THE NATURAL HISTORY MUSEUM
TRUSTEES’ AUDIT AND RISK COMMITTEE

79th Meeting on Tuesday 30 January 2018

Present
Hilary Newiss in the Chair
Robert Noel
Colin Hudson (co-opted member)

In Attendance
Lord Green of Hurstpierpoint (Chair of Trustees)
Sir Michael Dixon (Director)
Neil Greenwood (Director of Finance and Corporate Services)
Jan Day (Head of Risk and Assurance/Committee Secretary)
Paul Keane (Director, DCMS Financial Audit NAO)
Matthew Atkinson (Audit Manager, National Audit Office)
Anjali Kothari (Partner, Kingston Smith)

Chris Hills (Head of Human Resources) and Alan Mustafa (Lead HR Business Partner) were in attendance for item 11.
David Thomas (Chief Information and Technology Officer), Polly Parry (Information Manager) and Chris Sleep (TS Systems and Information Manager) were in attendance for items 12 and 13.

Sir Michael Dixon left the meeting following item 7.
Paul Keane and Matthew Atkinson left the meeting following item 10.
Lord Green of Hurstpierpoint and Anjali Kothari left the meeting following item 11.

ACTION

1 APOLOGIES FOR ABSENCE
1.1 Professor Christopher Gilligan sent his apologies.

2 DECLARATIONS OF INTEREST AND REGISTER OF INTERESTS (PAPER TAC 1/2018)
2.1 These were noted by the Secretary to the Audit and Risk Committee.
MINUTES OF THE MEETING HELD ON THURSDAY 9 NOVEMBER 2017 (PAPER TAC 2/2018)

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

MATTERS ARISING FROM THE MINUTES (PAPER TAC 3/2018)

Unspent Criminal Records Checks Museum Caterers - May 2017 para 8.5 - A regular tracking mechanism and monthly report to the Catering Contract Manager was now in place.

AUDIT AND RISK COMMITTEE TERMS OF REFERENCE, ANNUAL CYCLE OF INFORMATION AND AUDIT AND RISK CHARTER AND STRATEGY (PAPER TAC 4/2018)

The Head of Risk and Assurance presented the Terms of Reference, Annual Cycle of Information and the Audit and Risk Charter and Strategy.

The recommended amendments to the Terms of Reference and Annual Cycle of Information were agreed subject to the reference to the Sustainability Report remaining. There was one additional amendment to the Terms of Reference Para 2(b) “the Audit and Risk Committee exists to: consider the adequacy of the Museum’s financial management and controls”. The Audit and Risk Charter and Strategy were approved.

DIRECTOR’S REPORT AND BOARD ASSURANCE FRAMEWORK (PAPER TAC 5/2018)

The Museum Director presented his paper

Crisis Management Test Exercise 15 December 2017 - The exercise scenario was a terrorist incident in Exhibition Road with fatalities. The Crisis Management Board (CMB) had considered the consultant’s report which overall was very positive. The exercise was assessed under 4 headings: (a) Activation (Green) a strong team performance with excellent crisis management capabilities; (b) Communications (Green) a competent team, who produced excellent messages and material; (c) Information Management (Amber) with some follow up actions relating to Secretariat Support and Crisis Management Room organisation; and (d) Decision Making (Amber) the Museum needed to be clearer about what the process will achieve in the longer term. The Museum Director offered to circulate the report if members requested to see it.

The Crisis Management Team (CMT) had a template agenda for the Crisis Management Process, however, due to an oversight it was not used. The agenda will be reviewed and used in future. The scope of the Secretarial support role will also be reviewed. The CMB agreed the aim of an exercise/incident should be to minimise the impact on museum strategy by focusing on: (a) the Response; (b) Reputation; (c) Resilience; and (d) Restoration.

Members were assured by the exercise and lessons learned.

DCMS Corporate Governance Self-Assessment Exercise - The form required a RAG rating and commentary to indicate NHM compliance with 67 requirements. The contents duplicated the work of other agencies e.g. internal audit. It was agreed the completed form will go to the Board of Trustees.
 ACTION

6.6 Exhibition Road – The Exhibition Road Cultural Group continued to press the Royal Borough of Kensington and Chelsea (RBKC), for a long-term solution to a safe environment for visitors. The aim was not to seek a pedestrianised Exhibition Road. RBKC had re-engaged the original architects of the road scheme, however, they can only engage with the Exhibition Road Cultural Group with RBKC approval. This was an opportunity to review the Exhibition Road project in the light of the changing context: (a) the new Victoria and Albert Museum entrance; (b) Transport for London (TFL) planning consent for major changes to South Kensington Station increased the need for an accessible tunnel exit to NHM; (c) since the 2012 scheme launch the 3 South Kensington Museums had circa 3.5m more visitors; and (d) the original scheme envisaged limited parking. Data had been gathered on traffic movement in Exhibition Road and parallel roads affected by any closure of Exhibition Road. Work to rebate the granite blocks into the block paving was promised while RBKC considered longer term aesthetic design solutions.

6.7 The Museum Director was: (a) happy with the short term measures; and (b) confident RBKC and other stakeholders were intent on a permanent solution. There will, however, be a period of purdah for local council elections and changes to RBKC councillors. The beautifully redesigned front entrance to NHM will be fully opened from 3 February 2018 allowing visitors to queue in the forecourt.

6.8 If Exhibition Road closed permanently it was not clear whose decision it would be. The Museums and cultural institution’s agreement with RBKC allowed: (a) 6 Exhibition Road events a year; and (b) a road closure every two years. The Exhibition Road Cultural Group would like to slowly increase the number of road closures.

6.9 Annual Risk Management Planning - Since the implementation of the Risk Universe the timetable for discussing risk at the Audit and Risk Committee had changed. The Senior Management Team (SMT) will meet on 14 February and review the Risk Universe and the 2018/2019 red risks. The Chair of the Board of Trustees observed common sense should be applied to the amount of time spent analysing risks and controls e.g. Brexit.

6.10 Museum Attendance - Data showed NHM was -2% down on visitors. The Victoria and Albert Museum had increased visitors significantly following the unveiling of the new courtyard and exhibition hall. The Tate had increased visitors with the opening of the Blavatnik Building. These were major capital investments. It was disappointing that the closure of Hintze Hall had not been ameliorated as anticipated. Due to the weakness of sterling overseas visitors were shopping rather than visiting cultural institutions. Families from the South East were not visiting London largely for economic reasons.

6.11 Commercial Performance - Unusually the Museum was running two special exhibitions (Whales and Venom) as well as the Wildlife Photographer of the Year (WPY) and Butterflies. Whales and Venom attendance combined was not substantially more than one exhibition. The Museum must be clear about the strategic reasons for running special exhibitions e.g. was it commercial or to drive overall attendance. During February children will go free to Whales to see if family attendance increased. WPY dynamic and online pricing was successful.

6.12 Director of Engagement - The new Director of Engagement, Clare Matterson started part-time in February 2018 and full time from 9 April 2018. She will review the whole strategic approach to special exhibitions including corporate sponsorship. Sponsorship had added to the commercial success of past exhibitions e.g. Corals and Diamonds. Strategically it was better to get a sponsor for a series of exhibitions on a theme, however, this was a competitive market.

6.13 Contracted Out Services in the Light of the Collapse of Carillion - Contract Management was listed on the Museum’s risk register and management plans were being revisited. Members supported the action taken by NHM. It was noted the business models of several large outsourcing companies where profits had been driven down by competition were flawed.
6.14 **Board Assurance Framework**

Due to timing issues the 3rd Quarter scores had not been reviewed by Senior Management. The only score to change related to digital investment. The commercial risk score had not changed as previous scores already accounted for the challenges.

6.16 Members commended the layout of the templates. However, members hoped they were a useful tool for Directors and not just a communication tool. It was noted the Directors reviewed the templates with staff. The key controls accorded with job descriptions and the mitigating actions accorded with forward job plans. The detail should be provided to the Committee but only if useful to risk owners otherwise templates should ideally be limited to one page.

6.17 **Target Risk Scores** - The Committee approved the approach to target risk scores put forward by the Museum Director. This involved setting: (a) a long term target recognising the overall level of tolerance the NHM was prepared to accept for the risk; and (b) an annual target reflecting the successful completion of the mitigating actions during the year. Impact scores were based on defined financial and reputational risk. Members' cautioned impact was always likely to be high and targets should not be set too low and out of reach. It was better to set crisp objectives for each fiscal year.

6.18 **Emerging Risks** - The Museum Director agreed to look into approach/specific headings which will prompt member's consideration of emerging risks in the external environment e.g. political.

6.19 **Political Risk** - Historically museums had better funding under labour governments. However, a labour government may lift the cap on public sector pay without lifting free entry.

6.20 **Climate Change Risk** - Climate change will influence the built environment, maintenance and building regulations.

6.21 **Social Issues - Reputational Risk** - Social issues such as equal pay and diversity created reputational risk.

7. **DIRECTOR OF FINANCE & CORPORATE SERVICES’ FINANCIAL REVIEW FOR THE PERIOD (PAPER TAC 6/2018)**

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

7.2 **Commercial Income** - The key concern was the reduction in commercial income down on the previous forecast. The fall was largely attributable to a reduction in visitor related income with there being no discernible upturn in visitors since the reopening of Hintze Hall and performance below target for exhibition admissions.

7.3 Measures had been taken to protect the level of operating surplus and the General Fund with a slowdown in recruitment and replacement hires and cutting back on discretionary operating expenditure. Requests for new hires were subject to sign off by a recruitment panel with a priority for statutory, health and safety, income generation and key strategic positions. This was a short term tactical measure and the longer term implications were being addressed as part of the budget preparation for 2018/2019 and beyond.

7.4 **Capital Expenditure** - As previously reported there was overspend on the Members and Patron’s Room and Front Entrance which had not increased. The only significant capital expenditure risk for which there was contingency related to the Members and Patron’s room still under construction and due to be completed at the end of May.
7.5 **Self-Generated Income Costs** - The costs of generating income in Appendix 2 included salary costs where these could be extracted and apportioned. Membership sells some retail products, guide books for example, and these cannot be apportioned easily without timesheets. The net contribution is net of direct costs but not indirect costs e.g. rent, power etc.

7.6 **Draft Budget 2018/2019** - The draft budget had been through several iterations. It was not ready for the January Audit and Risk Committee, however, it will go to the Board of Trustees on 13 February 2018. It was noted the draft budget did not normally go to the Audit and Risk Committee due to the timing of meetings, which could be changed to accommodate this. The commercial challenge will continue into next year and put pressure on the cost base. At the Board of Trustees Museum Directors will be presenting a range of measures for 2018/2019 to reduce expenditure costs. The presentation will demonstrate to trustees how the Executive Board were protecting key strategic investments, what measures had been rejected and longer term measures. During 2018/2019 the Museum was looking at the Strategic vision to 2030.

7.7 **Maintenance Costs** - It was observed by a member that reduced expenditure will impact on the recladding of the Tring Ornithology Block and backlog maintenance. DCMS recognised the scale of the maintenance issue and were running workshops on collective ways of thinking about maintenance. The Museum's £2m capital grant-in-aid was inadequate to support an Estate valued at £400m plus and additional government funding was needed.

7.8 **Emergency Financial Crisis - Sensitivity Stress Test** - A plan for managing a financial crisis will be included in the draft budget. There will likely be a spending review in the spring of 2019 and a financial crisis scenario was not unrealistic.

8. **KINGSTON SMITH PRE AUDIT LETTER YEAR ENDED 31 MARCH 2018 (PAPER TAC 7/2018)**

8.1 The Kingston Smith Partner presented the Pre Audit Letter.

8.2 The Committee reviewed and approved the audit approach set out in the Pre Audit Letter for the year ended 31 March 2018. The letter and the audit timetable had been drawn up following a meeting with the Director of Finance and Corporate Services and his team.

8.3 **Audit Fees** - The Committee approved the estimated audit fees.

8.4 **Audit Approach** - Kingston Smith had reviewed the audit reports of Risk and Assurance which did not highlight any need to change the risk based approach from the previous year.

8.5 **FRS 2 Accounting for Subsidiary Undertakings** - The Museum had a deed of covenant in place and was, therefore, unlikely to be unaffected by Financial Reporting Council (FRC) FRS 2 issued in December. FRS 2 defined gift aid payments from a trading subsidiary as a distribution (akin to a dividend). They could only be accounted for when paid or when there was a legal obligation.

9. **HEAD OF RISK AND ASSURANCE PROGRESS REPORT (PAPER TAC 8/2018)**

9.2 The Head of Risk & Assurance presented her report and an internal audit report on Payroll, Pensions Administration and Employment status. The Head of Human Resources (HR) was in attendance later in the meeting to answer any questions on the Payroll report.
9.3 Annual Risk and Assurance Audit Plan 2017/2018

The plan was modified to reflect the discussion at the November 2017 Audit and Risk Committee. Fieldwork had been completed on Cash Handling, Retail Stock Management and the review of Key Financial Controls had commenced. Dates had been set for the internal penetration tests, however, the external cyber security penetration test maybe delayed due to work on new firewalls.

9.4 Resources and Relief Manager - The relief manager brought in during the period of absence of the Head of Risk and Assurance was very experienced. However, due to time constraints they were only engaged to undertake a managerial role and did not perform any audit work. In addition, the Senior Auditor became involved in non-audit work e.g. helping with the Audit and Risk Committee. As result delivering the revised audit plan fully with final audit reports within the Financial year will be a challenge. The Chair of the Audit and Risk Committee undertook to discuss resources with the Museum Director.

9.5 Outstanding Recommendations Priority 1 and 2

9.6 Data Protection and Information Assurance Governance - Concern was expressed that there had not been sufficient progress on the recommendations. However, a great deal of work was taking place on the General Data Protection Regulation (GDPR) which was considered the priority.

9.7 Contract Letting and Procurement - Contracts Database - A member observed there had been no progress since the last meeting. This should have been clearly reflected in the report. The planned interview for an intern to address the backlog did not take place. The Director of Finance and Corporate Services explained there was no capacity within the Procurement Team to address the backlog and he will engage a temporary member of staff.

9.8 In-House Lawyer - The appointment of the in-house lawyer had slipped due to the imminent departure of the Head of Internal Affairs who was leading the recruitment process.

9.9 Fraud Awareness, Detection and Prevention Mechanisms - Unspent Criminal Records Checks As there was: (a) now a formal mechanism for compliance; and (b) a 100% of staff had applied for checks with 64% of certificates received, this item was closed. Risk and Assurance undertake regular testing across the Museum to ensure criminal records checks are in place. The requirement although built into outsourced service provider contracts often lapsed when there was a change in contract manager. In addition, service providers often overlooked the condition.

9.10 Travel and Other Expenses - Official Absence (OA) Request and Risk Assessment Process The new KPI in place since January 2018 was not delivering compliance as expected. In addition, the project to improve and streamline the Official Absence process had been delayed.


10.1 The Head of Risk & Assurance presented her plan.

The initial proposed plan for 2018/2019 was not finalised. The plan took into account: (a) Audit and Risk Committee recommendations during 2017; (b) the current Risk Universe; and (c) the current list of key strategic red risks. The Risk Universe and key strategic red risks were due to be reviewed by the Executive Board and Senior Management Team in February 2018 at which time the 2018/2019 and longer term audit plans will be reassessed. It was generally considered good practice for Heads of Audit to be aware of the controls covering Risk Universe items and this required some degree of research.
10.2 The Museum Director challenged and made changes to the draft annual plan in his one to one meetings with the Head of Risk and Assurance. There had not, however, been an opportunity for the Museum Director to review the draft plan before the January meeting. The Chair of the Audit and Risk Committee also reviewed and agreed the Risk Universe by Activities and Audit Coverage with the Head of Risk and Assurance.

10.3 The time allocations on the plan were a rough guestimate on the part of the Head of Risk and Assurance. Some items will take longer than estimated and other items will take less. The plan was intended to reflect the balance between audit and non-audit work. The Head of Risk and Assurance will review and refine the time allocations.

10.4 **Legal Compliance** - The legal compliance review was scheduled for quarter 3 when the new in-house lawyer was likely to be in place.

10.5 **Crisis Management** - It was agreed that due to: (a) the incident in Exhibition Road in October 2017; and (b) the Crisis Management Exercise in December a review of Crisis Management was not needed.

10.6 **Corporate Governance** - It was observed by the Chair of the Board of Trustees and members that corporate governance was a more appropriate review for a Company Secretariat rather than internal audit. The NAO Director explained UK Public Sector Internal Audit Standards (PSIAS) require that the Head of Risk and Assurance’s annual assurance to the Audit and Risk Committee to cover risk management, internal control and corporate governance. The last full review of corporate governance by the Head of Risk and Assurance was in 2011 with a follow up of the recommendations in 2012.

10.7 It was agreed that the Chair of the Audit and Risk Committee and Head of Risk and Assurance will discuss with the Museum Director the Committee’s recommendation that an external review of the “Executive Board’s ability to collaborate effectively” was undertaken by external consultants prior to a review of corporate governance by Risk and Assurance.

10.8 **General Data Protection Regulation (GDPR)** - It was agreed an internal audit of the Museum’s compliance with GDPR be added to the plan.

10.9 **Risk Owners** - The Risk Owners on the Risk Universe will be updated in February 2018 and any vacancies due to staff changes filled.

11. **HUMAN RESOURCES RISK REGISTER (PAPER TAC 10/2018)**

11.1 **Payroll, Pensions Administration and Employment Status**

11.2 The Head of Human Resources (HR) answered questions on the Payroll, Pensions Administration and Employment Status internal audit report. There was a plan to address the recommendations in the report and improve the payroll system.

11.3 **i-Payview** - Concern was expressed that the payroll team did not fully understand how the i-Payview online electronic payslips portal worked. Generally, however, i-Payview was useful and easy for individual Museum staff to use. It had also cut down the number of queries handled by payroll staff. There was an induction process for new payroll staff. However, in the case of the current payroll staff this did not fully cover i-Payview as the individual who implemented the system had left the Museum. Individual staff access i-Payview through Ciphr the NHM HR Management System and not via the payroll provider CGI UK.
11.4 **Records Management** - Testing highlighted a number of cases where supporting documentation for payroll and pension action could not be found on electronic personal files. It was noted some documentation was still scanned and uploaded. However, the objective going forward was to ensure there were electronic authorisations for all actions from recruitment onwards.

11.5 **Ciphr Database Access Control Practices** - The Chair of the Audit and Risk Committee accepted that the risk of unauthorised access to the Ciphr database was low. However, to assure the Committee in the light of the GDPR the internal audit recommendations must be taken forward as a matter priority.

11.6 The audit report recommendations will be followed up by the Audit and Risk Committee at their next meeting in May 2018.

11.7 **Human Resources (HR) Risk Register**

11.8 The Head of Human Resources (HR) made his presentation on the management of the risks on the HR Risk Register. The Committee members reviewed the register and commended the layout of information in the register.

11.9 **Diversity** - Although not explicitly referred to in the risk register Diversity fell within employment offer activity. There was also a Workforce Diversity Action Plan.

11.10 It was essential the Museum's recruitment processes were fair, open and appointment was on merit without bias. The Museum's processes were: (a) validated by the Civil Service Commission against their recruitment principles; and (b) supported by behavioural and values based training. The Audit and Risk Committee Chair observed given the external environment relating to equal pay, women and bullying the Museum must be able to articulate as well as demonstrate it was following best practice.

11.11 A member concluded the recruitment processes were sound. However, the Museum's environment and culture must also be attractive to individuals from different backgrounds. When NHM staff grievances highlighted issues appropriate action was taken in consultation with line managers. In a recent case a specialist mediator was engaged to resolve a dispute and address attitudes in a male dominated team.

11.12 **Staff Survey March 2017** - It was: (a) evident to the Executive Board from the Staff Survey where there was an unacceptable environment; and (b) HR and the Executive Board take proactive action to address concerns. Following the Staff Survey each Director identified the areas within their line management where improvement was needed and put in place an action plan. The plans were being progressed by Directors and line management supported by HR Business Partners.

11.13 **MD/JD/NG**

11.14 **Ethnicity** - It was noted the split of 90% of staff identifying as white reduced the diversity score for the Museum very significantly. NHM's diversity profile was, however, similar to other museums and galleries. The white ethnicity score was largely a result of the knowledge base of the Museum and qualification requirements.
11.15 It was observed in many industries and organisations there was a diverse employment offer appealing to a diverse range of applicants. One employment offer would not fit all. There were many employee benefits available, for example: (a) membership of a diners club allowing staff to eat out in restaurants at a preferential rate; and (b) flexible working. The Head of HR agreed flexible working, development, opportunity and advancement were a good strategy.

11.16 **Equal Pay** - The Head of HR was confident the Museum was not exposed to any equal pay challenges due to the revised NHM pay structure and related competences. The Museum also undertook equal pay audits and any inequalities identified were addressed.

11.17 **Probation Management** - The HR system generated an automatic email trigger for an informal probation review in line with the Museum probation policy. The email advised line managers to raise concerns about conduct, attendance or performance with HR. There had been 4 cases since June where probation was terminated.

11.18 **Performance Appraisal** - Performance appraisal was in place on a six monthly cycle. The Museum ran annual bonus schemes, linked to performance appraisal, whereby line managers nominated individuals from their teams. The schemes aimed to reward staff for outstanding performance. Performance appraisal was not scored, however, the case management statistics on the HR tracker system picked up the bottom performers. The top performers were identified through the bonus system. The very good and very poor performers both equated to approximately 5% of the workforce. Due to low percentage pay awards performance was not translated into pay unless: (a) staff received a bonus; or (b) received no pay increase due to poor performance. Appraisals were used to manage performance and development. In science appraisals were also used to support career progression.

11.19 The Chair of the Audit and Risk Committee and Chair of the Board of Trustees thanked the Head of HR. Members were assured by the presentation. Diversity and HR generally were very important areas for the Museum. It was noted action was needed to progress the Diversity Action Plan.

12. **GENERAL DATA PROTECTION REGULATION (GDPR) UPDATE**

12.1 The Chief Information and Technology Officer and the Information Manager gave a presentation on the General Data Protection Regulation (GDPR).

12.2 The Museum was working on a risk based approach to GDPR which will continue beyond May 25 2018. The plan to be completed by 25 May 2018 was outlined together with the plan going forward.

12.3 NHM will be sufficiently compliant for May 25 2018 and the Museum’s in-house lawyers Farrer and Company were content with that approach. The Museum was still awaiting key guidance from Europe and the Information Commissioner’s Office (ICO). Guidance will likely keep developing up to implementation. The ICO had stated the new regime was an evolution in data protection, not a revolution. The Chair of the Audit and Risk Committee cautioned on taking too much comfort from the ICO light touch approach on enforcement. It was noted the Museum was not going slower on the implementation of GDPR plans in the light of ICO statements.

12.4 **Consent** - The Development Advisory Committee (DAC) had concluded the Museum had a low risk appetite for complying with consent requirements to use an individual’s data even at the detriment of losing marketing contacts. NHM guidelines will be developed for use by Development.
**ACTION**

12.5 **Emails** - NHM had not developed a policy on the management of archived emails in Museum databases. Emails were included on the Museum's Information Management plan but were considered a lower risk for the GDPR. A member observed that his company considered emails were a high risk area and his company will likely be deleting all emails over a certain age. Email addresses must not be used other than for the purposes they were originally intended and systems should not allow this to happen. The Museum had previously drafted a policy that emails be deleted if they were older than circa 2 years. However, it was not implemented as it was not clear how the policy would be enforced. In addition, a proportion of staff particularly in science do not use the NHM email address. Collaboration tools were also used like Slack messaging. The Museum had Email Etiquette Guidance.

**DT**

12.6 The Chair of the Audit and Risk Committee and members asked the Chief Information and Technology Officer and Information Manager to revisit the email risk again. The Chief Information and Technology Officer agreed to report to the Information Management Group for guidance.

12.7 **Mischief Makers** - There was a possibility the new regulations will be “tested” by mischief makers as data security was high profile.

MD/NG

12.8 **Strategic Red Risks** - The Chair of the Audit and Risk Committee observed that GDPR should appear on the list of strategic red risks in the short term. It was a Board level criminal liability and must be monitored.

12.9 **Data Protection Officer** - A Data Protection Officer needed to be at a senior level in NHM. Perhaps combining the function with the Senior Information Risk Owner (SIRO) role held by the Director of Finance and Corporate Services.

12.10 **Board of Trustees 15 May 2018** - The Committee thanked the Chief Information and Technology Officer and Information Manager. Members were assured by the presentation and felt able to report positively to the Board of Trustees in May 2018. The Chief Information and Technology Officer will be requesting written assurance from Farrer and Company solicitors on the Museum's GDPR compliance. Their assurance should be included in the Museum Director’s report to trustees.

**13. CYBER SECURITY UPDATE**

13.1 The Chief Information and Technology Officer and the TS Systems and Information Manager gave their presentation.

13.2 **Cyber Threats** - A quarter of the threat came from insiders undermining security controls (albeit unintentionally) by not making good judgments when online using NHM computers. This could be a result of social engineering for example. There were about 700,000 scanning attacks on NHM firewalls every hour.

13.3 **Controls** - The control strategy was to Educate, Test, Protect and Simplify business systems. The TS Systems and Information Manager attended an IT Security Forum with other London museums and galleries. The forum worked to examine common challenges, tools and solutions and arranged joint purchasing where possible.

13.4 **Cyber Essentials** - The Museum applied for accreditation in 2017 and was compliant in 36 of the 40 areas. NHM was applying for reaccreditation early in Quarter 2 2018/2019. The Committee discussed the areas of non-compliance.

13.5 The Audit and Risk Committee will receive a further update in May as part of the Annual Security Report. The Chair and members of the Audit and Risk Committee thanked the Chief Information and Technology Officer and the TS Systems and Information Manager. Members were assured by the action being taken and the presentation.
ACTION

14. FUTURE AGENDA ITEMS, MAY 2018 RISK PRESENTATIONS AND THE IDENTIFICATION OF EMERGING RISKS SINCE THE LAST MEETING

MD/JD 14.1 Reports and Presentations - It was agreed there should preferably be one short presentation with questions at each meeting.

14.2 Emergency Financial Crisis - Museum expenditure was largely predictable. The financial vulnerability related to budgeting for commercial income. Grant-in-aid was fixed subject to the next spending review. The Museum Director had engaged a commercial consultant. It was agreed any review of commercial activities should be taken to the Commercial Advisory Committee before the Audit and Risk Committee.

14.3 Special Exhibitions – The new Director of Engagement was undertaking a strategic review of special exhibitions. There was a discussion about decision making and expenditure on special exhibitions as opposed to permanent galleries. It was observed other charities undertake a quantification of impact and non-financial benefits which link to the organisation’s strategy.

14.4 Consideration was given to reviewing at the May meeting retrospectively two projects, for example, one special exhibition and one touring to understand the decision making process and lessons learned. The Audit and Risk Committee needed to know if the Museum: (a) had the right processes in place to understand what went right and what went wrong; and (b) to what extent were exhibition forecasts based on assertions as opposed to informed opinion. The Chair of the Audit and Risk Committee will discuss exhibitions with the Museum Director.

HN

14.5 IFRS 9 - Financial Instruments and IFRS 15 - Revenue from Contracts with Customers - A paper on IFRS 9 and 15 will go to the May meeting.

NG/RB

15. ANY OTHER BUSINESS

15.1 It was noted the Head of Security had resigned.

16. DATE OF THE NEXT MEETING

16.1 The next meeting will be held at 10.00 a.m. on Thursday 3rd May 2018.

KEY TO ACTION INITIALS

Jan Day - JD
Hilary Newiss - HN
Michael Dixon - MD
Neil Greenwood - NG
Chris Hills - CH
Dave Thomas - DT
Ruth Brockbank - RB