

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

101st meeting of the Natural History Museum's Audit and Risk Committee
14.00 on Tuesday 20 June 2023

Present

Harris Bokhari (Chair)
Professor Dame Jane Francis
Colin Hudson – independent member

In Attendance

Sir Patrick Vallance (NHM Chair of the Board of Trustees)
Dr Doug Gurr (Museum Director)
Neil Greenwood (Executive Director of Finance and Corporate Services)
Melissa Clifford-Turner (Head of Finance)
Kevin Coughlan (Internal Audit Manager)
Alex Macnab (Director, DCMS, National Audit Office)
Shannon Holmes (Audit Manager, National Audit Office)
Anjali Kothari (Partner, Moore Kingston Smith)

Action

1 Apologies for absence

1.1 Apologies were received from Luke Fairless, an independent Committee member

2. Declarations of Interest and Register of Interests

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

3. Directors' and Trustees' Gifts and Hospitality 2022/23

NG 3.1 Members approved the expenses and gifts & hospitality returns. Currently, returns are uploaded yearly onto data.gov.uk as part of the government's transparency agenda. The Chair requested they be reviewed to ensure the level of detail disclosed is both sufficient and necessary.

4. Minutes of the meeting held on 20th June 2023

4.1 The Committee approved the minutes.

5. Matters Arising from the Minutes

KC 5.1 Members reviewed the matters arising and closed completed items. Electricity usage, in terms of what is exported and what is used on site has been clarified in this year's accounts. KC will arrange an external review covering both Committee and Risk & Assurance effectiveness over the summer.

Action

6. Museum Director's Report and Key Strategic Risks 2022/23

- 6.1 The key strategic risks for 2022/23 have been refreshed slightly and will be first reviewed for Q1 in July.
- 6.2 Collections care represents the largest risk, with other significant risks including digitisation progress, development income and uncertainty over inflation/ energy prices.

7. The Annual Accounts 2022/23 and Audit Completion Reports

- 7.1 The Executive Director of Finance and Corporate Services presented the accounts to the Committee, to get a recommendation for submission to the Board of Trustees for their approval. The external audits are now substantially complete and major findings were presented by the Director of DCMS Financial Audit at the National Audit Office (NAO) and the Partner at Moore Kington Smith (MKS)
- 7.2 The Museum considers the Annual Report and Accounts to be a stewardship document, for the Accounting Officer and Board. There are separate advocacy documents for wider public and employees and financial updates are given to the wider Museum during all-employee meetings.
- 7.3 The Director of DCMS Financial Audit (NAO) walked the committee through their audit completion report. No material errors were found, and the non-material misstatements were noted.
- 7.4 Presumed fraud risks, targeted around grants / donations, which have the most judgement in terms of recognition, were heavily tested and no issues were found.
- 7.5 The last substantive matter outstanding related, the treatment of the lease premium deposit for the land in Reading. The NAO were due to respond on the proposed accounting treatment but were hopeful of reaching speedy agreement. A small amount of audit testing and finalisation of the narrative remains, but the Museum expects to have the accounts signed off and laid before the parliamentary recess.
- 7.6 The management letter action points in the completion report are in draft and need some amending. The final version and management response will be presented to the Committee at the next meeting in November.
- 7.7 MKS subsequently presented their audit findings, as noted in their completion report and management letter. No material issues with respect to the Trading Company were raised and no issues at all with respect to the Special Funds and the Benevolent Fund.
- 7.8 The Committee approved the recommendation that all the accounts be submitted to the Board of Trustees for approval.

8. Director of Finance & Corporate Services' Financial Review for the period April 2023 - May 2023

- 8.1 Reserves at start of the year above level expected. Visitor projection for year is currently tracking at 5.1m visitors. Venue hire has been having a good year so far.
- 8.2 Most financial risks in recent years have been on income side while recovering from the impact of Covid. But the report notes several expenditure side risks to track through the year. These include significant increases in energy bills, the impact of inflation and capital expenditure.

Action

- 8.3 There seems to be the start of a rebound on international visitors starting, however the Museum needs to ensure domestic families are not 'drowned out'. Visitor numbers from the US are strong and a visitor rebound from China and Asia will likely follow next year.

9. Risk and Assurance – Q1 Progress Report

- 9.1 KC gave a brief update on work to date in the year. The recent Contract Management report, work on which had been undertaken by the firm RSM, was attached as an appendix.
- 9.2 Two major points had come from the report, relating to training and setting a contract management framework. The Procurement Manager had started to address both of these.

- NG** 9.3 A review of the outsourcing model will be undertaken with respect to Estates to understand where roles may be more effective as part of the Museum itself. The Director also noted the Finance and Procurement teams are set up for BAU work – the team structure for Finance and Procurement will be reviewed over summer to ensure the Museum is sufficiently staffed and effective in these areas.

10. Audit and Risk Committee - updated Annual Report 2022/23

- 10.1 The Committee approved the updated draft, which will go to the Board to Trustees on 4 July 2023

11. Fraud prevention & detection in NHM - overview

- 11.1 KC gave an overview of the wider fraud landscape and current trends, along with an analysis of the key fraud risks facing the Museum. These were recognised to be around cyber risk and construction fraud / supply chain fraud. Collusion remains a risk and is difficult to do anything about.
- 11.2 Whilst all staff do a yearly counter fraud, bribery and corruption online course, specific construction fraud training will be organised and delivered to key people in Estate
- 11.3 MKS noted another major risk is around undisclosed relationships. This is another difficult risk to fully address as these may only be discovered by chance.

12. Any Other Business

- 12.1 Committee members are requested to e-mail the Chair if they wish for a specific issue to be covered in the next meeting, which will be held on Tuesday 8th November 2023
- 12.1 The meeting marked Neil Greenwood's last Audit & Risk Committee, who retires at the end of July, after more than 25 years. The Committee wished to thank him for all his work both related to the Committee and to the Museum more widely.

Key to action initials

Harris Bokhari	HB	Doug Gurr	DG	Neil Greenwood	NG
Kevin Coughlan	KC				