

Management of the National Collections

[Australian War Memorial](#)

[National Gallery of Australia](#)

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Canberra ACT
13 June 2018

Dear Mr President
Dear Mr Speaker

The Australian National Audit Office has undertaken an independent performance audit in the Australian War Memorial and the National Gallery of Australia titled *Management of the National Collections*. The audit was conducted in accordance with the authority contained in the *Auditor-General Act 1997*. Pursuant to Senate Standing Order 166 relating to the presentation of documents when the Senate is not sitting, I present the report of this audit to the Parliament.

Following its presentation and receipt, the report will be placed on the Australian National Audit Office's website—<http://www.anao.gov.au>.

Yours sincerely



Grant Hehir
Auditor-General

The Honourable the President of the Senate
The Honourable the Speaker of the House of Representatives
Parliament House
Canberra ACT

AUDITING FOR AUSTRALIA

The Auditor-General is head of the Australian National Audit Office (ANAO). The ANAO assists the Auditor-General to carry out his duties under the *Auditor-General Act 1997* to undertake performance audits, financial statement audits and assurance reviews of Commonwealth public sector bodies and to provide independent reports and advice for the Parliament, the Australian Government and the community. The aim is to improve Commonwealth public sector administration and accountability.

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Summary and recommendations

Background

1. As at 30 June 2017, Australia's major¹ National Collections consisted of heritage and cultural assets estimated to be valued at more than \$10.5 billion.
2. This audit focussed on the collections held by the Australian War Memorial (Memorial), and National Gallery of Australia (NGA). The Memorial and the NGA are corporate Commonwealth entities, subject to the requirements of the *Public Governance, Performance and Accountability Act 2013*, including the Commonwealth Procurement Rules. Both entities have a legislated responsibility to develop, maintain, exhibit and utilise their collections in the national interest.

Rationale for undertaking the audit

3. Of Australia's National Collections, those held by the Memorial and the NGA are arguably the best known. Together, these entities are responsible for safeguarding assets valued at over \$7 billion, or 70 per cent of the total value of Australia's National Collections, holding items of historical, academic, and cultural value to the Australian people.
4. Effective collections management encompasses a range of different activities, including:
 - collections practical management - practices that directly support care for the collection, such as the way items are handled, conserved, stored, secured, displayed and accounted for; and
 - collections governance - effective collection management must also be supported through governance practices, strategic frameworks for the development of the collection, risk management, sound acquisition and disposal processes, and strong financial management controls that enable an entity to develop, maintain and exhibit the National Collections for the Australian people.

This audit has been undertaken to provide transparency into the collections management practices of these institutions from both a practical management and governance perspective.

Audit objective and criteria

5. The objective of this audit was to assess whether the Australian War Memorial and the National Gallery of Australia have implemented effective collection management practices. To form a conclusion against the audit objective, the ANAO adopted the following high-level audit criteria. The Memorial and the NGA have:
 - established effective strategic frameworks to support the management of their collections; and
 - implemented effective systems and processes for managing their collections.

¹ There are several smaller collections held by the Commonwealth, such as the Bundanon Trust. The Commonwealth also holds significant heritage and cultural assets as part of the Australian Parliament House collections.

Conclusion

6. The Australian War Memorial has implemented collection management practices which are effective. The National Gallery of Australia's collection management practices are not fully effective due to deficiencies in financial and asset management controls.
7. The Memorial has effective governance and risk management frameworks. The Memorial's framework for collections management requires improvement in relation to the establishment of a central and consistent storage, monitoring and reviewing process for relevant framework documents.
8. The effectiveness of the NGA's governance and financial management controls requires improvement, with the entity in a high risk financial position. At the time of the audit, the NGA was developing a financial sustainability plan to address its financial position. The NGA's collection management documentation framework requires improvement by ensuring that relevant policies, plans and procedures are finalised and in place and that structured review, update and storage arrangements for these documents are established. The NGA's risk management framework is yet to reach a state of maturity.
9. Review of the Memorial's collections management systems and processes found that:
 - the Memorial's Collection Development Plan has been out-of-date for five years;
 - the Memorial does not have a conservation plan in place to identify and prioritise its conservation activities, and it is difficult to assess whether the Memorial has allocated sufficient resources to conservation;
 - storage at the Memorial has been well planned and funded; and
 - security at the Memorial is well controlled.
10. Review of the NGA's collections management systems and processes found that:
 - the NGA's planned conservation activities exceed the current resources allocated by management;
 - the condition of the NGA's storage arrangements and backlog of remedial work, present a risk to workplace health and safety and to the optimal maintenance of the collection if not addressed and resourced in a timely manner; and
 - NGA's security requires improvement to be compliant with the Commonwealth Protective Security Policy Framework, noting compliance is not mandatory.
11. Both entities utilise a formal collection management system which assists in accounting for the collection, and adopt a risk-based approach to stocktakes.

Supporting findings

Governance and strategic frameworks of the National Collections

12. The Memorial was found to have established effective governance structures to oversee its strategic responsibilities for the National Collection. At the NGA, governance requires improvement to ensure the Council fulfils its legislative obligations in relation to financial management.

13. The Memorial was found to be in a sound financial position, with positive liquidity and evidence that it has operated consistently within its fiscal parameters. The NGA is in an 'at risk' financial position, with cash flow problems. In February 2018 solvency was added to the NGA's strategic risk register as a 'major' risk, and needs to be considered in conjunction with such issues as the urgent maintenance works required to the Gallery building.

14. Allied to the issue of financial sustainability is the treatment by each entity of government equity injections in relation to the Collection Development Acquisition Budget (CDAB), described as 'funding provided to Designated Collection Institutions to allow them to grow and maintain their heritage and cultural asset collections'. The Memorial has appropriate controls around the utilisation of CDAB funding. The NGA has used injections of equity, designed for the purchase and maintenance of the artworks, for operating costs. This does not meet the intent of Parliament in its appropriation of funding under CDAB.

15. Each entity lacks a meaningful performance framework aligned to program objectives. The Memorial does not include any performance indicators or measures in its Portfolio Budget Statements (PBS) or Corporate Plan.

16. The Memorial and the NGA have partially established documentation in relation to their collections management frameworks. There is scope to improve how the entities manage the policies, plans and procedures which make up their collection management frameworks. In particular, both entities should establish arrangements to centrally and consistently store, monitor and review relevant framework documents.

17. The Memorial has well embedded risk management processes, allowing management to monitor and respond to key risks. Improvements to NGA's risk management framework were observed, however these began in 2017 and hence are yet to reach a state of maturity. Improvements are required in how senior management monitors and responds to risks and how risks are reported.

Management of the National Collections

18. The Memorial's and the NGA's planning and monitoring of the development of their collections is partially effective. The Memorial's Collection Development Plan has been out of date for five years. The development and implementation of a revised Memorial Collection Development Plan has been identified as a key action item since 2014. The NGA operates under an Art Acquisition Statement of Intent², with nine departmental acquisition strategies supporting the Statement of Intent. The final strategies are planned to be completed in August 2018 under the incoming NGA director.

19. The audit identified improvements required to support the effective implementation of collection development policies and procedures. In particular:

- the Memorial needs to continue its efforts to establish and implement its policies and procedures for acquisitions and disposals in order to promote a consistent approach; and

2 Previously known as the Art Acquisition Strategy.

- the NGA needs to better consider the whole-of-life costs of an acquisition by directly involving the storage and conservation teams in the acquisition process and more clearly documenting approvals of acquisitions.

20. The Memorial does not have a conservation plan in place to identify and prioritise its conservation activities. Conservation activities are therefore ad-hoc, and it is also difficult to assess whether the Memorial has allocated sufficient resources to conservation.

21. The NGA's planned conservation activities exceed the resources currently allocated by management. The NGA needs to align resources and risks with its business priorities in relation to conservation.

22. In 2012, the Memorial identified long-term storage needs as an issue, particularly for its large objects collection. As a result, the Memorial, using accumulated funds, redeveloped its Mitchell storage premises, which was to provide an additional 10 years of storage for its large objects.

23. The NGA's National Collection storage onsite at Parkes and offsite at Hume is nearing capacity. This presents risks to workplace health and safety and to the optimal maintenance of the collection if not addressed and resourced in a timely manner.

24. The NGA's financial situation has significantly impacted on building maintenance, and the NGA faces critical infrastructure risks. The storage and display of its collection in less than optimal accommodation is a risk to both the artwork and to the NGA's reputation.³

25. The audit found that security at the Memorial is well controlled. NGA's security requires improvement to be compliant with the Commonwealth Protective Security Policy Framework, noting that compliance is not mandatory.

26. Both entities utilise a formal collection management system (CMS) which assists in accounting for the collection and both entities utilised a risk-based approach to stocktaking. At the Memorial stocktakes cover approximately 80 per cent of the financial value of the collection, whilst at the NGA this figure is 71 per cent. The Memorial had 489 items, and the NGA 18 items, which have been recorded as unable to be located during the stocktake process. As at January 2018, the NGA had 809 items that were recorded as 'to be located' in their CMS, which indicates that the NGA has legacy data issues to investigate.

³ The NGA received \$16.6 million in the May 2018 Budget and a further \$4.9 million grant from the Department of Communications and the Arts to assist in upgrading NGA's Parkes building.

Recommendations

Recommendation no.1

Paragraph 2.22

The National Gallery of Australia develop and implement a multi-year financial plan to improve its ratio of expense to revenue.

National Gallery of Australia response: *Agreed.*

Recommendation no.2

Paragraph 2.30

The National Gallery of Australia ensure that Collection Development Acquisition Budget funds are utilised for the specific purpose for which they are appropriated.

National Gallery of Australia response: *Agreed.*

Recommendation no.3

Paragraph 2.64

The ANAO recommends that the Australian War Memorial and the National Gallery of Australia improve their collection management frameworks by:

- identifying all of the policies, plans and procedures which are relevant to the management of their collections;
- assessing and filling gaps in policies, plans and procedures against applicable standards;
- establishing a structured and regular system of review to ensure that all policies, plans and procedures are up to date; and
- developing arrangements to provide ongoing and consistent storage of and access to collection management policies, plans and procedures.

Australian War Memorial response: *Agreed.*

National Gallery of Australia response: *Agreed.*

Recommendation no.4

Paragraph 3.15

To ensure that entities are effectively developing the National Collections, the ANAO recommends the:

- (a) Australian War Memorial review and update its Collection Development Plan; and
- (b) Australian War Memorial and National Gallery of Australia:
 - establish a structured process to support the development of and monitoring against their respective Collection Development Plan and Art Acquisition Statement of Intent;
 - publish a full or modified version of their Collection Development Plan and Art Acquisition Statement of Intent on their websites; and
 - assess their collections to identify items for disposal/deaccession and establish a plan for removing these items from their collections.

Australian War Memorial response: *Agreed.*

National Gallery of Australia response: *Agreed.*

**Recommendation
no.5**

Paragraph 3.26

The ANAO recommends that the Australian War Memorial continue to improve its acquisition procedures including:

- specifying how the acquisition aligns with the approved Collection Development Plan; and
- assessing the whole-of-life costs of acquisitions in line with the requirements of the Commonwealth Procurement Rules and providing this information to the decision maker.

Australian War Memorial response: *Agreed.*

**Recommendation
no.6**

Paragraph 3.35

The National Gallery of Australia improve proposals for acquiring items into its collection by:

- assessing the whole-of-life costs of acquisitions, in line with the requirements of the Commonwealth Procurement Rules and providing the costs to the delegate;
- investigating the items located in storage areas on the NGA's premises and processing any unaccessioned items as a priority; and
- setting and monitoring standards for the timely processing of proposed acquisitions that have been brought onto the NGA's premises.

National Gallery of Australia response: *Agreed.*

**Recommendation
no.7**

Paragraph 3.60

To assist entities in meeting their legislated responsibilities to maintain the National Collections, the ANAO recommends that:

- (a) the Australian War Memorial review and update its Collection Preservation Plan; and
- (b) the Australian War Memorial and National Gallery of Australia review the resources allocated to conservation activities to ensure that these resources are aligned to conservation risks, meet collection management standards and are appropriate for achieving business priorities.

Australian War Memorial response: *Agreed.*

National Gallery of Australia response: *Agreed.*

**Recommendation
no.8**

Paragraph 3.77

The ANAO recommends that the National Gallery of Australia develop and implement a long-term storage solution for the National Collection, ensuring compliance with storage standards for artworks. In the interim, that storage considerations should become a key part of a revised acquisition process.

National Gallery of Australia response: *Agreed.*

**Recommendation
no.9****Paragraph 3.87**

The ANAO recommends that the National Gallery of Australia ensure that it has a fully funded plan in place to provide timely maintenance and replacement of critical infrastructure.

National Gallery of Australia response: *Agreed.*

Summary of entity responses

27. Summary responses from the entities are provided below. The full responses are provided at Appendix 1.

Australian War Memorial

The Memorial acknowledges the conclusions of the audit and the findings regarding effective governance and risk management frameworks; well planned and funded storage; well controlled security; and sound financial position and use of funding.

The Memorial also acknowledges the ANAO's findings that the collection management framework is effective and will be improved as the recommendations of the audit are implemented.

National Gallery of Australia

The NGA welcomes the ANAO Report on the Management of the National Collections, and accepts all the recommendations it makes. The NGA has been operating for many years in a context of concerning financial pressure and fully understands the ANAO's urging for greater attention to the expense/revenue ratio, and the associated risks. The NGA has recently taken firm measures to balance a decreased budget and sought to make major improvements in its operations including the development of a new Financial Sustainability Plan (approved by Council in 2017).

We are committed to a multi-year financial plan and reducing risk in all areas of our operations.

All of this has strong and relevant implications for collection management. In recent years it has been necessary to spend more than we consider ideal on collection care, given the serious backlog in areas of building maintenance and security. Following two years of careful research and planning, the NGA welcomed an extraordinary capital grant of \$16.6 million through an NPP (announced in the May 2018 Budget) and a further grant of \$4.9 million from the Department of Communications and the Arts, a total of \$21.5 million, to address the many high risk issues directly relevant to the care and safety of the collection. This represents a huge step forward, and is a key part of the NGA's continuing financial recalibration. We remain vigilant in examining the spending of appropriated funds to support the care and growth of the national collection.

The NGA enjoys a national and global reputation for its exemplary collection management processes in all aspects of handling works of art, ranging from preparation for packing and travel, to meticulous conservation approaches to works designated for exhibition, either on-site, or part of our ambitious external loans program. We accept the ANAO's recommendations on a range of collection issues, from deaccessioning, to calculating at the time of acquisition "whole of life" storage and conservation costs, and we value its commentary on the management of supporting policies, plans and procedures, including acquisition processes, and planning for future storage. NGA Management is committed to delivering appropriate actions on all the ANAO recommendations.

Key learnings for all Australian Government entities

28. Below is a summary of key learnings, which have been identified in this audit, that may be relevant for the operations of other Commonwealth entities particularly those with responsibility for managing National Collections and/or other cultural and heritage assets.

Governance and risk management

- The significance of the National Collections means that the financial and non-financial value of the assets within a collecting entity's display and storage facilities will often exceed the financial value of the facilities themselves. A shortfall in facility performance with respect to temperature, humidity or security can substantially compromise the collections they hold. Entities should ensure that budget allocations for ongoing maintenance, storage and security are appropriate according to risk.
- All entities should have systems in place to provide the Accountable Authority with assurance that budgets are being managed appropriately and within the intent of appropriations. This is particularly relevant for entities created by statute, where the relevant Act limits the conditions to which an appropriation may be allocated (for example - *developing, maintaining and exhibiting the collections in the national interest*).

Procurement

- Entities using limited tender procurements (such as when procuring works of art) must ensure they comply with the mandatory requirements of the Commonwealth Procurement Rules, including providing an assessment of whole-of-life costs.

Records management

- To ensure that collection and other asset management frameworks are complete, up-to-date and accessible to all appropriate staff, entities should: identify all relevant policies, plans and procedures; assess and fill in any gaps in these framework documents, ensuring that they meet applicable standards; and maintain them using appropriate version control and approval. Regular review is necessary to ensure that they are current and relevant; as is maintaining them in a central and accessible location.

Audit findings

1. Background

National Collections

1.1 Australia's National Collections provide rich insights into its national spirit, values, history, culture and way of life. The entities responsible for the National Collections play a pivotal role in collecting, making publically available, and preserving for posterity items and information integral to Australia's national identity and achievements.

1.2 As at 30 June 2017, Australia's major⁴ National Collections consisted of heritage and cultural assets estimated to be valued at more than \$10.5 billion. The most valuable collection (in financial terms) is the National Collection of Works of Art held by the National Gallery of Australia (see Table 1.1).

Table 1.1: Value and volume of Australia's key National Collections, June 2017

Collection (entity)	Value (\$ 000)	Volume (number of items) ^a
National Collection of Works of Art (National Gallery of Australia)	5 984 790	153 332
National Archives of Australia Collection	1 454 957	Not reported
National Library Collection	1 326 748	Not reported
Australian War Memorial Collection	1 175 018	735 505
National Historical Collection (National Museum of Australia)	276 809	230 000
National Audio-visual Collection (National Film and Sound Archive)	250 908	2 835 000
National Maritime Collection (Australian National Maritime Museum)	69 257	146 262
National Portrait Collection (National Portrait Gallery)	34 636	2 664
Total	10 573 123	4 102 763

Note a: The number of items in a collection can vary depending on how they are counted. An item could be made up of several parts and, therefore, one item could actually be counted multiple times because of the nature of its parts.

Source: Entity annual reports, 2016–17.

The Australian War Memorial and National Gallery of Australia collections

1.3 This audit focusses on the collections held by the Australian War Memorial (Memorial), and National Gallery of Australia (NGA). Together, these two collections are valued at over \$7 billion (see Table 1.1).

⁴ There are several smaller collections held by the Commonwealth, such as the Bundanon Trust. The Commonwealth also holds significant heritage and cultural assets as part of the Australian Parliament House collections.

1.4 Both entities have a legislated responsibility to develop, maintain, exhibit and utilise their collections in the national interest. The nature of the respective collections is markedly different. Both hold a variety of items—while the Memorial’s collection is more voluminous than the NGA’s, the NGA’s collection is significantly more valuable in financial terms. Both entities’ collections include works of art (paintings, sculptures, prints, photographs etc.) and the Memorial’s collection also includes weapons, very large objects (such as aircraft) and potentially hazardous items. These commonalities and differences impact on how each of the entities manage their collections.

1.5 The Memorial and the NGA are corporate Commonwealth entities and are subject to the requirements of the *Public Governance, Performance and Accountability Act 2013*, including the Commonwealth Procurement Rules.

Australian War Memorial

1.6 The Memorial opened in 1941 and is a statutory authority established under the *Australian War Memorial Act 1980*. The Memorial is part of the Veterans’ Affairs portfolio.

Box 1: Functions of the Memorial

The core functions of the Memorial are to:

- maintain and develop the national memorial to Australians who have died:
 - on or as a result of active service; or
 - as a result of any war or warlike operations in which Australians have been on active service;
- develop, maintain and exhibit, as an integral part of the national memorial, a national collection of historical material; and
- conduct and foster research into Australian military history.

1.7 The Memorial’s Council, as the Accountable Authority, is responsible for the conduct and control of the affairs of the Memorial. Council members include the heads of the Army, Navy and Air Force, who have statutory membership. Remaining members are appointed by the Governor General.

1.8 The Memorial’s collection includes a range of historical and cultural material relating to Australia’s experience of war and involvement in peacekeeping, humanitarian and other operational service. As at 30 June 2017, the Memorial had responsibility for approximately 735 505 heritage and cultural assets valued at \$1.18 billion.

1.9 In 2016–17 the Memorial received a total of \$65.1 million in revenue, of which \$42.72 million was provided by Government, with the remainder being own source revenue from sources such as donations and the sale of goods and services. In addition to this total revenue, the Memorial receives an annual equity injection from Government to support the growth of its heritage and cultural assets. In 2016–17 this injection was \$7.2 million. As at 30 June 2017 the Memorial had 324 employees.

National Gallery of Australia

1.10 The NGA opened in 1982 and is a statutory authority established under the *National Gallery Act 1975*. The NGA is part of the Communications and the Arts portfolio.

Box 2: Functions of the NGA

The core functions of the NGA are to:

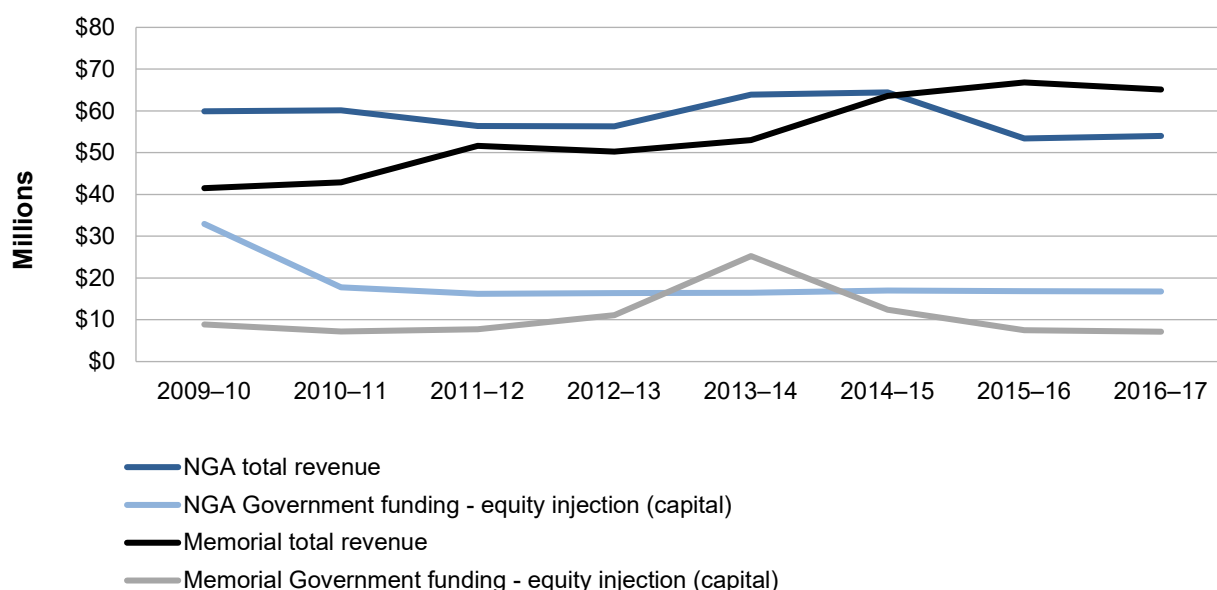
- develop and maintain a national collection of works of art; and
- exhibit, or make available for exhibition by others, works of art from the national collection, or works of art that are otherwise in the possession of the Gallery.

1.11 The NGA's Council, as the Accountable Authority, is responsible for the proper and efficient performance of the functions of the NGA and to determine the NGA's policies. The Director, also a member of the NGA's Council, is the NGA's Chief Executive Officer.

1.12 The NGA's collection comprises a broad range of artworks of national and international significance. The NGA's primary focus is on collecting: modern art worldwide; all Australian art; and works of art representing the high cultural achievement of Australia's neighbours in southern and eastern Asia and the Pacific Islands. As at 30 June 2017, the NGA's collection had approximately 153 332 heritage and cultural assets valued at \$5.98 billion.

1.13 In 2016–17 the NGA received \$54.03 million in revenue. Of this, revenue from Government was \$31.34 million with the remainder being own source revenue from donations, the sale of goods and services, and entry fees. In addition to total revenue, the NGA receives an annual equity injection from Government to support the growth of their heritage and cultural assets. In 2016–17 this injection was \$16.77 million. As at 30 June 2017, the NGA had 282 employees. Figure 1.1 shows total revenue and equity injections for the Memorial and the NGA in the financial years 2009–10 to 2016–17.

Figure 1.1: Memorial and NGA revenue and equity injections, 2009–10 to 2016–17

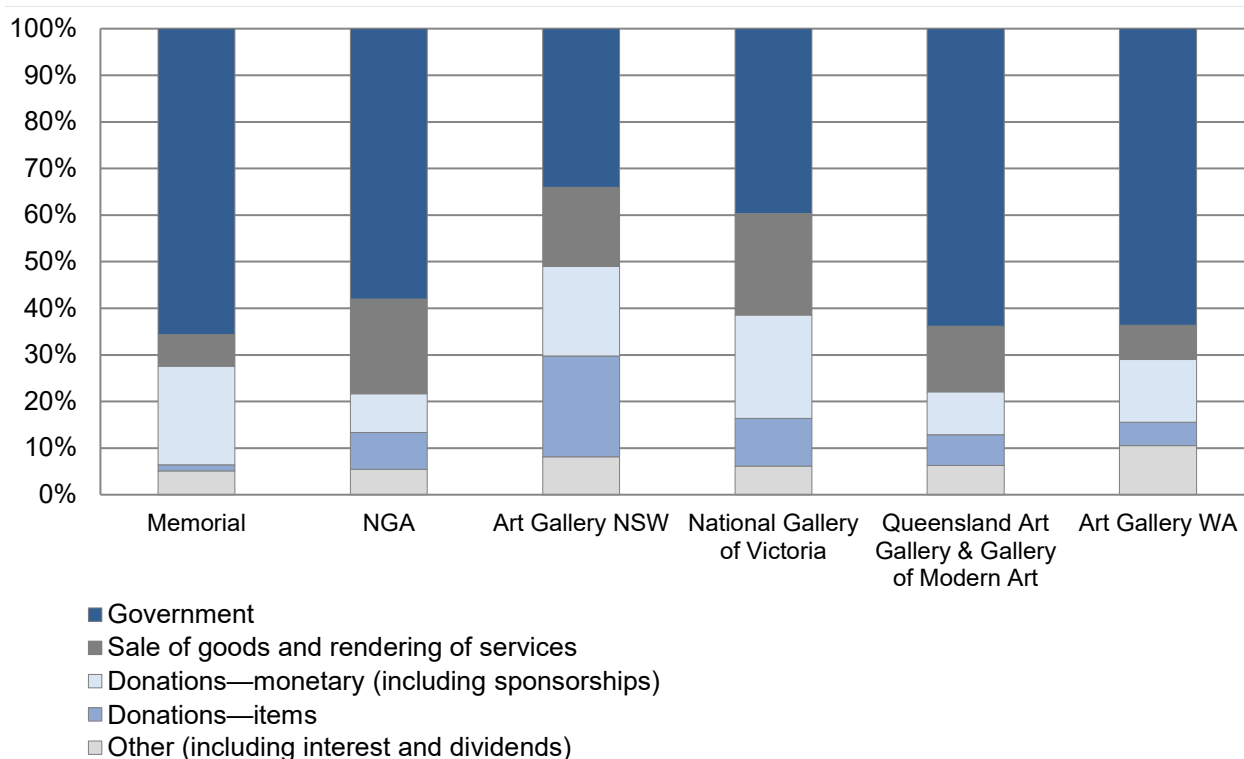


Source: ANAO, from entity annual reports.

Australian War Memorial and National Gallery of Australia revenue and expenses compared to similar entities

1.14 The Memorial receives around 66 per cent of its funding from Government and the NGA receives around 59 per cent. Figure 1.2 compares the relative proportion of Memorial and NGA funding sources to other state institutions around Australia.

Figure 1.2: Sources of funding for the Memorial, NGA and other institutions, 2016–17



Source: Entity annual reports, 2016–17

1.15 Table 1.2 provides financial information for the Memorial and NGA and compares these to several state galleries for 2016–17.

Table 1.2: Memorial, NGA and other institutions' revenue, expenses and value of collections, 2016–17

	Memorial (\$ m)	NGA (\$ m)	Art Gallery NSW (\$ m)	National Gallery of Victoria (\$ m)	QAGOMA ^a (\$ m)	Art Gallery WA (\$ m)
Total revenue ^b	65.06	54.03	86.47	143.96	71.64	15.88
Total expenses	75.90	76.16	51.7	114.19	55.28	12.57
Revenue minus expenses	(10.81)	(22.13)	34.72	29.77	16.36	3.31
Value of collection	1 175	5 985	1 367	3 575	416	298

Note a: Queensland Art Gallery and Gallery of Modern Art.

Note b: In addition to total revenue, the Memorial and the NGA receive an annual equity injection from Government to support the growth of their heritage and cultural assets. In 2016–17, this was \$7.2 million for the Memorial and \$16.77 million for the NGA.

Note: Table contains rounding.

Source: Entity annual reports, 2016–17.

1.16 On 26 March 2018, the Joint Standing Committee on the National Capital and External Territories announced an inquiry that will review Canberra's national institutions and the strategies they use to maintain viability and relevance to sustainably grow their profile, visitor numbers, and revenue.

Previous ANAO performance audits of the National Collections

1.17 The ANAO has undertaken two performance audits of the National Collections in the past two decades: *Safeguarding Our National Collections* (1998)⁵; and *Safe and Accessible National Collections* (2005).⁶

1.18 The 1998 audit assessed four entities, including the Memorial and the NGA.

Table 1.3: Objective, conclusion and recommendations of the 1998 audit

Audit	ANAO Audit Report No. 8 1998–99 <i>Safeguarding Our National Collections</i>
Objective	To assess the efficiency and effectiveness of the management processes employed in safeguarding national collections.
Conclusion	... although there were elements of better practice for selected collection management activities, there were notable gaps in the management processes employed in safeguarding national collections in each of the institutions examined

5 ANAO Audit Report No. 8 1998–99 *Safeguarding Our National Collections*, available at: https://www.anao.gov.au/sites/g/files/net4121/f/anao_report_1998-99_08.pdf [accessed 8 March 2018].

6 ANAO Audit Report No. 59 2004–05 *Safe and Accessible National Collections*, available at: <https://www.anao.gov.au/work/performance-audit/safe-and-accessible-national-collections> [accessed 8 March 2018].

Audit	ANAO Audit Report No. 8 1998–99 <i>Safeguarding Our National Collections</i>
Key findings to the Memorial and the NGA	<ul style="list-style-type: none"> • The audit recommended that the Memorial improve monitoring processes relating to acquisitions and deal with its backlog of registrations. • The audit recommended that the NGA: develop and use selection criteria to guide acquisitions; improve accessioning and reduce its backlog and; develop dedicated quarantine and treatment facilities. • The audit recommended that both entities: introduce a comprehensive costing regime for acquisitions; identify items for possible disposal; enhance documentation relating to their collections; enhance conservation resourcing and activities; implement routine pest inspections; isolate all incoming material from other parts of the collections; review security and fire systems (where necessary); enhance disaster planning; enhance performance indicators; and develop a management reporting framework.

Source: ANAO Audit Report No. 8 1998–99 *Safeguarding Our National Collections*.

1.19 The 2005 audit assessed six entities, including the Memorial and the NGA.

Table 1.4: Objectives, conclusion and recommendations of the 2005 audit

Audit	ANAO Audit Report No. 59 2004–05 <i>Safe and Accessible National Collections</i>
Objectives	To provide assurance that there were effective measures in place to safeguard the national collections and that institutions had processes in place to provide access to them. To assess the extent to which the national cultural institutions have implemented the eleven recommendations from the 1998 report.
Conclusion	The institutions had embraced the findings and recommendations of the previous audit and, on the whole, had implemented actions to address those recommendations.
Key findings relevant to the Memorial and the NGA	<ul style="list-style-type: none"> • The audit recommended that the NGA: develop a more focussed collection development policy; prioritise the assessment of the Commonwealth Collection for disposal; improve resource allocation to conservation efforts; consider introducing performance targets for facilities repair and maintenance and a formal system to monitor key collection related repairs and maintenance; and improve physical security in collection storage areas. • The audit also recommended that both the Memorial and the NGA: perform a detailed security risk assessment; formulate long-term digitisation plans; and enhance performance monitoring and reporting relating to collection management and maintenance.

Source: ANAO Audit Report No. 59 2004–05 *Safe and Accessible National Collections*.

Audit approach

1.20 The objective of this audit was to assess whether the Australian War Memorial and the National Gallery of Australia have implemented effective collection management practices. To form a conclusion against the audit objective, the ANAO adopted the following high-level audit criteria. The Memorial and the NGA have:

- established effective strategic frameworks to support the management of their collections; and
- implemented effective systems and processes for managing their collections.

Scope and methodology

1.21 The focus of the audit was on the:

- role of governing councils in determining the strategic policies and directions to be followed to ensure the appropriate and effective management of collections;
- entity management in applying the priorities of the governing councils through effective management of the collections; and
- extent to which the Memorial and the NGA have implemented the relevant recommendations of the previous ANAO performance audit into the National Collections—ANAO Report No.59 2004–05 *Safe and Accessible National Collections*. See Appendix 1.

1.22 The audit did not include in its scope an assessment of the entities' effectiveness in promoting access to their collections.

1.23 In conducting the audit, the ANAO: reviewed Memorial and NGA documentation; extracted and analysed data from entity collection management systems; tested a number of acquisitions and disposals that occurred during 2017; and interviewed Memorial and NGA staff. The audit also sought public submissions via the ANAO website.

1.24 The audit was conducted in accordance with ANAO Auditing Standards at a cost to the ANAO of approximately \$440 011.

1.25 The team members for this audit were Jess Scully, David Hokin, Nathan Callaway, James Sheeran, and Paul Bryant.

2. Governance and strategic frameworks of the National Collections

Areas examined

This chapter examines whether the Australian War Memorial (Memorial) and the National Gallery of Australia (NGA) have established effective strategic frameworks to support the management of the National Collections. The chapter reviews: governance structures; business sustainability and financial management; overarching collection management frameworks; and risk management.

Conclusion

The Memorial has effective governance and risk management frameworks. The Memorial's framework for collections management requires improvement in relation to the establishment of a central and consistent storage, monitoring and reviewing process for relevant framework documents.

The effectiveness of the NGA's governance and financial management controls requires improvement, with the entity in a high risk financial position. At the time of the audit, the NGA was developing a financial sustainability plan to address its financial position. The NGA's collection management framework requires improvement by ensuring that relevant policies, plans and procedures are finalised and in place and that structured review, update and storage arrangements for these documents are established. The NGA's risk management framework is yet to reach a state of maturity.

Areas for improvement

The ANAO made three recommendations aimed at:

- strengthening NGA financial management processes to ensure effective budget management;
- improving NGA oversight over the use of Collection Development Acquisition Budget funds for the purpose for which Parliament intended; and
- improving collection management frameworks at both the Memorial and NGA.

The ANAO also suggested that the Memorial reviews its KPIs and Corporate Plan to ensure compliance with the *Public Governance, Performance and Accountability Act 2013*.

Have the entities established effective oversight arrangements and performance frameworks for the management of their collections?

The Memorial was found to have established effective governance structures to oversee its strategic responsibilities for the National Collection. At the NGA, governance requires improvement to ensure the Council fulfils its legislative obligations in relation to financial management.

The Memorial was found to be in a sound financial position, with positive liquidity and evidence that it has operated consistently within its fiscal parameters. The NGA is in an 'at risk' financial position, with cash flow problems. In February 2018 solvency was added to the NGA's strategic risk register as a 'major' risk, and needs to be considered in conjunction with such issues as the urgent maintenance works required to the Gallery building.

Allied to the issue of financial sustainability is the treatment by each entity of government equity injections in relation to the Collection Development Acquisition Budget (CDAB), described as 'funding provided to Designated Collection Institutions to allow them to grow and maintain their heritage and cultural asset collections'. The Memorial has appropriate controls around the utilisation of CDAB funding. The NGA has used injections of equity, designed for the purchase and maintenance of the artworks, for operating costs. This does not meet the intent of Parliament in its appropriation of funding under CDAB.

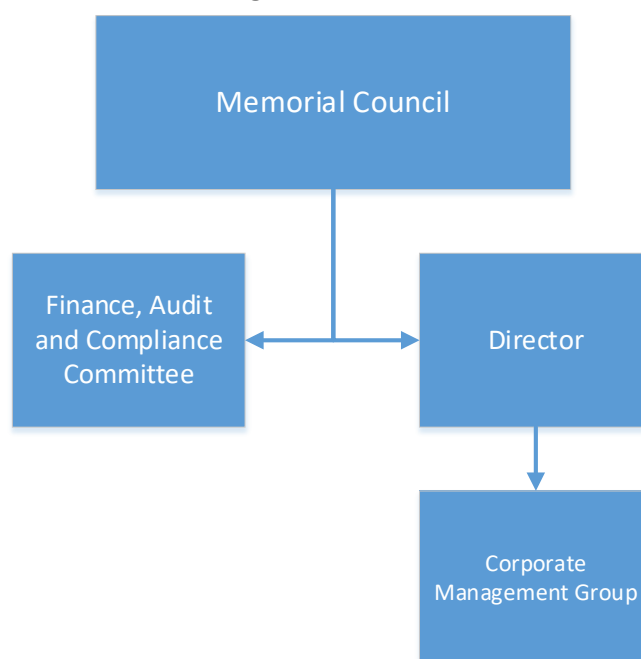
Each entity lacks a meaningful performance framework aligned to program objectives. The Memorial does not include any performance indicators or measures in its Portfolio Budget Statements (PBS) or Corporate Plan.

Governance arrangements

2.1 Governance arrangements over the collections are provided through each entity's Council and various committees, as well as internal management structures. The Memorial and the NGA are both subject to the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), which imposes key reporting, financial and other obligations on each Council as the Accountable Authority, and on associated officials. The Memorial is accountable to the government through the Minister for Veterans' Affairs, while the NGA is accountable through the Minister for the Arts.

Australian War Memorial

2.2 The Memorial has established an effective governance structure to oversee the management of its collection. This structure is depicted in Figure 2.1 below.

Figure 2.1: Australian War Memorial governance structure

Source: ANAO.

2.3 The Council of the Memorial is established by section 9 of the *Australian War Memorial Act 1980* (AWM Act). The Council is responsible for the conduct and control of the affairs of the Memorial, and the policy of the Memorial with respect to any matters as determined by the Council. The Council's role is also determined by the PGPA Act.

2.4 The Council of the Memorial is required under section 17(1) of the AWM Act to meet as often as the Chair considers necessary, and meets in practice four times per year. Council consists of the three Chiefs of the Defence Services and between eight and 10 other members. In 2016–17 there were 13 members in total.

2.5 The Council has established a key advisory sub-committee as outlined in Figure 2.1—the Finance, Audit and Compliance Committee (FACC)⁷, which was found to have been appropriately constituted and attended.⁸ In addition, the Corporate Management Group comprises senior executives at the Memorial who meet weekly and are responsible for the overall management of the Memorial.

2.6 Overall, the ANAO found that the Council meetings operate in accordance with legislative requirements in areas such as attendance and frequency of meetings. The Council receives and reviews strategic reports and policy documents.

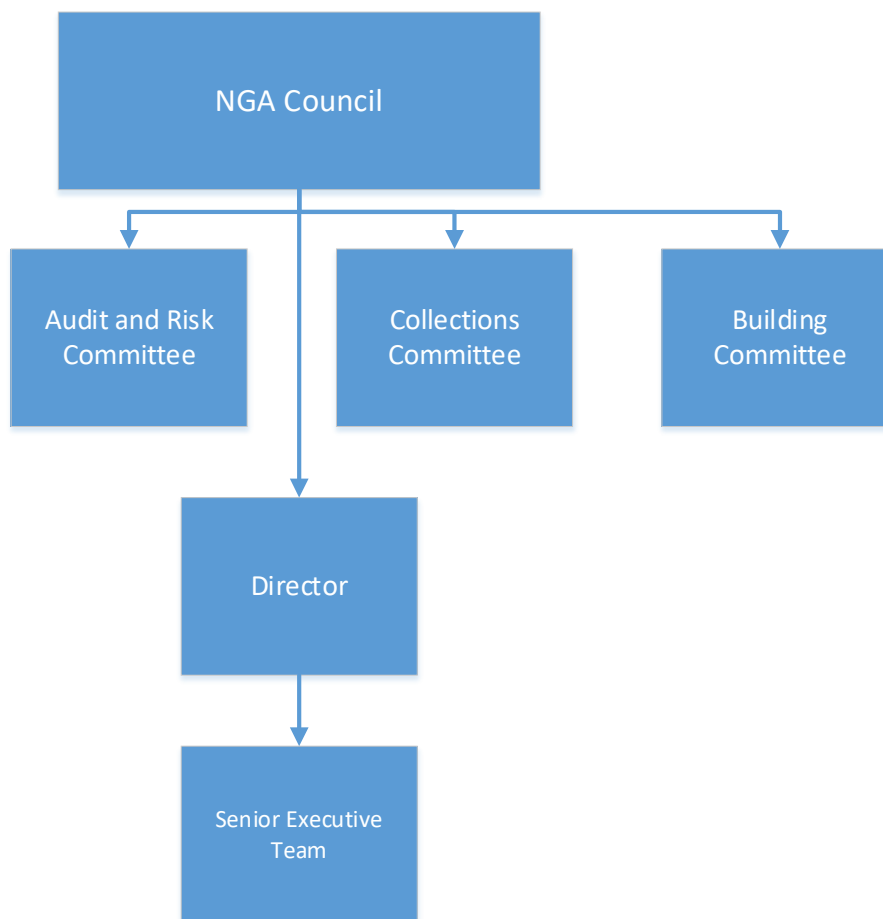
National Gallery of Australia

2.7 The NGA's governance structure is depicted in Figure 2.2.

⁷ Other committees of the Council are the Remuneration Committee and the Roll of Honour Committee but they are not considered here in the context of the management of the National Collection.

⁸ In 2016–17 the FACC consisted of five council members and an independent member. This has subsequently been reduced to four council members and an independent member. Two other council members generally attend as observers. The FACC meets four times per year.

Figure 2.2: National Gallery of Australia governance structure



Source: ANAO.
Council

2.8 Section 12 of the *National Gallery Act 1975* (NGA Act) establishes a Council to conduct the affairs of the NGA. As stated in its Charter (May 2017), the Council has the following functions:

- to ensure the proper and efficient performance of the functions of the organisation including a performance monitoring and reporting role (including risk management); and
- to determine the policy of the organisation with respect to any matter.

2.9 The Council of the NGA is required under section 20 of the NGA Act to meet as often as the Chair considers necessary, and at least five times a year (as set out in the Council's Charter), which it achieves. Council consists of not more than 11 members as set out in section 13 of the NGA Act: namely the Chair, the Director and nine other members. In 2016–17 the Council comprised nine members in total.

2.10 The ANAO found that Council meetings operate in accordance with legislative requirements in areas such as attendance and frequency of meetings. The Council receives and reviews strategic reports and policy documents.

Senior Executive Team

2.11 The NGA's Senior Executive Team (SET) is made up of the Director, Deputy Director and two Assistant Directors, as well as the Chief Financial Officer (CFO). The CFO is responsible for building

services, security, visitor experience teams, governance, project management, records, business continuity and risk, in addition to financial management.

Sub-committees of the Council

2.12 The Council of the NGA may constitute such committees as it deems necessary for the purposes of the NGA Act.⁹ Of relevance to the management of the collection are the:¹⁰

- Audit and Risk Committee (the Committee changed its name from the Finance, Risk Management and Audit Committee at the April 2017 meeting);
- Collections Committee (previously known as the Acquisitions Committee), which was reinstituted at the November 2016 Council meeting as a separate committee of the Council; and
- Building Committee.

2.13 Each committee has a Terms of Reference.¹¹ Each committee functions in a review and advisory role only, having no executive powers, supervisory function or decision-making authority in relation to the operations of the Gallery other than by delegation of the Council. As at March 2018, the Council had not delegated any such powers, function or authority. Membership overlaps with Council, with each committee requiring at least three non-executive council members to be members.

2.14 Of the nine NGA council members in place at any time, typical council member attendance at the sub-committees in 2017 was:

- Audit and Risk Committee—the committee generally consisted of two to three council members, and two independent audit and risk committee members. An additional three to six council members attended meetings as observers;
- Collections Committee—on average six council members attended, three as committee members and two to three observers; and
- Building Committee—on average five council members attended (ranging from three to five members and one to two observers).

2.15 In August 2016 a strategic review of the NGA was undertaken which concluded:

- Council members were not clear about the NGA’s vision, quoting them as stating ‘It is a bit fuzzy’;
- sound governance practices and transparent decision-making processes needed to be embedded across the NGA, particularly focusing on clarifying and formalising decision-making processes so that decisions may be timely, adhered to and not revised; and

9 Under section 21(1) of the NGA Act. Subsection 21(2) of the NGA Act stipulates that a committee may be constituted wholly by members of the Council or partly by members of the Council and partly by other persons.

10 Another committee of the Council is the Performance and Executive Remuneration Committee but it is not considered here in the context of the management of the National Collection.

11 These are dated February 2016 (Building); November 2016 (Collections); and April 2017 (Audit and Risk).

- professional advice from staff is ignored by senior management and therefore not escalated to Council.¹² This was said to result in poor outcomes and expense to the Gallery.

2.16 In response to the strategic review, a draft Governance Framework was presented to the Audit and Risk Committee in November 2017. If implemented, the Framework will enable the NGA to better integrate its governance, planning and finance processes in line with PGPA Act requirements, improve decision-making and help in the achievement of the NGA's objectives. The Council endorsed the framework, but noted that it was essential that the concept of a strong corporate culture be developed and embedded into the Framework. A revised Governance Framework was presented to the February 2018 Audit and Risk Committee, which recommended that it be endorsed again by the Council. At the time of audit, the Framework had not been approved. NGA governance issues relating to financial sustainability and management are discussed below.

Business sustainability planning

Cash reserves (as a measurement of financial sustainability)

2.17 Both entities incurred a net deficit on continuing operations in 2016–17.¹³ The Memorial incurred a deficit of \$10.8 million; and the NGA incurred a deficit of \$22.1 million. The sustainable operation of each entity depends on the extent of its liquid funds.¹⁴ Table 2.1 shows that the Memorial is in a strong liquidity position, and that the Memorial is considered to have operated consistently within its fiscal parameters. The financial assets of each entity against its liabilities (payables and provisions) as at 30 June 2016 and 30 June 2017 is shown in Table 2.1.¹⁵

Table 2.1: Financial liquidity

	Memorial		NGA	
	30 June 2017 \$m	30 June 2016 \$m	30 June 2017 \$m	30 June 2016 \$m
Financial assets	74.6	75.4	6.0	5.3
Total liabilities	(10.4)	(9.6)	(9.2)	(10.5)
Net liquidity	64.2	65.8	(3.2)	(5.2)

Source: ANAO analysis of entity annual reports, 2016–17.

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- 12 The ANAO noted that there are still barriers to the provision of whole-of-life costs to Council. This is discussed further in Chapter 3 of this report.
- 13 Entities in receipt of a Collection Development Acquisition Budget may make a technical operating loss as a result of the net cash appropriation arrangements. Source: Department of Finance – May 2017 Resource Management Guide 125: *Commonwealth Entities Financial Statements Guide*, p. 99.
- 14 In 2014–15, in concluding its financial audit of the NGA, the ANAO noted that a net financial liability position increased the risk that the Gallery will need to call on emergency funding from Government should unforeseen circumstances arise. While satisfied that Government support means that the going concern basis of accounting is appropriate for the NGA, the ANAO agreed at that time that in a tight fiscal environment management and the Council must closely monitor the Gallery's cash position in the future, with a focus on improving the net financial liability and cash flows from operations.
- 15 For comparison, the National Library had financial assets of \$53.6 million, and the National Museum had financial assets of \$42.3 million at 30 June 2017.

National Gallery of Australia's financial sustainability

2.18 In August 2016 the NGA Council discussed the Gallery's poor financial position in relation to cash flow. The nature of the situation was highlighted in the CFO's report to the November 2016 Audit Committee. The CFO advised the Committee that:

... the Gallery still has severe cash-flow issues. The NGA is spending more money than it will likely receive in 2016–17 and is not spending the cash it receives on the appropriate items.

Due to the likely end of year cash forecast and the potential for external shocks, like an unsuccessful exhibition or major building failure, it is advised that the Gallery seek to cease further collection development activities after the November council for the remainder of the financial year.¹⁶

2.19 In response to its continuing deficit financial position (and other financial issues), in April 2017, the NGA developed a draft Financial Sustainability Plan covering 2017–21. The plan states:

The NGA should aim to have, at all times, cash reserves that will enable it to pay all current liabilities and fully cover all employee provisions. That is, for all current liabilities, the NGA should have current liquid assets (cash) to pay for those liabilities.¹⁷

2.20 The draft plan anticipated approximately \$8–\$10 million in cash assets at any given time based on previous years' current liabilities, which the plan notes will need to be built up over the next three or four financial years starting in 2017–18. As at February 2018, the NGA's operating cash position at 30 June 2018 was predicted to be \$5.5 million.

2.21 This financial position has had consequences for collection development. At the first Council meeting for the 2017–18 financial year (August 2017), the Director reported that the acquisitions proposed to the Collections Committee, represented eight months of keeping acquisition purchases on hold. The acquisitions had been unable to proceed in 2016–17 as all acquisition funding had been spent by November 2016. As at 31 October 2017, the NGA had already expended 72.6 per cent of its 2017–18 artwork acquisition budget —within the first four months of the financial year. Without contingency funds, the NGA will not be in an appropriate position to respond to strategic purchase opportunities. 'Solvency' was added to the NGA's strategic risk register in February 2018 as a new risk with a rating of 'Major'. The NGA's management of risk is discussed elsewhere in this chapter.

16 National Gallery of Australia, Finance, Risk Management and Audit Committee meeting, 22 November 2016, *Senior Executive Team (SET) Finance Report October 2016–17*, p. 5.

17 National Gallery of Australia, draft Financial Sustainability Plan 2017–21, PowerPoint slide 10.

Recommendation no.1

2.22 The National Gallery of Australia develop and implement a multi-year financial plan to improve its ratio of expense to revenue.

National Gallery of Australia response: *Agreed.*

2.23 *The NGA achieved an operational cash surplus in the 2016/17 financial year. It anticipates a similar result for 2017/18.*

2.24 *In June 2017 a range of measures were introduced through a Financial Sustainability Plan aimed at improving our financial metrics in the short and long term. This plan specifically documents measures to improve our expense/revenue ratio over the coming years and it will be implemented by the NGA going forward.*

Collection Development Acquisition Budget

2.25 The Memorial and the NGA both receive an equity injection of government funding through the Collection Development Acquisition Budget (CDAB). The Department of Finance describes this as ‘funding provided to Designated Collection Institutions¹⁸ to allow them to grow and maintain their heritage and cultural asset collections, rather than for asset replacement’.¹⁹ CDAB funding is provided by Parliament through Appropriation Bill No.2 directly to the Department of Veterans’ Affairs and the Department of Communications and the Arts.

Memorial Collection Development Acquisition Budget

2.26 Appendix 3 sets out the allocation of annual Appropriation Bill No.2 to CDAB for the Memorial from 2009–10 to 31 January 2018. The Memorial’s CDAB funding is quarantined and only available for reinvestment in the National Collection through conservation, preservation, and/or acquisition activities.²⁰

NGA Collection Development Acquisition Budget

2.27 Appendix 4 sets out the allocation of annual Appropriation Bill No.2 to CDAB for the NGA during the period 2009–10 to 31 January 2018.

18 From 2009–10 onwards, ten Commonwealth entities, including the Memorial and the NGA, have been designated as Collection Institutions and received separate CDABs. This means that corporate Commonwealth entities that are so designated do not receive funding for their heritage and cultural depreciation expenses, but continue to receive funding for depreciation/amortisation expenses for their other assets (such as fit-outs, and infrastructure, plant and equipment). Source: Department of Finance, *Commonwealth Entities Financial Statements Guide, Resource Management Guide No. 125*, May 2017, p. 98.

19 Department of Finance, *Commonwealth Entities Financial Statements Guide, Resource Management Guide No. 125*, May 2017, p. 12.

20 The May 2017 Finance, Audit and Compliance Committee (FACC) also noted that a ‘multi-year strategy was implemented in FY 2015–16 to rebuild CDAB reserves to provide for future major acquisitions and programs, and this strategy has been applied to the FY 2017–18 budget. ... During FY 2016–17, larger than planned drawdowns from reserves has enabled a number of major high value collection acquisitions and has resulted in a significant reduction to the forecast reserve balance as at 30 June 2017. The current balance will be insufficient to fund collection acquisitions of similar values from FY 2017–18 and beyond’.

2.28 In formal meeting discussions the NGA Director and Council have expressed a strong wish to expend the full CDAB allocation on the acquisition of artworks. Although the Audit and Risk Committee recognised that the purpose of CDAB funds was to purchase, care for and maintain the NGA's cultural and heritage assets²¹, the CFO nevertheless had to advise the Committee in November 2017 that the current budget had allocated CDAB funds 'towards what has traditionally been considered operational activities. The 2017–18 financial year structural deficit is due to allocating CDAB funds towards activities that are operational in nature and have traditionally been funded by departmental appropriation.' The Director's report to the February 2018 Council meeting made the following observations on strategic priorities facing the NGA:

The NGA, largely due over many years to the consistent transfer of money allocated in CDAB for acquisition purposes, to operating and other categories of capital replacement, has meant that the NGA has not been able to secure exceptional Australian and international masterpieces for many years. This needs to be reversed. Preserving the full CDAB allocation must be a strategic priority for Australia's premier art museum. We must remind ourselves what we are here to do, and what we were set up to achieve. Linked to this, as noted, is the relationship between collection growth and further storage demands and costs, and a broad ranging deaccessioning program will be essential.²²

2.29 The NGA Council, as the Accountable Authority, has a duty under section 15 of the PGPA Act²³ to govern the NGA in a way that promotes: the proper use and management of public resources for which it is responsible; the achievement of the purposes of the NGA; and the financial sustainability of the NGA. Furthermore, under section 19 of the PGPA Act²⁴, the Council has a duty to keep the Minister for the Arts and the Minister for Finance informed of any significant issues that have affected, or may affect, the NGA. There was no evidence that the NGA has advised the Ministers that it has utilised injections of equity, designed for the purchase and maintenance of artworks, for operating costs and capital costs. This does not meet the intent of CDAB's purpose and thereby the intent of Parliament.

21 At its August 2017 meeting, the Audit and Risk Committee endorsed the principle that 'we cannot continue to use CDAB funds whenever additional funds needed to be found for operating, and that alternative sources of funds must be identified'.

22 National Gallery of Australia, NGA Council Papers February 2018, Director's Report, Strategic Priorities, p. 21.

23 *Public Governance, Performance and Accountability Act 2013*, Part 2–2—Accountable authorities and officials, section 15 Duty to govern the Commonwealth entity.

24 *Public Governance, Performance and Accountability Act 2013*, Part 2–2—Accountable authorities and officials, section 19 Duty to keep responsible Minister and Finance Minister informed.

Recommendation no.2

2.30 The National Gallery of Australia ensure that Collection Development Acquisition Budget funds are utilised for the specific purpose for which they are appropriated.

National Gallery of Australia response: *Agreed.*

2.31 *The NGA utilises CDAB funds in accordance with appropriation requirements that stipulate that CDAB funds are to be used for the development and maintenance of the collection. It monitors expenditure closely to ensure compliance.*

2.32 *While the majority of funds from CDAB are directed to acquisition of art, some funds are directed to maintaining and caring for the collection as required. As the financial position of the NGA improves in coming years, it is our intention to increase the proportion of CDAB appropriation dedicated to acquisitions.*

2.33 *In 2017 Council requested that management work to maximise the utilisation of CDAB funds for direct purchases for the collection, recognising that, given NGA's current constrained capital funding, CDAB funds are at times channelled to the important and necessary task of caring for the collection.*

2.34 *The CDAB appropriation forms a vital pillar in our purpose to build and share Australia's national art collection.*

Performance measurement, monitoring and reporting

2.35 Reporting the performance of Commonwealth entities towards achieving their purpose is a fundamental tenet of public accountability and transparency. In its 2004–05 performance audit report, the ANAO recommended that: 'cultural institutions discuss, with a view to developing, a set of key common performance measures' (KPIs). All agencies, including the NGA, agreed to this recommendation, although the Memorial agreed with qualification:

The Memorial considered the development of common performance measures across institutions whose business outputs are quite different from one another will, of necessity be at the broadest level. In respect of performance measures, in the main it is considered best to deliver meaningful information about the institution's performance rather than seeking to make them common across institutions and thereby too broad to be useful. However there will be some areas where broad measures are appropriate.²⁵

2.36 National cultural institutions within the Arts portfolio, including national collecting institutions²⁶, subsequently report against a common set of Cultural Institutions KPIs, including KPIs developed in relation to funding, visits and audience reach, education and collections.²⁷ Although

25 ANAO Audit Report No.59 2004–05, *Safe and Accessible National Collections*, Recommendation No.14, p. 77.

26 These institutions are *Australian National Maritime Museum, Bundanon Trust, Museum of Australian Democracy, National Film and Sound Archive of Australia, National Gallery of Australia, National Portrait Gallery of Australia, National Library of Australia, and National Museum of Australia.*

27 Department of Communications and the Arts, *National Cultural Institutions Impact Report: 2016–17*, September 2017.

the Memorial does not participate in the National Cultural Institutions Impact Report²⁸, given its recognition that some broad measures are appropriate to all collecting institutions, the ANAO assessed the extent to which the Memorial performs against those common KPIs that relate to collections, and how the NGA publicly reports against these.²⁹ The results are shown in Appendix 5.³⁰

Australian War Memorial

2.37 The Memorial's Portfolio Budget Statements (PBS) set out a performance objective for the delivery of *Program Component 1.3—the National Collection*: 'an outstanding national collection of historical material with provenance that is related to Australia's military history'. The Memorial's Corporate Plan 2017–2021 does not detail measures as to how it will achieve this objective in relation to the National Collection. It refers only to the measurement of visitor attendance and satisfaction, without setting meaningful targets for these measures.

2.38 As shown in Appendix 5, the Annual Report 2016–17 includes a number of statistics in line with the common set of Cultural Institution KPIs, listing the achievement of the KPIs relating to Program Component 1.3. All of them are described as 'met', however only the measure relating to 'conservation standards in storage' includes details as to the nature of the target met.

2.39 The Memorial's existing reporting does not have measureable performance targets and makes it difficult to determine whether strategic goals have been achieved. The performance measures reported are not meaningful. The ANAO suggests that the Memorial reviews its KPIs and Corporate Plan to ensure compliance with the PGPA Act.³¹

National Gallery of Australia

2.40 The NGA's PBS set out performance information for the delivery of *Program Component 1.1—Collection development, management, access and promotion*: 'achieved through the ongoing development of the national collection and delivery of inspirational exhibitions, supported by research, scholarship, education and public programs'.

28 The Australian War Memorial is not within the Arts Portfolio, and therefore is not included in the Report.

29 The ANAO has not assessed the accuracy of the performance information.

30 Section 39 of the PGPA Act requires the Accountable Authority of a Commonwealth entity to prepare annual performance statements as soon as practicable after the end of each reporting period; and include a copy of the annual performance statements in the entity's annual report that is tabled in Parliament. The annual performance statements must provide information about the entity's performance in achieving its purpose. PGPA Rule 16F requires the Accountable Authority to measure and assess the entity's performance in achieving its purposes in the reporting period in accordance with the method of measuring and assessing the performance that was set out in the entity's corporate plan, and in any Portfolio Budget Statement or similar that were prepared for the reporting period.

31 Section 16E(2) of the PGPA Rule requires that an entity includes a summary of how it will measure and assess the achievement of its purpose. This includes incorporating in its corporate plan any measures, targets and assessments that will be used.

2.41 The NGA's Corporate Plan 2017–2018 details four of the seven measures set out in the PBS, and contains reporting in the Annual Report 2016–17 as to how it will achieve its purpose in relation to the National Collection.³²

2.42 While performance in a number of measures under the common set of Cultural Institutions KPIs is reported on, the targets were found to be arbitrary and often not met.

2.43 An internal audit report in February 2018 on *Planning and Performance Reporting* found that many of the NGA's performance measures do not provide users with a reasonable indication of performance and are seen by most as targets or statistics that are not based on realistic annual targets. The report states that it is not clear that the Senior Executive Team were involved in the establishment of, or review of, the current set of performance indicators. The review recommended that:

The [NGA] review all KPIs, taking into account RMG 131³³ and develop a new set of performance indicators. The performance indicators should clearly map to the Corporate Plan, Annual Business Plans, and the portfolio budget statements, cover the entity's activities that have been identified for the relevant year and be endorsed by the NGA Council.

2.44 The NGA agreed with the recommendation, noting that work had already commenced in reviewing the NGA's KPIs and NGA planning and reporting processes. Evidence indicated that the NGA is taking steps to review its planning and reporting processes, including KPIs, as part of the recently implemented Governance Framework.

Service Charter

2.45 Further to the ANAO recommendation in 2004–05 that the NGA 'introduces objective measures for its Service Charter'³⁴, the ANAO notes that the NGA reports, in its Annual Report³⁵, a series of visitor satisfaction measures in relation to NGA service standards. These service standards, as implemented in 2016–17, are shown in Table 2.2.³⁶

32 The Corporate Plan 2017–18 also details five measures that are not included in the PBS, including the number of works digitised annually (target 8500); the review of the Acquisitions Policy (target by June 2018); the update and implementation of the Collection Preservation Plan (target by June 2018); and the percentage of works acquired, researched and documented in accordance with endorsed standards (target 100 per cent).

33 The Department of Finance developed *Resource Management Guide No. 131—Developing Good Performance Information* (RMG 131) with the primary focus of the guide being to support good performance reporting in Corporate Plans and Annual Performance Statements as required under sections 35 and 39 of the PGPA Act.

34 ANAO Audit Report No.59 2004–05, *Safe and Accessible National Collections*, Recommendation No.14, p. 77.

35 NGA, Annual Report 2016–17, p. 53.

36 The ANAO has not assessed the accuracy of this performance information.

Table 2.2: NGA reporting against service standards, 2016–17

PBS measure	Target	Result	Met/Not met
Visitors who were satisfied or very satisfied with their visit	95%	93%	Not met
Teachers reporting overall positive experience	95%	96%	Met
Teachers reporting relevance to the classroom curriculum	90%	87%	Not met

Source: NGA, Annual Report, 2016–17, p. 53.

2.46 The NGA publishes its Service Charter on its website.³⁷ While the Charter itself does not include service performance measures or targets, these KPIs are detailed in the NGA's annual PBS and measure overall visitor satisfaction levels.

Have the entities developed frameworks to support the management of their collections?

The Memorial and the NGA have partially established documentation in relation to their collections management frameworks. There is scope to improve how the entities manage the policies, plans and procedures which make up their collection management frameworks. In particular, both entities should establish arrangements to centrally and consistently store, monitor and review relevant framework documents.

2.47 A collection management framework is made up of the policies, plans and procedures that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and improving collection management processes.³⁸ A strong mission and purpose should be evident throughout the framework. The framework should also be supported by regular review arrangements to drive a cycle of continuous improvement. The Memorial and NGA Councils are ultimately accountable for ensuring that an effective collection management framework is in place.




















2.48 The ANAO assessed whether the Memorial and the NGA have developed adequate collection management frameworks by reviewing the entities' key documents against collection management standards and guidelines. The implementation of these frameworks is discussed in the next chapter.

2.49 Overall, the ANAO found that both entities were lacking key elements of a collection management framework. A summary of the ANAO's analysis is presented in Table 2.3.

37 The National Gallery of Australia Service Charter is published on the NGA website, available from <<https://nga.gov.au/ContactUs/feedback/charter.cfm>>. [accessed 21 February 2018].

38 British Standards Institute, *PAS 197:2009 Code of Practice for Cultural Collections Management*.

Table 2.3: Collection Management Documentation Frameworks

Element	Memorial	NGA
Development of the collection		
Has the entity developed a policy relating to the development of its collection?		
Has the entity developed a plan relating to the development of its collection?		
Care and conservation of the collection		
Has the entity developed policies relating to the care and conservation of its collection?		
Has the entity developed plans relating to the care and conservation of its collection?		
Information about the collection		
Has the entity developed a policy relating to documenting its collection?		
Has the entity developed a plan for enhancing documentation relating to its collection?		
Other considerations		
Are review arrangements for collection management documentation well-established?		
Are collection management documents stored consistently and accessibly?		
Legend:  (solid green circle) means that adequate elements were in place;  (half yellow circle) means that some elements were missing, in draft at the time of assessment or out of date; and  (empty red circle) means that no elements were in place, although they may have been in place previously.		

Source: ANAO analysis of Memorial and NGA documentation. Collection management framework elements were based on *PAS 197: 2009 Code of Practice for Cultural Collections Management*.

Policies and plans for the development of the collection

2.50 The development of a collection involves both the acquisition (accession) of items into the collection and the disposal (deaccession) of items from the collection. A collection development policy and plan supports an entity in effectively shaping and planning the development of its collection by analysing the collection at a point in time and identifying priorities and gaps in its collection for future development.

Australian War Memorial

2.51 The Memorial's primary policy relating to the development of its collection is the National Collection Acquisitions and Disposal Policy. This document outlines the criteria that apply for assessing items for acquisition and disposal. This supports the Memorial's Collection Development Plan which includes more detailed information on how the policy will be implemented.

2.52 The Acquisition and Disposal Policy was updated in January 2018 to reflect the Memorial's current expectations in relation to the acquisition and disposal of collection items. In particular, the

revised policy³⁹ reflects the expectation that proposed acquisitions are assessed on the basis of their significance, relationship to the existing collection and resource implications and risk. The Memorial's most recent Collection Development Plan, however, covering the period 2010–13, is out of date and requires review. The plan should be updated to take account of the many items that have been accessioned into the collection since the last plan, and to reflect collecting priorities for recent conflicts. The Memorial should also consider identifying items for potential disposal as part of its revisions to the plan.

National Gallery of Australia

2.53 The NGA's Art Acquisition Policy, released in August 2017, outlines the NGA's desired philosophy supporting the acquisition of art for its collection. The policy commits the NGA to acquiring works of art in accordance with the *National Gallery Act 1975* and an overall Art Acquisition Strategy. The policy states that the NGA gives 'particular emphasis to the visual art of Australia, Europe and North America as well as Asian and Pacific countries'. The NGA's policy also includes that the 'development and enhancement of the collection is essential to ensure that the Gallery remains a vibrant, living entity'. To implement the Art Acquisition Policy, and to plan for the development of its collection, the NGA develops ten-year acquisition strategies for each of its collecting areas.⁴⁰ During audit fieldwork, the 2006–16 strategies were being updated, with the final strategy to be finalised in August 2018.

2.54 In 2017, the NGA also developed an Art Deaccessioning Policy. The Policy states that the NGA needs to proceed with particular care when deaccessioning items from its collection in order to balance a range of considerations including the: integrity and long-term quality of the collection; public interest; and effects any publicity may have on the willingness of current and future benefactors to donate or bequeath works of art to the NGA.

Policies and plans relating to the care and conservation of the collection

2.55 The care and conservation of an entity's collection involves activities relating to:

- collection care—security, storage, maintenance, handling, environmental monitoring and control, stocktaking and exhibitions and loans; and
- collection conservation—preventative conservation⁴¹ and remedial conservation⁴² activities.

Australian War Memorial

2.56 The ANAO identified a range of Memorial policies relating to the care and conservation of its collection. These included policies relating to: inward and outward loans; code of ethics relating to the National Collection; moral rights; stocktaking; research; preservation; and security. Similarly, plans were identified relating to care and conservation of the collection. These included the:

39 The previous policy had not been reviewed since 2012.

40 Examples of collecting areas include: Australian Paintings and Sculpture; Pacific Art; and Contemporary—International and Australian.

41 Preventative conservation includes actions and decisions about buildings, site and environment to achieve optimum conditions, storage and display provision.

42 Remedial conservation includes techniques applied to an item to achieve chemical and physical stabilisation for the purpose of extending the useful life of the item.

Environment Management Plan (in draft); Preventative Conservation Action Plan; Integrated Preventative Pest Management Plan (in draft); and Collection Preservation Plan (in draft). Most of the policies were last updated in 2012 and some of the policies and most of the plans were in draft form and/or had not been approved. It would be timely for the Memorial to identify all the policies and plans that it has in place relating to the care and conservation of its collection and develop and update them as necessary.

National Gallery of Australia

2.57 The ANAO identified a range of NGA policies relating to the care and conservation of its collection. Many of the NGA's policies were updated during 2017 and improvements have been made to the arrangements supporting approval and review. Key policies addressed activities such as: conservation; incoming and outgoing loans; stocktaking; business continuity; and exhibitions. Similarly, a range of plans focussed on the care and conservation of the NGA's collection including the: Collection Preservation Plan; Disaster Recovery Plan; and NGA IT Disaster Recovery Plan. The NGA has a range of policies and plans in place relating to the care and conservation of its collection which are current. NGA's storage policy and storage planning documents were in draft at the time of the audit. Storage at the NGA is discussed in the next chapter.

Policies and plans for documenting the collection

Australian War Memorial

2.58 The Memorial's Records Management and Public Access Policy, issued as a Director's Instruction, outlines the importance of records management for the organisation. While not specifically focussed on collection records, the policy covers records management related to the collection. The policy was last reviewed in October 2012. It is timely for this policy to be reviewed and updated by the Memorial, including review of consistency with the National Archives Digital 2020 policy.

2.59 Until 2012, the Memorial had in place the Collection Documentation Plan 2009–12 to set out how documentation relating to the collection would be developed and enhanced. The Memorial advised that the Collection Documentation Plan 2009–12 was not reviewed and reissued after 2012. Instead, the focus is now on the documentation that exists to direct and assist staff in the management of data about the collection. Several other Memorial policies and plans still refer to the Collection Documentation Plan which could cause confusion. It is timely for the Memorial to review the Collection Documentation Plan to determine if any of its content is still relevant and should be moved into other documents or whether the Collection Documentation Plan should be updated and reissued.

National Gallery of Australia

2.60 The NGA's Art Acquisition Policy, approved in August 2017, requires that records for each proposed acquisition are maintained. Records are to be made in accordance with the NGA's Record-Keeping Policy and procedures and should contain relevant information on decision-making. The NGA does not have a collections documentation plan to set out intended actions for improving the documentation of the collection and systems. The NGA advised that it instead focusses on practical measures for developing procedures to support the documentation of its collection.

2.61 The NGA has also developed a document called the *Care of the Collection* that includes high-level information about the documentation and care of the collection and the NGA's collection management system. This document is out of date—the NGA advised that some information has not been updated in more than a decade.

Developing, reviewing and storing collection management framework documentation

2.62 Work has been undertaken or is underway in both entities in terms of developing, reviewing, updating and finalising policies, plans and procedures which form part of their approaches to managing their collections.⁴³ Progress is required to bed down a structured approach to the development and review of collection management documentation.

2.63 Neither entity had adequate arrangements in place for storing collection management framework documentation. While some key documents are accessible via the entities' intranet sites, both entities advised that it was common for collection management documentation to be stored in branch or section specific share drives. This results in a lack of central oversight over key documents, making it harder to ensure that an integrated framework is in place. It also creates uncertainty around the status of documentation and inhibits the ability of staff to access collection management documentation.

Recommendation no.3

2.64 The ANAO recommends that the Australian War Memorial and the National Gallery of Australia improve their collection management frameworks by:

- identifying all of the policies, plans and procedures which are relevant to the management of their collections;
- assessing and filling gaps in policies, plans and procedures against applicable standards;
- establishing a structured and regular system of review to ensure that all policies, plans and procedures are up to date; and
- developing arrangements to provide ongoing and consistent storage of and access to collection management policies, plans and procedures.

Australian War Memorial response: *Agreed.*

43 For example, at the Memorial work has been undertaken to improve acquisition procedures in relation to donations and purchases. A project was also underway at the Memorial to compile a list of all known policies and procedures that relate to collection documentation and management with the aim of establishing arrangements for the update and review of documentation. At the NGA, several key collection management policies were updated in 2017 such as a revised Art Acquisition Policy and Due Diligence and Provenance Policy. The NGA was also in the process of updating its Art Acquisition Strategies. In 2017, the NGA also developed a framework aimed at establishing arrangements relating to developing, revising, approving and accessing NGA policy documents.

2.65 *The Memorial accepts this recommendation and notes the following:*

- *Commencement of the development of a Collection Management Strategy including plans for updating and coordinating existing documentation and identifying and rectifying gaps in procedural documents is included in the 2018/19 Business Plan as a priority;*
- *The strategy will include a centralised, accessible storage area and regular cycle of review and update to be managed using existing information management systems.*

National Gallery of Australia response: *Agreed.*

2.66 *The NGA reviewed and updated all its collection management policies and procedures in 2017. These documents are now centralised on the NGA's staff intranet. A program of annual review has also been developed, enabling our collection management framework to be continuously improved. At the next review we will seek to identify any further areas for improvement including all the areas recommended.*

Have the entities developed effective risk management for the National Collections?

The Memorial has well embedded risk management processes, allowing management to monitor and respond to key risks. Improvements to NGA's risk management framework were observed, however these began in 2017 and hence are yet to reach a state of maturity. Improvements are required in how senior management monitors and responds to risks and how risks are reported.

Risk management

2.67 Under section 16 of the PGPA Act, the Accountable Authority of each Commonwealth entity is required to establish and maintain 'an appropriate system of risk oversight and management for the entity.'⁴⁴ Given the significant number of risks inherent in managing collections that are the size and complexity of those held by the Memorial and the NGA, sound risk management processes are critical.

2.68 The ANAO assessed the entities' risk management frameworks against elements of the Commonwealth Risk Management Policy and considered their performance in addressing specific risks they face. As corporate Commonwealth entities, neither the Memorial nor the NGA is required to comply with the Commonwealth Risk Management Policy.⁴⁵ However, the Policy states that corporate Commonwealth entities 'should review and align their risk management frameworks and systems with this policy as a matter of good practice'.⁴⁶

44 *Public Governance, Performance and Accountability Act 2013*, Part 2–2—Accountable authorities and officials, section 16 Duty to establish and maintain systems relating to risk and control.

45 The Commonwealth Risk Management Policy establishes nine policy elements for risk management in the Commonwealth entities. Non-corporate Commonwealth entities, such as departments of state and regulatory bodies, must comply with the Policy. See: Department of Finance, Commonwealth Risk Management Policy, Finance, 2014. The ANAO analysis against the Commonwealth Risk Management Policy did not include an assessment of risk culture.

46 *ibid.*, paragraph 6.

Australian War Memorial

2.69 The ANAO found that the Memorial satisfies most of the elements of the Commonwealth Risk Management Policy. The Memorial's risk management framework details: responsibilities and accountabilities in relation to risk management; a formal risk appetite across key risk categories; situations in which risk assessments must be undertaken; and dictates how risk management is to be integrated into broader business plans and undertakings.

2.70 Elements of the Commonwealth Risk Management Policy that were omitted included details of how the Memorial reports risks to external stakeholders, how the Memorial manages risks that are shared with other entities (such as storage and exhibition partners) and how risk management performance is to be measured. While the Memorial's Audit Committee endorsed the Risk Management Framework, the framework has not been approved by the Accountable Authority.

2.71 Under its risk management framework, the Memorial undertakes business risk assessments every three years. The latest business risk assessment was conducted in 2016 and outlined: risks across key business areas; contributing factors and sources of risk; potential impacts; controls in place; and responsible business areas. The Memorial's business risk assessment includes comprehensive details on collection security, storage and preservation and the collection management systems (CMS).

2.72 The Memorial's Audit Committee and Corporate Management Group (CMG) are provided with quarterly risk management reports, which include updates to assessments and controls for risks in the business risk register rated as 'significant' or higher. CMG also receives regular briefings on key projects, including updates from the Memorial's Priority Projects Steering Committee. The Council, as the Accountable Authority, was actively engaged with risk management.

National Gallery of Australia

2.73 The NGA has made progress since early 2017 in improving risk management, putting in place a new risk management framework and establishing risk reporting mechanisms. This was after an internal review commissioned in late 2016 found a number of shortcomings in the way the NGA managed risk.

2.74 The NGA's 2017 risk management framework includes most of the elements outlined in the Commonwealth Risk Management Policy and provides a good starting point for the continual improvement of risk management at the NGA. The framework describes reporting arrangements, outlines key responsibilities and accountabilities in relation to risk management and provides for review of the framework. However, the framework⁴⁷ does not detail how risks shared with other entities are to be handled, how risks are reported to external stakeholders or how risk management performance will be measured. The NGA established a statement of risk appetite and risk tolerance in February 2018.

47 It is unclear whether the framework has been approved by the Accountable Authority. Approvals are documented but in many cases the minutes unclearly present as "note" or "endorse" matters at Council.

2.75 The NGA has separate strategic, departmental and project risk registers, and reconvened its quarterly Risk Management Advisory Group (RMAG) in August 2017. The RMAG had not been in operation since April 2016, and senior management attendance was limited.

2.76 Despite these new measures, it is not clear that Council at the NGA receives adequate reporting for it to give full effect to its responsibility under the NGA's risk management framework to oversee the risk management at the NGA, as demonstrated by Case Study 1 below.⁴⁸ The management of work health and safety risks and risks to the National Collection is also discussed in relation to storage and gallery building management in the next chapter.

Case study 1. Risk Management of the *Habakuk* sculpture

In January 2017 NGA security staff reported that the top of the NGA's Max Ernst *Habakuk* sculpture, located outside the entry adjacent to the walkway between the High Court and the NGA building, was moving in winds generated by a storm. The sculpture is 4.5 metres high, weighs 1.2 tons and is valued at \$4.5 million.

In June 2017 the NGA engaged an engineering firm to undertake an assessment of the sculpture. The engineer's report stated that *Habakuk* was 'unstable under expected operating conditions' and therefore 'unsafe in its current location'. The report attributed this instability to *Habakuk*'s inability to withstand high wind velocities sometimes experienced in the location. Additionally, corrosion that had been evident before *Habakuk* was moved outdoors in 2016 had significantly worsened due to the lack of environmental controls and was exacerbating the structural instability.

The recommendation to NGA senior management was to relocate *Habakuk* by 31 August 2017 to address the risks (rated as 'major') to public health and safety and to the artwork itself. The deadline was specified due to the strong winds that occur in Canberra in spring. On 11 July 2017 the NGA Director approved the allocation of funding to move *Habakuk* in line with the recommendation.

However, *Habakuk* was not relocated until February 2018. The NGA did monitor wind conditions and erected physical barriers when required to mitigate public safety risks. The NGA's Senior Executive Team minutes from the period contain no mention of *Habakuk* or the risks relating to it, even though the Senior Executive Team was the designated risk owner. The *Habakuk* risk was reported to the NGA's Audit Committee in August and November 2017, although the meeting minutes do not indicate that it was discussed, nor was it reported to Council. The NGA has advised that movement of the sculpture was delayed to coincide with other major sculpture movements to achieve financial savings.

Business continuity

2.77 Safeguarding the National Collection requires entities to be able to respond effectively when major incidents occur. The Australian Government Protective Security Policy Framework (PSPF)

48 More information on *Habakuk* is available on the NGA's website: available at: <https://artsearch.nga.gov.au/detail.cfm?irn=159829> [accessed 23 March 2018].

establishes requirements for Commonwealth entities in relation to business continuity management.⁴⁹ As with the Commonwealth Risk Management Policy, neither the Memorial nor the NGA is required to comply with the PSPF, although alignment is encouraged as a means of achieving better practice.⁵⁰

2.78 In addition to their individual efforts at establishing effective business continuity arrangements, both the Memorial and the NGA have signed the Disaster ACT (DISACT) memorandum of understanding (MOU). The MOU is between 12 different cultural and scientific entities in the ACT and provides for entities to request assistance from other signatories in the event of an emergency. The MOU describes potential assistance as being in the form of loans of equipment, provision of specialist staff or other assistance as agreed by the relevant parties.

Australian War Memorial

2.79 The Memorial updated its Business Continuity Management Policy and Plan (BCMPP) in March 2018. It delegates decisions on critical business functions and maximum outage times to lower level plans developed by individual business areas. The Memorial undertakes business continuity exercises approximately once a year to test the BCMPP and its response capabilities. The Memorial also has Director's Instructions relating to business continuity, although the instructions have not been reviewed since 2012, and their relationship to the BCMPP is not clear.

2.80 The Memorial's National Collection Disaster Plan provides comprehensive guidance to managers and staff on what to do in response to a disaster. The Plan outlines annual training for staff with key roles in responding to an incident. It also details responses to disasters affecting restricted areas such as armouries, radiation stores and manuscript secure stores. Further to the DISACT MOU, the Memorial has access to secure storage facilities at the National Archives of Australia and the Department of Defence for use in the event of an emergency.

National Gallery of Australia

2.81 The NGA's business continuity framework was finalised in August 2017 and is comprehensive in nature, meeting each of the requirements under the PSPF. There are detailed disaster recovery plans for works of art in addition to guides for caring for damaged works of art. A business continuity overview 'cheat sheet' has been developed to provide essential information on the roles of NGA staff in the event of a business continuity event, key response activities and their timeframes and maximum outage times. The NGA has a separate MOU in place with the National Portrait Gallery relating to mutual assistance in the event of a major incident occurring at one of the entities. The NGA undertakes a program of business continuity testing that includes both desktop scenarios and drills.

49 Under PSPF governance requirement number 11, 'Agencies must establish a business continuity management (BCM) program to provide for the continued availability of critical services and assets, and other services and assets when warranted by a threat and risk assessment.' Source: Attorney General's Department, *Governance requirements*, available at: <<https://www.protectivesecurity.gov.au/governance/Pages/Governance-requirements.aspx>> [accessed 13 March 2018].

50 Attorney General's Department, *Overarching protective security policy statement*, available at: <<https://www.protectivesecurity.gov.au/overarching-guidance/Pages/Overarching-protective-security-policy-statement.aspx>> [accessed 13 March 2018].

3. Management of the National Collections

Areas examined

This chapter examines whether the Australian War Memorial (Memorial) and the National Gallery of Australia (NGA) have implemented effective systems and processes for managing their collections. This includes review of acquisitions and disposals, conservation, storage, and controls for safeguarding the National Collections.

Conclusion

Review of the Memorial's collections management systems and processes found that:

- the Memorial's Collection Development Plan has been out-of-date for five years;
- the Memorial does not have a conservation plan in place to identify and prioritise its conservation activities, and it is difficult to assess whether the Memorial has allocated sufficient resources to conservation;
- storage at the Memorial has been well planned and funded; and
- security at the Memorial is well controlled.

Review of the NGA's collections management systems and processes found that:

- the NGA's planned conservation activities exceed the current resources allocated by management;
- the condition of the NGA's storage arrangements and backlog of remedial work present a risk to workplace health and safety and to the optimal maintenance of the collection if not addressed and resourced in a timely manner; and
- NGA's security requires improvement to be compliant with the Commonwealth Protective Security Policy Framework, noting compliance is not mandatory.

Both entities utilise a formal collection management system which assists in accounting for the collection, and adopt a risk-based approach to stocktakes.

Areas for improvement

The ANAO made four recommendations aimed at the Memorial and the NGA to:

- establish a structured process to support the development of and monitoring against their respective Collection Development Plan and Art Acquisition Statement of Intent, including deaccessioning;
- improve the acquisition process for the National Collection, including evaluating whole-of-life costs as required by the Commonwealth Procurement Rules; and
- review the effectiveness of conservation planning and associated resource allocation.

The ANAO made a further two recommendations for the NGA to:

- develop and implement a long-term storage solution its collection; and
- fund critical building works to address the risks to its collection.

The ANAO also made two suggestions:

- the NGA communicate minimum data standards to staff and put controls in place to ensure compliance; and
- the Memorial and the NGA monitor and investigate items which have been unable to be located long term and determine whether they can be located.

Do the entities effectively plan for and monitor the development of their collections?

The Memorial's and the NGA's planning and monitoring of the development of their collections is partially effective. The Memorial's Collection Development Plan has been out of date for five years. The development and implementation of a revised Memorial Collection Development Plan has been identified as a key action item since 2014. The NGA operates under an Art Acquisition Statement of Intent, with nine departmental acquisition strategies supporting the Statement of Intent. The final strategies are planned to be completed in August 2018 under the incoming NGA director.

Planning the development of the collections

Australian War Memorial

3.1 The Memorial's Acquisition and Disposal Policy explains that acquisitions and disposals are the main mechanisms through which it develops its collection. The policy specifies that the guidelines governing acquisitions and disposals are included in its Collection Development Plan (CDP). The most up-to-date CDP covers the period 2010–13 and so has been out of date for some five years. An abridged version of the 2010–13 CDP is accessible on the Memorial's website.⁵¹

3.2 Despite its out-of-date status, the Memorial has continued to identify the CDP in its Corporate Plan as one of the key plans it uses to achieve its purpose. The CDP is structured around major conflicts, and illustrates that for some conflicts the collection is well developed, while there are also significant gaps which the Memorial is seeking to fill through its program of acquisitions. The plan includes a section articulating the collecting aims and priorities for each conflict. One of the Memorial's 2017–18 key projects is the development and implementation of a revised CDP and strategy. The ANAO notes that this has been listed as a key action since 2014.

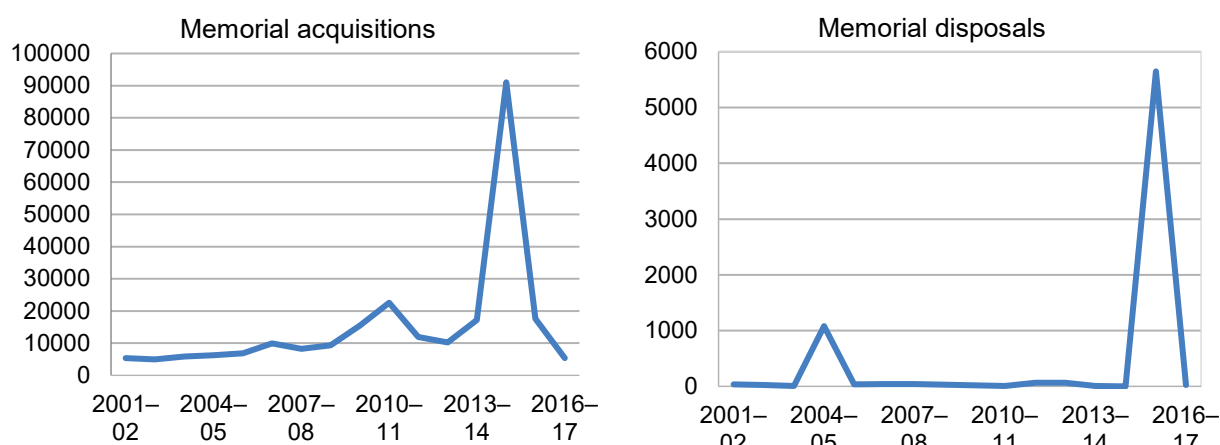
3.3 Without an up-to-date CDP it is difficult to evidence a clear and current rationale for the Memorial's acquisition of items. In addition to the 2010–13 CDP, a draft Memorial document from April 2016 identifies a range of acquisition priorities which are not necessarily specific to a period of conflict. This document states that these priorities reflect the Memorial's broadening brief and contemporary society. Themes and subjects include: tattoos; home front (family of serving personnel); cultural diversity in the Australian Defence Forces; and children in war. This suggests a need for the Memorial to review and update its official CDP to take account of shifting priorities in acquiring items for its collection. The Memorial advised that it plans to finalise an updated CDP by June 2018.

3.4 The *Australian War Memorial Act 1980* and the Memorial's Acquisition and Disposal Policy include provision for the disposal of items from its collection. The Memorial's CDP 2010–13 also includes several references to the disposal of items. Although recognising that this plan is out of date, the general message is that the Memorial's preference is to avoid having to dispose of items from its collection. This message is consistent with the Memorial's reported disposals between 2001–02 and 2016–17, as shown by Figure 3.1 below. In 2015–16, 5648 items were disposed, of

51 Australian War Memorial website, Collection Development Plan, available at: https://www.awm.gov.au/sites/default/files/collection_development_plan.pdf [accessed 7 March 2018]

which 5175 items were VHS copies that were inferior duplicates and were replaced with high quality originals.

Figure 3.1: Memorial acquisitions and disposals, 2001–02 to 2016–17



Source: Memorial annual reports from 2001–to 2016–17.

3.5 In 2014–15, the Memorial formally added (accessioned) 77 721 items into its collection as part of a program to clear a backlog of donations. The Memorial advised the ANAO that the unprocessed items were approved in bulk without proper assessments in terms of their appropriateness for the collection, but that the Memorial had considered and accepted this risk.⁵² At this time, the rejection rate for donations was around 45 per cent. This suggests that some 35 000 items were potentially accessioned into the Memorial’s collection which may have been rejected. The Memorial noted as a result of the program a more effective and consistent acquisitions process was developed and implemented.

National Gallery of Australia

3.6 The NGA’s Art Acquisition Policy⁵³ outlines the NGA’s desired approach to acquiring art for its collection. It outlines high-level collecting priorities which have been established since the NGA’s formation, and commits the NGA to acquiring works of art in accordance with the *National Gallery Act 1975* and its Art Acquisition Strategies, of which there are currently nine either approved or in draft.⁵⁴ Works of art proposed for acquisition must fit the Art Acquisition Statement of Intent⁵⁵ for that collecting area, which is established by consultation between curatorial and executive staff, and endorsed by the NGA’s Council. In November 2017 the Council was presented a draft

52 The backlog program identified and documented a number of risks involved with having a large number of unprocessed items in Memorial stores for a long period of time. For example, risks associated with donors who had not received communication from the Memorial in two to three years, and the preventive conservation risk of having uncontrolled material in processing stores for long periods of time without effective pest and hazard management.

53 NGA, Art Acquisition Policy, August 2017, available at: <<https://nga.gov.au/collection/acquisitionspolicy.cfm>> [accessed 7 March 2018].

54 There are Art Acquisition Strategies for each of the NGA’s nine collecting areas. The nine collecting area are: International Prints, Drawings and Illustrated books; Photography (Australian and International); Australian Paintings and Sculpture; Pacific Art; Contemporary—International and Australian; International Painting and Sculpture; Aboriginal and Torres Strait Islander Art; Asian Art; Australian Prints, Drawings and Illustrated Books.

55 Previously known as the Art Acquisition Strategy.

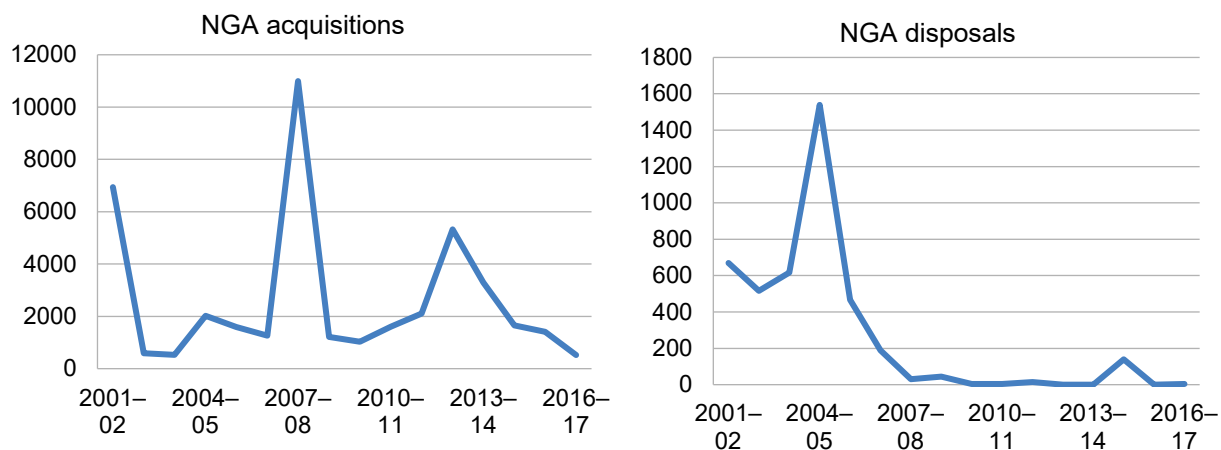
Acquisitions Statement of Intent. The focus of this statement is on how the NGA will build its collection and on how it will seek to adjust its acquisitions policy to keep up with curatorial developments, particularly in the area of contemporary art. NGA advised that the Council has accepted the statement in principle, but requested a six-month period for further reflection and consultation and to allow the new Director to consider before finalising it.

3.7 During the audit the NGA was reviewing its nine Art Acquisition Strategies for the period 2017–2027 on a rolling basis, with the final strategy to be presented to the Council in August 2018. As at March 2018, six of the nine strategies had been approved by the Director and presented to the Council.

3.8 The Art Acquisition Strategies covering the period 2006–16 include a discussion around the gaps and priorities for the collection and also identify specific works of art which are desired for the NGA's collection. The draft 2017–27 strategies follow this same structure, outlining general collecting priorities and specific artists or works of art.

3.9 The *National Gallery Act 1975* and the NGA's Art Deaccessioning Policy include provision for the disposal of items from its collection. Except for the recent approval of the deaccession of 225 items from the Pacific Art collection, there was little evidence that the disposal of items from the collection has been seriously considered. Figure 3.2 below highlights that the NGA has not had an active program of disposals since 2007–08. As part of collection development planning, the NGA should review its collection with a focus on identifying items or areas of the collection which could be disposed (including by sale) to reduce pressure on storage facilities.

Figure 3.2: NGA acquisitions and disposals, 2001–02 to 2016–17



Note: In 2007–08, the NGA made a large acquisition of over 7000 photographs.

Source: NGA annual reports.

Monitoring and reporting the development of their collections

Australian War Memorial

3.10 The Memorial does not produce a regular report against its CDP. In its annual reports, the Memorial reports against two performance measures in relation to the number of items that were acquired or disposed of in accordance with its CDP. The Memorial's reported acquisitions and disposals are graphed in Figure 3.1.

3.11 Between 2001–02 and 2016–17, the Memorial reported that it acquired 248 074 items for its collection, an average of 15 505 acquisitions per year.⁵⁶ As shown in Figure 3.1, there was a notable peak in acquisitions in 2014–15, where the Memorial reported that it acquired 91 037 items. This was largely due to it processing a backlog of donations. Almost 78 000 (86 per cent) of the acquisitions for 2014–15 were donations that had been received in previous years and not processed. The Memorial reported that it disposed of 7133 items between 2001–02 and 2016–17 (an average of 445 per year). As illustrated in Figure 3.1, the majority of these items (5648 or 79 per cent) were disposed of in 2015–16.

National Gallery of Australia

3.12 There was only limited evidence that the NGA's Art Acquisition Strategies were regularly and systematically monitored and reviewed after their development. In 2014, an annotated version of the 2006–16 strategies was presented to the NGA Council indicating which items had been acquired and when. Further, the 2007 strategy for Pacific Art collection was reviewed and updated in 2009. In 2017, the revised Pacific Art strategy reported against the previous iterations of the strategy in terms of the number of key works that were acquired.

3.13 The NGA reports on the number of acquisitions and disposals each year in its annual reports, as illustrated in Figure 3.2.

3.14 Between 2001–02 and 2016–17, the NGA reported that it acquired 42 088 items for its collection. This was an average of 2631 acquisitions per year. As shown in Figure 3.2, there have been three notable peak acquisitions periods over that time: 2001–02; 2007–08; and 2012–13. The peaks in 2001–02 and 2007–08 reflect three large acquisitions which included many individual items. In 2012–13, the NGA acquired 4095 items through gift. The NGA reported that it disposed of 4235 items between 2001–02 and 2016–17 (an average of 265 per year). As illustrated in Figure 3.2, the vast majority of these items (3996 or 94 per cent) were disposed between 2001–02 and 2006–07. In 2014–15, 137 objects and pieces of domestic furniture by unknown British makers from the late seventeenth century to the late nineteenth century were disposed.

Recommendation no.4

3.15 To ensure that entities are effectively developing the National Collections, the ANAO recommends the:

- (a) Australian War Memorial review and update its Collection Development Plan; and
- (b) Australian War Memorial and National Gallery of Australia:
 - establish a structured process to support the development of and monitoring against their respective Collection Development Plan and Art Acquisition Statement of Intent;
 - publish a full or modified version of their Collection Development Plan and Art Acquisition Statement of Intent on their websites; and

56 The Memorial has advised that minimum standards for mandatory item counts were introduced in 2013. A large portion of records prior to 2013 were documented at the collection level as opposed to recording each item. Additionally since the centralisation of acquisitions in 2015, there has been more consistent documentation reflecting accurate item counts.

- assess their collections to identify items for disposal/deaccession and establish a plan for removing these items from their collections.

Australian War Memorial response: Agreed.

3.16 *The Memorial accepts this recommendation and notes the following:*

- (a) *Commencement of a review of the Collection Development Plan is included in the 2018/19 Business Plan as a priority.*
- (b) *[see below]*
- *The plan will be developed in relation to current and future collecting strategies and aligned with gallery master planning activities. Assessment of acquisitions against the plan will be monitored and reported on through the Centralised Acquisitions framework and the Memorial's collection management system;*
- *A version of the plan will be published on the website on completion;*
- *A new Acquisitions and Disposal policy was completed and approved in March 2018. This policy establishes criteria and strategies for deaccessioning and disposing of items that are no longer required for the National Collection. Procedures to support this policy are currently being implemented as part of the program to centralise all National Collection acquisitions and disposals. Monitoring and reporting through the Memorial's collection management system are currently being implemented. The assessment process for deaccessioning will be linked the review of the Collection Development Plan.*

National Gallery of Australia response: Agreed.

3.17 *The NGA has an established rolling program of reviewing each collecting department's Ten-Year Art Acquisition Strategy, which are adopted by the Council. We will review this process with a view to possible improvements.*

3.18 *The NGA has published the Collection Statement of Intent on its website, as in the past with its previous Collections Policy. Individual departmental art acquisition strategies contain private and commercially sensitive information that cannot be published.*

3.19 *As stipulated in the National Gallery Act 1975, deaccessioning is an important part of collection refinement, and the NGA has in the past deaccessioned material from the collections. In November 2017 the NGA Council approved an updated Deaccessioning Policy to bring further focus to this process. The current plan now in place for deaccessioning will continue to allocate staff to research and process the de-accessioning of items with regard to available resources.*

Do the entities effectively develop their collections?

The audit identified improvements required to support the effective implementation of collection development policies and procedures. In particular:

- the Memorial needs to continue its efforts to establish and implement its policies and procedures for acquisitions and disposals in order to promote a consistent approach; and
- the NGA needs to better consider the whole-of-life costs of an acquisition by directly involving the storage and conservation teams in the acquisition process and more clearly documenting approvals of acquisitions.

Acquisitions and accessions







3.20 The ANAO tested⁵⁷ a total of 69 items acquired during 2017 by the Memorial and the NGA (32 Memorial and 37 NGA) to assess how effectively the entities acquired and accessioned items into their collections. The ANAO's assessment of the effectiveness of the entities' acquisitions involved determining whether:

- the relevance, significance and provenance of the item was assessed;
- whole-of-life costs associated with the acquisition were evaluated; and
- acquisitions were approved in accordance with legislation and/or applicable delegations.

Australian War Memorial

3.21 Table 3.1 summarises the results of the ANAO's testing of Memorial acquisitions, with detailed discussion below.

Table 3.1: Summary results of ANAO testing of Memorial acquisitions, 2017

Element	Result
Number of items assessed by the ANAO	32
Did the Memorial adequately assess the relevance, significance and provenance of items for accession into its collection? [paragraph 3.22]	
Were whole-of-life costs associated with the acquisition adequately evaluated? [paragraph 3.23]	
Were items approved appropriately for accession into the entity's collection? [paragraph 3.24]	
Legend:  (solid green circle) effective acquisition practices in place;  (half yellow circle) partially effective acquisition practices in place; and  (empty red circle) ineffective practices in place.	

Source: ANAO analysis of Memorial acquisition documentation.

3.22 The ANAO found inconsistent acquisition practices were in place at the Memorial. The Memorial's 2010–13 CDP identifies nine criteria for assessing the significance of a proposed item for its collection.⁵⁸ Testing found that 18 of the 32 acquisitions selected for assessment did not identify any link to the Memorial's CDP. Of the 14 where a link indicated, 11 made a link to the broader assessment criteria included in the CDP (for example, 'historical significance') but not the specific priority areas (for example, '3.3.7 Second World War – Australia at war'). Establishing a clearer link to the CDP at the acquisition stage would assist to ensure that items are collected in accordance with

57 A targeted testing approach was adopted. Acquisitions were selected from the 2017 calendar year. Acquisitions were selected to give coverage to item: type; value; and date acquired.

58 The nine criteria are: historical significance; social or spiritual significance; aesthetic significance; scientific or research or technical significance; provenance and associations; representativeness; rarity, unusual or outstanding value; intactness, completeness or originality; and interpretive potential.

the acquisition strategy as articulated in the CDP.⁵⁹ Further, six of the 32 acquisitions assessed by the ANAO did not fully document the Memorial's assessment of the provenance of the item.⁶⁰

3.23 The ANAO found little evidence that the whole-of-life costs associated with the acquisition of an item are considered by the Memorial. Only five of the 32 acquisitions assessed by the ANAO outlined costs beyond the purchase price. These costs most commonly related to freight and shipping. The Memorial's revised template for the purchase of items requires whole-of-life costs to be identified for all items. This provides a more structured approach to evaluate and/or estimate costs additional to the purchase price such as: packing; transportation; conservation; storage; and licences and other fees, and is consistent with the requirements of the Commonwealth Procurement Rules.⁶¹ This approach to evaluating whole-of-life costs should be applied across all acquisition types (commissions, purchases and donations).

3.24 The Memorial's Financial Delegations outline the approvals required for acquiring items into the collection. For the majority of acquisitions assessed by the ANAO (31 of 32), the approval was made in accordance with the Financial Delegations. For one acquisition, a purchase was approved by an assistant curator who was not an appropriate delegate.

3.25 Prior to 2014–15, the Memorial experienced a large backlog of unprocessed collection items. As part of the project to clear the backlog and centralise the donation process, the Memorial has introduced a three month timeframe for processing donations.⁶² Reporting generated from the Memorial's Collection Management System (CMS) demonstrates that the Memorial's average processing times are now between 30 to 35 days and the timeliness of processing acquisitions is no longer an issue. The Memorial, aware of consistency issues, centralised its processes for purchases during 2017.⁶³ At the time of the audit, centralised processes for donations and commissions were being implemented.

59 The ANAO notes that the Memorial's assessment of the appropriateness of an item for its collection has improved for purchases with the development and roll out of its Purchase Evaluation Template in 2017.

60 The ANAO did not assess the quality of the Memorial's analysis of provenance. As such, no assurance is provided in this regard.

61 The Commonwealth Procurement Rules state that whole-of-life costs could include: the initial purchase price of the goods and services; maintenance costs; transition out costs; licencing costs (when applicable); the cost of additional features procured after the initial procurement; consumable costs; and disposal costs. Source: *Commonwealth Procurement Rules*, January 2018, available at: <<https://www.finance.gov.au/sites/default/files/commonwealth-procurement-rules-1-jan-18.pdf>>, [accessed 8 March 2018].

62 The target relates to the time between when the Memorial receives the donation and when the Deed of Gift is issued to the donator.

63 The Memorial, under section 6(2) of the *Australian War Memorial Act 1980*, can acquire historical material by way of purchase, hire, gift, loan or deposit.

Recommendation no.5

3.26 The ANAO recommends that the Australian War Memorial continue to improve its acquisition procedures including:

- specifying how the acquisition aligns with the approved Collection Development Plan; and
- assessing the whole-of-life costs of acquisitions in line with the requirements of the Commonwealth Procurement Rules and providing this information to the decision maker.

Australian War Memorial response: *Agreed.*

3.27 *The Memorial accepts this recommendation and notes the following:*







- *The framework for the assessment of acquisitions has been established as part of the Centralised Acquisitions Transition project. The process continues to be refined and will include linkages to the approved Collection Development Plan once the new document is complete;*
- *Assessment of whole of life costs of acquisitions will be incorporated into the current framework to meet the requirements of Commonwealth Procurement Rules. Monitoring and reporting through the Memorial's collection management system will be implemented.*

National Gallery of Australia

3.28 The NGA has in place three acquisition proposal templates covering: purchases; gifts and commissions. The templates are annotated to assist curators in providing the expected information for decision makers.⁶⁴ Table 3.2 summarises the results of the ANAO's testing of NGA acquisitions, with detailed discussion below.

64 The NGA, under section 7(2) of the *National Gallery Act 1975*, can acquire works of art by way of purchase, hire, commission, gift, loan or deposit. Ministerial approval is required when acquiring items valued at \$10 million and over.

Table 3.2: Summary results of ANAO testing of NGA acquisitions, 2017

Element	Result
Number of items assessed by the ANAO	37
Did the NGA adequately assess the relevance, significance and provenance of items for accession into its collection? [paragraph 3.29]	
Were whole-of-life costs associated with the acquisition adequately evaluated? [paragraph 3.30]	
Were items approved appropriately for accession into the entity's collection? [paragraph 3.29]	
Legend:  (solid green circle) effective acquisition practices in place;  (half yellow circle) partially effective acquisition practices in place; and  (empty red circle) ineffective practices in place.	

Source: ANAO analysis of NGA acquisition documentation.

3.29 The NGA aims to acquire works of art that fit within identified priorities. Acquisitions are to be selected on the basis of the significance of the artist and/or the specific quality of the work, as well as relevance to the collection. The NGA also aims to ensure that it only acquires works of art with a reliable chain of ownership, or which have a secure title and history of legal and ethical transactions. The ANAO found that almost all (36 of 37) of the acquisitions selected for testing stated that a link to the NGA's Art Acquisition Strategy existed, and that almost all (36 of 37) acquisition proposals included assessments of provenance.⁶⁵ However, only 20 proposals were found to have actually had a clear and direct link to confirm that the acquisition was part of the NGA's Art Acquisition Strategy. The ANAO found that for 34 of the 37 acquisitions selected for testing, approvals were in accordance with delegations.

3.30 None of the 37 acquisition proposals assessed by the ANAO contained evidence that staff had sufficiently evaluated whole-of-life costs. The NGA's recently released Art Acquisition Policy (November 2017) requires that factors that may impact on the longer term condition, care and preservation of a work of art are taken into account prior to acquisition. This includes any issues or unusual costs relating to the: current condition and long-term care of the item; storage and movement of the work of art; and documentation, display and loan. As part of revised acquisition procedures, curatorial staff are required to consult staff from the registrations and conservation sections.

3.31 The Commonwealth Procurement Rules require that entities consider whole-of-life costs when conducting a procurement. In this context, decision makers should be fully informed about all costs, including estimated costs, associated with acquisitions. Where whole-of-life cost information had been provided by the registration and conservation sections, the ANAO found that

⁶⁵ The ANAO did not assess the quality of the NGA's analysis of provenance. As such, no assurance is provided in this regard.

this was not always documented in the acquisition submissions to the Council (see case study below). This means that the delegate is missing information about costs when making an acquisition decision.⁶⁶

Case study 2. Enhancing acquisition proposals

***Domesticated Turf*, Cal Lane**

In May 2013, the NGA accepted the gift of an artwork titled *Domesticated Turf* by the artist Cal Lane. The acquisition proposal stated that transport and storage fees would be \$3 444. The submission also noted that the sculpture would need to be sandblasted and repainted before its installation outside, although no estimate of the cost was provided in the acquisition proposal. This work, subsequently, cost the NGA \$48 000.

The intention was to display the item in the NGA's Sculpture Garden, subject to approval of the National Capital Authority. The acquisition was accepted but National Capital Authority approval to display the art work in the Sculpture Garden has not been obtained. As a result, since the time of acquisition in 2013, the work of art has been stored in the NGA's off-site storage facility. The artwork, estimated to be valued at over \$200 000, is taking up significant storage space (the work is the size of a shipping container) and is not stored in optimal conditions.

The NGA's conservation team advised the ANAO that at the time of acquisition, it raised a range of concerns about the acquisition, including: security measures for display in the sculpture garden; the risk of injuries due to the delicate structure of the heavily cut metal wall and ceiling; and the placement of the delicate artwork outside. These concerns were not adequately reflected in the acquisition proposal that went to the NGA Council.

As at February 2018, the item had been in the NGA's non-climate controlled storage facility for almost five years with limited prospects of going on display. The NGA has advised that it intends to install the artwork in the Sculpture Garden and has not yet approached the National Capital Authority for approval.

***Really Bin*, Blak Douglas and Will Coles (collaborator)**

In August 2017, the NGA acquired (through gift) a large artwork titled *Really Bin* by the artists Blak Douglas and Will Coles. The artwork consists of ten adapted wheelie-bins. The acquisition proposal outlines several post-acquisition cost considerations, including that the work: will need a purpose-built display device to secure it; may require specialised covers for storage; and will require a large storage footprint.

Although the registrations section provided an estimated cost of the specialised pallets and covers for storage to the curator, this was not included in the acquisition proposal to the Council. Further, the registrations area advised the curator that the storage of the artwork may cause congestion at the NGA's off-site facility. This information was not provided to the Council as the decision maker.

66 There was evidence that senior management considered suppling whole-of-life costs a barrier to the acquisition approval and were concerned about the cost inclusion.

Figure 3.3: *Domesticated Turf* in NGA's storage facility



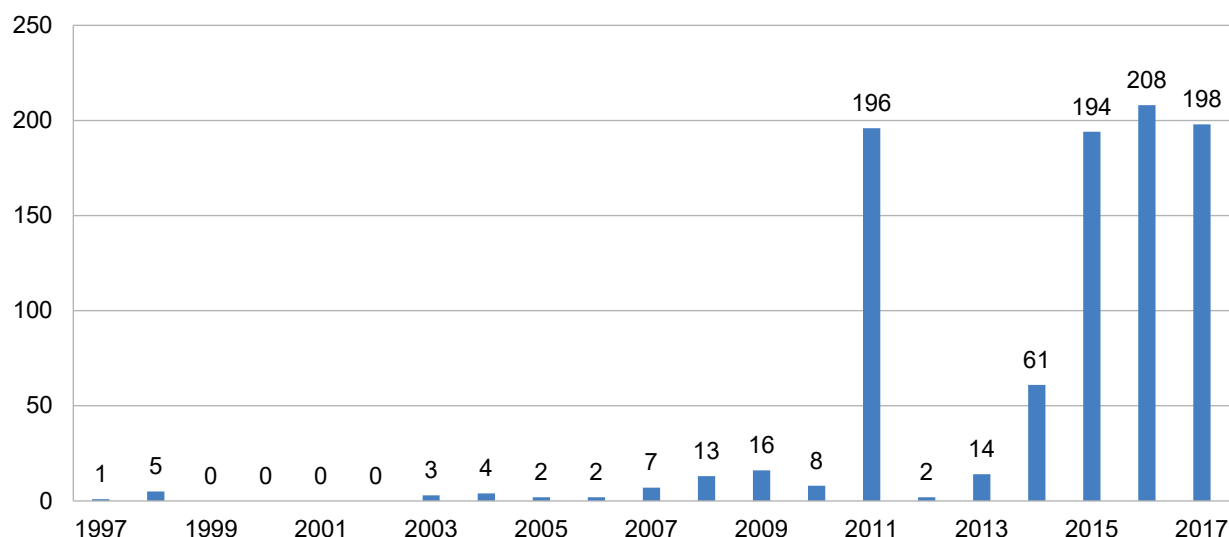
Source: Photograph by ANAO.

3.32 The NGA's 2017–18 Corporate Plan states that 'all works of art are accessioned and documented accurately and within agreed timeframes'. Despite this commitment, by way of example, as at January 2018 there were 934 unprocessed items located in an NGA storage room examined by the ANAO. Of the items in this room, 642 were marked as 'for submission to the NGA's Council'.

3.33 Figure 3.4 shows the number of items that were stored in NGA storage room 284 as at January 2018. The horizontal axis illustrates the year the item arrived at the NGA. For instance, one item arrived at the NGA in 1997, and five in 1998, and a decision has not been made about whether to acquire these items for the NGA's collection.

3.34 As a priority, the NGA should further investigate the items located in other storage areas on NGA's premises and determine if the items are unprocessed acquisitions. If so, the NGA should process the backlog of acquisitions within its care.

Figure 3.4: NGA's unprocessed items in room 284 by date of arrival at the NGA, as at January 2018



Source: ANAO analysis of NGA data.

Recommendation no.6

3.35 The National Gallery of Australia improve proposals for acquiring items into its collection by:

- assessing the whole-of-life costs of acquisitions, in line with the requirements of the Commonwealth Procurement Rules and providing the costs to the delegate;
- investigating the items located in storage areas on the NGA's premises and processing any unaccessioned items as a priority; and
- setting and monitoring standards for the timely processing of proposed acquisitions that have been brought onto the NGA's premises.

National Gallery of Australia response: *Agreed.*

3.36 *In general, NGA collection assets appreciate in value and have an indeterminate life span. We will investigate an appropriate process for estimating the life-span and whole of life costs for the care of collection for assets during the acquisition process and ensure that these costs are documented in relevant acquisition submissions to Council.*

3.37 *The NGA will establish a 'non-collection items processing project' and will allocate staff from the Curatorial and Registration departments to manage this process.*

3.38 *In 2016 the NGA developed new procedures for the receipt, and processing, of proposed acquisitions. NGA will review these procedures to ensure that they set and monitor timely processing standards as effectively as possible.*

Disposals and deaccessions

3.39 The ANAO tested a limited number of deaccessions that occurred during 2017. At the Memorial, ten deaccessions were selected for testing. Only four of these were found to be deaccessions from the National Collection.⁶⁷ The NGA did not undertake any deaccessions during 2017. The ANAO's assessment of the effectiveness of the entities' disposals involved determining whether: items were disposed of because of a legitimate reason; and appropriate approvals were evident.

3.40 The ANAO found scope for both the Memorial and the NGA to improve their deaccession processes and practices.

Australian War Memorial

3.41 In November 2017, the Collection Services branch presented a paper to the Memorial's Corporate Management Group outlining the need for a centralised process relating to the disposal of items from its collection.

3.42 The Memorial advised the ANAO, in February 2018, that internal procedural documentation for disposals was inconsistent with practice and that the process is being centralised. The ANAO's testing found that the four tested disposals did not have consistent or adequate documentation to demonstrate that items were approved for deaccession in accordance with delegations.

3.43 The case study below outlines an example of items that were not disposed of consistently with the legislated process.⁶⁸

67 Under the *Australian War Memorial Act 1980* and the *National Gallery Act 1975*, the Memorial and the NGA may dispose of items from their collections if the item is unfit for their collections or is not required as part of their collections. Items may also be disposed of by way of an advantageous exchange for another work.

68 The Memorial's National Collection Acquisitions and Disposal Policy Director's Instruction states that material may be considered for deaccessioning in the following circumstances if:

- The item is no longer considered significant enough for inclusion in the National Collection;
- Its condition has deteriorated to the point that it is unfit for the collection, or if the significance of the item is insufficient to warrant the allocation of resources required to treat it;
- A superior example of the same type of item has been acquired;
- The item is considered a safety risk to staff or the public;
- Information has come to light regarding provenance or legal title that would have prevented acquisition of the item had it been known at the time;
- The item is a redundant duplicate of an item already held in the collection.

Case study 3. Non-compliance with disposal process — Dyson Lithographs

In order to dispose of a National Collection item by gift at the Memorial, the following criteria must be met:

- (a) the item is unfit for collection; or
- (b) the item is not required as part of the collection; and
- (c) where the item(s) are valued at more than \$5000, the Minister must provide approval for the disposal.

The Memorial disposed of lithographs by the Australian artist Will Dyson by gift in December 2013 and May 2014. In March 2015, the Council noted the disposals retrospectively, and Council resolved to 'endorse' rather than 'approve' the disposal of the two sets of lithographs. Retrospective approval was sought from the Minister for Veteran Affairs on 6 May 2015 and was provided on 20 May 2015.

The items were appropriate for disposal as they were one of several identical sets still held by the Memorial, and were presented to the Governments of France and Canada.

National Gallery of Australia

3.44 The NGA's draft Deaccessioning Policy, August 2017, identifies that the NGA must proceed with great care when disposing of items from its collection. This involves balancing a number of considerations, including the: integrity and long-term quality of the collection; public interest; and effects any publicity may have on the willingness of current and future benefactors to donate or bequeath works of art to the NGA. The NGA has also developed a Deaccessioning Report Template which provides a consistent basis on which to assess items for deaccession. Together, the policy and template provide a sound approach to assessing and disposing items.⁶⁹ Even so, audit interviews noted that the new deaccessioning process for both collection and non-collection items is viewed as involving a challenging amount of work. This is a risk that the NGA needs to manage.

3.45 The ANAO did not test the effectiveness of the NGA's deaccessioning because no items were disposed of during 2017.

3.46 In the 2004–05 audit, the ANAO recommended that the NGA assign a high priority to the assessment of the Commonwealth collection for disposal.⁷⁰ The NGA agreed with this recommendation and had disposed of the majority of the collection as at March 2018. In particular, in 2015 it disposed of a set of decorative arts and furniture (118 items). In February 2018, the Council approved a further 225 items for disposal, pending Ministerial approval. A small collection of decorative arts (around 15 items) remains in the NGA's collection.

69 All disposals require approval from the responsible Minister.

70 The Commonwealth Collection refers to those collections that were deeded to the Commonwealth prior to the establishment of the NGA and through the former Commonwealth Arts Advisory Board.

Do the entities effectively maintain (conserve) their collections?

The Memorial does not have a conservation plan in place to identify and prioritise its conservation activities. Conservation activities are therefore ad-hoc, and it is also difficult to assess whether the Memorial has allocated sufficient resources to conservation.

The NGA's planned conservation activities exceed the resources currently allocated by management. The NGA needs to align resources and risks with its business priorities in relation to conservation.

Planning and undertaking conservation activities

3.47 Conservation⁷¹ involves the range of activities aimed at prolonging the life of items in a collection. It includes: preventative conservation activities aimed at optimising the environmental conditions in which items are kept in order to reduce decay and damage; and remedial conservation activities aimed at responding to and treating damage.

3.48 A conservation plan (or equivalent) setting out intended actions to improve a collection can assist an entity achieve its objectives within a specific timeframe. A conservation plan should be aligned with the entity's conservation policy.

3.49 Both the Memorial and the NGA are required by their respective legislation to not only develop their collections, but also to maintain their collections.

3.50 In the 1998–99 and 2004–05 ANAO performance audits of the National Collections, the ANAO made two recommendations directed towards conservation activities. The 1998–99 recommendation was directed to both the Memorial and the NGA. The 2004–05 recommendation was directed to the NGA only. Both of these recommendations were focused on ensuring that the entities allocated sufficient resources to conservation activities.

Table 3.3: ANAO conservation recommendations, 1998–99 and 2004–05

Recommendation	Entity responses
<p><i>ANAO Audit Report No. 8 1998–99</i></p> <p>The ANAO recommends that all institutions:</p> <ul style="list-style-type: none"> review the level of resources allocated to conservation, including surveying and assessing collections; and introduce a program of regular collection maintenance based on the identified needs of the collection. 	<p>Agreed. The Gallery is currently reviewing its allocation of resources, recognising the difficult economic environment at this time.</p> <p>Resources allocated to care for collections and acquisitions are being carefully scrutinised.</p> <p>Agreed with qualification. The Memorial has given a high priority to allocating resources to Conservation work and this is reflected in the high levels of staffing recorded on Graph 4. Despite a very tight financial environment, expenditure on Conservation function has been increased.</p>

71 In this report, the terms preservation, preventative conservation and conservation are used interchangeably to refer to the whole range of activities aimed at prolonging the life of collection items.

Recommendation	Entity responses
<p><i>ANAO Audit Report No. 59 2004–05</i></p> <p>The ANAO recommends that the Gallery gives priority to conservation activities as described in its conservation plan, so that resources are allocated according to the priorities of its collections' conservation requirements.</p>	<p>Agreed. It should be understood that implementing this recommendation on an ongoing basis will be contingent on the Gallery continuing to receive adequate funding for this purpose. The present funding of the depreciation⁷² of heritage and cultural assets is able to be applied to meet the conservation activities.</p>

Source: ANAO Audit Report No. 8 1998–99 *Safeguarding Our National Collections*, p. 66; and ANAO Audit Report No. 59 2004–05 *Safe and Accessible National Collections*, p. 5.

Australian War Memorial

3.51 The Memorial's Corporate Plan 2017–21 identifies its Conservation Strategy as a key element in ensuring its collection is maintained to appropriate standards. This strategy should include the: prioritisation of at-risk collection items; and development of risk-mitigation strategies for at-risk, vulnerable and high-use collection items. Although identified in the Memorial's current corporate plan, a coordinated Conservation Strategy does not exist.

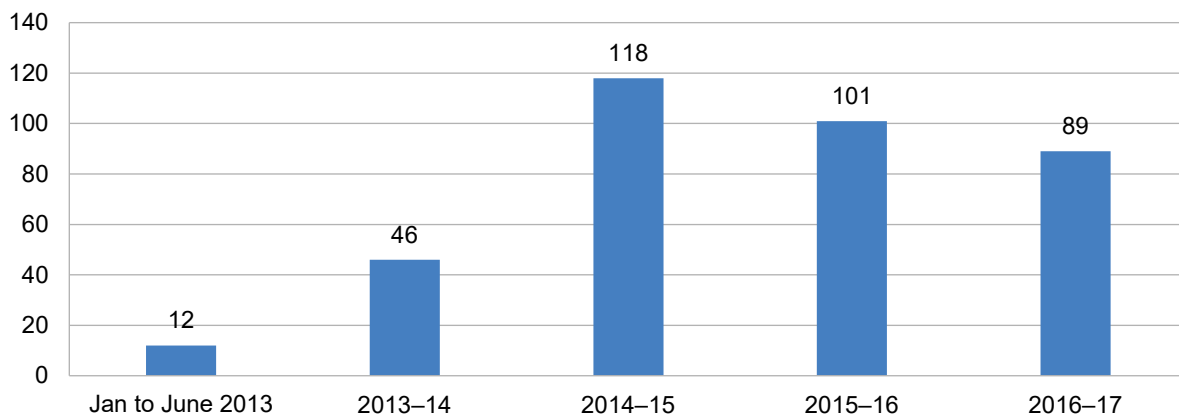
3.52 Between 2008 and 2013, the Memorial had in place collection preservation plans. Since 2013, a conservation plan has not been in place. As at February 2018, the Memorial had a draft Preservation Plan covering 2016–19. The Memorial's 2017–18 Business Plan identifies the implementation of risk-based preventative conservation strategies as a key project. This project is supported by key conservation targets. The conservation targets involve activities such as: developing and implementing procedures; implementing risk mitigation strategies; undertaking conservation work on items; and digital preservation activities. The Memorial reports quarterly against these targets using a traffic light system.

3.53 The ANAO was advised during interviews that conservation activities are largely focussed on preparing items for exhibition and loan and stated that as a result, the conservation team is unable to undertake survey work on the condition of the collection to the extent that they once did.⁷³ The previous ANAO audit report noted that condition reporting also used to occur as part of the stocktake process.

3.54 In addition to general conservation activities, the conservation teams respond to reported incidents, including incidents of damage or items put at risk of damage. The number of reported incidents at the Memorial has reduced over the last three calendar years. The number of incidents has, however, increased compared to 2013–14 (see Figure 3.5). In 2017, the most common categories of incidents included: pest incidents (57 incidents); visitor contact (24 incidents); and building condition related incidents (18 incidents). The pre-2014 data is incomplete, as outlined in the note to Figure 3.5. As time progresses and the data improves, the Memorial will have a better understanding of the impact of incidents on the level of work for the conservation team.

⁷² Depreciation funding has been replaced by the Collection Development Acquisition Budget (CDAB).

⁷³ Further, condition reporting also used to occur as part of the stocktake process.

Figure 3.5: Number of reported incidents at the Memorial, January 2013 to June 2017

Note: Data for the whole of 2012-13 was unavailable. In 2014 incident reporting processes were strengthened as a result of the Moth Eradication Project which subsequently increased the number of incidents reported.

Source: Analysis of Memorial data.

National Gallery of Australia

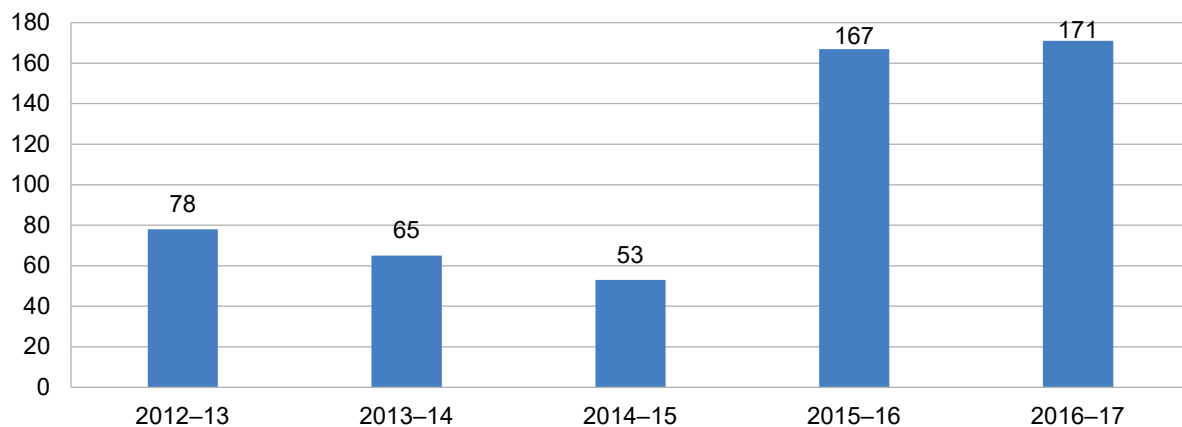
3.55 The NGA's Conservation Policy for Works of Art, reviewed in 2017, states that the NGA aims to maintain the highest standards of conservation by establishing priorities for the care of its collection. Part of the role of the conservation section is to 'ensure that the physical, cultural and intellectual integrity of the National Collection is preserved for future generations'.

3.56 Conservation priorities are identified in consultation with the Director, Assistant Director Collection Services and conservation and curatorial staff. The Preservation Plan, a key plan for the NGA, sets out the key issues and priorities for preserving the National Collection and the maintenance, preservation and enhancement activities that the NGA will undertake in relation to the collection. The 2017-18 Collection Preservation Plan outlines 22 tasks and activities that the conservation section plans to undertake to preserve the NGA's collection. As at March 2018, eight of these tasks were on track to be completed in the financial year. The remaining 14 will not be completed or unlikely to be achieved in this financial year due to insufficient conservation resources.

3.57 The 2017-18 Conservation Preservation Plan and 2017-18 Conservation Section Plan identify that resources are a key consideration in terms of the ability of the NGA to complete the conservation tasks identified in the plans. The section plan identifies its top risk as being that there are insufficient conservation resources to meet its KPI. Further, the plan identifies the NGA's exhibition and loan schedule as consuming a large percentage of the conservation department's resources, meaning that the permanent collection is at risk of being neglected.

3.58 Reported damages and incidents relating to works of art increased significantly in 2015-16 and 2016-17 (see Figure 3.6) due to a number of events including a rehang of artwork, vandalism of the sculpture garden and weather events. This indicates that the workload on conservation is likely to have increased over this period, and may also reflect issues associated with security and asset maintenance. In 2016-17 the four main locations where damage occurred were while artworks were: on display, including in the Sculpture Garden (93 incidents); on an NGA travelling exhibition (28 incidents); and in NGA storage (16 incidents). A further 14 incidents occurred to artwork from water leaks while on display and in storage.

Figure 3.6: Number of damages and other incidents at the NGA, 2012–13 to 2016–17



Source: NGA data.

3.59 As outlined, the NGA is unlikely to complete the conservation tasks in its 2017–18 Conservation Preservation Plan.

Recommendation no.7

3.60 To assist entities in meeting their legislated responsibilities to maintain the National Collections, the ANAO recommends that:

- (a) the Australian War Memorial review and update its Collection Preservation Plan; and
- (b) the Australian War Memorial and National Gallery of Australia review the resources allocated to conservation activities to ensure that these resources are aligned to conservation risks, meet collection management standards and are appropriate for achieving business priorities.

Australian War Memorial response: Agreed.

3.61 *The Memorial accepts this recommendation and notes the following:*

- (a) *The Memorial's Collection Preservation Plan will be updated as part of the overall Collection Management Strategy in order to comply with this recommendation. The Memorial further notes that current conservation activities are strongly linked to business plans and exhibition activities and are not considered ad hoc;*
- (b) *The Memorial will review conservation resources in light of the current planning model linking these activities to exhibition and project planning and the 2018/19 Business Plan priorities. Reporting on conservation activities has recently been implemented through the Memorial's collection management system which enables monitoring of resources against exhibition and project schedules.*

National Gallery of Australia response: Agreed.

3.62 *Management will review the Conservation Management Plan in conjunction with conservation tasks identified as business priorities – i.e. preparation, treatment and condition checking of works for exhibitions, permanent collection displays and loans.*

3.63 *We will continue to review the resources allocated to conservation activities to ensure that these resources are appropriately applied, and that work programs are set to achieve the agreed objectives of the NGA, including its extensive national loan program.*

Do the entities effectively store their collections?

In 2012, the Memorial identified long-term storage needs as an issue, particularly for its large objects collection. As a result, the Memorial, using accumulated funds, redeveloped its Mitchell storage premises, which was to provide an additional 10 years of storage for its large objects.

The NGA's National Collection storage onsite at Parkes and offsite at Hume is nearing capacity. This presents risks to workplace health and safety and to the optimal maintenance of the collection if not addressed and resourced in a timely manner.

The NGA's financial situation has significantly impacted on building maintenance, and the NGA faces critical infrastructure risks. The storage and display of its collection in less than optimal accommodation is a risk to both the artwork and to the NGA's reputation.⁷⁴

National Collection Growth

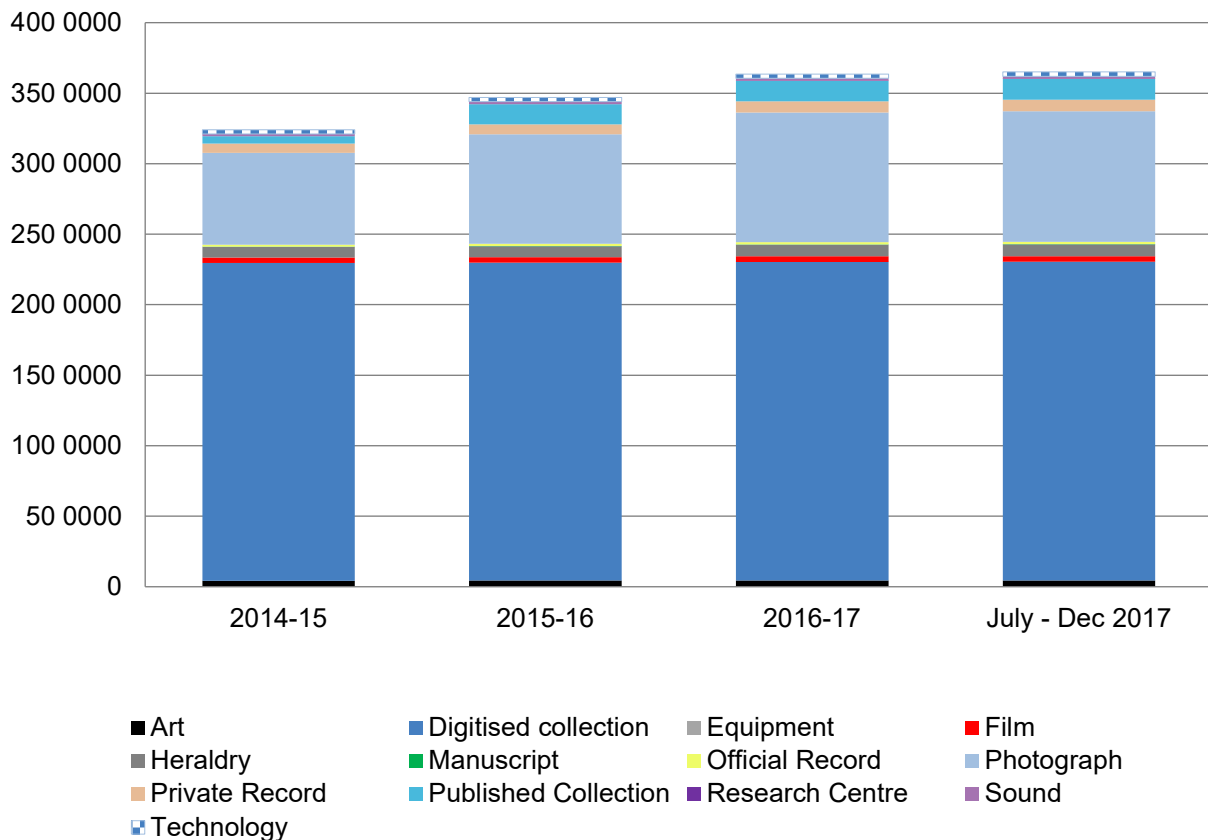
3.64 Collection items on display represent only a small percentage of the National Collections. For example, in 2016–17, the NGA had approximately three per cent of its collection on display at its galleries and on loan during the year, with the other 97 per cent in storage. For the Memorial, considering the vast volume of collection items held, approximately one per cent is on display. Given the high volume of items in storage, an essential part of maintaining the National Collections is the provision of appropriate storage facilities and storage planning.

Australian War Memorial

3.65 The Memorial's collection growth by category since 2014–15 to 31 December 2017 is depicted in Figure 3.7. It shows an 11 per cent increase in asset volume over a 3.5 year period. In 2012, as part of the Mitchell storage precinct redevelopment plan, the Memorial predicted that collection growth would increase at approximately 4000m² per decade as shown in Figure 3.8.

74 The NGA received \$16.6 million in the May 2018 Budget and a further \$4.9 million grant from the Department of Communications and the Arts to assist in upgrading NGA's Parkes building.

Figure 3.7: Memorial collection growth by category, 2014–15 to 31 December 2017

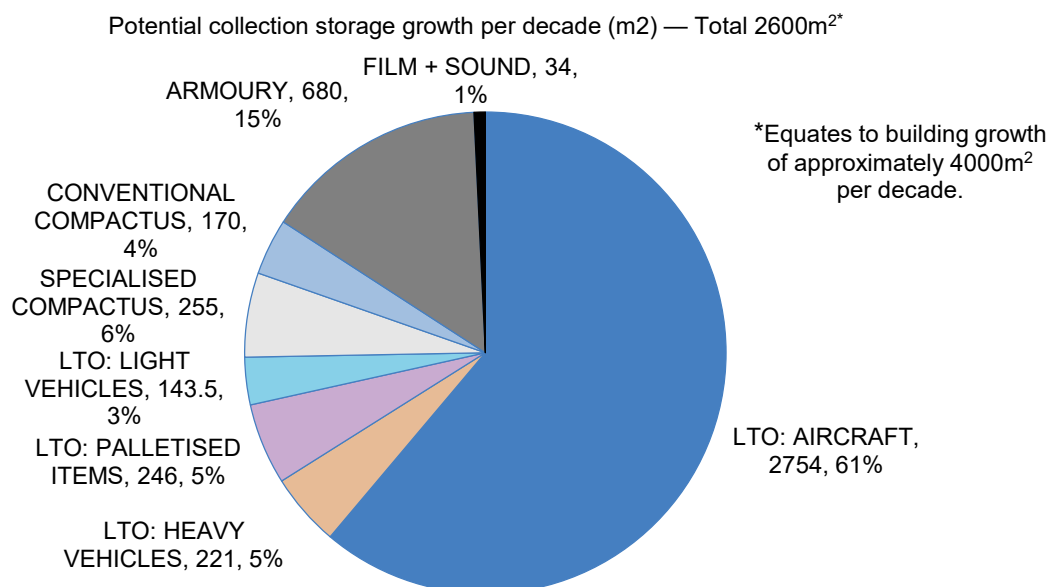


Note: Research Centre National Collection Items are not included in the above chart. The Research Centre is discussed at paragraph 3.97.

Note: The graph measures the volume of collection items by unit (multiple units can constitute one item) and therefore differs from total figures presented in Chapter 1 – which is represented per collection item.

Source: ANAO analysis of Memorial information.

Figure 3.8: Memorial predicted collection growth, 2012 data

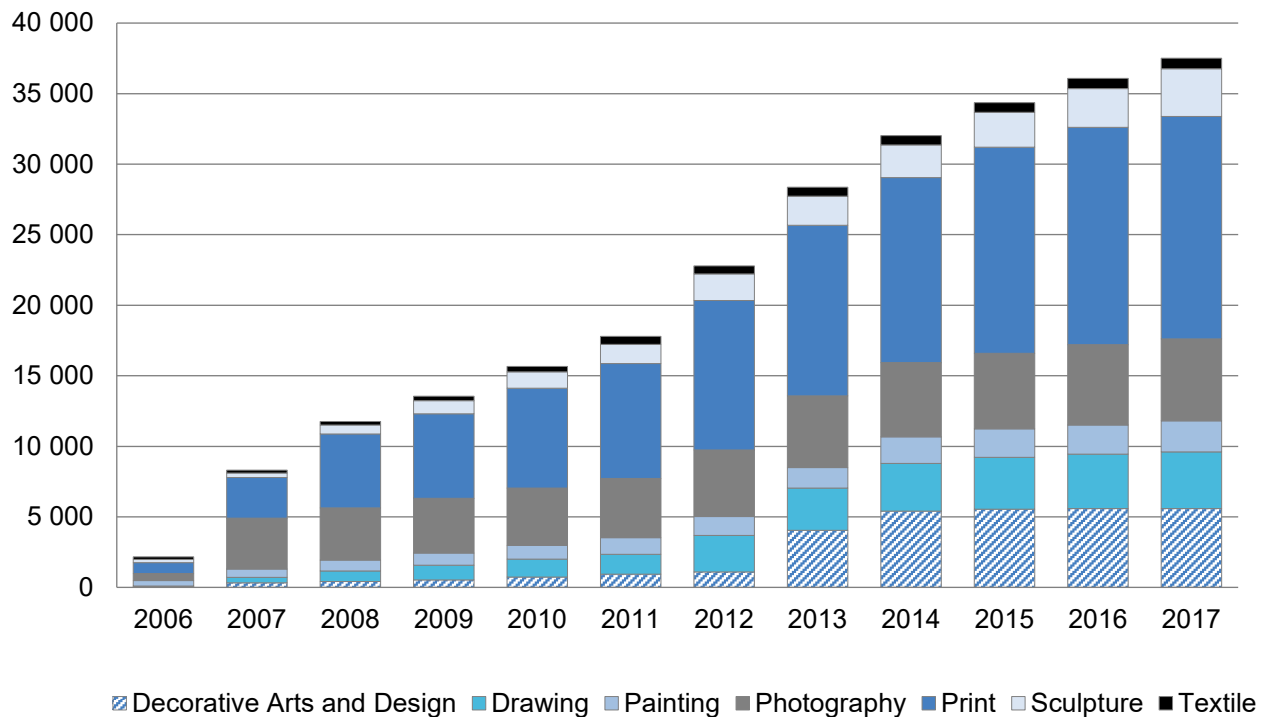


Source: Memorial information.

National Gallery of Australia

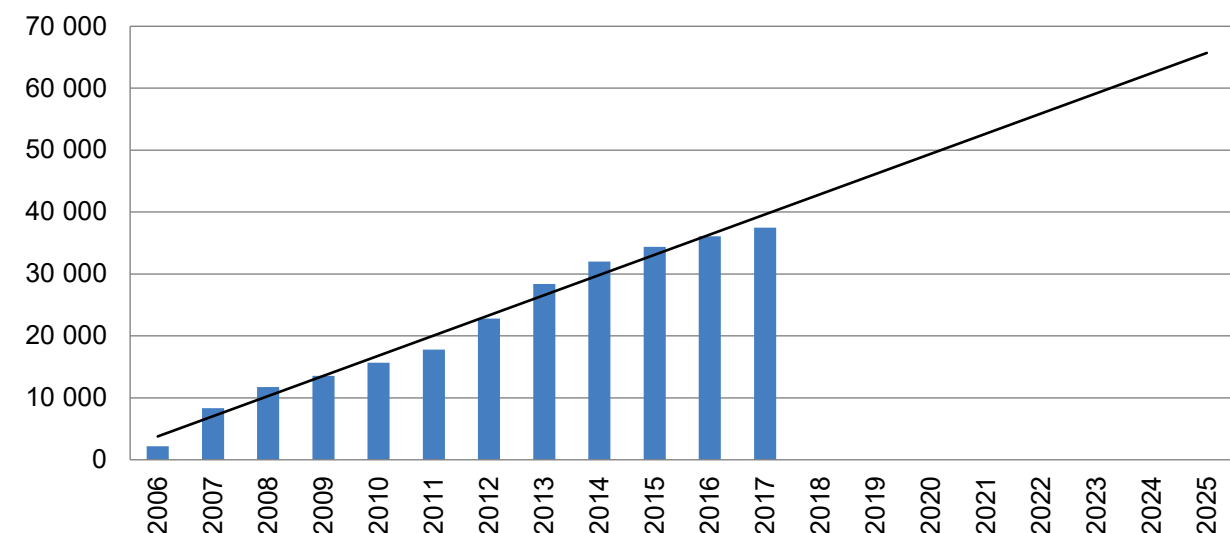
3.66 The NGA's collection growth by art category from February 2006 to April 2017 is depicted in Figure 3.9. It shows a 1627 per cent increase in the total volume of assets over the period, a 17 per cent increase since 2014. Based on this information, the NGA has predicted future collection growth as depicted in Figure 3.10.

Figure 3.9: NGA collection growth by art category, February 2006 to April 2017



Source: NGA information.

Figure 3.10: NGA predicted collection growth, based on April 2017 data



Source: NGA information.

Storage planning

3.67 As collections grow year on year and there is minimal deaccession activity occurring at either the Memorial or the NGA, adequate planning is needed to ensure that optimal storage conditions are maintained to prolong the life of the collection. The previous 2004–05 ANAO audit found that long-term storage to house the collections was a critical issue across all of the cultural entities.⁷⁵

Australian War Memorial

3.68 The Memorial utilises the following storage for its collection:

- Mitchell precinct covering 8100m² of current collection storage area including:
 - Mitchell store Treloar A (1978), climate controlled conservation laboratories, store for textiles, paper, photographs, paintings⁷⁶ and small objects; and non-climate controlled warehouse storage;
 - Mitchell store Treloar B (1986), non-climate controlled warehouse storage for large objects;
 - Mitchell store Treloar C (1993), climate controlled storage used to house large objects, conservation and administration;⁷⁷
 - Mitchell store Treloar D (2011), mixture of climate controlled and non-climate controlled storage (for collection and non-collection items);
 - Mitchell store Treloar E (2014), is currently under development with the aim of producing 5288m² of climate controlled storage; and
 - Mitchell store Treloar F (2014) currently leased out.
- Other National Collection storage covering 1500m² includes:
 - Campbell store in the main Memorial, Administration and Bean buildings, climate controlled storage used for art, works on paper, framing, photos, film and sound, and transit store (where donations are assessed);
 - National Film and Sound Archives (Nitrate Vault); and
 - National Library of Australia.

3.69 The Memorial identified in 2012 long-term storage needs, particularly for its large objects collection, to be an issue. As a result, the Memorial, using accumulated funds, redeveloped its Mitchell storage premises. The Memorial's Mitchell facility is being progressively developed to accommodate the growth of the National Collection. This growth is projected to continue at a rate that will require an additional 2600m² storage per decade, equating to a growth in building size of 4000m² per decade (see previous Figure 3.8).

3.70 While storage at Mitchell is being improved, the Memorial has recognised that there are challenges in maintaining ideal environmental conditions and safeguarding collection items due to

75 ANAO Audit Report No.59 2004–05, *Safe and Accessible National Collections*, p. 18.

76 Treloar A includes the primary climate controlled storage for the painting collection. The painting store is beyond capacity and the overflow is stored in Treloar C, and the art store at Campbell.

77 Treloar B and C are open to the public one day a year. In 2016–17, there was 3 617 visitors to the Mitchell storage facility.

the dispersed nature of storage at its Campbell site: in the main Memorial Building, the Administration Building and the Bean Building.

3.71 During audit fieldwork the Memorial's art store at Campbell was found to be at capacity. Large painting artworks are also stored in less than ideal conditions at Mitchell. The Memorial is currently working on a redevelopment plan which should include future storage planning for its art collection. Management has advised that it will be considering storage as part of the Master Plan to redevelop the War Memorial.

National Gallery of Australia

3.72 The NGA utilises the following storage for the National Collection:

- Parkes store of approximately 1798m² of climate controlled storage, part of the 1982 heritage listed building;
- Hume store of approximately 4136m² of climate controlled storage, built in 1993 and redeveloped in 2014 to maximise use of the storage space for the collection;
- Hume (Arnot Street) store of approximately 3000m² of uncontrolled (general) storage; mainly used to store non-collection items, with some low risk National Collections items, such as outdoor sculptures also stored (see Case Study 2);
- Cold store at the National Library of Australia used for the photograph collection; and
- Climate controlled and non-climate controlled commercial storage, at a cost of approximately \$200 000 per annum, used for National Collection items. The NGA expects commercial storage costs to increase to \$325 000 in 2018–19 and reach \$750 000 in five to 10 years based on current collection growth patterns.

3.73 In June 2011, an internal report into storage at the NGA rated the lack of appropriate storage capacity as high risk, with works of art being stored in thoroughfares and other areas not conducive to the effective preservation of the collection. Following this review, in 2013 the NGA purchased the Hume (Arnot Street) store, adjacent to the Hume store for storage of non-collection items. In 2015 the NGA completed a redevelopment of the Hume store, converting uncontrolled storage into climate controlled storage. The intention of these storage solutions was to achieve another 10 years of storage needs. The storage redevelopment was funded from the Strategic Asset Management Plan (SAMP) budget, although it was not included in the original SAMP planning, which focussed on replacing existing assets, not undertaking enhancements or purchasing new ones.

3.74 However, the receipt via donation of a number of collections of large sized art works in 2013–14 absorbed a large proportion of the new storage immediately.⁷⁸

3.75 More recent internal reviews in August 2016, indicated that 'Storage space at the Hume offsite centre is currently close to capacity (95% full) with all remaining space allocated'⁷⁹ and in 2017 the 'NGA appears to be rapidly filling the available storage space; a matter that will become a significant issue in the next eighteen months if current trends continue'.⁸⁰ This concurs with ANAO audit findings that NGA storage was nearing capacity at Hume and storage at Parkes was critical

78 See Figure 3.2 on NGA acquisitions and disposal, 2001–02 to 2016–17.

79 Fyusion, *Strategic Review Data Report*, August 2016, p. 46

80 Synergy, *Costs to Care for the Permanent Collection of Heritage and Cultural Assets*, 3 November 2017, p. 16.

with items not stored in optimal storage conditions (such as in transit areas, in front of fire exits, and high value art work being stored on mobile racks for long periods).

3.76 The NGA is currently developing a storage strategy to address its requirements over the short, medium and long term. The NGA has advised that this strategy will be taken to Council in June 2018. The draft strategy states that the short and medium term storage challenges faced by the NGA will result in increased commercial storage costs. Future acquisitions in certain art categories, such as medium to large paintings, art installations or large three-dimensional works, will have to be stored commercially. In November 2017 management presented a future storage proposal to the NGA Building Committee—the creation of a cross link between the Hume store and Hume (Arnott Street) store and improvement in the environmental storage conditions at the Hume (Arnott Street) store. A 2014 cost estimate of \$8–9 million dollars was provided to undertake these works. The funding for this future storage plan had not been identified at the time of the audit. However, the draft strategy notes that it will need to consider such options as quarantining a portion of future Capital Development Acquisition Budget to assist with achieving storage standards.

Recommendation no.8

3.77 The ANAO recommends that the National Gallery of Australia develop and implement a long-term storage solution for the National Collection, ensuring compliance with storage standards for artworks. In the interim, that storage considerations should become a key part of a revised acquisition process.

National Gallery of Australia response: *Agreed.*

3.78 *A substantial program of providing upgraded storage facilities that increased capacity was completed in 2014. It was noted at the time that a future storage construction project would require funding estimated at \$8-9 million.*

3.79 *The NGA has a Collection Storage Plan which continues to be reviewed and discussed, with consideration being given to funding required to meet the needs of the growing collection.*

3.80 *In 2017 management reviewed collection management policies and procedures, to ensure that exceptional storage or other costs are considered at the time a work of art is considered for acquisition.*

National Gallery of Australia's management of building and supporting assets

3.81 In 2010, the NGA commissioned a facilities management company to develop a Strategic Asset Management Plan (SAMP) for its buildings. The SAMP was finalised in May 2011 and was focussed on the life cycle of assets that make up the NGA's (then two) buildings and provided schedules for asset replacement over a 40-year period. At the time of the original analysis a large portion of the building infrastructure was due to reach the end of its life and required a \$19.2 million investment in 2014–15.

3.82 A SAMP progress review in February 2015 found that the NGA was significantly underfunding SAMP and had prioritised other works ahead of undertaking critical works on infrastructure that was at risk of failure. The report concluded that 'projects are organised based

on the needs of the Gallery rather than the plotted needs of the asset.’ Inadequately funding SAMP had resulted in a backlog of works totalling between \$15.6 million and \$19 million,⁸¹ and included works on key infrastructure such as fire, electrical, environmental control and security systems.

3.83 The NGA prioritised several capital works ahead of scheduled SAMP works.⁸² Table 3.4 shows a summary of SAMP funding including budgeted and actual expenditure on SAMP projects. Table 3.4 shows that the NGA has been consistently underfunding and underspending on SAMP projects since 2012–13.

Table 3.4: NGA’s SAMP Budget vs Actual, 2012–13 to 2017–18

Financial Year	Original SAMP allocation	NGA’s budget for SAMP	Actual expenditure on SAMP projects
2012–13	\$6 259 310	\$4 961 284	\$720 000
2013–14	\$6 836 100	\$5 930 543	\$3 780 246
2014–15	\$7 041 183	\$5 196 000	\$38 488
2015–16	\$18 611 855 ^a	\$6 014 000	\$1 326 045
2016–17	\$2 207 254	\$5 069 345	\$3 595 546
2017–18	\$2 870 034	\$4 000 000 ^b	\$1 977 175 (as at January 2018)

Note a: SAMP was revised in 2015–16.

Note b: The NGA’s 2017–18 SAMP budget was reduced from \$4.8 million to \$4 million in December 2017.

Source: NGA information. The accuracy of the information was not verified by the ANAO.

3.84 A 2017 review of SAMP stated that the backlog of works had grown to \$46.7 million, \$26.2 million of which, ‘must be undertaken at the earliest possible opportunity due to the consequences of what might occur in the event of a failure.’ Critical risks identified in the 2015 review were still unaddressed and failure to undertake the works would mean ‘it is likely that within the next 12 months major systematic failure will result... and potentially mean a shutdown of the premises for a period of time to ensure the facilities and collection protection are adequate.’ The review found:

- the fire system was at the end of its life and no longer supported by industry. The failure of the fire system would mean detection and timely extinguishing of a fire would be extremely difficult;
- systems for environmental control had already started failing. Complete failure would mean the NGA could no longer maintain appropriate conditions for collection items on display and in storage, many of which are extremely sensitive to fluctuations in temperature and humidity;
- the security system, which includes access controls, CCTV cameras and intruder alarms had also reached the end of its life. Failure of the security system would require the NGA

81 This range was provided as the NGA did not provide the facilities management company with data for 2010–11 and 2011–12.

82 For example, in 2015–16 the NGA undertook a rehang of its galleries at a cost of \$2 million which was funded from the SAMP budget.

to post security contractors at every building entry 24 hours a day at a cost of approximately \$12,000 per day; and

- electrical systems were in many cases non-compliant with current standards increasing the risk of electrical shock and/or electrical fire.

3.85 Further risks to the collection stem from significant water ingress at the Parkes building and flooding at the Hume storage facility. The condition of the roof at the Parkes building is such that in heavy rain there are significant water leaks in gallery spaces that are visible to the public. For example, weather events in February 2018 resulted in major water leaks that put over 30 works of art at risk of damage—one was directly affected with water damage and several showcases had water exposure. Consistent water leaks during heavy rain events also impact on the NGA's overall environmental management, increase mould and insect activity, and can place the public at risk.

3.86 Due to the NGA's current financial management practices, it has limited means to address the backlog of critical works. The NGA has advised that it is seeking additional funding from government to address its building situation.⁸³

Recommendation no.9

3.87 The ANAO recommends the National Gallery of Australia ensure that it has a fully funded plan in place to provide timely maintenance and replacement of critical infrastructure.

National Gallery of Australia response: *Agreed.*

3.88 *The NGA has a Strategic Asset Management Plan (SAMP), which identifies building renewal requirements. This plan was extensively updated and reviewed in 2017, in tandem with discussion with Government about risk mitigation in relation to maintenance, plant replacement and security upgrades.*

3.89 *The NGA received a grant of \$4.9 million from the Department of Communications and the Arts, and \$16.6 million through a New Policy Proposal announced in the May 2018 Federal Budget. These provide a total of \$21.5 million for the implementation of the NGA's SAMP, enabling essential building upgrades to be completed between 2018 and 2020.*

83 The NGA received \$16.6 million in the May 2018 Budget and a further \$4.9 million grant from the Department of Communications and the Arts to assist in upgrading NGA's Parkes building.

Do the entities effectively secure and account for their collections?

The audit found that security at the Memorial is well controlled. NGA's security requires improvement to be compliant with the Commonwealth Protective Security Policy Framework, noting that compliance is not mandatory.

Both entities utilise a formal collection management system (CMS) which assists in accounting for the collection and both entities utilised a risk based approach to stocktaking. At the Memorial stocktakes cover approximately 80 per cent of the financial value of the collection, whilst at the NGA this figure is 71 per cent. The Memorial had 489 items, and the NGA 18 items, which have been recorded as unable to be located during the stocktake process. As at January 2018, the NGA had 809 items that were recorded as 'to be located' in their CMS, which indicates that the NGA has legacy data issues to investigate.

Security management

Australian War Memorial

3.90 Security at the Memorial is well controlled. The Memorial commissions experts, such as the Australian Federal Police and other Commonwealth security agencies, to undertake comprehensive protective security risk assessments every three years. Recommendations from the reviews are assessed and assigned priority and the majority have been implemented or are underway. The Memorial's audit committee and senior management receive formal security reports each quarter, or more frequently as the need arises.

3.91 There are strong controls around National Collection items the Memorial deems to be high risk due to their monetary or cultural value or their potentially hazardous nature. There are separate storage spaces for weapons in the Memorial's collection. These have tighter access controls than general storage spaces and the Memorial has strict protocols in place for handling, moving and displaying these items. High-risk items, which include all weapons, are subject to more frequent stocktaking.

National Gallery of Australia

3.92 Security at the NGA requires improvement. An internal report in November 2017 found that the NGA was non-compliant with the Commonwealth Protective Security Policy Framework.⁸⁴ Among other issues, the report found that the NGA has outdated security plans, lacked a recent comprehensive security threat assessment, and had key security-related positions vacant. As mentioned previously, the NGA's SAMP projects have been delayed long past end of life timeframes. For example, the NGA's Security system is at risk of critical failure, which would have substantial implications for physical controls and costs. Additionally, CCTV systems at the Parkes and Hume facilities require upgrading.

84 Compliance is mandatory for non-corporate Commonwealth entities such as departments of state and regulatory agencies. As a corporate Commonwealth entity, the NGA is not strictly required to comply, however it endeavours to do so as a matter of good practice.

3.93 The previous ANAO audit report made two recommendations around security and access control. These were that the NGA reviews access to storage areas to tighten control over artworks and ensure that movements of objects from and within storage are accurately recorded; and evaluates its current exit procedures to ensure that staff ceasing employment do not retain security access cards and systems access to the network, Collection Management Systems (CMS) and other IT systems.⁸⁵ The NGA has made some progress on these recommendations in areas such as access restriction, recording of movement, CMS access controls and restricted area controls. Additionally, the CMS (discussed below) has strict access restrictions and movement of artworks is controlled by the registration team.

Collection Management Systems

3.94 Collection Management Systems (CMS) are a key mechanism for cultural entities to catalogue and control their collections as well as providing a repository of information about the collection. These are in essence databases which contain records about the collections.

3.95 For CMS to be effective tools they need to contain, to a basic standard, all relevant information about the collection. Standards can be achieved through using mandatory fields at data entry level and developing data standards and thesauri. Additionally, data should be regularly cleansed, whereby duplicate records are deleted, missing fields completed or the data quality of the record improved.

3.96 Both entities utilise a formal CMS and require minimum data standards.

Australian War Memorial

3.97 The Memorial has a well-controlled collection database with targets for data cleansing activity. However it is currently running two separate systems, one for the Research Centre National Collection (the official histories and records of Australia's war involvement) and one for the rest of the National Collection. Efficiencies could be achieved in bringing the Research Centre data in line with the Memorial's primary CMS. The Memorial has advised work is being undertaken in this regard.

National Gallery of Australia

3.98 Users of NGA's CMS are restricted to information based on their needs. For example, the value of artworks is not accessible to the majority of CMS users. However, while the NGA has minimum data standards, staff do not always comply with the standards. For example, artworks can be published on the website without all data requirements. The responsibility of ensuring minimum data standards falls to each Curatorial area. Not meeting minimum data standards compromises the integrity of the data in NGA's CMS. The ANAO suggests that minimum data standards are communicated to staff and controls put in place to ensure compliance. CMS data issues in relation to items 'to be located' is discussed below.

Stocktake

3.99 Stocktakes are a means to test the system of control over collections. These are usually carried out by sample selection. Best practice stocktake procedures include guidance on what steps

85 ANAO Audit Report No.59 2004–05, *Safe and Accessible National Collections*, p. 22.

to take when more than an acceptable number of items, relative to the sample, cannot be found during a stocktake.

Australian War Memorial

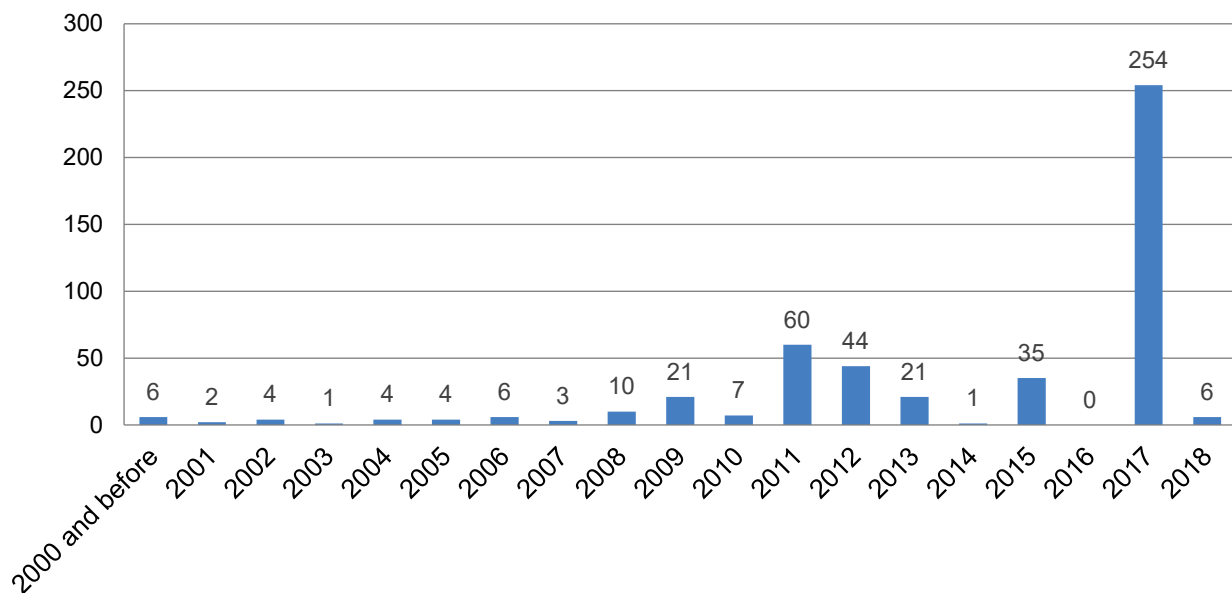
3.100 In the previous 2004–05 ANAO report, the Memorial was considered to have had the most rigorous program of stocktake, which included condition reporting.⁸⁶ The Memorial no longer undertakes condition reporting as part of the stocktake process. The Memorial's stocktake policy at the time of audit fieldwork indicated that a 10 per cent random sample will be subject to stocktake annually, and a stocktake of 100 per cent of the collection will be conducted every three years. In 2015–16 (the most recent 100 per cent year) the Memorial included only 10 per cent of items in its stocktake. The Memorial reviewed its policy in January 2018 and has adopted a risk based approach to stocktaking, with all high value, high transit, high risk storage areas, and items on loan to have a 100 per cent stocktake annually. The remaining collection will be subject to a 10 per cent sample on an annual basis.

3.101 Memorial data shows that the Research Centre's assets include at least 12 items with a recorded value of over \$750 000 (\$13 million in total). The Research Centre is not included in the Memorial stocktake process, and therefore these high value items are not accounted for as part of the stocktake process. The Memorial has advised that as part of the stocktake policy review, all high value items, including those in the Research Centre, will be part of the stocktake process. This will cover approximately 80 per cent of financial value, and approximately 20 per cent of collection items.

3.102 If the Memorial is unable to locate an item in its collection, the item's location is changed to 'unsighted' in its CMS. The Memorial provided data on the items that were unsighted (missing). As at March 2018, there were 489 items that were unsighted. The majority (254) of these items were marked as unsighted in 2017 (i.e. identified as missing in 2017). Figure 3.11 shows the number of items that are currently missing by the year that they went missing.

86 ANAO Audit Report No.59 2004–05, *Safe and Accessible National Collections*, p. 65.

Figure 3.11: Memorial's 'Unsighted' collection items by year in which items were recorded as missing — as at 20 March 2018



Source: ANAO analysis of data provided by the Memorial.

3.103 The Memorial produces regular reporting on the items that are unsighted. It advised, however, that this reporting only includes the three most recent years and that it would amend its reporting in response to the audit to include all unsighted items.⁸⁷ As can be seen from Figure 3.11, there are items that have been missing since before 2000. The ANAO suggests that the Memorial investigates items which have been unsighted long term and determine whether they can be located.

National Gallery of Australia

3.104 The NGA's collection stocktake policy states that all items over \$3 million will be subject to annual stocktake, together with all items on loan. Additionally, a random sample of 1200 works are also to be sighted. Using a \$3 million threshold equates to the NGA verifying approximately 71 per cent of financial value, and approximately 0.14 per cent of collection items.

3.105 In addition to the stocktake policy, over 2000 works are on display in the Gallery at any one time, and works are sighted during each financial year as part of the regular movement of works for: exhibitions, loans, imaging, research, travelling exhibitions, public viewings and conservation treatments. This represents a routine verification of about 10 per cent of the collection in any one year.

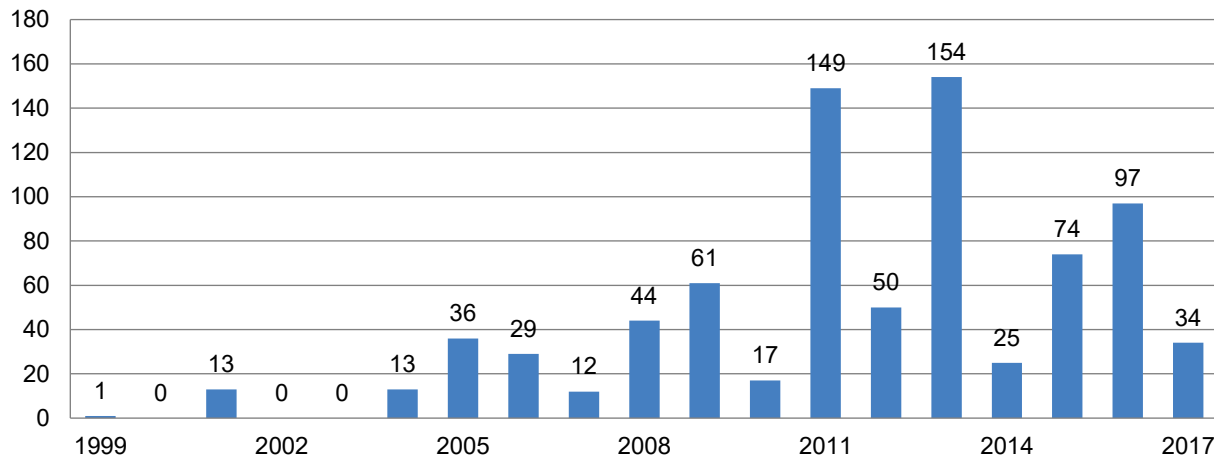
3.106 Review of NGA's CMS data shows that there are 71 026 collection items (this number includes parts that may make up one artwork) which have never been subject to a stocktake.

3.107 If an item from the NGA's collection is not able to be located, for instance as part of a stocktake, the NGA updates the item's location in its CMS to a status of 'To Be Located'. Stocktake

⁸⁷ A report of all unsighted items was provided to the ANAO by the Memorial during the course of the audit.

reporting shows that there have been 18 collection items classified as 'To Be Located' over the period 2011 to 2017. The NGA monitors all items deemed as 'To Be Located' as part of the stocktake process and actively investigates these items. However, as at January 2018, there were 809 items identified as 'To Be Located' in the NGA's CMS. On average, these items had been unable to be located for 2177 days (around six years). The NGA does not monitor and report against these items. Figure 3.12 illustrates how long items have been recorded as 'To Be Located' in NGA's CMS. The horizontal axis is the year that the item was identified as missing.

Figure 3.12: NGA's 'To Be Located' items by year that items were recorded as missing, as at 16 January 2018



Source: ANAO analysis of NGA data.

3.108 The variance between stocktake reporting on missing items and items classified as 'To Be Located' in the CMS indicates there are CMS data issues. The NGA has advised that this is due to:

- data quality issues that were created when a historical collection database was transferred to the NGA's CMS in the early 1980's, creating a quantity of legacy anomalies that have been reviewed, but may never be resolved, or
- works were 'unsighted' in their CMS location during daily operations.

3.109 The ANAO suggests that the NGA investigate the 809 items that are recorded as 'To Be Located'. The review should assist the NGA in determining the extent of NGA's CMS data issues, what items are missing, and updating location data for collection items. The NGA has advised that this will occur when extra resources are provided.

Grant Hehir
Auditor-General

Canberra ACT
13 June 2018

Appendices

Appendix 1 Entity responses

Australian War Memorial

Dr Brendan Nelson
Director



21 May 2018
PCRP10032-000000

Mr Grant Hehir
Auditor-General
Australian National Audit Office
GPO Box 707
CANBERRA ACT 2601

Dear Mr ^{Grant}Hehir,

I enclose the Memorial's response to the Proposed Report following the audit on the management of National Collections at the Memorial and the National Gallery of Australia.

The Memorial acknowledges the conclusions of the audit and the findings regarding effective governance and risk management frameworks; well planned and funded storage; well controlled security; and sound financial position and use of funding.

The Memorial also acknowledges the ANAO's finding that the collection management framework is effective. The Memorial will continue to improve upon the Memorial's collection management framework as the recommendations of the audit are implemented.

Thank you also to your officers for the manner in which the audit was conducted.

Yours sincerely,

Brendan Nelson

Here is their spirit, in the heart of the land they loved; and here we guard the record which they themselves made. C.E.W. Bean

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National Gallery of Australia



1 June 2018

Mr Grant Hehir
Auditor-General
Australian National Audit Office
GPO Box 707
CANBERRA ACT 2601

Dear Mr Hehir

The NGA thanks the Australian National Audit Office (ANAO) for its work in conducting the 2018 audit into Management of the National Collections.

We welcome the ANAO report, and accept all the recommendations it makes. The NGA has been operating for many years in a context of concerning financial pressure and fully understands the ANAO's urging for greater attention to the expense/revenue ratio, and the associated risks. Over the last three years the NGA has managed a decreased budget and made improvements to its operations, including the development of a Financial Sustainability Plan. We are committed to this plan and to continuing to reduce risk in all areas of our operations.

Through nearly half a century of collecting, the NGA has achieved extraordinary outcomes in acquiring and displaying Australian and International art. Our goal is to enrich peoples' lives through engagement with the art of Australia, the art of our region and the great art movements of the 20th and 21st centuries. To this end, we have mounted exhibitions of global quality and importance, and met the collection management requirements of the world's most significant international art institutions, which have lent artworks of inestimable quality, art historical importance and value.

Underpinning the success of our achievements, is our international reputation for a meticulous approach to conservation, registration and collection management methodology. We acknowledge the Federal Government for its long term support of our exhibitions program through the Australian Government International Exhibitions Insurance Program which provides insurance cover to the NGA for works of art on loan.

The remarkable growth of the national collection has created an increasing burden of care and this comes with the added context of ageing buildings and amenities in need of renewal. The NGA is also operating in a financial environment of considerable constraint. The recent Federal budget capital allocation of \$21.5 million to address major building and security issues was announced during the audit

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process. This represents an important step forward, and is a key part of the NGA's continuing financial recalibration.

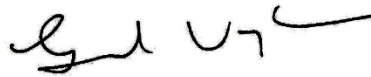
In conclusion, the NGA is committed to continuously improving the NGA's framework for the efficient and effective management of the national art collection. The recommendations made through this audit will assist us to undertake this important work.

We have valued the opportunity to participate in the audit report on Management of the National Collections, 2018.

Yours sincerely



Allan Myers AC QC
Chairman, NGA Council



Gerard Vaughan AM
Director, NGA

Appendix 2 Implementation of recommendations to the Memorial and the NGA from previous ANAO audit

Recommendation	Memorial	NGA	See paragraph
The ANAO recommends that the Gallery documents a more focussed collection development policy and acquisition criteria based on an assessment of the collection and the endorsed policy direction.	N/A	<i>Agreed</i> ✓	3.8
The ANAO recommends that the Gallery, in consultation with DCITA, assigns a high priority to the assessment of the Commonwealth collection for disposal.	N/A	<i>Agreed</i> Partially	3.46
The ANAO recommends that each cultural institution (except the Library) performs a detailed security risk assessment to underpin its Information Technology Security Plan for its network and collection management systems. The Australian Government Information Technology Security Manual (ACSI 33) should be used as a guide to requirements.	<i>Agreed</i> Not assessed	<i>Agreed</i> Not assessed	N/A
The ANAO recommends that the Gallery gives priority to conservation activities as described in its conservation plan, so that resources are allocated according to the priorities of its collections' conservation requirements.	N/A	<i>Agreed</i> Partially	See 3.47 to 3.51
As the conditions that collections are maintained in are a key indicator of the care of the collection, the ANAO recommends that cultural institutions consider reporting the actual parameters set and the standards achieved to their respective councils on a regular basis and also in their Annual Reports.	<i>Agreed</i> Partially	<i>Agreed</i> ✗	See Appendix 5
The ANAO recommends that the Library, Museum and the Gallery consider introducing performance targets for facilities repair and maintenance and a formal system to monitor key collection related repairs and maintenance.	N/A	<i>Agreed</i> ✗	See 3.81 to 3.86
The ANAO recommends that each cultural institution (except the Memorial) evaluates its current exit procedures to ensure that staff ceasing employment do not retain security access cards and systems access to the network, Collection Management Systems and other IT systems.	N/A	<i>Agreed</i> ✓	3.93
The ANAO recommends that the Gallery reviews access to storage areas to tighten control over artworks and ensure that movements of objects from and within storage are accurately recorded.	N/A	<i>Agreed</i> ✓	3.93
The ANAO recommends that cultural institutions formulate long-term digitisation plans, which contain evaluation criteria for the measurement of success of their digitisation programs.	<i>Agreed</i> ✓	<i>Agreed</i> ✓	See Appendix 5

Recommendation	Memorial	NGA	See paragraph
<p>The ANAO recommends that cultural institutions discuss, with a view to the developing, a set of key common performance measures. The ANAO also recommends that the:</p> <p>a) Museum and Archives re-examine their performance information to develop targeted indicators;</p> <p>b) Gallery introduces some objective measures for its Service Charter; and</p> <p>c) Museum and Library consider reporting against key measurables in their Service Charters.</p>	<p><i>With qualification</i></p> <p>✘</p>	<p><i>Agreed</i></p> <p>✓</p>	2.36

Note: Previous audit: ANAO Audit Report No. 59 2004–05 *Safe and Accessible National Collections*.

Legend: ✓ means fully implemented; 'partially' means partially implemented; and ✘ means not implemented.

Source: ANAO analysis.

Appendix 3 Memorial CDAB expenditure: 2009–10 to 2017–18 (as at 31 January 2018)

	2009–10 \$'000	2010–11 \$'000	2011–12 \$'000	2012–13 \$'000	2013–14 \$'000	2014–15 \$'000	2015–16 \$'000	2016–17 \$'000	2017–18 to 31/1/18 \$'000
Appropriation Bill 2	8 909	7 209	7 736	11 125	25 258	12 444	7 472	7 154	7 343
<i>Less non CDAB NPPs</i>	<i>-1 700</i>	<i>0</i>	<i>-500</i>	<i>-3 847</i>	<i>-17 963</i>	<i>-5 190</i>	<i>-300</i>	<i>0</i>	<i>0</i>
Appropriation Bill 2 CDAB	7 209	7 209	7 236	7 278	7 295	7 254	7 172	7 154	7 343
Balance brought forward	9 552	8 609	9 892	10 151	9 484	6 882	5 672	6 123	3 155
<i>Expended:</i>									
Acquisitions	305	516	541	1,008	2,803	1,570	801	3,607	535
Capitalisation of salaries	3 813	4 464	4 508	5 541	5 832	4 873	4 756	5 493	2 893
Other costs ¹	4 034	946	1 928	1 396	1 262	2 021	1 164	1 022	696
Total acquittal of CDAB	8 152	5 926	6 977	7 945	9 897	8 464	6 721	10 122	4 124
Carried Forward:	8 609	9 892	10 151	9 484	6 882	5 672	6 123	3 155	6 374

Note 1: Other costs represent non-salary preservation and conservation costs for the Memorial's collection.

Source: Memorial information. The accuracy of this information was not verified by the ANAO.

Appendix 4 NGA CDAB expenditure: 2009–10 to 2017–18 (as at 31 January 2018)

	2009–10 \$'000	2010–11 \$'000	2011–12 \$'000	2012–13 \$'000	2013–14 \$'000	2014–15 \$'000	2015–16 \$'000	2016–17 \$'000	2017–18 to 31/1/18 \$'000
Appropriation Bill 2	32 956	17 775	16 219	16 392	16 453	17 004	16 829	16 769	16 628
<i>Less non CDAB NPPs</i>									
Appropriation Bill 2 CDAB	32 956	17 775	16 219	16 392	16 453	17 004	16 829	16 769	16 628
Balance brought forward	0	0	0	0	0	0	0	0	0
<i>Expended:</i>									
Art acquisitions	11 672	11 387	10 882	8 361	4 618	5 424	7 768	6 355	6 681
Capitalisation of salaries	1 536	2 936	2 942	4 113	4 678	4 451	4 089	3 612	2 153
Other acquisition costs ²									124
Strategic Asset Management Plan (SAMP)								1 552	996
Buildings	19 071 ¹	2 078 ¹	1 303	2 162	5 793	5 980	4 492	4 057	
Property, Plant, Equipment and Intangibles	677	1 374	1 092	1 756	1 364	1 149	480	1 193	1 253
Total acquittal of CDAB	32 956	17 775	16 219	16 392	16 453	17 004	16 829	16 769	11 207

Note 1: The building expenses in 2009–10 are part of a larger amount of \$57 457 630 and in 2010–11 of a larger amount of \$16 289 564. This was expenditure on the building extension.

Note 2: Other acquisition costs represent packing and crating for acquisitions, the freight and transport, and quarantine clearances to bring works into the collection.

Source: NGA information. The accuracy of this information was not verified by the ANAO.

Appendix 5 Memorial and NGA public reporting against KPIs relating to Collections, 2016–2017

Memorial				NGA		
	PBS target	Result per Annual Report	Published status	PBS target	Result per Annual Report	Published status
Common set of Cultural Institutions KPIs						
Collection growth						
Size of the collection: year-on-year growth	No public comparison available	5366 new items acquired in accordance with the Collection Development Plan (CDP)	Met	900 acquisitions	521 acquisitions	Not met
		24 items disposed of, in accordance with the CDP		900 objects accessioned	2735 accessions ¹	Met
Access to collection						
Objects accessible to the public: percentage of total collection	No public comparison available	No public comparison available	N/A	57 per cent	56 per cent	Not met
Objects available to the public on display: percentage of total collection	No public comparison available	No public comparison available	N/A	3 per cent	3 per cent	Met
Objects available to the public on tour: percentage of total collection	No public comparison available	No public comparison available	N/A	1 per cent	1 per cent	Met
Objects available to the public online: percentage of total collection	No public comparison available	426 930 object records are now available on the Memorial's website, an increase of 2 986 from the last reporting period.	Met	99 per cent	99 per cent	Met

Memorial				NGA		
Digitisation						
Objects digitised: percentage of total collection	No public comparison available	No public comparison available	N/a	62 per cent	56 per cent	Not met
Objects digitised: year-on-year growth	No public comparison available	No public comparison available	N/a	Not reported	Not reported	N/a
Conservation/preservation during reporting period						
Objects assessed/condition checked: percentage of total collection	No public comparison available	No public comparison available	N/A	Not reported	Not reported	N/a
Objects conserved: percentage of total collection [Measure as stated in Memorial Annual Report 2016–17: ‘At least 80 per cent of the collection in storage that meets conservation standards for environmental conditions.’]	No public comparison available	Photographs, Film and Sound 95.08 per cent Art 99.8 per cent Military, Heraldry and Technology 85.39 per cent Research Centre collections 100 per cent.	Met	Not reported	Not reported	N/a
Objects treated for preservation purposes: percentage of total collection	No public comparison available	Not reported	N/A	3000 works of art subjected to conservation treatment	2739	Not met
Other KPIs						
Grow the number of items for which documentation has been enhanced or corrected.	No public comparison available	531 494 object records enhanced or corrected in 2016–17.	Met	Not reported	Not reported	N/a
Expenditure on collection development	No public comparison available	No public comparison available	N/a	26 per cent	18 per cent	Not met

Memorial				NGA		
Works of art loaned	No public comparison available	No public comparison available	N/a	1200	990	Not met
Number of visitors to exhibitions that include works from the National Collection	No public comparison available	1 030 104	Met	3 000 000	3 198 195	Met
Number of visitors to travelling exhibitions	No public comparison available	14 454	Met	198 000	191 812	Not met

Note 1: The 'acquisitions' listed in the NGA's annual report relate to whole works of art acquired, while 'accessions' refer to the number of individual parts of works marked with their accession number and recorded in the Gallery's collection management system (CMS) (one work can be made up of many physical parts). New acquisitions and loans are given priority for accession marking. However, the number of accessions recorded includes items cleared from the backlog of marking requirements (relating to items acquired more than two years prior).

Source: Australian War Memorial Annual Report 2016–17, pp. 46–47, Program Component 1.3 'National Collection'. National Gallery of Australia Annual Report 2016–17, p. 32, Program Component 1.1 'Collection development, management, access and promotion'.

