

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

93rd meeting of the Natural History Museum Audit and Risk Committee
10.00 a.m. on Wednesday 23 June 2021

Present

Hilary Newiss (Chair)
Robert Noel
Harris Bokhari OBE
Professor Sir Stephen Sparks FRS
Colin Hudson (independent member)

In Attendance

Lord Green of Hurstpierpoint (Chair of Trustees)
Dr Douglas Gurr (Museum Director)
Neil Greenwood (Executive Director of Finance and Corporate Services)
Alex Clark (Director, DCMS Financial Audit NAO)
Anjali Kothari (Partner, Moore Kingston Smith)
Kate Medland (Audit Principle, National Audit Office)
Hanna Schieve (NHM Strategic Planning Manager - to take notes)
Melissa Clifford-Turner (NHM Head of Finance) - for items 1 - 7
William Parsloe (NHM Head of Legal) - for item 11

ACTION**1 APOLOGIES FOR ABSENCE**

- 1.1 Apologies were received from Jan Day (NHM Head of Risk and Assurance) and Sebastian Groth (Audit Manager, NAO).

2 DECLARATIONS OF INTEREST AND REGISTER OF INTERESTS PAPER TAC 25/2019)

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

3 MINUTES OF THE MEETING HELD ON WEDNESDAY 2 MAY 2019 (PAPER TAC 26/2019)

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

4. MATTERS ARISING FROM THE MINUTES (PAPER TAC 26/2021)

- 4.1 Members reviewed the matters arising and closed completed items.

- 4.2 Trading Company Directors - 26/01/21 para 9.8 - The Committee closed the item on the basis a decision on Trading Company directors would be made imminently.

	4.3	<u>Governance Principles</u> - 29/4/21 para 6 - The Governance Principles were updated and approved by the May 2021 Board of Trustees. It was also confirmed the Museum had authority to make changes to the Governance Principles - closed.
	4.4	<u>Audit & Risk Committee Annual Report</u> - Subject to one change the Committee were happy with the amended report - closed.
DG	4.5	<u>Cyber Security</u> - The Museum Director will speak with the identified external expert in cyber security about the co-opted position on the Audit and Risk Committee.
	5.	MUSEUM DIRECTOR'S REPORT AND Q1 STRATEGIC RISKS (PAPER TAC 27/2021)
	5.1	The Museum Director presented his paper.
	5.2	<u>Key Strategic Risks</u> - The Committee discussed the process which is part of the Operating Plan Quarterly Review (OPQR). The first OPQR review resulted in no major changes.
	5.3	<u>Salary Risk</u> - Salary scales were becoming a risk when recruiting for project managers and software engineers although the Museum had so far been able to pay competitive salaries. These job families needed to be re-benchmarked. The roles were strategically significant but only involved a small number of posts.
	5.5	<u>Sickness Absence</u> - Sickness Absence had halved approximately since moving to remote working. Whilst reassuring on one level, it may be a concern in relation to wellbeing; particularly in respect to isolation among younger employees. Generally, this supports the approach that the Museum should continue to offer the maximum flexibility and treat people as adults. HR had done a lot of work on promoting wellbeing to mitigate the risk.
	5.6	<u>Climate Change and Biodiversity</u> - The Committee discussed where there might be a future statutory requirement to report against climate and biodiversity impact.
	5.7	There may be an opportunity for the Museum to be an influencer in discussion on reporting requirements. For example, the Museum is currently working on two biodiversity projects which may help in providing meaningful measures. A member offered to share reports from businesses where he is on the board.
RN	5.8	Moore Kingston Smith (MKS) are seeing more boards concerned about the credentials of their partners on issues such as climate change.
DG/NG / WH	5.9	The Head of Sustainability, Executive Director of Finance and Corporate Services and the Museum Director will investigate the best way to reflect climate change risk and will report at either the November 2021 meeting or in early 2022.
	6.	FINANCIAL REVIEW APRIL 2020 - MAY 2021 AND APPENDIX (PAPER TAC 29/2021)
	6.1	The Executive Director of Finance and Corporate Services presented the financial statements for 2020/21 together with his supporting paper.
	6 (a)	The Natural History Museum Annual Report and Accounts
	6.2	<u>Museum Accounts</u> - Approval from the Board of Trustees was sought for 6 July 2021. There were still some outstanding items, mostly minor. Members recommended changes to the Annual Report and Accounts and raised queries.
	6.3	The Executive Director of Finance and Corporate Services reported a final draft will be ready by end of the week notwithstanding the outstanding items. The Museum

Director and Chair of Trustees will approve any further changes, or the Board for substantive changes.

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| 6.4 | <u>Ministerial Approval</u> - A first draft had been shared with DCMS and one minor comment was received in response. A draft for formal approval will be given to DCMS towards end of the week with the aim of laying in the week commencing 12 July 2021. | |
| 6.5 | <u>Going Concern</u> - The Museum is in relatively good shape since the start of the Financial Year. There is a balanced budget, confirmation of support from Government and visitor income now the Museum has reopened. | |
| 6.7 | <u>Investment Fund Schemes</u> - As Trustees are responsible for where income is invested the Committee wished to ensure that benevolent funds are invested in an ethical fund. It was noted care is needed in defining ethical funds. CCLA the Museum's fund managers had a good reputation and are the largest charity fund manager in the country. As the Museum is in the process of moving funds, there will be an opportunity to carry out due diligence on the composition of the fund. | NG |
| 6.8 | <u>Electricity Consumption and Export to the Grid</u> - The Key Performance Data in the sustainability section of the Annual Report was not clear if the Museum had reduced its total energy consumption. It showed an increase of 20% in a year when the Museum was mostly closed. It was noted Estates were not confident in reporting the amount exported to the grid as some billing from the grid was not accurate. | |
| 6.9 | The Audit and Risk Committee Chair said the report should explain the Museum was unable give an accurate figure or estimate. However, a significant portion of electricity was exported. The Executive Director of Finance and Corporate Services agreed to bring a form of words to the next Board meeting. An action for 2021/22 was to establish a means whereby a reasonable figure can be provided on how much was consumed and exported. | NG/WH |
| 6.10 | <u>Risk Disclosure</u> - The NAO are looking across the Museum sector to escalate the quality of disclosures in the Governance Statement on the risks museums face, to drive transparency. There is a much clearer view of the risk profile of museums than in previous years. The idea would be to set out a full-page disclosure consisting of the top 5 or 10 risks (such as covid recovery, collections care), similar to the format of the Museums' risk register. There would be no scoring just the mitigating actions. The Executive Director of Finance and Corporate Services agreed to include a shortened version of the Museum's risk register. | NG |
| 6.11 | <u>Deeds of Gift</u> - There was a discussion on the wording of deeds of gift and the legal obligations created when the Museum and a donor signs a deed of gift. The NAO had been looking in greater depth at deeds of gift in the context of the charities Statement of Recommended Practice (SORP). It was agreed further consideration was needed by both the Museum and the NAO. | NG/DG/
SG/AC |
| 6 (b) | The Natural History Museum Trading Company (TCO) Limited Accounts, Moore Kingston Smith (MKS) Draft Management Letter and TCO Letter of Support | |
| 6.12 | The Moore Kingston Smith Partner gave an overview of the NHM Trading Company (TCO) audit progress and outstanding issues. The TCO had made a major loss. Some income streams had, however, done better than expected. The 'emphasis of matter' statement draws attention to the fact that the impact of the pandemic on operations has been quite significant. The loss for the year was £963k with an overall deficit of £663k, meaning the company is insolvent and reliant on the Museum for support. | |
| 6.13 | <u>Letter of Support</u> - The Museum is giving letter of support to the TCO to give confidence that it can continue as a going concern. The TCO holds £5.8m of cash and its largest creditor is the Museum who will not request the debt due until such time as the TCO can make payment. The TCO is returning to profitability and the | |

Museum anticipate that the negative position will be eradicated in the financial year 2021/2022.

SG/NG

- 6.14 Government money should not be used to support an insolvent trading company. However, MKS are satisfied that there is enough funding from other areas of the Museum to support the TCO.
- 6.15 The letter of support should be signed by the accounting officer with another trustee. The trustees will need to endorse the letter at the next Board meeting and the wording reviewed to ensure it adequately reflects the points raised. The TCO directors will discuss this further before the 6 July 2021 Board meeting.

6 (c) Special Funds and Benevolent Fund

- 6.16 No comments were raised.

6 (d) Audit & Risk Committee Approval

- 6.17 Members recommended approval by Trustees on 6 July 2021 of the accounts for:
- the Natural History Museum (subject to the outstanding items)
 - the Natural History Museum Special Funds Trust
 - the Natural History Museum Benevolent Fund

7. EXECUTIVE DIRECTOR OF FINANCE AND CORPORATE SERVICES' FINANCIAL REVIEW FOR THE PERIOD APRIL - MAY 2021 (PAPER TAC 29/2021)

- 7.1 The Executive Director of Finance and Corporate Services presented his paper.

8. TRUSTEES' AND DIRECTORS' EXPENSES AND DIRECTORS' GIFTS AND HOSPITALITY 2020/2021 (PAPER TAC 30/2020)

- 8.1 The Committee reviewed the Trustees' and Directors' Expenses and Directors' Gifts and Hospitality 2020/21 and made no comments.

9. HEAD OF RISK AND ASSURANCE PROGRESS REPORT (PAPER TAC 31/2021)

HN/DG/
JD

- 9.1 The Chair will discuss the audit plan with the Museum Director and the Head of Risk and Assurance.
- 9.2 Government Functional Standard Counter Fraud GovS 013 - The Director of Finance and Corporate Services assured the Committee that the Museum is on the upper end of compliance compared to other museums and galleries.
- 9.3 Official Absence Process - The Director of Finance and Corporate Services explained the official absence project delay was partly related to switching technology/ software and prioritising resources. As it can be quite onerous to do an independent risk assessment, the Museum is aiming to streamline the process, recognising when the risks are the same for many trips e.g. conferences. Risks for field work are always different.
- 9.5 'Right to Work' - The Committee agreed to wait for an update from the Head of Risk and Assurance at the November meeting.
- 9.6 Contract Management - This may be taken over by the Head of Legal and may have been picked up as part of recent review of contract authorisation and delegation. The Museum has a policy to look at the diversity of contractors; it would

be good to share in due course how the Museum responds to this and the specific legal requirement to look at social value.

- HN** 9.7 Succession Planning - The Head of Risk & Assurance's absence prompted the Committee to ask if succession planning throughout the Museum had been thought through. There may be good processes for interim arrangements, but not for longer term. The Chair will discuss this further with the Director outside the meeting.
- 10. AUDIT AND RISK COMMITTEE ANNUAL REPORT 2019/2020 (PAPER TAC 32/2021)**
- 10.1 The Audit and Risk Committee Chair presented her report.
- JD** 10.2 Subject to one amendment the Committee approved the Audit and Risk Committee Annual Report.
- 11. TRUSTEES CONFLICTS OF INTERESTS POLICY (PAPER TAC 33/2021)**
- 11.1 The Committee were introduced to the Head of Legal who presented the trustees conflicts of interest policy.
- 11.2 The policy was last revised in 2011. The update was to make the policy clearer and provide examples. It includes a process for prospective trustees joining and makes it clearer between conflicts of financial and non-financial conflicts and how to split them between serious and non-serious conflicts.
- NG** 11.3 The Committee approved the policy which will be circulated to the trustees and other relevant staff.
- 12. FUTURE AGENDA ITEMS**
- 12.1 Fire Risk - There had been an exercise with the London Fire Brigade (LFB) approximately six months ago and another was planned for later in the year. LFB made some recommendations which the Museum is addressing.
- 12.2 The Director requested this is an agenda item. The Brazil National Museum and University of Cape Town (UCT) African Studies Library fires demonstrated its importance.
- 12.3 Risks specific to the Tring Museum and monitoring remotely could be discussed in a later meeting.
- 13. ANY OTHER BUSINESS**
- 13.1 The next meeting is confirmed for 4th November
- 13.2 The Chair remarked that it was Robert Noel's last meeting and thanked him for his sterling service. He had been a key member and the Committee had benefitted hugely from his knowledge and experience.

KEY TO ACTION INITIALS

Alex Clark	AC	Stephen Green	SG	Wayne Hitchings	WH
Doug Gurr	DG	Hilary Newiss	HN	Robert Noel	RN
Jan Day	JD				