



THE NATURAL HISTORY MUSEUM

TRUSTEES' AUDIT & RISK COMMITTEE

54th Meeting on Thursday 17th November 2011

Present

Sir David Omand in the Chair
Dr Derek Langslow
Mark Richardson (co-opted member)

In Attendance

Oliver Stocken (Chair of Trustees)
Dr Michael Dixon (Director)
Neil Greenwood (Director of Finance & Corporate Services)
Jan Day (Head of Risk & Assurance/Committee Secretary)
Keith Lloyd (Director, National Audit Office)
Lewis Knights (Audit Manager, National Audit Office)
Nick Buxton (Partner, PKF)

Rob Cook (Fire Safety Manager) was in attendance for item 11.
Ian Jenkinson (Museum Manager) was in attendance for item 12.
Andrew Wilkinson (Head of Security) was in attendance for item 13.

ACTION

The Chairman welcomed the new National Audit Office Audit Manager, Lewis Knights, to his first meeting.

1 APOLOGIES FOR ABSENCE

1.1 Apologies were received from Professor Sir Roy Anderson.

2 DECLARATIONS OF INTEREST

2.1 There were no declarations of interest.

ACTION

3 MINUTES OF THE MEETING HELD ON WEDNESDAY 29TH JUNE 2011 (PAPER TAC 28/2011)

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

4. MATTERS ARISING FROM THE MINUTES

4.1 Exhibitions Consultancy - para 6.3 -The Museum Director had recently returned from a UK Trade & Investment (UKTI) visit to Brazil. Brazil was a Foreign & Commonwealth Office (FCO) target country for greater future co-operation with British businesses. The visit had highlighted a number of possible opportunities for the NHM in parts of the world where PDC had not previously been active e.g. Brazil, China and India. The NHM International Strategy will lead to the development of a programme of projects based on UK government target countries. In order to maximise these opportunities, the proposed strategic review of PDC was to be deferred to early 2012. The 2011/2012 internal audit of Planning & Design Consultancy (PDC) was currently taking place.

MD/SA/JD

4.2 NHM-Kew Collaboration - para 5.6 -The Museum had scheduled a formal signing of a Memorandum of Understanding (MOU) between the NHM and Kew on 28th November 2011. This was notwithstanding the announcement that the current Director of Kew will be returning to Western Australia. The Director agreed to circulate the MOU to the Board of Trustees before their meeting on 22nd November 2011.

MD

4.3 Shared Services Agreements - para 7.7 - The Director and the Director of Finance & Corporate Services were to pursue the need for an agreement with the V&A and NMSI. The Museum was, however, reluctant to pursue a formal arrangement should this focus on significant liability issues for the Museum.

MD/NG

5 DIRECTOR'S REPORT (PAPER TAC 29/2011)

5.1 The Director presented his paper

5.2 Death of an Infant after being taken ill in the NHM Grounds - This was a salutary reminder that with attendance approaching 5 million visitors per year, the Museum should expect that there will inevitably be occasional incidents of this kind. The Museum must be prepared to mount a professional and speedy response, as occurred on this occasion.

5.3 Break in at Tring and the Theft of Fake Rhino Horn - In response to reports of the theft of rhino horn across a number of institutions the NHM had replaced all rhino horn in public areas at South Kensington and Tring with fake horn. The Director was content that appropriate action had been taken to safeguard the safety of Tring security staff and to contain high value specimens in secure conditions. It was also noted that periodically the Head of Risk & Assurance carried out reviews of the security of saleable specimens.

5.4 Metal Thefts - The theft of metal and lead was becoming a significant problem in the UK. The Chair of the Audit & Risk Committee requested that the Head of Security undertake a review to see if the Museum was exposed to this kind of theft.

NG/SC

ACTION

- 5.5 Reputational Risk Issues - The Museum had been subject to two areas of criticism based on NHM links with partner institutions. The receipt of sponsorship from Veolia for the Wildlife Photographer of the Year exhibition had been criticised by organisations campaigning against the occupation of Palestine by Israel. Another issue had been raised by the British Committees for the Universities of Palestine (BRICUP) objecting to the Museum's involvement in a project 'NanoRetox', funded by the EU under Framework 7 and involving a consortium of a dozen partners across a range of European countries. BRICUP alleged that the involvement of one of the Israeli partners was in violation of international law.
- 5.6 Following discussion it was agreed that the Museum would:
- MD/IO
- (a) undertake a review of the lessons to be learnt from the Museums involvement in the 'NanoRetox' project; and
 - (b) consider the need for introducing a corporate engagement process for partners in research projects based on the perceived level of risk relating to the individual partner.
- 5.7 Celebration of Ten Years of Free Admission - On 1st December, NHM will host an NMDC breakfast event celebrating the tenth anniversary of the reintroduction of free admission to charging National Museums. It was noted that the Museum had enjoyed the greatest growth in visitation of all National Museums. The Museum had seen its visitor numbers rise almost threefold, from 1.7 million in 2000 to 4.8 million last year. Lord Smith the Culture Secretary who introduced the free admission policy and Jeremy Hunt the current Culture Secretary were speaking.
- 5.8 Establishment of an Independent Trust – The Museum was on target to establish an independent trust before the end of the fiscal year. NHM legal advisers, Farrers, were acting for more than half a dozen NDPBs in this area and the Museum was happy to be behind the leading edge of these developments in order to learn from the experiences of others. It was not imperative for the Museum to obtain access to the £1.25m historic reserves in this financial year. This was more of an issue for other museums and galleries who required access to deliver large capital projects which were already committed.
- 5.9 Unrestricted Reserves - It was observed that the advice was that to preserve independent trust status only unrestricted historic reserves could be transferred to the independent trust. A review was needed to establish if any of the £1.25m historic reserves was restricted.
- 6 DIRECTOR OF FINANCE'S & CORPORATE SERVICES' FINANCIAL REVIEW FOR THE PERIOD APRIL 2011 – SEPTEMBER 2011 (PAPER TAC 30/2011)**
- 6.1 The Director of Finance & Corporate Services presented his paper.
- 6.2 General Fund - The forecast year end outturn for the General Fund was £5.214m which was an increase of £2.787m above the original budget of £2.427m.
- 6.3 Expenditure - The increase in the General Fund forecast was largely attributable to significant salary savings particularly within Science Group. The Science Group savings were genuine savings in 2011/2102 and reflected: (a) posts which had not been filled. However, it was anticipated they would be filled in 2012/2013 on the basis of different competencies following any restructure by the new Director of Science; and (b) Headspace money for projects which had not been taken forward.
- 6.4 Restructuring \ Modernisation - The original budget for the year included £1m provision for restructuring \ modernisation for further stages of the expenditure review. £0.5m had been released and the remaining £0.5m had slipped to 2012/ 2013.

ACTION

- 6.5 Capital - Given the low level of capital and projects expenditure year to date it was likely that there will be significant slippage of expenditure to 2012/2013 including donation funding.
- NG 6.6 Following discussion the Director of Finance & Corporate Services agreed to make some changes to the way he presented the information in his report.
- 7 RESTLESS PLANET (CITY OF ARABIA) UPDATE
(PAPER TAC 31/2011)**
- 7.1 The Director of Finance and Corporate Services presented the paper.
- 7.2 In September 2011 the Museum terminated the animatronics contract with I&M Galadari Management Group (IMG) at the initial instigation of and with the full support of Kokoro.
- 7.3 Throughout 2011 there were periodic discussions with IMG about a project restart and assurances given that the outstanding debt for animatronics would be paid prior to restart. A stalemate was reached in mid summer, and having taken legal advice a termination letter was issued.
- 7.4 The Director of Finance & Corporate Services was confident that the Museum would recover the £250k extended to Kokoro during the early days of manufacturing. The Museum had a longstanding and ongoing relationship with Kokoro. The Museum had recently secured a £1.6m animatronics sale in Germany. Kokoro recognise that the debt was owed.
- 8. MANAGEMENT RESPONSE TO THE NAO ISA 260 REPORT AND KINGSTON SMITH
RECOMMENDATIONS 2010/2011
(PAPER TAC 32/2011)**
- 8.1 The Director of Finance and Corporate Services presented his paper.
- 8.2 The Committee and the auditors were content with the action being taken to address the recommendations.
- 9. NAO/PKF AUDIT PLANNING REPORT 2011/2012
(PAPER TAC 33/2011)**
- 9.1 The PKF Partner presented the report.
- 9.2 The Committee: (a) reviewed the audit planning report; and (b) approved the NAO Audit fee (which had not increased from 2010/2011) and the audit timetable. Members also noted that the fees for Whole Government Accounts (WGA) and Clear Line of Sight (CLoS) will be discussed with management.
- 9.3 Significant Risks –This was an initial assessment of the Museum’s operations and control environment which may change over the next 6 months.
- 9.4 Establishment of an Independent Trust – There was a risk which the NAO/PKF did not consider to be a significant that the Trust’s set up or/and operations may inadvertently indicate the exercise of control by the Museum. Should the risk crystallise the Group Accounts could be materially misstated due to the absence of a controlled entity. The NAO/PKF will review the evidence supporting the independence of the Trust and assess any financial reporting requirements relating to the new entity.
- NAO/PKF

ACTION

- NAO/PKF 9.5 Other Matters of Audit Emphasis – The NAO/PKF will examine the supporting documentation regarding any remaining retentions relating to Darwin Centre phase 2 (DC2) building works to ensure that any year end balances were appropriately stated. The Museum was in negotiations with the contractor concerning the release of over £500k of retentions. The negotiations may, however, be prolonged because of a heating and hot water defect on the upper floors which had recently become apparent. It was noted that the building contract for DC2 contained a latent defect clause relating to defects which were not discovered during the handover inspection and retention period. However, liability was more difficult to establish and enforce under the latent defect clause.
- MD/NG/DS 9.6 The Director agreed that Museum would consider the need for a building survey of DC2 at an appropriate time period since completion and handover of the building e.g. five years.
- 9.7 Changes to the Financial Reporting Framework and to the Framework of Authorities
- 9.8 (a) Clear Line of Sight (CLOs) - The Department for Culture, Media and Sport (DCMS) will produce consolidated accounts for 2011/2012 which, for the first time will include the financial position of its sponsored NDPBs including the NHM. The Museum will, therefore, be required to prepare consolidation information for DCMS for the year ended 31st March 2012. DCMS was in discussion with the Treasury regarding whether this information included the Trading Company. For this financial year DCMS will be laying their accounts in Parliament after the 2012 summer recess in December 2012/January 2013. In 2012/2013, however, DCMS intended to lay their accounts before the 2013 summer recess. This may impact on the reporting timetable of its sponsored NDPBs.
- 9.9 (b) Governance Statement - A Governance Statement was being introduced from April 2012 to replace the Statement on Internal Control (SIC). There was no set template for the statement. The Director of Finance & Corporate Services observed that NHM needed to be more explicit in the Governance Statement on the Main Board's own processes and practices.
- NAO/PKF 9.10 (c) Sustainability Reporting - From 2011/2012 all bodies that report under HM Treasury's Financial Reporting Manual (the FReM) must include a Sustainability Report within the Annual Report. The NAO/PKF will review the Sustainability Report for consistency with the audited financial statements.
- NG 9.11 It was agreed that the Governance Statement and Sustainability Report would be presented at the May 2012 Audit & Risk Committee meeting.
- 9.12 The Chairman thanked the PKF Partner for the comprehensive report.
- 10. HEAD OF RISK & ASSURANCE PROGRESS REPORT TO NOVEMBER 2011 (PAPER TAC 34/ 2011)**
- 10.1 The Head of Risk & Assurance presented her progress report and her report on contract management.
- 10.2 Contract Management – Members considered the report on contract management. The Director and the Chair of the Board of Trustees had attended a meeting with the Minister for the Cabinet Office. At the meeting it was observed that there was generally poor management of public sector contracts with the private sector. The Contract Management report had highlighted issues in the Museum.
- 10.3 The Chair noted that contractors managing contractors was not unusual in the public sector even in sensitive areas.

ACTION

- MD/NG/JD 10.4 It was agreed that the Director, Director of Finance & Corporate Services and Head of Risk & Assurance would meet to consider the recommendations in the contract management report and update the February 2012 Audit & Risk Committee on progress.
- MD/JD 10.5 Internal Audit Transformation Programme (IATP) - The first meeting of the Programme Board took place on 18th October 2011. The intention was that core groups will be established by March 2013 and after that all other groups will be addressed. The Chairman requested that the Museum be engaged with the project to ensure that the final outcome did not undermine the effectiveness of NHM's internal audit service. It was noted that the IATP Working Group also included representatives from the Smaller Government Bodies Heads of Internal Audit Group who will represent the concerns of those bodies.
- JD 10.6 Quality Assurance Internal Audit – It was agreed that the Head of Risk & Assurance would complete an internal assessment against HM Treasury Internal Audit Quality Assessment Framework. This would be brought to the February 2012 Audit & Risk Committee for members to consider and approve.
- Members/JD 10.7 Audit & Risk Committee Effectiveness – It was agreed that there would be a closed session at the end of the February 2012 meeting for members to consider their effectiveness. This would be attended by the Head of Risk & Assurance who will record the outcome of members' discussions.
- 10.8 Members congratulated the Head of Risk & Assurance on the audit work completed to date and the contract management report.
- 11. ROB COOK (FIRE SAFETY MANAGER) "FIRE SAFETY MANAGEMENT SYSTEM" LONG TERM INHERENTLY HIGH RISK (PAPER TAC 35/2011)**
- 11.1 The Fire Safety Manager presented his report.
- 11.2 The Chair explained that the Committee had asked for a report as fire was a long term inherently high risk with a low probability but high impact.
- 11.3 The Fire Safety Manager had been working in the Museum 18 months. During this time he had been impressed with the Museum's fire safety management systems which were based on a combination of prevention and protection measures.
- 11.4 Fire Precautions Project - Following the completion of the Fire Precautions Project across South Kensington all buildings apart from the NW building were protected by a fully automatic fire detection system to L1 specification. The NW building was not covered due to asbestos, however, the situation was managed.
- NG/RC 11.5 Inspections and Fire Risk Assessments - Regular inspections were undertaken by the London Fire Brigade. The Fire Safety Manager also undertook fire risk assessments across the NHM Estate, South Kensington, Tring and the South London Storage Facility. The risk assessments were available on the Museums Health & Safety intranet pages. In June 2012 the risk assessments will be reviewed by independent fire consultants who will also update the Museum's fire strategy.
- 11.6 Museum Collections - The Director observed that it was difficult to mitigate the fire risk to the collections. The salvage of individual items was complex. This was due to the fact that economically, historically and scientifically valuable items (e.g. types) were generally stored taxonomically within the collections to aid accessibility for study.

ACTION

- 11.7 The Fire Safety Manager was meeting with the Fire Brigade Salvage team at the end of the year to discuss best practice. In the event of a fire which affected the collections, curators and collections managers would be called out to advise the Fire Brigade on collections salvage and any related hazards. It was noted that the Darwin Centre was a fire engineered building and there were sprinklers in the basement plant rooms to help contain any fire.
- 11.8 Roles and responsibilities - The Fire Safety Manager confirmed there was a good working relationship with the Head of Security and his team. Roles and responsibilities were set out in the Museum's Crisis Management Plan. In addition, the Head of Health & Safety was a member of the Crisis Management Team. The last Crisis Management interactive exercise was based on a scenario that a fire had broken out in the Darwin Centre. All staff in the Museum including Estates staff who supervise contractors received fire awareness training.
- 11.9 Members thanked the Fire Safety Manager for his informative presentation.
12. **PRESENTATION BY IAN JENKINSON (MUSEUM MANAGER) ON THE CORPORATE RISK "THE VISITOR EXPERIENCE AND THE MANAGEMENT OF A SAFE AND SECURE ENVIRONMENT IS REDUCED DUE TO LARGE NUMBERS OF VISITORS AND CROWDING". (Paper TAC 36/2011)**
- 12.1 On the Director's recent trip to Brazil he had met a firm of architects who specialised in crowd management and they had agreed to give the Museum some pro bono advice. The long term solution to crowding was to open up more gallery space and improve circulation. This, however, required a large capital investment
- MD
- 12.2 The Museum Manager made his presentation on the management of the risk.
- 12.3 Operational Improvements - The Museum had reached 4.8 million visitors last year and the busiest periods were the February and October half term. The Museum Manager explained that crowd management in the Museum was constantly evolving. There had been a number of successful trials which had led to operational improvements. A key objective was to keep crowds away from the Cromwell Road pavement. They had trialled queuing in the Wildlife Garden, however, this was discontinued due to the damage to the garden. Visitor Services had introduced heavy duty crowd control barriers to increase the length of the queue by designing the line in a "zigzag". Signage had been improved and they had introduced a fast track entrance for members, ticket holders and patrons.
- 12.4 The NHM Site Manager previously worked for Merlin Theme Parks and was responsible for a number of the operational improvements.
- 12.4 Museum queues - To improve the visitor experience in Museum queues Visitor Services had trialled volunteers handling specimens in the Summer. In the October half term there was a display of birds of prey in the West Gardens. The falconer flew some of the owls, falcons and hawks over heads and visitors got to interact with the birds.
- 12.5 Visitor Services monitored queue times by issuing a ticket recording the time to visitors at the end of the queue and the ticket was then handed in by the visitor at the entrance door. NHM Visitor Information on Twitter was updated regularly with queue times. During the October half term these reached 1 hour 50 minutes at the main entrance and 50 minutes at Cromwell Road. Visitor Services estimated that approximately 3000 to 5000 people per day decided not to join the queues. However, visitors generally accepted that any where they went at half term would have long queues. Visitors to a theme park for example will queue for several hours for one ride.

ACTION

The Museum, however, had the advantage of being free.

- 12.6 Dinosaur Gallery Queue - The main circulation problem was due to the Dinosaur Gallery queue in the Main Hall. If this was over 5 minutes long the rate visitors entered the Museum had to be slowed down. The management approach was to keep the queues moving and pulse visitors into the Museum at regular intervals. Bag searching did not affect the length of the queue. The Museum had trialled a virtual queuing system using mobile phone technology, however, the disadvantage was that this service was charged at a premium rate.
- 12.7 Comfort Capacity - The fire capacity for the Museum was approximately 11,500, however, the comfort capacity was 6000. There were 190,000 visitors over the nine days of the October 2011 half term and only five complaints. In addition, the Spring 2011 ALVA survey only found that approximately 9% of visitors found that crowding greatly reduced their enjoyment.
- 12.8 Exhibition Road - The pedestrianisation of Exhibition Road had improved the management of the queue into the Red Zone. Previously the Exhibition Road pavement became very congested. During peak periods a member of staff was positioned at the corner of Cromwell Road and Exhibition Road. The staff member monitored the queues and diverted visitors as necessary. It was noted that visitors entering via Exhibition Road tended to go directly to the Dinosaur Gallery.
- 12.10 Members thanked the Museum Manager for his informative presentation.

13. **PRESENTATION BY ANDREW WILKINSON (HEAD OF SECURITY) ON: (A) COUNTER-TERRORISM AND THE RISK “THE NHM IS SUBJECT TO AN ATTEMPTED TERRORIST ATTACK”; AND (B) AN UPDATE ON THE IMPLEMENTATION OF THE JUNE 2011 COLLECTIONS SECURITY REPORT RECOMMENDATIONS.**
Paper TAC 37 (a) & (b) /2011

MD/NG/SC

- 13.1 The Director had alerted the Chair of the Audit & Risk Committee that the Head of Security had resigned to take up a career developing appointment. Interviews had taken place for a replacement and his Deputy who was the best candidate for the position had been selected. The appointment will ensure the necessary continuity and the Museum will be advertising for a new Deputy Head of Security.
- 13.2 The Head of Security made his presentation on the management of the risk and gave an update on the recommendations in the June 2011 Collections Security report.

(a) Counter -Terrorism and the Risk “the NHM is Subject to an Attempted Terrorist Attack”

- 13.3 Counter Terrorism Security Advisor (CTSA) - Formal and regular meetings had been set up with the CTSA and the local Police Inspector from Chelsea Police Station. These had been effective in providing the Security Team with intelligence regarding the recent civil protests and disorder.
- 13.4 Poster Campaign - A poster campaign was to be put in place using Metropolitan Police posters to advertise their Confidential Anti-Terrorist Hotline telephone number to staff. Security will also explore the possibility with PEG of extending this to visitors. The campaign was being undertaken in discussion with the South Kensington Business Resilience Forum (SKBRF) which the Head of Security chairs until the end of December. The new Head of Security will continue to be an active member of the forum.

ACTION

- 13.5 South Kensington Business Resilience Forum (SKBRF) - The SKBRF had established a central data repository, joint contingency principles and a secure means of sharing data between members in the event of member(s) having to take emergency action. At the monthly SKBRF meetings the CTSA gave a threat and intelligence update. The Olympic Games including the Olympic Road Network, Exhibition Road Festival and Paralympics Games were standing agenda items. The Museum was taking part in the "Keep On Running" programme with the Olympic Delivery Authority. A staff travel survey which closed on 18th November was currently taking place.
- 13.6 Security Management Group - The Head of Security had established a Security Management Group with members from across the Museum. The aim was to establish a Key Assets Register to identify the assets to be protected, and develop a Security Risk Register.
- 13.7 CCTV Network - It was noted that the Museum CCTV network was digital. The Security Team will be reviewing CCTV across the wider Estate to ensure that the images were sufficient for evidential purposes.
- 13.8 Security Enhancements Project - The Security Enhancements Project was granted £400k by the Museum Programme Group (MPG) to review and prioritise the implementation of recommendations made by the CTSA during a Counter Terrorism Security Survey of the site. A feasibility study in August 2011 identified that a further £570k was needed over three years. A bid for funding had been submitted to MPG.
- 13.9 The Security Enhancements Project had four priorities: (a) Counter Terrorism measures at South Kensington; (b) Security enhancements at South Kensington; (c) Security enhancements at Tring; and (d) Security enhancements at the South London Storage Facility. Following the break in at Tring and the reduction of the National Threat from international terrorism in July 2011 Tring and the South London Storage Facility had been reprioritised to the top of the list.
- 13.10 Car Parking - The Counter Terrorism measures at South Kensington related to the vehicle entrances at Museum Lane and Queens Gate. In addition, if it was considered appropriate the NHM would close the Museum car park. It was observed that the parking on Exhibition Road was for residents.
- 13.11 First Aiders - A target of 50% of the Security Staff to be First Aid qualified had been set and this will be achieved by December 2011.
- 13.12 DCMS Cascade Process - The Chair of the Audit & Risk Committee recommended that the new Head of Security liaised with DCMS on the need for a structured cascade process to museums and galleries in the event of a terrorist incident or civil disorder.

NG/SC

(b) Update on the Implementation of the June 2011 Collections Security Report Recommendations

- 13.13 Electronic Pass System - The Head of Security agreed with the observations by the Head of Risk & Assurance in her report on Collections Security. The Head of Security explained that the current electronic pass system was closed protocol and expensive to extend across the site. Research into other electronic and wireless pass systems, however, showed they were either more expensive or not suitable. A Physical Security Information Management (PSIM) software tool had recently emerged that enabled the current electronic pass closed protocol system to be integrated with other unconnected security systems. This would allow, for example, the triggering of NHM CCTV by the activation of a door alarm.

ACTION

- SC 13.14 Three Security Staff will be permanently attached to access control duties and will be trained on the electronic pass system by the provider in December 2011.
- 13.15 Olympic Games – The Head of Security alerted the committee members to the fact that the Olympic Games would give rise to: (a) increased security issues; and (b) considerable travel disruption for staff and museum suppliers.
- 13.16 The Chairman and members thanked the Head of Security for his informative presentation and congratulated him on his new appointment.

14. ANY OTHER BUSINESS

- 14.1 There was no other business

15. DATE OF THE NEXT MEETING

- 15.1 The next meeting will be held at 10.00 a.m. on Thursday 9th February 2012 5th Floor North East Building, Meeting Room NE507.

KEY TO ACTION INITIALS

- Michael Dixon - MD
Sharon Ament - SA
Ian Owens - IO
Neil Greenwood - NG
Jan Day - JD
Stuart Craik - SC
David Sanders - DS
Rob Cook - RC