

Royal Botanic Gardens Edinburgh

Management Report 2017/18



 AUDIT SCOTLAND

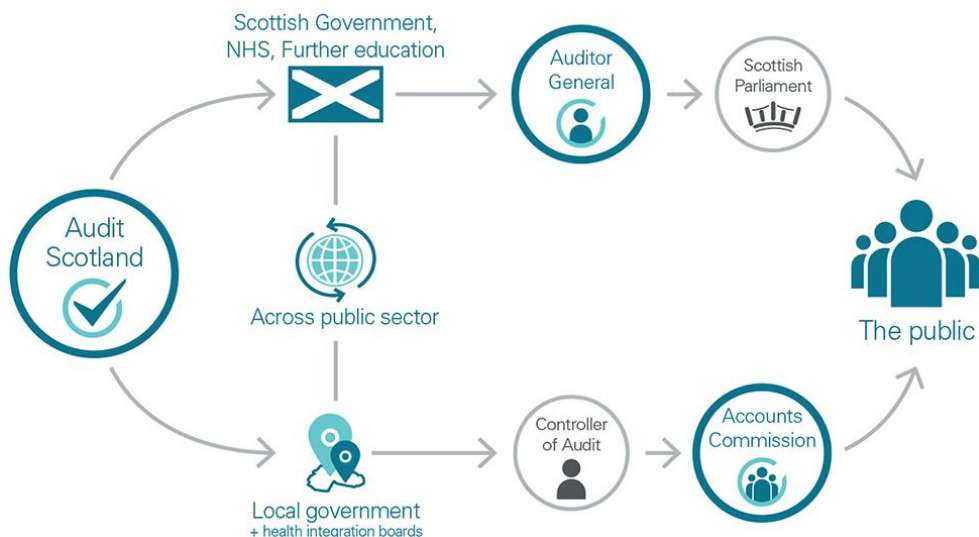
Prepared for Royal Botanic Gardens Edinburgh

May 2018

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non – executive board chair, and two non – executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world – class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

Contents

Audit findings	4
Introduction	4
Conclusion	4
Risks identified	5
Additional follow-up work	5

Audit findings

Introduction

1. This report contains a summary of the key issues identified during the interim audit work carried out at Royal Botanic Gardens Edinburgh.
2. Our responsibilities under the [Code of Audit Practice](#) require us to assess the system of internal control put in place by management. We seek to gain assurance that the audited body:
 - has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements
 - has systems of internal control which provide an adequate means of preventing and detecting error, fraud or corruption
 - complies with established policies, procedures, laws and regulations.
3. Our interim audit work included obtaining an understanding of the key controls operating within the payroll and receivables systems and completing substantive testing of key income and expenditure items. We will use the results of this testing to inform our audit approach for the 2017/18 financial statements.



Receivables and payroll controls



Income and expenditure transactions

4. We also completed a high-level review of governance arrangements in accordance with our responsibilities under the [Code of Audit Practice](#),

Conclusion

5. No significant issues were identified from our interim audit work and this enables us to proceed with our planned audit approach for the 2017/18 financial statements. Our substantive testing of income and expenditure transactions identified that some transactions were processed/allocated to the wrong financial year. As a result, we plan to carry out more focussed testing of cut -off for year end income and expenditure during our final accounts audit work. This will enable us to take planned assurance for our audit of the 2017/18 financial statements. The issues raised are summarised in [Exhibit 1](#).
6. In terms our wider dimension audit work we concluded that appropriate governance arrangements are in place
7. In accordance with *ISA 330: the auditor's response to assessed risk*, our audit judgements are based on current year testing of controls and where appropriate prior year results. Our risk based audit approach allows us to take a three-year cyclical approach to controls testing. This approach enables us to place reliance on previous years' audit work where controls remain unchanged and no significant weaknesses had been identified. Also, where possible we place reliance on the work of internal audit to avoid duplication of effort.

8. The contents of this report have been discussed with relevant officers to confirm factual accuracy. The co-operation and assistance we received during the course of our audit is gratefully acknowledged.

Risks identified

9. The risks identified during the interim audit are detailed in [Exhibit 1](#). These findings will inform our approach to the financial statements audit where relevant.

10. Any weaknesses identified represent those that have come to our attention during the course of normal audit work and therefore are not necessarily all the weaknesses that may exist. It is the responsibility of management to decide on the extent of the internal control system appropriate to Royal Botanic Gardens Edinburgh.

Additional follow-up work

11. . As a result of the income and expenditure issues identified below, we plan to carry out more focussed testing of cut -off of year end income and expenditure during our final accounts audit work.

Exhibit 1

Key findings and action plan 2017/18

Issue identified	Management response	Responsible officer and target date
<p>Audit findings</p> <p>Expenditure processed in the wrong accounting year</p> <p>Our sample testing of 2017/18 expenditure identified two separate transactions that were accrued twice in 2016/17, and then reversed in 2017/18. This was offset by another sample expenditure transaction that was processed in 2017/18 but related to 2016/17 expenditure. The net impact from this is that expenditure in 2016/17 is overstated by £22,101 and 2017/18 expenditure is understated by the same amount.</p> <p>We would recommend that instructions are issued to services to ensure that they provide the finance section with all the information necessary to make an accurate estimate of accrued expenditure each accounting period end and, in particular, at the year end.</p> <p>There is a risk that expenditure transactions are processed in the wrong accounting period.</p>	<p>The finance team work closely with all departments and divisions across RBGE and do ask and remind teams of the requirements to provide finance with all the information necessary to make an accurate estimate of accrued expenditure at the year end. There may be occasions where information to enable accruals to be made is not available to either finance or the departments until after the accounts have been finalised and audited. We have instigated a thorough transaction review process in Periods 1 - 3 of 2018/19, prior to the accounts being presented to Audit Scotland, to check for transactions that have not previously been captured and accrued for into 2017/18. A report is also being run for P12 of 2017/18 to ensure that no duplicate entries exist.</p>	<p>Responsible Officer: Finance Manager April - June 2018</p>
<p>Income for 2016/17 processed in 2017/18</p> <p>Our sample testing of 2017/18 income identified two separate transactions totalling £100,020 that related to</p>	<p>The finance team work closely with all departments and divisions across RBGE and do ask and remind teams of the requirements to provide finance with all the information necessary to make an accurate estimate of accrued income at the year end. The errors</p>	<p>Responsible Officer: Finance Manager April – June 2018</p>

Issue identified	Management response	Responsible officer and target date
<p>2016/17 but were not processed until 2017/18. The impact from this is that income reported in 2016/17 is understated by £100,020 and 2017/18 income is overstated by the same amount. As we sample checked over 90% of the value of income transactions posted between April 2017 and January 2018 we are satisfied that these income errors do not breach our audit materiality level.</p> <p>We would recommend that instructions are issued to services to ensure that they provide the finance section with all the information necessary to make an accurate estimate of accrued income each accounting period end and, in particular, at the year end.</p> <p>There is a risk that expenditure transactions are processed in the wrong accounting period.</p>	<p>last year were due to resourcing issues and I am confident that the oversight and monitoring processes introduced by the Finance Manager will aim to prevent similar ones occurring in the 2017/18 accounts.</p>	
<p>Payroll – updates required to standing data</p> <p>Our testing of payroll transactions identified that the pay award uplift from August 2017 for non-cash pensionable benefits (uniforms) had not been applied. We also noted that the salary deductions for union membership were not all calculated at the correct rates. In both these instances the impact on the financial statements was very immaterial and likely to be below our pre-determined trivial threshold. Nevertheless, the correct rates and allowances should always be applied and updated to the payroll system when appropriate.</p> <p>There is a risk that payroll deductions are not correctly calculated.</p>	<p>We are liaising with our payroll provider to ensure this information is updated.</p>	<p>Responsible Officer: HR Operations Manager May 2018</p>
<p>Audit dimensions - issues and risks</p>		
<p>Governance – IT Strategy requires to be updated</p> <p>The IT strategy has not been updated since 2015/16 and therefore is out of date. We were advised that The IT strategy is being revised. However, it is being held up due to the organisation restructure which sees IT now falling under the Director of Sciences. A science strategy is</p>	<p>The IT strategy will be completed once the science strategy has been finalised and the implications of the cyber security review have been assessed in Autumn 2018.</p>	<p>Responsible Officer: Head of IT April 2019</p>

Issue identified	Management response	Responsible officer and target date
<p>currently being drafted which will feed into the revised IT strategy.</p> <p>There is a risk that the IT strategy is out of date and does not reflect current priorities and control requirements.</p>		
<hr/> <p>Source: Audit Scotland</p> <hr/>		

12. All our outputs and any matters of public interest will be published on our website: www.audit-scotland.gov.uk.

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