

Royal Botanic Garden Edinburgh

Annual Audit Plan 2019/20



 AUDIT SCOTLAND

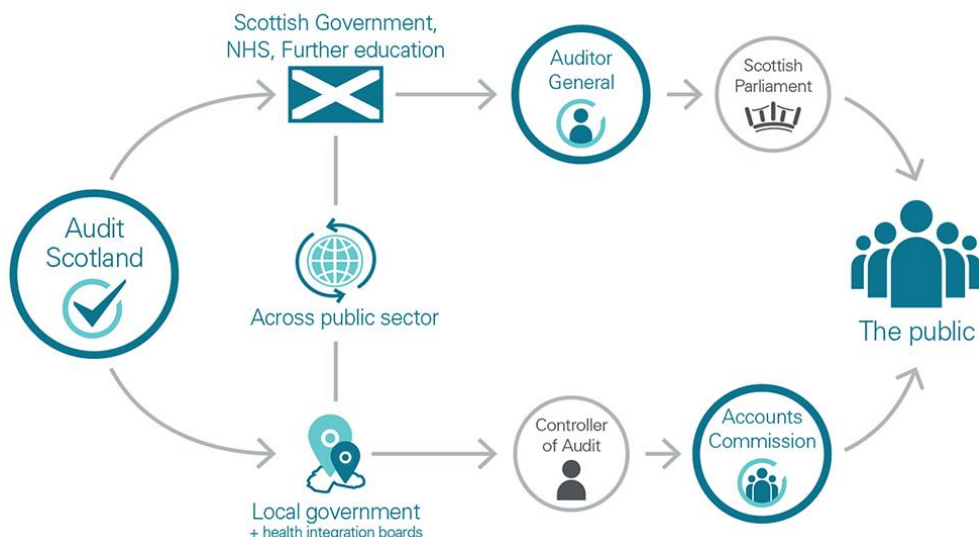
Prepared for Royal Botanic Garden Edinburgh

February 2020

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

Risks and planned work	4
Audit scope and timing	9

Risks and planned work

1. This annual audit plan contains an overview of the planned scope and timing of our audit which is carried out in accordance with International Standards on Auditing (ISAs), the [Code of Audit Practice](#), and [guidance on planning the audit](#). This plan sets out the work necessary to allow us to provide an independent auditor's report on the annual accounts and meet the wider scope requirements of public sector audit.

2. The wider scope of public audit contributes to assessments and conclusions on financial management, financial sustainability, governance and transparency and value for money.


Adding value

3. We aim to add value to Royal Botanic Garden Edinburgh (RBGE) through our external audit work by being constructive and forward looking, by identifying areas for improvement and by recommending and encouraging good practice. In so doing, we intend to help RBGE promote improved standards of governance, better management and decision making and more effective use of resources.


Audit risks


4. Based on our discussions with staff, attendance at committee meetings and a review of supporting information we have identified the following significant risks for RBGE. We have categorised these risks into financial statements risks and wider dimension risks. The key audit risks, which require specific audit testing, are detailed in [Exhibit 1](#).

Exhibit 1 2019/20 Significant audit risks

 Audit Risk	Source of assurance	Planned audit work
Financial statements risks		
<p>1 Risk of material misstatement caused by management override of controls</p> <p>International Standard on Auditing 240 (ISA 240) requires that audits are planned to consider the risk of material misstatement caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of management override of controls that results in fraudulent financial statements.</p>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance.</p>	<ul style="list-style-type: none"> • Detailed testing of journal entries. • Review of accounting estimates. • Focused testing of accruals and prepayments. • Evaluation of significant transactions that are outside the normal course of business • Substantive testing of transactions around the year end to confirm income and expenditure are accounted for in the correct financial year.

 Audit Risk	Source of assurance	Planned audit work
<p>2 Risk of material misstatement caused by fraud over income</p> <p>As set out in ISA 240, there is a presumed risk of fraud in the recognition of income. There is a risk that income may be materially misstated in the financial statements.</p> <p>While the majority of RBGE funding is from the Scottish Government, a significant amount is generated from other sources. The extent of this income and the increasing requirement to generate additional income each year to break even means that there is an inherent risk of fraudulent or erroneous reporting of income to achieve a desired financial position.</p>	<p>A sound system of budgetary control is in place. This includes regular budget monitoring reports being provided to the Board.</p> <p>Segregation of duties are in place between those responsible for generating invoices from those processing income in the accounting records.</p> <p>Fraud and loss updates are provided at each Audit Committee meeting.</p>	<ul style="list-style-type: none"> Analytical procedures on income streams. Detailed testing of revenue transactions focusing on whether income is processed in the correct accounting year.
<p>3 Risk of material misstatement caused by fraud over expenditure</p> <p>Most public-sector bodies are net expenditure bodies and therefore the risk of fraud is more likely to occur in expenditure. There is a risk that expenditure may be materially misstated in the financial statements.</p> <p>RBGE incurs significant expenditure on a range of activities. The extent of expenditure means there is an inherent risk of fraudulent or erroneous reporting of expenditure to achieve a desired financial position.</p>	<p>A sound system of budgetary control is in place. This includes regular budget monitoring reports being provided to the Board.</p> <p>Financial control systems covering expenditure are in place.</p> <p>Fraud and loss updates are provided at each Audit Committee meeting.</p> <p>There are a range of measures in place to prevent and detect fraud, including the Theft & Fraud Policy, Whistleblowing Policy, and separate codes of conduct for staff and trustees.</p>	<ul style="list-style-type: none"> Analytical procedures on expenditure areas. Detailed testing of expenditure transactions focusing on whether expenditure is recorded in the correct accounting year.
<p>4 Assets under construction</p> <p>RBGE spent £3.123 million on the Edinburgh Biomes project by 31 March 2019, with further capital expenditure on this project due to be incurred in 2019/20. To date, this expenditure has been incurred on design related work. The future funding and magnitude of this project is still uncertain and is dependent on receiving approval for the full business case to proceed.</p> <p>If the project is not approved, or is approved on a smaller scale, there is a risk that expenditure capitalised to</p>	<p>The City of Edinburgh Council have backed the proposals made by RBGE and planning permission has been granted for the project.</p> <p>The full business case has been presented to the Scottish Government in draft format. This outlines the specifications and costings for this project.</p> <p>RBGE will review the cumulative Biomes expenditure once the</p>	<ul style="list-style-type: none"> Review expenditure allocated to assets under construction in 2019/20. Review the correspondence between RBGE and the Scottish Government regarding progress on approval and continued funding for this project.

	Audit Risk	Source of assurance	Planned audit work
	date may not be directly attributable to the approved project and will require to be impaired.	outcome of the full business case is known.	
Wider dimension risks			
5	Financial sustainability – projected deficit in 2019/20	A sound system of budgetary control is in place. This includes regular budget monitoring reports being provided to the Board.	<ul style="list-style-type: none"> Review financial monitoring papers presented to committee/trustees.
	The most recent finance report, reported to the Audit Committee in December 2019, outlined that RBGE are forecasting a deficit of £0.274 million for 2019/20.	Steps are being taken by senior management to ensure that savings are made to bring down the forecast deficit.	
	The balance of RBGE reserves held at the end of 2018/19 of £0.137 million will not cover this level of deficit and RBGE will require to find alternative measures to mitigate the level of the projected overspend		
6	Edinburgh Biomes	The City of Edinburgh Council have backed the proposals made by RBGE and planning permission has been granted for the project.	<ul style="list-style-type: none"> Review the correspondence between RBGE and the Scottish Government regarding progress on approval and continued funding for this project. Review regular programme updates which are presented to the Trustees.
	There are a number of buildings within RBGE, including the A-listed glasshouses, that require significant maintenance and improvement work to be carried out in order to ensure they continue to be operational.	The full business case has been presented to the Scottish Government in draft format. This outlines the specifications and costings for this project.	
	The budget for the work required to the glasshouse, surrounds and related infrastructure has been assessed and is estimated at £70 million. The full business case has not yet been approved by the Scottish Government and is scheduled to be considered by them later in 2020.		
	If the required maintenance and improvement work cannot be carried out there is a risk that the glasshouses will no longer be in a suitable condition for RBGE to continue to deliver its innovative work. If the project is approved, the glasshouses will be closed on a phased basis over the period of this work. This will impact the ability to generate income during this period.		
7	Longer term financial planning	Work is underway to produce the Corporate Plan covering the period 2020-25. RBGE intends to produce a five-year financial plan which will be aligned to the corporate plan. This will incorporate the impact of the Biomes project.	<ul style="list-style-type: none"> Review the progress that RBGE have made towards implementing its medium to long term financial strategy. Review and assess the impact of the five-year financial plan. Review key assumptions within the five-year financial plan.
	Although RBGE carries out scenario planning, this is not linked to a more detailed medium to long term financial plan that sets out the steps required to meet the most likely scenario over this term, linked to corporate priorities.		

	Audit Risk	Source of assurance	Planned audit work
	<p>There is a risk then that RBGE may not be able to respond to the financial challenges over the medium term.</p>		
8	<p>ICT business continuity planning</p> <p>In the event of a significant IT system failure at the Balfour building, RBGE has a smaller back-up server in the Nursery Site. This would ensure that no data would be lost if the main server was destroyed and would enable important business functions to be re-instated, albeit with less operational capability.</p> <p>Key staff are aware of their responsibilities and the actions necessary to restore systems in the event of an IT systems failure. However, while RBGE has ICT business continuity planning documents in place, these have not been updated recently and do not provide a step by step guide to the arrangements that need to be followed in the event of different scenarios. We also note that IT disaster recovery arrangements have not been tested recently.</p> <p>This increases the risk that systems may not be recovered as fully or quickly as intended in the event of a disaster situation.</p>	<p>As part of the draft ICT Strategy for 2020-25, a full review of disaster recovery planning will be carried out in 2021 by the Interim Head of IT.</p> <p>This will include a documented approach to how RBGE should respond to various business continuity scenarios.</p>	<ul style="list-style-type: none"> Review the progress made by RBGE towards updating and testing its IT business continuity plans.

Source: Audit Scotland

Reporting arrangements

5. Audit reporting is the visible output for the annual audit. All annual audit plans and the outputs as detailed in [Exhibit 2](#), and any other outputs on matters of public interest will be published on our website: www.audit-scotland.gov.uk.

6. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the relevant officer(s) to confirm factual accuracy.

7. We will provide an independent auditor's report to Royal Botanic Garden Edinburgh, Scottish Parliament and the Auditor General for Scotland setting out our opinions on the annual accounts. We will provide the Accountable Officer and Auditor General for Scotland with an annual report on the audit containing observations and recommendations on significant matters which have arisen during the audit.

Exhibit 2

2019/20 Audit outputs

Audit Output	Target date	Committee Date
Annual Audit Plan	05 February 2020	19 February 2020
Management Report (alternatively, findings may be reported in the annual audit report)	26 May 2020	09 June 2020
Independent Auditor's Report	04 September 2020	16 September 2020
Annual Audit Report	04 September 2020	16 September 2020

Source: Audit Scotland

Audit fee

8. The proposed audit fee for the 2019/20 audit of RBGE is £16,920 [£16,700 in 2018/19]. In determining the audit fee, we have taken account of the risk exposure of RBGE, the planned management assurances in place and the level of reliance we plan to take from the work of internal audit. Our audit approach assumes receipt of the unaudited annual accounts, with a complete working papers package on 27 July 2020.

9. Where our audit cannot proceed as planned through, for example, late receipt of unaudited annual accounts or being unable to take planned reliance from the work of internal audit, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises out with our planned audit activity.

Responsibilities

Audit Committee and Accountable Officer

10. Audited bodies have the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives.

11. The audit of the annual accounts does not relieve management or the Audit Committee as those charged with governance, of their responsibilities.

Appointed auditor

12. Our responsibilities as independent auditors are established by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice (including supplementary guidance) and guided by the Financial Reporting Council's Ethical Standard.

13. Auditors in the public sector give an independent opinion on the financial statements and other information within the annual accounts. We also review and report on the arrangements within the audited body to manage its performance, regularity and use of resources. In doing this, we aim to support improvement and accountability.

Audit scope and timing

Annual accounts

14. The annual accounts, which include the financial statements, will be the foundation and source for most of the audit work necessary to support our judgements and conclusions. We also consider the wider environment and challenges facing the public sector. Our audit approach includes:

- understanding the business of RBGE and the associated risks which could impact on the financial statements
- assessing the key systems of internal control, and establishing how weaknesses in these systems could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how RBGE will include these in the financial statements
- assessing the risks of material misstatement in the financial statements
- determining the nature, timing and extent of audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements are free of material misstatement.

15. We will give an opinion on whether the financial statements:

- give a true and fair view in accordance with the National Heritage (Scotland) Act 1985 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2020 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the National Heritage (Scotland) Act 1985 and directions made thereunder by the Scottish Ministers, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations.



characteristics



responsibilities



principal activities



risks



governance arrangements

Statutory other information in the annual accounts

16. We also review and report on statutory other information published within the annual accounts including the trustees report, annual governance statement and the remuneration report. We give an opinion on whether these have been compiled in accordance with the appropriate regulations and frameworks in our independent auditor's report.

17. We also review the content of the annual report for consistency with the financial statements and with our knowledge. We report any uncorrected material misstatements in statutory other information.

Materiality

18. We apply the concept of materiality in planning and performing the audit. It is used in evaluating the effect of identified misstatements on the audit, and of any

uncorrected misstatements, on the financial statements and in forming our opinions in the independent auditor's report.

19. The calculated materiality values for RBGE are set out in [Exhibit 3](#).

Exhibit 3 Materiality values



Materiality	Amount
Planning materiality – This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. It has been set at 1% of gross expenditure for the year ended 31 March 2020 based on the 2018/19 audited accounts.	£170,000
Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement, we have calculated performance materiality at 50% of planning materiality.	£85,000
Reporting threshold (i.e., clearly trivial) – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. This has been calculated at 3% of planning materiality.	£5,000

Source: Audit Scotland

Timetable

20. To support the efficient use of resources it is critical that the annual accounts timetable is agreed with us to produce the unaudited accounts. We have included an agreed timetable at [Exhibit 4](#).

Exhibit 4 Annual accounts timetable

 Key stage	 Date
Latest submission date of unaudited annual report and accounts with complete working papers package	27 July 2020
Latest date for final clearance meeting with Head of Finance	24 August 2020
Agreement of audited unsigned annual report and accounts	4 September 2020
Issue of Annual Audit Report to those charged with governance	4 September 2020
Independent auditor's report signed	By 2 October 2020

Internal audit

21. Internal audit is provided by Henderson Loggie. As part of our planning process we carry out an annual assessment of the internal audit function to ensure that it operates in accordance with the main requirements of the Public Sector Internal Audit Standards (PSIAS). ISA 610 requires an assessment on whether the work of the internal audit function can be used for the purposes of external audit. This includes:

- the extent to which the internal audit function's status and relevant policies and procedures support the objectivity of the internal auditors
- the level of competence of the internal audit function
- whether the internal audit function applies a systematic and disciplined approach, including quality control.

22. We will report any significant findings to management on a timely basis.

Using the work of internal audit

23. Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to rely on the work of internal audit wherever possible to avoid duplication and to ensure the total resource is used efficiently or effectively.

24. From our initial review of internal audit plans, we do not plan to use the work of internal audit when forming our opinion on the financial statements. However, we will consider the outcomes of this work and review internal audit's arrangements for supporting the governance statement reported in the annual report and accounts.

25. In respect of our wider dimension audit responsibilities we plan to use the following areas of internal audit work:

- Repairs Contract Management - arrangements in place to monitor the contract delivery for the outsourced scheduled and responsive maintenance works carried out in Edinburgh and at Dawyck.
- Soft FM Contract Arrangements - arrangements for monitoring the contract delivery for the soft facilities management services commissioned by RBGE.
- Debtors/Income - examine workflows for debt management and recovery procedures in place for all types of debt.

Audit dimensions

26. Our audit is based on four audit dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 5](#).

Exhibit 5 Audit dimensions



Financial sustainability

27. As auditors we consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. We will also comment on financial sustainability in the longer term. We define this as medium term (two to five years) and longer term (longer than five years) sustainability. We will carry out work and conclude on:

- the effectiveness of financial planning in identifying and addressing risks to financial sustainability in the short, medium and long term
- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps

Financial management

28. Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. We will review, conclude and report on whether RBGE has:

- arrangements in place to ensure systems of internal control are operating effectively
- an effective budgetary control system in place to communicate accurate and timely financial performance
- assured itself that its financial capacity and skills are appropriate
- appropriate and effective arrangements in place for the prevention and detection of fraud and corruption.

Governance and transparency

29. Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision – making and transparent reporting of financial and performance information. We will review, conclude and report on whether RBGE:

- can demonstrate that the governance arrangements in place are appropriate and operating effectively
- has effective scrutiny, challenge and transparency on the decision-making and finance and performance reports.
- can demonstrate the quality and timeliness of financial and performance reporting.

Value for money

30. Value for money refers to using resources effectively and continually improving services. We will review, conclude and report on whether RBGE can demonstrate:

- value for money in the use of resources
- there is a clear link between money spent, output and outcomes delivered.
- that outcomes are improving.
- there is sufficient focus on improvement and the pace of it.

Best Value

31. The Accountable Officer of RBGE has a duty to ensure arrangements are in place to secure best value. We will review and report on these arrangements.

Independence and objectivity

32. Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has robust arrangements in place to ensure compliance with these standards including an annual “fit and proper” declaration for all members of staff. The arrangements are overseen by the Director of Audit Services, who serves as Audit Scotland’s Ethics Partner.

33. The engagement lead (i.e. appointed auditor) for RBBE is Paul Craig, Senior Audit Manager. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of RBGE.

Quality control

34. International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor’s report or opinion is appropriate in the circumstances.

35. The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice (and supporting guidance) issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that we achieve the required quality standards Audit Scotland conducts peer reviews and internal quality reviews. Additionally, the Institute of Chartered Accountants of Scotland (ICAS) have been commissioned to carry out external quality reviews.

36. As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We welcome feedback at any time and this may be directed to the engagement lead.

Royal Botanic Garden Edinburgh

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If you require this publication in an alternative format and/or language, please contact us to discuss your needs: 0131 625 1500 or info@audit-scotland.gov.uk

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