

Royal Botanic Garden Edinburgh

2019/20 Annual Audit Report



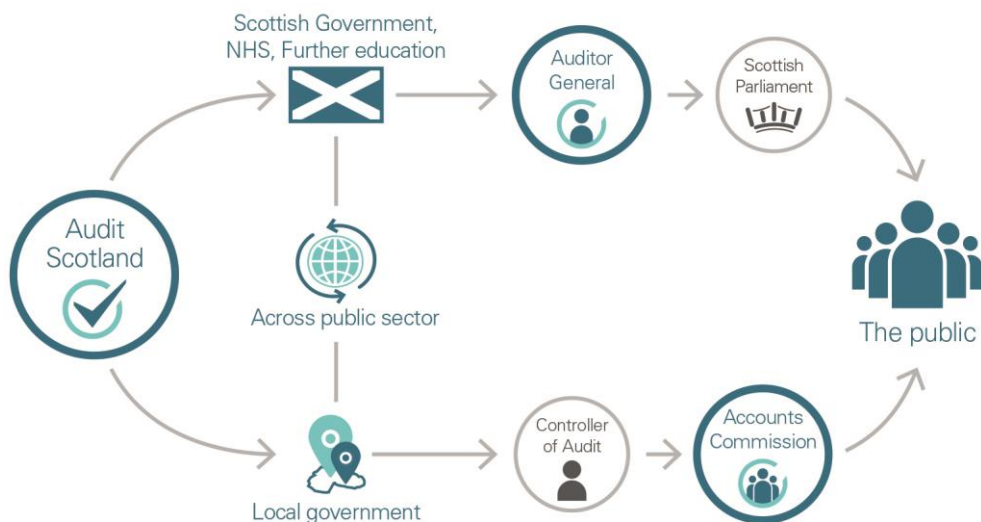
Prepared for the Royal Botanic Garden Edinburgh and the Auditor General for Scotland

18 November 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.

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Key messages

2019/20 annual report and accounts

- 1** The financial statements of RBGE give a true and fair view of the state of affairs and its group as at 31 March 2020 and of the net expenditure for the year then ended; and have been properly prepared in accordance with the financial reporting framework.
- 2** The financial statements include an explanatory paragraph within Note 1C describing the effect of material uncertainties, caused by Covid-19, as declared in the valuation reports for property valuations. This is a significant management disclosure in the financial statements that impacts on the users understanding of the accounts. We have included an Emphasis of Matter referring to this paragraph in our independent auditor's report on the financial statements. Although the Emphasis of Matter paragraph constitutes a modification to our independent auditor's report our opinion on the financial statements is not qualified in respect of this matter.
- 3** The Trustees Report and governance statement were consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.
- 4** As a result of Covid-19 the accounting and auditing timetable for the 2019/20 financial statements was revised. Remote working brought additional challenges to the audit process with physical limitations on access to records and systems. Despite these challenges the final accounts audit process ran smoothly.

Financial management

- 5** RBGE's unrestricted expenditure exceeded unrestricted income resulting in a net deficit of £0.184 million and a negative closing balance on unrestricted reserves of £0.105 million.
- 6** Our testing of the operation of the key financial controls relating to the main financial systems concluded that these were operating effectively.
- 7** RBGE has satisfactory arrangements in place for financial management with scope for improvements in some areas.
- 8** The ICT Strategy, supporting policies and Business Continuity Plan need to be updated.

Financial sustainability

- 9** The Scottish Government announced that up to £50 million will be provided to invest in creating a more energy efficient environment at RBGE via the delivery of the Edinburgh Biomes programme.
- 10** RBGE's financial position remains challenging with an increasing reliance placed on self-generated income to break even.
- 11** RBGE should develop a more detailed medium- and long-term financial plan. The Covid-19 outbreak has impacted on RBGE's short-term

finances and the impact of this on medium/longer-term planning has still to be evaluated.

Governance and transparency

- 12** RBGE has appropriate governance arrangements in place. We recognise that in responding to the COVID-19 pandemic RBGE revised its governance arrangements. The new arrangements are appropriate and support good governance and accountability.
- 13** The Framework Document has not been reviewed since 2014. RBGE are working with the Scottish Government so that it can be updated to reflect current arrangements, however, there are ongoing delays.
- 14** With increasing public expectations for more openness in the conduct of public business, RBGE should review the existing arrangements to improve the openness and transparency of the organisation.
- 15** The Trustee's report should be updated to improve the quality of the performance and financial information and to better highlight the organisational achievements for the year under review.

Value for money

- 16** RBGE's performance reporting makes it difficult to conclude what progress has been made against its corporate priorities.
- 17** RBGE needs to use benchmarking performance information to drive continuous improvement.

Introduction

1. This report summarises the findings from our 2019/20 audit of the Royal Botanic Garden Edinburgh (RBGE).

2. The scope of our audit was set out in our Annual Audit Plan presented to the 19 February 2020 meeting of the Audit Committee. This report comprises the findings from:

- an audit of RBGE's annual report and accounts
- consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#) as illustrated in [Exhibit 1](#).

Exhibit 1 Audit dimensions



Source: *Code of Audit Practice 2016*

3. The main elements of our audit work in 2019/20 have been:

- an audit of RBGE's 2019/20 annual report and accounts including the issue of an independent auditor's report setting out my opinions
- a review of the RBGE's key financial systems
- consideration of the four audit dimensions.

4. Subsequent to the publication of the Annual Audit Plan, in common with all public bodies, RBGE has had to respond to the global Covid-19 pandemic. This impacted on the final month of the year and will continue to have a significant

impact into financial year 2020/21. This has had significant implications, not least for the services it delivers and the suspension of non-essential projects and activities. Our planned audit work has had to adapt to new emerging risks as they relate to the audit of the financial statements and the wider dimensions of audit.

Adding value through the audit

5. We add value through the audit by:

- having regular dialogue with senior finance staff as the strategic and operational impact of Covid-19 developed
- sharing intelligence and good practice to the Audit Committee on key challenges in the Covid environment
- highlighting learning from our experiences working with other bodies and agreed a clear, no surprises, approach for the remote audit of the 2019/20 accounts within a revised accounts and audit timetable
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

Responsibilities and reporting

6. RBGE has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing an annual report and accounts that are in accordance with the accounts direction from the Scottish Ministers.

7. RBGE is also responsible for establishing appropriate and effective arrangements for governance, propriety and regularity that enable the board to successfully deliver its objectives.

8. Our responsibilities as independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the [Code of Audit Practice 2016](#), and supplementary guidance and International Standards on Auditing in the UK. As public sector auditors we give independent opinions on the annual report and accounts. Additionally, we conclude on the appropriateness and effectiveness of the performance management arrangements, the suitability and effectiveness of corporate governance arrangements, the financial position and arrangements for securing financial sustainability. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#) and supplementary guidance.

9. This report raises matters from our audit. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

10. Our annual audit report contains an agreed action plan at [Appendix 1](#). It sets out specific recommendations, the responsible officer(s) and dates for implementation. It also includes any outstanding actions from last year and progress against these.

Auditor Independence

11. 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 comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies.

12. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2019/20 audit fee of £16,920 as set out in our Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

13. This report is addressed to both the RBGE and the Auditor General for Scotland and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

14. We would like to thank the management and staff who have been involved in our work for their cooperation and assistance during the audit. This is especially appreciated during the particularly challenging circumstances arising due to the Covid-19 pandemic.

Part 1

Audit of 2019/20 annual report and accounts



Main judgements

The financial statements of RBGE give a true and fair view of the state of affairs and its group as at 31 March 2020 and of the net expenditure for the year then ended; and have been properly prepared in accordance with the financial reporting framework.

The financial statements include an explanatory paragraph within Note 1C describing the effect of material uncertainties, caused by Covid-19, as declared in the valuation reports for property valuations. This is a significant management disclosure in the financial statements that impacts on the users understanding of the accounts. We have included an Emphasis of Matter referring to this paragraph in our independent auditor's report on the financial statements. Although the Emphasis of Matter paragraph constitutes a modification to our independent auditor's report our opinion on the financial statements is not qualified in respect of this matter.

The Trustees Report and governance statement were consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.

As a result of Covid-19 the accounting and auditing timetable for the 2019/20 financial statements was revised. Remote working brought additional challenges to the audit process with physical limitations on access to records and systems. Despite these challenges the final accounts audit process ran smoothly.

The annual report and accounts are the principal means of accounting for the stewardship of resources and performance.

Our audit opinions on the annual report and accounts are unmodified

15. The annual report and accounts for the year ended 31 March 2020 were approved by the board on 2 December 2020. We reported within the independent auditor's report that:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework expenditure and income were regular and in accordance with applicable enactments and guidance
- the Trustees' Report and governance statement were all consistent with the financial statements and properly prepared in accordance with the accounts direction.

RBGE highlighted an uncertainty in property valuations due to COVID-19

16. The 'Emphasis of Matter' section in our Independent Auditor's Report refers to the disclosures in note 1C of the financial statements, which identifies a material valuation uncertainty in respect of property valuations caused by the Covid-19 pandemic. Emphasis of Matter paragraphs are added to auditors' reports where the auditor considers it necessary to draw user's attention to matters which are fundamental to the understanding of the financial statements. Further information is contained in [Exhibit 3](#) below. The audit opinion is not modified in respect of this matter.

The annual accounts were signed in line with the statutory deadline

17. The unaudited annual report and accounts were received in line with our revised audit timetable on 02 October 2020. Remote working brought additional challenges to the audit process with physical limitations on access to records and systems. This affected how we were able to work as an audit team and with RBGE staff.

18. Our planned audit work had to adapt to new emerging risks as they relate to the audit of the financial statements and the wider dimensions of audit. New ways of working and communicating with each other had to be implemented in order to deliver an efficient and effective audit that met our quality standards.

19. Despite these challenges the unaudited annual report and accounts provided for audit were complete and of a good standard and finance staff provided good support to the audit team which helped ensure the final accounts audit process ran smoothly.

Overall materiality is £170,000

20. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and the nature of a misstatement in the financial statements.

21. On receipt of the unaudited annual report and accounts we reviewed our materiality calculations and concluded that they remained appropriate.

Exhibit 2 Materiality values

Materiality level	Amount
Overall materiality	£170,000
Performance materiality	£85,000
Reporting threshold	£5,000

Source: Audit Scotland: RBGE Annual Audit Plan 2019/20

Appendix 2 identifies the main risks of material misstatement and our audit work to address these

22. [Appendix 2](#) provides our assessment of risks of material misstatement in the annual report and accounts and any wider audit dimension risks. These risks

influence our overall audit strategy, the allocation of staff resources to the audit and indicate how the efforts of the audit team were directed. [Appendix 2](#) also identifies the work we undertook to address these risks and our conclusions from this work.

23. We have no issues to report from our work on the risks of material misstatement highlighted in our 2019/20 Annual Audit Plan. However, we have reported wider dimension risks around financial sustainability and the development of medium-term savings plans within the action plan at [Appendix 1](#).

Significant findings to report on the annual report and accounts

24. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of RBGE's accounting practices.

25. The significant findings from our work are summarised in [Exhibit 3](#) and we have no matters to report around the qualitative aspects of RBGE's accounting practices. Where a finding has resulted in a recommendation to management, a cross reference to the Action Plan in [Appendix 1](#) has been included.

Exhibit 3 Significant findings from the audit of financial statements

Issue	Resolution
<p>1. Property valuations and Covid-19 uncertainty</p> <p>The Balance Sheet includes property, plant and equipment with a total value of £55 million. RBGE has a five-yearly revaluation programme as detailed in Note 1. The asset valuer has included a material uncertainty disclosure, which covers specific asset categories. We believe that, due to the impact of Covid-19 from mid-March 2020, there is a wider material uncertainty within the property valuation provided.</p>	<p>Property assets are material and the impact of Covid-19 has increased the uncertainty over associated valuations. The conclusion of the valuer on the valuation has contributed to the view that less certainty can be attached to the valuation than would otherwise be the case.</p> <p>Conclusion: The accounts disclose this increased uncertainty at Note 1C Asset Policy- and we have included an 'emphasis of matter' paragraph in our independent auditors' report to draw attention to the matter.</p>
<p>2. Two invoices were incorrectly included within the Creditors balance</p> <p>Our audit testing of creditors identified that two invoices for £49,000 that were included in the year end creditors balance had been "double invoiced" and RBGE had already paid the balance. The two invoices in question had been out on hold and should have been reversed out as they were a double entry.</p> <p>The impact of this is that the creditors and expenditure figures in the accounts were overstated by £49,000.</p>	<p>An adjustment has been made to the 2019/20 accounts. The impact of this is to decrease expenditure recorded in the Statement of Financial Activities by £49,000 and reduce the creditors balance in the Balance Sheet by £49,000. This results in the unrestricted fund reserve increasing by £49,000 at 31 March 2020.</p>
<p>3. Expenditure was incorrectly coded as a Prepayment</p> <p>During the audit it was identified that expenditure of £33,000 in 2019/20 had been erroneously accounted for as a prepayment at 31 March 2020.</p>	<p>An adjustment has been made to the 2019/20 accounts. The impact of this is to increase expenditure recorded in the Statement of Financial Activities by £33,000 and reduce the debtors balance in the Balance Sheet by £33,000. This results in the unrestricted fund reserve decreasing by £33,000 at 31 March 2020.</p>

Issue	Resolution
<p>The impact of this is that the expenditure figures in the accounts were understated by £33,000 and the debtors balance overstated by £33,000.</p>	
<p>4. Accruals were not reversed in 2019/20</p> <p>Expenditure was overstated in 2019/20 as a result of RBGE not reversing two accruals in relation to the payment of audit fees for 2018/19.</p> <p>The impact of this is that the expenditure figures in the accounts were overstated by £12,000 and the creditors figures were overstated by £12,000.</p>	<p>An adjustment has been made to the 2019/20 accounts. The impact of this is to decrease expenditure recorded in the Statement of Financial Activities by £12,000 and reduce the creditors balance in the Balance Sheet by £12,000. This results in the unrestricted fund reserve increasing by £12,000 at 31 March 2020.</p>
<p>5. Intangible asset has not been capitalised</p> <p>Our audit testing of expenditure identified that a three-year software license had been treated as expenditure. The item should have been capitalised as an intangible asset.</p> <p>The impact of this is that expenditure was overstated by £35,000 and intangible assets understated by £35,000.</p>	<p>An adjustment has been made to the 2019/20 accounts. The impact of this is to decrease expenditure recorded in the Statement of Financial Activities by £35,000 and increase intangible assets balance in the balance sheet by £35,000. This results on the restricted fund reserve increasing by £35,000 at 31 March 2020.</p>
<p>6 Income was not recorded in the correct financial year</p> <p>Our cut-off testing identified that income of £16,000 in 2019/20 had not been accounted for as accrued income at the year end.</p> <p>The impact of this is that income in the accounts had been understated by £16,000 and the debtors balance has understated by £16,000.</p>	<p>An adjustment has been made to the 2019/20 accounts. The impact of this is to increase income recorded in the Statement of Financial Activities by £16,000 and increase the debtors balance in the Balance Sheet by £16,000. This results in the restricted fund reserve increasing by £16,000 at 31 March 2020.</p>
<p>Source: Audit Scotland</p>	

Identified misstatements of £0.145 million were adjusted in the accounts and we did not need to further revise our audit approach

26. Total misstatements identified were £0.145 million and RBGE have updated the accounts for each misstatement identified. The resultant effect is that net expenditure has decreased by £79,000. The reasons behind the misstatement are identified in [Exhibit 3](#) above. We have concluded that the misstatements identified arose from issues that have been isolated and identified in their entirety and do not indicate systematic error.

27. It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected although the final decision on making the correction lies with those charged with governance considering advice from senior officers and materiality.

28. There were no misstatements above our reporting thresholds identified from our audit.

Limited progress was made on prior year recommendations

29. RBGE has made limited progress in implementing our prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

Part 2

Financial management



Main judgements

RBGE's unrestricted expenditure exceeded unrestricted income resulting in a net deficit of £0.184 million and a negative closing balance on unrestricted reserves of £0.105 million.

Our testing of the operation of the key financial controls relating to the main financial systems concluded that these were operating effectively.

RBGE has satisfactory arrangements in place for financial management with scope for improvements in some areas.

The ICT Strategy, supporting policies and Business Continuity Plan need to be updated.

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

2019/20 financial position

30. The main financial objective for RBGE is to achieve a break-even position on its cash income/spend. As a charitable Non-Departmental Public Body, RBGE is primarily funded by the Scottish Government by way of grant-in-aid. For 2019/20, the single entity accounts for RBGE show that it received £11.879 million from the Scottish Government. This comprised a revenue budget of £8.879 million and a capital budget of £3.000 million.

31. This was supplemented by other income of £6.500 million from donations, charitable activities and other trading activities including gains on investments. This also included gift aid from RBGE's wholly owned trading subsidiary, the Botanics Trading Company Ltd, of £0.924 million.

32. In 2019/20 unrestricted expenditure exceeded unrestricted income resulting in a net deficit of £0.184 million and a negative closing balance on unrestricted reserves of £0.105 million. in [Exhibit 4](#). Unrestricted reserves represent accumulated surpluses on unrestricted income over unrestricted expenditure, commonly referred to as General funds.

33. Total group income for 2019/20 was £19.441 million with expenditure totalling £19.068 million resulting in net income of £0.334 million. This is analysed between unrestricted, restricted and endowment funds.

Exhibit 4

Performance against DEL in 2019/20

Performance	Income £m	Expenditure £m	Net Income £m
Unrestricted	13.481	13.665	(0.184)
Restricted	4.867	4.246	0.621
Endowment	0.031	0.047	(0.016)
Total	18.379	17.919	0.421

Source: RBGE Statement of Financial Activities 2019/20

34. The Statement of Financial Position summarises what is owned and owed by RBGE. This shows taxpayers' equity – an accounting measurement of the amount invested that has continuing public benefit. It shows how much of this has arisen from the application of revenues and that which has resulted through changes over time in the value of physical assets.

35. The financial statements show that the RBGE:

- has net assets of £59.003 million at 31 March 2020, an increase of £1.741 million from the previous year. This is mainly attributable to an increase in land and buildings due to indexation (£1.320 million)
- has a deficit in its unrestricted reserves fund balance at the end of the year of £0.105 million (2018/19: surplus of £0.079 million).

Consolidated Accounts

36. RBGE has a wholly owned subsidiary, the Botanics Trading Company Ltd (BTC) which carries out retail, catering and consultancy activities across the four gardens. BTC donates its taxable annual profits available for distribution to RBGE, in accordance with the Government's Gift Aid legislation, and the company's financial results are consolidated into the RBGE Annual Report and Accounts.

37. The year-end financial position for the Consolidated Group Accounts show:

- net assets of £59.282 million at 31 March 2020, an increase of £1.657 million during the year (2018/19: £57.628 million)
- a surplus in its unrestricted reserves fund balance at the end of the year of £0.174 million a reduction of £0.271 million (2018/19: £0.445million).

Donation to the Botanics Foundation

38. The Botanics Foundation was set up in 1997 to hold and manage funds to support RBGE, with the Foundation allocating these funds after reviewing applications and business cases. In June 2017 the Board of Trustees decided that any legacy income, which does not form part of RBGE's overall forecast, should be redirected to the Foundation, whilst ensuring the original wishes of the legator are maintained. In 2019/20, RBGE donated £0.129 million (2018/19: £0.719 million) of legacy income to the foundation. This has been recorded as expenditure in the accounts.

Budget monitoring is effective, highlighting the financial impact due to Covid-19

39. We observed that senior management and members receive regular and accurate financial information on the RBGE's financial position. RBGE has appropriate budget setting and monitoring arrangements.

40. Budget monitoring reports provide an effective picture of the budget position and supports trustees and senior staff to carry out effective scrutiny of its finances.

41. Although income for the year ended 31 March 2020 increased by £103,000 from the previous year, as a result of the Covid-19 pandemic the impact on RBGE and BTC 2019/20 results are as follows:

- estimated cost is approximately £150,000 in lost income in March
- all the regional gardens saw falls of over 50% in their March visitors compared to 2018/19.

Financial systems of internal control are operating effectively

42. As part of our audit we identify and inspect the key internal controls in those accounting systems which we regard as significant to produce the financial statements. Our objective is to gain assurance that RBGE has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements.

43. We did not identify any significant control weaknesses during our audit work that required to be reported to the Audit Committee.

Internal audit completed all significant areas of work in 2019/20

44. RBGE's internal audit function is carried out by MHA Henderson Loggie. The Public Sector Internal Audit Standards (PSIAS) require the 'chief audit executive' to provide an annual internal audit opinion and report that can be used to inform the annual governance statement. Internal audit reported that RBGE has adequate and effective arrangements for risk management, control and governance and proper arrangements are in place to promote and secure Value for Money.

45. We reviewed RBGE's internal audit function in terms of International Standard on Auditing (UK) 610 (Using the Work of Internal Auditors) to determine the extent to which we could use the work of internal audit.

46. To avoid duplication of work we seek to use the work of internal audit wherever possible. While we did not use their work regarding our audit of RBGE's financial statements, we did review internal audit's work as part of our wider dimension work in:

- **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.

47. Internal audit completed all significant elements of the work contained in their Strategic Plan for 2019/20, with the exception of the Education review which has

been deferred into the 2020/21 programme of work due to the impact of the Covid-19 pandemic.

Standards of conduct and arrangements for the prevention and detection of fraud and error are appropriate

48. RBGE is responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities. Furthermore, the Board is responsible for ensuring that its affairs are managed in accordance with proper standards of conduct by putting effective arrangements in place.

49. We have reviewed the arrangements in place to maintain standards of conduct including the Staff Handbook and Civil Service and Members' Codes of Conduct. There are established procedures for preventing and detecting any breaches of these standards including any instances of corruption.

50. RBGE has appropriate arrangements in place for the prevention and detection of fraud, error and irregularities, bribery and corruption. We are not aware of any issues that we need to bring to your attention, although some of the procedure and policy documents require to be reviewed to ensure they are up to date.

NFI progress should be reported to the Audit Committee

51. The National Fraud Initiative (NFI) in Scotland is a counter-fraud exercise coordinated by Audit Scotland. Computerised techniques are used to compare information about individuals held by different public bodies, and on different financial systems, to identify 'matches' that might suggest the existence of fraud or irregularity.

52. We reported NFI activity in our 2018/19 Annual Audit Report and this is summarised in [Exhibit 5](#). RBGE has now completed its review of all 46 matches identified during the 2018/19 exercise and identified two instances of overpayments and are in the process of trying to recover these from the respective organisations.

Exhibit 5 NFI activity



46

Matches



7

High Risk Matches



44

Completed/closed
investigations

Source: NFI secure website: www.nfi.gov.uk

secure website: www.nfi.gov.uk

53. In our 2018/19 Annual Audit Report we highlighted that no updates on NFI had been provided to the Audit Committee / Trustees. Furthermore, from a review of the various policy documents in place at RBGE covering its approach to potential fraud (e.g. the theft and fraud policy), there is no mention of RBGE's participation in the NFI process.

54. Management confirmed that a report would be prepared for the February 2020 Audit Committee and policies would be reviewed to include our NFI approach. We

have reviewed the Audit Committee papers and are not aware of a report being taken to the February or subsequent Audit Committee meetings.



Recommendation 1

RBGE should report NFI progress to the Audit Committee on a periodic basis. RBGE should also update its appropriate policy documents to demonstrate its approach to the NFI process.

Arrangements for preventing fraud and corruption in the procurement function are now being delivered in-house

55. Our consideration of financial management includes evaluating the arrangements in place for preventing and detecting fraud and corruption. Instances of fraud and corruption can be particularly prevalent in the procurement function.

56. In March 2020, RBGE set up an inhouse procurement service and ceased using the Central Government Procurement Shared Service (CPGSS). They have appointed an experienced procurement professional to the role of Procurement Manager who started with RBGE on the 2 March 2020. Notice was given to CPGSS and the contract ended on 31 March 2020.

57. We will carry out an assessment of the new arrangements in place at RBGE to prevent fraud and corruption in the procurement function as part of our future audit work.

The ICT Strategy, supporting policies and Business Continuity Plan need to be updated

58. As part of our audit work in 2019/20, we reviewed the ICT control environment within RBGE. This work included a review of the ICT framework documents, the security arrangements in place and consideration of the business continuity and disaster recovery plans.

59. As part of this work, we confirmed that an updated ICT Strategy was in draft form, however due to the impact of Covid-19, further updates will require to be made to the Strategy to reflect the new working environment. It is important that RBGE have an up to date ICT Strategy which identifies how it will use ICT to drive improvements across the organisation. The ICT strategy should outline RBGE's plans for future years and provide details on how this links to the Corporate Plan 2020-25.

60. In addition to the ICT Strategy, RBGE have several ICT Policies documents which outline the responsibilities for ensuring the security of Information Systems within RBGE. The intention is to consolidate these documents into one clear Policy that is understandable and reflects the current arrangements in place at RBGE. This work is still in development.



Recommendation 2

RBGE should update its ICT Strategy and the supporting ICT Policies, ensuring that the documents outline RBGE's plans for future years and provides details on how this links to the Corporate Plan 2020-25.

61. In our 2019/20 Annual Audit Plan we included an audit risk highlighting RBGE's ICT business continuity planning documents had not been subject to update in recent years and did not detail the arrangements that need to be followed in the

event of different scenarios. We also confirmed that ICT disaster recovery arrangements had not been tested for a considerable period.

62. In response to the Covid-19 pandemic, the ICT team were part of RBGE's Coronavirus Response Group which determined the initial ICT requirements during lockdown, in order to ensure continuity of service to staff and to students moving to home working. This work has continued since March 2020 as RBGE adapts to an evolving situation.

63. These specific arrangements have not been formalised into a Business Continuity Plan but have been managed via input from the Senior Management Team, staff surveys and ICT Service Desk requests. A Disaster Recovery Planning Review is currently programmed to take place in 2021 as part of the draft ICT Strategy.



Recommendation 3

RBGE should review its Business Continuity Plan and update this based on its experience of responding to the Covid-19 pandemic.

64. A Disaster Recovery Planning Review is programmed for Year 2 of the ICT Strategy, although the strategy document itself is due for significant review from October 2020.

Part 3

Financial sustainability



Main judgements

The Scottish Government announced that up to £50 million will be provided to invest in creating a more energy efficient environment at RBGE via the delivery of the Edinburgh Biomes programme.

RBGE's financial position remains challenging with an increasing reliance placed on self-generated income to break even.

RBGE should develop a more detailed medium- and long-term financial plan. The Covid-19 outbreak has impacted on RBGE's short-term finances and the impact of this in medium/longer-term planning has still to be evaluated.

Financial sustainability looks forward to the medium and longer term to consider whether a body is planning effectively to continue to deliver its services or the way in which they should be delivered.

Financial planning for 2020/21

65. RBGE Board of Trustees considered the 2020/21 budget at its meeting on 4 March 2020. The budget was set to meet an expenditure requirement of £14.882 million from the following income sources:

- Grant in aid - £9.145 million
- Self-generated income - £5.737 million

66. Grant in aid from the Scottish Government in 2020/21 increased by 2.9% (£0.266 million). Self-generated income was projected to increase by 6.5% in 2020/21 to £5.737 million when compared to the 2019/20 budget (£5.389 million). Self-generated income includes funding from the Botanics Trading Company Limited in 2020/21 which was projected to be £1.115 million.

67. As a result of the Covid-19 pandemic in March 2020, RBGE experienced significant financial pressures resulting from the closure of the gardens and the continued restrictions with visitor numbers and glass house admission. Updates to the Board in September 2020 reported that excluding Grant-In Aid, unrestricted income is 52% lower than the budgeted figure to date. For the four-month period from April to July 2020 it is estimated that the pandemic has resulted in the following:

- lost income of £1.271 million
- additional staff costs of £197,000 incurred in planning and responding to the impact of the virus
- additional staff cost of £72,000 lost due to absence and caring responsibilities

- additional revenue costs of £66,000 incurred.

68. The revised forecast of year-end income and expenditure shows that RBGE are anticipating a small deficit of £9,000 compared to the original forecast of a breakeven position. The key change during the year is an additional GIA of £2 million from the Scottish Government, increasing total GIA for 2020/21 to £11.145 million.

RBGE should update the detailed medium- and long-term financial plan

69. RBGE is currently finalising their Corporate Plan for 2020-25. The objectives within the Plan will set out RBGE's longer term strategic ambitions and intend to help improve financial planning. The draft Corporate Plan includes high level budgets covering the period 2020/21- 2024/25 which project a break-even position for each of the five years.

70. At the Board meeting in September 2020 a report highlighted the significant resource challenges facing RBGE. It recognised the short-term impact on income generation as a result of Covid-19, and also the medium, and longer-term challenges should Grant-in Aid continue to fail to cover additional staff costs arising from the Government Pay Policy.

71. To address these challenges the Board agreed to a number of measures including:

- to conduct an analysis of the advantages and disadvantages of introducing entry charges for the Edinburgh garden, in line with the other three RBGE gardens
- gradual restructuring where and when opportunities were presented, so that RBGE staff structure and expertise were aligned with its strategic intent and resources
- the need for additional SG support to cover the significant deficit arising from the impact of the Covid-19 emergency on self-generated income.

72. 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.

73. Covid-19 is likely to have a significant impact on RBGE's future financial plans in both the short and medium term. The 2020/21-2024/25 high level budgets have not yet been updated to reflect the impact of Covid-19. RBGE should continue to use scenario based financial modelling to update their five-year projections as soon as possible once more clarity on financial impacts is obtained.



Recommendation 4

The medium to longer-term financial plan should be updated to ensure it is aligned to the objectives and key assumptions contained in the 2020-25 Corporate Plan. The current projections need to be updated to reflect the impact of Covid-19 at the earliest appropriate opportunity.

Edinburgh Biomes project

74. RBGE have created the Edinburgh Biomes project. Edinburgh Biomes will involve the installation of a new glasshouse and other research facilities within the

garden. On 31 July 2019 the project was granted planning permission. The draft Full Business Case for the Edinburgh Biomes Masterplan was submitted to the Scottish Government in September 2019.

75. In September 2020, in response to an application to the Low Carbon Fund to support the carbon emission reducing elements of the Edinburgh Biomes programme, the Scottish Government announced that up to £50 million will be provided to invest in creating a more energy efficient environment at RBGE via the delivery of the Edinburgh Biomes programme. This funding will help to support RBGE in contributing to the delivery of the Scottish Government's Programme for Government.

76. Following the investment from the Scottish Government, 'a **comprehensive programme of fundraising**' will be launched by RBGE's development team to support the funding of the Edinburgh Biomes Masterplan.

EU Withdrawal

77. There remains significant uncertainty surrounding the terms of the UK's withdrawal from the European Union (EU). EU withdrawal will inevitably have implications for devolved government in Scotland and for audited bodies. It is critical that public sector bodies are working to understand, assess and prepare for the impact on their business.

78. RBGE recognises the risk of EU withdrawal in its risk register and has identified three main issues which could impact RBGE going forward:

- reduced access to EU science and education funding
- negative impact of currency and supply chain obstacles
- reduced talent pool and loss of EU (non-UK) national staff.

79. The high-level actions being taken to mitigate the impact to RBGE are recorded in the risk register and periodic reports on progress are provided to the Board. RBGE participates in the Scottish Government's EU Exit Group and adjusts core planning in response to advice and guidance as it emerges from that Group.

Part 4

Governance and transparency



Main judgements

RBGE has appropriate governance arrangements in place. We recognise that in responding to the COVID-19 pandemic RBGE revised its governance arrangements. The new arrangements are appropriate and support good governance and accountability.

The Framework Document has not been reviewed since 2014. RBGE are working with the Scottish Government so that it can be updated to reflect current arrangements, however, there are ongoing delays.

With increasing public expectations for more openness in the conduct of public business, RBGE should review the existing arrangements to improve the openness and transparency of the organisation.

The Trustee's report should be updated to improve the quality of the performance and financial information and to better highlight the organisational achievements for the year under review.

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.

Governance and transparency arrangements need to be updated

80. The governance and transparency arrangements we consider include:

- board and committee structure and conduct
- overall arrangements and standards of conduct including those for the prevention and detection of fraud, error, bribery and corruption. This includes action in response to the National Fraud Initiative
- openness of board and committees
- public access to information via websites
- reporting of performance and whether this is fair, balanced and understandable.

81. RBGE has a Board of Trustees in place which is underpinned by clear roles and responsibilities for trustees and management. The Board is supported by the Science Advisory Committee, the Investment Committee and the Audit Committee.

82. The Framework Document between the Scottish Government and RBGE sets out the broad framework within which RBGE will operate and defines key roles and responsibilities which underpin the relationship between RBGE and the Scottish Government. It also outlines the responsibilities of the Board, Chair, Board Members, Regius Keeper and Accountable Officer. There are also details regarding the role and responsibilities of internal audit and the Audit Committee.

83. In our 2018/19 Annual Audit Report we highlighted that the Framework Document was last updated in 2014 and there is ongoing discussion with the Scottish Government to work towards updating this, however a deadline for completion has not been set.



Recommendation 5

RBGE should continue to work with the Scottish Government to update the Framework Document to reflect current arrangements between RBGE and the Scottish Government.

84. From our attendance at Audit Committees, we note that committee papers are prepared in advance of each meeting, and sufficient time is made available at each meeting to allow appropriate discussion of each item on the agenda. Committee members are well-prepared and provide effective scrutiny to RBGE officers and auditors.

85. At each Audit Committee meeting there is a standing agenda item to review progress of Internal audit recommendations from reports considered at previous audit committees. However, there is no process in place to ensure that progress on external audit recommendations is considered by the Audit Committee. As outlined in Appendix 1, limited progress has been made against the eight recommendations in our 2018/19 AAR.



Recommendation 6

The audit committee should receive regular progress updates on recommendations made in external audit reports.

The Covid-19 pandemic had a significant impact on governance arrangements from March 2020

86. The impact of Covid-19 from March 2020 has been set out in the Governance Statement in RBGE's annual report and accounts. This was significant and allowed RBGE to manage with the unprecedented nature of scale of the threat to its staff and operations. We note that the following steps were taken to allow the RBGE's staff to prioritise their response to the outbreak and adapt working practises:

- established a COVID -19 Response Group for garden wide planning and coordination. This included creating plans for recovering employees from overseas and closing the gardens to the public
- utilised the furlough scheme for staff unable to work due to closure of the gardens but did retain some staff to carry out essential work on all four sites
- all Trustees, Audit Committee, Senior Management Team and Leaders Group meetings are now being held virtually
- ICT team took appropriate steps to ensure that members of staff were provided suitable equipment which enabled them to continue to work from home
- within Finance, all manual approvals are now done electronically using either email or electronic signature.

87. RBGE put in place appropriate arrangements to manage its operations during the on-going Covid-19 pandemic.

Existing openness and transparency arrangements should be reviewed

88. There continues to be an increasing focus on demonstrating the best use of public money. Openness and transparency in how a body operates and makes decisions is key to supporting understanding and scrutiny. Transparency means that the public have access to understandable, relevant and timely information about how the board is taking decisions and how it is using resources such as money, people and assets.

89. RBGE's website is the principal means by which information is made available to the public. RBGE committee and Board meetings are not open to the public. Board minutes are published on the website, but Board and committee papers and committee meeting minutes are not available publicly.

90. [On Board - A guide for Board members of Public Bodies in Scotland](#) highlights the expectations around openness and transparency. The guidance does not go as far as requiring Boards to meet in public, but that is increasingly common for Boards that provide public services and is seen as good practice.

91. It is important that each Board balances what happens in public and is accountable to the public in a way that builds confidence. It is also important for Boards to have space for open discussions about difficult issues that need to be considered. The objective is how best to serve the public interest.

92. That is achieved by consideration of openness and transparency and what that means in the context of RBGE's business. Openness and transparency is about more than whether a board and its committees meet in public, it is about getting a balance that achieves proper and effective public business and meets public, reasonable expectations.

93. With increasing public expectations for more openness in the conduct of public business, RBGE should review the existing arrangements to improve the openness and transparency of the organisation.



Recommendation 7

With increasing public expectations for more openness in the conduct of public business, RBGE should review the existing arrangements to improve the openness and transparency of the organisation.

The Trustee's report should be updated to reflect good practice

94. The Trustees' Report is consistent with the financial statements and meets the requirements of the accounts direction. However, the structure and content of the Trustee's report could be significantly improved to make it clearer for the reader of the accounts to understand the financial and performance information for the year under review. Areas for improvement identified during the audit include:

- the need to use infographics and tables to make the information more understandable and impactful
- identify what the key performance indicators are and how well RBGE is doing in achieving these targets. There is currently no narrative that highlights whether performance targets have been **exceeded/achieved/not met** and any remedial actions where appropriate to address performance
- the structure of the report is such that where figures are identified it is not clear if they are key performance indicators and how they support the strategic objectives of the organisation

- there is a lack of comparative figures and no trend analysis to show how well RBGE is performing against their own KPIs over time
- the Financial review could be more detailed and clearer with the use of infographics tables to allow a better read across to the core financial statements.

95. RBGE should consider examples of best practice to improve the quality of the information presented in their Trustee's Report to give the reader a fuller picture of its operations and better highlight their achievements for the year under review.



Recommendation 8

RBGE should review the Trustee's report to improve the quality of the performance and financial information and better highlight the organisational achievements in the year under review.

Part 5

Value for money



Main judgements

RBGE's performance reporting makes it difficult to conclude what progress has been made against its corporate priorities.

RBGE needs to use benchmarking performance information to drive continuous improvement.

Value for money is concerned with using resources effectively and continually improving services.

RBGE's performance reporting makes it difficult to conclude what progress has been made against its corporate priorities

96. Historically the performance of RBGE is monitored by the Board and the Senior Management Team (SMT) against a number of performance actions which support the delivery of the Scottish Government's national performance framework.

97. The quarterly Performance Report reports against the outcomes and key measures that were included in the yearly Operational Delivery Plan (ODP) which aligns broadly to the previous Corporate Plan 2015/20.

98. Although the quarterly performance reports are distributed to Trustees, they were not included in the Board papers in 2019/20, so there is no information contained within Board papers to see how well RBGE performed against the performance actions supporting the national performance framework.



Recommendation 9

Performance reports for Trustees could be improved to include key indicators which show performance trends against the corporate priorities. In addition, quarterly performance reports should be considered as part of the Board papers.

RBGE needs to use benchmarking performance information to drive continuous improvement

99. The RBGE Transition Plan has three strategic pillars. This highlights the outcomes that RBGE aims to achieve and the key measures of how success will be gauged.

100. The Trustees Report provides updates and outcomes relating to some of the key measures contained in the Transition Plan, however, there is no explicit reporting against all of these measures; either in the Trustees Report or other reports that are available to the public. The information included within the Trustees report makes it difficult to understand

- what RBGE's key performance indicators are
- how they relate to the strategic priorities of the organisation
- how well RBGE has performed against the set targets year on year
- whether performance for the key indicators is improving or declining and the reasons for this
- how RBGE is benchmarking its performance against other organisations.



Recommendation 9

RBGE should review their performance management framework to improve how they use the performance information to drive improvements.

National performance audit reports

101. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. In 2019/20 several reports were published which are of direct interest to RBGE. These are outlined in [Appendix 3](#).

102. The Head of Finance reviews national Audit Scotland reports and brings any important issues to the attention of the Audit Committee whenever appropriate. There is a standing agenda item to the Audit Committee on any relevant issues highlighted in Audit Scotland technical bulletins.

Appendix 1

Action plan 2019/20



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p>National Fraud Initiative</p> <p>No updates on NFI progress have been provided to Trustees. Related policy documents do not mention the approach to, or participation in, the NFI process. No progress has been made to address the 2018/19 recommendation.</p> <p>Risk</p> <p>There is a risk that Trustees are not aware of RBGEs approach to, or outcomes from the NFI work.</p>	<p>RBGE should report NFI progress to the Audit Committee on a periodic basis. RBGE should also update its appropriate policy documents to demonstrate its approach to the NFI process</p>	<p>Narrative on agreed action:</p> <p>A report will be submitted to the Audit Committee to update them on progress on NFI.</p> <p>Responsible officer:</p> <p>Head of HR</p> <p>Agreed date:</p> <p>February 2021</p>
2	<p>ICT Strategy</p> <p>The ICT Strategy and ICT Policy have not been updated since 2016. It is important that RBGE have an up to date ICT Strategy which identifies how RBGE will use ICT to drive improvements across the organisation. Work is ongoing to progress the 2018/19 recommendation.</p> <p>Risk</p> <p>The ICT strategy may not be aligned to the Corporate Plan and RBGE may not be making effective use of its ICT systems.</p>	<p>RBGE should update its ICT Strategy and the supporting ICT Policies, ensuring that the documents outline RBGE's plans for future years and provides details on how this links to the Corporate Plan 2020-25.</p>	<p>Narrative on agreed action:</p> <p>New Head of ICT appointed April 2020 with focus on rapid adoption of remote working technologies. Future ICT Strategy development scheduled.</p> <p>Responsible officer:</p> <p>Head of ICT</p> <p>Agreed date:</p> <p>March 2021</p>
3	<p>Business Continuity Planning</p> <p>ICT business continuity planning documents have not been subject to update in recent years and do not detail the arrangements that need to be followed in the event of different scenarios. Furthermore, ICT disaster recovery arrangements have not been tested for a number of years. No progress has been made to address the 2018/19 recommendation.</p>	<p>RBGE should review its Business Continuity Plan and update this based on its experience of responding to the Covid-19 pandemic.</p>	<p>Narrative on agreed action:</p> <p>Active projects to incorporate cloud technologies in internal data backup and disaster recovery processes. Active initiatives to improve RBGE's cyber resilience. These projects will inform updated BCP and DR planning.</p> <p>Responsible officer:</p> <p>Head of ICT</p> <p>Agreed date:</p> <p>March 2021</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>Risk</p> <p>ICT systems may not be recovered as fully or quickly as intended in the event of a disaster situation.</p>		
4	<p>Medium to Longer Term Financial Planning</p> <p>RBGE prepared a high level five-year financial plan prior to the Covid-19 pandemic which assumed a break-even position over the period. As a result of the Covid-19 pandemic this plan should be updated to reflect any additional financial impacts.</p> <p>Risk</p> <p>RBGE may not be aware of the financial challenges it will face over the medium term as a result of Covid-19.</p>	<p>A medium to longer-term financial plan should be prepared which is aligned to the objectives and key assumptions contained in the 2020-25 Corporate Plan. The current projections need to be updated to reflect the impact of Covid-19 at the earliest appropriate opportunity.</p>	<p>Narrative on agreed action:</p> <p>The 5 year plan will be prepared based on the latest budget and relevant assumptions.</p> <p>Responsible officer:</p> <p>Head of Finance</p> <p>Agreed date:</p> <p>February 2021</p>
5	<p>Framework Document</p> <p>The Framework Document between RBGE and the Scottish Government was last updated in 2014. No progress has been made to address the 2018/19 recommendation.</p> <p>Risk</p> <p>The Framework Document could refer to outdated guidance resulting in staff and trustees not being aware of their responsibilities or their role with the Scottish Government.</p>	<p>RBGE should continue to work with the Scottish Government to update the Framework Document to reflect current arrangements between RBGE and the Scottish Government.</p>	<p>Narrative on agreed action: The Scottish Government has deferred work on the Framework to April 2021.</p> <p>Responsible officer: Director of Resources & Planning</p> <p>Agreed date: 30 June 2021</p>
6	<p>External Audit Action Tracker</p> <p>There has been limited progress on several recommendations made in the 2018/19 Annual Audit Report. There is no process in place to ensure that progress on external audit recommendations is considered by the Audit Committee.</p> <p>Risk</p> <p>That RBGE lose sight of the recommendations made by External Audit, resulting in a lack of progress being made.</p>	<p>The audit committee should receive regular progress updates on recommendations made in external audit reports.</p>	<p>Narrative on agreed action:</p> <p>The external audit recommendations will be included in the action tracker report for the February Audit Committee meeting.</p> <p>Responsible officer:</p> <p>Head of Finance</p> <p>Agreed date:</p> <p>17 February 2021</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
7	<p>Transparency</p> <p>RBGE Board and Audit Committee meetings and papers are not accessible to the public. Board minutes are published on the website, but Board and committee papers and committee meeting minutes are not available publicly. No progress has been made to address the 2018/19 recommendation.</p> <p>Risk</p> <p>RBGE is not viewed as being open and transparent.</p>	<p>With increasing public expectations for more openness in the conduct of public business, RBGE should consider whether there is scope to enhance transparency.</p>	<p>Narrative on agreed action: The Regius Keeper and RBGE Board will keep under regular review whether there is scope to enhance transparency.</p> <p>Responsible officer:</p> <p>Director of Resources & Planning</p> <p>Agreed date:</p> <p>March 2020</p>
8	<p>Trustee's Report</p> <p>The structure and content of the Trustee's report could be significantly improved to make it clearer for the reader of the accounts to understand the financial and performance information.</p> <p>Risk:</p> <p>The Trustee's report does not provide a clear summary of RBGE's operations and performance.</p>	<p>RBGE should review the Trustee's report to reflect good practice.</p>	<p>Narrative on agreed action: The Incoming Director of R&P will review the Trustee's Report in time for inclusion in the next Annual Report.</p> <p>Responsible officer:</p> <p>Director of Resources & Planning</p> <p>Agreed date:</p> <p>June 2021</p>
9	<p>Performance management</p> <p>There is no detailed reporting against the measures contained in the Corporate Plan / Transition Plan; in the Trustees Report. Performance reports have been considered by the Board in 2019/20, however not as part of the papers for meetings. No progress has been made to address the 2018/19 recommendation.</p> <p>Risk</p> <p>RBGE is not able to demonstrate achievement of value for money and continuous improvement in the way services are delivered.</p>	<p>Performance reports for Trustees should be refined to include key indicators or actions which show trend performance for RBGEs KPIs. Performance Reports should be considered by the Board.</p> <p>RBGE should review their performance management framework to improve how they use the performance information to drive improvements.</p>	<p>Narrative on agreed action:</p> <p>New KPIs will be confirmed by Board and Leaders group at the December Board meetings. The reporting of performance against those KPIs will then commence.</p> <p>Responsible officer:</p> <p>Director of Resources & Planning</p> <p>Agreed date:</p> <p>March 2020</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
Follow up of prior year recommendations			
1	<p>Edinburgh Biomes project</p> <p>RBGE have incurred £3.123 million on the Edinburgh Biomes project. The future funding and magnitude of this project is still uncertain and is dependent on receiving the approval of the full business case to proceed.</p> <p>Risk:</p> <p>If the project is not approved or is approved on a smaller scale then expenditure capitalised to date may not be directly attributable to the approved project and will require to be impaired.</p>	<p>RBGE need to review the value of the cumulative Biomes expenditure when the full business case is considered by the Scottish Government to ensure that work done and capitalised to date is directly attributable to the approved project.</p>	<p>Complete</p> <p>The Scottish Government announced up to £50 million investment in Edinburgh Biomes project.</p>
2	<p>National Fraud Initiative</p> <p>No updates on NFI progress have been provided to Trustees. Furthermore, relevant policy documents in place at RBGE do not mention the approach to, or participation in, the NFI process.</p> <p>Risk</p> <p>There is a risk that Trustees are not aware of RBGEs approach to, or outcomes from the NFI work.</p>	<p>RBGE should report NFI progress to the Audit Committee on a periodic basis. RBGE should also update its appropriate policy documents to demonstrate its approach to the NFI process.</p> <p>Update: no report has been prepared or considered by the Audit Committee.</p>	<p>2018/19 Agreed Action: A report will be prepared for the February Audit Committee and policies will be reviewed to include our NFI approach.</p> <p>Responsible Officer: Head of HR.</p> <p>Original Target Date: February 2020 Audit Committee.</p> <p>Revised Target Date:</p> <p>See action point 1 above</p>
3	<p>Dependency on Key Suppliers</p> <p>While key suppliers are subject to financial due diligence prior to contracts being agreed, the dependency on key suppliers is not included as a risk in the risk register and hence the performance of key suppliers is not routinely reported to the Audit Committee.</p> <p>Risk</p> <p>RBGE may not be fully aware of the performance of, or the issues impacting, its key suppliers.</p>	<p>RBGE should monitor the performance of key suppliers through the risk register which is reported to the Audit Committee every quarter.</p>	<p>Complete.</p> <p>This was added to the risk register considered by the Audit Committee in February 2020.</p>
4	<p>ICT Strategy</p> <p>The ICT Strategy and ICT Policy have not been updated for several years. It is important that RBGE</p>	<p>RBGE should update its ICT Strategy and ensure it outlines its plans for future years and provides details on how</p>	<p>2018/19 Agreed Action:</p> <p>Work is ongoing to update the ICT Strategy.</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>have an up to date ICT Strategy which identifies how RBGE will use ICT to drive improvements across the organisation.</p> <p>Risk</p> <p>The ICT strategy may not be aligned to the Corporate Plan and RBGE may not be making effective use of its ICT systems.</p>	<p>this links to the Corporate Plan 2020-25.</p> <p>Update: The ICT Strategy remains outstanding.</p>	<p>Responsible Officer:</p> <p>Head of ICT.</p> <p>Original Target Date:</p> <p>31 March 2020</p> <p>Revised Target Date:</p> <p>See action point 2 above.</p>
5	<p>Medium to Long Term Financial Planning</p> <p>Although financial scenario plans are prepared which show the impact on the following financial year, there are no medium to long term financial plans in place which outline key financial assumptions linked to the corporate plan and the impact on future spending and savings requirements.</p> <p>Risk</p> <p>RBGE may not be able to respond to the financial challenges over the medium term or meet its corporate plan objectives.</p>	<p>A longer-term financial plan should be prepared which is aligned to the objectives and key assumptions contained in the five-year corporate plan.</p>	<p>Complete</p> <p>A 10-year plan has been included with the Biomes Full Business Case. A 5-year financial plan that aligns with the Corporate Plan will be prepared once progress has been made with the key assumptions.</p> <p>See action point 4 above.</p>
6	<p>The Framework Document</p> <p>The Framework Document between RBGE and the Scottish Government was last updated in 2014.</p> <p>Risk</p> <p>The Framework Document could refer to outdated guidance resulting in staff and trustees not being aware of their responsibilities or their role with the Scottish Government.</p>	<p>RBGE should continue to work with the Scottish Government to update the Framework Document to reflect current arrangements between RBGE and the Scottish Government.</p>	<p>Agreed Action: RBGE is in constant communication with the SG to try and get the Framework Document updated. It is hoped that a new document will be in place by the end of the financial year.</p> <p>Responsible Officer: Head of Resources & Planning.</p> <p>Target Date: 31 March 2020.</p> <p>See action point 5 above.</p>
7	<p>Transparency</p> <p>RBGE Board and Audit Committee meetings and papers are not accessible to the public. Board minutes are published on the website, but Board and committee papers and committee meeting minutes are not available publicly.</p> <p>Risk</p>	<p>With increasing public expectations for more openness in the conduct of public business, RBGE should consider whether there is scope to enhance transparency.</p>	<p>Complete</p> <p>The Regius Keeper and RBGE Board will keep under regular review whether there is scope to enhance transparency.</p> <p>See action point 7 above.</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
8	<p data-bbox="256 394 608 454">RBGE is not viewed as being open and transparent.</p> <p data-bbox="256 488 655 741">Performance management There is no explicit reporting against all of the measures contained in the Corporate Plan/ Transition Plan; either in the Trustees Report or the performance reports to the Board or SMT.</p> <p data-bbox="256 763 320 792">Risk</p> <p data-bbox="256 815 655 927">RBGE is not able to demonstrate achievement of value for money and continuous improvement in the way services are delivered.</p>	<p data-bbox="699 488 983 786">Performance reports for Trustees should be refined to include key indicators or actions which show performance over time against the RBGEs key measures contained in the Corporate Plan or Transition Plan.</p>	<p data-bbox="1019 488 1426 696">Agreed Action: Quarterly reports to both the Board and SMT show the key measures and deliverables in our Transition Plan and measure performance. These are all aligned to our strategic objectives.</p> <p data-bbox="1019 719 1406 869">The trustees report within the accounts will be reviewed to ensure it reports on our performance in line with the new strategic pillars.</p> <p data-bbox="1019 891 1382 952">Responsible Officer: Head of Resources & Planning.</p> <p data-bbox="1019 965 1342 994">Target Date: 31 July 2020.</p> <p data-bbox="1019 1010 1321 1039">See action point 9 above.</p>

Appendix 2

Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual report and accounts and those relating to our wider responsibility under the [Code of Audit Practice 2016](#).

Add in any additional audit risks arising from COVID-19 along with any new 'standard risks' identified in the revised 2019/20 Audit Planning Guidance

Audit Risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
<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>	<p>No unusual or inappropriate transactions were identified as part of detailed testing of journal entries.</p> <p>A review of accounting estimates did not show any instance of bias.</p> <p>Focussed testing of regularity and cut-off assertions showed controls were operating effectively.</p> <p>No significant transactions outside the normal course of council business were identified.</p> <p>Conclusion: there is no evidence of management override of controls.</p>
<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>	<p>Detailed testing of income transactions confirmed these were normal business transactions and had been accounted for in the correct year.</p> <p>Analytical procedures were carried out over income and satisfactory reasons were provided for all variances.</p> <p>No significant frauds specific to RBGE were reported to the Audit Committee.</p> <p>Conclusion: there is no evidence of fraud over income.</p>

Audit Risk	Assurance procedure	Results and conclusions
<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>	<p>Detailed testing of expenditure transactions confirmed these were normal business transactions and had been accounted for in the correct year.</p> <p>Completion of the NFI audit questionnaire identified good progress had been made by RBGE in following up matches.</p> <p>A review of the Internal Audit Annual Report provided assurance on fraud over expenditure.</p> <p>Conclusion: there is no evidence of fraud over expenditure.</p>
<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 date may not be directly attributable to the approved project and will require to be impaired.</p>	<p>The City of Edinburgh Council granted planning permission 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 outcome of the full business case is known.</p>	<p>Complete</p> <p>The Scottish Government announced up to £50 million investment in Edinburgh Biomes project.</p>
<p>Risks identified from the auditor's wider responsibility under the Code of Audit Practice</p>		
<p>5 Financial sustainability – projected deficit in 2019/20</p> <p>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.</p> <p>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</p>	<p>A sound system of budgetary control is in place. This includes regular budget monitoring reports being provided to the Board.</p> <p>Steps are being taken by senior management to ensure that savings are made to bring down the forecast deficit.</p>	<p>RBGE has satisfactory monitoring and control arrangements that facilitate effective scrutiny of finances by Trustees and senior staff.</p> <p>RBGE and BTC Ltd are actively seeking to increase their income streams through increased commercial activity e.g. events such as Christmas at the Botanic, consultancy and educational courses.</p> <p>RBGE received an additional £0.384 million grant funding in</p>

Audit Risk	Assurance procedure	Results and conclusions
		<p>2019/20 from the Scottish Government to fund the increase to employer pension contributions.</p> <p>Conclusion: RBGE has sufficient funding in place to meet its 2019/20 objectives.</p>
<p>6 Edinburgh Biomes</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>The City of Edinburgh Council granted planning permission 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>Complete</p> <p>The Scottish Government announced up to £50 million investment in Edinburgh Biomes project.</p>
<p>7 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 then 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. This will incorporate the impact of the Biomes project.</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 2020-25. There is uncertainty regarding the Edinburgh Biomes project and funding, and the impact this has on the five-year plan.</p> <p>Conclusion: Progress is being made towards a five-year financial plan. This was considered as part of the 2019/20 audit.</p>
<p>8 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</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>See action point 3 at Appendix 1.</p>

Audit Risk	Assurance procedure	Results and conclusions
<p>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>This will include a documented approach to how RBGE should respond to various business continuity scenarios.</p>	

Appendix 3

Summary of national performance reports 2019/20

		 2019/20 Reports	
		Apr	
Social security: Implementing the devolved powers		May	
Scotland's colleges 2019		Jun	 Enabling digital government
		Jul	
NHS workforce planning - part 2		Aug	
Finances of Scottish universities		Sept	
NHS in Scotland 2019		Oct	
		Nov	
Local government in Scotland: Financial overview 2018/19		Dec	
Scotland's City Region and Growth Deals		Jan	 Privately financed infrastructure investment: The Non-Profit Distributing (NPD) and hub models
		Feb	
		Mar	 Early learning and childcare: follow-up

Central Government relevant reports

[*Social security: Implementing the devolved powers*](#) – May 2019

[*Enabling digital government*](#) – June 2019

[*Scotland's City Region and Growth Deals*](#) – October 2019

[*Privately financed infrastructure investment: The Non-Profit Distributing \(NPD\) and hub models*](#) – Jan 2020

[*Early learning and childcare: follow-up*](#) – March 2020

Royal Botanic Garden Edinburgh

2019/20 Annual Audit Report

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