

**THE NATURAL HISTORY MUSEUM
TRUSTEES' AUDIT AND RISK COMMITTEE
TAC 35/2022**

96th meeting of the Natural History Museum's Audit and Risk Committee
10.00 a.m. on Thursday 23 June 2022

Present

Hilary Newiss – Chair
Professor Sir Stephen Sparks FRS
Harris Bokhari OBE (remotely)
Colin Hudson – independent member
Luke Fairless – 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)
Kevin Coughlan (Risk & Assurance Manager)
Alex Macnab (Director, DCMS Financial Audit, NAO)
Anjali Kothari (Partner, Moore Kingston Smith)

Action

1 Apologies for absence

1.1 Apologies were received from Sebastian Groth (Audit Manager, NAO).

2 Declarations of interest and Register of Interests

2.1 There were no new declarations made.

3 Minutes of the meeting held on Thursday 28th April 2022

3.1 Members approved the minutes without requesting any changes.

4. Matters Arising from the minutes

4.1 Members reviewed the matters arising and closed completed items.

**KC
NG**

4.2 Risk Management Policy – KC and NG will discuss and update the policy and bring it back to the November meeting.

**KC
NG**

4.3 Priority 3 recommendations – this is ongoing. The oldest outstanding P3 recommendations now relate to H&S and fire prevention, which can be addressed following the completion of the recent BSI recertification.

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

- 5.1 During the upcoming Operating Plan Quarterly Review, risk owners and senior staff will review the scoring of the Key Strategic Risks, with it being probable that the likelihood scores being revised downwards on some risks, such as visitor numbers. Factors such as the capital settlement and the recent Thames Valley Science Park agreement help to decrease the likelihood of some of the other risks.
- 5.2 Two recent collections related issues have highlighted the need for better storage options:
- flooding at the Wandsworth storage site. No specimens were stored at the flooded level; however, the site is prone to flooding, and this puts collections at risk.
 - There are challenges with maintaining suitable environmental conditions in the Northeast Tower. This is the block which goes the most 'outside' environmental conditions and has resulted in mould on some mammal skins. Conservation have effectively dealt with all issues so far. With the right environmental conditions, such interventions would not be necessary
- 5.3 There was a short discussion on pay and recruitment, which recognised the challenges with this. A full pay review has recently started to simplify and address problems with inequalities in the current structure.
- 5.4 The Director confirmed in response to a question that the recent cuts announced to the Civil Service don't apply to arm's length bodies and museums. Museum business cases do need approval from the Department of Digital, Culture, Media, and Sport (DCMS) and cuts could impact DCMS response times.
- 5.5 A member inquired about the impact of the Executive Director of Development leaving the Museum. This is likely to have a limited impact on current UNP fundraising. New relationships have been established with the Director that have helped drive extra funding and may present follow on opportunities in the future. Since Development is reliant on relationship building, appointing in interim director in Development is not feasible.
- 5.6 Currently, the main risk in Development is staffing levels in the Philanthropy team, where recruitment is proving challenging.

6. The Annual Accounts 2021/22 and Audit Completion Reports

- 6.1 The Executive Director of Finance and Corporate Services presented the accounts to the Committee, to get a recommendation from them for approval by the Board of Trustees. 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)
- 6.2 The Director of DCMS Financial Audit (NAO) walked the committee through their audit completion report. Some minor errors were found in testing, which were not significant. Some control observations were made with respect to payroll and fixed assets.

- 6.3 The narrative of the 'Achievements and activities during 2021-22' will be reworked to include extra detail on the Science achievements in year, in consultation with the Executive Director of Science and Head of Science Policy
- 6.4 The Partner (MKS) then gave an update on the external audit of the Trading Company. Audit work is sufficient to give assurance over revenue recognition, but the Museum should request to understand the Caterer Benugo's revenue recognition procedures to gain additional confidence that the Museum's revenue is correct.
- 6.5 MKS have now closed the stock recommendation, as they are satisfied the differences in reconciliations found are significantly non-material and that Museum Finance staff now understand where the differences arise.
- KC**
NG 6.6 Social engineering "E-mail takeover" was also highlighted as a significant inherent risk. Currently, all Museum employees must undertake an hour of mandatory fraud training. The Finance team are very aware of this type of scam; however, KC will check the training is up to date and relevant, to reflect the changing nature of fraud risks. NG will separately seek to understand what training those in Finance who actively approve payments do in addition to this.
- 6.7 The Partner (MKS) gave general updates within the charity sector, including a recent court case on ESG investing, which may be relevant to the Museum's special funds.
- DG**
NG 6.8 The Committee subsequently approved the special funds, benevolent fund, and trading company accounts. Whilst the benevolent fund serves a specific purpose, it may be better represented as a restricted fund within the main accounts. The Director will undertake a review to understand if these funds can be consolidated and the best way to do this.
- NG** 6.9 Additionally, the level of minimum reserves will be reviewed to ensure it is at the right level to help cope with subsequent unexpected financial disruption, such as that caused by covid. The Chair noted that other Museums have a higher level of minimum reserves.
- 7. Director of Finance & Corporate Services' Financial Review for the period April - May 2022**
- 7.1 The Museum had a good start to year in terms of visitor numbers. The revised forecast is for 4.3 million visitors, increased from 2.9 million. There has also been a significant increase in venue hire (both individual and corporate hire) compared to last year.
- 7.2 People now have to book free tickets in advance, with a limit for the day for 18,000. Front of House make a judgement each day about admitting walk-up visitors (those without a ticket), as there is an approximate 29% 'no show' rate.
- 7.3 Allowing walk-up tickets helps keep the Museum accessible. The balance is approximately 85% pre-booking and 15% walk ups. Visitor feedback has been very positive as pre-booking guarantees entry and avoids long queues. It has also helped the Museum spread the visitors more evenly throughout the day.
- 7.4 Dinosaurs remain a major attraction for visitors – with over 70% citing them as a factor behind their visit. Major films featuring dinosaurs further help boost this interest.

- 7.5 This year's major exhibition is 'Dippy Returns', which is free to visit, but must be pre-booked individually as an add on. The exhibition is helping illustrate how to safely increase exhibition visitor numbers without impacting on their enjoying or health & safety. Projections suggest 2 million will have visited Dippy by year end.
- 7.6 Pre-booking has also significantly increased donations and made declaring gift-aid easier. Pre-booking has helped to start to build a marketing database of a domestic audience who have agreed to be kept informed with Museum news, which has helped increase visits from this audience segment.
- 7.7 International visitors currently comprise 23% of the total; whilst domestic visitors are at close to double pre-covid levels. The Museum is planning for international visitors coming back in addition to maintaining current levels of domestic visitors. This means over summer, some people who have not pre-booked are more likely to be turned away.
- 7.8 Visitor flow work is ongoing to allow to Museum to accommodate 8 – 9 million visitors per year, without affecting the quality of the visit, over next 2-3 years. When the Urban Nature Project (UNP) is completed, this will allow passengers to come out of tube and have opportunity to enter the gardens.
- 7.9 The Museum was recently awarded £40.3 million from the government's Estate Infrastructure Fund over a 3-year period towards fire precautions, terracotta, upgrade works on the palaeontology building, and the old Hall of Human Biology. This will help address long standing issues, as it is difficult to fundraise for basic back of house repairs and maintenance.
- 7.10 The allocation releases some currently budgeted money for other use, which will be considered during this year whether it may go towards gallery works, UNP, or other core infrastructure. The Museum does not anticipate making significant additional expenditure allocations in 22-23 as there is already an operating plan with staff fully allocated to deliver this
- 7.11 The Director would also like to see better use of IT systems and where IT could help drive processes improvements. The Senior Leadership Team have been asked to identify what they consider to be the most inefficient practices in the Museum, and these will subsequently be prioritised. The Director and LF will subsequently discuss proposed IT improvements with the Technology Services team

DG
LF

8. Directors' and Trustees' Expenses and Directors' Gifts and Hospitality 2021/22

- 8.1 Members approved the expenses and gifts & hospitality returns.
- 8.2 All members of staff and trustees are expected to abide by the Museum's travel policy, which discourages the use of taxis and private vehicles, from both a cost and sustainability perspective.
- 8.3 Taxi claims will only be approved in specific circumstances. All claims must have management approval and additionally, a member of the Finance team processes all claims and asks appropriate questions where more details are needed.

9. Risk and Assurance – Q1 Progress Report; updated Annual Report and Opinion and Audit Plan.

- 9.1 KC gave an overview of progress made so far this year. Work on the Risk & Assurance plan for this year is at an early stage, with time also having been put into finishing last year's work and some ad hoc work requested by other teams.
- KC 9.2 Work on resolving outstanding recommendations is progressing and ongoing. At the request of members, KC agreed to review the outstanding recommendations matrix to see if the information could be presented more clearly.
- 9.3 The Committee then considered the updated annual assurance report and opinion for 2021-22. The Committee papers included detailed analysis of the work undertaken last year vs assurance levels that had been previously discussed with the Chair. The Committee agree that given the disruption in year and changes to the Risk & Assurance function, that on balance, an opinion of 'Moderate' was suitable.
- 9.4 Next, the audit plan was presented for the year. Work has already on the plan; however, the Committee had requested extra background with respect to it. The Committee approved the plan in principle.
- 9.5 One member commented about the workload and reliance on external resources, which has not yet been agreed upon. KC explained there was an upcoming meeting with the Government's auditor to understand if they could provide support. With respect to workload, the days given are only an approximate estimate as it can be difficult to judge upfront. KC will update the Committee on progress at the October meeting and raise any concerns around completion, if necessary, as this will then be over half-way through the year.
- 9.6 The annual report and plan were both approved by the Committee.

10. Audit and Risk Committee Updated Annual Report 2021/22

- 10.1 The Committee approved the updated annual report, subject to a few clarifications.
- 10.2 Additionally, the Committee also approved the Self-Assessment for the year.

11. Future agenda items and other matters

- HN**
- 11.1 The Chair proposed restarting tours of particular areas of the Museum, which had been postponed due to covid. From a risk perspective, the first area to visit would be the Northwest Tower, due to issues in maintaining a stable environment there. The Chair will discuss further with the Head of Registry.
- 11.2 Another member was interesting in attending a fire/ emergency drill. These take place periodically. The Director suggested to understand the full context, members may also like to have a discussion with the Head of Security and Emergency Planning, who could describe processes around risk management at major events and help with understanding how remote site management works. This is particularly relevant for the museum at Tring.
- 11.3 The Committee agreed they would have a tour after the next meeting instead of a deep dive. The Chair would arrange whatever was most convenient. With respect to future 'deep dives', KC will add current suggestions to the agenda going forwards.
- 11.4 The next meeting will be held at 10.00 a.m. on 27 October 2022.

Key to action initials

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