

Chapter 1

Section 1.13

Ministry of Tourism, Culture and Sport

Follow-Up on 2020 Value-for-Money Audit:

Museums and Galleries: Art Gallery of Ontario

RECOMMENDATION STATUS OVERVIEW

| | # of Actions Recommended | Status of Actions Recommended | | | | |
|-------------------|--------------------------|-------------------------------|-------------------------------------|-----------------------|-------------------------|----------------------|
| | | Fully Implemented | In the Process of Being Implemented | Little or No Progress | Will Not Be Implemented | No Longer Applicable |
| Recommendation 1 | 4 | 1 | 2 | 1 | | |
| Recommendation 2 | 1 | | 1 | | | |
| Recommendation 3 | 2 | 2 | | | | |
| Recommendation 4 | 3 | | | 3 | | |
| Recommendation 5 | 3 | 2 | 1 | | | |
| Recommendation 6 | 1 | 1 | | | | |
| Recommendation 7 | 4 | | 3 | 1 | | |
| Recommendation 8 | 3 | | | 3 | | |
| Recommendation 9 | 2 | | | 2 | | |
| Recommendation 10 | 2 | | | 2 | | |
| Recommendation 11 | 4 | 2 | | 2 | | |
| Recommendation 12 | 2 | | | 2 | | |
| Recommendation 13 | 4 | | | 4 | | |
| Recommendation 14 | 3 | | | 3 | | |
| Recommendation 15 | 3 | | | 3 | | |
| Recommendation 16 | 3 | | | 3 | | |
| Recommendation 17 | 3 | | | 3 | | |
| Recommendation 18 | 1 | | | 1 | | |
| Recommendation 19 | 2 | | | 2 | | |
| Total | 50 | 8 | 7 | 35 | 0 | 0 |
| % | 100 | 16 | 14 | 70 | | |

Overall Conclusion

The Art Gallery of Ontario (AGO), as of September 26, 2022, has fully implemented 16% of actions we recommended in our *2020 Annual Report*. The AGO has made progress in implementing an additional 14% of the recommendations.

In response to our recommendations, the AGO revised its Conflict of Interest Policy to prohibit preferential treatment to its Board members. According to the AGO's revised policy, its Board members cannot borrow artworks from the AGO's permanent collection for their personal use. In addition, the AGO amended its bylaws to limit the number of consecutive years that Board members can serve on its Board to 15 years. The

AGO also segregated the responsibilities for deleting artwork records from its collection management system and approving the deletion of such records. In addition, the AGO implemented a new process to review and approve a report on artwork deleted from its collection management system on a quarterly basis.

To strengthen its inventory control, the AGO implemented a process to conduct regular inventory checks. Starting in October 2021, the AGO began to conduct random inventory checks on a monthly basis of its permanent collection of artworks stored in its collection vaults. Similarly, in November 2021, the AGO implemented a process to perform quarterly inventory and contents checks of artworks in its permanent collection that are stored in crates to verify the physical integrity of those artworks.

At the time of our follow-up, the AGO was in the process of updating a number of policies to strengthen its process to establish the provenance and authenticity of the artworks it acquires and borrows. The updated acquisitions policy will prohibit acquiring Aboriginal, African and Indigenous human remains, funerary objects, sacred objects, and objects of cultural patrimony without provenance. The AGO also revised its loan agreement form to request the ownership history of artworks prior to confirming that it will borrow them, including import and export documents as necessary. It was also finalizing a number of questionnaires related to provenance to be included with the forms sent to vendors and donors early in the acquisition process in order to obtain as much of the history of ownership of the artwork as possible. In addition, the AGO was working to implement a new process to ensure its decisions to deaccession items from its collection are fully supported. According to the AGO, the new process will include a document outlining the rationale for deaccessioning, the disposal method, any concerns raised by the original donor, and the details of independent appraisals of the deaccessioned item.

However, the AGO has made little progress on 70% of the recommendations. The AGO had not reviewed artworks without an assigned value to determine which artworks should be valued. It also had not established a process to update the valuation of its collection

to assess whether its insurance coverage is sufficient. As well, the AGO had not taken steps to ensure it uses its selection criteria to assess and select the exhibitions it will display so that it designs and selects exhibitions that best meet its goals. In addition, the AGO had not taken steps to improve the cost-effectiveness of its exhibitions, including analyzing attendance where targets are not met, to identify the reasons, and apply lessons learned.

The AGO has made little progress to improve the Board of Trustees' oversight of its education and public programs. At the time of our follow-up, the AGO had not developed a strategy for its education and public programs that outlines its goals and the actions needed to meet those goals. As well, the AGO had not established a process to capture attendance data for all of its education and public programs. Finally, the AGO still had not implemented a performance review system for all its staff.

The status of actions taken on each of our recommendations is described in this report.

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 Tourism, Culture and Sport (formerly the Ministry of Heritage, Sport, Tourism and Culture Industries). Its legislation, the *Art Gallery of Ontario Act* (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 2021/22, the AGO had approximately 57,000 visitors, which was down significantly from about 840,000 visitors in 2019/20 because of public health restrictions during the COVID-19 pandemic.

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 practices. 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 help it 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 in our 2020 audit 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 previous five years. Donations certified by CCPERB provide donors with additional tax advantages compared with those that are not certified by CCPERB. Despite the cost to taxpayers of the AGO's acquisitions, we found that the AGO had not displayed the majority of these donations it received between 2015/16 and 2019/20 that were certified by CCPERB.

The following were some of our specific concerns related to the AGO:

- The AGO did 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 did 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 previous five years, the AGO's collection had grown by 23%, but without an up-to-date collection development plan it was 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 ongoing costs for their care and storage.

- No evidence existed 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.
- Research into provenance and authenticity of acquisitions was 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.

We made 19 recommendations, with 50 action items, to address our audit findings.

We received commitment from the Art Gallery of Ontario in 2020 that it would address our recommendations.

Status of Actions Taken on Recommendations

We conducted assurance work between April 2022 and September 2022. We obtained written representation from the Art Gallery of Ontario that effective November 11, 2022, it has provided us with a complete update of the status of the recommendations we made in the original audit two years ago.

Collections Management

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;

Status: In the process of being implemented by December 2022.

Details

In our 2020 audit, 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 had acquired were needed to meet its collection objectives. Over the previous five years, the AGO's collection of artworks had grown by approximately 23%, from 98,126 in 2015 to 121,011 in 2020. Without an up-to-date collection development plan, the AGO could not demonstrate that these acquisitions were needed to meet its 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 our follow-up, we found that the AGO developed a collection strategy to guide its acquisition of artwork. The AGO's strategy is to collect masterworks, broader representations of cultural artwork, significant collections, and globally important and modern contemporary artwork. As part of its collection strategy, the AGO also plans to establish a robust process to strategically deaccession artwork to refine its collection. The AGO is in the process of establishing collection priorities for each of its departments and it expects to complete this work by December 2022.

- promptly display a greater proportion of artworks acquired that have been certified as significant by the Canadian Cultural Property Export Review Board;

Status: Little or no progress.

Details

In our 2020 audit, we found that 63% of the donations of artwork submitted by the AGO and approved by the Canadian Cultural Property Export Review Board (CCPERB) between 2015/16 and 2019/20 had not been displayed. The CCPERB is an independent tribunal of the federal Department of Canadian Heritage that reviews the donated artwork and assesses whether it qualifies to be certified as having outstanding significance. 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 tax benefit to the donor if the donation is certified by CCPERB.

In our follow-up, the AGO advised us that, in general, it was displaying in its galleries a higher proportion of the artworks it was acquiring. However, the AGO advised us that because of limitations in its record-keeping, it could not demonstrate whether it was displaying a higher proportion of artworks certified as significant by CCPERB.

- 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.

Status: Fully implemented.

Details

In our 2020 audit, we found instances where Board members who donated artwork received preferential treatment. For example, in one instance, the AGO appealed a ruling by the 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. The opportunity to borrow items to display in one's personal residence is not an opportunity ordinarily afforded to other donors.

In our follow-up, we found that the AGO revised its Conflict of Interest Policy to prohibit preferential treatment to its Board members. According to the revised

policy, Board members cannot borrow works of art from the AGO's permanent collection for personal use. The revised Conflict of Interest Policy also requires the AGO to follow all rules and regulations of CCPERB, and to only file an appeal on a CCPERB determination if the AGO believes there is merit.

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.

Status: In the process of being implemented by December 2022.

Details

In our 2020 audit, we reviewed a sample of items acquired by the AGO between 2017/18 and 2019/20, and found that for 18% of them, 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.

In our follow-up, we found that the AGO expects to finalize a number of questionnaires related to provenance to be included with the forms sent to vendors and donors early in the acquisition process in order to obtain as much of the history of ownership of the work of art as possible. If issues or red flags arise from the questionnaires, the relevant curator is to follow up as soon as possible and answer any questions prior to the acquisition approval process. The AGO is also in the process of updating its acquisitions policy to state that it will not acquire Aboriginal, African and Indigenous human remains, funerary objects, sacred objects, and objects of cultural patrimony without provenance. The AGO also revised its loan agreement form to request the ownership history of artwork prior to confirming that it will borrow it, including import and export documents as necessary. The AGO expected to update all relevant policies to strengthen its current process to establish provenance and authenticity of artwork by December 2022.

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.*

Status: Fully implemented.

Details

In our 2020 audit, we found that artwork records could be deleted from the AGO's collection management system, The Museum System (TMS), without authorization and that there was no process in place to review deleted records to ensure that they had been deleted only for authorized purposes.

At our request, the AGO's IT department provided a report of deleted artwork records that showed that approximately 5,700 artwork records had been deleted since 2009. 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 we could not verify the reason for 30% of the deletions because the AGO could not provide evidence to show what happened to the item in these records.

In our follow-up, we found that AGO made changes to segregate responsibilities so that only the Deputy Director and Chief Curator has the authority to approve the deletion of records from TMS, and only the Registrar and Assistant Registrar of Collections have the authority to delete records from TMS.

In addition, the AGO advised us that it updated TMS to produce a new report called the "Record Delete Report," and also implemented a new process for the Deputy Director and Chief Curator to review and approve the "Record Delete Report" on a quarterly basis.

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.*

Status: Little or no progress.

Details

We found in our 2020 audit that approximately 50% of the 121,000 items in the 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. Our audit also found that 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 collection it is not clear whether the AGO's insurance coverage is sufficient relative to the commercial value of its collection.

In our follow-up, we found that the AGO had not made progress toward implementing these recommendations.

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;*

Status: Fully implemented.

Details

In our 2020 audit, we found that the AGO has never conducted an inventory check of its different collection areas, and it does not have a formal policy to conduct periodic inventory checks on a systematic basis for its collection areas. Inventory checks allow museums and galleries to verify that their items are present, which is crucial to maintaining accountability.

In our follow-up, we found that the AGO implemented a process to conduct regular inventory checks. Starting in October 2021, the AGO began to conduct monthly random inventory checks of the permanent collection of artworks stored in its vaults. The Registrar of Collections produces a report from the AGO's collections management database that randomly chooses 20 works of art for location verification. The artworks on the list are visually sighted and the current location is verified against the location indicated in the system. In addition to the monthly random inventory checks, the AGO's policy requires it to periodically conduct a full inventory of its collection stored both on-site and off-site.

- *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.*

Status: In the process of being implemented by July 2024.

Details

In our 2020 audit, we found that the AGO had one vault with several shelves of furniture and accessories that it informed us was not catalogued. 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.

In our follow-up, we found that the AGO has a plan to review hundreds of items stored in boxes within the vault. In the first phase of the plan, the AGO will unpack, categorize and document the objects and furniture, and assess them for disposal. In the second phase, the items the AGO does not intend to use in the future will be offered to small local museums and cultural organizations. It also has plans to communicate

with representatives of museums in the City of Toronto and surrounding areas to offer inventory as a gift. The AGO will also contact small Canadian museums and cultural organizations through the Canadian Museum Association to offer inventory as gifts or for purchase. This project is scheduled to begin in the 2023/24 fiscal year.

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.

Status: Fully implemented.

Details

In our 2020 audit, we noted that 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.

In our follow-up, we found that in November 2021, the AGO implemented a process to perform quarterly inventory and contents checks of crated artworks in the permanent collection stored in its vaults. The crates are visually inspected both externally and internally to verify the contents of the crates and packing material. Crate construction is also updated as necessary. The AGO has developed a plan to check the inventory and contents of a minimum of 23 crates per year, with priority given to crates that have not been opened in more than two years. As of March 2022, the AGO completed a review of a total of 10 crates.

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;*

Status: In the process of being implemented by December 2022.

Details

In our 2020 audit, we found that some opportunities exist to improve the deaccessioning process (the process by which a museum or gallery permanently removes artwork from its collection). For example, we found that donor consultation was not always documented to illustrate that donors were consulted before the item was deaccessioned, or that questions and concerns from donors were addressed. We also found that 25% of the deaccessioned items we reviewed were missing a proposal and related documentation outlining the reason for deaccessioning and that it was in line with the AGO's criteria.

In our follow-up, the AGO informed us that it has not deaccessioned artwork since we made the recommendation. Therefore, the AGO was not able to show us any documentation to illustrate that the concerns raised in our 2020 audit had been addressed. However, the AGO told us it implemented a new process whereby its curators must complete a form called "Deaccession Recommendation" for all proposed deaccessions. This form is submitted to the Curatorial Committee and then to the Collections Committee of the Board for review. In that form, the curator has to document any concerns raised by the donor, or if a donor is not consulted, explain why. The curator also has to provide the rationale for deaccessioning artworks from the collection and recommend a method for disposal. All required independent appraisals must also be completed and documented in the Deaccession Recommendation form. The deaccessioning recommendation

is kept in the acquisition file in perpetuity. A field in the collection management system (The Museum System) has also been dedicated to document when an artwork has a deaccessioning recommendation associated with it. The AGO informed us that it expects to implement the use of the Deaccession Recommendation form by the end of 2022.

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

Status: Little or no progress.

Details

In our 2020 audit, we found instances where the sale of deaccessioned items we reviewed was not recorded in the AGO's collection management system to ensure that its records are up to date.

In our follow-up, we found that the AGO had not made progress toward implementing this recommendation. The AGO informed us that this was due to staffing issues in the Registration department. It told us it plans to create an internal guideline document to articulate steps to update the database in a timely manner. The AGO expects to complete this recommendation by December 2022.

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;*

Status: Little or no progress.

Details

In our 2020 audit, we found that the AGO deaccessioned few artworks even though large parts of its collection remained idle for extended periods. 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. 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.

In our follow-up, we found that the AGO had not made progress toward implementing this recommendation. The AGO informed us that it is still reviewing the recommendation and plans to take steps to implement it by December 2022.

- *extend the length of time it provides other galleries in Ontario to express their interest in acquiring items it plans to deaccession;*

Status: Little or no progress.

Details

In our 2020 audit, we found that the AGO considers it a best practice to notify directors belonging to the Canadian Art Museum Directors Organization of items it intends to sell. However, based on our review of a sample of deaccessioned items, we found that it seldom did so in practice, and when it did, it provided little time (less than a month) for these galleries to determine if they could acquire these items.

In our follow-up, we found that the AGO had not made progress toward implementing this recommendation. The AGO informed us that it is still reviewing the recommendation and plans to take steps to implement it by December 2022.

- *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.*

Status: Little or no progress.

Details

In our 2020 audit, we found that just two of the 150 deaccessioned items the AGO had disposed of over the

previous 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. 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.

In our follow-up, we found that the AGO had not made progress toward implementing this recommendation. The AGO informed us that it is still reviewing the recommendation and plans to take steps to implement it by December 2022.

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.*

Status: Little or no progress.

Details

In our 2020 audit, we found that while 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 the 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 online collection meets the needs of those who seek access.

In our follow-up, we found that the AGO had not made progress toward implementing these recommendations. The AGO informed us that it is still reviewing the recommendations and plans to take steps to implement them by December 2022.

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;*

Status: Little or no progress.

Details

In our 2020 audit, we noted that while the AGO has loaned more than 5,300 items to other institutions over the previous 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. 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.

In our follow-up, we found that the AGO had made little progress toward implementing this recommendation, although it did note that in response to our recommendation, it had lent small turn-key exhibitions to the Art Gallery of Sudbury at no charge.

- *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.*

Status: Little or no progress.

Details

In our 2020 audit, 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.

In our follow-up, we found that the AGO had not made progress toward implementing this recommendation.

Governance

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;*

Status: Fully implemented.

Details

In our 2020 audit, we found 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.

In our follow-up, we found that the AGO revised its Conflict of Interest Policy for Board members. According to the revised policy, Board members cannot vote on, approve, or recommend any contract or transaction in which they have an actual or potential conflict of interest. A Board member with the conflict of interest must leave the meeting during the discussion and vote. The minutes of the meeting must record the disclosure of the conflict, the interested person's abstention from consideration of the matter, and the decision of the Board or committee. During the course of our follow-up, the AGO also implemented further amendments to its Conflict of Interest Policy in fall of 2022 to clarify that Board members are prohibited from participating in decisions to approve their own donations.

- *review the term lengths of members of the Board of Trustees, and establish reasonable maximum term lengths;*

Status: Fully implemented.

Details

In our 2020 audit, 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. 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. We compared the tenure of the Board members at the AGO to those of comparable museums and galleries and found that the Board members with the longest service typically serve between 10 and 15 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.

In our follow-up, we found that the AGO had changed its bylaws in fall 2022 to set a limit of 15 years as the consecutive number of years that a Board member can serve on the Board. The AGO indicated that Board members already serving for longer than 15 years will be transitioned off the Board by June 2025.

- *exclude emeritus Board trustees from participating in decisions of the Board and its committees;*

Status: Little or no progress.

Details

In our 2020 audit, we found 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.

In our follow-up, we found that the AGO had not made progress toward implementing the recommendation. The AGO informed us that it is in the process of reviewing the recommendation and plans to take steps to implement it by December 2022.

- 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.

Status: Little or no progress.

Details

In our 2020 audit, we found a number of governance issues at the AGO such as providing preferential treatment to Board members donating artwork with terms that are not ordinarily extended to other donors. As well, we identified instances 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.

In our follow-up, we found that the AGO committed to improvements in the governance issues identified in our 2020 audit in its Transfer Payment Agreement (TPA) with the Ministry of Tourism, Culture and Sport (formerly the Ministry of Heritage, Sport, Tourism and Culture Industries). The TPA now requires the AGO to establish and maintain appropriate and meaningful conflict-of-interest policies for its Board members. However, the AGO has not yet made progress in addressing the governance issues noted in one of the three preceding action items.

Exhibitions

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.

Status: Little or no progress.

Details

In our 2020 audit, 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 are intended to help select the exhibitions that are most likely to be successful in meeting the AGO's goals and attracting additional visitors. According to best practices for exhibition development, museums should develop written criteria and use those criteria to guide the process of selecting exhibitions.

We also found that the AGO does not formally assess whether prospective audiences are interested in the exhibitions it selects to display. In contrast, we found that the Royal Ontario Museum annually assesses audience interest in potential exhibition topics.

In our follow-up, we found that the AGO had not made progress toward implementing these recommendations. The AGO informed us that it is in the process of reviewing the recommendations and plans to take steps to implement them by December 2023.

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;

Status: Little or no progress.

Details

In our 2020 audit, we reviewed a sample of the AGO's exhibitions in the previous three years for which it charged a separate admission, and found that the AGO had not met its attendance targets in 40% of the exhibitions we reviewed, and it had not analyzed attendance results to identify why it had failed to meet its targets. In these cases, attendance ranged 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 required—in any of the exhibitions we reviewed in our sample.

In our follow-up, we found that the AGO had not made progress toward implementing these recommendations. The AGO informed us that it is in the process of reviewing the recommendations and plans to take steps to implement them by December 2023.

- *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.*

Status: Little or no progress.

Details

In our 2020 audit, we reviewed a sample of the AGO's exhibitions in the previous three years for which it charged a separate admission, and found that the AGO had exceeded its budget for expenditures in almost 40% of the exhibitions in our sample. In these cases, the AGO spent between 12% and 26% more than budgeted. We also found that the AGO did not project the profit or loss for each exhibition, and therefore was unable to determine whether its exhibitions met their financial targets.

In our follow-up, we found that the AGO had not made progress toward implementing these recommendations. The AGO informed us that it is in the process of reviewing the recommendations and plans to take steps to implement them by December 2023.

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.*

Status: Little or no progress.

Detail

In our 2020 audit, we analyzed data from the AGO and found that only 35% of all the exhibitions held by the AGO over the previous five years had been evaluated to assess their effectiveness. It is a common practice to conduct evaluations of exhibitions to determine if they met their goals. According to best practices, the goal of exhibitions is to increase the public's understanding of a given subject and improve visitor experience.

In our follow-up, we found that the AGO had not made progress toward implementing these recommendations. The AGO informed us that it is in the process of reviewing the recommendations and plans to take steps to implement them by December 2023.

Education

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.*

Status: Little or no progress.

Details

In our 2020 audit, 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.

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 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 in most of these cases, the AGO had not interpreted the results and produced summaries of its analysis, findings and recommendations to facilitate improvement.

In our follow-up, we found that the AGO had not made progress toward implementing these recommendations. The AGO informed us that it is in the process of reviewing the recommendations and plans to take steps to implement them by December 2022.

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.*

Status: Little or no progress.

Details

In our 2020 audit, 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. For example, the AGO

could not provide an accurate breakdown of how many schools or students attended each of its programs for elementary and high-school students. In the absence of a strategy for its education programs, limitations in the attendance data for these programs, and the absence of an effective process to evaluate its individual programs, 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 program, and whether the AGO is meeting its education program goals.

In our follow-up, we found that the AGO had not made progress toward implementing these recommendations. The AGO informed us that it is in the process of reviewing the recommendations and plans to take steps to implement them by December 2022.

Self-Generated Revenues

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;*

Status: Little or no progress.

Details

In our 2020 audit, we noted that 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 that attendance to tour the gallery declined by 11% from about 833,000 in 2018/19 to about 743,000 in 2019/20. Over the same period, the overall combined revenues from admissions, memberships and annual passes also declined significantly, by 27%, from \$10.7 million in 2018/19 to \$7.8 million in 2019/20.

In our 2020 audit, we noted that the AGO had received donations totalling approximately \$2 million to support the cost of introducing the free annual pass for those aged 25 and under in 2019/20. However,

we found that the AGO had received pledges for only \$422,000 for the 2020/21 fiscal year, and \$373,000 for the 2021/22 fiscal year to help fund these passes. Therefore, we noted that it was unclear whether this pricing model is sustainable if revenues from other sources do not increase.

In our follow-up, we found that although the AGO had begun to take some steps, it had made little progress toward implementing this recommendation. The AGO informed us that in 2022, it established a new Audience and Data Committee to help address this recommendation. The AGO expects to take further steps to implement this recommendation by December 2023.

- *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.*

Status: Little or no progress.

Details

In our 2020 audit, we found that the AGO does not collect any demographic data from 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.

In our 2020 audit, we also found that with the introduction of the annual passes, both the number of memberships and attendance by members declined significantly in 2019/20. Although the AGO's management did not expect the introduction of the annual passes to significantly impact memberships, 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%, from about 286,000 in 2018/19 to approximately 207,000 in 2019/20.

In our follow-up, we found that although the AGO had begun to take some steps, it had made little

progress toward implementing these recommendations. The AGO informed us that in 2022, it established a new Audience and Data Committee to help address these recommendations. The AGO also indicated that it is planning to develop an audience segmentation strategy to identify the demographics of those visiting the gallery so that it can better engage them and to target growth in new segments. The AGO expects to take further steps to fully implement these recommendations by December 2023.

Operating Expenses

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.

Status: Little or no progress.

Details

In our 2020 audit, we noted that salaries and benefits are the AGO's largest category of expense. However, 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.

In our follow-up, we found that the AGO had begun to take steps in fall 2022 to implement a performance evaluation process for its management staff that it expects to fully implement by March 2023. Thereafter, the AGO indicated that it plans to implement a performance evaluation process for all its staff.

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.*

Status: Little or no progress.

Details

In our 2020 audit, 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 target that has to be met is whether the AGO achieves its forecast net operating budget. 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. 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.

In our follow-up, we found that in October 2022, the AGO had developed a new points-based bonus structure for its leadership team that contains four categories. However, we observed that the bonus structure has not been fully articulated—for example, some of the categories lack specificity and are not well defined. In addition, it is not clear how some of the category goals can be objectively measured.