

Royal Botanic Garden Edinburgh

Annual Audit Plan 2018/19



 AUDIT SCOTLAND

Prepared for Royal Botanic Garden Edinburgh

February 2019

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 and is carried out in accordance with International Standards on Auditing (ISAs), the [Code of Audit Practice](#), and any other relevant guidance. This plan sets out the work necessary to allow us to provide an independent auditor's report on the financial statements 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 the 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 main risk areas for RBGE. We have categorised these risks into financial risks and wider dimension risks. The key audit risks, which require specific audit testing, are detailed in [Exhibit 1](#).

Exhibit 1 2018/19 Key audit risks

 Audit Risk	Source of assurance	Planned audit work
Financial statements issues and risks		
<p>1 Risk of management override of controls</p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls to change the position disclosed in the 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.
<p>2 Risk of fraud over income</p> <p>RBGE receives a significant amount of income in addition to Scottish Government funding. The extent and complexity of income means that, in</p>	<p>Regular budget monitoring reports are provided to the Board.</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 the areas of greatest risk.

 Audit Risk	Source of assurance	Planned audit work
<p>accordance with ISA240, there is an inherent risk of fraud.</p>		
<p>3 Risk of 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.</p> <p>The Code of Audit Practice requires consideration of risk of fraud over expenditure. RBGE incurs significant expenditure on a range of activities which will require audit coverage.</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>RBGE takes part in the National Fraud Initiative with recommended matches reviewed for potentially fraudulent activities.</p>	<ul style="list-style-type: none"> Analytical procedures on expenditure areas. Detailed testing of expenditure transactions focusing on the areas of greatest risk. Complete NFI audit questionnaire to assess progress and action taken by the board to investigate matches.
<p>4 Income and expenditure processed in the wrong accounting year.</p> <p>Our audit testing in 2017/18 identified income and expenditure that was recorded in the wrong accounting year. This related mainly to transactions crossing the beginning of the financial year from 2016/17 to 2017/18.</p>	<p>New measures have been put in place around cut off and this worked well for the 2017/18 year end. This will continue in forthcoming years to ensure income and expenditure are correctly accounted in the appropriate year.</p>	<ul style="list-style-type: none"> Detailed testing of income and expenditure transactions focusing on areas of greatest risk, particularly at financial year end.
Wider dimension issues and risks		
<p>5 Financial sustainability - 2019/20</p> <p>RBGE continue to face budget pressures. Initial forecast scenarios for 2019/20 indicate a deficit of £0.077 million. RBGE requires to increase self-generated income and reduce costs in order to break even. This is based on Grant-in-Aid of £8.495 million from the Scottish Government, which has remained at the same level for each of the two previous financial years. This follows a similar increase in self generated income and cost reductions that were required in 2018/19 to break even.</p> <p>RBGE are forecasting a deficit of £0.029 million for 2018/19, hence any additional income or recurring efficiency savings not achieved will increase savings requirements for future years and will present a risk to future financial sustainability.</p>	<p>RBGE undertakes an appropriate level of sensitivity analysis and scenario planning, particularly in relation to potential changes in government funding.</p> <p>In advance of GIA announcements, different funding scenarios are modelled, and the leadership team/Board discuss options to manage a reduced funding situation. Income sources are reviewed and challenged. The impact and mitigation of any potential cost reductions are identified.</p>	<ul style="list-style-type: none"> Review of arrangements to identify, monitor and report efficiencies. Review of correspondence with Scottish Government regarding future funding. Review financial monitoring papers presented to committee.
<p>6 Edinburgh Biomes programme (previously North East Corner)</p> <p>There are a number of buildings within RBGE, including the A-listed glasshouses, that require significant maintenance work to be carried out in</p>	<p>Progress reports on the Edinburgh Biomes programme are taken to each Board Meeting.</p> <p>Review the risk register reported to Trustees</p>	<ul style="list-style-type: none"> Review the correspondence between RBGE and Scottish Government regarding potential funding for the programme

 Audit Risk	Source of assurance	Planned audit work
<p>order to ensure they continue to be operational.</p> <p>The October 2018 Board meeting projected the cost to address the Edinburgh Biomes is £63.5 million over a six year period, although this could continue to rise further in future years.</p> <p>If the required maintenance 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.</p>	<p>which provides updates on the Edinburgh Biomes programme.</p> <p>RBGE aim to finance at least 25% of the costs, and are requesting the Scottish Government to underwrite the project and fund the remainder.</p>	<ul style="list-style-type: none"> Review regular programme updates which are presented to the Trustees.
<p>7 Medium to long 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 then that RBGE may not be able to respond to the financial challenges over the medium term.</p>	<p>RBGE is reviewing the scenario planning work carried out as part of a review of the planning and budgeting arrangements with the intention of improving the longer-term focus.</p> <p>Longer term financial planning will be aligned to the next longer term corporate plan covering the period 2020 - 2025.</p>	<ul style="list-style-type: none"> Review the progress that RBGE have made towards implementing its medium to long term financial strategy; and confirm that the assumptions are reasonable and consistent with RBGE's strategic plan objectives.
<p>8 Framework Document</p> <p>The Framework Document forms a key part of the accountability and governance framework for RBGE however this has not been updated since 2014. Furthermore, there are a number of other governing documents which require to be updated.</p> <p>This, combined with some new staff in key roles, means there is a risk that some governance documents could relate to outdated practices and staff members may not be aware of the current governance arrangements in place as they have access to out-of-date documents.</p>	<p>RBGE is currently carrying out a review of a number of the out-of-date documents and intend to approve updated versions over the course of 2019.</p>	<ul style="list-style-type: none"> Review the progress that RBGE make towards updating the Framework Document, along with the other governing documents.

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 RBGE, 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

2018/19 Audit outputs

Audit Output	Target date	Audit Committee Date
Annual Audit Plan	30 January 2019	13 February 2019
Management Report	29 May 2019	12 June 2019
Annual Audit Report	04 September 2019	18 September 2019
Independent Auditor's Report	18 September 2019	18 September 2019

Source: Audit Scotland

Audit fee

8. The proposed audit fee for the 2018/19 audit of RBGE is £16,700 [£16,380 in 2017/18]. 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 26 July 2019.

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 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.

14. Paul Craig, Senior Audit Manager, continues as the appointed independent auditor established under the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice. Andrew Wallace, Auditor, will lead the audit team for on-site visits and will be the main contact for the audit.

Audit scope and timing

Annual report and accounts

15. 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 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.

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

- whether they 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 2019 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended
- whether they have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- whether they 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

Other information in the annual report and accounts

17. We also review and report on 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.

18. We also read and consider any information in the annual accounts other than the financial statements and audited part of the remuneration report and report any uncorrected material misstatements.

Materiality

19. 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.

20. We calculate materiality at different levels as described below. The calculated materiality values for RBGE are set out in [Exhibit 3](#).

Exhibit 3 Materiality values

Materiality	Amount
Planning materiality – This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It has been set at 1% of gross expenditure based on the latest audited accounts.	£160,000
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 40% of planning materiality.	£64,000
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: RBGE Audited Financial Statements 2017/18

Timetable

21. 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 report and accounts timetable

 Key stage	 Date
Latest submission date of unaudited annual report and accounts with complete working papers package	26 July 2019
Latest date for final clearance meeting with Head of Finance	23 August 2019
Agreement of audited unsigned annual report and accounts	04 September 2019
Issue of Annual Audit Report to those charged with governance	04 September 2019
Independent auditor's report signed (date of Board Meeting)	03 October 2019

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 Public Sector Internal Audit Standards (PSIAS). 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. 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.

24. To support our audit opinion on the financial statements we do not plan to place formal reliance on any specific internal audit review carried out for 2018/19.

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

- ICT systems & Data Protection
- Pensions administration

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



Source: Code of Audit Practice

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 the body's 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
- whether RBGE can demonstrate the affordability and effectiveness of funding and investment decisions it has made.

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
- whether RBGE can demonstrate the effectiveness of budgetary control system in communicating accurate and timely financial performance
- how RBGE has assured itself that its financial capacity and skills are appropriate
- whether RBGE has established appropriate and effective arrangements 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
- 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

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

- RBGE can provide evidence that it is demonstrating value for money in the use of its resources.
- RBGE can demonstrate that there is a clear link between money spent, output and outcomes delivered.
- RBGE can demonstrate that outcomes are improving.
- There is sufficient focus on improvement and the pace of it.

Independence and objectivity

31. 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.

32. The engagement lead (i.e. appointed auditor) for RBGE is Paul Craig, Senior Audit Manager. Auditing and ethical standards require the appointed auditor, Paul Craig, 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

33. 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.

34. 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.

35. 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.

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