

Royal Botanic Garden Edinburgh

2021/22 Annual Audit Report



 AUDIT SCOTLAND

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

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Key messages

2021/22 annual report and accounts

- 1 Our audit opinions on the annual report and accounts of RBGE and its group are unqualified and confirm that the 2021/22 Financial Statements present a true and fair view of the financial activities of RBGE and its group.
- 2 Our audit identified several adjustments that impact on the RBGE's annual report and accounts, which have been corrected in the financial statements. These are detailed at [Exhibit 2](#).
- 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.

Financial management

- 4 RBGE's unrestricted income exceeded unrestricted expenditure resulting in a net surplus of £0.019 million and total unrestricted reserves of £0.228 million as at the 31 March 2022.
- 5 Controls within the main financial systems were operating effectively while standards for the prevention and detection of fraud remain appropriate.

Financial sustainability

- 6 Income generation was significantly impacted by the Covid-19 pandemic. RBGE continue to work on identifying and developing new income streams.
- 7 RBGE continue to face a number of financial uncertainties including inflationary pressures over the short to medium term.

Governance and transparency

- 8 RBGE has appropriate governance arrangements in place. Governance arrangements have been reviewed following the lifting of Covid-19 social distancing restrictions and some meetings have returned to being held in-person.

Value for money

- 9 RBGE has developed arrangements to secure Best Value.
- 10 RBGE continued to develop its performance reporting arrangements to Board members.

Introduction

1. This report summarises the findings from our 2021/22 audit of Royal Botanic Garden Edinburgh (RBGE).

2. The scope of our audit was set out in our Annual Audit Plan presented to the 15 June 2022 meeting of the Audit Committee. This report comprises the findings from:

- an audit of the 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.

3. The main elements of our audit work in 2021/22 have been:

- an audit of the RBGE's 2021/22 annual report and accounts including the issue of an independent auditor's report setting out our opinions
- a review of the RBGE's key financial systems
- consideration of the four audit dimensions.

Adding value through the audit

4. We add value to the body through the audit by:

- having regular dialogue with senior finance staff
- identifying and providing insight on significant risks, and making clear and relevant recommendations
- sharing intelligence and good practice through our national reports ([Appendix 3](#)) and good practice guides
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

5. In doing so, we aim to help RBGE promote improved standards of governance, better management and decision making and more effective use of resources.

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 account's direction from the Scottish Ministers.

7. Also, RBGE is responsible for establishing appropriate and effective arrangements for governance, propriety, and regularity.

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 officers, 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 the 2021/22 audit fee of £17,680 as set out in our 2021/22 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 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.

Audit appointment from 2022/23

15. The Auditor General for Scotland is responsible for the appointment of external auditors to central government bodies. External auditors are usually appointed for a five-year term either from Audit Scotland's Audit Services Group or a private firm of accountants. The current appointment round was due to end in 2020/21 but this was extended for a year so that 2021/22 is the last year of the current appointment round.

16. The procurement process for the new round of audit appointments was completed in May 2022. From financial year 2022/23 Audit Scotland will continue to be the appointed auditor for RBGE.

17. A new [Code of Audit Practice](#) applies to public sector audits for financial years starting on or after 1 April 2022. It replaces the Code issued in May 2016.

18. We would like to thank the Board of Trustees, Audit Committee members, Executive Directors, and other staff, particularly those in finance, for their co-operation and assistance over the last six years.

1. Audit of 2021/22 annual report and accounts

The principal means of accounting for the stewardship of resources and performance

Main judgements

Our audit opinions on the annual report and accounts of RBGE and its group are unqualified and confirm that the 2021/22 Financial Statements present a true and fair view of the financial activities of RBGE and its group.

Our audit identified several adjustments that impact on the RBGE's annual report and accounts, which have been corrected in the financial statements. These are detailed at [Exhibit 2](#).

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.

Our audit opinions on the annual report and accounts are unmodified

19. The annual report and accounts for the year ended 31 March 2022 were approved by the board on 7 December 2022. As reported in the independent auditor's report:

- 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 audited part of the remuneration and staff report, performance report and governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.

The annual audit report and accounts were submitted in line with our agreed audit timetable

20. The unaudited annual report and accounts and a complete working paper package were received in line with our agreed audit timetable on 28 September 2022. We noted improvements in the quality arrangements around the completeness and presentation of the unaudited annual report and accounts

provided to audit. Finance staff provided good support to the audit team and all working papers were provided electronically.

Whole of Government Accounts

21. In accordance with the WGA (Whole of Government Accounts) guidance we completed the required assurance statement and submitted to the National Audit Office (NAO) on 11 November 2022.

Overall materiality is £190,000

22. Our initial assessment of materiality was carried out during the planning phase of the audit. This was reviewed and revised on receipt of the unaudited annual report and accounts and is summarised in [Exhibit 1](#).

Exhibit 1 Materiality values

Materiality level	RBGE	Group
Overall materiality	£190,000	£200,000
Performance materiality	£95,000	£100,000
Reporting threshold	£6,000	£6,000

Source: Audit Scotland

We have significant findings to report on the annual report and accounts

23. 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 the body's accounting practices.

24. Where we have identified misstatements in the accounts, we concluded that they arose from issues that have been isolated and identified in their entirety and do not indicate further systematic error. 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.

25. Whilst a number of misstatements were adjusted within the annual accounts, management did not adjust for the four misstatements outlined in [Appendix 2](#). The unadjusted errors would increase net expenditure by £29,000 and decrease the net assets in the statement of financial position by the same amount if corrected ([Appendix 2](#)). The significant findings from our audit are summarised in [Exhibit 2](#) below.

Exhibit 2

Significant findings from the audit of financial statements

Issue	Resolution
<p>1. Education Income</p> <p>RBGE provide educational services to universities. The current arrangement with the university is that payment is not due until the service has been fully provided. The education service within RBGE notify finance when services have been delivered and invoices are then raised.</p> <p>IFRS 15 sets out the accounting requirements for income recognition. RBGE need to undertake a review of their income streams and consider the contracts in place with service users to confirm that income is recognised appropriately.</p>	<p>RBGE should review their accounting policy and the arrangements in place with the university and other partner bodies to ensure that income is recognised in line with the requirements of IFRS 15.</p> <p>Recommendation 1</p> <p>(Refer Appendix 1, action plan point 1)</p>
<p>2. Year-end close down arrangements</p> <p>Our audit testing of income and expenditure both at interim and as part of the financial statements audit identified several errors as detailed below in points 3-6. These errors related to expenditure had not been apportioned to the correct financial year or income had not been recognised in the correct financial year. This tended to occur where services were provided or received around the financial year-end.</p> <p>As a result of finding these errors we increased our sample and found further instances of expenditure errors.</p> <p>We requested finance officers review expenditure and demonstrate that it has been accounted for the correct financial year.</p>	<p>The identified errors have been corrected within the audited annual report and accounts.</p> <p>Finance officers undertook an exercise to review expenditure relating to utilities including gas, electric and telephone charges. This identified three further errors of expenditure relating to 2020/21 being recorded in 2021/22. The additional errors identified have not been adjusted for within the annual report and accounts and are outlined at Appendix 2.</p> <p>We reviewed the exercise completed by finance officers and further audit procedures were undertaken to gain sufficient assurance that expenditure has not been materially mis-stated within the annual report and accounts. This work was concluded satisfactorily</p> <p>RBGE should review their arrangements at financial year-end to ensure that income due and expenditure incurred are correctly classified and accounted for as part of the year-end closedown procedures.</p> <p>Recommendation 2</p> <p>(Refer Appendix 1, action plan point 2)</p>

Issue	Resolution
<p>3. Royalties income was not accrued at the 2020/21 financial year-end</p> <p>During the audit it was identified that royalties' income relating to the financial year 2020/21 had been incorrectly accounted for in 2021/22.</p> <p>The impact of this was to reduce income recorded in the Statement of Financial Activities in 2021/22 by £35,000 and reduce net assets in the balance sheet by the same amount.</p> <p>A prior year restatement resulted in income and year end debtors on the balance sheet increasing by £35,000.</p>	<p>This was corrected within the audited annual report and accounts.</p>
<p>4. Restricted income was not accrued at the 2020/21 year-end</p> <p>Our substantive testing identified restricted income recognised in 2021/22 that related to 2020/21.</p> <p>The impact of this was to reduce income in the Statement of Financial Activities by £9,000 and reduce net assets on the Balance Sheet by the same amount.</p> <p>A prior year restatement resulted in income and year end debtors on the balance sheet increasing by £9,000.</p>	<p>This was corrected within the audited annual report and accounts.</p>
<p>5. Expenditure was not accrued at the year-end</p> <p>Our expenditure testing identified one instance where telephone expenditure relating to 2021/22 was not treated as accrued expenditure at the year-end.</p> <p>The impact of this is to increase expenditure recorded in the Statement of Financial Activities by £9,000 and increase the creditors balance in the Balance Sheet by £9,000.</p>	<p>This was corrected within the audited annual report and accounts.</p>
<p>6. Telephone and utilities expenditure relating to 2020/21 was not accrued at the prior year-end</p> <p>Our expenditure testing identified four instances of expenditure relating to telephone and utilities that related to 2020/21 but were not treated as accrued expenditure at the 2020/21 year end and instead treated as expenditure in 2021/22. These errors totalled £51,000</p> <p>The impact of this is to reduce expenditure in the 2021/22 Statement of Financial Activities by £51,000 and increase prior year expenditure and</p>	<p>These were all corrected within the audited annual report and accounts.</p>

Issue	Resolution
2020/21 year-end creditors in the Balance Sheet by £81,000.	
<p>7. Return of grant monies</p> <p>Our expenditure testing identified the repayment of grant relating to 2020/21. This was incorrectly processed through 2021/22.</p>	This was corrected within the audited annual report and accounts.
<p>8. Fixed Asset Additions</p> <p>Our substantive testing of fixed asset additions identified an error whereby additions within Assets Under Construction had been understated by £59,000. This occurred as a result of an invoice being under accrued at year end.</p> <p>The impact of this error was an increase in fixed assets in the Balance Sheet of £59,000 and increase creditors in the Balance Sheet by £59,000.</p>	This was corrected within the audited annual report and accounts.

Source: Audit Scotland

26. We have obtained audit assurances over the identified significant risks of material misstatement to the financial statements. [Exhibit 3](#) sets out the significant risks of material misstatement to the financial statements we identified in our 2021/22 Annual Audit Plan. It summarises the further audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 3

Significant risks of material misstatement in the financial statements

Audit risk	Assurance procedure	Results and conclusions
<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>Detailed testing of journal entries at the year-end.</p> <p>Review accounting estimates and assess any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year.</p> <p>Focussed testing of significant accruals and prepayments.</p>	<p>No unusual or inappropriate transactions were identified as part of detailed testing of journals.</p> <p>A review of accounting estimates did not show any instance of bias.</p> <p>No issues were identified in our testing over accruals and prepayments.</p>

Audit risk	Assurance procedure	Results and conclusions
	<p>Evaluation of significant transactions that are outside the normal course of business.</p> <p>Substantive testing of significant transactions around the year end to confirm income and expenditure are accounted for in the correct financial year.</p>	<p>No significant transactions outside the normal course of business were identified.</p> <p>Detailed testing of debtors and creditors balances in the financial statements confirmed balances have been accounted for correctly.</p> <p>Focussed testing of income and expenditure transactions to ensure items recorded in the correct financial year.</p> <p>Assurances were obtained from management around a further review undertaken by finance officers on expenditure recognition in the correct accounting period.</p> <p>Conclusion: There is no evidence of management override of controls.</p>

Other areas of audit focus

27. We identified in our 2021/22 Annual Audit Plan areas where we considered there to be other risks of material misstatement to the financial statements. Based on our assessment of the likelihood and magnitude of the risk, we did not consider these to represent significant risks. The areas of specific audit focus were:

- **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.

28. We kept these areas under review throughout our audit based on the findings of the audit procedures performed. Other than the issues highlighted in [Exhibit 2](#), there are no matters which we need to bring to your attention.

Progress was made on prior year recommendations

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

2. Financial management

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

Main judgements

RBGE's unrestricted income exceeded unrestricted expenditure resulting in a net surplus of £0.019 million and total unrestricted reserves of £0.228 million as at the 31 March 2022.

Controls within the main financial systems were operating effectively while standards for the prevention and detection of fraud remain appropriate.

RBGE operated within its revised budget in 2021/22

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 2021/22, the single entity accounts for RBGE show that it received £20.3 million from the Scottish Government. This comprised a revenue budget of £11.9 million and a capital budget of £8.4 million.

31. This was supplemented by other income of £5.2 million from donations, charitable activities and other trading activities including gains on investments.

32. In 2021/22 unrestricted income exceeded unrestricted expenditure resulting in a net surplus of £0.019 million and a closing balance on unrestricted reserves of £0.228 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 2021/22 was £27.319 million with expenditure totalling £20.210 million resulting in net income of £7.186 million (including £0.077 million gain on investment). This is analysed between unrestricted, restricted and endowment funds.

Exhibit 4**Performance of RBGE against DEL in 2021/22**

Performance	Income £m	Expenditure £m	Gain/(loss) on investments £m	Net Income 2021/22 £m
Unrestricted	14.688	14.669		0.019
Restricted	10.713	4.390		6.323
Endowment	0.023	0.010	0.077	0.090
Total	25.424	19.069		6.432

Source: RBGE Statement of Financial Activities

Budget processes were appropriate. There was a significant financial impact due to Covid-19

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

35. The financial statements show that the RBGE:

- has net assets of £72.193 million at 31 March 2022, an increase of £10.765 million from the previous year. This is mainly attributable to an increase in additions of land and buildings and assets under construction (£8.473m) and indexation (£4.333m)
- has unrestricted reserves fund balance at the end of the year of £0.228 million (2020/21: surplus of £0.209 million).

36. The impact on public finances of the Covid-19 pandemic has been unprecedented, which has necessitated both the Scottish and UK governments providing substantial additional funding for public services as well as support for individuals, businesses and the economy. It is likely that the effects of the pandemic will be felt well into the future.

37. RBGE's DEL budget was increased by £2.3 million to cover the impact of the Covid-19 pandemic on profits within the Botanics Trading Company and on admission and other income streams within RBGE.

38. We observed that regular financial updates were provided to both Trustee's and the Audit Committee throughout 2021/22, detailing performance against budget to date and outlining year-end financial projections.

Capital expenditure

39. RBGE received an initial Capital DEL budget in 2021/22 of £18.4 million. £3.4million of this funding was regular capital grant funding which RBGE utilised during 2021/22.

40. The remaining £15 million of funding was provided for the Edinburgh Biomes project. However due to issues stemming from the Covid-19 pandemic and wider economic climate, RBGE only used £5 million of this funding. This resulted in RBGE receiving an updated Capital DEL budget of £8.4 million in 2021/22.

41. As a result of RBGE being unable to spend £10 million of the Capital DEL budget, the Scottish Government have agreed to move £9.9 million of the unused Biomes funding to 2023/24.

Consolidated Accounts

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

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

- Net assets of £72.918 million at 31 March 2022, an increase of £11.519 million during the year (2020/21: £61.399 million)
- A surplus in its unrestricted reserves fund balance at the end of the year of £0.228 million (2020/21: £0.180 million)

Donation to the Botanics Foundation

44. The Botanics Foundation was set up in 1997 to hold and manage funds to support RBGE. The Foundation allocate 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 2021/22, RBGE donated £0.164 million (2020/21: £0.221 million) of legacy income to the foundation. This has been recorded as expenditure in the accounts.

Financial systems of internal control are operating effectively

45. 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.

46. During the year RBGE received a fraudulent change of bank detail request from a supplier email address and a payment of £6k was processed. The

following week the supplier advised that their emails had been compromised and that there had been no change of bank account request submitted. Following discussions with the bank, the money was recovered and there was no loss to RBGE. As a result, RBGE have tightened internal processes. Suppliers are put on hold until verified requests for changes to bank details are obtained from the two channels of the official supplier contact details.

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

Internal audit

48. RBGE's internal audit function is carried out by Henderson Loggie. The internal auditors were re-appointed for a four-year period from April 2022 to March 2026. 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. We have taken cognisance of the findings of internal audit's work, but we did not place direct reliance.

49. The Public Sector Internal Audit Standards (PSIAS) require the chief internal auditor to provide an annual internal audit opinion and report that can be used to inform the annual governance statement. Internal Audit reported progress against their annual audit plan to each meeting of the Audit Committee. They completed their annual plan for 2021/22 and reported their findings including their opinion to the September 2022 Audit Committee.

50. The internal audit opinion for 2021/22 stated that with the exception of the issues highlighted in relation to Education and Cyber Security, "RBGE has adequate and effective arrangements for risk management, control and governance. Proper arrangements are in place to promote and secure Value for Money".

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

51. There are appropriate arrangements for the prevention and detection of fraud, error, and irregularities. RBGE is responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery, and corruption. 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.

52. 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.

Arrangements for preventing fraud and corruption in the procurement function are appropriate

53. The consideration of financial management includes evaluating the arrangements in place for fraud and corruption. Instances of fraud and corruption are particularly prevalent in the procurement function. We carried out

an assessment of the arrangements in place at RBGE to prevent fraud and corruption in the procurement function.

54. Our work in this area concluded that RBGE have appropriate controls in place around the procurement processes and dedicated training is provided to staff involved in procurement decisions. Internal audit have undertaken reviews on aspects of procurement over the past three years and the findings have been reported to the Audit Committee.

55. We did, however, note that the existing procurement strategy expired in 2018 and the updated version is still in draft form. We have been unable to confirm if the existing strategy has been subject to annual review.

56. Whilst we have concluded that RBGE have arrangements in place to prevent fraud and corruption within the procurement function, there are opportunities to enhance this through establishing an annual review of policies to ensure they meet current legislation and reflect internal processes.

Recommendation 3

Review and refresh the procurement strategy to ensure it is aligned to legislative requirements.

A Digital Strategy and Cyber Incident Response Planning and Disaster Recovery Plan are being developed

57. As part of our audit work in 2019/20, we reviewed the digital control environment within RBGE.

58. We highlighted that the Digital Strategy was in draft and further updates were required to reflect the impact of Covid-19, and the new working environment. We also highlighted that the digital business continuity planning documents had not been subject to update in recent years.

59. We recommended that RBGE should update its Digital Strategy and the supporting Digital Policies, ensuring that the documents outline RBGE's plans for future years and provide details on how this links to the Corporate Plan 2021-26. We also recommended RBGE should review its Business Continuity Plan and update this based on its experience of responding to the Covid-19 pandemic.

60. In response to the recommendations, officers have confirmed they have now developed the new Digital Strategy which will show how RBGE intend to use new technologies and techniques to alter the digital approaches currently used within the organisation. The Digital Strategy is being presented to the Senior Leadership Team in November 2022 for discussion and the aim is to have this document fully approved and implemented in early 2023.

61. Similarly, a Cyber Incident Response Plan as part of RBGE's Disaster Recovery Plan has been developed which will include the Business Continuity Plan. This document remains in draft form and RBGE should seek to implement this document in future months.

62. Through discussions with Digital officers during the year we noted that some skills gaps had been identified and also that some policies including the Digital Acceptable Use policy and Electronic Communications Policy require review and refresh.

Recommendation 4

RBGE should put in place a programme of policy review to ensure that approved Digital Strategy documents and policies are regularly reviewed and updated to reflect current arrangements and legislative requirements.

3. Financial sustainability

Financial sustainability looks forward to the medium and long term to consider whether a body is planning effectively to continue to deliver its services

Main judgements

Income generation was significantly impacted by the Covid-19 pandemic. RBGE are continuing to work to identify and develop new income streams.

RBGE continue to face a number of financial uncertainties including inflationary pressures over the short to medium term.

63. [Exhibit 8](#) sets out the significant risks of material misstatement we identified in our 2021/22 audit, our assurance procedures and the results and conclusions from our work. These risks influenced our overall audit strategy, the allocation of staff resources to the audit and informed where the efforts of the team were directed.

Exhibit 8

Risks identified from the auditor's wider responsibility under the Code of Audit Practice

Audit risk	Assurance procedure	Results and conclusions
<p>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 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>The 2022/23 unrestricted budget shows a slight deficit that will be covered by unrestricted reserves.</p> <p>Core GIA has increased to mitigate the impact of the Edinburgh Biomes project on self-generated income.</p> <p>5 Year plans are being prepared based on the current budget and updated assumptions.</p> <p>RBGE are continuing to identify new income streams.</p>	<p>Results & Significant Judgements: RBGE continues to forecast a challenging medium to long term financial position. Recent financial projections have identified a £2.1 million budget shortfall to 2027/28.</p> <p>There continues to be uncertainty around the totality of Grant-in-Aid funding RBGE will receive in future financial years which will have significant implications on its ability to address budget gaps.</p> <p>We confirmed that the assumptions used by RBGE in its forecasting were</p>

Audit risk	Assurance procedure	Results and conclusions
<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>reasonable, although we note that the current economic climate means these will need to be assessed regularly.</p> <p>Conclusion: RBGE will continue to face a number of financial uncertainties and pressures over the short to medium term.</p> <p>Appendix 1. Action Plan Point 5</p>

RBGE's financial plan for 2022/23 highlights the continued impact of the Covid 19 pandemic

64. The Board of Trustees considered the 2022/23 budget at its meeting in March 2022. The budget was set to meet an expenditure requirement of £15.382 million from the following income sources:

- Core Grant in Aid - £10.870 million
- Self-generated income - £4.293 million

65. Budget projections anticipated that core grant-in-aid was anticipated to fall in 2022/23 by 8.7%. This is as a result of additional Covid-19 funding of £2 million in the 2020/21 Outturn and £3 million in 2021/22.

66. The Budget projected a deficit of £0.125 million for 2022/23 and RBGE's intention is to utilise expected year-end reserves from 2021/22 in order to manage the funding gap.

67. The Covid-19 pandemic has had a significant impact on self-generated income over the last 2 years. Self-generated income had been increasing over the six years prior to the impact of the Covid pandemic.

68. In 2022/23, self-generated income is forecast to continue to recover from the pandemic, although will remain below pre-pandemic levels. The social distancing and other Covid-19 restrictions in place during the 2021/22 financial year have reduced the profits in the Botanic Trading Company and this will impact on the gift aid received in 2022/23.

69. The Board expect the impact of the pandemic to continue to impact on hospitality, donations and overseas visitor numbers for a significant period of time. Furthermore, there will be no Glasshouse Admissions income in 2022/23 due to the Edinburgh Biomes project. Staff throughout the gardens are working to identify and develop new income streams.

70. A financial update on the 2022/23 budget position was presented to the September 2022 meeting of the Board of Trustees. The deficit as at 31 August

2022 was £0.166 million, £0.086 million higher than the expected deficit at that date. The increase in the deficit position is as a result of unrestricted income being lower than expected.

71. The latest financial projection is for a balanced revenue position at the year-end outturn, based on the basic pay increase in the Scottish Government pay remit. We noted that RBGE have yet to agree the 2022/23 pay award and that the actual pay award could be higher than the original Scottish Government pay remit which would increase financial pressures on RBGE. RBGE will require to review its financial position and identify possible solutions to help them to achieve a break-even position for 2022/23.

Edinburgh Biomes

72. RBGE have created the Edinburgh Biomes project. Edinburgh Biomes will involve the installation of a new glasshouse and other research facilities within the garden over a seven-year period. The overall cost of the Edinburgh Biomes project was originally estimated at £70m.

73. In September 2020 the Scottish Government announced that up to £58 million would be provided to invest in creating a more energy efficient environment at RBGE via the delivery of the Edinburgh Biomes programme.

74. Due to the current economic climate, the cost of the project has increased significantly. The current projected cost is estimated at £97million. This results in an overall shortfall in funding for the project of £39 million.

75. The initial £58 million of funding RBGE received covers the first five years of the project. RBGE remain in discussion with the Scottish Government to confirm whether additional funding will be granted for the remaining two years.

76. Additional funding has already been agreed with a number of funders, including National Lottery Heritage Fund, Heritage Environment Scotland and Wolfson Foundation worth £5 million.

4. Governance and transparency

The effectiveness of scrutiny and oversight, and transparent reporting of information

Main judgements

RBGE has appropriate governance arrangements in place. Governance arrangements have been reviewed following the lifting of Covid-19 social distancing restrictions and some meetings have returned to being held in-person.

The governance arrangements in place have been appropriate and operate effectively

77. A Framework Document is in place between the Scottish Government and RBGE. It 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. An updated Framework Agreement was signed off at the Board meeting in July 2021.

78. 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.

79. Since the onset of the Covid-19 pandemic in March 2020, RBGE have continued to have appropriate governance arrangements in place. This included all Trustees, Audit Committee, Senior Leadership Team and Executive Group meetings being held virtually. Since the easing of Covid-19 restrictions around working from home and social distancing requirements, arrangements for committee meetings has been reviewed. Whilst the retention of some virtual meetings may continue, there has been a re-introduction of some in-person meetings, including Board and committee meetings.

80. 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.

81. We reviewed a number of policies as part of the audit including the Framework Document, risk management strategy and theft and fraud policy. We are aware that People and Organisational Development are undertaking a review of RBGE's policies and procedures. On completion of this review, RBGE should consider establishing a formal review programme for policies and

procedures to ensure policies are reviewed and refreshed regularly and that they remain up to date and in line with current guidance and practices.

Openness and transparency arrangements have been updated

82. 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.

83. 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.

84. RBGE routinely holds an annual "open meeting" (attendance normally includes the RBGE Chair and Regius Keeper) for the public at which attendees are updated on current initiatives and given the opportunity for discussion and questions.

85. RBGE continue to review arrangements around openness and transparency.

The Trustee's report is consistent with the financial statements

86. In addition to the opinion on the performance report covered in Part 1 of our Annual Audit Report, we also consider the qualitative aspects of the RBGE's trustees report. The trustees report should provide information on a body, its main objectives and the principal risks faced by the RBGE. Additionally, it should provide a fair, balanced and understandable analysis of the RBGE's performance as well as helping stakeholders understand the financial statements.

Register of Interests

87. RBGE maintain a register of interests for Trustees which is published on its website. Trustees are required to declare organisations in which they have an interest in and RBGE is required to consider whether these should be disclosed in the related party note within the annual report and accounts.

88. Following an audit recommendation made during the 2020/21 audit, RBGE have also introduced a register of interests for senior employees in 2022.

Equalities

89. Public Bodies have a range of legal duties and responsibilities with regard to equality. RBGE like all other public bodies are required to meet the equalities duties as outlined within the Equality Act 2010.

90. Within RBGE responsibility for equality, diversity and inclusion was shared by nominated individuals within each service area. In September 2021, RBGE appointed an Equality, Diversity and Inclusion (EDI) Manager to ensure

oversight of activities and to evaluate the organisations performance and compliance in terms of equality, diversity and inclusions and to identify improvements required.

91. An Equality, Diversity and Inclusion Strategy covering the period 2020-2025 was published in February 2020. It has clear objectives and includes specific key deliverables. An Equal Opportunities Policy is also in place and provides information on how RBGE aim to achieve equality across the organisation.

92. Annual performance information on equalities is published on the Gender Pay Gap and the Gender Diversity of the Board. Work is ongoing to refresh RBGE's approach to monitoring processes with an aim of enhancing the processes and disclosures currently in place. This work will identify where there are gaps in the collection and reporting of data and how these can be addressed in the future. Consideration is being given to creating an Access Policy, which will identify exactly where and how RBGE track performance issues.

93. The EDI Manager provides updates on activities to Trustee's at each Board meeting. The updates cover a range of topics but generally focus on developments over the past quarter.

94. We have concluded that RBGE are complying with relevant guidance and are publishing performance data. The appointment of a dedicated manager for equality, diversity and inclusion demonstrates the organisations commitment to embedding equality across the organisation.

5. Value for money

Using resources effectively and continually improving services

Main judgements

RBGE has developed arrangements to secure Best Value.

RBGE continued to develop its performance reporting arrangements to Board members.

95. Ministerial guidance to [Accountable Officers for public bodies and the Scottish Public Finance Manual](#) (SPFM) sets out the accountable officer's duty to ensure that arrangements are in place to secure best value. The guidance sets out the key characteristics of best value and states that compliance with the duty of best value requires public bodies to take a systematic approach to self-evaluation and continuous improvement.

96. As part of its arrangements to secure best value, Directors and managers are encouraged to review, identify and improve the efficient and effective use of resources. Business cases for major capital investment are produced where spending limits require it. In April 2020, RBGE set up an in-house procurement service to ensure compliance with regulations, directives and guidelines and to improve value and service.

RBGE updated its performance reporting to Board members

97. Historically the performance of RBGE is monitored by the Board and Senior Leadership Team against a number of performance actions which support the delivery of the Scottish Government's national performance framework.

98. During 2020/21 work began to develop a dashboard for the Board of Trustees to highlight key performance measures. A new Key Results Dashboard was presented to the September 2021 Board meeting. The dashboard aims to allow Board members to see qualitative and quantitative measures over time to enable conclusions to be drawn. The dashboard includes benchmarking against other organisations and measures showing progress against RBGE's strategic priorities.

99. Over the past year, performance reporting to the Board has continued to develop. The initial dashboard reported performance against fifteen indicators with a further twelve indicators identified for future inclusion. Reports now include information on performance against twenty nine indicators. The indicators are reported either on an annual, quarterly or monthly basis depending on the most appropriate measure.

100. From review of the performance reports to the Board across the year we have observed the development of the dashboard and the continued refinement of its presentation and content based on Board member's feedback.

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 2021/22 several reports were published which may be of direct interest to RBGE. These are outlined in [Appendix 3](#).

102. Following publication of national Audit Scotland reports, the Head of Finance, Corporate Governance and Risk reviews these and brings any important issues to the attention of the Audit Committee as appropriate. Furthermore, the Audit Committee has a standing agenda item for any relevant issues highlighted in Audit Scotland technical bulletins.

Appendix 1. Action plan 2021/22

2021/22 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Income recognition in accordance with IFRS 15</p> <p>RBGE currently recognise income due for educational services provided to universities only when service delivery is complete. There is a risk that the current arrangement does not comply with the income recognition requirements of IFRS 15.</p> <p>Risk – The accounts may be mis-stated.</p>	<p>RBGE should review their accounting policy and the arrangements in place with the university and other partners to ensure that income is being recognised in line with the requirements of IFRS 15.</p> <p>Exhibit 2, Point 1</p>	<p>RBGE will review the accounting policy on income recognition of Education income and ensure that it is line with IFRS 15.</p> <p>Responsible officer Head of Finance, Corporate Governance and Risk</p> <p>Agreed date 31 March 2023</p>
<p>2. Year-end close down arrangements</p> <p>Errors relating to the apportionment of expenditure to the correct financial year and income recognition in the correct financial period were identified as part of our audit testing.</p> <p>Risk – There is a risk that the accounts may be mis-stated.</p>	<p>RBGE should review their arrangements at financial year-end to ensure that income due and expenditure incurred are correctly classified and accounted for as part of the year-end closedown procedures.</p> <p>Exhibit 2, Point 2</p>	<p>The vast majority of errors related to the 2020/21 close. New procedures are in place and the number of errors has reduced.</p> <p>Responsible officer Finance Business Partner – Operations and Reporting</p> <p>Agreed date 31 March 2023</p>
<p>3. Procurement Strategy Review</p> <p>The procurement strategy was due to be reviewed and updated in 2018.</p> <p>Risk – There is a risk that current policy does not comply with legislative requirement.</p>	<p>Review and refresh the procurement strategy to ensure it is aligned to legislative requirements.</p> <p>Paragraph 56</p>	<p>The new strategy has been drafted and is being reviewed. It will then be presented to the Executive Team for approval.</p> <p>Responsible officer Head of Finance, Corporate Governance and Risk</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>4. Digital Strategy and Policy Review</p> <p>Our review of Digital strategies and policies identified a number of policies that require to be reviewed and updated.</p> <p>Risk – There is a risk that policies do not reflect current arrangements.</p>	<p>RBGE should put in place a programme of policy review to ensure that approved Digital Strategy documents and policies are regularly reviewed and updated to reflect current arrangements and legislative requirements.</p> <p>Paragraph 62</p>	<p>Agreed date 31 March 2023</p> <p>The draft strategy has been produced and will be submitted for approval.</p> <p>Responsible Officer Head of Estates and Technology Services</p> <p>Revised date 31 January 2023</p>
<p>5. Financial sustainability</p> <p>The medium-term financial forecasts projects recurring deficits from 2023/24 onwards.</p> <p>Risk: RBGE may not be able to deal with future financial challenges and deliver required savings without adversely impacting service delivery.</p>	<p>RBGE should continue to refine the medium-term financial plan as more clarity on the impacts of financial pressures becomes available.</p> <p>Exhibit 8</p>	<p>A five-year plan has been developed based on the current financial strategy. RBGE continue to investigate additional income streams to relieve financial pressure.</p>

Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>6. Financial sustainability</p> <p>The impact of the pandemic continues to present financial challenges, with projected recurring deficits from 2022/23 onwards.</p> <p>Risk: RBGE may not be able to deal with future financial challenges and deliver required savings without adversely impacting service delivery.</p>	<p>RBGE should develop a revised financial strategy which ensures the total balances available are used to support financial sustainability over the medium-term. The financial strategy will require to incorporate a revised approach to service delivery and new ways of working.</p>	<p>Complete</p>

7. Register of interests

RBGE do not maintain a register of interests for senior employees.

Risk: RBGE is not properly disclosing related party transactions during the financial year.

RBGE should create and maintain a register of interests for senior employees to ensure appropriate related party disclosure.

Narrative on agreed action

A register of interests will be introduced for the senior employees.

Responsible officer

Head of Finance, Corporate Governance & Risk

Agreed date

March 2022

Complete**8. Digital Strategy**

The Digital Strategy and Digital 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.

Risk: The ICT strategy may not be aligned to the Corporate Plan and RBGE may not be making effective use of its ICT systems.

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.

Update

Based on the above, no formal Digital Strategy has been approved, but a draft strategy will be taken to the November 2022 Senior Leadership Team meeting.

See Action Plan Point 4

9. Business Continuity Planning

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.

Risk: ICT systems may not be recovered as fully or quickly as intended in the event of a disaster situation.

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

Update

Draft Business Continuity Plan developed. Work will continue to add detail to Business Continuity Plan reflecting outcomes in other areas such as Cyber and Information Governance.

In Progress

Revised action: The draft plan will be submitted for approval.

Responsible officer

Head of Estates and Technology Services

Revised date

31 January 2023

Appendix 2. Summary of uncorrected misstatements

We report all uncorrected misstatements in the annual report and accounts that are individually greater than our reporting threshold of £6,000.

The table below summarises uncorrected misstatements that were noted during our audit testing and were not corrected in the financial statements. Cumulatively these errors are below our performance materiality level as explained in [Exhibit 1](#). We are satisfied that these errors do not have a material impact on the financial statements.

Account areas	Statement of Comprehensive Net Expenditure		Statement of Financial Position	
	Dr £000	Cr £000	Dr £000	Cr £000
1.Expenditure 2021/22	9			
Accrual				9
2. Utility expenditure 2021/22		22		
Creditors			22	
3.Utility expenditure 2021/22		9		
Creditors			9	
4.Utility expenditure 2021/22		7		
Creditors			7	
Net Impact	9	38	38	9

Notes: 1. The uncorrected misstatement is in relation to 2021/22 expenditure that was not accrued at the year end and instead recognised as expenditure in 2022/23.

2. Gas expenditure relating to February and March 2021 not accrued at year end and posted in full to 2021/22.

3. Gas expenditure relating to February and March 2021 not accrued at year end and posted in full to 2021/22.

4. Electricity expenditure for March 2021, not accrued and posted in full to 2021/22.

Appendix 3. Summary of 2021/22 national performance reports and briefing papers

May

[Local government in Scotland Overview 2021](#)

June

[Covid 19: Personal protective equipment](#)

July

[Community justice: Sustainable alternatives to custody](#)

September

[Covid 19: Vaccination programme](#)

January

[Planning for skills](#)

[Social care briefing](#)

February

[NHS in Scotland 2021](#)

March

[Local government in Scotland: Financial Overview 20/21](#)

[Drug and alcohol: An update](#)

[Scotland's economy: Supporting businesses through the Covid 19 pandemic](#)

Royal Botanic Garden Edinburgh

2021/22 Annual Audit Report

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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