

**THE NATURAL HISTORY MUSEUM  
TRUSTEES' AUDIT AND RISK COMMITTEE  
TAC 16/2024**

103 meeting of the Natural History Museum's Audit and Risk Committee  
14:00 on Wednesday 08 February 2024

**Present**

Harris Bokhari (Chair)  
Professor Dame Jane Francis  
Shahpur Kabraji  
Robert Noel  
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  
Rosalind Glass – NHM Chief of Staff  
Alex Macnab – Director, DCMS, National Audit Office  
Anjali Kothari – Partner, Moore Kingston Smith  
Colin McInnes – Head of Finance Business Partners, DCMS  
Elizabeth Drakulich – Interim Head of Strategic Planning, for item 14  
James Downs – Head of Security, for items 15, 16  
Sarah Long – Head of Registry, for item 16  
Richard Hinton – Chief Information Officer, for item 17  
Chris Sleep – Information Security Manager, for item 17

**Apologies:**

Shannon Holmes – Audit Manager, National Audit Office

**Action**

The Chair welcomed back Robert Noel, who sat on the Committee a few years ago and is re-joining the committee membership. The Chair also introduced Rosalind Glass, the new NHM Chief of Staff, who is undertaking a review of Museum governance and Committees, and Colin McInnes, the Deputy Director of Finance at DCMS.

**1 Apologies for absence**

1.1 Apologies were received from Shannon Holmes, Audit Manager, NAO.

**2 Declarations of interest and Register of Interests**

2.1 Robert Noel's declarations from the main trustee register will be added. Otherwise, no amendments were requested.

**3 Minutes of the meeting held on Tuesday 08 November 2023**

3.1 Members approved the minutes.

## Action

### 4. Matters Arising from the minutes

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

### 5. Audit and Risk Committee Terms of Reference, Annual Cycle of Information and Audit and Risk Charter and Strategy

- 5.1 Members approved the Annual Cycle of Information and Audit and Risk Charter and Strategy. A new Non-Executive Collections Committee is being set up and members requested the Audit and Risk Committee Terms of Reference refer to this. Therefore, members held off approving and requested it be brought back to the April meeting.

### 6. Museum Director's Report and Key Strategic Risks 2023/24 Q3

- 6.1 The Director introduced his report and the Q3 update of the key strategic risks. Overall, there have been no material changes in risk. Maintenance likelihood increased due to large amount of plant and equipment the Museum needs to maintain and is a complex area that carries a lot of inherent risk. The Museum will be appointing a Masterplanner and undertaking an asset survey this year to help mitigate the risk.
- 6.2 Digitisation and cyber security are key risks in terms of resource ask. If an attack was successful a large increase in people would be needed to help recover. There have been several high-profile attacks in last few years, with some specifically targeting public institutions.
- 6.3 The Director was of the view that 3-5 years seems to be the right timeframe for considering impacts. Emerging risks also need to be reviewed regularly. The Risk Universe can help give more of an overall view of risks across the Museum and identifying where multiple smaller risks may become an issue. However, any individual risk can be easy to miss, so work is needed on how to ensure overall resilience as well.
- DG 6.4 SPV enquired how the Museum manages low probability, but high impact risks as they are often ignored. The Museum should occasionally have a focus on these. **Action: DG will bring back a short paper on what this would look like.**
- 6.5 One Committee member recounted a specific problem he had with lifts not working on two successive weekends when visiting the Museum, which is disruptive to primary school groups and those with limited mobility. Step free access to several spaces is reliant on single points of failure, but not all failures are mechanical. The number of lifts and other mechanical equipment, together with their increasing sophistication, makes breakdowns hard to avoid. There is a well-practiced plan of action if someone is stuck, with relevant teams all familiar with evacuation and emergency response. Other mitigations like lift tech upgrades and investment via critical maintenance funding are in action.
- 6.6 The amount of construction work on site poses unique health and safety risks and when the building is open, there are practical limitations on what work building contractors can undertake. Space is very tightly managed with space segregation tightly enforced to minimise these risks. The masterplan will formalise this, alongside input from a new health and safety construction specialist, who will be joining full time.

## Action

6.7 Alongside health and safety risks, the collections also require carefully managed environmental controls. There are backup generators for critical areas to ensure an uninterrupted supply and generator tests are undertaken.

6.8 With the implementation of the new combined heat and power (CHP) energy centre, the Museum is also looking at the use of technology to understand energy usage across the site and spot where potential energy issues and energy wastage are occurring.

## 7. Risk Universe

7.1 KC introduced the updated risk universe for 2024. Significant work on identifying new risks and interrogating risk scores has happened since the last committee meeting.

HW / KC 7.2 Members felt that whilst the presentation had become a lot clearer, it was still unclear how the top risks would be treated, beyond those in the key strategic risks (KSR). The Committee were interested to know if there was a plan for dealing with other red rated risks that were not included in the KSR. Members suggested there should be a 'path to green' of how each of these will be mitigated to an acceptable risk level. **Action: HW/ KC to review and reflect in the next iteration.**

## 8. Draft Audit Plan 2024-25 and 3-year audit priorities

7.1 The Committee agreed that moving beyond a 1-year plan is a good idea, but members questioned the balance of internal resource to outsourced work. KC explained the Museum is still trying to find this balance, which may need some trial and error. The objective is to use an outside provider as both extra resource and for specialist expertise. Members agreed that areas such as energy management or ESG assurance could be potential areas to use expert assistance on. A new outsourcing partner is being stress tested for this FY and will be reviewed at year end.

HW / KC 8.2 The Committee asked about the positioning of internal audit in the Museum. KC stressed that whilst some compliance work was necessary that he did not think an emphasis on this approach was helpful and that a focus on business improvement as a 'critical friend' was of more value, though this has never been articulated formally. The Committee wanted to ensure the audit function stress tests the areas managers are worried about. **Action – KC to update the audit plan to better reflect internal audit activities and HW will update the Committee with a formalised plan for audit in the Museum in May.**

HW 8.3 On cyber security, whilst the annual penetration test is a good exercise, LF asked if some of this budget could be used in more a targeted way. **HW/ RH to come back to the next committee on this point.**

## 9. Financial Review April - December 2023

9.1 The Head of Finance updated the Committee on the Museum's P9 (end of calendar year) financial position, a surplus of £200k over the budget. Overall, the Museum has done well due to the Titanosaur exhibition, which proved very popular and venue hire exceeded budgeted income. Overall, despite the increase in visitors, spend per visitor has dropped. This is being seen across the retail sector more generally, likely down to the cost-of-living crisis.

## Action

- 9.2 In terms of operational costs, having a lower actual vacancy factor is good for operational delivery, but has an additional expenditure impact. Also, there is significant budget increase for energy costs this year.
- 9.3 The Museum is in a very busy period of capital expenditure (capex). This includes work under the DCMS funded Public Bodies Infrastructure Fund (PBIF) programme as 23/24 funding cannot be carried forward to next financial year. As mitigation, there are regular meetings with Estates to assess delivery and spend as well as work to look at bringing forwards PBIF projects due to start next FY.
- 9.4 The Urban Nature Project is due for completion in June 2024. Significant progress is being made on the Hall of Human Biology (HHB), though complications have led to extra delivery time, taking the project into April for completion. Other projects currently in a startup phase are expected to reach activity phase in next few months. Ideally, more discovery work would have happened before starting the activity phase of HHB, which there was not time for when the three-year funding was allocated in year 2022/23. The Museum has drawn down the full in year funding to deliver by end of this FY.

## 10. NAO Audit Planning Report 2024/25

- 10.1 The Director for DCMS Financial Audit presented an overview of their audit planning. The NAO will work to a pre parliamentary recess timetable for accounts sign off. Fraud is always a general risk they keep in view. Valuation of land/ buildings been flagged in previous years – but a full revaluation is due this year, with an emphasis on ensuring floor areas are accurate. Materiality has the same basis as previous years and across the sector.
  - 10.2 The NAO have observed substantial cash fraud in trading subsidiaries, and whilst it is not large values, this can pose reputational issues. Elsewhere, the NAO have observed cash controls not operating properly or not always being followed. Refund fraud has also been an issue, for example refunds going to a different card. The NAO finally highlighted conflicts of interest, and ensuring contracts aren't awarded to individuals where there are close relationships.
  - 10.3 RN questioned the approach to aligning to Task Force for Carbon-related Financial Disclosures requirement. The NAO explained this is to be implemented over three years. HM Treasury have designed a lead time to allow public bodies time to familiarise themselves with the disclosure and prepare for their implementation. The NAO recommends putting a plan in place to be able to meet these requirements.
- HW 10.4 The Committee had concerns about a large proposed fee increase, which the NAO explained was driven by technology investment and increasing regulatory standards. The Chair deferred approval as the current uplift is considered unaffordable. **ACTION: HW, Alex Macnab will take this offline. Alex will prepare a schedule showing where the fee deficit comes in to be discussed with HB and CH.**

## **Action**

### **11. Moore Kingston Smith pre-audit letter for the year ended 31st March 2024**

- 11.1 The partner at MKS presented their pre audit letter for FY 2023-24. MKS do not disclose materiality, in the view it could be circumvented if disclosed. The regulatory framework is making the audit more compliance driven but MKS aim to drive efficiencies and add value as best they can during the audit.
- 11.2 MKS will have a particular focus on revenue recognition and fraud. Across the sector, there has been a noted increase in unknown losses from shops. As the world goes more automated and electronic, there are more opportunities for exploitation and new frauds, such as fraudsters setting up fake credit card receivers, with intended donations or revenue directed to personal accounts. It was noted that the Museum is planning to replace the EPOS and security will be a focus during procurement.

### **12. Audit and Risk Committee Effectiveness - self assessment.**

- 12.1 Members reviewed the updated self-assessment. Any further comments will be sent to the Committee secretary and a final version will be sent out via email.

### **13. Risk and Assurance – Q2 Progress Report**

- 13.1 KC gave an update on his work to date and progress in organising additional external reviews. An audit report on space planning was presented for discussion along with an analysis of outstanding recommendations.

- KC 13.2 Members requested clarification on the progress of the audit plan for the year. **Action: KC will reformat the report table to make this clearer for future meetings.**

### **14. Setting policy principles for the NHM (report)**

- 14.1 The Interim Head of Strategic Planning presented a report around the update guidance on policies at NHM. This arose out of a concern that the Museum had too many policies and that approval routes, including at trustee level, were unclear.
- 14.2 Members noted the guidance and thanked ED for her work on this.

### **15. Protect Duty – NHM response**

- 15.1 The Head of Security gave an update on how the Museum's progress on implementing the Protect duty (Martyn's Law). This will be regulated, although its currently unknown which body will be responsible. The Museum will be included in the enhanced tier of responsibility because of size of visitor numbers and is likely to be among the first organisations to be audited on Protect. However, Security is confident the Museum is ahead from conversations with other organisations, and systematic review.
- 15.2 The provisions include reasonably practical measures with six main attack types identified by counter terrorism police. Security is working with colleagues in all areas to understand threats and looking at events from all over the world. Current actions are focused on training, building awareness and departmental operational plans.

## Action

- 15.3 The annual security awareness week includes sessions with the Metropolitan Police which are well attended, and all staff undertake Action Counters Terrorism online training. The Museum has regular tabletop and live exercises on key security risks. Martyn's Law is a result of findings from the Manchester Arena attack. The post attack report highlighted broken CCTV was one of the main issues; NHM has been assessing this internally.

JD 15.4 HB enquired when the next fire safety drill and other upcoming tabletop or live response Health and Safety or Security exercises are and whether he and/or other members could attend. **Action: The Head of Security will share dates Committee members can attend tabletop or other live exercises.**

## 16. Collections Security and Documentation

- 16.1 The Head of Registry introduced the Collections Security and Documentation paper setting out how Registry and Security are delivering and improving their processes.
- 16.2 The recent dedicated tabletop exercise was well attended by representatives from collections, press and corporate services, which discussed the response to an allegation of theft from an internal party. A review of collections audit week will consider how to better articulate which area and process to look at and how the Museum is managing the risks. The Museum had also received some helpful recommendations as a result of peer reviews from other museum registrars.
- 16.3 SL explained how her team aim to show improvements across the board, such as on documentation and processes. Digitisation is complimenting inventory. Cataloguing is continually growing as objects are lent and used for exhibitions. Ensuring security and immutability of catalogue data therefore becomes increasingly important.

## 17. Cyber Security Update

- 17.1 The Information Security Manager presented an update on the Museum's management of information security issues. The presentation gave an overview of recent and planned improvement actions. The team is reviewing what can be achieved in the next year and reviewing the trade-off of threats vs capabilities. Actions for next year are integrated into the new Technology Services operating plan, which will fully cost actions.
- 17.2 The team are reviewing lessons from other, recent incidents in the sector against the prevent, detect, respond, recover cybersecurity lifecycle. Whilst security has evolved in last few years, the Museum is working to a when not if scenario. Threats can hit 24/7 and there is a need to understand critical responses of key system suppliers such as Microsoft and how we protect data, such as ensuring immutability.

## 18 Future agenda items and other matters

- 18.1 The Director raised a potential historic safeguarding matter involving ethical/consent issues in research carried out by a previous staff member prior to their departure in 1985. Whilst no formal complaints have been made the Director confirmed NHM would follow external advice and bring any updates back to the Committee
- 18.2 The next meeting will be held at 14:00 on 1 May 2024.

**Action**

**Key to action initials**

|                |    |                  |    |                |    |
|----------------|----|------------------|----|----------------|----|
| Doug Gurr      | DG | Helen Whitehouse | HW |                |    |
| Kevin Coughlan | KC | James Downs      | JD | Richard Hinton | RH |