

Royal Botanic Garden Edinburgh

Annual Audit Plan 2021/22



 AUDIT SCOTLAND

Prepared for Royal Botanic Garden Edinburgh

31 March 2022

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Introduction

Summary of planned audit work

1. This document summarises the work plan for our 2021/22 external audit of Royal Botanic Garden Edinburgh. The main elements of our work include:

- evaluation of the key controls within the main accounting systems
- an audit of the annual accounts, and provision of an Independent Auditor's Report
- an audit opinion on regularity and other statutory information published within the annual report and accounts including the Trustees Report, the Governance Statement and the Remuneration and Staff Report
- consideration of arrangements in relation to the audit dimensions: financial management, financial sustainability, governance and transparency and value for money that frame the wider scope of public sector audit
- consideration of Best Value arrangements
- review Royal Botanic Garden Edinburgh participation in the National Fraud Initiative.

Impact of Covid-19

2. The coronavirus disease (Covid-19) pandemic has had a significant impact on public services and public finances, and the effects will be felt well into the future.

3. The Auditor General for Scotland, the Accounts Commission and Audit Scotland continue to assess the risks to public services and finances from Covid-19 across the full range of our audit work, including annual audits and the programme of performance audits. The well-being of audit teams and the delivery of high-quality audits remain paramount. Changes in our approach may be necessary and where this impacts on annual audits, revisions to this Annual Audit Plan may be required.

Adding value

4. We aim to add value to Royal Botanic Garden Edinburgh through our external audit work by being constructive and forward looking, by identifying areas for improvement and by recommending and encouraging good practice. In so doing, we will help Royal Botanic Garden Edinburgh promote improved standards of governance, better management and decision making and more effective use of resources. Additionally, we attend meetings of the Audit Committee and actively participate in discussions.

Respective responsibilities of the auditor and Royal Botanic Garden Edinburgh

5. The [Code of Audit Practice \(2016\)](#) sets out in detail the respective responsibilities of the auditor and Royal Botanic Garden Edinburgh. Key responsibilities are summarised below.

Auditor responsibilities

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

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

Royal Botanic Garden Edinburgh responsibilities

8. Royal Botanic Garden Edinburgh is responsible for maintaining accounting records and preparing financial statements that give a true and fair view.

9. Also, Royal Botanic Garden Edinburgh has 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 deliver their objectives.

Managing the transition to 2022/23 audits

10. Audit appointments are usually for five years but were extended to six years due to Covid-19. 2021/22 is the final year of the current appointment and we will work closely with our successors to ensure a well-managed transition.

Financial statements audit planning

Materiality

11. Materiality is an expression of the relative significance of a matter in the context of the financial statements as a whole. We are required to plan our audit to determine with reasonable confidence whether the financial statements are free from material misstatement. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement.

Materiality levels for the 2021/22 audit

12. We assess materiality at different levels as described in [Exhibit 1](#). The materiality values for Royal Botanic Garden Edinburgh and its group are set out in [Exhibit 1](#).

Exhibit 1

2021/22 Materiality levels for Royal Botanic Garden Edinburgh and its group

Materiality	Amount	Group
Planning materiality – This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. It has been set at 1% of gross expenditure for the year ended 31 March 2022 based on the latest audited financial statements for 2020/21 (Group).	£174,000	£180,000
Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality, this would indicate that further audit procedures should be considered. Using our professional judgement, we have assessed performance materiality at 50% of planning materiality.	£87,000	£90,000
Reporting threshold (i.e. clearly trivial) – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. This has been calculated at 3% of planning materiality.	£5,000	£5,000

Source: Audit Scotland

Significant risks of material misstatement to the financial statements

13. Our risk assessment draws on our cumulative knowledge of Royal Botanic Garden Edinburgh, its major transaction streams, key systems of internal control and risk management processes. It is informed by our discussions with management, meetings with internal audit, attendance at committees and a review of supporting information.

14. Based on our risk assessment process, we identified the following significant risks of material misstatement to the financial statements. These are risks which have the greatest impact on our planned audit procedures. [Exhibit 2](#) summarises the nature of the risk, the sources of assurance from management arrangements and the further audit procedures we plan to perform to gain assurance over the risk.

Exhibit 2

2021/22 Significant risks of material misstatement to the financial statements

Significant risk of material misstatement	Sources of assurance	Planned audit response
<p>1. Risk of material misstatement due to fraud caused by the management override of controls</p> <p>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</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 at the year-end • Review accounting estimates and assess any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year. • Focussed testing of significant accruals and prepayments • Evaluation of significant transactions that are outside the normal course of business • Substantive testing of significant transactions around the year end to confirm income and expenditure are accounted for in the correct financial year

15. As set out in International Standard on Auditing (UK) 240: *The auditor's responsibilities relating to fraud in an audit of financial statement*, there is a presumed risk of fraud over the recognition of revenue. There is a risk that revenue may be misstated resulting in a material misstatement in the financial statements. We have rebutted this risk for Royal Botanic Garden Edinburgh because whilst the possibility of fraud exists, we do not judge it to be a significant risk given the nature of Royal Botanic Garden Edinburgh's revenue streams.

16. In line with Practice Note 10: *Audit of financial statements and regularity of public sector bodies in the United Kingdom*, as most public-sector bodies are net spending bodies, the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk relating to revenue recognition. Due to the nature of Royal Botanic Garden Edinburgh's expenditure, we have also rebutted the significant risk of material misstatement due to fraud in expenditure in 2021/22.

17. We have not, therefore, incorporated specific work into our audit plan in these areas over and above our standard audit procedures.

Other areas of audit focus

18. As part of our assessment of audit risks, we have identified other areas where we consider there are also risks of material misstatement to the financial statements. Based on our assessment of the likelihood and magnitude of the risk, we do not consider these to represent significant risks. We will keep these areas under review as our audit progresses. If our assessment of risk changes and we consider these risks to be significant, we will communicate this to management and those charged with governance and revise our planned audit approach accordingly.

19. The areas of specific audit focus are:

- Recognition of income and expenditure: Our prior year audit testing identified issues in relation to the recognition of income and expenditure. We identified several errors relating to both income and expenditure which management required to correct for the 2020/21 accounts. Whilst management corrected these errors in the prior year, their occurrence increases the risk of similar misstatements in 2021/22.
- Financial capacity: Over the past year there have been changes within the organisation's finance department. These changes affect officers involved in the preparation of the financial statements and subsequent audit process. Whilst the finance team is now fully resourced, this will be the first year for the new staff preparing the accounts and working papers. There is consequently a risk in relation to the preparation of the accounts and working papers as the new finance team adapt.

Group Consideration

20. As group auditors, we are required under International Standard on Auditing (UK) 600: *Audits of group financial statements (including the work of component auditors)* to obtain sufficient appropriate audit evidence on which to base our audit opinion on the group financial statements.

21. Royal Botanic Garden Edinburgh has a group which comprises one component entity, that being the wholly owned subsidiary, the Botanics Trading Company (BTC). It has two further subsidiaries, the Centre for Middle Eastern Plants Limited, which has been dormant for several years and a newly established subsidiary during 2021/22, the Botanics Energy Company Limited, which has been created for the construction and operation of the new Energy Centre being built as part of the Biomes project. Whilst we acknowledge that the company will not start trading until financial year 2022/23, we will review the financial disclosures and financial transactions for 2021/22 to confirm that there is no financial impact on the 2021/22 annual accounts.

22. The audits of the financial information of some of the components are performed by other auditors. We will obtain sufficient appropriate audit evidence in relation to the consolidation process and the financial information of the components on which to base our group audit opinion.

Audit risk assessment process

23. Audit risk assessment is an iterative and dynamic process. Our assessment of risks set out in this plan may change as more information and evidence becomes available during the progress of the audit. Where such changes occur, we will advise management and where relevant, report them to those charged with governance.

Audit dimensions and Best Value

Introduction

24. The [Code of Audit Practice](#) sets out the four dimensions that frame the wider scope of public sector audit. The Code of Audit Practice requires auditors to consider the adequacy of the arrangements in place for the audit dimensions in audited bodies.

Audit dimensions

25. The four dimensions that frame our audit work are shown in [Exhibit 4](#).

Exhibit 4

Audit dimensions



Source: Code of Audit Practice

26. In summary, the four dimensions cover the following:

- **Financial management** – financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.
- **Financial sustainability** – as auditors, we consider the appropriateness of the use of the going concern basis of accounting as part of the annual

audit. We will also comment on financial sustainability in the longer term. We define this as medium term (two to five years) and longer term (longer than five years).

- **Governance and transparency** – 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.
- **Value for money** – value for money refers to using resources effectively and continually improving services.

Duty of Best Value

27. [Ministerial Guidance to Accountable Officers](#) for public bodies and the [Scottish Public Finance Manual](#) (SPFM) explain that accountable officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. We will be carrying out a high-level review to confirm that such arrangements are in place within Royal Botanic Garden Edinburgh.

28. Additionally, as part our Best Value work, we will be carrying out a review of the Best Value characteristic “fairness and equality” within Royal Botanic Garden Edinburgh.

Audit dimension risks

29. We have identified audit risks in the areas set out in [Exhibit 6](#). This exhibit sets out the risks, sources of assurance from management arrangements and the further audit procedures we plan to perform to gain assurances over the risks.

Exhibit 6

2021/22 Audit dimension risks

Description of risk	Sources of assurance	Planned audit response
<p>1. Financial Sustainability</p> <p>As part of the 2021/22 budget, Royal Botanic Garden Edinburgh has predicted an indicative budget gap for the five-year period to 2025/26 of £4.045m. The budget gap is based on the assumption that core Grant-in-Aid will not increase over the period and also reflects the negative impact the Edinburgh Biomes project</p>	<ul style="list-style-type: none"> • The 2022/23 unrestricted budget shows a slight deficit that will be covered by unrestricted reserves. • Core GIA has increased to mitigate the impact of the Edinburgh Biomes project on self generated income. • 5 Year plans are being prepared based on the current budget and updated assumptions. • RBGE continue to work to identify new 	<ul style="list-style-type: none"> • Review financial monitoring papers presented to committees/trustees • Review correspondence from Scottish Government to confirm whether Royal Botanic Garden Edinburgh will receive any additional Grant-in-Aid funding.

Description of risk	Sources of assurance	Planned audit response
<p>is due to have on self-generated income.</p> <p>Work is ongoing to identify opportunities for other income streams to help address the budget gap.</p> <p>In the short to medium term Royal Botanic Garden Edinburgh will continue to face a number of financial uncertainties and pressures. As a result, there is a risk to financial sustainability.</p>	<p>income streams, and a new post has been created within BTC to assist with this work.</p>	

Source: Audit Scotland

Reporting arrangements, timetable, and audit fee

Reporting arrangements

30. Audit reporting is the visible output for the annual audit. All Annual Audit Plans and the outputs, as detailed in [Exhibit 7](#), and any other outputs on matters of public interest will be published on our website: www.audit-scotland.gov.uk.

31. 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 officers to confirm factual accuracy.

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

33. [Exhibit 7](#) outlines the target dates for our audit outputs, and we aim to issue the independent auditor's report by the statutory deadline of 31 December 2022. We acknowledge this will be challenging due to the ongoing pressures and uncertainties caused by Covid-19.

Exhibit 7 2020/21 Audit outputs

Audit Output	Target date	Audit and Risk Committee Date
Annual Audit Plan	30/04/2022	Circulated outside of committee cycle
Independent Auditor's Report	30/11/2022	23/11/2022
Annual Audit Report	30/11/2022	23/11/2022

Source: Audit Scotland

Audit fee

34. The proposed audit fee for the 2021/22 audit of Royal Botanic Garden Edinburgh, is £17,680 (2020/21: £17,340). In determining the audit fee, we have taken account of the risk exposure of the Royal Botanic Garden Edinburgh, the planned management assurances in place and the level of reliance we plan to take from the work of internal audit.

35. Where our audit cannot proceed as planned through, for example, late receipt of unaudited annual report and accounts, the absence of adequate supporting working papers 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.

Other matters

Independence and objectivity

36. Auditors appointed by the Auditor General for Scotland or Accounts Commission 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.

37. The engagement lead (i.e. appointed auditor) for Royal Botanic Garden Edinburgh is Louisa Yule, Senior Audit Manager. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of Royal Botanic Garden Edinburgh.

Quality control

38. International Standard on Quality Control (UK) 1 (ISQC1) requires a system of quality control to be 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.

39. 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.

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

Royal Botanic Garden Edinburgh

Annual Audit Plan 2021/22 Audit Scotland's published material is available for download

on the website in a number of formats. For information on our accessibility principles, please visit:

www.audit-scotland.gov.uk/accessibility

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