



HOUSE OF COMMONS  
CHAMBRE DES COMMUNES  
CANADA

# **SPECIAL EXAMINATION REPORT – CANADIAN MUSEUM OF NATURE, OF THE SPRING 2017 REPORTS OF THE AUDITOR GENERAL OF CANADA**

**Report of the Standing Committee on Public Accounts**

**The Honourable Kevin Sorenson, Chair**

**DECEMBER 2017  
42<sup>nd</sup> PARLIAMENT, 1<sup>st</sup> SESSION**

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## **NOTICE TO READER**

### **Reports from committee presented to the House of Commons**

Presenting a report to the House is the way a committee makes public its findings and recommendations on a particular topic. Substantive reports on a subject-matter study usually contain a synopsis of the testimony heard, the recommendations made by the committee, as well as the reasons for those recommendations.

# **STANDING COMMITTEE ON PUBLIC ACCOUNTS**

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André Léonard, Analyst

Dillan Theckedath, Analyst

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\* Non-voting member, pursuant to Standing Order 104(5).



# **THE STANDING COMMITTEE ON PUBLIC ACCOUNTS**

has the honour to present its

## **FORTIETH REPORT**

Pursuant to its mandate under Standing Order 108(2), the Committee has studied Special Examination Report - Canadian Museum of Nature, of the Spring 2017 Reports of the Auditor General of Canada and has agreed to report the following:







# SPECIAL EXAMINATION REPORT – CANADIAN MUSEUM OF NATURE, OF THE SPRING 2017 REPORTS OF THE AUDITOR GENERAL OF CANADA

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## INTRODUCTION

According to the Office of the Auditor General of Canada (OAG), the Canadian Museum of Nature (the Corporation) “is a federal Crown corporation established in 1990” whose mandate is “to increase, throughout Canada and internationally, interest in, knowledge of and appreciation and respect for the natural world by establishing, maintaining and developing for research and posterity, a collection of natural history objects, with special but not exclusive reference to Canada, and by demonstrating the natural world, the knowledge derived from it and the understanding it represents.”<sup>1</sup>

Additionally, in the 2015–2016 fiscal year, “the Corporation had about 135 full-time equivalent employees.”<sup>2</sup> As of 31 December 2015, its collections “consisted of over 10 million specimens, or 3.2 million lots.”<sup>3</sup>

The OAG found that, in recent years, the Corporation has “increased its revenues and decreased its expenses” and its “primary source of funding is the federal government.”<sup>4</sup>

As to governance, the OAG stated that the Corporation “has a Board of Trustees (the Board) with up to 11 members. The Board is supported by an Audit and Finance Committee and a Governance and Nominating Committee.”<sup>5</sup>

On 13 January 2017, the OAG presented the Corporation’s Board with the results of its special examination, whose objective was to “determine whether the systems and practices [the OAG had] selected for examination at the Canadian Museum of Nature

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1 Office of the Auditor General of Canada (OAG), “[Canadian Museum of Nature—Special Examination—2017](#),” *2017 Spring Reports of the Auditor General of Canada*, para. 1.

2 Ibid., para. 3.

3 Ibid., para. 5.

4 Ibid., para. 8.

5 Ibid., para. 15.



were providing it with reasonable assurance that its assets were safeguarded and controlled, its resources were managed economically and efficiently, and its operations were carried out effectively as required by section 138 of the [Financial Administration Act](#).<sup>6</sup>

On 26 October 2017, the House of Commons Standing Committee on Public Accounts (the Committee) held a hearing on this audit. The following witnesses were in attendance: from the OAG, Michael Ferguson, Auditor General of Canada, and Étienne Matte, Principal; and from the Canadian Museum of Nature, Margaret Beckel, President and Chief Executive Officer, Charles Bloom, Vice-President, Corporate Services, and Stephen Henley, Chair of the Board of Trustees.<sup>7</sup>

## FINDINGS AND RECOMMENDATIONS

### Corporate Management Practices

#### A. Corporate Governance

According to the OAG, the roles and “responsibilities of the Board were defined; appropriate and timely information was provided to the Board for oversight and decision making; and Board performance evaluations were performed.” However, the OAG found “weaknesses related to Board compliance monitoring and Board renewal.”<sup>8</sup>

The OAG also found that management “did not provide the Board with all information needed for compliance monitoring” in the following areas:

- **Laws and regulations:** “The Board did not receive confirmation that the Corporation had complied with regulatory requirements. It also did not receive information about whether management had identified instances of non-compliance and, if so, whether the necessary corrective actions had been taken.”
- **Key corporate policies:** “The Board approved key policies” but “did not receive sufficient information to ensure that the Corporation had complied with the policies.”

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6 Ibid., para. 9.

7 House of Commons Standing Committee on Public Accounts, *Evidence*, 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 26 October 2017, [Meeting No. 74](#).

8 OAG, “[Museum of Nature—Special Examination—2017](#),” *2017 Spring Reports of the Auditor General of Canada*, para. 19.

- **Code of values and ethics:** “The Board did not receive confirmation that employees, management, and trustees had provided all annual declarations required of them to confirm their adherence to the code and to acknowledge their responsibility for declaring actual or potential conflicts of interest. The Board also did not receive information on whether the Corporation had noted deviations from the code and, if so, what measures it had taken to address them.”<sup>9</sup>

Therefore, the OAG made the following recommendation: “To enhance the monitoring of the Board of Trustees, the Corporation should establish a process for ensuring that the Board periodically receives the necessary information on the Corporation’s compliance with laws and regulations, key corporate policies, and its code of values and ethics.”<sup>10</sup>

In response to this recommendation, Margaret Beckel, President and Chief Executive Officer of the Canadian Museum of Nature, mentioned the following points:

The corporation agrees. I’m pleased to report that at our February audit and finance committee meetings we now provide annual documentation assuring compliance. In addition, the operations update for board and management now more clearly references actions related to risks.<sup>11</sup>

The Committee is satisfied with the measures taken in response to this recommendation: changes are already being made. Therefore, the Committee has no additional recommendations to make on this matter.

Additionally, the OAG found that, as of the end of April 2016, “appointments were pending for 7 of 11 Board positions. The situation occurred even though the Corporation had proactively communicated Board needs and upcoming vacancies, and had proposed potential candidates, to the Minister of Canadian Heritage.”<sup>12</sup>

The OAG therefore recommended that the “Corporation should continue to engage with the Minister of Canadian Heritage on the need for sufficient and timely appointments to

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9 Ibid., para. 20.

10 Ibid., para. 22.

11 House of Commons Standing Committee on Public Accounts, *Evidence*, 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 26 October 2017, [Meeting No. 74](#), 0850.

12 OAG, “[Museum of Nature—Special Examination—2017](#),” *2017 Spring Reports of the Auditor General of Canada*, para. 23.



the Board of Trustees, continue to provide the Minister with profiles of potential candidates, and reinforce the need for staggered terms of office.”<sup>13</sup>

Michael Ferguson, Auditor General of Canada, emphasized this point as follows:

[Board] member vacancies should be filled. They should be filled by people with specific terms. All of those aspects of board appointments should be well understood and adhered to. Obviously, the board of the museum can’t do anything about the actual appointments, because the board doesn’t control the appointments. They’re Governor in Council appointments.<sup>14</sup>

Margaret Beckel added the following:

[A] new process for board selection was launched by the government in November 2016, which demands less of the museum than what was recommended by the special examination report. I’m pleased to report that the corporation has been in close communication with Canadian Heritage, and we look forward to an imminent conclusion of the appointment process.<sup>15</sup>

The museum’s action plan states that management “and the Board will continue to work with the Minister of Canadian Heritage, in a manner that is consistent with the new process established by the government for Governor-in-Council ...appointments.”<sup>16</sup>

Although the Museum has little control over the appointments to its Board, the Committee nonetheless recommends the following:

#### **RECOMMENDATION 1 – On Board of Trustees Governance**

**That, by 31 May 2018 (a first report), and again between 1 January and 31 May 2019 (a second report), the *Canadian Museum of Nature* report to the House of Commons Standing Committee on Public Accounts the names of Board of Trustees members, their terms, and the date each member’s term expires.**

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13 *Ibid.*, para. 25.

14 House of Commons Standing Committee on Public Accounts, *Evidence*, 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 26 October 2017, [Meeting No. 74](#), 0855.

15 *Ibid.*, 0850.

16 Canadian Museum of Nature, [Detailed Action Plan](#), p. 1.

## B. Communication and Risk Monitoring

The OAG found that “the Corporation had good systems and practices in strategic and operational planning and in performance measurement and reporting.”<sup>17</sup> However, the OAG noted a weakness in risk reporting: “The Corporation identified corporate risks, with related mitigation strategies. However, there was limited evidence that those strategies were reported on regularly to senior management and the Board, or that action was taken as needed.”<sup>18</sup>

Therefore, the OAG recommended that the “Corporation should ensure that information on the implementation of risk mitigation strategies is provided regularly to senior management and the Board of Trustees.”<sup>19</sup>

In its action plan, the Corporation stated that, through “the operations update provided at each Board meeting, management will associate each risk with the activities reported and will discuss with the Board the status of risk mitigation strategies, starting in the 2016–17 fiscal year.” These measures were implemented in November 2016 and followed in February 2017.<sup>20</sup>

Given the new practices that have been implemented, the Committee has no further recommendations to make in this area.

## C. Information Technologies

The OAG “found weaknesses in the Corporation’s management practices for information technology security. However, [the OAG] found good systems and practices in IT service delivery.”<sup>21</sup>

The missing IT security elements included the following:

[A]n IT security awareness program, periodic updates to the IT Threat and Risk assessment, vulnerability assessments, and testing of the IT Disaster Recovery Plan. In

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17 OAG, “[Museum of Nature—Special Examination—2017](#),” *2017 Spring Reports of the Auditor General of Canada*, para. 26.

18 *Ibid.*, para. 27.

19 *Ibid.*, para. 29.

20 Canadian Museum of Nature, [Detailed Action Plan](#), p. 1.

21 OAG, “[Museum of Nature—Special Examination—2017](#),” *2017 Spring Reports of the Auditor General of Canada*, para. 30.



addition, the Corporation had not tested its draft Business Continuity Plan, which provided the framework for dealing with unplanned interruptions.<sup>22</sup>

The OAG therefore recommended that the Canadian Museum of Nature “should ensure that its IT security policy requirements are met. It should also test its Business Continuity Plan, as well as the critical information technology applications identified as part of the IT Disaster Recovery Plan.”<sup>23</sup>

Margaret Beckel made the following statement in response to this recommendation:

[The] OAG report recommended that our IT security policy requirements be met, including the testing of our business continuity plan and our IT disaster recovery plan. The corporation agrees. Last year we made significant investments upgrading our IT systems, which were key to adhering to our IT policy.

As planned, we completed the testing of both plans just this week. This has been verified by a third party, demonstrating we have effectively completed these important components of our IT strategy.

In addition, we continue to undertake museum-wide training on security awareness, specifically focusing on phishing and ransomware.<sup>24</sup>

In its action plan, the Corporation stated that this work “is underway and is expected to be completed by the end of the 2017–18 fiscal year.” In addition, tests will be scheduled for the 2017–2018 fiscal year, after the award of the Information Technology Strategic Plan request for proposal.<sup>25</sup>

Thus, the Committee recommends:

## **RECOMMENDATION 2 – On information technology**

**That, by 31 May 2018, the *Canadian Museum of Nature* present the House of Commons Standing Committee on Public Accounts with a report on the award of the Information Technology Strategic Plan request for proposal and the results of tests carried out in 2017–2018 on information technology operations, particularly as regards its Business Continuity Plan and its IT Disaster Recovery Plan.**

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22 Ibid., para. 31.

23 Ibid., para. 33.

24 House of Commons Standing Committee on Public Accounts, *Evidence*, 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 26 October 2017, [Meeting No. 74](#), 0850.

25 Canadian Museum of Nature, [Detailed Action Plan](#), p. 1.

## Operations Management Practices

### A. Research and Collections

The OAG found that “the Corporation had good systems and practices for managing its research and collections. However, [the OAG] found weaknesses in management practices for making collections accessible and preserving them.”<sup>26</sup>

According to the OAG, the “Corporation had backlogs in the identification and digitization of specimens in its collections. As of 31 December 2015, the Corporation estimated that an average of 14[%] of specimen lots in its collections required identification. The Corporation also estimated that about 75[%] of its collection lots had not been digitized through its collections management system.”<sup>27</sup>

Therefore, the OAG recommended that, to “reduce backlogs, the Corporation should develop a plan that would establish priorities, with achievable milestones for identification and digitization of specimens in its collections.”<sup>28</sup>

Margaret Beckel noted that the Museum has allocated approximately \$60,000 a year to digitize the collection, conceding that, at that pace, “it would take [the Corporation] a hundred years to digitize the rest of the collection.”<sup>29</sup> Moreover, Stephen Henley, Chair of the Board of Trustees, stated that the Corporation “estimate of digitization of [its] remaining collection” would be “about \$22 million or \$23 million.”<sup>30</sup>

In its action plan, the Corporation indicated that it plans to develop a multi-year approach for digitizing its collection during the 2017–2018 fiscal year, and that the approach will be included in the operational plan for the 2018–2019 fiscal year and implemented when funding is available.<sup>31</sup>

Therefore, the Committee recommends:

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26 OAG, “[Museum of Nature—Special Examination—2017](#),” *2017 Spring Reports of the Auditor General of Canada*, para. 43.

27 *Ibid.*, para. 44.

28 *Ibid.*, para. 46.

29 House of Commons Standing Committee on Public Accounts, *Evidence*, 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 26 October 2017, [Meeting No. 74](#), 0925.

30 *Ibid.*

31 Canadian Museum of Nature, [Detailed Action Plan](#), p. 2.



### **RECOMMENDATION 3 – On funding for collections management**

**That, by 31 May 2018, the *Canadian Museum of Nature* present the House of Commons Standing Committee on Public Accounts with a multi-year plan to attract additional funding from every level of government, the general public, private corporations and academic sources, in order to digitize its entire collection and make it accessible to all Canadians.**

#### **B. Collections Preservation Management Practices**

The OAG found that, while “conservation priorities were based on a risk assessment performed for its collections, the Corporation did not have a conservation plan in place, and it had not fully documented its preservation practices and activities.”<sup>32</sup>

Therefore, the OAG recommended that the “Corporation should develop a plan that would set priorities for addressing conservation needs for its collections, and regularly monitor progress toward implementing the plan. It should also ensure that preservation practices and activities are documented in accordance with its Collections Conservation Policy.”<sup>33</sup>

In its action plan, the Corporation repeated its response to the previous OAG recommendation, adding that the prioritization “plan for addressing conservation collection needs along with documented preservation practices and activities” would be completed by 31 March 2018.<sup>34</sup>

Therefore, the Committee recommends the following:

### **RECOMMENDATION 4 – On Conservation Priorities**

**That, by 31 May 2018, the *Canadian Museum of Nature* needs to present the House of Commons Standing Committee on Public Accounts with its prioritization plan for addressing conservation collection.**

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32 OAG, “[Museum of Nature—Special Examination—2017](#),” *2017 Spring Reports of the Auditor General of Canada*, para. 47.

33 Ibid., para. 49.

34 Canadian Museum of Nature, [Detailed Action Plan](#), p. 2.



### C. Public Offer Activities

The OAG “found that the Corporation had good systems and practices for executing, evaluating, and reporting on public offer activities.” However, the OAG also “found weaknesses in the project management process”<sup>35</sup>:

- It did not follow some of the steps in its project management process for the planning of public offer activities, including documentation and formal approvals.
- Procedures for travelling exhibitions had not been finalized and did not cover the entire process, including guidelines for when an exhibition should be returned for maintenance and repair, review of contracts before signature, and completion of required forms by borrowing museums.
- It did not have a documented process for developing and approving Web content, with defined roles and responsibilities.<sup>36</sup>

The OAG therefore recommended that the “Corporation should review its project management process for public offer activities, and its procedures for travelling exhibitions and Web content, to ensure that they are complete, still appropriate to the Corporation’s needs, and followed.”<sup>37</sup>

In response to this recommendation, the Corporation outlined in its action plan its intention to review “its project management process for public offer activities, and its procedures for travelling exhibitions and Web content” by the end of the 2017–2018 fiscal year.<sup>38</sup>

Therefore, the Committee recommends:

#### **RECOMMENDATION 5 – On project management**

**That, by 31 May 2018, the *Canadian Museum of Nature* present the House of Commons Standing Committee on Public Accounts with a detailed plan outlining what changes**

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35 OAG, “[Museum of Nature—Special Examination—2017](#),” 2017 Spring Reports of the Auditor General of Canada, para. 50.

36 Ibid., para. 51.

37 Ibid., para. 53.

38 Canadian Museum of Nature, [Detailed Action Plan](#), p. 2.



**have been made or will be made to the project management process for public offer activities and its procedures for travelling exhibitions and Web content.**

#### **D. Replacement of the Admission and Collections Management Systems**

According to the OAG, the Corporation “had insufficient project management practices in place to guide two projects undertaken in the 2015–16 fiscal year to replace its admission and collections management systems. The replacements were important as they involved upgrades, but the Corporation was still able to fulfill its mandate despite these weaknesses.”<sup>39</sup>

As a result, the OAG recommended that the “Corporation should put in place formal project management practices for the replacement of systems supporting its operations, including the preparation and approval of a business case, the establishment of project timelines, monitoring of costs, and periodic reporting to senior management.”<sup>40</sup>

Regarding this matter, Margaret Beckel said that the Corporation had “reviewed [its] existing project management approach to ensure that [its] practices are both cost-effective and appropriate relative to the nature, complexity, risk, and cost of a project.” In addition, the Corporation “introduced an updated approach to documentation of project initiation at the executive management level.”<sup>41</sup> According to the Corporation’s action plan, it anticipates that these changes will be completed by the end of the 2017–2018 fiscal year.<sup>42</sup>

In order to ensure that progress is made on the new project management approach, the Committee recommends:

#### **RECOMMENDATION 6 – On the approval of new projects**

**That, by 31 May 2018, the *Canadian Museum of Nature* present the House of Commons Standing Committee on Public Accounts with a detailed plan outlining the new approach for documenting and approving project initiations.**

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39 OAG, “[Museum of Nature—Special Examination—2017](#),” *2017 Spring Reports of the Auditor General of Canada*, para. 55.

40 *Ibid.*, para. 58.

41 House of Commons Standing Committee on Public Accounts, *Evidence*, 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 26 October 2017, [Meeting No. 74](#), 0850.

42 Canadian Museum of Nature, [Detailed Action Plan](#), p. 2.

## CONCLUSION

The Committee is of the opinion that the audit conducted by the OAG on the Canadian Museum of Nature was very positive, and consequently, wishes to acknowledge the Corporation's success. The OAG mentioned that "there were no significant deficiencies in the Canadian Museum of Nature's systems and practices that [it] examined for corporate management and operations management"<sup>43</sup> and that "the Corporation had good management practices in place for strategic and operational planning and for performance measurement and reporting, but that improvements were needed in some areas."<sup>44</sup> As a result, the Committee has six recommendations for the Canadian Museum of Nature to address these needed improvements outlined by the OAG.

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43 OAG, "[Museum of Nature—Special Examination—2017](#)," *2017 Spring Reports of the Auditor General of Canada*, para. 59.

44 *Ibid.*, para. 12.



## SUMMARY OF RECOMMENDED MEASURES AND TIMELINES

Table 1 – Summary of Recommended Measures and Timelines

Recommendation	Recommended Measure	Timeline
Recommendation 1	The <i>Canadian Museum of Nature</i> needs to report to the Committee the members of its Board of Trustees, their terms and the dates their terms end.	First report by 31 May 2018; Second report between 1 January and 31 May 2019.
Recommendation 2	The <i>Canadian Museum of Nature</i> needs to present to the Committee with a report on the award of the Information Technology Strategic Plan request for proposal and the results of tests carried out in 2017–2018 on information technology operations, particularly as regards the Business Continuity Plan and the IT Disaster Recovery Plan.	31 May 2018
Recommendation 3	The <i>Canadian Museum of Nature</i> needs to present to the Committee with a multi-year plan to attract additional funding from every level of government, the general public, private corporations and academic sources in order to digitize its entire collection.	31 May 2018
Recommendation 4	The <i>Canadian Museum of Nature</i> needs to present to the Committee with its prioritization plan for addressing conservation collection needs.	31 May 2018

<p>Recommendation 5</p>	<p>The <i>Canadian Museum of Nature</i> needs to present to the Committee with a detailed plan outlining what changes have been made or will be made to the project management process for public offer activities and its procedures for travelling exhibitions and Web content.</p>	<p>31 May 2018</p>
<p>Recommendation 6</p>	<p>The <i>Canadian Museum of Nature</i> needs to present to the Committee with a detailed plan outlining the new approach for documenting and approving project initiations.</p>	<p>31 May 2018</p>



## APPENDIX A LIST OF WITNESSES

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<b>Organizations and Individuals</b>	<b>Date</b>	<b>Meeting</b>
<b>Canadian Museum of Nature</b> Margaret Beckel, President and Chief Executive Officer Charles Bloom, Vice-President, Corporate Services  Stephen Henley, Chair, Board of Trustees	2017/10/26	74
<b>Office of the Auditor General</b> Michael Ferguson, Auditor General of Canada Etienne Matte, Principal		





## REQUEST FOR GOVERNMENT RESPONSE

Pursuant to Standing Order 109, the Committee requests that the government table a comprehensive response to this Report.

A copy of the relevant *Minutes of Proceedings* ([Meetings Nos. 74 and 83](#)) is tabled.

Respectfully submitted,

Hon. Kevin Sorenson  
Chair

