

**THE NATURAL HISTORY MUSEUM  
TRUSTEES' AUDIT & RISK COMMITTEE**

**72<sup>nd</sup> Meeting on Thursday 5<sup>th</sup> May 2016**

**Present**

Dr Derek Langslow in the Chair  
Professor Christopher Gilligan  
Hilary Newiss  
Colin Hudson (co-opted member)

**In Attendance**

Lord Green of Hurstpierpoint (Chair of Trustees)  
Sir Michael Dixon (Director)  
Neil Greenwood (Director of Finance & Corporate Services)  
Jan Day (Head of Risk & Assurance/Committee Secretary)  
Nick Buxton (Partner, BDO)

Annette Fitzjohn (Health and Safety Manager) was in attendance for item 11.

James Downs (Deputy Head of Security), George Wrigley (Head of Security) and Dave Thomas (Head of Technology Solutions) were in attendance for item 12.

**ACTION      PARA**

The Chair of the Board of Trustees expressed his personal thanks to the Chair of the Audit & Risk Committee who was attending his last meeting on the day of his retirement as a Museum Trustee. The Chair of the Board thanked him for his dedication and an extraordinarily enjoyable relationship. The Chair of the Board of Trustees observed an effective Audit & Risk Committee was a key feature of robust organisations.

**ACTION      PARA**

The Chair of the Audit & Risk Committee welcomed Professor Christopher Gilligan (Trustee) to his first meeting and Colin Hudson to his first formal meeting. The Chair observed that the Committee welcomed the opportunity later in the meeting to receive presentations from key operational staff as well as Directors.

**1            APOLOGIES FOR ABSENCE**

1.1        Paul Keane (Director, DCMS Financial Audit NAO) and Matthew Atkinson (Audit Manager, National Audit Office) sent their apologies.

**2            DECLARATIONS OF INTEREST, REGISTER OF INTERESTS AND ANNUAL REVIEW OF GIFTS AND HOSPITALITY (PAPER TAC 15/2016)**

2.1        The Declaration of Interests and Register of Interests were recorded by the Secretary to the Audit & Risk Committee. Members noted the annual review of Gifts & Hospitality valued over £50 recorded a nil return for 2015/16.

**3            MINUTES OF THE MEETING HELD ON THURSDAY 11 FEBRUARY 2016 (PAPER TAC 16/2016)**

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

**4.           MATTERS ARISING FROM THE MINUTES**

4.1        Quality Assurance and Performance Measures - para 5.3 - Members had full confidence in the Head of Risk & Assurance. However, it was good practice to have an external quality assessment periodically. The Museum Director had asked that quotations were obtained and the co-opted member agreed to explore a possible pro bono supplier/supplier who would carry out the review at a discount.

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4.2        Cash Office Operations - para 10.4 - There had been 3 spot checks of the Cash Office by the Finance Team since the February 2016 meeting. The audit recommendation relating to spot checks would, therefore, be removed from the log of delayed recommendations with a priority 2 classification or higher.

4.3        E-Shop Testing - para 10.14 - The testing of the E-Shop by external IT consultants was currently underway.

**5            DIRECTOR'S REPORT (PAPER TAC 17/2016)**

5.1        The Director presented his paper.

5.2        Continued Heightened Security Following the Terrorist Attacks in Europe - The Museum continued to deploy heightened security arrangements following the recent terrorist attacks in Paris and Brussels. This principally related to managing the entrance and exit to the Waterhouse Building. There had been no changes to general security and bag searching.

5.3        Appointment of New Head of Security - A new Head of Security had now been appointed - please see section 12.

5.4        Break in and Minor Theft at Tring - On the night of 17 April 2016 there was a break in at the Tring Museum. Two men broke through the glass front door on AKeman Street into the lobby which housed a donation box and stole the low value contents. The inner door had not been tampered with and it was concluded this was a planned attack on the donation box. The donation box had been moved and measures to stop this happening again were being explored e.g. CCTV and installing a roller shutter. It was noted that as a listed building the

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**ACTION**      **PARA**

aesthetic appeal of the shutters needed to be considered carefully.

- 5.5      Death of an Employee – The Museum Director was saddened to announce the death of a current employee, the Head of Chemistry in the Core Research Labs.
- 5.6      Organisational Change - A significant amount of work was taking place on the organisational change programme announced in April 2016 to: (a) better equip the Museum for the challenges inherent in delivering the NHM Strategy to 2020; (b) maximise the prospects of generating higher self-generated income; and (c) realise annual savings of c.£2m by the end of 2017/18. There were different approaches in Science Group and Public Engagement and a number of staff welcomed the opportunity to apply for voluntary exit/redundancy.
- 5.7      *Science Group* - In Science the emphasis was to encourage voluntary exit, so that posts can be preserved and refilled over time. There were specific scheme criteria for voluntary exit applications. The Museum offered the status of Scientific Associate to retired staff whose expertise and ongoing connection with the Museum merited a formal affiliation.
- 5.8      *Public Engagement Group (PEG)* - In PEG posts were being closed and this will result in some redundancies. New posts were being created in recognition of the fact that many processes needed to change in order to reflect: (a) the increasing impact of digital technologies; and (b) how digital products and services were developed and maintained. There was a proposal to create a new Digital Media & Marketing Department. The savings in PEG related to staff costs and did not affect capital and recurrent IT investment.
- 5.9      *Performance Management* - More robust performance management was to be introduced across the Museum. It was requested that there was a presentation on performance management at the Board of Trustees. It was also agreed that a schematic diagram of the new Museum organisational structure was presented at the July Board of Trustees' meeting.
- 5.10     Museum Attendance - Since the mid-November terrorist attacks in Paris the moving annual total of visitors had fallen by c.220,000. Attendance numbers were influenced by a range of factors. For example there were fewer Easter school holidays in April 2016 as Easter fell early. However, no other single factor other than the terrorist attacks could better explain the continuing downward trend in visitors. It was noted since the opening of the Darwin Centre phase 1 in 2005 the trend in attendance had been upward. It was agreed more data on the visitor trend over a longer period would be provided to the Board of Trustees. If the current trend did not reverse by the end of May other factors for the downward trend will be examined. It was observed: (a) Visit Britain reported record visitors to London in January 2016; and (b) V&A visitor numbers were highly influenced by the popularity of V&A special exhibitions.
- 5.11     To boost attendance the Museum may consider implementing a summer marketing campaign promoting the whole Museum rather than a specific special exhibition.
- 5.12     Special exhibitions - Otherworlds – visions of our solar system was behind budget. Sensational Butterflies' was a known quantity and had started above plan. WPY 51 was extended, however, visitors had tailed off towards the end reflecting last years' experience that running the exhibition for longer did not result in significantly improved commercial performance.
- 5.13     Advancement of Major Projects - There had been a procedural planning delay with the Royal Borough of Kensington & Chelsea following comments by the Architecture Appraisal Panel on the Museum's grounds proposal. This had now been resolved. The Museum Director and Director of Public Engagement had recently met with the Head of Kensington & Chelsea Planning to discuss the imminent submission of the planning application. Planning permission was likely to be subject to one design feature which needed to be resolved i.e. a switchback ramp to accommodate an elevation change from the grounds to the carriage ramps. The intention was to create an accessible entrance to the Waterhouse Building during the 2017 Hintze Hall refurbishment. The Hintze Hall project and grounds planning application were currently on schedule. However, there was only limited contingency in the grounds planning

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application timetable.

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5.14      Additional DCMS capital allocation – Whilst DCMS had allocated a further 7.6m to the NHM in 2016/17 it carried the risk that, if unspent, it must be returned to DCMS to be reallocated to another body. The Museum would look to bring capital projects forward to ensure the allocation is fully utilised, including backlog maintenance and significant items of scientific capital equipment. It was noted that: (a) the Digital Collections Programme was largely an operating expense; and (b) not all IT investment was capitalised. It was agreed that the Director of Finance & Corporate Services would present a list of capital projects that will be completed in 2016/17 to the 17 May Board of Trustees' meeting.

5.15      Development Priorities and Targets - The Director of Development was appointed a year ago and continued to make good progress in establishing an expanded Development Department. The Museum needed to step up its fundraising significantly if planned capital projects were to be successfully delivered. The Head of Development Operations had recently made a good presentation to the Executive Board on fund raising theory and campaigns. The Director of Development will also present to the 17 May Board of Trustees on: (a) her priority projects/programmes; and (b) Development income targets for the strategic plan period; and (c) the NHM Senior Volunteers Groups.

5.16      Trustee Appointments - There were three new Trustee appointments and the Museum was awaiting confirmation from Number 10 on the two selected by the Prime Minister.

5.17      Review of Outstanding Audit Recommendations – The Head of Risk & Assurance and the Museum Director reviewed outstanding audit report recommendations at their one to one meeting on Tuesday 19 April. There were no high priority recommendations for which action was not underway or planned.

**6            DIRECTOR OF FINANCE & CORPORATE SERVICES' FINANCIAL REVIEW FOR THE PERIOD APRIL 2015 – MARCH 2016 - PROVISIONAL YEAR OUTTURN (PAPER TAC 18/2016)**

6.1      The Director of Finance and Corporate Services presented his paper. The report recorded the provisional outturn for 2015/16 and the figures may, therefore, be subject to amendment.

6.2      General Fund - The General Fund provisional year end outturn for 2015/16 was £11.985m which was in line with: (a) the previous forecast to the end of December 2015; and (b) the figure used to underpin the budget for 2015/16 which was presented to the Audit & Risk Committee in February 2016. This reflected commercial performance below the original budget due to over optimistic forecasting and a drop in visitor numbers. It also reflected savings in operating expenditure which were partly planned.

6.3      Para 2.3 - In addition, to the General Fund there was: (a) a designated \ restricted fund balance of £1.3m planned for use in 2016-17, in particular to fund the Hintze Hall; (b) a Science Investment Fund c. £1.2m derived from a share of the science income surplus; and (c) a revenue restricted fund of £1.5m reflecting donations received for projects in progress.

6.4      Operating Surplus - The operating surplus for the year amounted to £4.666m which was broadly in line with the previous forecast of £4.468m.

6.5      Capital Expenditure - There had historically been challenges for the Museum in spending the allocated capital budget within the financial year. The gross capital and projects expenditure including some revenue expenditure amounted to £11.136m which exceeded the previous forecast and budget of £10.568m. The increase was due to planned expenditure for 2016/17 being advanced ahead of the timetable.

**ACTION**      **PARA**

6.6      Capital Donations - The capital donations of £8.084m included a £6m capital grant from the Natural History Museum Development Trust and does not therefore represent new funds to the NHM.

**7**            **ANNUAL ACCOUNTS UPDATE 2015/16: DRAFT GOVERNANCE STATEMENT (PAPER TAC 19/2016)**

7.1      The Director of Finance and Corporate Services presented his paper.

**Update on Accounts Issues \ Significant Risks**

7.2      EU Grant Funding - The Museum received grant funding from the European Commission. Indirect costs in relation to project overheads will in future be calculated at a uniform flat-rate of 25% of the eligible direct costs for Horizon 2020 grants.

7.3      Significant Restricted Grant - A significant tranche of a Bill and Melinda Gates Foundation grant was received during 2015/16. Some of the grant monies received related to expenditure by the Museum, however, the majority was to be held at year end prior to distribution to other bodies. A key change of the new Charities Statement of Recommended Practice (SORP) July 2014 was income should more likely be recognised in the year of receipt. A paper had been prepared, therefore, to consider whether, under the SORP, the Museum was acting as agent or principal and this will determine the decision around income recognition.

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7.4      The award of the Bill and Melinda Gates Foundation grant was important for the reputational profile of the Museum, However, it was observed that the Museum cannot take scientific credit for the work of others and should, therefore, be cautious about including funds for distribution to third parties in the Museum accounts.

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7.5      The BDO Partner said that in equivalent cases he had seen: (a) the organisations were treated as a principal; and (b) the income was recognised. It was noted this may mask the underlying trend of falling NHM science receipts. If the income was recognised in the Museum accounts it would be reported as a restricted fund which can only be used for a specified purpose. It was noted, however, the difference between commercial and charity accounts was not always clear to the lay reader.

**Draft Governance Statement**

7.6      Assurance - The assurance which the Chairman and the Accounting Officer needed in order to sign the Governance Statement included annual reports from: (a) the Head of Risk and Assurance; (b) the Head of Health and Safety, and (c) the Head of Technology Solutions and the Deputy Head of Security.

7.7      Board Sub-Committee Attendance - Attendance at the Museums Nominations Committee was not reported as it did not have an official role in the Trustee public appointment process. In addition, the board did not formally meet during 2015/16.

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7.8      Assurance Framework Long Term Inherent Risks - Children and vulnerable groups were managed as a long term inherently high risk. The Museum has a Children and Vulnerable Groups Protection Policy. In addition, individuals with unsupervised contact with children were subject to an enhanced Disclosure and Barring Service (DBS) check. It was agreed that the paragraph on long term risks would be expanded to reflect this.

7.9      Review of Effectiveness - The opinion in the Governance Statement was not as strong as the opinion of the Head of Risk & Assurance in her annual report. It was also noted that: (a) when the Statement on Internal Control was replaced by a Governance Statement in 2012 no model guidance was issued by HM Treasury; and (b) a number of organisations had evolved their statements significantly since HM Treasury ended the requirement to follow a model. It was

ACTION	PARA	
NG		agreed the final opinion in the draft Governance Statement would be strengthened.
	<b>8</b>	<b>HEAD OF RISK &amp; ASSURANCE ANNUAL REPORT TO THE ACCOUNTING OFFICER AND THE AUDIT &amp; RISK COMMITTEE 2015/16 (PAPER TAC 20/2016)</b>
	8.1	The Head of Risk & Assurance presented her report.
JD	8.2	<u>Annual Assurance</u> - The Head of Risk & Assurance gave an overall assurance of Substantial. In her opinion the Museum currently had an adequate and effective risk management and internal control framework in place to ensure the proper conduct of business and the achievement of its aims and objectives. The assurance of Substantial followed the Cross Government Internal Audit Manual classifications. The Chair observed that in his opinion it was unnecessary to record that the overall assurance was not absolute.
	8.3	<u>Outstanding Recommendations Category 1 &amp; 2</u> - The Committee reviewed a log of outstanding recommendations with a priority 2 classification or higher which was maintained by the Head of Risk & Assurance.
	8.4	<u>Fraud Awareness</u> - Members reviewed the audit report on Fraud Awareness.
	8.5	<u>Management Override of Controls</u> - It was noted that management override of controls was outside the scope of the Fraud Awareness audit. Management override was difficult to detect and was an area the Museum needed to keep under review. It was observed, however, that the opportunities for management override of controls were less in the Museum than in corporate commercial businesses. The nature of the NHM businesses, its programmes and governance processes meant there were fewer opportunities to exploit. If the Director of Finance & Corporate Services came under pressure from the Executive Board to misrepresent the Accounts, for example, he would report this to the Chairs of the Audit & Risk Committee and the Board of Trustees. The Museum had detailed procedures for capital expenditure aimed at ensuring value for money. A line of defence to collusion by members of the Executive Board was both the Trustees and Audit & Risk Committees.
	8.6	<u>Scientific Fraud &amp; Ethics</u> - Risk & Assurance: (a) raised the need to update the "Good Research Practice" guidelines 2003 in previous audit reports; and (b). reviewed this area during the 2016 audit of Science Income. The Research Councils UK Funding Assurance Report 2014 also highlighted the fact that the "Good Research Practice" guidelines and the Ethics Policy 2012 were due for review. It was observed that there was a high frequency of withdrawal of science papers from scientific journals. Studies showed only 10% of published science articles were reproducible. However, this was generally the result of careless experiments or poor analysis rather than deliberate fraud. It was noted that as most scientific research was funded by the government this could lead to public concerns and severe reputational damage to scientific institutions who published science which could not be reproduced.
MD/IO	8.7	It was agreed that Scientific Fraud & Ethics needed to be considered further. A discussion should take place at the Science Advisory Board in consultation with Science Group. It was noted that due to its importance the National Health Service (NHS) had set up a series of ethics committees.

**ACTION      PARA**

**9            RISK & ASSURANCE PLAN 2016/17 AND PLAN IN CONTEXT  
(PAPER TAC 21/2016)**

- 9.1        The Head of Risk & Assurance presented her plan.
- 9.2        The annual Audit Plan was arrived at in discussion with the Museum Director and members of the Executive Board. In addition, the museum's external auditors the National Audit Office (NAO) and HM Government had given guidance on the reviews that should be completed annually or on a rolling basis. The Audit & Risk Committee had also requested that specific areas were reviewed.
- 9.3        Major Corporate Risks - The Committee were asked to reconsider the draft plan and comment on the Major Corporate Risks from 2015/16 or 2016/17 they would like to see included in the Audit Plan.
- 9.4        The Director observed that there was a dichotomy of views as to whether: (a) the annual plan should look at risks in the same year risks appeared in the list of major corporate risks and were being actively managed; or (b) Risk & Assurance should check that actions to mitigate major corporate risks had been undertaken and were effective in the following year. The Director was of the view it should be the latter. It was agreed the Museum Director and Executive Board should finalise the audit plan.
- 9.5        Categories of Risk - The Museum's management of risk followed the 3 categories of risk presented by Sir David Omand to the Public Accounts Committee. The categories of risk are: (a) risks you cannot avoid or do anything to manage the likelihood of happening e.g. terrorist attack; (b) risks inherent in the nature of the business you undertake e.g. managing the collections; and (c) risks the Museum imposes upon itself as the result of business decisions pursuing a particular strategy or strategic objective e.g. commercial investment.
- 9.6        Long Term Inherently High Risks - The first two categories (a) and (b) above tended to be long term inherently high risks and the last category (c) major corporate risks. The Museum maintained a Long Term Inherently High Risk Assurance Framework which recorded each individual risks overall score, the mitigating actions and the independent assurances in place. There had been recent internal audits of the long term inherently high risk relating to terrorism. There was also physical penetration testing by an independent company in October 2015 which was reported to the Audit & Risk Committee. The Head of Risk & Assurance agreed to distribute the Assurance Framework to members.
- 9.7        Terrorist Attack - There were two risks in relation to terrorism: (a) the risk of a terrorist attack in the UK where the Museum can mitigate the impact but not the likelihood; and (b) the risk of an attack in the Museum where NHM can mitigate both the likelihood and the impact. The Museum had recently enhanced the Control Room/CCTV and the Head of Security worked with counter terrorism groups. The Director of Finance & Corporate Services chaired the Museum's Crisis Management Board.

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**10          AUDIT & RISK COMMITTEE ANNUAL REPORT 2015/16  
(PAPER TAC 22/2016)**

- 10.1       The Chair of the Audit & Risk Committee presented his report which was agreed by the Committee.
- 10.2       It was noted that the new Chair of the Audit & Risk Committee (effective from 30 June 2016) will present the report to the 5 July 2016 Board of Trustees.

**ACTION      PARA**

- 11      ANNUAL HEALTH & SAFETY REPORT 2015/2016 (PAPER TAC 23/2016)**
- 11.1      The Health & Safety Manager presented her report.
- 11.2      In 2015/16 there had been greater focus on proactive health and safety management and incident prevention. The Health & Safety Manager thanked staff across the Museum for their contribution.
- 11.3      Key Performance Indicators - KPI 3: Fieldwork Risk Assessments - The Museum continued to fall well below the target for submission of fieldwork risk assessments at least 6 weeks prior to departure. The purpose of the KPI was to ensure travellers were afforded the best possible medical advice in advance of departure. The lead time was established to ensure vaccinations requiring 2 or 3 treatments prior to travel were administered in good time. Investigations had revealed that demand for some fieldwork may be triggered by unpredictable natural events such as earthquakes, or unscheduled access to sensitive areas such as sites owned by the Ministry of Defence. There was no evidence, however, that staff were travelling without having received appropriate medical advice. Discussions were underway with Science managers to establish a revised KPI to reflect that experienced staff were taking personal responsibility for planning their own safety. Concern was, however, expressed in relation to less experienced staff. The electronic risk assessment advised staff to check with the Foreign & Commonwealth Office (FCO) website before travel. Departmental Administrator monitoring of staff abroad also took place when incidents occurred e.g. the Brussels bombings. It was noted that advice from local contacts on specific risk regions was important as FCO advice can be general.
- 11.4      New KPIs were agreed in January 2015 with a greater focus on proactive health and safety management. Previous indicators focused on incident rates rather than improvement measures, such as training. Some KPI data in the past had also been questionable. There had been good progress during the year against all but one KPI i.e. fieldwork risk assessments.
- 11.5      Special Geological Specimens - A project to move the Museum's collection of special geological specimens to a shared facility had commenced.
- 11.6      Fire Safety Management – There was a significant improvement in fire safety management systems across all sites. There had been: (a) an upgrade of the Public Address and Voice Alarm Systems; (b) a project to replace the fire control panels at South Kensington; and (c) new Fire Risk Assessments for South Kensington, Tring and Wandsworth and a Fire Strategy.
- 11.7      Pests - Additional measures had been put in place to drive down the prevalence of rodents and other pests on site. This included: (a) awareness campaigns; (b) the distribution of covered cups to transport drinks around the building; (c) the removal of potted plants from offices; and (d) overnight patrols with a field biologist. These actions had resulted in a reduction of live mice sightings and a steady decline in evidence of rodent activity.
- 11.8      The Chair of the Audit & Risk Committee thanked the Health & Safety Manager for a very thorough and comprehensive report.

**ACTION      PARA**

**12      ANNUAL SECURITY REPORT 2015/16 (PAPER TAC 24/2016)**

- 12.1      The Director of Finance & Corporate Services introduced the Head of Technology Solutions, the Deputy Head of Security and the new Head of Security. The new Head of Security joined NHM at the end of April 2016. He had 30 years' experience as a Police Officer working for Thames Valley Police. He retired in 2013 and for the last three years was responsible auditing and ensuring that business processes were effective in recording crime for Thames Valley Police.
- 12.2      The Committee reviewed the Annual Security Report and the audit report on Data Protection & Information Assurance Governance in discussion with the Head of Technology Solutions and the Deputy Head of Security.
- 12.3      Information and Technology & Services - The annual penetration test by external IT consultants provided the NHM with assurances across a significant part of the Museum threat surface. All critical and high level recommendations resulting from the 2015 IT penetration test were addressed quickly.
- 12.4      There had been continuous technological improvements in resilience that were introduced or were targeted for 2016. Cyber security issues were often, however, due to staff/user behaviour. There was now an 89% completion of the Information and Cyber Security training by staff. In addition, staff were generally becoming more digitally aware. The Information Manager and Head of Technology Solutions gave a presentation in February 2016 to the Senior Management Team (SMT) on the importance of Information Management. The presentation included recent incidents reported in the press and Cyber Security training covered current trends in Cyber Security breaches.
- 12.5      Technology Solutions had a disaster recovery plan in place and digital information was backed up and taken to an offsite archive managed by a commercial company. The Museum used hierarchical storage management to control costs using a risk based approach. Data which was regularly accessed was stored on high cost/high speed disk drives and data which was not regularly accessed was stored on low cost/low speed tape drives. The Information Manager was undertaking work to ensure the Museum understood what digital information it had and how it was used to identify its potential value. A digital information audit in 2015 found 19.6 million files were held across 6 servers. Computer storage had been increased with the purchase of a new tape library.
- 12.6      Data Protection & Information Assurance Governance - A key point in the report related to the fact the Museum Archivist post was currently vacant. The outgoing Chair of the Audit & Risk Committee advised the Committee to challenge the Executive Board on action to appoint a professionally qualified archivist.
- 12.7      Physical Security - Security standards remained high and there had been a number of operational improvements during 2015/16 both at South Kensington and Tring. This was the fifth year of the outsourced security services contract with Wilson James. The relationship continued to deliver the benefits of an improved service and enhanced capability within the Museum's security team. The contract was due to be retendered in 2018. The Museum worked closely with the Metropolitan Police, plain clothes officers and others to maintain high security vigilance.
- 12.8      Protests - There was a small peaceful protest involving an evening of poetry and projections outside the Museum on 27 April 2016. It was noted that organisers of public processions were required by law to notify police at least 6 days before the event occurred. There was no legal requirement to notify police when individuals wished to hold a static protest. However, it was advised that they let the police know.

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**ACTION      PARA**

- 12.9      Customer Service - Wilson James gave customer service training to their staff and were actively involved in the Museums customer service strategy December 2015. NHM customer service monitoring data including security was gathered through social media evaluation, letters and emails from visitors, anecdotal feedback and mystery shopper visits.
- 12.10     The Chair thanked the Deputy Head of Security and Head of Technology Solutions for their informative report. The Chair also thanked the Deputy Head of Security for undertaking the role of Acting Head of Security for three months.

**13           MAJOR CORPORATE RISKS 2015/16 AND 2016/17 (PAPER TAC 25/2016)**

- 13.1      The Director presented his report
- 13.2      The paper set out: (a) the residual level of risk assessed against the major corporate risks for 2015/16; and (b) a final list of the major corporate risks to focus on in 2016/17. A revised version of the summary template was being introduced. This took account of comments from the Committee specifically that the major mitigating plan/actions should be tabulated. In some cases in 2015/16 there had been little change in the residual level of risk, due to the strategic importance of the activity. These risks will continue on the risk register in future years.
- 13.3      Development Activities – It was noted that the risk “We do not deliver the required step change in our ability to raise funds through Development activities” was not scored higher as it was considered that the likelihood of failure was less than other risks. The targets for Development income were not unrealistic compared to the achievements of other peer institutions.
- 13.4      Ranking - The ranking on the list of major corporate risks did not determine the level of effort in mitigating the risk. All major corporate risks received equal attention.
- 13.5      Science Group Resources - The risk that “Science Group was unable to commit sufficient resource to help deliver an effective public programme” arose from the Museum Strategy to 2020. The Strategy required Science Group to get more involved in delivering a public programme which reflected the quality of NHM science and its wider societal relevance. The risk recognised that individual scientists had conflicting priorities managing their own career and their corporate contribution to the Museum. The Science Strategy Group will review scientific quality. In addition, the upcoming changes that will be taking place in Science Group will improve the delivery of science. A compelling employment offer including pension arrangements was also important in attracting new senior scientists.
- 13.6      The Committee approved the list of major corporate risks for 2016/17 and noted the residual level of risk of the major corporate risks for 2015/16.

**14,           PRESENTATION BY THE MUSEUM DIRECTOR ON THE MAJOR CORPORATE RISK “WE DO NOT DEPLOY AVAILABLE STAKEHOLDERS EFFECTIVELY IN ADVOCACY AND FUND-RAISING AND OUR COMMUNICATIONS AND DEVELOPMENT ARE COMPROMISED”. (PAPER TAC 26/2016)**

- 14.1      The Director made his presentation on the management of the risk.
- 14.2      The risk related to: (a) making best use of ‘senior volunteers’ e.g. trustees; (b) equipping ‘senior volunteers’ with the right information; and (c) developing the right collateral to improve development and communications.
- 14.3      In April 2015 the risk was scored as Red and ranked high on the list of major corporate risks for 2015/16. There was a 21 - 50% likelihood of it happening. In addition, the realisation of the risk would have a critical impact on the achievement of Museum aims, objectives and overall

**ACTION      PARA**

performance.

14.4      The risk was scored this way due to: (a) the large turnover in the NHM Board of Trustees; (b) a perceived lack of engagement of the NHM Development Trust (NHMDT) with the Museum strategy and Main Board; (c) recognition that our Development capability was sub-optimal and, therefore, a new Director of Development was appointed; and (d) an acceptance that our repositioning was vital, but a challenging task as the Museum was widely known as a Victorian building with dinosaurs.

14.5      At this time there were a number of mitigating actions in place: (a) Trustee (NHM and NHMDT) induction; (b) regular updating of Trustees; (c) a clear understanding of external stakeholders; (d) extensive consultation on the new Strategy to 2020; (e) very clear positioning objectives for maximum demonstration of public benefit; and (f) a commitment to investment in Development and more experienced Development staff were appointed.

14.6      The Museum had: (a) made changes to the NHMDT which no longer had a fund raising role; (b) created a range of new 'formal' roles for senior volunteers which will be presented to the Main Board; (c) identified five Development priority projects and was working on 'cases for support'; and (d) committed to new hires in Communications to step up external positioning. This included a new role Head of Strategic Communications reporting to the Director of Development.

14.7      The action taken had reduced the likelihood of the risk materialising to 6 - 20%, however, the impact remained the same until: (a) Development activities came on stream and there were significant funding raising successes; (b) the Communications function was fully staffed and active; and (c) the senior volunteer role was fully embedded and understood by senior volunteers.

14.8      Since the appointment of the Director of Development there had been significant progress and the overall risk had reduced to Amber. The Museum Director was optimistic for the future.

14.9      The Chair of the Audit & Risk Committee thanked the Director for a very clear presentation. The Chair observed that opportunities were being maximised, however, success was likely to be a slow-burn process.

**15      PRESENTATION BY THE DIRECTOR OF FINANCE & CORPORATE SERVICES) ON THE MAJOR CORPORATE RISK "WE FAIL TO EFFECTIVELY MANAGE CONFLICTING PRIORITIES IN A COMPLEX LANDSCAPE OF DELIVERY OF PROGRAMMES OF WORK" (PAPER TAC 27/2016)**

15.1      The Director of Finance & Corporate Services made his presentation on the management of the risk.

15.2      The risk was scored Amber in April 2015 and was ranked number 10 on the list of major corporate risks for 2015/16.

15.3      Background - There had been a history of underspends and budget carry forward. It was not clear if that was due to slippage, poor project delivery, being too ambitious, insufficient resources, inadequate resources planning or complexity of resource requirements. This related to public facing and commercial projects, core infrastructure, the special exhibition programme, digital and IT projects.

15.4      The other element was the capability and capacity to manage on site with over 5m visitors; a large number of contractors, deliveries, site facilities, security and health and safety. There were a number of component risks e.g. prioritising of projects to deliver strategy, resourcing, delivery monitoring and reporting and dependencies between projects and site management issues.

**ACTION      PARA**

- 15.5      Projects 2015/16 - The Museum was often critical of its performance and focused on projects which had not gone to schedule. However, the Museum had successfully delivered a significant number of projects in 2015/16 e.g. exhibitions, hard core infrastructure, public facing and digital. The digital projects predominantly supported income generation. Some projects required museum wide input and larger activities had a Project Manager. Out of a budget of £12.7m (including carried forward of £2.3m) there had been expenditure of £11.1m.
- 15.6      Prioritisation of Projects - The prioritisation of projects takes place at the Executive Board Autumn Planning Conference taking into consideration submissions from: (a) the Masterplan Strategy Group; (b) Digital Strategy Board; and (c) the Public Engagement Programme Board. This process led to the Trustees' budget normally in November. However, 2015/16 was unusual due to the Comprehensive Spending Review and the necessity to reprioritise 2016/17 projects.
- 15.7      Resource Planning, Impact and Interdependencies - Resource requirements were: (a) considered during the individual project approval process; and (b) there were dedicated resource management posts in departments to monitor and plan. The Museum Interfaces Group and Digital Delivery Group monitor interdependencies between projects and programmes. Once delivery begins the co-ordination of input across departments and monitoring of resource requirements at museum level was via the Museum Programme Office. Issues were reported to the Digital Strategy Board, Museum Programme Group and Executive Board.
- 15.8      Site Management & Logistics - South Kensington was a challenging site to co-ordinate and this was overseen by the Museum Interfaces Group. The Museum appointed a Co-ordination Manager in January 2016 and an additional site manager post was to be recruited. The role of Project Managers was also crucial.
- 15.9      At the end of 2015/16 year the risk was still scored as Amber. Although there had been good progress there were a number of challenges in 2016/17 e.g. the delivery of Hintze Hall Ground Floor and the closure of the front entrance, the members room and work on the terracotta. Museum restructuring was also likely to impact on projects. A Head of Master Planning and Capital Projects will be recruited.
- 15.10     The Chair of the Audit & Risk Committee thanked the Director of Finance & Corporate Services for his informative presentation.

**16      ANY OTHER BUSINESS**

- 16.1     The Museum Director thanked the Chair of the Audit & Risk Committee for all his work and help on behalf of the Executive Board and the Museum.

**17.      DATE OF THE NEXT MEETING**

- 17.1     The next meeting will be held at 10.00 a.m. on Thursday 30<sup>th</sup> June 2016.

**KEY TO ACTION INITIALS**

Michael Dixon	- MD	Ian Owens	- IO
Jan Day	- JD	Chris Hills	- CHills
Colin Hudson	- CH	Executive Board	- EB
Neil Greenwood	- NG		

Jim Morris - JM