



**THE NATURAL HISTORY MUSEUM
TRUSTEES' AUDIT AND RISK COMMITTEE**

82nd Meeting on Thursday 1 November 2018

Present

Hilary Newiss in the Chair
Professor Christopher Gilligan
Robert Noel
Colin Hudson (co-opted member)

In Attendance

Lord Green of Hurstpierpoint (Chair of Trustees)
Sir Michael Dixon (Museum Director)
Neil Greenwood (Director of Finance and Corporate Services)
Jan Day (Head of Risk and Assurance/Committee Secretary)
Alex Clark (Director, DCMS Financial Audit National Audit Office)
Jamie Patterson (Audit Manager, National Audit Office)

Ian Golding (Interim Chief Information Officer - CIO) and Alan Mustafa (Lead HR Business Partner) were in attendance for item 9.

Keith Jennings (Head of Masterplanning and Projects) was in attendance for item 11.

Kevin Rellis (Head of Estates) and Keith Welch (Senior Estates Operations Manager) were in attendance for items 12 and 13.

ACTION

The Audit and Risk Committee Chair welcomed Alex Clark and Jamie Patterson, the NAO Engagement Managers, to their first meeting.

1 APOLOGIES FOR ABSENCE

1.1 None were received.

2 DECLARATIONS OF INTEREST AND REGISTER OF INTERESTS (PAPER TAC 34/2018)

2.1 These were noted by the Secretary to the Audit and Risk Committee.

ACTION

3 MINUTES OF THE MEETING HELD ON TUESDAY 26 JUNE 2018 (PAPER TAC 35/2018)

3.1 The minutes were accepted as a true record of the meeting.

4. MATTERS ARISING FROM THE MINUTES (PAPER TAC 36/2018)

4.1 The Audit and Risk Committee Chair met with the Museum Director and Head of Risk and Assurance on 31 October 2018 to discuss matters arising. It was agreed open items requiring action in the longer term will be recorded at the end of the document.

4.2 The Committee reviewed the matters arising and closed items where appropriate action had been taken.

4.3 Exhibition Road - It was agreed this item will be kept open and the Museum Director will continue to provide regular updates to the Audit and Risk Committee.

HN

4.4 Audit and Risk Committee Effectiveness - para 9/11/17 Para 11.2 - The Audit and Risk Committee Chair will review the agenda and presentations to ensure the business and papers going to the Committee were succinct and effective. Item closed.

MD/SG

4.5 Emerging Risks - Emergency Financial Crisis 9/11/17 Para 12.2 - A presentation on Emergency Financial Crisis did not take place at the Annual Trustees' Strategy day. There were two issues: (a) a need to demonstrate to trustees how expenditure tracked against strategic priorities. This will be built into work on the new Strategic Plan. (The discretionary funds available for strategic priorities were limited due to the Museum's fixed costs); and (b) an action plan will be developed in the longer term to cover the least likely scenario of NHM government funding being cut by a significant percentage. The most likely outcome of the next spending review was a flat cash award. The Chair of the Board and Museum Director will discuss the development of an action plan for a significant funding cut. It was not, however, considered a priority. Item closed.

4.6 Board Assurance Framework - G3 Data and Digitisation - 26/6/18 Para 10.4 - The Chair of the Board had discussed the need for a Digital Technology Advisory Committee with the technology specialist on the Board of Trustees. It was agreed a technology committee was not currently necessary. The Museum's Digital Strategy was governed by the Digital Strategy Board (DSB) which advised the Executive Board. Responsibility for the Digital Collections Programme (DCP) had transferred to the Head of Life Sciences owing to the imminent departure of the Director of Science. Item closed.

MD/FA

4.7 Emerging Risks - 30/01/18 Para 6.17 26/6/18 Para 4.4 - The Museum Director and Audit and Risk Committee Chair had discussed trustees' consideration of emerging risks in the context of Board papers, the changing external environment and the impact on Museum's operations. It was agreed Board papers will ask trustees to consider associated risks. Item closed.

4.8 It was also noted: (a) at the January Audit and Risk Committee members were invited to consider the external factors affecting the Museum's risk universe profile; and (b) Board Assurance Frameworks were a standing agenda item at Advisory Committee's at least once a year.

MD

4.9 Diversity Action Plan - 30/01/18 Para 11.9 - It was agreed a paper on Diversity will go to the Board of Trustees in May 2019. There was an increased focus on Museum Diversity. The Museum was making a submission for an Athena SWAN (Scientific Women's Academic Network) award. Item closed.

ACTION

- 4.10 Collections Task Force and Emergency Storage - 03/05/18 Para 5.4 and 5.5 26/6/18 Para 4.6 and 4.9 - The Collections Task force reported to the Property Committee on 29 October 2018. On the recommendation of the Property Committee the Audit and Risk Committee agreed it would not be productive to carry out an academic exercise to establish the cost of temporary storage. The Museum was firefighting and it was not possible to anticipate where, when or how big a major incident will be. If there were a major incident the collections will be moved to a gallery and offsite temporary storage sourced at that time. The Property Committee was overseeing the individual work streams in the areas of the collections most at risk. Item closed.
- 4.11 Science Advisory Committee 03/05/18 Para 7.7 26/6/18 Para 5.4 - There was no agreement amongst Science Advisory Committee members on whether the designation of the committee should be changed to a committee of the Board. In view of the importance of Science one member was not comfortable with an informal Science Advisory Committee. It was noted, however, that: (a) the Chair of the Board of Trustees attended Science Advisory Committee meetings; and (b) the Science Advisory Committee Chair was a trustee and three members were also trustees. It was agreed the item would be closed on the basis that the Chair of the Board: (a) would accept a change in designation if there was unanimous Science Advisory Committee support; and (b) will ensure the operation of the Committee does not become ad hoc.
- 4.12 Board of Trustees Standing Agenda 26/6/18 Para 5.5 - The Museum Director and Chair of the Board discussed the Board of Trustees' agenda and will make certain that Science and other important topics were appropriately represented. Consideration may be given to reintroducing a scientific update as a standing agenda item. Item closed.
- 4.13 Classification of the Annual Audit Opinion 2017/18 - 03/05/18 Para 7.7 26/6/18 Para 4.11 - The Head of Risk and Assurance had spoken with the Group Chief Internal Auditor for BEIS, DCMS & UKSBS. The Chief Internal Auditor had done some analysis of annual audit opinions for Department of Digital, Culture, Media and Sport (DCMS) bodies for the DCMS Audit Committee:
- (a) There were no adverse annual opinions;
 - (b) Opinions were tending towards "Moderate";
 - (c) In some cases, the overall "Moderate" opinions contrasted with the audit results where organisations had received a number of "Limited" audits. NHM did not receive one "Limited" audit in 2017/18.
- 4.14 The Head of Risk and Assurance had requested that annual opinions were an agenda item at the DCMS HIA forum on 21 November 2018. The Chief Internal Auditor hoped to expand his analysis for the meeting. It was agreed the item will be closed as: (a) it did not appear the Museum was out of line with other bodies; and (b) the Chief Internal Auditor was considering the issue. If the Audit and Risk Committee Chair got an opportunity to attend some ALB Audit and Risk Chairs Forum Sessions on 6 November 2018 she will speak with the Group Chief Internal Auditor.
- 4.15 Social Engineering - The Museum must consider whether to arrange a social engineering test where a tester attempts to connect to the network physically on site as soon as possible.
- 4.16 Line Manager Training - 03/05/18 Para 11.4 - The Executive Board agreed that penalties will be imposed on staff who do not undertake mandatory training. Mandatory E-training compliance had, however, improved significantly. Item closed.
- 5 DIRECTOR'S REPORT (PAPER TAC 37/2018)**
- 5.1 The Director presented his paper
- 5.2 Follow up to Water Ingress to NHM Archive Store, 9 -10 April 2018 - The National Archives were content with the plans to prevent future water ingress to the archive store.

ACTION

- 5.3 Corporate Governance - The Museum Director reported on the Executive Board (EB) development project working with consultants. A Board of Trustees assessment by consultants will also take place in 2019. The assessment will feed into work to ensure the Museum was clear about: (a) how EB interacted with the Board of Trustees and its Advisory Committees; and (b) delegated powers to EB and other management structures within the Museum.
- 5.4 Diversity Action Plan - It was noted the Board was underrepresented in the appointment of woman and ethnic minorities. There had, however, been some improvement since the Chair of the Board of Trustees took over as Chair.
- 5.5 Collections Task Force - The Executive Board had approved an allocation of funds to improve the Archive Store and accepted a bid for £290k for eight further high priority collection areas.
- MD 5.6 Staff Survey - The Museum Director will report to the Board of Trustees on 20 November on: (a) the results of the staff survey; and (b) the Museum's approach to creating an action plan to address issues highlighted by the staff survey.
- 5.7 Museum Attendance - NHM attendance figures were the strongest amongst the large London museums and galleries. The reasons for this were anecdotal, however, it was noted the Museum: (a) had returned to marketing to its traditional family audience; and (b) was using social media more actively than other bodies. The two previous historical spikes in NHM attendance were attributable to specific events: (a) the re-introduction of free admission; and (b) the opening of the Darwin Centre. Strong attendance had a beneficial impact on visitor income. However, on very busy days: (a) income per visitor fell due to an inability to service customers; and (b) there was an adverse impact on the visitor experience. The Museum will try and explore how to spread visitor numbers more evenly across the year.
- 5.8 Dippy on Tour - The next two venues after Belfast were Glasgow, and Newcastle where the Board of Trustees will hold a meeting.
- 5.9 Advance Warning of Superannuation Cost Increase - It was not currently clear if the Government will absorb the cost of a superannuation increase. The Museum had already taken the only appropriate action available to it by closing the Civil Service Pension (CSP) scheme to new entrants. The Finance and Commercial Director for DCMS was speaking on the next Spending Review at the 6 November 2018 ALB Audit and Risk Chairs Forum.
- 6 DIRECTOR OF FINANCE AND CORPORATE SERVICES' FINANCIAL REVIEW FOR THE PERIOD APRIL 2018 TO SEPTEMBER 2018 (PAPER TAC38/2018)**
- 6.1 The Director of Finance and Corporate Services presented his paper.
- 6.2 General Fund - The forecasted year end outturn for the General Fund was £1.0m above the Original Budget.
- 6.3 Total Net Self-Generated \ Trading - Income to date was above the budget and significantly above prior year. This reflected a strong first half of the year for visitor income, in particular Retail and On site donations. Venue hire was ahead of budget and the order book for December 2018 was full. There was an income risk in relation to consultancy and touring exhibitions. The Museum was behind budget on total self-generated income as science grant income had not yet been recognised.
- 6.4 Capital \ Strategic Project Expenditure - Expenditure was behind budget, however, it was not possible to profile capital expenditure accurately. Expenditure was likely to be under budget at the end of the year due to savings on: (a) the Members and Patrons room; and (b) the Anthropology Store. In addition, when the Dippy on Tour budget was calculated there was uncertainty when some spend would take place.

ACTION

- 6.5 On Site Donations - The contactless debit/credit card donation boxes were very successful. The number of boxes had increased and the recommended donation messages changed. It was noted that: (a) there was less of a contactless culture with overseas visitors; and (b) a new simplified system for processing gift aid was being trialled. The Director of Finance and Corporate Services agreed to explore: (a) how near an individual needed to hold a contactless card to a terminal for payment to be processed; and (b) if any payments had been taken in error. The Audit and Risk Committee Chair and members asked that Engagement Group were commended for their work.
- NG
- 7. MANAGEMENT RESPONSE AND UPDATE TO NAO AND KINGSTON SMITH RECOMMENDATIONS 2017/2018 (PAPER TAC39/2018)**
- 7.1 The Director of Finance and Corporate Services presented the paper.
- 7.2 EPOS - Funding for a new EPOS system will be made available in 2019/20. This will help address: (a) the difference between the total stock figures per the accounting system and the stock system; and (b) Web sales being posted net of postage costs.
- 8. NAO AUDIT PLANNING REPORT 2018/2019 (PAPER TAC 40/2018)**
- 8.1 The NAO Director presented the paper. The paper set out the NAO response to significant risks that affected the financial statements and areas of audit focus. Members reviewed the planning document and commended the NAO on the format and clarity of the report.
- 8.2 Members of the Audit and Risk Committee were asked to consider: (a) whether the assessment of the risks of material misstatement were complete; (b) whether management's response to these risks was adequate; (c) the audit plan to address the risks; and (d) whether the financial statements could be materially misstated due to fraud.
- 8.3 Valuation of NHM's Premises 2018/19 - The Museum's land and buildings and plant and machinery were revalued quinquennially on a depreciated replacement cost basis. Gerald Eve property consultants who carried out valuations across the sector had been appointed to undertake the work. The valuation was a highly material Balance Sheet item and included estimation and judgement giving rise to uncertainty. There was additional uncertainty due to the Balance Sheet date falling two days after the UK's exit from the EU. However, the member with property expertise observed Brexit was unlikely to have a significant impact.
- 8.4 *Note to the Accounts* - The balance sheet land and buildings figure and the depreciation in the accounts gave the false impression to the reader that the Museum had: (a) significant reserves; and (b) an overall deficit for the year. Members were concerned to ensure (particularly if there was a significant increase in valuation) that the accounts explanatory note was clear: There must be clarity that: (a) the replacement cost of land and buildings in the accounts was not an estimate of value. (As a grade 1 listed building the Museum had limited alternative use and, therefore, restricted commercial value); and (b) after adjusting for depreciation the overall Museum financial position was in surplus and not in deficit.
- NG
- 8.5 *Auditing Standards* - A change to auditing standards required the NAO to challenge the assessments of experts and ensure they had the necessary expertise to do this. As a result the NAO will consider using a Property Specialist. It was recommended: (a) the NAO engaged with Gerald Eve early in the valuation process due to begin imminently; and (b) to avoid the cost of a Property Specialist a member of the NAO attended the valuation meetings.
- NG/AC/JP
- 8.6 Combined Heat and Power Plant - The combined heat and power plant was not a significant risk and there was no change to accounting standards. However, the continued appropriateness of management's judgement to treat it as an off-balance sheet arrangement was being revisited as part of the regular audit cycle.

ACTION

9. HEAD OF RISK & ASSURANCE PROGRESS REPORT (PAPER TAC 41/2018)

- 9.1 The Head of Risk & Assurance presented her report. The Committee considered: (a) the Head of Risk and Assurance's summary of the External Infrastructure Penetration Test Report; (b) the Penetration Report; and (c) two Tier 2 Sponsorship Compliance audit reports.
- HN 9.2 Staffing - The Audit and Risk Committee Chair will discuss Risk and Assurance staffing with the Museum Director and the Head of Risk and Assurance.
- 9.3 Cabinet Office Freedom of Information Code of Practice July 2018 - The publication of Directors and Trustees' benefits e.g. expenses and hospitality was not a burdensome a requirement for the Museum.
- 9.4 **External Infrastructure Penetration Test Report**
- 9.5 The conclusion of the external consultants was the overall security of the Museum's IT infrastructure was good. No critical risk vulnerabilities were identified. There was one high risk vulnerability and two medium risk vulnerabilities which had either been addressed or were in the process of being addressed. The technology trustee had suggested all pen test reports should go to the Audit and Risk Committee. The Audit and Risk Committee Chair will discuss with the technology trustee the format this might take.
- HN
- 9.6 *Museum IT Security* - The Interim Chief Information Officer (CIO) previously worked in interim positions with a housing group and the RNLI. IT security was a constantly moving target. As a result, the interim CIO recommended quarterly pen tests of different areas rather than the current annual testing. The Museum was not a natural target for cyber-attacks. In addition: (a) new firewalls had been implemented; and (b) old equipment which cannot be encrypted was being replaced. Retail and public facing systems which hold sensitive information were encrypted. The interim CIO had agreed with the Director of Finance and Corporate Services to increase the time the TS Systems and Information Manager worked on IT security. The TS Systems and Information Manager had done an excellent job and will be given additional staff resource to assist him. The Museum was interviewing three potential pro bono advisors and CIO security officers to help a few days a month on defining a risk based NHM IT Strategy. The risk based IT Strategy will be agreed with the technology trustee.
- NG/IG
- 9.7 *NAO Cyber Security and Information Risk Guidance* - The NAO had issued Cyber Security and Information Risk Guidance for Audit Committees which the Audit and Risk Committee Chair will make available to the technology trustee.
- HN/JD
- 9.8 *Network Segmentation* - Work was planned to segment the network in order to accommodate the work and profile needs of different users e.g. scientists.
- 9.9 *Malware* - There was a risk that if someone brought in equipment and plugged it into the Museum's network malware may be introduced. However, this risk was managed by staff awareness and TS being informed of individuals who needed access to the Museum's network.
- 9.10 **General Data Protection Regulation (GDPR)**
- 9.11 The Information Manager who had done an excellent job on GDPR was leaving the Museum on 1 November 2018. The Interim CIO was reviewing the GDPR handover information. In addition, the Museum will take the opportunity to get an assessment by consultants of Museum GDPR compliance. Work was ongoing in relation to the contractual arrangements with suppliers and their obligations for handling data. The Assistant Records Manager was acting up and Farrers the Museum lawyers can provide additional advice. There was a lot to be done as the Museum was a complex organisation.

ACTION

- 9.12 *Subject Assess Requests* - The Interim CIO thought the likelihood of high volumes of subject assess requests was reduced by: (a) the lack of hostility towards the Museum; and (b) the culture of staff who wanted to work in the Museum. To date the Museum had only received a few requests.
- NG/IG 9.13 *January Audit and Risk Committee GDPR Update* - The Interim CIO will provide a summary update on GDPR progress at the January 2019 meeting.
- 9.14 **Tier 2 Sponsor Compliance**
- 9.15 In order to hold a Points Based Immigration Licence that enabled the NHM to sponsor Tier 2 migrants the Museum was required to adhere to the appropriate Home Office Visa and Immigration policies and guidance. In preparation for the Museum's application to sponsor researchers under Tier 5 Government Authorised Exchange (GAE) the Head of Science Resources asked the Head of Risk and Assurance to carry out an audit of the Museum's Tier 2 processes.
- 9.16 The Lead HR Business Partner explained as Authorising Officer he was working with the HR Resourcing Manager prioritising the recommendations in the two audit reports. The recommendations will be embedded within new automated HR processes using the HR system Ciph. There had also been a recruitment review as part of the imminent Athena SWAN application. HR was liaising with the Head of Risk and Assurance and the Home Office to finalise the guidance and processes.
- 9.17 The next action will be to prepare for sponsored researchers under Tier 5 working with the Head of Science Resources. Tier 5 guidance was complex and ran into 200 pages.
- 9.18 The Audit and Risk Committee Chair observed it was important for science to recruit the right staff and the Museum must follow Home Office guidance. The Head of Risk and Assurance stressed her concern that HR ensure all the paper work was in place before any visas applications were made.
- 9.19 Contractors - It was the contractual responsibility of suppliers e.g. the Museum Caterers to ensure their staff were employed legally. Non-compliance was, however, a reputational risk for the Museum.
- JD 9.20 It was agreed future updates on Tier 2 Sponsor Compliance will be contained in Risk and Assurance status of recommendations reports.
- 9.21 **Outstanding Recommendations Priority 1 and 2**
- 9.22 Contract Letting and Procurements - Contract Database - The backlog of live contracts was due to be eliminated by the end of October 2018. The new Procurement Manager who started on 29 October 2018 will advise the Director of Finance and Corporate Services on the future management of the database. The Director of Finance and Corporate Services observed that the Museum did not have the resource to sustain a dedicated person working on the database as was currently the case.
- 9.23 Data Protection - The main outstanding recommendation related to Third Parties Handling Personal Data and Protected Data on the Museum's Behalf which was in hand.

ACTION

9.24 Status of Recommendations

- 9.25 Audit Recommendations - Monitoring Management Action - The Chair of the Board of Trustees asked for assurance that the Head of Risk and Assurance monitored agreed management action. It was noted the Head of Risk and Assurance: (a) carried out detailed follow up reviews of recommendations with testing as listed on the Annual Audit Plan; (b) followed up recommendations with Managers on a quarterly basis; (c) discussed outstanding priority 2 recommendations where there was a significant delay with the Museum Director; and (d) reported on action to the Audit and Risk Committee.
- 9.26 The Chairs of the Audit and Risk Committee and the Board observed there had been an improvement in the implementation of audit actions over the past eighteen months.

10. BOARD ASSURANCE FRAMEWORK QUARTER 2 PLUS ADVISORY COMMITTEE COMMENTS (PAPER TAC 42/2018)

- 10.1 The Audit and Risk Committee reviewed the paper presented by the Museum Director and commended the Museums Director's succinct and informative summary of the red risks.
- 10.2 Failure to provide appropriate storage and storage environment (onsite and offsite) undermines long term preservation, conservation and accessibility of the NHM collections. - The Museum's budget bid from DCMS for the Chancellor's budget on 29 October was unsuccessful. The Treasury were unwilling to make commitments which tied their hands for the spending review. The spending review will include a significant DCMS funding request for: (a) NHM collections storage; and (b) maintenance for museum and galleries some of which have a very large maintenance backlog e.g. the British Museum. The short term issue was funding the Collection Programme during 2019/20 and DCMS had been alerted. DCMS were well disposed to help the Museum and were looking at potential capital underspends during 2019/20. The Museum had a workshop with consultants the week beginning 5 November 2018. The consultants will advise the NHM on how to engage with potential funders. It was likely the Trustees will need to help promote requests to stakeholders for funding.
- 10.3 The Museum will present at the DCMS Finance Committee on 15 November 2018: (a) the strategic outline case for Collections Storage of £100m plus; and (b) a business case on Collections Programme financing in the short term. The outcome of the 15 November meeting will determine how the Museum advanced requests for funding going forward. Normally the DCMS Finance Committee issued its recommendations within 24 hours.
- 10.4 Failure to deliver large scale databasing and digitisation of the collection undermines its curation, research competitiveness and importance. During Q2 the Museum received confirmation that the DiSSCo project has been added to the ESFRI roadmap and the SYNTHESIS+ project was funded. The Chief Executive Officer (CEO) of the Natural Environment Research Council (NERC) recently visited the Museum. He was impressed with the impact the digitisation of NHM collections could have on global challenges. As a result the NERC CEO asked the Museum to submit a bid for NERC discretionary funding. The Museum will also look more actively at obtaining foreign government funding to digitise material which will be shared with the funder.

ACTION

- 10.5 Director of Science - The risk of the imminent departure of the Director of Science had been mitigated by the appointment of an Interim Director of Science (The Head of Earth Sciences). The Interim Director of Science had taken over the current Director of Science's responsibilities to the Executive Board and other internal Museum bodies. It was noted projects for which the current Director of Science was SRO: (a) had been reallocated; and (b) the current support framework for those projects had not changed. There was a small vulnerability in relation to the World Collections Programme where the NHM Director of Science had been the intellectual lead. However, as part of the consortium the move of the current Director of Science to the Smithsonian was an opportunity. The DiSSCo Board was chaired by the Netherlands. The Chair of the Board of Trustees and Museum Director will discuss the risks relating to the departure of the current Director of Science.
- 10.6 Finding someone of the right calibre to replace the current Director of Science will not be easy. The Museum's approach will be to identify possible candidates and approach them directly by executive search. The timeframe for appointing a replacement was likely to be a year or longer.
- 10.7 The interim arrangements for Science were very good as experienced staff were acting for the current Director of Science. The Science Strategy was largely in place. It was observed to make the new Director of Science role attractive, however, there should be: (a) some ability to influence the Strategy, Centres of Excellence and Cross Cutting Themes; and (b) a discretionary budget. The Chair of the Board of Trustees observed: (a) the Interim Director of Science should make strategic decisions; and (b) the Museum should not hold back strategic decisions pending the arrival of a new Director of Science.
- 10.8 Advisory Committees - The relevant Board Assurance Frameworks were now a standing agenda item at each Advisory Committee. None of the committees had disagreed with the risk assessments made by responsible Directors and their staff. The Science Advisory Committee Chair had submitted written feedback.
- 10.9 Gardens Project - Property committee identified a risk concerning the Gardens project which was common to all capital fundraising campaigns as major donors/sponsors generally committed to a sum paid in instalments. If there was a delay to the project on the part of the NHM or if the donor/sponsor's circumstances changed, it was possible that some future donations may be withheld or withdrawn. However, experience showed that if a project was reasonably delayed donors/sponsors agreed to changed payment terms or dates, and also that donor/sponsor default on payments was rare and unlikely. These risks were mitigated by careful due diligence on prospective donors/sponsors, detailed donor/sponsor agreements setting out payment terms, expectations on both parties etc. – and by regular communication and engagement between both parties, all of which was standard NHM Development practice.'
- 10.11 Brexit - It was noted the Museum had been receiving: (a) freedom of information requests on its preparedness for Brexit; and (b) Government requests for NHM planning on different scenarios. This work could become all consuming and the right balance needed to be struck. It was agreed, however, that the Museum should identify: (a) its critical operations which may be affected by supply chain problems due to Brexit. (for example, parts for fire alarms, and cleaning materials for hygiene.); and (b) the minimum service that can be provided without the requirement to shut the Museum. The Director of Finance and Corporate Services will report back to the Audit and Risk Committee at its January 2019 meeting.
- SG/MD
- NG/AD
- 11. COLLECTIONS TASK FORCE UPDATE (PAPER TAC 43/2018)**
- 11.1 The Head of Masterplanning gave a slide presentation with photographs and plans to provide the Committee with some orientation towards the project protecting the collections and his written paper.

ACTION

- 11.2 Overnight on 9/10 April 2018 there was a major flood which caused extensive damage to archive collections in the basement of the North East Tower. On Monday 16 April a cross-Museum meeting was held to investigate the necessary actions. It was apparent that the frequency and severity of such incidences had been increasing over time and the consequences for the collection and Museum's reputation had become critical. A task force was set up to identify how the Museum could better prevent, respond to and recover from infrastructure problems in the future.
- 11.3 Nine key collection areas were identified as the first tranche where short term interventions were required. Mitigating actions were in hand or had been completed in a number of areas.
- 11.4 *Rolling Programme* - The work of the task force will become a rolling programme. The task force will move on to look at the detail of the next tranche of collection areas and develop proposals to mitigate the risks to those collections.
- 11.5 *Risk Identification* - Members observed there appeared to be no management protocol for collecting and organising information and events. As a result the Museum reacted to problems. It was noted, however, the task force working with Science Group will develop robust processes which highlight risks quickly before they materialise, identify solutions and escalate action. This included enhanced maintenance regimes aligned with statutory inspection systems.
- 11.6 The member with property expertise observed within the current available resources the approach being taken by the task force was smart. The Museum was firefighting in a "Heath Robinson" facility. There can be no assurance the collections were protected until government funding was received for Collections Storage and the collections were moved off site.
- 11.7 The Audit and Risk Committee Chair and members thank the Head of Masterplanning for his informative and interesting presentation. Members were assured that action was in hand to protect the collections.
- 12. RISK UNIVERSE D2 - THE IMPERATIVE TO REDUCE CONTRACT COSTS FOR HARD AND SOFT SERVICES - (PAPER TAC 44/2018)**
- 12.1 The Head of Estates and Senior Estates Operations Manager made their presentation.
- 12.2 It was noted since 2010 the value of the Museum's government funding had fallen by more than 30% (circa £13m) in real terms. Almost equivalent to the Museum's annual net generated income. There was as a result an imperative to reduce contract costs for Hard and Soft Facilities Management (FM) services to: (a) contain the threat of significant budgetary overspend; and (b) enable reactive repairs to be undertaken to an aged and failing estate as highlighted in K7 the red risk relating to a lack of investment. Costs were reduced by not filling vacancies and the removal of agency staff within the Hard FM team. In addition, both Hard and Soft FM providers were tasked with bringing forward efficiency proposals so that Estates and stakeholders could control where services were cut.
- 12.3 The relationship with the FM contractors was a trust based partnering relationship which was collaborative and open, a mutually beneficial investment, with the values of quality, fairness and innovation. A commercial contract review was underway on both the Hard and Soft FM services as the Museum approached the mid-point of the initial five year term. This included an open book review of the contract financials and profit and loss details. It was noted the margins in the FM sector were low and this had led to recent failures e.g. Carillion.

ACTION

- 12.4 Estates were now prioritising discretionary expenditure for emergency and proactive repairs for the Museum's estate and infrastructure and highlighting the priorities for protecting people, property, collections and reputation. Inevitably, the slightly reduced services were noticed but were manageable. There was on-going review and departmental liaison meeting discussions with stakeholders who provided feedback on changes and challenged Estates.
- 12.5 The Audit and Risk Committee Chair thanked the Head of Estates and Senior Estates Operations Manager for the presentation and commended the approach to prioritising expenditure.

13. RISK UNIVERSE - K5 ENERGY MANAGEMENT AND K6 SUSTAINABILITY PLAN - (PAPER TAC 45/2018)

- 13.1 The Head of Estates outlined: (a) the management of Energy and Sustainability in NHM; and (b) the initiatives taken to reduce energy consumption and produce savings across the Museum Estate. The Museum had recently completed a metering contract installing 400+ meters (Electricity, gas, water & heat) to find out where and when energy was used. The Museum's Environmental Management System was accredited to ISO14001 and this year NHM achieved full transition to the new 2015 standard achieving a score of 100%.
- 13.2 The sustainability framework was designed to embed sustainability at the heart of the Museum in all aspects of its business operations. Currently the framework consisted of five 'themes' each of which had a number of Key Performance Indicators. The Sustainability Programme Board will going forward concentrate its work on two themes: (a) minimising the consumption of natural resources; and (b) promoting a healthy lifestyle for staff and visitors.
- 13.3 Members thanked the Head of Estates for the informative presentation. It was observed the work was important for the Museum's brand and financial management.

14. FUTURE AGENDA ITEMS

- HN/MD/JD 14.1 The Audit and Risk Committee Chair, Museum Director and Head of Risk and Assurance will discuss.

15. ANY OTHER BUSINESS

- 15.1 There was no other business

16. DATE OF THE NEXT MEETING

- 16.1 The next meeting will be held at 10.00 a.m. on Tuesday 29 January 2019.

KEY TO ACTION INITIALS

Frances Allen	- FA	Stephen Green	- SG
Alex Clark	- AC	Neil Greenwood	- NG
Andy Davis	- AD	Richard Herrington	- RH
Jan Day	- JD	Hilary Newiss	- HN
Michael Dixon	- MD	Jamie Patterson	- JP
Ian Golding	- IG		