Present

Hilary Newiss (Chair)
Professor Sir Stephen Sparks FRS
Colin Hudson (independent member)
Luke Fairless (independent member)

In Attendance

Lord Green of Hurstpierpoint (Chair of Trustees)
Dr Douglas Gurr (Museum Director)
Neil Greenwood (Executive Director of Finance and Corporate Services)
Alex Macnab (Director, DCMS Financial Audit NAO)
Anjali Kothari (Partner, Moore Kingston Smith)

Action

1 Apologies for Absence
   1.1 Apologies were received from Harris Bokhari OBE.

2 Declarations of interest and Register of Interests (Paper TAC 1/2022)
   2.1 These were noted by the Secretary to the Audit & Risk Committee. LF mentioned that, his employer, Tesco should be added and will be included in his return

3 Minutes of the meeting held on Thursday 04 November 2022 (TAC 2)
   3.1 The minutes were accepted as a true record of the meeting.

4. Matters Arising from the Minutes (TAC 3)
   4.1 Members reviewed the matters arising and closed completed items.
   4.2 Future audit provision at NHM – This will be discussed later in the meeting.

   KC
   NG
   4.3 LF confirmed he cannot currently access the NHM intranet.
   ACTION – raise issue of LF intranet access with TS.
   ACTION – arrange LF’s induction for acting as a member of the Audit & Risk Committee.
5. **Audit and Risk Committee Terms of Reference, Annual Cycle of Information and Audit and Risk Charter and Strategy (TAC 4)**

5.1 The Annual Cycle of Information will be approved following discussions around the Risk Universe and risk management.

5.2 Audit Charter & Strategy approved pending later discussions on risk management.

5.3 Audit & Risk Committee Terms of Reference has been approved pending a check against best practice.

KC 5.4 **ACTION:** Check the Terms of Reference still aligns with best practice.

5.5 Point 17 in the Audit Charter & Strategy (Quality Assurance and Performance Measures) mentions independent QA for Internal Audit, so it is timely to be focussing on how internal audit in the Museum operates.

6. **Museum Director’s Report and Key Strategic Risks Q2 (TAC 5)**

6.1 Usually, the Committee is scheduled for after the Operating Plan Quarterly Review, but this time it is slightly out of sequence. If anything material comes out of Q3 review this will be flagged separately.

6.2 There is a reduced risk around funding as the Museum were able to claim the full covid support. There is a good financial position for this year to date and the forecast outturn but there are significant funding calls for next year.

6.3 The Omicron wave in December resulted in extra closure days due to Front of House staff having to self-isolate. Even with the period cut to 5 days, there is still a risk of additional closures happening. This additionally resulted in the loss of 50% of corporate hire bookings in December and very little committed for January – March 2022. However, this is a quiet period so likely not to have a large impact on self-generated income.

6.4 Government restrictions change from Thursday 27th January 2022. The Museum will encourage visitors to wear masks, in line with Government guidance and visitor numbers will be kept under review. Half term visitor numbers will be controlled via pre-booking. The Museum expects 67k visitors over February half-term, down from 90k in October 2021 half term. It is doubtful there will be much capacity for ‘walk up’ tickets to be issued over half term.

6.5 Collections care and management is a top risk for the Museum. Until the move to Harwell is completed, 40% are held in sub optimal storage conditions. There will be an annual collections assurance paper presented to the April Committee for 2021/22.

7. **Risk Universe and associated risk guidance documents (TAC 6)**

7.1 The Chair introduced the Risk Universe, which identifies what the risks are across the Museum. Previously these risks have been mapped to internal audit coverage.

7.2 The new process will be an annual review of the Risk Universe. The Director is interested in knowing if the Committee thinks there are any missing risks or areas of concern. This will then be translated into 10-12 ‘Key Strategic Risks’ that will be actively managed, and then reported every quarter. The proposed list of Key Strategic Risks will then be brought to the Committee for final approval.
Action

7.3 AK mentioned that IT risk has recently been moved to the top of risk registers. Even if the organisation is not a specific target, incidents have caused data loss, which has been costly to businesses. There are also wider industry concerns over resourcing, with employers finding recruitment difficult and having to raise salaries to attract the right people. This can affect an organisation’s reputation if they cannot deliver what they have announced.

7.4 LF plans to meet with the Chief Information Officer more to better understand the Museum’s cyber security posture. The Director also requested that he review the Museum’s critical data sets as they are not all in an ‘ideal’ state.

7.5 The NAO felt the risks reflected broadly represented those seen in other Museums — such as collections care, people, IT and climate change. The Chair also confirmed she is asking the heads of other DCMS audit committees what their top risks are.

7.6 Whilst it is difficult to acknowledge risks from unknown events, there are some known risks that are difficult to quantify. International tourism was a major source of visitors in 2019 and the recovery of these is still uncertain, due to both covid and Brexit effects. Day to day operations has been managed effectively during the pandemic, through periods of full closure and public opening with employees coming in where necessary throughout.

7.7 It is hard to foresee fully the effects of another catastrophic shock. Supply chain disruption has been an active issue for the past 18 months and is likely to continue. The wider disruption resulted in construction price inflation and difficulty in securing tenders.

7.8 The Risk Management Policy was last updated in 2017. This will be updated as part of the wider risk management review.

Executive Director of Finance & Corporate Services’ financial review for April - December 2021 (TAC 7)

8.1 The Executive Director of Finance & Corporate Services presented the financial position at the end of Q3, based on a review of forecasts for the income generating units and other areas of the business.

8.2 Despite the extended closure over Christmas 2021, the Museum is in a good financial position for this year, driven by visitor numbers heading for double what had been planned for. There was also an extra funding allocation from DCMS. However, there are significant commitments for the next financial year, such as for the Urban Nature Project and Western Roofs Hall of Human Biology. Covid support funding will also be significantly lower for the next year.

8.3 Visitor numbers are expected to keep increasing, though will still be short of pre-pandemic numbers for the next few years at least.

8.4 There has been Capital slippage on the Western Roofs Hall of Human Biology (HHB) and underspend on both HHB and Harwell. These have been declared to DCMS and there are ongoing discussions on carrying the funds over. The Museum additionally anticipates some capital allocation over the Spending Review period 22-23 to 2024-25 for emergency estate infrastructure projects.

8.5 There have been additional contributing factors to the capital slippage. Firstly, there has been difficulty in recruiting project managers, which is at least partly pay related. This is being addressed, and new project managers have now joined the Museum.
Secondly, given the announcement that the Head of Estates will be retiring in April, it is proposed that the Estates Dept and the Central Project Office will merge, to form one Estates, Projects and Masterplanning department with a view to strengthening (amongst other changes) built estate project delivery.

With respect to self-generated income, the ice rink had a record year, which will be a lost source of income next year. The rescheduling within the exhibition programme will have an impact on income in 2022-23 with only WPY generating income in year, and with Titanosaur I now scheduled for 23/24. ‘Dippy’ will run as a free exhibition next year.


9.1 The NAO’s planning report is the same as presented in November and the risk assessment is unchanged.

9.2 The NAO propose a 10% increase in the audit fee to £65k. The audit process is quite smooth, but they need to reflect the cost of the audit and to break even. Charities sector benchmarking was undertaken in 2019 and bodies with £80m+ income had an average fee of £97k.

9.3 It was pointed out that the NAO have a monopoly supply and the Committee wanted to know if there are ways to mitigate cost and aim to do comparators with other Museums. The fee is lower than that of the V&A and the Science Museum; it would be helpful to understand why this is, whether it is due to complexity or efficiency reasons.

10. **Moore Kingston Smith pre-audit letter for the year ended 31st March 2022 (TAC 9)**

10.1 The trading subsidiary is forecast to make a profit this year, so no letter of support is likely to be required. This year the profit will affect the tax computation – MKS need to be clear on covering the prior year loss and ensure there are distributable profits.

10.2 Catering earnings per visitor were higher than expected. However, MKS will be stress testing the ability of the trading subsidiary to survive by itself.

10.3 MKS also expect to do a face to face stock take this year, as they didn’t do one last year. The date(s) for the stock take are still being finalised.


11.1 The Committee were updated on the progress of the audit plan in the year to date and an overview of related work, including an assessment of work that should be completed by the end of the year.

11.2 KC explained that several reports were nearing completion and that he was awaiting an update from DCMS with respect to the extra evidence for the counter fraud submission.

11.3 The Chair expressed a wish to close the outstanding priority 2 recommendations by the end of the financial year. KC explained these had been followed up and was confident progress was being made but would request staff state how feasible it is to implement the recommendation by then.

11.4 **ACTION:** The older P3 risks will be reviewed to see which should be followed up on and which should just be closed.
**Action**

11.5 With respect to postponed audits, the Committee agreed that Contract Letting & Procurement should possibly be looked at next year, as this was a high risk area and there were several large procurement exercises due to be held.

12. **Audit and Risk Committee Effectiveness - self assessment (TAC 11)**

12.1 Last year’s ARC self-assessment response was attached for Committee members as a reminder of their previous response.

12.2 ACTION: HN, KC, CH to go through the template before sending it out to the full Committee for comments. This will be prior to the meeting in April 2022.

**13  Discussion over the preferred option for the future form of the NHM Risk & Assurance function**

13.1 The Executive Director of Finance and Corporate Services presented an updated paper setting out options for future Risk & Assurance provision. The discussions need to be led by the Museum’s preferred level of risk appetite and exposure. The number of high priority issues raised previously has been relatively low and internal compliance teams have been significantly strengthened in recent years.

13.2 The recommended option is to reduce the in house team to 1 FTE and have an additional budget for specialist work or extra support as needed. The Committee agreed with this suggestion.

13.3 One member pointed out that some previous audits looked to be very specific and if there could be a role to do wider assurance work over whether teams are managing risk/compliance correctly? For example, by investigating how effective internal compliance functions are.

13.4 ACTION: HN, KC to have a discussion with other key staff responsible for regulatory and assurance functions to understand what their reports are and ensuring they have an independent line to the Committee. Some staff present year end reports to the Committee, however these do not cover all compliance and assurance aspects.

13.5 Whilst it is right to concentrate audit on the top risks, the audit programme also needs flexibility for ad hoc reports, whistle blowing, etc. The Committee should think of internal audit as one mechanism available to Board of Trustees and define what they would like to use internal audit for.

13.5 The Committee agreed in principle to accept the Director’s proposal to reduce the Risk & Assurance function to 1 FTE with an external budget for specialist or additional reviews. This will be reviewed over the course of the year, for the Committee to decide whether the level of assurance provided is satisfactory.

**14. Future Agenda Items**

14.1 Alison Lodge, HR Director, will present her recent work on safeguarding, including the updated policy, to either the April or June Committee.

14.2 The next meeting will be held on 28th April 2022.

**KEY TO ACTION INITIALS**

| Hilary Newiss | HN | Doug Gurr | DG | Neil Greenwood | NG |
| Colin Hudson | CH | Luke Fairless | LF | Kevin Coughlan | KC |