of our staff and will take steps to improve in this area. We have recently instituted a deadline of February 1, 2021, for all staff to have an up-to-date performance evaluation recorded in their HR record. We have also appointed a Chief Operating Officer, whose management responsibilities include HR, including prioritizing the implementation of our performance assessment policy such that performance evaluations are completed for all staff.

## Appendix 1: Audit Criteria

Prepared by the Office of the Auditor General of Ontario

1. Effective Ministry of Heritage, Sport, Tourism and Culture Industries oversight processes are in place so that museum and gallery operations achieve their legislative mandates, comply with applicable government requirements and guidelines and are in alignment with best practices. Corrective action is taken on a timely basis when necessary.
2. Museums and galleries effectively acquire, preserve and deaccession objects and artworks in accordance with their legislative and policy requirements as well as best practices.
3. Museums and galleries economically and efficiently develop and display exhibitions, including artwork and objects, that effectively engage and educate the public and increase visits and attendance.
4. Museums and galleries deliver effective education programs in their respective fields.
5. Museums and galleries govern and manage their operations and facilities efficiently, effectively and economically.
6. Meaningful performance indicators and targets for museums and galleries are established, monitored and compared against actual results so that goals, legislative and other requirements, guidelines, and best practices are achieved. Results are publicly reported and corrective action is taken on a timely basis.

## Appendix 2: Board Composition and Committees, June 2020

Source of data: McMichael Canadian Art Collection

	Agency Type	Total # of Trustees	Required # of Provincially Appointed Trustees	# of Provincially Appointed Trustees on the Board as of June 2020	Quorum	Committees of the Board
McMichael Canadian Art Collection	Board-governed provincial agency	Up to 23	All	5	A majority of the trustees constitutes a quorum	<ul style="list-style-type: none"> <li>• Finance and Audit</li> <li>• Art Advisory</li> <li>• Property and Buildings</li> <li>• Governance and Nominating</li> <li>• Human Resources</li> </ul>

## Appendix 3: McMichael Canadian Art Collection Organizational Structure, March 2020

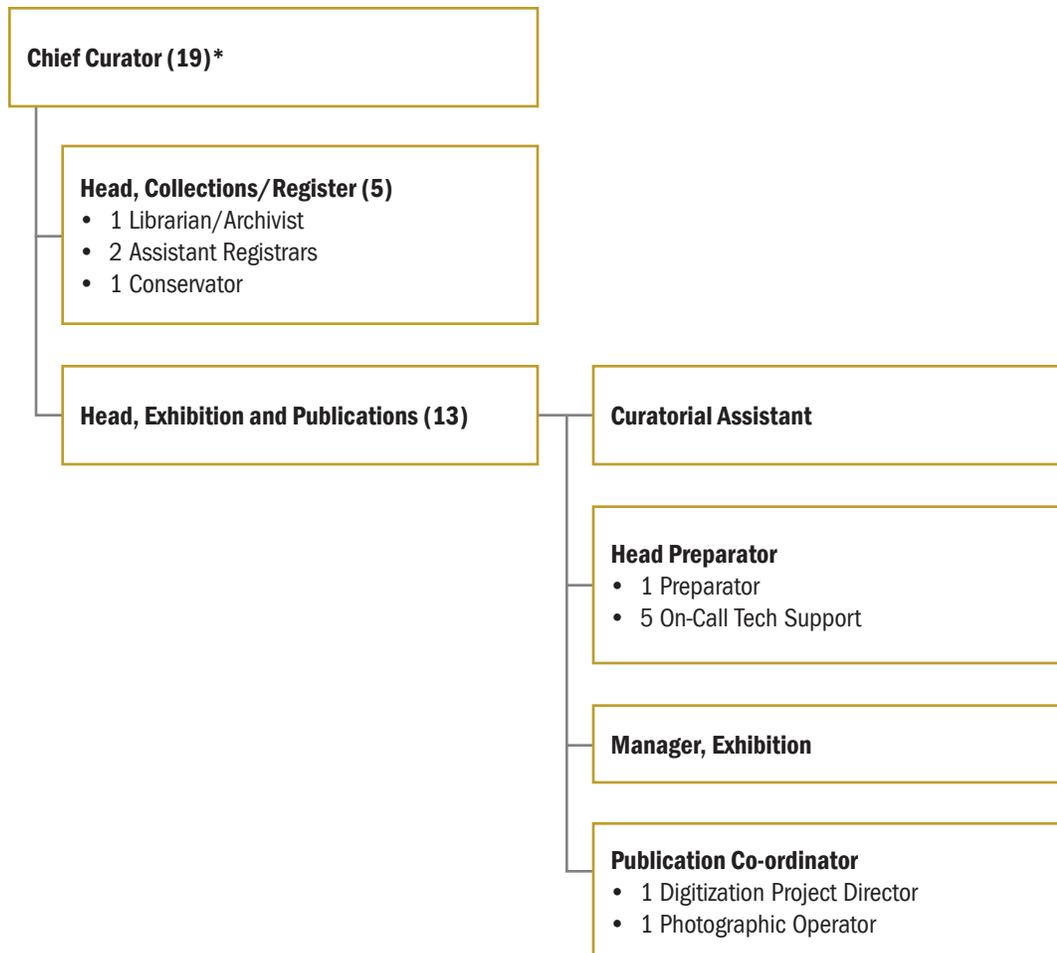
Source of data: McMichael Canadian Art Collection



1. Total staff of 111 includes 70 part-time staff (which is inclusive of those on termed contracts and casual/on call).
2. See Appendix 4 for detailed structure of the Curatorial and Collections Department.
3. Includes 15 part-time on-call educators, 10 casual program staff and one education support staff.
4. Includes 20 part-time gallery guides, six part-time maintenance and one part-time finance staff.

## Appendix 4: McMichael Canadian Art Collection Curatorial and Collections Department Structure, March 2020

Source of data: McMichael Canadian Art Collection



\* The total of 19 staff under the Curatorial and Collections department includes eight part-time staff (which is inclusive of those on termed contracts).



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