

THE NATURAL HISTORY MUSEUM TRUSTEES' AUDIT AND RISK COMMITTEE

103rd 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 Raj – 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 joining temporarily. 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

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 Collections Committee is being set up and members request 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 Q2

6.1

6.2

6.3

6.4

6.5

6.6

6.7

7. Risk Universe

- 7.1 KC introduced the updated risk universe for 2023-24. Significant work on identifying new risks and interrogating risk scores happened in advance of this update.

- 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. Should there be a 'path to green' of how each of these will be mitigated to an acceptable risk level? Members thought there should be greater conversations with the risk owners to understand this.

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.

Action

- HW 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 and thought 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 – HW will update the Committee with a formalised plan for audit in the Museum, including positioning, in May.**
- 8.3 On cyber security, whilst the annual penetration test is good a exercise, – but can only go to team and see if they have done it all. Easy to miss areas. Can we use some of the budget in a targeted way.
61 – 2022/23 reference to cyber essentials – missed the date. Is this where the energy is going? Just delete.
- 9. Financial Review April - December 2023**
- 9.1 Melissa – few brief updates, operating surplus needs a slight update. For P9, good position off the back of Titanosaur, also Venue Hire exceeded budget. But overall despite increase in visitors, spend per visitor has dropped. Retail more generally are also finding spend per visitor down – cost of living.
- 9.2 Higher overseas visitor generally leads to a drop in retail income and donations. Op cost – lower vacancy factor, good for delivery, but impacting cost wise. Also sig increase in budget for energy costs. Q3 forecast, surplus of £200k.
- 9.3 Capex – large reduction driven by UNP – completion date June 2024 (later than Sept 23 originally planned). Capex cannot be carried forward. Getting projects going for next FY. If not spent have to give it back. Right now, drawn down all money. Busy 3 months –
- 9.4 HHB – sig progress – many complications leading to extra resource time. Other projects in a start up phase expected to reach activity phase in next few months. Need to declare underspend early. Needed to do more discovery work before HHB – but given spend and meant to start immediately that we did not have time for. Also delayed by planning.
- 9.5 DCMS only confirmed allocation Q2 due to changing secretaries of state. Money only came in at spending review. Sig compromises on mammals hall due to HHB. Underspend will be updated to ARC, Infrastructure Cte. Very into detail in all the projects. Already taken actions taken to not underspend money. Maintenance capital funding from DCMS needs to be spent within the financial year (FY), meaning reliance on delivering projects to forecast. However, there is still confidence in delivering Hall of Human Biology and other in year DCMS projects 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 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

Action

previous years – but a full revaluation is due this year, with an emphasis on ensuring floor areas are accurate. Materiality same base as previous years and across sector.

- 10.2 The NAO have observed substantial cash fraud in trading subsids, whilst it is not large values this can pose reputational issues. The NAO have observed cash controls not operating properly or not always being followed. Refund fraud has also been an issue, and refunds going to a different card from purchase have not been noticed. 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 off to aligning to Task Force for Carbon-related Financial Disclosure requirement. The NAO explained this is to be implemented over three years. HM Treasury have designed a lead time to allow time to preparation. The NAO recommends putting a plan in place to be able to meet these requirements.
- 10.4 The Committee had concerns about a large, proposed fee increase, which the NAO explained was driven by to technology investment and increasing regulatory standards. The Chair deferred approval as the current uplift is considered unaffordable. HW, Alex Macnab will take this offline. Alex will prepare a schedule showing where the fee deficit comes in.

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 in revenue recognition and fraud. Across the sector, there has been a noted increase unknown losses from shops. As 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. 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. Further comments will be sent to the Board 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.
- 13.2 Members requested for clarification on the progress of the audit plan for the year. KC will update the format of table in the report to make this clearer for all future meetings.

14. Setting policy principles for the NHM (report)

Action

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 James Downs introduced – PROTECT will be regulated – but not sure by which body yet. NHM will fall into enhanced tier. Reasonably practical measures. 6 main attack types identified by CT policing. Working with colleagues in all areas to understand threats and looking at events from all over the world. Training, awareness, op plans. ACT awareness for everyone – inductions. Incident Managers gaining an L5 qualification in crowd management. Req for L3 qual for anyone responsible for security. Also CTSS register. Need to ensure proportionality. Likely to be among the first orgs to be audited on PROTECT. But confident NHM is ahead from conversations with other orgs, and systematic review.

[Planning to do a live exercise in UNP before it opens]

Protect and Prepare group – does it include RCM or RGS.

HW

15.2 Consortium ensures resilience across security teams
Rob – cooperation with other Museums – same staff manguarding team.
Anjali – videos embedded on website – do the videos ever get watched? Also organises an annual security awareness week – independent sessions with Met which are well attended, online training quite thorough. Videos also played in canteen during this week. Next step to put in a proper action tracker. Manchester Arena – broken CCTV was one of the report's main findings so NHM is assessing this internally. Feasibility work on hostile vehicle solution. Specific things that came out of the Manchester attack.

Harris invited other Committee members to attend a fire safety drill – KC to send out an invite?

16. Collections Security & Documentation

16.1 The Head of Registry introduced the Collections Security and Documentation paper, that set out how her team, working closely with Security, they are delivering and improving their processes. Physical impacts (for example, damage or losses) on the collections will be presented quarterly to the Board but this Committee will discuss the processes specifically considering protection and security risks.

16.2

16.3

16.4

16.5

16.6

Action

16.7

17. **Cyber Security Update**

17.1

17.2

18 **Future agenda items and other matters**

13.1 The next meeting will be held at 14:00 on 1 May 2024.

Key to action initials

Doug Gurr

DG

Helen Whitehouse

HW