



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

42nd Meeting on Thursday 13th November 2008

Present

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

In Attendance

Mr Oliver Stocken (Chair of Trustees)
Dr Michael Dixon (Director)
David Thorpe (Head of Audit and Assurance)
Neil Greenwood (Director of Finance)
Alan Carr (Head of Finance)
Damian Brewitt (Director, National Audit Office)
Nick Buxton (Partner, PKF)
Jan Day (Committee Secretary)

Paul Brereton (Director of Human Resources) was in attendance for item 9.
David Sanders (Director of Estates) and Teresa Wild (Director of Policy and Planning) were in attendance for item 10.

ACTION

- 1 APOLOGIES FOR ABSENCE**
 - 1.1 No apologies were received.
- 2 DECLARATIONS OF INTEREST**
 - 2.1 There were no declarations of interest.

ACTION

3 MINUTES OF THE MEETING HELD ON THURSDAY 3RD JULY 2008 (PAPER TAC 27/2008)

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

4. MATTERS ARISING FROM THE MINUTES

4.1 None were raised.

5 DIRECTOR'S REPORT ON SIGNIFICANT CONTROL ISSUES IDENTIFIED SINCE THE LAST MEETING (PAPER TAC 28/2008)

5.1 The Director presented his paper

5.2 Conclusion of follow-up activities after investigation of a Public Interest Disclosure – staff in the department concerned had been fully briefed and the matter was now closed.

MD

5.3

[REDACTED]

MD

5.4

Peer review for Museums and Galleries - the Museum had volunteered to participate in a pilot for a peer review scheme recommended by Sir Brian McMaster in his report "Supporting Excellence in the Arts". The report was commissioned by James Purnell the former Culture Secretary and had been endorsed by his successor. The peer review is to take place on 8th to 10th December 2008 and focuses on the Museum rather than scientific work. The DCMS peer review team will, however, meet the Mineralogy Visiting Group who will be in the Museum at the same time.

MD

5.5

Ministerial reshuffle - in the reshuffle announced in early October there were a significant number of changes to Ministerial responsibilities for Departments that overlap with the work of the Museum and this will be reflected in future NHM advocacy work.

MD

5.6

Building relationships - there had been changes in the DCMS officials responsible for Museums and Galleries. As a result the Museum will seek to build relationships with the new Director of Culture and Head of Museums. In addition, the Museum is engaging with the Shadow Culture team.

NG

5.7

The impact of the economic climate on the NHM – the Museum was monitoring key income streams to assess the impact on the Museum's finances. Apart from the events business where new bookings were slow and existing bookings were being reduced in value the effects had been limited. Visitor numbers and spend per head were holding up well.

DT

5.8

Risk Management – the Director had been working with the Head of Audit and Assurance on the new Risk Management Policy. Departments were being briefed on the new approach and structure of risk registers.

MD

5.9

The new risk registers will be included in Departmental plans for 2009 -2010 and will improve the 'bottom-up' part of the consideration of major corporate risks. The Director will report to the Audit & Risk Committee on this process in May 2009.

DT

5.10

Audit and Assurance Staffing - it had been decided for the time being to outsource some Internal Audit work and retain a reduced complement of in-house staff.

5.11

Following up Audit Report Recommendations – The Chairman was pleased to note that the Director was personally following up with managers any outstanding recommendations highlighted in follow up reports.

ACTION

5.12 Restless Planet – the bad debt provision remained unchanged. A payment had, however, been received in respect of the animatronics and passed on to Kokoro.

6 DIRECTOR OF FINANCE'S REPORT ON THE CURRENT FINANCIAL POSITION (PAPER TAC 29 (a) & (b) 2008)

6.1 The Director of Finance presented his paper.

6(a) Financial Review for the period April 2008 – September 2008

- NG 6.2 General Fund - the forecast year end outturn for the General Fund was £3.070m, and will underpin the preparation of the 2009-2010 budget which will go to the Board of Trustees on 25th November 2008. This was a reduction of £0.924m on the previous forecast but was an increase of £0.590m on the original budget approved by the Trustees in March 2008.
- 6.3 Conference and Events income - forecasted net profit had been reduced by £533k to £1.372m due to a drop in bookings and secured business. That will be reflected in the 2009-2010 budget but will be compensated in part by an increase in interest on cash balances compared to the original budget.
- NG 6.4 Darwin Centre Phase Two expenditure - an additional allocation of £1.745m for the museum contribution to DC2 was approved in principle by the DC2 Trustees sub Committee on 5th November 2008. This will go to the Board of Trustees on 25th November 2008.
- 6.5 Science salaries - there were savings for the first half of the year on posts which had been left vacant while decisions on work were made and to create flexibility. There will be no significant further savings as a number of new hires had recently started and, as planned, there were a number of short term appointments for short term projects. There was currently no intention to reduce the science salary budget in 2009-2010.
- 6.6 Capital expenditure – it was noted that the capital expenditure to date remained low and behind scheduled budget. This was the result of the capital settlement from DCMS being greater than expected and being received late. Capital planning had been put in place, a list of priorities drawn up and a number of projects were now underway.
- NG 6.7 Energy costs – the Museum was currently assessing the impact on the 2009-2010 budget of a massive increase in energy prices. The Museum procured electricity and gas once a year at a fixed rate through Office of Government Commerce (OGC) contracts. Gas was procured in April and the core energy electricity was procured in October. The Museum had just been informed that there was a c 50% rise on the unit cost of electricity and a larger rise was predicted for gas. It was noted there was provision in the 2008-2009 budget to cover energy rises in the current year.
- NG 6.8 Exhibitions Consultancy - the forecasted loss related to Restless Planet and this income will not be included in future budgets. The position may be alleviated by some new business currently being progressed and movement on the Restless Planet project.
- DT 6.9 It was noted that:
- MD/NG/SA (a) an internal audit review of exhibition consultancy was planned for early 2009; and
(b) there would be a strategic review of the area and the associated risk.

ACTION

6(b) Darwin Centre Phase 2 – Programme Directors Report

- NG 6.11 The report went to the Trustees Sub Committee meeting on 5th November 2008. The Sub Committee approved in principle a £1.745m increase in budget and asked the Director of Finance to take a paper to the next Board of Trustees for final approval. They also asked that the paper include a summary of key decision and budget revision points over the last 4 years.
- 6.12 Critical path - the public offer delivery schedule had been rebaselined but remained tight. The delivery of a vibrant viable public offer was considered to be a critical path item for the public opening which remained scheduled for September 2009. The Director of Public Engagement was now holding weekly public offer operational meetings. The recant of the collections was not considered to affect the critical path but may extend beyond September.
- 6.13 Public opening - concern was expressed by members that a tight deadline for a public opening in September 2009 may impact negatively on the public offer provision. It was noted, however, the timing of the opening was not fixed. In addition, the last OGC Gateway report recommended that the risks associated with a September 2009 opening deadline were identified and contingency plans were put in place based for different scenarios. The Museum was currently going through this process.
- NG
- 6.14 Expenditure forecast - the key points to note were:
(a) the final account for the construction had not been settled with BAM Construction UK, formerly HBG;
(b) aspirations for the David Attenborough Studio needed to be worked through with the fund raising committee;
(c) the Museum still had to go out to tender for the main external landscaping;
(d) recant costs had increased as more Entomology collections were being moved as opposed to Botany collections;
(e) quarantining the collections using a "Thermo Lignum" process had not been endorsed. The Museum had reverted to "freezing" which took longer and was more labour intensive. It was also logistically more challenging as up to five 40 ft freezer containers maybe needed on site.
- 7 HEAD OF AUDIT AND ASSURANCE PROGRESS REPORT TO NOVEMBER 2008 (PAPER TAC 30/2008)**
- 7.1 The Head of Audit and Assurance presented his paper.
- DT 7.2 Audit reviews – the Head of Audit was pleased to report that the residual risk of the systems and processes reviewed since the last meeting was low. He added that a review of the soundness of the Museum's Firewalls would take place before the end of the calendar year. This review would be managed by the Head of Audit, but undertaken by outside specialists.
- 7.3 Members agreed that the planned review of the implementation of phase 2 of the Museum's security project should be delayed until 2009-2010 as the project completion had been delayed.
- DT 7.4 Risk Management - the Head of Audit and Assurance had reviewed and revised the Museum's guide to risk management. A series of workshops shall be held to present and discuss the revised guidance with key staff across the Museum. Directors will be involved in the process.
- 7.5 The Chairman congratulated the Director and Head of Audit and Assurance on the risk management work being carried out, and the audit team for the progress made towards the achievement of the audit plan, despite staffing issues.

ACTION

8. NAO ISA 260 REPORT AND KINGSTON SMITH RECOMMENDATIONS 2007-2008 INCLUDING MANAGEMENT RESPONSES (PAPER TAC 31 (a), (b) & (c) /2008)

8.1 The PKF Partner presented the NAO ISA 260 Report

8.2 The management responses had been added to the NAO recommendations listed in Annex A and they were content with the responses.

8.3 Accounts Timetable 2008-2009 - the PKF Partner had met with the Director of Finance to review the procedures for 2007-2008 and improve the timetable for 2008-2009. At the meeting they had identified areas where work could be done prior to the year end and where processes could be simplified.

NG/AC 8.4 The Chairman of the Audit & Risk Committee and the Chairman of the Board requested an assurance that the timetable would be met and asked to be kept informed if it looked like it might not be met

NG/AC 8.5 Fixed asset register - the Chairman recommended a programme was put in place to ensure that the planned Finance Department review of assets over £50,000 was completed on a timely basis. It was noted that the latest Financial Reporting Exposure Draft on heritage assets from the Accounting Standards Board required heritage assets to be reported in the balance sheet. The National Audit Office Director, however, expressed the view that this requirement was unlikely to be mandatory as it was not in the public interest to spend public funds on revaluing assets which cannot be sold.

9 INFORMATION RISK MANAGEMENT (PAPER 32/2008)

9.1 The Director of Human Resources presented his paper.

9.2 The Museum had not been notified in time to achieve the Cabinet Office timetable for the implementation of the Hannigan recommendations. However, the HR Director had been appointed as the Museum's Senior Responsible Officer for information risk issues (SIRO) and a project team had been established to rapidly take matters forward. The team comprised the HR Director, the Head of Information, Communications & Technology (ICT) and the Head of Audit & Assurance.

PB 9.3 In addition, a programme was being put in place to achieve compliance with best practice and enable the Accounting Officer to provide an assurance that appropriate and effective controls were in place to manage information risks. This assurance will be given in the 2008/2009 Statement of Internal Control. The Head of Audit will provide his assurance on the whole system of internal control to the Accounting Officer and Audit & Risk Committee in his annual assurance statement.

9.4 The project team had decided that it was appropriate to implement the Hannigan recommendations that were not all mandatory where they applied to the context of the Museum. The Museum had recently received the Cabinet Office's Managing Information Risk guidance document which they would also take into account.

NAO 9.5 It was noted that the NAO were looking at combining the various pieces of guidance available into a user friendly document that could be issued to their clients. It was believed to be unlikely that any guidance would be forthcoming from DCMS.

PB 9.6 The Chairman recommended that all the information assets that hold personal data should be identified as a priority. The Museum also needed to be satisfied that the processes in place with external contractors e.g. payroll and pension providers were satisfactory.

ACTION

MD/PB 9.7 It was agreed that guidance regarding the transfer and removal of personal data would be issued to all staff immediately.

10. CORPORATE RISK PRESENTATIONS

(a) FAILING TO RESPOND ADEQUATELY TO THE THREAT OF TERRORISM

10.1 The Director of Estates gave a presentation on the corporate risk of “failing to respond adequately to the threat of terrorism” and the security controls the Museum had put in place.

DS 10.2 It was agreed that at a future meeting a more detailed presentation would be given on: (a) staff training and vigilance; (b) the problems of visitors queuing and future master plans; and (c) security at evening events.

DS SDO 10.3 The Chairman recommended that consideration should be given to organising a seminar on security issues to facilitate an exchange of information and ideas. He suggested that the Museum’s South Kensington neighbours including Imperial College, the Police and security services, should be invited to attend. The Chairman said he was willing to take part.

10.4 Members thanked the Director of Estates for the informative presentation.

(b) NOT HAVING EFFECTIVE PLANS TO DELIVER CAPITAL PROJECTS

10.5 The Director of Policy and Planning gave a presentation on the corporate risk of “not having effective plans to deliver capital projects”.

10.6 The context of the risk was that:

(a) there were two main centres of project management i.e. the Estates Department and Public Engagement Group. Projects were, however, carried out across the Museum using project methodologies largely based on PRINCE 2;

(b) as a result of the Comprehensive Spending Review 2007 the Museum had approximately £18m to spend on capital projects over the next three years; and

(c) the internal audit department had carried out a review of project management processes and issued a report in March 2008. The report made a number of recommendations which had now been adopted.

10.7 To manage this risk, the Museum had introduced a Programme Office, which will be a centre of excellence for project management. A Programme Manager was appointed on 20th October 2008 reporting to the Director of Policy and Planning. The Programme Office will have a coordinating function providing strategic oversight of the Museum’s portfolio of projects. It will scrutinise, challenge and where appropriate, escalate projects to Directors Group for approval. In addition, improvements to increase the Museum’s capability in project delivery, e.g. consistent risk management, change control and reporting, will be introduced.

10.8 In the short term, the Programme Office will focus on a selection of major projects as a pilot. The full roll out of Programme Office over all Museum projects will take place during the fiscal year 2009-2010.

10.9 It was noted that the Programme Manager did not have line management accountability for delivery of Museum wide projects. This was, however, clearly defined and lay with a responsible Director for each individual project.

ACTION

10.10 Chairman and members congratulated the Director and the Director of Policy and Planning on the innovation.

MD

10.11 Corporate Risk and Risk Management Presentations – it was agreed that two presentations would be selected by the Director for the next meeting. One of which would be from a science department. The relevant risk registers would be circulated with the Audit & Risk Committee papers.

JD

11 ANY OTHER BUSINESS

11.1 There was no other business

12. DATE OF THE NEXT MEETING

12.1 The next meeting will be held at 10.00 a.m. on Thursday 12th February 2009

13. The Audit & Risk Committee were given a tour of the Control Room by the Director of Estates

KEY TO ACTION INITIALS

Sir David Omand - SDO
Michael Dixon - MD
Neil Greenwood - NG
David Thorpe - DT
Sharon Ament - SA
Paul Brereton - PB
David Sanders - DS
Alan Carr - AC
Jan Day - JD
National Audit Office - NAO