

BRITISH MUSEUM MANAGEMENT STATEMENT AND FINANCIAL MEMORANDUM

PART ONE: MANAGEMENT STATEMENT

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I. INTRODUCTION

This document

1. The Management Statement consists of this covering document and its associated Financial Memorandum, and has been drawn up by DCMS in consultation with the British Museum.
2. Taken together and subject to the legislation noted below, this Management Statement and the Financial Memorandum set out the framework of accountability within which the British Museum will operate, in particular:
 - rules and guidelines relevant to the exercise of the British Museum's functions, duties and powers;
 - the conditions under which any public funds are paid to the British Museum;
 - how the British Museum is to be held to account for its performance.
3. The Financial Memorandum sets out in greater detail certain aspects of the financial provisions which the British Museum is required to observe.
4. The combined document will be reviewed by the Department as part of the periodic review of the British Museum (see Section VIII. below).
5. The British Museum or the Secretary of State may propose amendments to either document at any time. Following consultation with British Museum the Secretary of State will determine what changes, if any, are to be incorporated in the document. Legislative changes will take precedence over any part of this document. Significant variations to the document will be subject to approval by Treasury or Cabinet Office as appropriate.
6. The Department is responsible for resolving any questions regarding the interpretation of this document after consultation with the British Museum and as necessary with the Treasury or Cabinet Office.
7. Copies of the Management Statement and Financial Memorandum and any subsequent substantial amendments will be placed in the Libraries of both Houses of Parliament. Copies will also be placed on the Internet and made available to members of the public on request. Founding Legislation; status
8. The British Museum is established under the British Museum Act 1963 and the Museums and Galleries Act 1992. It is also an exempt charity. The constitution of the Body is set out in Section 1 of the British Museum Act 1963. The Body does not carry out its functions on behalf of the Crown. The

British Museum receives funding by virtue of Section 9, Schedule 7 of the Museums and Galleries Act 1992.

Classification

9. For policy/administrative purposes the British Museum is classified as an executive non-departmental public body (NDPB).
10. For national accounts purposes the British Museum is classified to the central government sector.
11. References to this British Museum include all its subsidiaries and joint ventures that are classified to the public sector for national accounts purposes. If such a subsidiary or joint venture is created, there will be a document setting out the arrangements between it and the British Museum.

The functions, duties and powers of the British Museum

12. The British Museum Act 1963 gives the British Museum the following duties and powers:
 - (a) Subject to the provisions of this Act, it shall be the duty of the Trustees of the British Museum to keep objects comprised in the collection of the Museum within the authorised repositories of the Museum, except in so far as they may consider it expedient to remove them temporarily for any purpose connected with the administration of the Museum and the care of its collections.
 - (b) It shall be the duty of the Trustee to secure, so far as appears to them to be practicable, that the objects comprised in the collections of the Museum (including objects stored under the preceding sub section) are, when required for inspection by members of the public, made available in one or other of the authorised repositories under such conditions as the Trustees think fit to impose for preserving the safety of the collections and ensuring the proper administration of the Museum.
 - (c) The Trustees of the British Museum shall have power, subject to the restrictions imposed on them by virtue of any enactment (whether contained in this Act or not), to enter into contracts and other agreements, to acquire and hold land other property, and to do all other things that appear to them necessary or expedient for the purpose of their functions.

(d) The Trustees of the British Museum may lend for public exhibition (whether in the United Kingdom or elsewhere) any object comprised in the collections of the Museum and may sell, exchange, give away or otherwise dispose of any object vested in them and comprised in their collection subject to restrictions outlined in the Act.

II. AIM, OBJECTIVES AND TARGETS

Overall aim

13. The Body defines its aim to illuminate to present and future generations throughout the world the histories of cultures by preserving, presenting, enhancing and researching the unique national collections in its care.
Objectives and key targets
14. The Board sets the British Museum's objectives and targets and agrees them with the Department through the Funding Agreement process, see section IV. below. In particular, nothing in this document shall prevent the Board from carrying out its duties under general trust law or the Charities Acts 1992 and 1993.

III. RESPONSIBILITIES AND ACCOUNTABILITY

The Secretary of State

15. The Secretary of State is accountable to Parliament for the activities and performance of the British Museum. The Secretary of State's responsibilities include:
 - approving the policy and performance framework within which the British Museum will operate;
 - providing information about the British Museum to Parliament as required;
 - determining the resource and capital expenditure limits to be applied to the British Museum, the amount of grant-in-aid available to finance this expenditure, and seeking Parliamentary approval for that amount;
 - carrying out responsibilities specified in the founding legislation including approval of terms and conditions of staff and Board members, and laying of annual report and accounts before Parliament.

The Permanent Secretary

16. The Permanent Secretary, as the Department's principal Accounting Officer, is responsible for the overall organisation, management and staffing of the

sponsor Department, and for ensuring that there is a high standard of financial management in the Department as a whole. In particular:

- the Departmental Accounting Officer is responsible for ensuring that the financial and other management controls, such as the Financial Memorandum applied by the Department to the British Museum are appropriate and sufficient to safeguard public funds and for ensuring the British Museum's compliance with those controls. The British Museum will be consulted and due notice given before any changes or new controls are introduced. Public funds include not only any funds granted to the British Museum by Parliament but also any other funds within the stewardship of the Museum;
- the Departmental Accounting Officer must be satisfied that the framework of internal controls applied by the British Museum conform to the requirements of regularity, propriety and good financial management;
- the Departmental Accounting Officer is accountable to Parliament for the issue of grant in aid, for ensuring that the subvention is within the ambit and the amount of the Resource Estimate, that Parliamentary authority has been sought and given, and for the framework for achieving value for money.

17. The responsibilities of a Departmental Accounting Officer are set out in Chapter 4 of *Government Accounting*.

The Sponsor Unit in the Department

18. The Sponsor Unit is the primary source of advice to the Secretary of State on the discharge of the Departmental Accounting Officer's responsibilities in respect of the British Museum, and the primary point of contact for the British Museum itself within the Department.

19. The main functions of the Sponsor Unit are:

- to communicate and maintain an effective relationship with the British Museum and to ensure timely consultation about policy, resources and other relevant matters;
- to communicate relevant Government policy to the British Museum and advise on the interpretation of that policy; and to provide specific advice to the British Museum as necessary;
- to advise the Secretary of State on an appropriate resource and capital budget for the British Museum within the Department's overall public expenditure provision, and on appropriate Funding Agreement performance targets for the Museum;
- to monitor and review the British Museum's performance against Funding Agreement targets and against its resource and capital provision and to take action where appropriate; and

- to advise the Secretary of State, at a strategic level, on how well the British Museum is achieving its current objectives and whether it is delivering value for money.

The Chairman of the British Museum

20. The Chairman is elected by the Board from among the Trustees.
21. The Chairman is responsible to the Secretary of State for ensuring that where appropriate, e.g. through the Funding Agreement, the British Museum's policies are consistent with those of the Secretary of State, and that the British Museum's affairs are conducted with probity.
22. The Chairman has a particular responsibility for providing effective strategic leadership on the following matters consistent with the Model Code of Practice:
 - formulating the Board's strategy for discharging its statutory duties;
 - supporting the Museum's Accounting Officer in encouraging high standards of propriety and promoting the efficient and effective use of staff and other resources throughout the organisation;
 - ensuring that the Board, in reaching decisions, takes proper account of guidance provided by the Secretary of State or the Department;
 - representing the views of the Board to the general public; and
 - providing an assessment of the contribution of individual Board members, on request, when they are being considered for re-appointment to the Board.
23. The Chairman will ensure that all members of the Board, when taking up office, are fully briefed on the terms of their appointment and on their other duties, rights and responsibilities.
24. When Board vacancies arise, the Chairman is responsible for advising the Secretary of State of the needs of the British Museum with a view to ensuring a proper balance of professional and financial expertise, including professional and financial.
25. The Chairman will ensure that a Code of Practice for Board members is in place, based on the model Code of Practice for Board Members of Public Bodies produced by the Cabinet Office. The Code will commit the Chairman and other Board members to the Nolan seven principles of public life, and will include a requirement for a comprehensive (See Model Code, para 17, for guidance, p.186, NDPB Guide) and publicly available register of interests.

26. Communications between the Board and the Secretary of State will normally be through the Chairman.

The British Museum's Board

27. One Board member is appointed by Her Majesty, the Queen and 15 members by the Prime Minister in accordance with guidance issued by the Commissioner for Public Appointments. Four Board members are appointed by the Presidents of the Royal Academy, Society of Antiquaries, British Academy and Royal Society respectively; five members are appointed by the Trustees of the Museum.
28. Board Members have corporate responsibility for ensuring that the British Museum fulfils the aim and objectives set out in legislation and complies with any statutory or administrative requirements for the use of public funds. The responsibilities of Board members are set out in the Model Code of Practice for Board Members of Public Bodies.
29. Individual Board members should also be aware of their wider responsibility as members of the Board, namely:
- to comply at all times with the Code of Practice that is adopted by the British Museum and with the rules relating to the use of public funds and to conflicts of interest;
 - to act in accordance with the requirements of Charity law;
 - to act in good faith and in the best interests of the British Museum;
 - not to misuse information gained in the course of their public service for personal gain or for political profit, nor seek to use the opportunity of public service to promote their private interests or those of connected persons or organisations; and
 - to comply with the Board's rules on the acceptance of gifts and hospitality (and of business appointments).
30. The British Museum will also set up/maintain an Audit Committee as a committee of the Board in accordance with paragraph 8.3.17 of *Government Accounting* and the Cabinet Office's *Guidance on Model Codes of Practice for Board Members of Public Bodies* (February 2000), and other such committees as may be necessary to conform to best standards of corporate governance and risk management.

The Director

31. The Director of the British Museum is normally designated as the Museum's Accounting Officer by the Accounting Officer of the Department.

32. As the British Museum's Accounting Officer the Director is personally responsible for safeguarding the public funds for which she/he has charge, for propriety and regularity in the handling of those public funds and for the day-to-day operations and management of the British Museum. She/he should act in accordance with the terms of this document and with the instructions and guidance in *Government Accounting* and other instructions and guidance issued from time to time by the Department, the Treasury and the Cabinet Office – in particular, the Treasury documents *The Responsibilities of an NDPB Accounting Officer* and *Regularity and Propriety*, both of which the Director will receive on appointment.
33. As the British Museum's Accounting Officer the Director will, in particular:
- advise the Board on the discharge of its responsibilities as set out under the Acts and in this document and in any other relevant instructions and guidance that may be issued from time to time;
 - ensure that all public funding made available to the British Museum and all sums receivable are used for purposes intended by Parliament, and that such moneys, together with the British Museum's assets, equipment and staff, are used economically, efficiently and effectively;
 - ensure that timely monitoring information and forecasts are provided to the Department; that the British Museum keeps within the resource and capital expenditure limits determined by the Secretary of State; that corrective action is taken to avoid overspends; and that the Department is notified promptly when overspends or underspends are likely;
 - ensure that the financial considerations are taken fully into account by the Board at all stages in reaching and executing its decisions, and that standard financial appraisal techniques are followed as far as is practical;
 - ensure that adequate internal management and financial controls are maintained by the British Museum, including that sums receivable are collected, and that there are effective measures against fraud and theft;
 - ensure the British Museum's compliance with the financial and other management controls applied by the Department, and maintain systems for compliance with this document;
 - ensure that suitable arrangements are made for the provision of internal audit in a manner which represents best value for money;
 - maintain a comprehensive system of internal delegated authorities which should be notified to all staff, together with a system for regularly reviewing compliance with these delegations;
 - ensure that appropriate personnel management policies are introduced and maintained;
 - be responsible for signing the accounts and for ensuring that proper records are kept relating to the accounts and that the accounts are properly prepared and presented in accordance with any directions issued by the

- Secretary of State; and for signing a Statement of Accounting Officer's responsibilities for inclusion in the annual report and accounts;
- take action as set out in paragraphs 14-18 of "*The Responsibilities of a NDPB Accounting Officer*" if the Board, or its Chairman, is contemplating a course of action involving a transaction which the Director considers would infringe the requirements of propriety or regularity, or does not represent prudent or economical administration or efficiency or effectiveness;
 - give evidence, normally with the Accounting Officer of the sponsor Department, when summoned before the Public Accounts Committee on the use and stewardship of public funds by the British Museum;
 - ensure that effective procedures for handling complaints about the British Museum are established and made widely known within it.
34. The Director may delegate the day-to-day administration of these Accounting Officer responsibilities to the Finance Director or other employees in the Museum. However, she/he shall not assign absolutely to any other person any of the responsibilities set out in this document.
35. The Director is the Principal Officer for the purpose of the handling of cases involving the Parliamentary Commissioner for Administration. The Principal Officer is responsible for informing the Permanent Secretary of the Department about any complaints accepted by the Ombudsman for investigation, and about the British Museum's proposed response to any subsequent recommendations from the Parliamentary Ombudsman.

IV. PLANNING, BUDGETING AND CONTROL

The Funding Agreement

36. The British Museum will agree with the Department a Funding Agreement. The British Museum will have agreed with the Department the issues to be addressed in the Agreement and the timetable for its preparation.
37. The Agreement will reflect the British Museum's statutory duties and, within those duties, the priorities agreed with the Secretary of State from time to time. In particular the Agreement will reflect the British Museum's contribution where relevant to the achievement of the Department's PSA objectives and targets (see section 2.2.1 above). The Funding Agreement should be made available to the public, by appropriate means.
38. The Agreement will set out the British Museum's key objectives and associated key performance targets. The main elements of the Agreement will be agreed between the Department and the British Museum in the light

of the Museum's own strategy and the Department's decisions on policy and resources taken in the context of the Government's wider public expenditure decisions.

Business Planning

39. To operate its business effectively, the British Museum should produce management planning and information documents covering at least three financial years ahead. These may take the form of strategic or corporate plans (for three years ahead), and should include a business plan (one year ahead).
40. The Department should be sent copies of each of the completed planning documents. The Department will draw on these plans in agreeing targets and measures to be incorporated in the Funding Agreement, and in discharging its responsibilities for pay and staffing issues. These plans should be made available to the public, via the Internet if possible.
41. The first year of the planning document can include the business plan incorporated as a single document. In order for the Department to assess the affordability of pay proposals, the business plan should include:
 - A forecast of income and expenditure suitably classified by activity and key objectives, taking account of guidance on resource assumptions and policies provided by the Department at the beginning of the planning round. These forecasts should represent the British Museum's best estimate of its available income, including any grant or grant in aid and other funding within the Museum.

Performance against targets

42. The British Museum will operate management information and accounting systems which enable it to review its financial and non-financial performance against budgets and targets including those in the Funding Agreement, and in its planning documents.
43. The British Museum's performance against the Funding Agreement targets will be reported to the Department on a regular basis. Performance will be formally reviewed twice yearly by officials. The Secretary of State or the relevant Minister may meet the Chairman and Director formally each year to discuss the British Museum's performance, its current and future activities and any policy developments relevant to those activities.
44. The British Museum's performance against key targets will be reported in its annual report and accounts [see Paragraph 49 below].

45. The British Museum should inform the Department of changes in external conditions which may affect the achievement of its Funding Agreement objectives, or which may require a change to the budgets or objectives.

Risk management

46. The British Museum should have a process of risk management which is embedded into its planning, operational, monitoring and review activities. This should be appropriate to the business and circumstances of the British Museum. The Treasury publication, *Management of Risk, a Strategic Overview*, with Supplementary Guidance for Smaller Bodies, provides guidance.

Internal audit

47. The British Museum will establish and maintain arrangements for internal audit in accordance with the objectives, standards, scope and practices set out in the Treasury's *Government Internal Audit Standards*.
48. The Department reserves a right of access to carry out independent reviews of internal audit in the British Museum. The Department will assess the effectiveness of the British Museum's internal audit arrangements by periodic peer reviews by its Internal Audit Service, and by scrutiny of the Museum's Head of Internal Audit's annual report and opinion on the adequacy and effectiveness of the Museum's internal control systems. Once this report has been passed to the Audit Committee, a copy should be forwarded as soon as possible to the Internal Audit Unit at the Department and copied to the sponsoring team by the British Museum.

V. EXTERNAL ACCOUNTABILITY

The annual report and accounts

49. The British Museum must keep proper accounts and records in relation to them, and must retain financial records as appropriate. After the end of each financial year the British Museum will publish an annual report of its activities, together with its audited annual accounts. The report will also cover the activities of any corporate bodies under control of the British Museum.
50. The report and accounts will comply with the Treasury's *Executive NDPB Annual Reports and Accounts Guidance (July 2000)*, and the accounts will be

prepared in accordance with the relevant statutes and the specific Accounts Direction issued by the Department.

51. The Accounts Direction may make stipulations on the form and content areas of the accounts, the nature and presentation of the information to be contained in any accompanying statements, the manner in which information is to be presented and the principles according to which the statements are to be prepared, taking into account the relevant requirements and guidance including SORP.
52. The report and accounts will outline the British Museum's main activities and performance during the previous financial year and set out in summary form the British Museum's forward plans. Information on performance against those key targets which relate to financial performance will be included in the notes to the accounts, and will therefore be within the scope of the audit, subject to agreement on their suitability for audit purposes.
53. The report and accounts will be laid before Parliament by the Comptroller and Auditor General (C&AG).
54. To enable the annual reports and accounts to be laid in Parliament before the Summer Recess and published by 31st August, the sponsoring team and the Department's Finance and Planning Division should receive the Final Accounts not later than 20 July. Draft accounts should be submitted by 30 June.

External audit

55. The Comptroller and Auditor General (C&AG), will audit the British Museum's expenditures and receipts; examine their regularity and propriety; and lay the accounts before Parliament. In addition, the C&AG will have access to the British Museum's books and records by virtue of the National Audit Act 1983 for the purpose of carrying out examinations into the economy, efficiency and effectiveness with which the British Museum has used its resources in discharging its functions.
56. The sponsoring team should be given an opportunity by the British Museum's management to contribute to the risk analyses underpinning internal and external auditors' planning assumptions.

VI. STAFF MANAGEMENT

General

57. Within the arrangements approved by the Secretary of State and the Treasury the British Museum will have responsibility for the recruitment, retention and motivation of its staff.
58. The British Museum will ensure that staff management is carried out with regard to appropriate standards as set out in the NDPB guide.

VII. COMPLIANCE WITH INSTRUCTIONS AND GUIDANCE

Instructions and guidance

59. The British Museum shall comply with relevant instructions and guidance issued by the sponsor Department and other central Departments including the relevant parts of the following documents or their successors:
 - This Management Statement and Financial Memorandum;
 - *Government Accounting*;
 - *Non-Departmental Public Bodies – a Guide for Departments* (the “NDPB Guide”), published by the Cabinet Office;
 - *The Government Internal Audit Standards*;
 - *The Treasury’s Fees and Charges Guide*;
 - The Treasury’s guidance *Departmental Banking: A Manual for Government Departments*;
 - *Executive NDPBs – Annual Reports and Accounts Guidance*, issued by the Treasury;
 - Relevant *Dear Accounting Officer* letters;
 - The Treasury guidance document *Regularity and Propriety*;
 - Recommendations made by the Public Accounts Committee or other Parliamentary authority which have been accepted by the Government and which are relevant to the British Museum.

- Failure to comply
60. The Department may reduce the British Museum’s expenditure limit or withhold grant in aid, or amend delegated limits, if any condition or requirement set out in this combined document or the instructions and guidance listed above is not fulfilled.

VIII. REVIEWS

Periodic review

61. The Department will commission a comprehensive review of the British Museum at such intervals as the Department may determine. From time to

time the Department may commission other reviews of its NDPBs, e.g. thematic, sectoral or business studies.

62. The terms of this Management Statement and the Financial Memorandum and the British Museum's compliance with them shall be reviewed as part of the periodic reviews. This document may also be reviewed between periodic reviews should the Department so determine.

Signed by Director of the British Museum

Date

Signed by DCMS official as Minister's representative.

Date