



THE NATURAL HISTORY MUSEUM
TRUSTEES' AUDIT AND RISK COMMITTEE

92nd Meeting of the Natural History Museum Audit and Risk Committee
10.00 a.m. on Thursday 29 April 2021

Present

Hilary Newiss in the 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)
Jan Day (Head of Risk and Assurance)
Alex Clark (Director, DCMS Financial Audit NAO)
Sebastian Groth (Audit Manager, National Audit Office)

- Beth Parry (Chief of for Staff) - for item 6.
- Hanna Schieve (Governance, Strategy and Planning Manager) - for item 6.
- Sarah Long (Head of Registry) - for item 12.
- Tim Littlewood (Executive Director of Science) - for item 12.
- Eleanor Pirie (Health and Safety Manager) - for item 13.
- James Downs (Head of Security) - for item 14
- Alison Davis (Chief Information Officer) - for item 14
- Esme Chapman (Data Protection Officer) - for item 14
- Chris Sleep (Information Security Manager) - item 14

ACTION

The Chair welcomed Professor Sir Stephen Sparks to his first meeting.
Professor Yadvinder Malhi had left the Committee to join the Infrastructure Committee.

ACTION

	1	APOLOGIES FOR ABSENCE
	1.1	None were received.
	2	DECLARATIONS OF INTEREST, REGISTER OF INTERESTS AND ANNUAL REVIEW OF GIFTS AND HOSPITALITY (PAPER TAC 12/2021)
	2.1	The Declaration of Interests and Register of Interests were recorded by the Secretary to the Audit and Risk Committee. Members noted the annual review of Gifts and Hospitality valued over £50 recorded a nil return for 2020/2021.
	3	MINUTES OF THE MEETING HELD ON 26 JANUARY 2021 (PAPER TAC 13/2021)
	3.1	The minutes were accepted as a true record of the meeting.
	4.	MATTERS ARISING FROM THE MINUTES (PAPER TAC 14/2021)
	4.1	Members reviewed the matters arising and closed completed items.
Members	4.2	<u>Risk Universe and Key Strategic Risks</u> - 26/01/21 Para 6.9 - Members agreed without an updated Risk Universe they did not have a Museum wide view of the NHM risk profile. The Committee, therefore, relied on the Executive to bring risks to the Committee. The Risk Universe was important for audit planning and to enable the Committee to identify where to carry out investigative deep dives. The Committee will revisit the need for updating the Risk Universe in January 2022 when they have a better view of the effectiveness of the Operating Plan, new risk management process and how trustees are guided on the Museum's risk appetite.
	5	MUSEUM DIRECTOR'S REPORT (PAPER TAC 15/2021)
	5.1	The Museum Director presented his paper.
	5.2	The Museum had reviewed its approach to risk management with a view to making it as light touch as was consistent with providing adequate assurance. The Museum had (1) simplified the risk templates, (2) re-assessed the identified key strategic risks, (3) incorporated risk management into the new Operating Plan and Quarterly Performance Review process. It was most important that the risk management process was an effective and active management tool that drives proper evaluation and discussion. There was a danger the more detailed the templates became the more it became a bureaucratic chore.
	5.3	The Chair of the Board and the Audit and Risk Committee Chair agreed. Trustees did not want to create a risk-averse culture as managers worried what trustees will ask about risk.
DG/JD	5.4	It was agreed that the risks will be numbered and the Director's Report will include a brief rationale for each quarters score.
	5.5	Key Strategic Risks 2020/2021 and 2021/2022
	5.6	The Committee reviewed the 2020/2021 Q4 Board Assurance Framework. Members endorsed the suggested areas of focus for 2021/2022.
	5.7	<u>Key Strategic Risk - Post Covid-19 Business Model</u> - The uncertainty was how quickly visitor numbers will return to pre-pandemic levels and how financially successfully the individual NHM self-generated income streams will bounce back after Covid-19. In some areas the Museum had made cost savings, in others the Museum needed to wait before undertaking a full evaluation of the individual business models and deciding whether to make savings.

ACTION

- 5.8 Darwin Centre One - Darwin Centre One was twenty years old. Some of the equipment and infrastructure needed maintenance as part of the normal ongoing Museum estate maintenance programme.
- 5.6 Collections Care - Until NHM@Harwell is complete there is a high risk of collections not being stored / kept in optimal conditions. The integrated pest management scheme is effective and there is a fire precaution upgrade taking place. However, the Brazil National Museum and University of Cape Town (UCT) African Studies Library fire demonstrated the Museum should take collections care very seriously.
- 6. GOVERNANCE PRINCIPLES (PAPER TAC 16/2021)**
- 6.1 The Chief of Staff and the Governance, Strategy and Planning Manager introduced the paper.
- BP 6.2 The Governance Principles brought together the principles underlying Museum corporate governance. The paper described the updated NHM Governance Principles, last reviewed and approved in 2013. Farrer & Co were commissioned to undertake a legal review of the revised document. However, Farrer did not look at the authority of the Museum to make changes to principles which were originally derived from the British Museum Act 1963. It was agreed the authority of the Museum to make changes would be established.
- 6.3 Members reviewed the revised Governance Principles and suggested changes. Subject to the changes and the caveat the Museum had authority to make changes the Governance Principles were approved in principle prior to Board of Trustees' final approval.
- 6.4 Management Agreement with the Department of Digital, Culture Media and Sport (DCMS) - A new Management Agreement with DCMS will be incorporated into the revised Governance Principles. The Museum will respond to the new Management Agreement to reach agreement. There was likely to be discussion and negotiation across the sector. However, negotiation on some points will be limited as government increased its control of non-departmental government bodies. It was not anticipated, however, there will be major changes to the top-level Governance Principles.
- HN 6.5 Charity Governance Code - The Museum as an exempt charity was not bound by the Charity Governance Code. However, members agreed there should be some consideration of the Code for pointers as to best practice. The Audit and Risk Committee Chair and members will consider this further at the June meeting.
- BP 6.6 Governance Principles Policies - It was agreed every two-years the Committee will review a schedule of the policies forming part of the Governance Principles. The next review will take place in January 2023.
- 6.7 Email Management Policy - The Policy stated all email messages sent by NHM people in the context of Museum business must be sent from an NHM email account. Members and the Chair of the Board of Trustees agreed there should be a strong recommendation to the Board, that Trustees were expected to use NHM email systems. This applied to those with university email accounts over which the Museum could not gain assurance. If there was hardship the Museum would look at it on a case-by-case basis. Calendar items and alerts will be sent to personal email addresses.
- 6.8 Conflicts of Interest Policy - It was noted that conflicts of interest were high on the government agenda.
- DG/SG/HB 6.9 Public Engagement and Commercial Advisory Committee - There should be a formal discussion at the July Board of Trustees on the requirement for both a Public Engagement and Commercial Advisory Committee. The Museum Director will explore this further with the Chair of the Board of Trustees and the trustee with public engagement expertise.

ACTION

- BP 6.10 Purpose and Aim – The purpose and aim of the Museum as set out in the revised Governance Principles should be derived from the Museum’s Strategy to 2031 whilst remaining consistent with the British Museum Act 1963.
- DG/SG 6.11 Board Meetings - The Museum Director and Chair of the Board of Trustees will consider: (a) mechanisms to keep the Board engaged outside of regular Board meetings; and (b) the need for more than 5 meetings.
- SG/HN 6.12 Performance Review - There is an external review of the Board of Trustees and Audit and Risk Committee every three years. In the intervening years, the Chair of the Board normally undertakes an appraisal of individual Board members and this was due in the summer. Performance reviews are recorded, signed and held securely by the Board Secretary. In future DCMS may wish to see performance reviews. The performance of the Chair of the Board of Trustees is reviewed by the Chair of the Audit and Risk Committee who will meet in the summer to discuss.
- BP 6.13 Board of Trustees Appointment - The Audit and Risk Committee Chair noted that it was best practice to have a limit on the period of service for Trustees and Chairs. It was agreed the Governance Principles would be amended to say “Trustees shall not exceed 10 cumulative years of service in any role as Trustee”.
- 6.14 The Museum Director thanked the Audit and Risk Committee for their help and diligence.
- 7. EXECUTIVE DIRECTOR OF FINANCE AND CORPORATE SERVICES FINANCIAL REVIEW FOR THE PERIOD APRIL 2020 - MARCH 2021 - PROVISIONAL YEAR OUTTURN (PAPER TAC 17/2021)**
- 7.1 The Executive Director of Finance and Corporate Services made a brief PowerPoint presentation setting out the Museum’s business model and provisional outturn for the year.
- 7.2 Provisional Outturn - The provisional outturn was an operating deficit pre Covid support of £4.4m compared with an original budget surplus of £5.1m. This had occurred as NHM net self-generated income was severely impacted by Covid, a reduction of 16.6m from the original budget. After Covid support there was a provisional operating surplus of £8.8m which was an increase of £3.7m compared with the original budget.
- 7.3 General Fund Reserve - The provisional General Fund Reserve at the year-end amounted to £6.2m compared with an original budget of £4.9m. This was c£2m above the General Fund figure used to underpin the budget for 2021/22. The General Fund Reserve will, however, be in line with the minimum level of unrestricted general fund of £4m in the accounts. Currently the management accounts do not reflect several significant non-cash items e.g. outstanding holiday held by staff at the year-end. NHM will designate funds for specific projects and activities from the operating surplus e.g. The Urban nature Project (UNP) and galleries. In addition, some expenditure had been delayed.
- 7.4 Capital Grant in Aid - NHM had received additional capital grant in aid for NHM@Harwell, the Palaeontology Building façade and Tring façade.
- 7.5 Grant in Aid 2021/22 - It was noted that the grant in aid for 2021/22 was in line with 2020/21. There had, however, been a reallocation between capital and resource due to the requirement to capitalise some science salaries as research and development.
- 7.6 Members agreed the continuing risk of the disruption from Covid on self-generated income and visitor numbers recovery needed to be clearly stated in the 2020/21 accounts.

ACTION

8 ANNUAL ACCOUNTS UPDATE 2020/2021: DRAFT GOVERNANCE STATEMENT (PAPER TAC 18/2021)

- 8.1 The Executive Director of Finance and Corporate Services presented his paper.
- 8.2 NHM Trading Company - The Trading Company auditors Moore Kingston Smith commence "on site" on Monday 4 May 2021. The Accounts were complete apart from items concluded during the audit e.g. the recharge between NHM and the Trading Company. A stocktake took place "on site" recently.
- 8.3 The Trading Company had made a small surplus, however, after the NHM recharge there will be a loss. A letter of going concern support to the Trading Company may be required from the Museum depending on whether 2021/22 business plans show a surplus.
- 8.4 Recharge between NHM and the Trading Company - Using the recharge to provide financial support to the Trading Company was permissible under Charities Legislation. However, this must be an active decision of the trustees and suitably disclosed. It was noted the Museum intended use the normal NHM recharge methodology which is based on the level of activity e.g. the number of events.
- 8.5 Museum Consolidated Accounts - The Museum Accounts were on schedule. In addition, the main discussion on going concern was rehearsed last year. Statute requires the Museum continues as a going concern. The Museum aimed to lay the accounts pre-recess.

NG 8.6 Draft Governance Statement - The draft governance statement was in a similar format to previous years. The statement will be updated to reflect the Committee discussions, the Head of Risk and Assurance's annual opinion and the revised audit programme and circulated to members prior to the June meeting.

NG 8.7 Key Strategic Risks - The Director, DCMS Financial Audit NAO encouraged the Museum to make a more transparent disclosure around the risks the Museum faces, mitigating actions and the residual risk, in a table format.

9 HEAD OF RISK AND ASSURANCE ANNUAL REPORT TO THE ACCOUNTING OFFICER AND THE AUDIT AND RISK COMMITTEE 2020/2021 (PAPER TAC 19/2021)

- 9.1 The Head of Risk and Assurance presented her report and two audit reports: (a) Travel and Other Expenses Follow Up; and (b) Collections Acquisitions.
- 9.2 Annual Assurance 2018/19 - The Head of Risk and Assurance gave an overall assurance of **SUBSTANTIAL**. In her opinion the Museum currently had an adequate and effective governance, risk management and internal control framework in place to ensure the proper conduct of business and the achievement of its aims and objectives. The assessment reflects the revised audit programme agreed and is not limited in scope, to the extent that the assurance provided by internal audit can only ever be reasonable, not absolute.
- 9.3 This was the first audit opinion that the Director, DCMS Financial Audit NAO had seen. The Head of Risk and Assurance was to be congratulated on the timely presentation. The Head of Risk and Assurance was best placed to make the judgement on the level of assurance provided. It was noted most museums and galleries had contracted out their internal audit services. Contracted out Heads of Audit did not normally report to the CEOs, sit on management teams and were not involved in as broad a range of areas as the NHM Head of Risk and Assurance. The Chair of the Board of Trustees commented an in-house audit team was preferable. A member observed that the Head of Risk and Assurance had been subject to challenge from him and individual members of the Committee.

ACTION

- 9.4 Assurance on Counter Fraud - The Committee reviewed the Counter Fraud Assurance work undertaken. Members noted the annual Counter Fraud Action Plan had been reviewed at the end of the year by the Executive Director of Finance and Corporate Services (the accountable individual at Executive Board level). The Committee were content Counter Fraud was being addressed appropriately by the Museum.

10. RISK AND ASSURANCE PLAN 2021/2022 (PAPER TAC 20/2021)

- 10.1 The Head of Risk and Assurance presented her plan.
- 10.2 Members approved the plan. It was noted that there had not been a recent review of Corporate Governance. In the light of the updated Museum's Governance Principles a light touch review would be helpful. A review of General Data Protection (GDPR) was also timely.

11. AUDIT AND RISK COMMITTEE ANNUAL REPORT 2020/2021 (PAPER TAC 21/2021)

- 11.1 The Chair presented her report.

- JD 11.2 The report will be amended in the light of the discussion at the meeting and brought to the June 2021 meeting.

12. ANNUAL COLLECTIONS ASSURANCE 2020/2021 (PAPER TAC 22/2021)

- 12.1 The Head of Registry presented her paper which amongst other things outlined the impact of Covid-19 on collections governance and activities. The Audit and Risk Committee Chair and members commended the Head of Registry on the assurance provided in her paper and the work undertaken in difficult circumstances.
- 12.2 Collections Policies Induction - Registry had approached Learning and Development to see if they could be included in the Big Welcome for new staff. Collections Policy Briefing Sessions had been introduced via Learning and Development. Sessions were open to all staff and attendance was recorded on the Museum's HR Management system Ciphre. Ten 'drop in' sessions had been run to date to answer policy, procedure, legislation or collections queries. These had been useful to help Registry understand problems and where there was a lack of understanding.
- 12.3 Collections Fundamentals - The Naming and Representation Group had contracted a piece of work on Collections Fundamentals to explain the collections. This will be used by front of house and non-science group staff. Registry were also working with HR to developing a compulsory e-training module.
- 12.4 Acquisitions - One of the improvements that had come out of Registry work on acquisitions and the Risk and Assurance review of acquisitions was the need to upgrade the information on the Museum's website relating to the criteria for accepting donations. Donations need to fit in with the priorities for future collection set out in the Museum's policies. The Head of Registry would like to do a piece of work on why the Museum accepts donations. Is it a passive action or do science staff nurture relationships to obtain specific items? This information would assist Development to work on those relationships. It was noted several universities hold material which could possibly be obtained by NHM.
12. Treasures - A remote install of 'Treasures' in Melbourne was not feasible due to the vulnerability, importance and value of the objects involved. As a result, the Museum had been given consent for two staff volunteers to travel to Melbourne and oversee the install.
12. Winchcombe Meteorite - The Museum will open on 17 May 2021 with a display of a piece of the Winchcombe meteorite, from the first meteorite fall to have been recovered in the UK for 30 years.

ACTION

13. ANNUAL HEALTH AND SAFETY REPORT (PAPER TAC 23/2021)

- 13.1 The Health and Safety Manager presented her report.
- 13.2 ISO 45001 International Standard for Health and Safety - The Health and Safety Manager was congratulated on the Museum's ISO 45001 accreditation. The new Health and Safety Policy met the requirements of ISO 45001 with a stronger commitment to leadership and worker participation. She was in discussion with the Environmental and Sustainability Officer on how they could work together on the ISO 45001 and Environmental Management system ISO 14001 audits. However, the two processes were different as the ISO 14001 audit looked at buildings whereas the ISO 45001 audit was by departments.
- 13.3 Lift - It was noted investigations were ongoing into why a lift installed in March 2020 had been decommissioned when there had been no incidents.
- 13.4 Health and Safety for Managers Training - The manager's training KPI had not been met in 2020/21 and a member observed it was very important that there was a culture of compliance. It was noted the constraint was an inability to offer face to face training due to covid. To ensure managers catch up H&S for Managers was being delivered every month in 2021 from February. Compliance with the online training, however, was high.
- 13.5 Reopening to Visitors on 17 May 2021 - Visitors will pre-book and give their contact details. Guidance on the requirements for test and trace QR code check in was open to interpretation. The Museum was taking a risk-based approach. NHM was in close contact with the V&A and Science Museum on the approach they were taking. Different organisations may interpret the guidance differently e.g. do visitors check in on entry and when visiting their restaurants. The museums and galleries sector were concerned that vaccine passports maybe difficult to operate. It was noted there had been no reported cases of covid transmission in the sector which is low risk.
- 13.6 Staff Returning to Site - Responsibility for return to site policy lay with the Museum Director and the Executive Director of Finance and Corporate Services, the Museum Activation Programme (MAP) Chair. Returning to site will be phased and staff are expected to work at home until at least 21 June. Staff coming on site operate under Covid secure rules and are strongly encouraged to have a lateral flow test. There is a Future Ways of Working group and returning to site will be led by line managers. No hard decisions had been made. Returning depended on individual physical circumstances • Office space on site vs at home and personal preferences • Commute • Caring responsibilities • Inspiration • General preference. Managers were asked to look at their physical spaces and activities and identify where physical and behavioural changes were needed.

14. ANNUAL SECURITY REPORT 2020/2021 (PAPER TAC 24/2021)

- 14.1 The Head of Security, Chief Information Officer, Data Protection Officer, Information Security Manager presented their report.
- 14.2 Cyber Security - The main concerns in relation to cyber security as the Museum opens to the public and returns to a new normal are: (a) ensuring equipment which has not been managed is operating effectively; and (b) staff are aware of the current cyber threats.
- 14.3 Science Data Storage - Some science data was held in laboratories on PCs. The Museum is upgrading its science storage to gather data centrally and increase storage resilience.

ACTION

- 14.4 Physical Security - The Security Team had been undergoing refresher training in preparation for the Museum opening to the public. The focus for the Security Team over the next year will be the Protect Duty legislation which is currently in consultation. Protect Duty aims to increase protective security in publicly accessible locations. The Museum's new Business Continuity Management System was advancing. However, it was a complex and important project that will continue into the coming year.
- 14.5 Information Assurance - It was important to keep a close watch on this area.
- 14.6 International Travel - International travel was a concern as staff particularly scientists return to traveling in high-risk areas.
- 14.7 The Audit and Risk Committee Chair and members were assured by the work taking place across physical security, cyber security, and information assurance and thanked the presenters for their report.

15. FUTURE AGENDA ITEMS

- 15.1 Where appropriate the Committee met with operational staff for "deep dives" into high-risk areas. Areas for consideration by the Chair of the Audit and Risk Committee and Museum Director were commercial income, development and space projects.

16 ANY OTHER BUSINESS

- 16.1 There was no other business

17. DATE OF THE NEXT MEETING

- 17.1 The next meeting will be held at 10.00 a.m. on 23 June 2021.

KEY TO ACTION INITIALS

Neil Greenwood - NG
Beth Parry - BP
Harris Bokhari - HB
Doug Gurr - DG
Stephen Green - SG