

**THE NATURAL HISTORY MUSEUM
TRUSTEES' AUDIT AND RISK COMMITTEE
TAC 02/2024**

102nd meeting of the Natural History Museum's Audit and Risk Committee
14:00 on Wednesday 08 November 2023

Present

Harris Bokhari (Chair)
Shahpur Kabraji
Colin Hudson – independent member
Luke Fairless – independent member

In Attendance

Sir Patrick Vallance – Chair of Trustees
Dr Doug Gurr – Museum Director
Helen Whitehouse – Chief Operating Officer
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
James Taylor – DMCS Finance
Sarah Long – Head of Registry – for item 11
James Downs – Head of Security & Emergency Planning – for item 11

Apologies:

Professor Dame Jane Francis – Trustee Committee member

Action

The Chair welcomed Shahpur Kabraji to his first Committee meeting. He takes over from Hilary Newiss in bringing a legal perspective to the Committee.

1 Apologies for absence

1.1 Apologies were received from Professor Dame Jane Francis, Trustee.

2 Declarations of interest and Register of Interests

2.1 HB asked Committee members to send any additional declarations to KC, for him to update the register.

3 Minutes of the meeting held on Tuesday 20 June 2023

3.1 Members approved the minutes.

4. Matters Arising from the minutes

4.1 Members reviewed the matters arising and closed completed items.

4.2 Policy principles for the NHM will be presented at the January 2024 Committee.

Action

HW 4.3 The Committee discussed contract management briefly. HW said everyone who manages contracts in the museum is required to undertake Crown Commercial Service Foundation training; all areas have provided returns on key individuals. HW also said there is a review of contracting options within the Estates team. Additionally, HW is emphasising the importance of sufficient contract management training to the Executive Board.
Action: HW will report back on progress at the next meeting

5. Museum Director's Report and Key Strategic Risks 2023/24 Q2

5.1 The Director presented risk register as at the end of July 2023, after the Quarter 2 review. This resulted in likelihood increasing for three risk areas and reducing for none.

5.2 Construction inflation currently presents the biggest problem and the Museum doing significant work around mitigations for this. Heritage requirements also often increases costs. The Director noted that timing can be critical – busy periods can increase costs and the Museum needs to be more mindful on this.

5.3 The Museum has been working with the South Ken Zen+ partnership to look at opportunities to stimulate more demand and create more competition.

5.4 The Chair of Trustees raised notion of multiple small risks – when multiple small risks are compounded these could present a problem, this may highlight more of a problem. The Museum should look more widely across all projects with a view to compound / multiple risks.

5.5 Other risks included protest activity, as a recent Just Stop Oil protest had targeted the Museum. Whilst the Museum generally considered its security arrangements to be very good, there is always scope for continuous improvement. Fires, floods, and pest infestations are considered to present much larger risks to the collections.

5.6 The British Library had been recently hit by a large ransomware attack which continues to have a significant effect on their services. There was no intelligence that they were targeted for a specific reason; often attackers will focus on 'easy targets' rather than specific businesses. There are always many more routes that could be taken by a hostile actor vs routes that can be guarded against. The attack highlighted the significant cross over between technical debt and cyber security risks.

HW 5.7 The Museum is reviewing its cyber security arrangements and will provide further updates to the Committee. Action: The Museum will also speak to the National Cyber Security Centre to understand what work they could do across the sector.

6. Financial Review April - September 2023

6.1 The Head of Finance presented the financial position to end of September, halfway through year.

Action

- 6.2 Finance now expects a slight operating surplus for the year and hope to see some underspends in some areas. For example, a cooler summer than anticipated resulted in lower chilling energy costs than forecast. However, capital delays on major projects will make next half of year very busy and critical in terms on spending across Q3 and Q4.
- 6.3 The Museum always budgets for a total headcount with a 'vacancy factor', which is the assumption that we never have 100% of posts filled. The factor rate has been lower than forecast as staffing is now settling after covid. There is upside to commercial lines (self-generated income) and uncertainty around energy, however, the Museum has kept this prudent.
- 6.4 Agency staff is a large cost, which historically allowed the Museum to scale up/down staff as needed. However, given higher visitor numbers, more roles will become fixed term which will reduce overall costs.
- 6.5 Maintenance capital funding from DCMS needs to be spent within the financial year (FY), meaning reliance on delivering projects to forecast. However, there is still confidence in delivering Hall of Human Biology and other in year DCMS projects by end of this FY.

Commented [KC1]: Rewrote slightly to avoid using i.e.

7. Management Response & Update to Moore Kingston Smith and NAO Recommendations 2022/23

- 7.1 The Head of Finance presented an overview of the response to the external audit recommendations. The external auditors will pick their management letter points up at their interim audits in February 2024.
- 7.2 MKS raised two medium recommendations on revenue recognition. Finance are working on clarifying the policy of where to recognise pre-ordered items that are unlikely to be collected and will also be adjusting contract revenue recognition based on the MKS findings.
- 7.3 The NAO had raised three medium level risks – around journals/ segregation data migration. The Head of Finance explained that two of these were down to the limitations of the finance system. The NHM discuss future functionality with the software developer quarterly and are waiting for extra controls to be added, however, given development priorities and timescales, this is unlikely to be soon.

8. NAO Audit Planning

- 8.1 The NAO gave a verbal update on audit planning for FY 23/24. They will present formal update at next Committee, but the risks remain similar to last year – with the main risks relating to revenue recognition, valuation of land/ buildings, management override of financial controls.
- 8.2 This year will require a full revaluation of the land and buildings, with specific focus on the key inputs the Museum provides the valuers, such as accurate floor areas, as the NAO have found discrepancies previously in other institutions.

Action

9. Risk and Assurance – Q2 Progress Report

- 9.1 KC gave an update on his work to date and progress in organising additional external reviews. An audit report on emergency planning was presented for discussion along with an analysis of outstanding recommendations.
- 9.2 Members enquired about some changes that had happened with the internal audit plan. Work is down on historic levels of activity and outsourcing to date hasn't worked as well as expected. KC needs to be sure enough of the plan has been completed to have confidence in signed off the annual assurance opinion.
- 9.3 The Director mentioned that the conclusion from two years ago was to reduce the level of audit, as we had significant extra resource relative to the benchmark. However, having set a plan we should ensure delivery. Additionally, how we use extra resources, possibly just keeping this to specialist high risk areas going forwards.
- 9.4 KC will undertake a critical reappraisal of the current plans and decide what is achievable in year. Planning for next year will incorporate lessons learned to ensure greater rigour in scope & realistic delivery. Additionally, KC and HW are benchmarking NHM levels of activity with that of other museums to get a clearer idea of how we compare.

10. Counter Fraud Policy

- 10.1 KC presented an updated Counter Fraud Policy and Strategy to the Committee. This aimed to refresh the fraud risks as well as meet the requirements of the UK Government Counter Fraud Continuous Improvement Framework.
- 10.2 Members approved the updated policy.

11. Collections Security & Documentation

- 11.1 The Head of Registry introduced the Collections Security and Documentation paper, that set out how her team, working closely with Security, they are delivering and improving their processes. Physical impacts (for example, damage or losses) on the collections will be presented quarterly to the Board but this Committee will discuss the processes specifically considering protection and security risks.
- 11.2 SPV said the Museum is establishing a Collections Committee to be chaired by Dr. Sarah Thomas. This committee will consider all collections aspects and give an international perspective on collections and will comprise of Trustees and independent members. A duty of trustees to hold collection in trust for nation, they can choose how they get assurance from Committee. The role of this Committee will be to take a quarterly report on collections, focussing on risk and security, taking a broader view. The Audit and Risk Committee will get assurance from Collections Committee.
- 11.3 Post note: at the November Board, SPV said that this issue would be progressed following the appointment of the new Director of Collections, hopefully in the new year, to look at how best this procedure sat alongside other related governance and process.

Action

- 11.4 The Head of Registry talked the Committee through some of the collections process – including external audits by Human Tissue Authority, Arts Council England, and the UNESCO Nagoya Protocol. General principles are also in place; for example, having more than one curator being responsible for a collection and the undertaking of random sampling of collections each year and limited access rights.
- 11.5 The Committee asked about the cataloguing of collections compared to other museums. SL said the NHM’s inventory information is spread in different ways to others. Unlocked will be a key enabler to develop catalogue systems.
- 11.6 SL said that overall theft is a relatively low risk to collections – with risks such as fires or floods or disruptions in galleries (such as protests), being considered significantly more likely. Further work will be undertaken looking at how to put the right checks and balances in place as well as developing the right kind of culture and mindfulness about security.
- DG 11.7 Members asked the Head of Registry if she could add a completion percentage to the ‘enhancement steps’ that will be brought to each Committee going forwards. Additionally, they also enquired if an external whistleblower service is being considered. Action: DG will look more into external whistleblowing routes in addition to standing processes (such as DCMS as NHM’s sponsor department, and regulator).
12. **Travel Risk Management**
- 12.1 The Museum has just introduced a new travel risk management process, which will lead to more situational training sessions.
- 13 **Future agenda items and other matters**
- 13.1 The next meeting will be held at 14:00 on 8 February 2024.

Key to action initials

Doug Gurr DG Helen Whitehouse HW