THE NATURAL HISTORY MUSEUM
TRUSTEES’ AUDIT & RISK COMMITTEE

64th Meeting on Thursday 8th May 2014

Present
Dr Derek Langslow in the Chair
Professor Sir Roy Anderson
Mark Richardson (co-opted member)

In Attendance
Dr Michael Dixon (Director)
Neil Greenwood (Director of Finance & Corporate Services)
Jan Day (Head of Risk & Assurance/Committee Secretary)
Reshma Menon-Jones (Audit Manager, National Audit Office)
Nick Buxton (Partner, BDO)

Lord Green of Hurstpierpoint was in attendance up to and including item 5.

Stuart Craik (Head of Security) was in attendance for item 11.
Annette Fitzjohn (Health and Safety Manager) was in attendance for item 12.
Chris Hills (Head of Human Resources) was in attendance for item 15.
Rachael Casstles (Head of Internal Affairs) was in attendance for item 16.

ACTION

The Chair welcomed Lord Green of Hurstpierpoint the new Chair of the Board of Trustees and Reshma Menon-Jones (Audit Manager, National Audit Office) to their first meeting.

1 APOLOGIES FOR ABSENCE
1.1 Keith Lloyd (Director NAO) sent his apologies.
ACTION

2 DECLARATIONS OF INTEREST, REGISTER OF INTERESTS AND ANNUAL REVIEW OF GIFTS AND HOSPITALITY (PAPER TAC 14/2014)

2.1 The Declaration of Interests and Register of Interests were noted by the Secretary to the Audit & Risk Committee. Members noted the annual review of Gifts & Hospitality valued over £50, which recorded a nil return for 2013-14.

3 MINUTES OF THE MEETING HELD ON THURSDAY 13TH FEBRUARY 2014 (PAPER TAC 15/2014)

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

4. MATTERS ARISING FROM THE MINUTES

4.1 Revaluation of the Principal Civil Service Pension Scheme (PCSPS) - para 6.4 - Since the last meeting of the Committee, the Cabinet Office had issued further guidance on expected changes to employers’ PCSPS contributions. The increase from 2015-16 was 2.2%, rather than 7% as previously advised as an upper-end projection. The net effect of the increase was £600k per annum on salary costs. It was noted that: (a) pension arrangements can only be changed for new entrants; and (b) it was not possible to modify PCSPS scheme rules. The scheme rules gave new entrants a pension based on their earnings throughout their career.

4.2 Following discussion with the new Chair of the Board of Trustees, the Director and Executive Board will bring recommendations to the Board of Trustees in July 2014 on the issues to be considered on future superannuation costs and pension arrangements. It was agreed that the paper to the Board of Trustees would be submitted to the Audit & Risk Committee prior to going to the Board of Trustees.

4.3 NAO Review of Estate Management - para 6.9 - The report was due to be completed by the end of May 2014. The document was not to be published so that the process was completed in a timely manner without debate. The report will be subject to freedom of information requests, however, it will list best practice without identifying any of the participating organisations.

5 DIRECTOR’S REPORT (PAPER TAC 16/2014)

5.1 The Director presented his paper.

5.2 Funding Issues - The control issue which dominated since the last meeting related to funding. In February the Chancellor had presented his 2014 Budget to the House of Commons. The Committee reviewed an excerpt from the budget report. Museum resource funding was allocated by DCMS from its resource department expenditure limit (RDEL). RDEL is the residual amount after Annual Managed Expenditure (AME) is deducted from all Public Sector Current Expenditure (PSCE) which was dominated by Social Security costs. The figures project cuts to RDEL of 3.2% (2016-17), 3.4% (2017-18) and 1.0% (2018-19) respectively. The government has previously protected some departments and this amounted to approximately half of all RDEL. If this continued after the election, the cuts to unprotected Departments, including DCMS might be double the overall percentages. A plausible but extreme funding scenario might be resource grant-in-aid reductions of 6.4%, 6.8% and 2.0% respectively.

5.3 The Executive Board will be planning for a range of funding scenarios. Financial plans will be presented to trustees at the Strategy Day in September 2014. It was anticipated that funding cuts will be mitigated by increased income generation. However, the ability to meet the cuts by increased income will be dependent on the level of investment required and the economic outlook. If the worse case funding scenario were realised there may also be a need for further efficiency savings and restructuring to meet funding cuts.
ACTION

5.4 Capital DEL - Projections were more positive, but with an erratic trajectory - 3.5% growth in 2016-17, a reduction of 2.1% in 2017-18 and growth of 5.1% in 2018-19. Current levels of investment by government as capital grant-in-aid (c.£2.3m per annum against NHM property assets of c. £350m) were arguably inadequate to maintain the NHM estate in an appropriate condition. There was a need for the NHM and the Museum & Gallery sector to work on the case for increased capital funding, with DCMS and the Treasury.

5.6 Estate Condition Survey - The Museum had recently undertaken a condition survey of the Estate. The Chair observed that it was important that the Board of Trustees had a better understanding of the capital maintenance priorities and risks.

5.7 Public Liability Insurance - It was noted that the government self insures. Government organisations were not generally permitted to take out commercial insurance as it was better value for money for the taxpayer to cover its own risks. However, there were some circumstances where insurance was appropriate and the Museum had made a case for public liability insurance.

5.8 Attendance Figures 2013-14 - The annual total of 5.425m visitors was a fantastic achievement. It was noted the NHM was the only Museum with a consistent upward trend. In the 55 months since the Darwin Centre opened in September 2009, 43 had been records for that month. Queue wait times were compromising the visitor experience, however, the percentage of visitors who thought the museum was good/excellent at the end of their visit remained constant at c.96%.

5.9 Overseas Visitors - The current percentage of overseas visitors suggested that the increase in attendance was largely from overseas visitors. The high proportion of overseas visitors to domestic visitors, meant that the UK tax payer was subsidising overseas tourists. Government policy was, however, that museum’s remain free and cannot charge for access to the national collections. It was also noted that NHM charging policy must be the same for all EU citizens.

5.10 Donations - The Museum had ordered a new set of collections boxes to be trialled for a six month period. Following the trial period the box locations and the messaging will be reviewed to see which were the most effective in boosting donations.

5.11 Engagement with DCMS - The new Culture Secretary Sajid Javid visited the Museum on 7th May 2014 to attend a lunch to mark a donation of £5 million from Sir Michael and Lady Hintze, through the Hintze Family Charitable Foundation. It was expected that Sajid Javid will be a strong advocate for culture in discussions with the Treasury. Sue Owen, DCMS Permanent Secretary since the autumn of last year, was making a follow-up visit to the NHM on 9th May, having visited South Kensington for an introductory visit in January 2014.

5.12 David Attenborough's Natural History Museum Alive! - The Museum continued to receive very positive feedback on the Sky 3D programme broadcast on New Year's Day. The film had been nominated for a BAFTA for best specialist factual programme. The app, book and DVD were now on sale. Sky owned the copyright, however, NHM received a percentage of the profits plus a fee for the location filming.

5.13 Organisational Restructuring - Organisational restructuring was pretty much complete, though there were some key new appointments to be made in Public Engagement Group. Alison Purvis (Head of Development) had announced that she would be leaving the Museum at the end of May and a search for a Director of Development will commence shortly. This will be a high level appointment recognising the need to increase still further NHM fund raising capability.
ACTION

5.14 Trustee Appointments - NHM was waiting approval from DCMS to move forward on 4 trustee appointments. The first will be the Royal Society nominated appointment. There were five nominations from the President of the Royal Society and NHM will be working with the Nominations Committee on an appointment process and interviews will take place shortly.

5.15 Annual Trustees’ Dinner – The Director recorded his thanks to Frances Allen (Executive Assistant and Secretary to Board of Trustees) for delivering a very successful event to mark the retirement of Oliver Stocken (Chair) and Alex Halliday (Royal Society nominated trustee). This annual event was always a delight and this year the feedback from guests had been especially positive.

5.16 Review of Outstanding Audit Recommendations - The Director and Head of Risk & Assurance continued to review the audit recommendations outstanding from previous audit reviews. The Director was happy to report that any higher priority actions outstanding in follow up reviews had been scrutinised and plans were in hand to address them.

6 DIRECTOR OF FINANCE & CORPORATE SERVICES FINANCIAL REVIEW FOR THE PERIOD APRIL 2013 - MARCH 2014 - Provisional Year Outturn (PAPER TAC 17/2014)

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

6.2 General Fund - The provisional year end outturn for 2013-14 for the General Fund was £1.921m which was £0.169m above the December forecast and £1.340m below the original budget for the year of £3.261m. More significantly this was c£0.6m above the figure used to underpin the budget for 2014-15.

6.3 Net Self Generated Tradering - There were strong performances for Retail, Catering, Publishing, and Touring Exhibitions compared with the original budget. Conferencing and Events, continued on a positive trajectory following a dip in performance in prior years due to the economic outlook.

6.4 Resource - Operating Expenditure - There had been savings in the special exhibitions programme while the programme was reassessed following the arrival of Justin Morris, the new Director of Public Engagement. However some of the budget saving may be required to be carried forward to 2014-15. There had also been savings in other areas of public engagement expenditure during the restructuring and development of a new public engagement strategy. There was a less than anticipated increase in energy expenditure and some other estates costs. There had, however, been significant one-off restructuring costs.

6.5 Capital Expenditure - There had been some significant areas of intervention e.g. the quarantine and large vertebrate preparation area at Wandsworth. There had also been significant spend on core infrastructure work e.g. EG atrium roof, chiller and lift replacements. Expenditure had increased from prior years and exceeded the original budget. The difficulties of delivering planned capital expenditure had been recognised and significant progress had been made in 2013-14. However, spending the capital budget may still present a challenge in future years.

6.6 Visitor Related Income - It was observed that the gross margin on visitor related income shown in the management accounts was 3% below the original budget. It had arisen following the redistribution of salary costs from visitor services operating costs e.g. the information desk to special exhibition admissions. Although other exhibition costs e.g. marketing and fabrication were not included in admissions costs, individual exhibitions were managed on a profit & loss basis. It was noted that some special exhibitions were more financially successful than others. All the NHM business units shown in the management accounts with the exception of admissions were run on a profit & loss and gross margin basis which ensured that the allocation of costs was consistent.
6.7 Visitor Engagement Support Team (VEST) - The Museum was implementing a scheme for ‘back of house’ staff to contribute 90 minute sessions to managing ‘front of house’ activities during peak periods. The Chair observed that this would give staff a valuable insight into what it’s like to be a visitor and to work in the front line during peak periods.

6.8 Wildlife Photographer of the Year (WPY) - Veolia sponsorship for the WPY exhibition had now come to an end. The Museum was in discussion with other possible sponsors. The Museum received a net contribution from WPY touring and merchandising of c.£1m.

7 ANNUAL ACCOUNTS UPDATE 2013/14: DRAFT GOVERNANCE STATEMENT (PAPER TAC 18/2014)

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

7.2 Draft Governance Statement - The main internal assurance which the Chairman and the Accounting Officer needed in order to sign the statement was the annual report by the Head of Risk and Assurance - Agenda item 9. Other key internal assurance included the annual report from the Health & Safety Manager, and the Annual Security Report, including information risk and assurance - Agenda items 10 and 11. The key changes from last year’s statement were: (a) the major risks being managed during 2014-15; and (b) the significant internal control improvements during the year.

7.3 The Committee and those in attendance reviewed the statement and made recommendations. In particular it was noted that the board was required to give an assessment of its compliance with the Corporate Governance Code, with explanations of any departures.

Update on Accounts Issues - The update was noted by the committee. The quinquennial revaluation of land and buildings required under the International Accounting Standard 16 (IAS 16) and the Government’s Financial Reporting Manual (FReM) had been carried out by Gerald Eve LLP, chartered surveyors. Indexation was applied in the intervening years using indices supplied by Gerald Eve.

8 HEAD OF RISK & ASSURANCE ANNUAL REPORT TO THE ACCOUNTING OFFICER AND THE AUDIT & RISK COMMITTEE 2013/14 (PAPER TAC 19/2014)

8.1 The Head of Risk & Assurance presented her Annual Assurance and her report on Collections Auditing.

8.2 Annual Assurance - The Head of Risk & Assurance gave a reasonable assurance that an adequate and effective risk management and internal control framework was in place to ensure the proper conduct of business and the achievement of the Museum’s aims and objectives.

8.3 Information Risk - It is considered good practice by HM Government for Internal Audit to provide an opinion on the soundness of the controls in place to ensure the effective management of information risk. In addition, the Museum’s Information Risk Management Policy required the Head of Risk & Assurance to carry out an Annual Review of this area. A review was completed during the year and the Head of Risk & Assurance was able to submit a positive report to the Accounting Officer.

8.4 Audit Report Classification - Of the 24 internal audit reports issued during the year two been classified as category 2; medium to high risk; fourteen reports were classified as category 3, medium risk; seven have been classified as category 4 low risk and one due to the nature of the report was not classified.
8.5 **Performance Management** - The Risks & Assurance team had undertaken all the planned reviews with the exception of a review of Performance Management which was postponed. This was due to the implementation of a new strategy for performance management as set out in the HR Strategy 2014-2019.

8.6 The Chair asked that it was recorded in the minutes that he and the Committee congratulated the Head of Risk & Assurance and her team for completing the 2013-14 audit plan in such a timely manner.

8.7 **Douglas-White Review of Financial Management in Central Government** - The Committee noted the letter from Jon Whitfield (Head of Government Internal Audit) written to Sharon White (Second Permanent Secretary - Finance) setting out his plans for establishing XDIAS as an Independent Agency of the Treasury.

8.8 **Collections Auditing** – The Committee reviewed the report on Collections Auditing. This was classified as category 2 high priority due to the fact that the Museum was not fully compliant with: (a) best practice; and (b) its own Collections Access & Information Policy. The Chair of Collections Committee and Registrar who agreed with the report were not aware of the non-compliance. The Chair of Collections Committee had informed the Director of Science that the recommendations would be addressed in their work plan for 2014-15. The Director observed that it was disappointing that recommendations made in 2011 had not been implemented, however, it was not surprising due to operating issues and other work taking place within Science Group.

8.9 It was noted that some collections managers had found it difficult to draw up a documented plan to audit their collections as required by NHM collections policies. In these areas the key control was strict security and procedures to minimise the risk of something being stolen.

8.10 The Committee expressed strong concern that the Audit findings were almost identical to the 2011 report. While the Committee recognised the difficulty, cost and complexity of the issue, they nevertheless considered that the actions on the 2011 recommendations had not been properly followed up and thus allowed to lapse. New actions/strategies must be addressed so that the follow up audit later in the year identifies real progress.

8.11 The Director explained that he took a particular interest in high priority reports. The Director planned to discuss the report with the Head of Risk & Assurance at their next one to one. The Committee asked that: (a) the Director also discussed the report with the Director of Science; and (b) the Audit & Risk Committee received a comprehensive plan to implement the recommendations with auditable actions at their November meeting.

8.12 It was noted that the external auditors only required assurance relating to collections items on the NHM balance sheet. The number of collection items that had been capitalised amounted to less than 1% of the Museum’s total collection. The BDO partner observed that the Financial Reporting Standard (FRS)30 Heritage Assets note in the Annual Accounts should reflect actual practice.

9 **RISK & ASSURANCE PLAN 2014/15 AND PLAN IN CONTEXT** *(PAPER TAC 20/2014)*

9.1 The Head of Risk & Assurance presented her plan.

9.2 The Director and Head of Risk & Assurance had not yet had an opportunity to discuss the final plan. However, the Director had concluded on his initial review that the plan appeared to be comprehensive.
Further Cuts to Grant-In-Aid - It was observed that further cuts to grant-in-aid, a major corporate risk in 2014-15, had not been included on the plan. 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 in the following year. In the case of further cuts to grant-in-aid option (b) was considered most appropriate.

New Finance System - Key Controls - The third quarter was a suitable time for the review to take place as a number of key controls were being devised only now the system was in operation. The Director of Finance & Corporate Services observed, however, that as the review would be very resource intensive for his staff it was preferable for the review to only be carried out once. In addition, it maybe more appropriate for the review to be carried out by specialists as: (a) the Risk & Assurance team were not yet fully familiar with the system which was a steep learning curve; and (b) there were independence issues for the NAO/BDO external auditors. The BDO IT team would, however, need to assess the complexity of the system. If the new system was evaluated as complex the BDO IT team will check the system annually.

It was agreed there should be a meeting between the Director of Finance, BDO Partner and the Head of Risk & Assurance to agree the timing of the review, the terms of reference and who will carry out the review.

The Chair presented his report.

The need for new trustee appointments to the Audit & Risk Committee and the Remuneration Committee had been discussed with the new Chair of the Board of Trustees. Ideally two new members should be appointed to the Audit & Risk Committee in order to minimise the risk of not being quorate. The Chair requested that in the short term an existing trustee preferably with business experience should be asked to join the Audit & Risk Committee. In the longer term one of the new trustees can be recruited to the Audit & Risk Committee.

The CLoS return for DCMS was a reconfiguration of the statutory accounts which were audited by the NAO/BDO. The CLoS return was signed by the Director of Finance & Corporate Services but not the Director as Accounting Officer. It was noted that the main concerns of Audit Committees in other organisations were in relation to the CLoS timetable and the pressures placed on the Finance team. The main responsibility for DCMS consolidated accounts lay with the DCMS Audit Committee. DCMS were not required to submit their accounts pre-recess in 2014, however, this was the aim for 2015.

The BDO Partner thought it would be helpful for members to receive a brief BDO report on the main differences between the Museum’s Generally Accepted Accounting Practice (UK GAAP) statutory accounts and the IFRS CLoS return at their November meeting. In some areas the Museum was not required to make changes e.g. Combined Heat and Power (“CHP”) Scheme which was shown off balance sheet under UK GAAP but not under IFRS. It was noted that a full reconciliation between the CLoS return and the NHM statutory accounts would be long and complicated. In addition, if there were an adjustment to the Museum’s statutory accounts due to a misstatement this would not be material to the DCMS consolidated accounts. There would, therefore, be no adjustment to the CLoS submission. In the BDO/NAO CLoS Audit Planning report there was a level below which any misstatements were treated as “trivial”. This threshold will be included in the BDO CLoS report together with an assurance that the CLoS return had received a clean Audit Certificate stating that the financial statements were free from material misstatement.
ACTION

10.5 It was agreed that:

(a) once members had received and considered the BDO CLoS report they will decide on the level of assurance if any that the Audit & Risk Committee wished to provide in relation to CLoS in future years; and

(b) the Head of Risk & Assurance and the BDO partner should discuss the need for an interim report at the June 2014 meeting.

11 ANNUAL SECURITY REPORT 2013/14 (PAPER TAC 22/2014)

11.1 The Director of Finance & Corporate Services explained that he had taken on the role of Senior Information Risk Owner (SIRO) following the departure of the Director of Human Resources. The report provided an overview of the Museum’s compliance with the Cabinet Office Security Policy Framework (SPF), the management of information and security risk, and improvements in security during 2013-14. The key risks related to physical security as the Museum did not hold large amounts of sensitive data.

11.2 The Head of Security attended the meeting to report on the more significant risk relating to physical security.

11.3 **Rhino Horn and Chinese Jade Thefts** - During 2013-14 the theft of rhino horn and Chinese jade from galleries and museums across Europe had continued. However the UK Police task force had made some significant arrests and disrupted the activity of the organised crime gang in Ireland behind most offences. Currently 23 people were on charge and bailed to attend court for offences. It was noted that the gang had also commissioned thefts. The Museum curators were working with the police as expert witnesses and were identifying the owners of recovered horn.

11.4 **Natural History Museum Tring Theft** - One person had been convicted for the theft of replica rhino horns at Tring. He was sentenced to 10 months imprisonment, after being convicted on DNA evidence taken from a glove found by a member of staff at Tring.

11.5 **Heritage and Cultural Property Crime Working Group (H&CPCWG)** - The Association of Chief Police Officers (ACPO) had established H&CPCWG and the NHM had hosted one of their meetings. The purpose of H&CPCWG was to address current and emerging threats from organised crime groups and to fill intelligence gaps. There was also a new 2013 Heritage and Cultural Property Crime National Policing Strategic Assessment and associated training.

11.6 **Control Rooms** - The new control rooms at South Kensington, Tring and Wandsworth were operational. There had been an upgrade of the internal CCTV system at South Kensington covering areas of crime or public safety with 50 new cameras. Control Room staff identified two reported offenders within days of installation by viewing CCTV footage and tracking criminals around the Museum. There were also new security systems in collections areas.

11.7 **Natural History Museum Tring** - There were enhanced physical measures at Tring with additional CCTV cameras installed, a perimeter protection system commissioned and creation of a secure hub. The Control Room at South Kensington was also able to monitor Tring.

11.8 **CCTV Images** - The Head of Security gave a brief demonstration of the new high quality CCTV images taken at South Kensington. CCTV footage was kept for 30 days in accordance with the Data Protection Act CCTV code of practice unless images were required by the police. The upgrade included increased storage requirements. The Crisis Management Team and the TS Services & Operations Manager were currently investigating the use of cloud computing e.g. Huddle, Dropbox etc. accessible via the internet for the secure storage and sharing of essential crisis management information.
11.9 The Chair thanked the Head of Security for his interesting report and the presentation of CCTV footage which was very impressive.

12 ANNUAL HEALTH & SAFETY REPORT 2013/2014
(PAPER TAC 23/2014)

12.1 The Director of Finance & Corporate Services had taken over responsibility for chairing the Museum Health & Safety Committee, following the departure of the Director of Human Resources. The Director of Finance & Corporate Services was pleased to announce that Annette Fitzjohn had taken on the more senior role of Health & Safety Manager following the retirement of the Head of Health and Safety on 31st March 2014.

12.2 The Health & Safety Manager presented her report.

12.3 The annual report summarised the Museum’s Health & Safety activities for the period April 2013 to March 2014, provided an update on Health & Safety risks, and provided assurance that the Museum was operating a satisfactory Health & Safety environment. It was noted that the Board of Trustees received a quarterly Health & Safety report.

12.4 Fire Safety – The former Head of Health & Safety previously reported that the fire alarm voice amplifier racks (PAVA) were in need of replacement and older elements of the system did not comply with current British Standards. The project to replace PAVA racks had continued with new racks being installed and tested during 2013-14 and it was anticipated that all PAVA racks will be replaced by the end of May 2014.

12.5 Health & Safety Committees - With the restructure of Science and Public Engagement Group (PEG) there had been a reorganisation of the Health & Safety Committees. The Committees were coming together very well in terms of their composition and representation, facilitating discussion at a strategic level.

12.6 Accident Reporting – The Museum was on track for meeting the key performance targets for accident/incident rates set in April 2012. These required that the 2011-12 accident/incident rate should not be exceeded for the next three years. The vast majority of accident/incidents were trivial in nature and related to slips and trips on the same level. Anything which amounted to exposure to a toxic chemical, radiological exposure, a broken bone or a member of staff or the public being taken to hospital were “RIDDORable” events which required a report to the Health and Safety Executive. There were no “RIDDORable” events in 2013/14 which was rare in organisations generally.

12.7 The Chair asked that the significance of accident/incidents report statistics was put into context in the Annual Health & Safety report in future years.

12.8 Near Miss Reporting - Museum staff had improved their reporting of near misses as they recognised that potentially dangerous situations would not otherwise be addressed. For example poor shelving in the Book Warehouse had a tendency to collapse and was reported as a near miss. As a result the Estates Department was improving the shelving.

12.9 The Chair requested that the Director of Finance & Corporate Services in his role as chair of the Museum Health & Safety Committee stressed the importance of the reporting of near misses.

12.10 Training - During the year discussions were held with the Museum’s Organisational Development Unit to improve the planning and delivery of Health & Safety related training. A comprehensive prospectus of Health & Safety training packages will be introduced in 2014-15. This can be used by line managers to plan staff development and task based risk controls. The Director of Finance & Corporate Services had attended a Directing Safely course for executives.
**ACTION**

13 MAJOR CORPORATE RISKS 2014/15 AND 2013/14 (PAPER TAC 24/2013)

13.1 The Director presented his report

**Major Corporate Risks 2014-2015**

13.2 The Museum’s Executive Board had considered input from the Audit & Risk Committee and the Senior Management Team (SMT) in reviewing the Museum’s risk profile. The risks had been reviewed and scored for likelihood and impact and the top-rated risks highlighted for attention as major corporate risks for 2014-15. The list was presented for final scrutiny by the Audit & Risk Committee before it was presented to the Board of Trustees.

13.3 The unusually large turnover in membership of the Board of Trustees results in slower decision making and reduces organisational effectiveness – This had been due to a request by DCMS to delay the appointment of 4 trustees until the new Chair had been appointed. There had been vacancies for a number of months and currently there were 8 rather than 12 trustees. This had delayed appointments to the Audit & Risk Committee and Remunerations Committee.

13.4 The lack of off-site storage partners will leave NHM with reduced ability to deliver efficiencies in solutions for long-term collection storage issues. - The Collection Storage Infrastructure Programme (CSIP) had led to the recognition that it made sense to move collections used less frequently off-site without relocating a significant number of curatorial staff. The Museum was actively in discussion with a number of possible traditional and non-traditional partners who wished to store their objects in similar environmental conditions. The Director of Science and Science Group commenced a piece of work in October 2013. If this work did not find any viable partners in two years the Museum will need to consider the less favourable option of making significant capital investment on-site in South Kensington.

13.5 The Chair was concerned there was lack of progress in identifying off-site collections storage opportunities. This had been discussed regularly at the Audit & Risk Committee. The lack of progress impeded decision making on other long term ambitions for the Museum which were as a result frozen.

13.6 Failure to adequately specify the multiple needs of a Customer Relationship Management (CRM) system compromises income generation. - The concept of a CRM database was to manage customers strategically to: create better relationships, increase value and loyalty. This was a collaborative programme with the first phase concentrating on: membership, marketing, fundraising, the website, e-shop, events and ticketing. The benefits were: (a) to understand our visitors; (b) better visitor engagement; (c) clearer and faster working practices; and (d) to facilitate increased revenues.

13.7 The list of major corporate risks for 2014-15 was endorsed by the Audit & Risk Committee.

13.8 It was noted that there was a separate assurance framework to manage long term inherently high risks, including those relating to security, fire, health and safety, collections care, fraud, failure of estate infrastructure. The framework was a standing agenda item at the November meeting.

**Major Corporate Risks 2013-2014**

13.9 The Committee reviewed the residual scores for the major corporate risks for 2013-14 and were content with the action that had been taken to manage the risks.
14 DIRECTOR OF FINANCE & CORPORATE SERVICES UPDATE ON THE “MONEY MATTERS” PROJECT (PAPER TAC 25/2014)

14.1 The Director of Finance and Corporate Services presented his report.

14.2 The new Finance system went live on schedule on 7th April 2014, for the start of the 2014-15 financial year. Transactions were being processed effectively across all areas of activity purchases, sales, cash book, expenses and procurement cards. It was noted that the Chair had received a weekly report from the Director of Finance & Corporate Services in the run up to Go-Live.

14.3 The key risk for the short/medium term was the production of management account reports during June for the end of period 2. There was also work to be done in loading budget and other data, and specifying and writing the reports. Discussions were taking place with the supplier on how best to progress, given that there may be a resource requirement.

14.4 An internal project review workshop was scheduled for mid May which will assess progress to date and develop an action plan for addressing immediate concerns and other functionality and operational capability yet to be fully delivered. Improvement action may require the budget to be increased to meet user needs.

14.5 The project’s success and keeping within the to budget to-date was attributed to: (a) the recruitment of an exceptional project manager; (b) the use of consultant specialists e.g. a business analyst to document the system and specification before going out to tender and a specialist who tested the system delivered by the supplier; and (c) stakeholder engagement and extensive training in recognition of the cultural change that was needed going from a paper based to a computer based Finance system.

14.6 The large number of support queries mainly related to “How do I?” rather than system issues.

14.7 The Chair and members congratulated the Director of Finance & Corporate Services and the project team on meeting the Go-Live date on schedule.

15 PRESENTATION BY CHRIS HILLS (HEAD OF HUMAN RESOURCES) ON THE MAJOR CORPORATE RISK “WE ARE NOT ABLE TO RECRUIT AND RETAIN SUITABLY SKILLED WEB, IT AND SCIENTIFIC STAFF” (PAPER TAC 26/2014)

15.1 The Head of Human Resources made his presentation on the management of the risk.

15.2 The recruitment and retention risk in general and particularly that over highly skilled staff was being managed within the framework of the HR Strategy 2014-2019 both as a means of control and the basis for facilitating significant improvements. It was noted, however, there was a considerable amount of lead time in relation to some of the improvements.

15.3 The quarter 4 assessment demonstrated progress on some areas of concern. For example, practical modifications to existing systems such as enhancements to i-recruit and flexible employment arrangements according to the circumstances of individual cases.

15.4 e-HR - HR were doing a lot of work on developing a plan for e-HR that was compatible with the Museum’s digital strategy and the rapid developments in new technology. The intention was to submit a Capital Bid to the Digital Strategy Board in collaboration with the Head of Technology Solutions in September 2014, for a main stream modern HR system.
ACTION

15.5 Total Reward - HR were drafting a specification to look at the whole of the NHM reward offer and identify the gaps. The Museum’s offer was very attractive, however, this was not always obvious to staff. To illustrate this staff received a total rewards statement setting out their total benefit package and not just basic pay. The reputation of the Museum, interesting work and work life balance were also a recruitment attraction. In some specialist areas/senior management posts, however, the Museum’s pay structure was slipping behind other organisations and sectors including the Civil Service.

15.6 Staff Turnover - The turnover of staff in the Museum had been skewed by redundancies, however, ignoring this effect turnover was as expected. The main areas of turnover were commercial posts and younger staff. Staffing in IT had been fairly stable over the last 18 months. However, the Director expressed concern that with sustained growth in the economy staff were more likely to feel comfortable in taking the risk of moving employment.

15.7 The Chair thanked the Head of Human Resources for his informative presentation.

16 PRESENTATION BY RACHAEL CASSTLES (HEAD OF INTERNAL AFFAIRS) ON THE MAJOR CORPORATE RISK “INADEQUATE CHANGE MANAGEMENT FOR SENIOR MANAGEMENT CHANGES IMPACTS UPON MANAGEMENT EFFECTIVENESS” (PAPER TAC 27/2014)

16.1 The Head of Internal Affairs made her presentation on the management of the risk.

16.2 The score at the start of 2013-14 was 9 amber and at the end of quarter 4 due to the mitigating actions taken the score had reduced to 6 amber. The context for this continuing risk was there had been significant change in 2012-13 with the restructure of Public Engagement Group (PEG) and Science, the Departure of the Director of PEG in July 2012 and the new Science Strategy. In 2013-14 the new Director of PEG arrived in April 2013, the draft PEG strategy went to trustees in October and was agreed in February 2014. There was an announcement of further changes to the PEG structure, the creation of a Central Project Office and the retirement of the Head of Life and Earth Sciences.

16.3 Four component risks were identified at the end of quarter 2 in 2013-14.

16.4 1. Resources are diverted and delivery against our plans is compromised - Leadership was put in place quickly. Science research leaders were recruited to head up initiatives in the Science Strategy, new Heads of Life and Earth Sciences were appointed and key roles were filled in PEG. Heads of Department were given operating plans for 2013-14 and strategies were developed to support PEG and Science. Efficiencies were found by rationalising decision making boards and the programme was reduced.

16.5 2. Cost Savings were not realised - There were planned savings from Science Group and PEG departures early in the year allowing the Museum to prepare a balanced budget for 2014/15. There was control of budgets and recruitment, change to establishment and closures of posts were elevated for approval to group directors. A post in PEG Resources and Administration took on the ownership of the PEG budget to control costs.

16.6 3. Staff morale is affected and productivity declines - A change management group with cross-museum representation was set up and chaired by Organisational Development. The group fed issues into a senior management Development Board. There was clear and timely communication and the Internal Communications group worked closely with the Directors and senior management. Swift action was taken to reduce friction and information vacuums were addressed. There was a development programme for new senior appointments.
16.7 **Employee Engagement Survey** - In November 2013 the Museum launched its new Employee Engagement Survey, following a three year break. The gap was due to: (a) the disappointing response rate of the last survey c.40%; and (b) to introduce a new baseline following the Science and PEG restructure. Feedback from staff across the Museum on why an increasing number of people chose not to participate was dominated by the fear that the survey couldn’t be truly anonymous as it was administer in-house. NHM decided, therefore, to work with an external provider who had a respected track record in delivering employee engagement surveys. For the first time all the Museum were invited to participate i.e. full time, part time, agency, volunteer and contractor colleagues. There was a total response of 51% and 71% of permanent staff responded. Groups with fewer than 8 respondents were not included in the analysis.

16.8 The Museum’s results were benchmarked against a normative database of results over the past three years. This comprised approximately 120 organisations with between 80k and 200k responses for each question. The NHM scored well against the national norm in all the sections. The engagement indicator which is a gauge of staff morale was 79% and compared favourably against a norm of 80%.

16.9 The Director presented the results of the new Employee Engagement Survey to staff in March 2014 at a quarterly NHM Update session for staff and volunteers. Executive Board Group planning conferences and management meetings looked into the results and prioritised areas of focus and developed action plans. It was noted that at the time of the survey the PEG restructure had not been completed and there was still uncertainty about where some roles would fit. This was reflected in the scores for PEG. It was anticipated that now the PEG restructure was complete the engagement indicator will have improved by the next survey.

16.10 **4. Continued destabilisation of the workforce through further announcements of cuts to Grant- In- Aid (GIA)** - Staff received regular, qualified communication on the implications of cuts to GIA. The general view was that staff had become accustomed to this new state of vulnerability. Planning conferences test business plans and challenge business model principles to accommodate future cuts. There was continued advocacy and engagement with government to ensure enduring support.

16.11 The Chair thanked the Head of Internal Affairs for her informative presentation.

17. **ANY OTHER BUSINESS**

17.1 There was no other business.

18. **CLOSED SESSION WITH THE INTERNAL AND EXTERNAL AUDITORS**

18.1 The Chair’s offer of a closed session was declined by the auditors. A closed session will, however, take place at the next meeting on 26th June 2014 in accordance with the Audit & Risk Committee terms of reference.
ACTION

19. DATE OF THE NEXT MEETING

19.1 The next meeting will be held at 10.00 a.m. on Thursday 26th June 2014.

20. Members made a visit to the Palaeontology Department following the meeting.

KEY TO ACTION INITIALS

Lord Green - SG
Michael Dixon - MD
Neil Greenwood - NG
Jan Day - JD
Nick Buxton - NB
Annette Fitzjohn - AF