

THE NATURAL HISTORY MUSEUM

TRUSTEES' AUDIT AND RISK COMMITTEE

94th meeting of the Natural History Museum Audit and Risk Committee
10.00 a.m. on Wednesday 04 November 2021

Present

Hilary Newiss (Chair)
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)
Kevin Coughlan (Senior Auditor)
Alex Macnab (Director, DCMS Financial Audit NAO)
Sebastian Groth (Audit Manager, NAO)
Eleanor Pirie (Head of Health & Safety) - for item 11
Kevin Rellis (Head of Estates) - for item 11
Matt Hall (Head of Visitor Experience) - for item 11
Dr Sarah Long (Head of Registry) - for item 11

Action

1 APOLOGIES FOR ABSENCE

- 1.1 Apologies were received from Luke Fairless (co-opted member).
- 1.2 Before proceeding, the Chair of the Committee wanted to recognise the contribution that Jan Day, the former Head of Risk & Assurance, who passed away since the last meeting, has made over many years to both the Committee and the Museum.
- 1.3 The Chair of Trustees and Chair of the Committee expressed a wish to write to her relatives. They will liaise with the Executive Director of Finance and Corporate Services for their details.

2 DECLARATIONS OF INTEREST AND REGISTER OF INTERESTS PAPER TAC 34/2021)

- 2.1 These were noted by the Secretary to the Audit & Risk Committee. HB has passed some updates on to the Chair. HN declared an interest for the Intellectual Property Office, where she was appointed as a trustee from October 2021.

3 MINUTES OF THE MEETING HELD ON WEDNESDAY 23 JUNE 2021 (PAPER TAC 35/2021)

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

4. MATTERS ARISING FROM THE MINUTES (PAPER TAC 36/2021)

4.1 Members reviewed the matters arising and closed completed items.

4.2 Investments – the Museum only has a small level of investments. Some are held in the CCLA ethical fund, and the remainder will be transferred from the CCLA standard fund at an appropriate time.

4.3 SS questioned whether the Museum could work with the financial industry to understand better what the ethical funds are investing in. The Director thought that the Museum's leverage will more likely come through helping with biodiversity reporting and raising awareness of this within ESG reporting.

4.4 Policies – the conflicts of interest policy will be circulated at the next trustees meeting. Trustees now have access to the Museum's intranet pages, and so can also view them here.

KC 4.5 ACTION – not all Committee members have a working Museum e-mail address and ICT account. Action with KC to raise this with the TS Service Desk.

4.6 Risk Universe – this will be looked at in January 2022

5. Museum Director's Report and Key Strategic Risks Q2 (PAPER TAC 37/2021)

5.1 Since last quarter, the audience recovery and financial implications risk has moved from red to amber. The revised forecast is 2.2m visitors for the year, increased from 1m.

5.2 There are two emerging issues \ material risks. Firstly, construction price inflation – costs are going up and it is becoming more difficult to engage companies to tender. Secondly, general market pressures for specific occupations such as software engineers and project managers. Access to hospitality staff is also becoming an issue, which resulted in one catering outlet remaining closed over autumn half-term week.

5.3 Whilst the Museum could be considered a prestigious client, this is counteracted by the fact that the projects are seen as reasonably complex. This could be an issue for the next 18-24 months. Specific actions have been taken to address specific skills shortages, but a general risk remains.

5.4 In response to a question on unpredictable, low probability and devastatingly consequential events, the Director explained the challenge is these events are the ones that are not seen coming. The Museum should instead look across all types of events and what the consequences could be with respect to restrictions on travel, losses of visitors and other factors - what needs to be available to ensure the Museum can be responsive and resilient? The crisis management and communications plans will be kept under close review.

5.5 The Chair mentioned she recently discussed donations and related policies with the Executive Director of Development, who will rereview them in light of the Science Museum's developments regarding recent trustee resignations.

5.6 There is a need to ensure there is a clear policy (on the terms under which the Museum will work) and communications plan.

- 5.7 The Museum has set up an ethics advisory panel, with a clear escalation process, which can independently consider difficult ethical situations that may arise. Two significant donations have been declined in the previous six months, which shows that the process seems to be working.
- 5.8 The Museum works with corporate bodies to gain funding but also to engage with them on the biodiversity 'journey'. The Museum will always ask where corporates are on this journey and consider if the pace of progress is fast enough.
- 5.9 However, a decision made today does not mean it will never change. Companies may change their policies or strategy, meaning future funding could be accepted, if their position has shifted satisfactorily. Equally, certain donations may have been acceptable in the past that would not be accepted now. Each donation or potential piece of work is dealt with on a case by case basis.
- HB/
NG 5.10 With respect to investments, it would be good to have a document, as trustees, explaining why we invested in CCLA and the particular fund. There was a paper written when CCLA was first chosen outlining the rationale; this will be forwarded on to the Committee and reviewed to understand if further work is necessary.
- DG 5.11 Given the issues at the Science Museum, it would be worth giving an update to all trustees on what the process is.
ACTION – DG will prepare a one-page overview outlining the Museum's current position and recent work on ethics.
- 6. Executive Director of Finance & Corporate Services' financial review for April - September 2021**
- 6.1 The Executive Director of Finance & Corporate Services presented the financial position at the end of the half year, based on a review of forecasts for the income generating units and other areas of the business.
- 6.2 With respect to income, the Museum is ahead of the forecast position, predominately driven by higher than expected visitor numbers and a large number of venue hire events. There is still a significant dependency on covid support for this financial year, which without it would result in an operating loss.
- 6.3 The unofficial feedback on the spending review via DCMS seems positive, with a possible uplift in resource grant in aid to reflect inflation and the ongoing challenges of Covid, and there is a capital sum to fund additional estate investment.
- 6.4 Part of the DCMS agenda will be levelling up and accessibility. The Director has written to the Secretary of State showcasing, using *Dippy on Tour* as a good example.
- 7. Management Response & Update to Moore Kingston Smith (MKS) Recommendations 2020/2021**
- 7.1 Since, the last Audit & Risk Committee, the Museum has prepared full responses to the MKS recommendations. None were viewed as major issues but had been raised as management letter points. Stock reconciliation has been an ongoing challenge; however, the overall adjustment is just a small percentage of goods sold and not material.

8. NAO Audit Planning Report 2021/2022 – outline

- 8.1 Alex Macnab, the new NAO Financial Audit Director responsible for the NHM, presented the draft audit planning report for 2021/2022. The NAO have a good understanding around the risks from their financial audit work. Detailed planning work will be undertaken in the upcoming months and the risks will be updated as necessary.
- 8.2 The Coronavirus Job Retention Scheme is no longer considered a significant risk; however, the new energy services contract has been added as a risk, and the contract arrangements will be looked at in detail to ensure the appropriate accounting treatment. MKS will be relied upon for subsidiary company audit.

9. Risk & Assurance Progress Report

- 9.1 The Committee were updated on the progress of the audit plan in the year to date and an overview of related work, including an assessment of work that should be completed by the end of the financial year. The Committee were additionally asked to consider a recent report into payroll and pensions, which they agreed was timely given the new structure and leadership in HR.
- 9.2 This led to a brief discussion on pension investments. Pension investments are the individual's responsibility; however, the Museum recently changed the default pension fund to the sustainable \ ethical investment portfolio, though it should be noted that individuals can make their own choices. There is a pensions committee with staff representation that holds the Museum's pension advisers, Barnett Waddingham, to account. This acts similarly to pension trustees and issues of concern can be raised through this route.
- 9.3 Similar to CCLA investments, the Museum should ensure the reason why Aviva and the specific fund used as the default were selected, are recorded and reviewed by trustees every few years.
- 9.4 The Committee agreed there was sufficient breadth of work planned to be completed to ensure the end of year governance statement could be signed off, subject to the upcoming discussion on the future structure of Risk & Assurance.

10. Future form of the Risk & Assurance function within the Museum

- 10.1 The Executive Director of Finance and Corporate Services set out the options for the future form of Risk & Assurance. The three primary options are engaging the Government Internal Audit Agency, contracting out to the private sector, or retaining an in house team. Some concerns were raised about fully outsourcing and who would manage the service, in addition to increased cost; though retaining staff for a sufficient period and resilience was accepted as a risk.

**HN/
DG/
NG**

- 10.2 The Committee agreed to leave the decision with the Chair, who will discuss this with the Director and the Executive Director of Finance and Corporate Services.

11. Fire Risk

- 11.1 Various members of staff contributed to a presentation on fire risk, introduced by the Executive Director of Finance and Corporate Services. This covered perspectives on health & safety governance and strategy, estates, collections, and visitor management and evacuation with respect to fire risk.
- 11.2 Points discussed:
The Committee were interested in knowing there was an inventory of 'hotspots' where there is flammable material and what mitigations in these areas were. Tactical Information Plans, where substances would affect the spread of a fire, have been drawn up.
- 11.3 The starting point for any contract work on site or new exhibition is always class zero, which are materials that won't burn or spread flame. The fire brigade are also familiar with the site and know where the highest risk areas would be.
- 11.4 Red risks can be management risks (where NHM need better information, or training/ education on the building with respect to fire risk) or related to means of escape. Fire dampers/ ductwork are considered a significant priority. Risks are shared out amongst colleagues in Estates. The NHM@Harwell team are actively looking at suppression systems. There is an ongoing level of investment every year with respect to fire risk.

12. FUTURE AGENDA ITEMS

- 12.1 No specific future agenda items mentioned, the Chair will review the risk register and consider this further with the Director. There is a possibility of examining managing risks offsite.
- 12.2 The NAO mentioned that the National Gallery did a recent deep dive into fire risk. Additionally, cybercrime and climate change are frequently considered by other institutions. The Financial Reporting Council has recently published guidance and expectations on climate change reporting for auditors, institutions, and other groups. However, there is currently no statutory requirement on this.
- 12.3 The next meeting will be held on 25th January 2022.

KEY TO ACTION INITIALS

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