

Royal Botanic Garden Edinburgh

Annual Audit Plan 2020/21



 AUDIT SCOTLAND

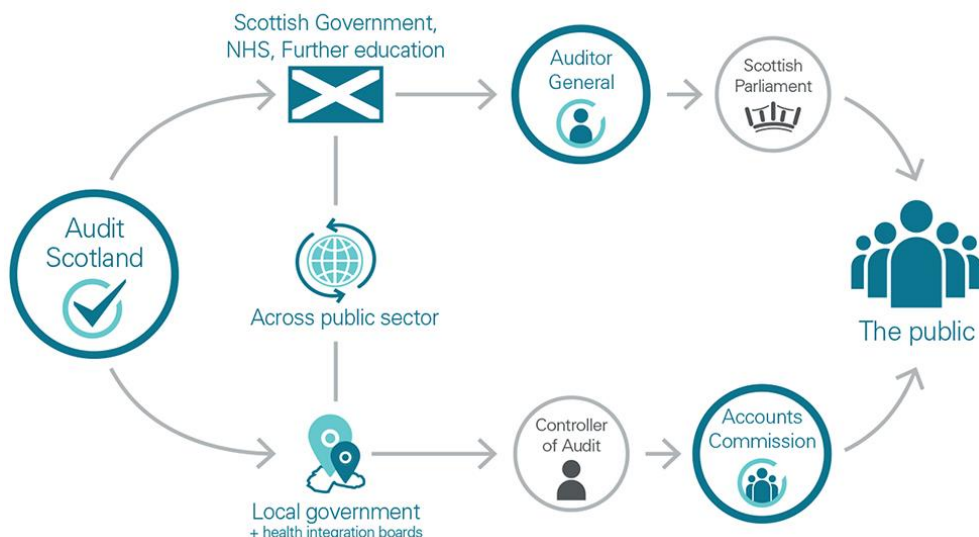
Prepared for Royal Botanic Garden Edinburgh

February 2021

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.

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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.
- 3.** The public health crisis caused by the coronavirus disease 2019 (COVID-19) pandemic has had a significant and profound effect on every aspect of Scottish society. Public services have been drastically affected, requiring immediate changes to the way they are provided. The impact on public finances has been unprecedented, which has necessitated both the Scottish and UK governments providing substantial additional funding for public services as well as support for individuals, businesses and the economy. It is likely that further financial measures will be needed and that the effects will be felt well into the future.
- 4.** Public audit has an important contribution to the recovery and renewal of public services. The Auditor General, the Accounts Commission and Audit Scotland are responding to the risks to public services and finances from COVID-19 across the full range of audit work including annual audits and the programme of performance audits. Audit Scotland views 2020/21 as another challenging year. The well-being of audit teams and the delivery of high-quality audits remain paramount. Maintaining a pragmatic and flexible approach will enable change at short notice as new issues emerge, or current risks change in significance. Where this impacts on annual audits, an addendum to this annual audit plan may be necessary.


Adding value


- 5.** We aim to add value to Royal Botanic Garden Edinburgh 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 Royal Botanic Garden Edinburgh promote improved standards of governance, better management and decision making and more effective use of resources.


Audit risks

- 6.** Based on our discussions with staff, attendance at committee meetings and a review of supporting information we have identified the following significant risks for Royal Botanic Garden Edinburgh. 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](#).

2020/21 Significant audit risks

 Audit Risk	Source of assurance	Planned audit work
Financial statements risks		
<p>1 Risk of material misstatement due to fraud caused by the management override of controls</p> <p>International Auditing Standards require that audits are planned to consider the risk of material misstatement in the financial statements caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of fraud due to the management override of controls.</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.
<p>2 Risk of material misstatement caused by fraud in revenue recognition</p> <p>As set out in ISA (UK) 240, there is a presumed risk of fraud in the recognition of income. There is a risk that income may be misstated resulting in a material misstatement 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 in expenditure</p> <p>As most public-sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. There is a risk that expenditure may be misstated resulting in a material misstatement 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</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.

 Audit Risk	Source of assurance	Planned audit work
	<p>prevent and detect fraud, including the Theft & Fraud Policy, Whistleblowing Policy, and separate codes of conduct for staff and trustees.</p>	
Wider dimension risks		
<p>4 Financial sustainability – Short Term</p> <p>As a result of the Covid-19 pandemic, RBGE has experienced significant financial pressures resulting from the closure of the gardens and continued restrictions relating to visitor numbers and glass house admissions.</p> <p>Updates to the Board in December 2020 reported that excluding Grant-In Aid, unrestricted income is 48% lower than the budgeted figure to date. For the six-month period from April to September 2020 it is estimated that the pandemic has resulted in the following:</p> <ul style="list-style-type: none"> • lost income of £1.559 million • staff costs of £0.221 million incurred in planning and responding to the impact of the virus • staff cost of £0.072 million lost due to absence and caring responsibilities • additional revenue costs of £0.066 million incurred. <p>In order to alleviate these financial pressures, the Scottish Government provided RBGE with additional Grant-in-Aid funding of £2 million.</p> <p>Since these updates were made, RBGE have been required to operate within the Scottish Government Tiered system prior to entering a second full lockdown on 26 December. Such restrictions will continue to impact on RBGE's ability to generate income.</p> <p>There is a risk that the projected year end financial position will be further impacted by ongoing restrictions which could prevent RBGE achieving a break-even position.</p>	<p>A sound system of budgetary control is in place. This includes regular budget monitoring reports being provided to the Board.</p>	<ul style="list-style-type: none"> • Review financial monitoring papers presented to committee/trustees. • Review correspondence from Scottish Government to confirm whether RBGE will receive any additional Grant-in-Aid funding.

 Audit Risk	Source of assurance	Planned audit work
<p>5 Financial Sustainability – Longer Term</p> <p>A report taken to the Board meeting in September 2020 highlighted the significant resource challenges facing RBGE. It recognised the short-term impact on income generation as a result of Covid-19, and the medium, and longer-term challenges should Grant-in Aid continue to fail to cover additional staff costs arising from the Government Pay Policy.</p> <p>The revenue Grant-in-Aid funding received from Scottish Government represents around 60 per cent of RBGE’s annual core revenue income with the remaining 40 per cent being self-generated income through commercial activity and fundraising. RBGE also generates research grant and other income restricted for specific activities.</p> <p>Covid-19 is likely to have a significant impact on RBGE’s future financial plans in both the short and medium term and the 2020/21-2024/25 high level budgets have not yet been updated to reflect the impact of Covid-19.</p> <p>There is a risk that RBGE will be unable to continue to either increase or maintain the level of self-generated income prior to the Covid-19 pandemic and as such, there could a projected shortfall over the longer-term. RBGE could become reliant on SG to increase funding (as was the case in 2020/21) to deliver a break-even position each year.</p>	<p>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.</p>	<ul style="list-style-type: none"> • Review financial monitoring papers presented to committee/trustees. • Review correspondence from Scottish Government to confirm whether RBGE will receive any additional Grant-in-Aid funding.
<p>6 Longer term financial planning</p> <p>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.</p> <p>There is a risk that RBGE may not be able to respond to the financial challenges over the medium term.</p>	<p>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.</p>	<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.

Reporting arrangements

7. 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.

8. 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 Report and 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.

9. The target dates below are provisional and are based on the audit timetable for the 2019/20 financial audit. However, these may be subject to change as the impact of Covid 19 becomes clearer. We will continue to liaise closely with the Audit Committee and the Head of Finance as part of the 2020/21 audit.

Exhibit 2

2020/21 Audit outputs

Audit output	Target date	Committee Date
Annual Audit Plan	5 February 2021	17 February 2021
Independent Auditor's Report	16 November 2021	TBC
Annual Audit Report	16 November 2021	TBC

Source: Audit Scotland

Audit fee

10. The proposed audit fee for the 2020/21 audit of Royal Botanic Garden Edinburgh is £17,340 (£16,920 in 2019/20). In determining the audit fee, we have taken account of the risk exposure of Royal Botanic Garden Edinburgh, 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 Report and accounts, with a complete working papers package on 30 September 2021.

11. Where our audit cannot proceed as planned through, for example, late receipt of unaudited Annual Report and 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

12. 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.

13. The audit of the Annual Report and accounts does not relieve management or the audit committee as those charged with governance, of their responsibilities.

Appointed auditor

14. 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.

15. Auditors in the public sector give an independent opinion on the financial statements and other information within the Annual Report and accounts. We also review and report on the arrangements within Royal Botanic Garden Edinburgh to manage its performance, regularity and use of resources. In doing this, we aim to support improvement and accountability.

Audit scope and timing

Annual Report and accounts

16. The Annual Report and 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 Royal Botanic Garden Edinburgh 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 Royal Botanic Garden Edinburgh 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.

17. 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 affairs of Royal Botanic Garden Edinburgh and its group as at 31 March 2021 and of the income and expenditure of Royal Botanic Garden Edinburgh and its group for the year then ended;
- have been properly prepared in accordance with the financial reporting framework
- 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.

Statutory other information in the Annual Report and accounts

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

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

Materiality

20. 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



characteristics



responsibilities



principal activities



risks



governance arrangements

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

21. We calculate materiality at different levels as described below. The calculated materiality values for Royal Botanic Garden Edinburgh 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 2021 based on the latest audited accounts.	£180,000
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.	£90,000
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

Internal audit

22. 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 (UK)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 organisational 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.

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

Using the work of internal audit

24. International 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. We plan to consider the findings of the work of internal audit as part of our planning process to minimise duplication of effort and to ensure the total resource is used efficiently or effectively.

25. 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.

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

- Data Protection/Freedom of Information - ensure ongoing consistent application of GDPR principles across the organisation and assessment of RBGE compliance regarding Freedom of Information Requests.
- Restricted Funding - examine the processes in place to ensure that restricted funding is being utilised in line with the requirements attached to the grant funding.
- Collections Management - review arrangements for the recording and protection of the collections and ensure that robust processes are in place to enable accurate identification and tracking of assets as part of the maintenance of the fixed asset register.

Audit dimensions

27. 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



Source: Code of Audit Practice

Financial sustainability

28. 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

29. 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 arrangements are in place to ensure systems of internal control are operating effectively
- the effectiveness of budgetary control systems in communicating accurate and timely financial performance can be demonstrated
- how Royal Botanic Garden Edinburgh has assured itself that its financial capacity and skills are appropriate
- whether there are appropriate and effective arrangements in place for the prevention and detection of fraud and corruption.

Governance and transparency

30. 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 Royal Botanic Garden Edinburgh can demonstrate that the governance arrangements in place are appropriate and operating effectively
- whether there is effective scrutiny, challenge and transparency on the decision-making and finance and performance reports.
- the quality and timeliness of financial and performance reporting.

Value for money

31. Value for money refers to using resources effectively and continually improving services. We will review, conclude and report on whether Royal Botanic Garden Edinburgh 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

32. The Accountable Officer of Royal Botanic Garden Edinburgh has a duty to ensure arrangements are in place to secure best value. We will review and report on these arrangements .

Independence and objectivity

33. 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.

34. The engagement lead for Royal Botanic Garden Edinburgh is Mark Ferris, 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 Royal Botanic Garden Edinburgh.

Quality control

35. 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.

36. 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.

37. 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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