

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

71st Meeting on Thursday 11th February 2016

Present

Dr Derek Langslow in the Chair
Professor Sir Roy Anderson
Dr Kim L Winser OBE
Hilary Newiss
Mark Richardson (co-opted member)

In Attendance

Colin Hudson (co-opted member designate)
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)
Paul Keane (Director, National Audit Office)
Matthew Atkinson (Audit Manager, National Audit Office)
Nick Buxton (Partner, BDO)
Anjali Kothari (Partner, Kingston Smith)

Justin Morris (Director of Public Engagement) was in attendance for items 1 to 9.

Dave Thomas (Head of Technology Solutions - TS) and Chris Sleep (TS Systems & Information Manager) were in attendance for item 10.

Kerry Gilliland (Acting Internal Communications Manager) and James Downs (Acting Head of Security) were in attendance for item 13.

Sarah Long (Registrar) and Clare Valentine (Head of Collections Zoological & Microbial) were in attendance for item 14.

Due to the length of the agenda the Chair of the Audit & Risk Committee decided in discussion with the Head of Risk & Assurance and the Museum Director to postpone items 15 and 16 to a later meeting.

ACTION

The Chair of the Audit & Risk Committee welcomed Colin Hudson to his first meeting. Colin Hudson was observing the meeting prior to his formal appointment as a co-opted member of the Committee in May 2016. Colin Hudson was replacing Mark Richardson (co-opted member) who was retiring from the Committee.

ACTION

1 APOLOGIES FOR ABSENCE

1.1 None were received.

2 DECLARATIONS OF INTEREST AND REGISTER OF INTERESTS (PAPER TAC 1/2016)

2.1 These were noted by the Secretary to the Audit & Risk Committee.

3 MINUTES OF THE MEETING HELD ON 12 NOVEMBER 2015 (PAPER TAC 2/2016)

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

4. MATTERS ARISING FROM THE MINUTES

4.1 Monthly Management Accounts - para 6.8 and 6.9 - Work had taken place on a revised format for the Management Accounts.

4.2 Cyber Security - para 10.4 - The Head of Technology Solutions (TS) and TS Systems & Information Manager were attending later in the meeting to report on amongst other things E-Shop testing. It was observed that the Museum had recently received a grant which would involve the holding of confidential data.

5. AUDIT & RISK COMMITTEE TERMS OF REFERENCE, ANNUAL CYCLE OF INFORMATION AND AUDIT & RISK CHARTER AND STRATEGY (PAPER TAC 3/2016)

5.1 The Head of Risk & Assurance presented the terms of reference, annual cycle of information and the Audit & Risk Charter and Strategy. The documents which were brought to the Committee annually in February were confirmed by the members.

5.2 Audit & Risk Charter & Strategy - The Audit & Risk Charter & Strategy which codified actual practice had been updated to be compliant with the Cross Government Internal Audit Manual October 2015.

5.3 Quality Assurance and Performance Measures - The last independent external assessment of the Internal Audit Service's effectiveness was at least 10 years ago. A review would be required if the external auditors wished to place reliance on internal audit's work. The Head of Risk & Assurance agreed to investigate who could carry out such a review and at what cost.

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5.4 Risk Management - The Head of Risk & Assurance agreed to amend the wording relating to risk management to make it clear that risk management processes were reviewed on a regular basis.

6 DIRECTOR'S REPORT (PAPER TAC 4/2016)

6.1 The Director presented his paper

6.2 Visitor Numbers and Heightened Security Following the Terrorist Attacks in Paris - Since the Paris terrorist attacks on 13 November 2015 visitor numbers previously on an upward trajectory were down by 100,000 (10%) on prior year. The half-term holiday period 13-21 February when families come into London from the provinces may indicate whether this was continuing. A number of changes were implemented to security procedures immediately after the attack.

ACTION

- 6.3 There had been no change in the pattern of items found as a result of bag searching and no increase in website visits. It was noted: (a) the fall in visitor numbers may be partly attributable to the closure of the Dinosaurs gallery in January 2016; and (b) bookings in the hospitality sector following the Paris attacks were still down for the half-term period. Quarterly data was not available to confirm whether the fall in visitors was due to fewer foreign or domestic visitors. Museum intelligence suggested that peer institutions were encountering the same reduction in visitors. The Dinosaurs gallery will reopen for half term.
- 6.4 Outcome of Spending Review - SR2015 - Generally Government Departments had not received their grant allocation letters. The Museum had not received formal allocation letters from the Department for Culture Media and Sport (DCMS), however, these were imminent. The Museum had been told informally by DCMS that NHM will receive an unexpected additional capital settlement of c£ 7.3m. Intelligence suggested the funding was at the instigation of the Treasury for the purpose of backlog maintenance. DCMS bodies had been criticised for significant capital underspends. As a result DCMS were moving to dynamically managing capital expenditure from the centre. If the additional capital allocation cannot be spent in 2016/17 it must be returned to DCMS to be reallocated to another body. The Museum will look to mitigate this risk and advance projects which had been delayed in anticipation that the outcome of SR2015 would be less favourable.
- 6.5 It was noted that there was a long lead time for back log maintenance work identified by the Condition Survey and the Estate & Buildings Advisory Committee.
- 6.6 Special Exhibitions - 'Otherworlds – visions of our solar system' opened a few weeks ago and was currently running behind plan. The Wildlife Photographer of the Year (WPY) was improving, however, it was 4.5% off target. Press reports and BBC coverage of WPY was good. The initial weeks after opening may have been lower than expected due to the longer run of the WPY exhibition in 2014/2015.
- 6.7 Collections Storage - The Museum was pursuing a number of opportunities with commercial developers one of which had been referred to in the press. A commercial partner may wish to work with the Museum due to planning obligations under Section 106 of the Town and Country Planning Act. These aimed to balance the pressure created by a new development with improvements to the area which make a positive contribution. The government announcement that money would be available to solve the storage needs of the British Museum, the Science Museum and the Victoria & Albert Museum (V&A) had not changed the Museum's relationship with the three museums. The Museum was collaborating with the Science Museum on a number of projects. The V&A was working on the E20 and Three Mills project.
- 6.8 Trustee Appointments - The NHM was recruiting two new trustees. The Chair of the Board will take part in a sift in the week beginning 15 February 2016 for a senior scientist and a property specialist.
- 6.9 Head of Security - A replacement Head of Security had been appointed to start at the end of April 2016. His background was in major incident control at Thames Valley Police. The previous Head of Security networked widely in the security industry and was, therefore, vulnerable to head hunting. He had made many positive changes to the NHM security function. A new challenge and a significant reduction in his daily commuting time outweighed any action the Museum could take to encourage him to stay.

ACTION

- 6.10 Review of Outstanding Audit Recommendations - The Head of Risk & Assurance and the Museum Director reviewed the audit recommendations outstanding from previous audits. The Customer Relationship Management (CRM) project was now advancing well and the prospect of resolving Payment Card Industry (PCI) compliance was becoming a reality. The PCI Security Standards Council (PCI SSC) had issued a new Payment Card Industry Data Security Standard version (PCI 3.1). An advisory report to the Digital Strategy Board on PCI3.1 compliance was being prepared by the Senior Business Analyst over the next 2 months.
- 7 DIRECTOR OF FINANCE & CORPORATE SERVICES' FINANCIAL REVIEW FOR THE PERIOD APRIL 2015 – DECEMBER 2015 (PAPER TAC 5 (a) /2016)**
- 7.1 The Director of Finance and Corporate Services presented his paper. The report showed actual expenditure to the end of December 2015. It was compared with an updated annual forecast following a significant review of income and expenditure.
- 7.2 General Fund – It was forecast there will be a General Fund balance at the 2015/16 year end of £12.130m which was above the original budget approved by the Trustees in November 2014.
- 7.3 Operating Surplus - There was a forecasted increase for the in-year operating surplus. However, there had been a significant reduction in self generated income streams which had previously been raised as early warnings. A revised forecast outturn for 2015/16 with a net reduction had recently been prepared following a review of targets based on the three quarter year position. This had been offset by planned reductions in discretionary operating expenditure and by unplanned reductions e.g. energy savings.
- 7.4 Operating Expenditure - The forecast outturn was below the original budget reflecting: (a) savings in exhibition programme expenditure arising from a reassessment of the future programme; (b) savings in the salary budget and the energy budget; (c) other planned revenue savings; and (d) a business rates rebate.
- 7.5 Capital/Project Expenditure - As part of the budget preparation for 2016/17 the October Executive Board Planning Conference had released funds (£3.5m) held previously for capital projects and capital investment which had now either been cancelled, postponed or reduced. Capital / project expenditure for the year was still anticipated to outturn at c10.5m in line with last year. This was positive in terms of project delivery.
- 7.6 The work on the Museum App had been scaled back reflecting a loss of sponsorship and the Waterhouse Link had been deferred for a few years. The Planning Conference in preparation for the budget going to Trustees in November had also made the decision to reduce in-year investment in: (a) scientific capital equipment; and (b) the core estate from £1.8m to £1.3m and postpone Estates projects.
- 7.7 Unless unspent Museum capital funds were restricted in use for capital projects they were returned to the general fund. The additional 2016/17 capital settlement of £7.3m could be restricted for backlog maintenance. It may be possible, however, to proceed with some capital expenditure which had been postponed. A strategic decision on capital priorities will be taken by the Executive Board Spring Planning Conference.
- 7.8 Procurement Rules - It was noted under the Museum's procurement rules there was a long lead time for the purchase of significant items of capital as these required a business case and tender process e.g. scientific equipment and core estate projects. The Waterhouse Link had reached the detailed capital expenditure design stage. However, to proceed with the Waterhouse Link at the same time as redeveloping the Hinzte Hall displays would be very challenging logistically and operationally.

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- 7.9 Digital Collections Programme - To bring forward projects in the Digital Collections Programme was very difficult and expensive. It would require the introduction of new technological processes to improve the speed of object digitisation. In addition, the Digital Collections Programme was an operating expense rather than capital expenditure.
- 7.10 Salary Budget - Salary savings related to Development and Science Group vacancies. The science salary savings partly reflected: (a) difficulties in recruiting senior scientists; and (b) a change in strategic direction.
- 7.11 Self Generated Income - The Museum Director and Executive Board were implementing improvements to the scrutiny of commercial performance and the frequency of reforecasting. There was currently a delay between re-forecasting and reporting revised data to the Audit & Risk Committee and Main Board.
- 7.12 Aggressive income targets had been set at the same time as business improvements were being implemented and embedded. This may have contributed to the delay in highlighting that some businesses were not achieving their 2015/16 targets.

8. COMMERCIAL INCOME PERFORMANCE 2015/2016 (PAPER TAC 5 (b) /2016)

- 8.1 The Director of Public Engagement presented his paper.
- 8.2 There followed a thorough discussion on the performance of a range of visitor facing businesses. Whilst the Committee accepted there were challenges in delivering against their targets it was accepted this was partly due to forecasting. The Museum should continue to be ambitious and explore new business opportunities.

9. KINGSTON SMITH AUDIT PRE AUDIT LETTER YEAR ENDED 31 MARCH 2016 (PAPER TAC 6/2016)

- 9.1 The Kingston Smith Partner presented the Pre Audit Letter.
- 9.2 The Committee reviewed and approved the audit approach set out in the Pre Audit Letter for the year ended 31 March 2016. The letter and the audit timetable had been drawn up following a meeting with the Director of Finance & Corporate Services and his team.
- 9.3 Audit Fees - The Committee approved the estimated audit fees.
- 9.4 Audit Approach - The higher areas of audit risk were revenue recognition, debtors, cash sales and management override. Kingston Smith also: (a) attend retail stocktakes on a sample basis; and (b) looked analytically at the key income streams and their related costs.
- 9.5 FRS102 - The financial statements for the year ended 31 March 2016 will be the first set to be prepared under FRS102. Kingston Smith will ensure that any transitional adjustments in respect of changes coming into effect under FRS102 were not materially misstated and that the accounts format included all relevant disclosures.
- 9.6 Charities SORP - The new SORP provided guidance on how to apply FRS 102 to charity accounts.
- 9.7 Materiality - To ensure that all material items will be disclosed Kingston Smith had asked the Finance Team to provide evidence that items such as holiday pay accruals not deemed material for the Museum accounts were also not material for the Trading Company.

ACTION

10. HEAD OF RISK & ASSURANCE PROGRESS REPORT (PAPER TAC 7/2016)

- 10.1 The Head of Risk & Assurance presented her report.
- 10.2 External Audit Reliance on Internal Audit - In the light of the International Standards on Auditing (ISAs) the statement in the NAO Audit Planning Report 2015/16 presented at the November 2015 meeting “we liaise closely with internal audit and seek to take assurance from their work where their objectives cover areas of joint interest” did not reflect the extent to which External Audit was able to place reliance on Internal Audit work. The standards required the external auditors go through an onerous process including re-performance of internal audit work. Possible replacement wording was “as part of our audit process we will meet with the Head of Audit to understand the work program followed by Internal Audit for the year. We will also review the findings arising from that work as part of our risk assessment procedures and to help direct our audit work accordingly.” The external auditors agreed with the wording which they said reflected actual practice. The external auditors generally only placed reliance on internal audit where institutions had a high volume of low value transactions e.g. local authorities.
- 10.3 **Outstanding Recommendations Category 1 & 2** - The Committee reviewed a log of outstanding recommendations with a priority 2 classification or higher which was maintained by the Head of Risk & Assurance.
- 10.4 Cash Office Operations - It had been two months since there had been a completed spot check of the Cash Office. Two members of the Finance Team went down on 26 January 2016 but due to logistical reasons were unable to complete the check. The Director of Finance & Corporate Services said he would follow this up.
- 10.5 Standard Scientific Visitor Access Procedures - The current target date for the implementation of Standard Scientific Visitor Access procedures recommended in the report on Collections Security June 2011 & Collections Auditing April 2014 was April 2016. Sarah Long (Registrar) reported on Visitor Access Procedures progress at item 14. The Museum Director had followed this up with the Head of Collections Committee. The delay was due to the need to harmonise the different approaches used by each collection.
- 10.6 Pest Management - The report by the Head of Risk & Assurance on pest management was taken under item 14.
- 10.7 Cyber Security - Members reviewed the report on Cyber Security in discussion with the Head of Technology Solutions (TS) and the TS Systems & Information Manager/TS Security Officer. In the report the Head of Risk & Assurance summarised the reviews performed by independent IT security consultants on: (a) the external and internal network security; (b) the new Finance System; and (c) the Museum Website. Web Application Testing of the new Museum E-Shop had been delayed due to technical difficulties.
- 10.8 In line with good practice testing the resilience of the Museum’s external and internal network security was carried out approximately every two years by outside consultants. In addition, new applications were tested before they went live, for example the E-Shop and the CRM system.
- 10.9 The Head of TS accepted the recommendations in the report. The report also outlined positives e.g. the minimal amount of NHM ports significantly reduced the attack surface. TS will investigate the emerging technical improvements recommended by the consultants. If appropriate TS will submit a business case to the Digital Strategy Board who oversee strategic investment. Last year TS installed a Next Generation Firewall (NGF) - Intrusion Prevention System (IPS) “Palo Alto”. This monitored all inbound and outbound traffic on the Museum internal network and public wifi facility.

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ACTION

- 10.10 Legacy Applications - Bespoke scientific legacy applications will be retired or migrated during phase 3 of the web project.
- DT/CS 10.11 Cyber Security Awareness - The cyber security awareness culture was improving and viruses had been reduced by 55% this year. Social engineering attacks were high risk and the prime defence was education. As recommended by the Head of Risk & Assurance from 18 January 2016 the Museum had introduced a mandatory e-Learning course on Online Security and Cyber Awareness. All staff were asked to complete the course within the first four weeks of launch. Members recommended that once the training had been completed TS test to assess if the course had been successful in improving cyber security behaviour.
- 10.12 The Museum had not implemented: (a) two-factor authentication (2-Step Verification) technology; or (b) formatting rules to highlight when an email came from an external source. The TS Helpdesk, however, responded rapidly to incidents and publicised the threat via the intranet and global email. Serious incidents due to staff behaviour were reported to line managers and dealt with via Human Resources disciplinary procedures.
- DT/CS 10.13 National Cyber Crime Unit - It was noted that the recently established National Cyber Crime Unit considered cybercrime to be one of the most significant threats to the UK. There had been no active dialogue between the Museum and Unit, however, the Museum was able to contact them. It was agreed that the IT Security Officer will investigate further and incorporate into emergency procedures.
- 10.14 E-Shop Testing - E-Shop check out capacity had been set at 10 times normal usage. Testing by the IT consultants was at a level far beyond that capacity. A member with retail experience observed that 10 times was not alot. It was noted that during the procurement stage consideration was given to obtaining sufficient licences for the E-shop software engines to enable the mitigation of scalability and maintenance issues. The Project Board could not, however, justify the cost commitment required. The E-Shop had been reconfigured to facilitate testing. Once acceptance testing was completed the testing by the external IT consultants will be rescheduled in March 2016.

11. RISK & ASSURANCE DRAFT PROPOSED PLAN 2016/17 (PAPER TAC 8/2016)

- 11.1 The Head of Risk & Assurance presented her plan.
- 11.2 The Committee were asked to consider and comment on the proposed Risk & Assurance plan for 2016/2017. The Committee will reconsider the draft plan in May 2016 in the light of the definitive, ranked list of 2016/2017 major corporate risks to be presented at that meeting. It was requested that the co-opted member (designate) advise on the plan.
- 11.3 Payment Card Industry (PCI) Testing - Under the PCI Security Standards Council (PCI SSC) standards quarterly internal and external vulnerability scans were required together with annual internal network penetration testing. The TS Team were taking advice from a PCI consultant on PCI testing and the required scope. As noted earlier an advisory report on PCI3.1 compliance and cyber security testing was being prepared by the Senior Business Analyst for the Digital Strategy Board.

12. MAJOR CORPORATE RISKS 2015/16 & 2016/2017 (PAPER TAC 9/2016)

- 12.1 The Director presented his report on Major Corporate risks.

Major Corporate Risks 2015/16

- 12.3 Fall in Resource Grant in Aid - The risk was now green following the spending review which gave DCMS a good settlement.

ACTION

- 12.4 Development Activities - The risk had fallen with the appointment of a Director of Development and other key staff. The signs for fund raising projects were good.
- 12.5 Collections Storage - The score for the risk had not changed. There had, however, been a lot of work over the last two months. There will be a full report to the Board of Trustees. It was a large and expensive project and a number of the Museum collections were not held in ideal conditions.
- 12.6 New Employment Offer - The risk had gone green as the Employment Offer Project had been completed. A pay increase was implemented in the January 2016 pay run.
- 12.7 Self-generated Income Growth – The committee received a presentation on the risk at item 8.
- 12.8 Engaging Effectively with the New Government - The risk had gone green following the spending review announcement which was far better than forecast for museums.
- 12.9 Not Deploying Stakeholders Effectively - The score for the risk had not changed and will be addressed by the activities of the Development Team.
- 12.10 Science Research Income - The score for the risk had fallen. The Museum had been awarded a research grant by the Bill and Melinda Gates Foundation on parasites and their vectors. In addition, there were opportunities for more biological research grants from other large philanthropic organisations. Geological research grants were more difficult to obtain as they relied on industry. UK Research Council funding was very competitive and was becoming more competitive.
- 12.11 Cultural Change - The score for the risk had not changed. The new Museum Strategy was well embedded. The Museum Director observed more work was needed on embedding the brand internally. Public sector organisations embed cultural change very slowly, however, progress had been made during the year.
- 12.12 Managing Conflicting Project Priorities - The score for the risk had not changed.

Major Corporate Risks 2016/17

- 12.13 Towards the end of each fiscal year the Executive Board and Senior Management Team consider the major risks the NHM faces to the delivery of objectives. Managers routinely think about risk in three specific categories: (a) risks NHM will always be exposed to because of the nature of the organisation. These will be treated as long-term inherently high risks e.g. security; (b) risks NHM is exposed to because of the external environment over which the Museum had little control e.g. terrorist attacks. On some occasions the profile of these risks may take on such significance that, although we can do little to reduce the likelihood of the risks, the impact can be mitigated as a major corporate risk; and (c) risks that the Museum imposes upon itself as the result of business decisions pursuing a particular strategy or strategic objective. The last category (c) were the most appropriate for identifying major corporate risks.
- 12.14 The Chair of the Audit & Risk Committee observed members and the Museum should focus on 10 major corporate risks where positive action could be taken to reduce the likelihood of the risk.
- 12.15 Social Factors - It was observed that the employment prospects for new technology graduates were very good and this will affect the ability of the Museum to recruit.
- 12.16 Cyber Security - Cyber Security and cyber-attacks were a long term inherently high risk.

ACTION

- 12.17 Pensions - The Employment Offer Project did not include pensions. In the spending review HM Treasury announced that DCMS arm's length bodies would be given freedom to withdraw from the Civil Service Pension scheme. The Museum was looking at pension provision due to the high rate of the employer's pension contribution. There was a meeting with the trade unions in the afternoon of 11 February when the Museum's options relating to pensions will be raised. The Head of Human Resources was preparing a paper on pensions for the Board of Trustees. DCMS and the Cabinet Office had imposed an embargo on withdrawal from the Civil Service Pension scheme pending the setting up of a forum to discuss implementation of the freedom.
- 12.18 The V&A were avoiding this embargo by their announced plans. All new V&A staff will be employed through V&A Enterprises Ltd - the commercial arm of the museum. It was noted the Universities Superannuation Scheme (USS) was closing the final salary scheme and moving to a career average scheme for all staff from 1 April 2016.
- 12.19 Pensionable Age - Changes to pensionable age were changing end of career planning for long-serving staff. Mandatory retirement was abolished in the United States in the late 1980s and as a result there were curators in their 80s at the Smithsonian Museum. The NHM was currently managing long serving staff by performance management and setting challenging performance management objectives.
- 12.20 Performance Management - A robust performance management system was required for: (a) managing pensionable age; and (b) the introduction of performance related pay. Performance related pay was also on the agenda of the 11 February meeting with trade unions.
- 12.21 Managing Conflicting Project Priorities - In anticipation of the spending review projects were cancelled, postponed or reduced. As a consequence of the positive outcome of the spending review and the unexpected additional capital settlement of c£ 7.3m these will be looked at again. An increase in score may mean the risk should be carried forward to 2016/17.
- 12.22 HR Management - The Chair of the Board observed the complex HR management issues in relation to pensions, performance management and the trade unions should be a major corporate risk.
- 12.23 Unknown Unknowns - Donald Rumsfeld referred to the unknown unknowns, the risks we don't know we don't know. These risks were likely to have the greatest negative impact on the Museum. In assessing risk the Museum looked back at the corporate risks over the years and also looked at emerging risks. It was observed the impact of the Paris attacks on NHM visitor numbers was a good example of an unknown unknown.
- 12.24 Visitor Numbers - The collapse of visitor numbers due to a flu pandemic or terrorist attack in London was a possibility. It was not, however, predictable over the next 12 months and the Museum could do nothing to reduce the likelihood of it happening. If it occurred the Museum must of course act promptly to reduce the impact. Corporate risks, however, were generally risks where the Museum can take action to reduce both the likelihood and impact of the risk. Terrorism in London was, therefore, a long term inherently high risk.
- 12.25 E-Shop - The commercial performance of the Museum was heavily reliant on physical visitors to the Museum. If NHM visitor numbers collapsed the current scalability of the E-shop was not sufficient to allow the Museum to be fleet of foot and significantly increasing web sales quickly. The Museum Director agreed scalability of the E-shop should be reconsidered.

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ACTION

- 12.26 EU Referendum - If the UK were to leave the EU the impact on scientific research income due to the loss of EU grants would likely be significant from 2017/18. The Museum was currently working on a large collection's infrastructure Horizon 2020 consortium bid. Scientific research income was not significant, however, in terms of total trading activities. It was also noted 65% of visitors came from overseas including the EU.
- 12.27 Political Activity - The Director of the V&A had been talking about the EU in the press. It was noted, however, there was a period of 'purdah' immediately before an election or referendum, when there were restrictions on the political activity of civil servants and arm's length bodies.
- 12.28 The Executive Board and Senior Management Team will present a final list of 2016/17 Major Corporate Risks for approval at the next Audit & Risk Committee on 5 May 2016.
- 13. PHYSICAL PENETRATION REPORT BY THE ACTING HEAD OF SECURITY AND THE ASSISTANT INTERNAL COMMUNICATIONS MANAGER (PAPER TAC 10/2016)**
- 13.1 Threat Levels - The current UK terrorism threat level was Severe: this meant that a terrorist attack was highly likely. There had been recent attacks in Southern Ireland and the Continuity IRA had claimed responsibility. The threat to the UK from Northern Irish Terrorism was moderate. The acting Head of Security monitored government threat levels and allocated appropriate staff resources and security procedures.
- 13.2 Physical Penetration Tests - A firm of outside security consultants had carried out a programme of physical penetration tests at the Museum on 22 October 2015. The testing was based on assessed credible threats which included the threat of terrorism, extremists, protesters and individuals working on a lone wolf principle to test the Museum reaction to the threats. Overall the findings were positive, however, there were areas where improvements were needed.
- 13.3 Actions and Communications Plan - An actions and communications plan had been put together to raise employee awareness and encourage staff to act in a 'security savvy' way both in the Museum and in relation to their own personal safety. In December 2015 there was intranet security notice with Run, Hide, Tell, staying safe messaging. In January 2016 the new e-Learning course on Online Security and Cyber Awareness commenced.
- 13.4 Main Campaign - The main campaign begins in March 2016 using intranet notices and a series of 4 interconnected posters which will be displayed at entrances and exits. There will also be a new wallet sized security awareness card accompanied by a poster campaign "Got Your Security Awareness Card". The cards will be distributed to all staff via Departmental Administrators and the Big Welcome induction.
- 13.5 Other communication channels will also be used such as Policy Briefings, the Senior Management Team, NHM Updates and the in-house staff magazine. There will also be: (a) a table top exercise for the post room; (b) improvements to end of day front of house procedures; and (c) a meet the Security Team event to explain security measures. To evaluate the success of the campaign there will be a SurveyMonkey online questionnaire and face-to-face 'interviews' with staff. The Acting Head of Security and Head of Risk & Assurance will then make a decision on whether there was a need for further penetration tests.
- 13.6 Members reviewed the printed communication material presented. The Chair of the Audit & Risk Committee thanked the Acting Head of Security and the Assistant Internal Communications for their informative presentation and commended them on the comprehensive package of actions.

ACTION

14 UPDATE ON COLLECTIONS AUDITING AND PEST MANAGEMENT BY THE REGISTRAR AND HEAD OF COLLECTIONS ZOOLOGICAL & MICROBIAL (PAPER TAC 11/2016)

Collections Audit Update

- 14.1 The Registrar presented her report.
- 14.2 Audit Plan - The majority of the audits due in the first three quarters of the year had been undertaken or were in progress. There were only two outstanding: (a) Human Remains Audit this had been delayed pending the recruitment of a 6 month post to undertake the work; and (b) a full audit of the gem collection was being undertaken by a new curator. There had been a significant cultural change as audits were now embedded in work plans.
- 14.3 A number of cross museum activities had been reprioritised in discussion with the Director of Science. The Acquisitions audit, for example, will not be completed largely due to the volume of work for the new Treasures Touring Exhibition Programme.
- 14.4 Museum's Accreditation Scheme - In October 2015 the Museum retained its fully accredited status with the Museum's Accreditation Scheme administered by the Arts Council. There was only one area for improvement which related to documentation. This wasn't unexpected and reflected the challenges faced by NHM and other natural history collections managing large, diverse and historical collections. The Museum was contributing to a review of the Collections Trust SPECTRUM documentation plan used by the Accreditation Scheme.
- 14.5 EU Nagoya Regulations - Following an enquiry from the Committee the Registrar gave an update on EU Nagoya Regulations. The Museum did not expect guidance from the UK until after the EU Guidance was approved in April 2016. As a result there was still uncertainty as to whether the majority of the taxonomic research undertaken by the NHM was covered by the regulations.
- 14.6 External Audits - The Museum had external audits of its collection activities. In January 2015 and November 2015 two spot audits were carried out by the imports team at the Animal and Plant Health Agency (APHA). In addition, the Human Tissue Authority (HTA) with whom we have good relations will be inspecting the Museum on 17 February 2016. Museum research had changed considerably since the last inspection and the new inspection provided an opportunity to review NHM procedures.
- 14.7 Annual Assurance - The Chair of the Audit & Risk Committee commended the Registrar on the progress made since the Collections Management Audit in 2014. The Trustees statutory duty, however, included the care of all the collections. As discussed previously Trustees would like to see some kind of annual assurance over the entire collection. However, members did not wish to create a bureaucratic burden and accepted that due to the number of specimens c.80 million this was challenging. The Registrar responded this could be provided by an annual report on the yearly audit plan which focused on high value collections and fed into: (a) forward job plans; and (b) a quarterly progress check by the Registrar. The annual report could also include the Collections Programme project currently called "Join the Dots" which will further demonstrate improvements over the care of the entire collection e.g. documentation, access and storage.
- 14.8 The 2011 Collections Security Report included a recommendation which was not taken forward that Science Group and the Director of Science provide an annual factual assurance setting out: (a) what measures were taken to manage the risks to the security of the collections; (b) what measures could not be taken e.g. due to lack of funding; and (c) those risks which were beyond their control. The assurance could be used to support a case for more resources and funding. The Registrar agreed and observed it could also be used to prioritise collection needs based on science and strategic priorities.

ACTION

- IO/SL 14.9 The Chair of the Audit & Risk Committee requested that an annual assurance statement which covered the care of the entire collection of c80m specimens during 2016/17 was brought to the Audit & Risk Committee in May 2017.

Integrated Pest Management

- 14.10 The Head of Risk & Assurance presented her December 2015 report on Integrated Pest Management. Members reviewed the report in discussion with Head of Collections, Zoological & Microbial.
- 14.11 The key findings related to: (a) formalising the role of IPM coordinator into a full time post; (b) there should be more visibility of the pest control contract to the Integrated Pest Management Group (IPMG) and others managing the contract; and (c) full consultation with IPMG to ensure the specification for any future pest control contract was adequate.
- 14.12 IPMG had participated fully in the consultation for the appointment of new Facilities Management (FM) contractors both hard and soft services IPMG had had full sight and involvement in the selection of the companies short listed. This had not been the case for previous FM contractors. The Head of Collections, Zoological & Microbial was confident that any future pest control contract will meet their needs.
- 14.3 The IPM coordinator had not yet been made a full time post. The Head of Collections, Zoological & Microbial was taking this forward and would be grateful for the support of the Committee.
- 14.4 Quarantine Facilities - The quarantine facilities at South Kensington and Wandsworth were now being used consistently to process collection loans, new acquisitions, exhibition and gallery deliveries and related packaging that could harbour pests.
- 14.5 Resources - Staff resources monitoring for evidence of pests in the collections were good. However, finding sufficient staff to monitor vulnerable material in gallery cases was sometimes difficult. There was a backlog of insect trapping data which has not been entered onto the Trapping Database. A fulltime IPM Coordinator would be able to oversee the collection and management of pest data, producing reports and analysing data.

15. PRESENTATION BY THE DIRECTOR OF SCIENCE ON THE MAJOR CORPORATE RISK “WE DO NOT ACHIEVE THE PLANNED GROWTH IN SCIENCE RESEARCH INCOME FROM TRADITIONAL SOURCES BY TARGETING NEW SOURCES OF FUNDING” (PAPER TAC 12/2016)

- 15.1 This item was postponed to a later meeting.

16. PRESENTATION BY THE DIRECTOR OF DEVELOPMENT ON THE MAJOR CORPORATE RISK “WE DO NOT DELIVER A STEP CHANGE IN OUR ABILITY TO RAISE FUNDS THROUGH DEVELOPMENT ACTIVITIES. (PAPER TAC 13/2016)

- 16.1 This item was postponed to a later meeting.

17. AUDIT & RISK COMMITTEE AND RISK & ASSURANCE EFFECTIVENESS (PAPER TAC 14/2016)

- 17.1 The Committee reviewed the effectiveness of the Audit & Risk Committee and Risk & Assurance team against HM Treasury and NAO good practice guidance. Both were found to be generally compliant with best practice.

ACTION

- 17.2 There will be a formal external review of the performance of the Audit & Risk Committee together with the Board of Trustees in the Spring 2016 to which members could contribute.

18 ANY OTHER BUSINESS

- 18.1 This was the last meeting that Dr Kim L Winsor, Professor Sir Roy Anderson and Mark Richardson were attending as members. The Chair of the Audit & Risk Committee on behalf of the Trustees and the Museum thanked them for all their work and their expert knowledge and contribution to Committee discussions.

19. DATE OF THE NEXT MEETING

- 19.1 The next meeting will be held at 10.00 a.m. on Thursday 5 May 2016

KEY TO ACTION INITIALS

Michael Dixon - MD
Jan Day - JD
Neil Greenwood - NG
Dave Thomas - DT
Chris Sleep - CS
Justin Morris - JM
Ian Owens - IO
Sarah Long - SL