



Royal Botanic Garden Edinburgh

2015/16 Annual audit
report to Members and
the Auditor General for
Scotland

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Rachel Browne, Senior Audit Manager, Audit Scotland is the appointed external auditor of Royal Botanic Garden Edinburgh for the period 2014/15 to 2015/16.

This report has been prepared for the use of Royal Botanic Garden Edinburgh and no responsibility to any member or officer in their individual capacity or any third party is accepted.

The information in it may be used by the Auditor General in support of her wider responsibilities, including reporting to the Scottish Parliament.

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Key messages

Audit of financial statements

Unqualified independent auditor's report on the 2015/16 financial statements.

Financial Position

The Royal Botanic Garden Edinburgh (RBGE) supplemented its resource budget for 2015/16 with income from its trading subsidiary, education courses and commercial events. The financial position remains stable with an excess of total assets over liabilities and positive cash flows, but significant cost pressures, such as increased maintenance and pension costs, mean that income generating activities are a priority to support financial sustainability.

The Royal Botanic Garden Edinburgh donated £0.8 million of Board reserves to the Botanic Foundation, a charity which supports the Garden. The Foundation is developing its fundraising role to increase financial support for the Garden.

Governance & accountability

The Royal Botanic Garden Edinburgh had effective governance arrangements in place in 2015/16.

The internal audit function is effective and the 2015/16 internal audit plan was delivered in full.

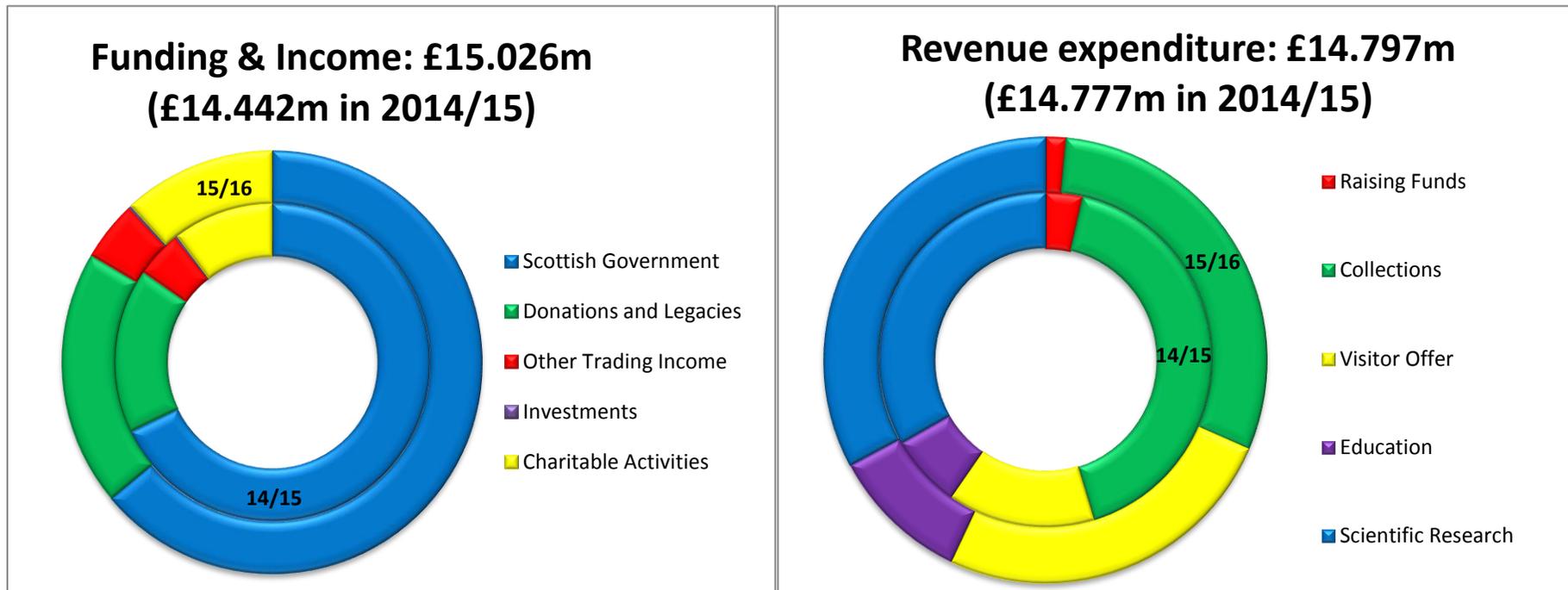
All National Fraud Initiative data matches have been investigated and closed. 93% of the overpayments identified have been recovered.

Effective arrangements are in place for the prevention and detection of fraud and corruption.

Introduction

1. This report is a summary of our findings arising from the 2015/16 audit of the Royal Botanic Garden Edinburgh (RBGE).
2. The management of RBGE is responsible for:
 - preparing financial statements which give a true and fair view, in accordance with the relevant financial reporting framework
 - ensuring the regularity of transactions, by putting in place systems of internal control
 - maintaining proper accounting records
 - publishing with their financial statements an annual governance statement and a remuneration report.
3. Our responsibility, as the external auditor, is to undertake our audit in accordance with International Standards on Auditing, the principles contained in the Code of Audit Practice issued by Audit Scotland in May 2011 and the ethical standards issued by the Auditing Practices Board.
4. An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements prepared by management with the oversight of those charged with governance. This does not relieve management of their responsibility for the preparation of financial statements.
5. [Appendix I](#) sets out the audit risks identified in our Annual Audit Plan and how we addressed each risk in arriving at our opinion on the financial statements.
6. A number of local reports have been issued by Audit Scotland during the course of the year. These reports are summarised at [appendix II](#).
7. [Appendix III](#) is an action plan setting out our recommendations to address the high level risks we have identified from the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "Management action/response". We recognise that not all risks can be eliminated or even minimised. What is important is that RBGE understands its risks and has arrangements in place to manage them. The Audit Committee should ensure that they are satisfied with proposed action and have a mechanism in place to assess progress and monitor outcomes.
8. We have included in this report only those matters that have come to our attention as a result of our normal audit procedures; consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.
9. The cooperation and assistance afforded to the audit team during the course of the audit is gratefully acknowledged.

Audit of the 2015/16 financial statements



The financial statements show that annual consolidated revenue expenditure has increased from £14.777 million in 2014/15 to £14.797 million in 2015/16. In addition, there was an £0.800 million extraordinary item: a donation from RBGE to the Botanics Foundation, a charity which supports RBGE. The financial statements also show that consolidated funding and income has increased from £14.442 million in 2014/15 to £15.026 million in 2015/16. This is attributable to significant increases in Donations and Legacies (2014/15: £2.431 million; 2015/16: £2.935 million) and Charitable Activities (2014/15: £1.494 million; 2015/16: £1.763 million).

Audit opinions

Financial Statements	<ul style="list-style-type: none">• The financial statements of RBGE for 2015/16 give a true and fair view of the state of the body's affairs and of its net expenditure for the year.• We confirm that the financial statements have been properly prepared in accordance with the requirements of the National Heritage (Scotland) Act 1985 and directions made thereunder by Scottish Ministers, the Charities and Trustees Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulation 2006.
Regularity	<ul style="list-style-type: none">• In all material respects, the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance.
Other prescribed matters	<ul style="list-style-type: none">• The part of the Remuneration Report to be audited has been properly prepared in accordance with the National Heritage (Scotland) Act 1985 and directions made thereunder by the Scottish Ministers.• The information given in the Trustees' Report is consistent with the financial statements.

Submission of financial statements for audit

10. We received the unaudited financial statements on 18 July 2016, in accordance with the agreed timetable. The working papers were of a good standard and staff provided support to the audit team which enabled us to complete our on-site fieldwork on 29 July 2016. The draft Annual Report and Consolidated Accounts document was of a good standard and complied with the Charities Statement of Recommended Practice (SORP) (FRS102).
11. The new SORP required a number of changes in accounting treatment and the prior year figures had to be restated. RBGE is also required, as a charitable Non Departmental Public Body, to include further disclosures required by the Government Financial Reporting Manual (FReM). The quality of the Annual Report and Consolidated Accounts reflects the extent of the finance team's work to implement the new SORP requirements and follow best practice (for example including a Remuneration Report, which goes beyond the SORP's remuneration requirements).

Overview of the scope of the audit of the financial statements

12. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in our Annual Audit Plan presented to the Audit and Risk committee on 12 February 2016.

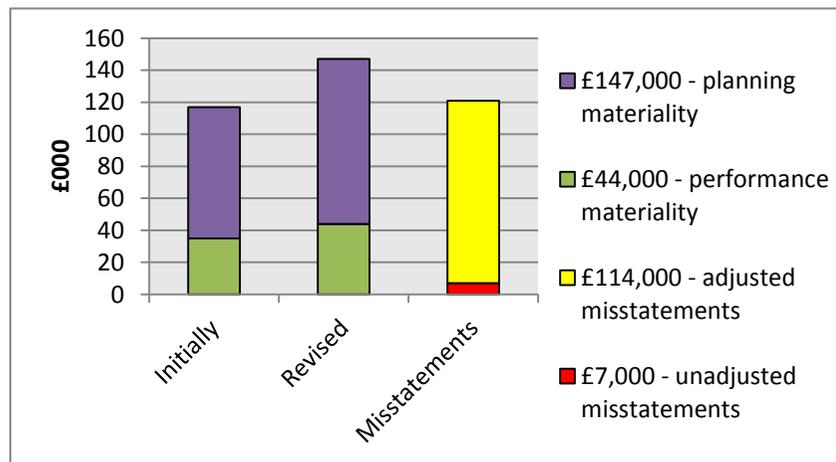
13. As part of the requirement to provide full and fair disclosure of matters relating to our independence, we can confirm that we have not undertaken any non-audit related services. The 2015/16 agreed fee for the audit was £15,950 and, as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.
14. The concept of audit risk is of central importance to our audit approach. During the planning stage of our audit we identified a number of key audit risks which had the greatest effect on the audit strategy, resources and effort. We set out in our Annual Audit Plan the audit work we proposed to undertake to secure appropriate levels of assurance.
15. [Appendix I](#) sets out the audit risks identified at the planning stage and how we addressed each risk in arriving at our opinion on the financial statements.
16. Our audit involved obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

Materiality

17. We consider materiality and its relationship with audit risk when planning the nature, timing and extent of our audit and conducting our audit programme. Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.

18. We summarised our approach to materiality in our Annual Audit Plan. We revised our planning materiality for 2015/16 on receipt of the unaudited accounts to £147,000 (1% of gross expenditure).
19. We also set a lower level, known as performance materiality, when defining our audit procedures. This is determined to ensure that uncorrected and undetected audit differences do not exceed our materiality level. Performance materiality was set at £44,000 (i.e. 30% of materiality).
20. We report all misstatements greater than £1,000.
21. **Exhibit 1** shows these materiality levels and the misstatements identified.

Exhibit 1: Overall materiality and misstatements



Source: 2015/16 Annual Audit Plan & RBGE financial statements

Evaluation of misstatements

22. Two misstatements were identified during the audit and these were adjusted in the financial statements (see paragraphs 28 and 29). The total value of adjustments exceeded our overall performance materiality of £44,000. However, the issue relating to the deferred VAT and severance costs (paragraph 29) was a misclassification between the current and non-current element of the liability and therefore this was considered an isolated incident which was not indicative of further systematic errors. We considered the impact of these misstatements and decided further audit procedures were not required.
23. RBGE also brought to our attention an invoice relating to 2015/16 which was received during the audit process. 2015/16 expenditure and accruals were increased by £26,000 to include this invoice.
24. Some minor presentational amendments were made in the revised financial statements.
25. One minor misstatement identified during the audit has not been adjusted in the financial statements. If adjusted this would increase net expenditure in the Consolidated Statement of Financial Activities by £7,126 and decrease net assets in the Consolidated Balance Sheet by £7,126 (paragraph 30). We request that all errors be corrected, although the final decision on this matter rests with those charged with governance taking into account advice from officers.

Significant findings from the audit

26. International Standard on Auditing 260 (ISA 260) requires us to communicate to you significant findings from the audit as detailed below:
- The auditor’s views about significant qualitative aspects of the entity’s accounting practices, including accounting policies, accounting estimates and disclosures.
 - Significant difficulties encountered during the audit.
 - Significant matters arising from the audit that were discussed, or subject to correspondence with management.
 - Written representations requested by the auditor.
27. The following table details those issues or audit judgements that, in our view, require to be communicated to those charged with governance in accordance with ISA 260.
- Other matters which in the auditor's professional judgment, are significant to the oversight of the financial reporting process.

Table 1: Significant findings from the audit

Significant findings from the audit in accordance with ISA260

Capitalisation of intangible assets

28. RBGE capitalised the costs associated with bringing an intangible asset into use during the course of the year. The costs related to the cloud-based software that is to be used as part of RBGE’s new payroll system. Our inspection of the invoices capitalised identified that the costs associated with the asset were rental and service charges. These do not meet the criteria for recognising capital expenditure and an adjustment was made to reclassify this as revenue expenditure. The resulting change decreased tangible fixed assets in the Consolidated Balance Sheet by £28,938 and increased net expenditure in the Consolidated Statement of Financial Activities by the same amount.

Significant findings from the audit in accordance with ISA260

Deferred VAT and deferred severance liabilities

29. During the course of audit work on the draft accounts it was identified that the deferred VAT and deferred severance liabilities had remained the same between 2014/15 and 2015/16. This was queried with finance officers who confirmed this was an error and the current element of the liabilities (i.e. due within 1 year) had not been transferred to current liabilities in the Consolidated Balance Sheet. As a result the non-current liabilities balance decreased by £85,000 and the current liabilities balance increased by a similar amount.

Prepayment of insurance

30. An invoice for insurance was selected as part of testing and the entirety of the invoice had been treated as a prepayment as at 31/03/16. However, on inspection it was identified the invoice covered the period 08/12/15 – 07/12/16 meaning 4 months were 2015/16 expenditure and 8 months were a prepayment for 2016/17. The total cost for the 2015/16 element was £7,126 therefore 2015/16 expenditure has been understated and prepayments have been overstated by this amount. This was discussed with finance officers who decided that this would remain an unadjusted error as it was not material. We concurred with this view.

Donation of Board reserves

31. RBGE requires Departmental Expenditure Limit (DEL) budget cover from the Scottish Government if it spends its reserves. However it does not require budget cover for expenditure funded through an arms length organisation. To manage the need for budget cover when using its reserves, RBGE donated £0.8 million of Board reserves to the Botanics Foundation, a charity which supports RBGE.
32. This donation is recorded as 2015/16 expenditure and RBGE received one-off budget cover from the Scottish Government for this expenditure. No terms and conditions were attached to the donation; however, as the Foundation's purpose is to support RBGE, it is expected that RBGE will be able to apply to the Foundation for funding from this £0.8 million (and any other funds raised by the Foundation).
33. Given the expectation that RBGE will in due course, following approval of appropriate funding applications, receive back the £0.8 million as funding from the Foundation, we considered the relationship between RBGE and the Foundation to see if RBGE could exercise control or significant influence, as defined by the SORP, over the Foundation. If either control or influence was evident, the Foundation would need to be consolidated into the RBGE group accounts (as a subsidiary or associate).
34. The SORP's definition of control requires two elements to be present: the "ability to benefit" and the "power to govern" (SORP paragraphs 24.14 & 24.15). Since the Botanics Foundation was set up to support RBGE (and other organisations with similar objectives, up to April 2016) clearly RBGE has the ability to benefit from the Foundation.
35. At 31 March 2016, three of the six Foundation Trustees were from RBGE (the Regius Keeper and two nominated trustees). This implies that RBGE has (indirectly) 50% of Foundation voting rights.
36. However, as a trustee of a charitable trust, all trustees, whether appointed by RBGE or not, are legally required to act solely in the interest of the trust (i.e. the Foundation) and not the organisation who appointed them. There is no evidence in RBGE Board minutes of RBGE Trustees being 'directed' in any way by the RBGE Board in relation to their Foundation trustee role.
37. We concluded that RBGE does not have the clear power to direct the operations of the Foundation and therefore the second element of 'control' is not met. RBGE decided it did not require consolidation into the 2015/16 accounts. I am satisfied that this is in accordance with 2015/16 accounting requirements.
38. RBGE did not record its consideration of the accounting implications of transferring a material amount of reserves to a related party in the expectation that those reserves will be returned as future funding. RBGE should review its group accounts boundary each year to ensure that any control or influence over related bodies is identified and appropriately accounted for.

Appendix III – Action Plan No.1

Future accounting and auditing developments

Audit appointment from 2016/17

39. The Auditor General for Scotland is responsible for the appointment of external auditors to Scottish central government bodies. External auditors are appointed, for a five year term, either from Audit Scotland's Audit Services Group or private firms of accountants. The financial year 2015/16 is the last year of the current audit appointment and we would like to thank the Board of Trustees and officers for their assistance during the last five years.
40. The procurement process for the five year period commencing 2016/17 was completed in March 2016. From next year Audit Scotland will again be the appointed auditor for RBGE but a different audit team will be in place for 2016/17 and the succeeding four years. We will liaise with the incoming audit team to ensure an efficient audit handover that minimises disruption to RBGE.

Code of Audit Practice

41. A new Code of Audit Practice applies to public sector audits for financial years starting on or after 1 April 2016. It replaces the Code issued in May 2011. It outlines the objectives and principles to be followed by auditors. It is part of the overall framework for the conduct of public audit in Scotland.
42. The new Code increases the transparency of our work by making more audit outputs available on Audit Scotland's website. Presently only annual audit reports are published on Audit Scotland's website.

In future, for all audited bodies, Audit Scotland will publish all annual audit plans and other significant audit outputs, irrespective of whether the body meets in public or makes documents such as audit committee papers routinely available on its own website.

Financial management and sustainability

2015/16 financial position

43. RBGE, as a Non-Departmental Public Body of the Scottish Government, receives the majority of its funding directly from the Scottish Government.
44. The total grant-in-aid from the Scottish Government for 2015/16 was £12.990 million (2014/15 £11.525 million). This comprised an operating budget of £8.908 million, capital budget of £2.300 million and funding for non-cash items (depreciation) of £1.782 million. This included budget cover for the transfer of up to £1.300 million of reserves to the Botanic Foundation.
45. RBGE spent £14.797 million, which is more than the revenue grant from the Scottish Government. This additional spend was funded by gift aid from RBGE's wholly owned trading subsidiary, the Botanic Trading Company Ltd, of £0.436 million (2014/15 £0.386 million); and income from commercial activities in areas such as education and commercial events.
46. RBGE achieved net income of £0.173 million in 2015/16 (2014/15: £0.299 million net expenditure - restated) before making a donation of £0.8 million to the Botanic Foundation, a charity which supports RBGE (see paragraphs 31-38).

47. The Consolidated Balance Sheet at 31 March 2016 shows net assets of £49.025 million. The comparative restated position at 31 March 2015 was £48.937 million.
48. The financial position of RBGE remains stable with the body operating within its available funding and reporting an excess of assets over liabilities, although significant cost pressures are increasing.
49. Staff costs of £8.234 million represent 56% of gross expenditure of £14.797 million (2014/15: restated 55%) and 97% of operating grant-in-aid (2014/15: restated 95%). The increasing trend is largely due to increased pension contributions in 2015/16.
50. Other significant cost pressures include increased maintenance costs, to address both the estimated £14 million maintenance backlog and the ongoing upkeep of RBGE's assets.

Financial Planning

51. Funding from the Scottish Government forms the majority of overall funding for RBGE (73% of 2015/16 income). A significant proportion of income is also generated through commercial activities. Funding from the Scottish Government is to remain static for the coming years and there is a greater emphasis on income generation to allow RBGE to continue to cover costs and to deliver services. Therefore, the main focus for RBGE is achieving a balanced financial plan to supplement funding from the Scottish Government with sufficient income generation.

52. RBGE's corporate plan covers a five year period and includes a high level financial plan covering that period based on the assumed level of funding that will be available. Below this the annual business plan sets out how RBGE will achieve its delivery commitments each year.

Financial management

53. As auditors we need to consider whether bodies have established adequate financial management arrangements. We do this by considering a number of factors, including whether:
- the director of finance has sufficient status to be able to deliver good financial management
 - standing financial instructions and standing orders are comprehensive, current and promoted within the body
 - reports monitoring performance against budgets are accurate and provided regularly to budget holders
 - monitoring reports do not just contain financial data but are linked to information about performance
 - audit and risk committee members provide a good level of challenge and question significant variances.
54. Based on our accumulated knowledge, our review of Board and committee meeting papers and through our attendance at the Audit Committee we conclude that RBGE has appropriate financial management arrangements in place.

2016/17 budget

55. RBGE has an allocated budget for Scottish Government funding of £11.277 million for 2016/17. This comprises a Scottish Government Departmental Expenditure Limit (DEL) for the year of £8.495 million resource DEL, £1.000 million capital DEL and £1.782 million ring-fenced DEL (for depreciation and amortisation).

Governance and transparency

<p>The internal audit function is effective and the 2015/16 plan was delivered in full.</p>	<p>Board minutes and corporate documents are published on the website and an annual open day is proposed.</p>
<p>Effective governance arrangements are in place for 2015/16.</p>	
<p>Management have effective arrangements for the prevention and detection of fraud and corruption.</p>	<p>All NFI data matches have been investigated and closed, recovering £17,000 (93%) of overpayments identified.</p>

Corporate governance

- 56. The Board and the Regius Keeper are responsible for establishing arrangements for ensuring the proper conduct of affairs of RBGE and for monitoring the adequacy of these arrangements.
- 57. RBGE is managed by a Board of Trustees and is accountable to the Scottish Government through the Rural and Environment Science and Analytical Services Division (RESAS).

- 58. We concluded that RBGE has effective overarching and supporting governance arrangements which provide an appropriate framework for organisational decision making.
- 59. The Board is supported in its role by a number of standing committees as illustrated in **exhibit 2**.
- 60. During 2015/16 the Audit Committee met four times and the Investment Committee and Remuneration Committee each met once to consider relevant matters.

Exhibit 2: RBGE Governance Structure 2015/16



Transparency

61. The Scottish Government's On Board guidance (<http://www.gov.scot/Publications/2015/04/9736/0>) for board members of public bodies was updated and reissued in April 2015. On Board states that boards should demonstrate high standards of corporate governance at all times including openness and transparency in decision making. It recommends boards should consider:
- holding an annual open meeting
 - holding board meetings in public unless there is a good reason not to
 - publishing summary reports and/or minutes of meetings
 - inviting evidence from members of the public in relation to matters of public concern
 - consulting stakeholders and users on a wide range of issues
 - making corporate plans and the annual report widely available.
62. Audit Scotland also believes in transparency of financial reporting within the Annual Report and Accounts including:
- a clear reconciliation between expenditure and the outturn against Scottish Government Resource budgets
 - identification and explanation of any significant movements in budget during the year.
63. We reported last year that RBGE holds its Board and Committee meetings in private and the papers for these meetings are not

publically available. We recommended that RBGE should review whether all of its meetings need to be held in private and where appropriate make the papers available on its website. The Board has considered our recommendation and concluded that meetings will continue to be held in private. However, RBGE plans to hold an annual open day to encourage public interest in, and support for, the work of the organisation. In addition, Board minutes are now published on the RBGE website along with a number of corporate documents including the Corporate Plan, Annual Report and Consolidated Accounts and corporate policies.

Interim audit testing

64. There was one weakness identified during our interim testing of income and expenditure transactions. The weakness related to lack of communication in the generation of PhD student income between the finance and education departments and could result in a misstatement of income. RBGE has taken actions to address this weakness and we are satisfied with the new processes that have been put in place.

Internal audit

65. Internal audit provides the Audit Committee and Accountable Officer with independent assurance on the overall risk management, internal control and corporate governance processes. We are required by international auditing standards to make an assessment of internal audit to determine the extent to which we can place

reliance on its work. To avoid duplication, we place reliance on internal audit work where possible.

66. Our review of internal audit concluded that the internal audit function operates in accordance with the Public Sector Internal Audit Standards (PSIAS). This enabled us to place reliance on the work of internal audit, in terms of our wider code responsibilities.
67. The internal audit plan for 2015/16 was completed during the year and all reports were presented to the Audit Committee. Internal audit concluded in their Annual Report 2015/16 that “RBGE operates adequate and effective internal control systems and has proper arrangements in place to promote and secure value for money”.

Arrangements for the prevention and detection of fraud

68. RBGE is responsible for establishing arrangements to prevent and detect fraud and other irregularity. We reviewed and reported on these arrangements and have concluded that there are effective arrangements for the prevention and detection of fraud.

National Fraud Initiative in Scotland

69. RBGE participates in the National Fraud Initiative (NFI). The NFI uses electronic data analysis techniques to compare information held on individuals by different public sector bodies and different financial systems, to identify data matches that might indicate the existence of fraud or error.

70. We reported last year that NFI has an appropriately high profile within RBGE and that data matches were being actively investigated. RBGE had 235 data matches, 71 of which were “recommended” for investigation. All of these have been investigated and closed.
71. Of the eight errors recorded by RBGE, five had a monetary impact:
- a duplicate payment of insurance premium amounting to £10,988.81 which the organisation has recovered;
 - 3 duplicate payments to an energy supplier - the £6019.88 has been recovered;
 - a payment made twice for the same supply which appeared on 2 different invoices; this was not noticed when paying the invoices. The supplier has ceased trading so the £1200 cannot be recovered.
72. There was no fraud identified by RBGE’s data match investigations.
73. The NFI is a two-yearly exercise. The national NFI audit report on the 2014/15 NFI exercise was published by Audit Scotland on 30 June 2016; this report contains a self appraisal checklist for audit committees, to ensure that they are fully informed of the planning and the progress being made by their officers investigating the NFI 2016/17 exercise. We recommend that this report and progress updates on RBGE’s participation in the 2016/17 NFI exercise should be presented to the Audit Committee.

Appendix III – Action Plan No.2

Arrangements for maintaining standards of conduct and the prevention and detection of corruption

74. Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and have proper arrangements in place for implementing and monitoring compliance with standards and codes of conduct, standing orders and financial instructions. We consider whether bodies have adequate arrangements in place and have concluded that appropriate arrangements exist within RBGE.

Correspondence referred to the auditor by Audit Scotland

75. As part of our wider Code responsibilities we are required to consider issues raised and follow these up as part of our risk based approach to the audit if they fall within our remit. We received no such correspondence during 2015/16.

Appendix I: Significant audit risks

The table below sets out the audit risks we identified during the course of the audit and how we addressed each risk in arriving at our opinion on the financial statements.

Audit Risk	Assurance procedure	Results and conclusions
Risk of material misstatement		
<p>Income recognition</p> <p>Based on diverse sources of income received by RBGE, ISA 240 <i>The auditor's responsibility to consider fraud in an audit of financial statements</i> requires that auditors recognise an inherent risk of fraud in revenue recognition. This includes revenue from voluntary income, income from charitable activities, and commercial development income.</p>	<ul style="list-style-type: none"> Detailed testing of revenue transactions focusing on the areas we consider to be of greatest risk: voluntary income, income from charitable activities and commercial development income. 	<p>We concluded from our audit testing that income was correctly accounted for.</p>
<p>Management override of controls</p> <p>Auditing standards (ISA 240 <i>The auditor's responsibility to consider fraud in an audit of financial statements</i>) require auditors to consider, on all audits, management's ability to manipulate accounting records and prepare fraudulent or biased financial statements by overriding controls that otherwise appear to be operating effectively.</p>	<ul style="list-style-type: none"> Financial statements audit work including detailed testing of journal entries, review of accounting estimates and evaluation of significant transactions that are outside the normal course of business. 	<p>We concluded from our audit testing that the 2015/16 journal entries, accounting estimates and judgements and significant transactions which we reviewed were appropriate.</p>

Audit Risk	Assurance procedure	Results and conclusions
<p>Financial reporting requirements</p> <p>The new <i>Accounting And Reporting By Charities: Statement Of Recommended Practice</i> applies from 2015/16 and affects a number of disclosures within RBGE’s accounts.</p> <p>The FReM annual report requirements have also changed significantly for 2015/16. RBGE, as a Non Departmental Public Body, is required to make some further disclosures in its annual report and accounts (additional to those required by the SORP) to comply with FReM.</p>	<ul style="list-style-type: none"> • We will review the restated 2014/15 financial statements. • We will review the 2015/16 annual report and accounts against the SORP requirements, and against the additional disclosures required by FReM. • We will review the annual report for consistency with the financial statements and with our knowledge of RBGE. 	<p>We concluded from our audit testing that the 2015/16 financial statements were in line with the new SORP requirements. The content of the annual report was consistent with the financial statements.</p> <p>The restated 2014/15 figures had been restated in accordance with the new SORP and were in line with our expectations.</p>

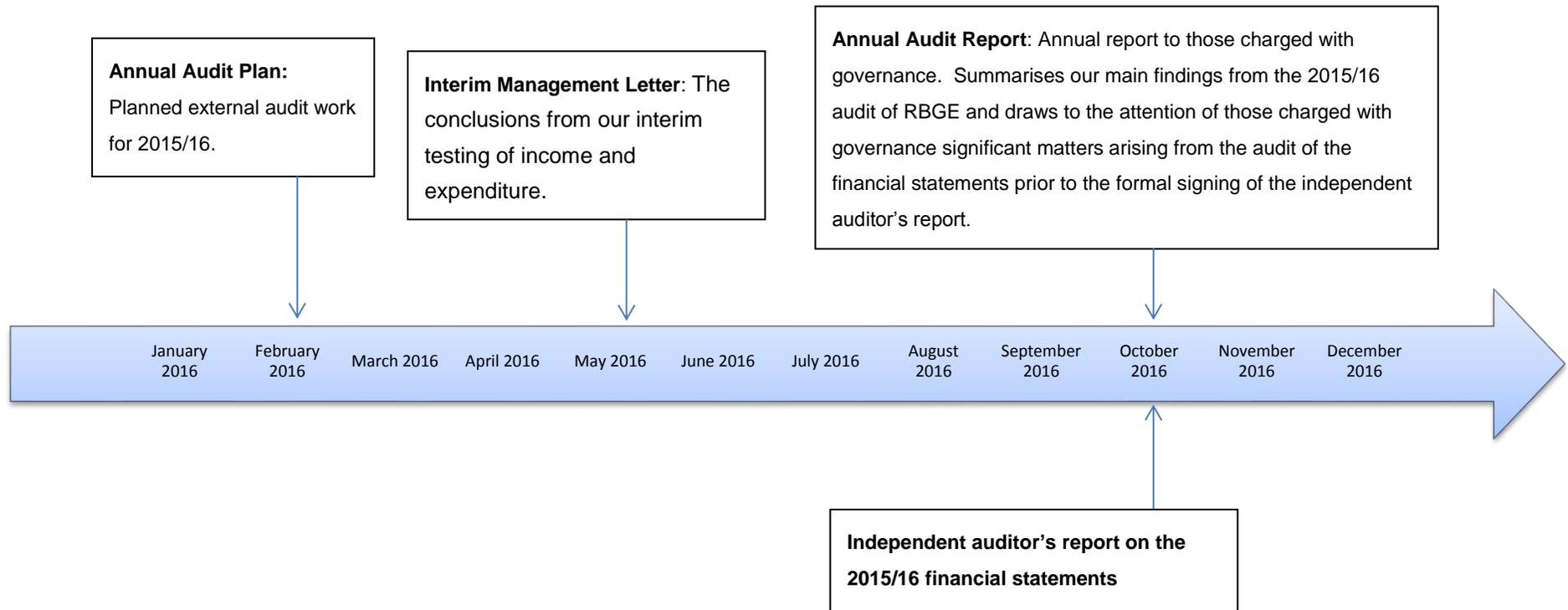
Audit Risk	Assurance procedure	Results and conclusions
<p>Financial position</p> <p>RBGE achieved a surplus for the 2014/15 financial year, but there are continuing significant financial pressures on the RBGE budget, and the draft 2016/17 budget from the Scottish Government is £0.4 million less than the 2015/16 funding.</p> <p>Further pressure comes from the recent 5 year condition survey of the RBGE built estate, which indicated that £14 million would be needed to bring the estate up to date. This is significantly more than was previously estimated and funds may not be available for the improvements needed.</p>	<ul style="list-style-type: none"> • Review finance reports to Board and Audit Committee • Review the extent of scrutiny by those charged with governance. 	<p>The financial position has been reported to the Board and the Audit Committee on a regular basis. RBGE achieved a surplus for the financial year (before making its £800,000 donation to the Botanic Foundation) but there are continuing significant financial pressures on the RBGE budget.</p>

Audit Risk	Assurance procedure	Results and conclusions
<p>Capital expenditure and forecasting</p> <p>We reported a risk last year regarding the high volume of capital expenditure at the end to the financial year. Although reported capital expenditure has been more proportionate through 2015/16, there is still a risk of a significant level of capital transactions to be processed at year end, with the associated financial reporting challenge to ensure the transactions are recorded correctly.</p> <p>Also, following a request to use Board reserves to cover urgent capital expenditure, the Board concluded that better forecasting of capital requirements was needed.</p>	<ul style="list-style-type: none"> • Review finance reports to Board and Audit Committee • Review the extent of scrutiny by those charged with governance • Focussed substantive testing of expenditure • Reviewing classification of capital/revenue transactions 	<p>RBGE received a £1.3 million addition to the original £1.0 million capital DEL allocation in 2015/16.</p> <p>Finance reports have been scrutinised by the Board and Audit Committee at each meeting.</p> <p>Expenditure cut-off testing highlighted no issues processing expenditure at the year end. Our review of the classification of revenue and capital transactions identified that £28,938 was incorrectly capitalised (see paragraph 28). This expenditure was amended in the revised accounts, increasing revenue expenditure and reducing capital expenditure by £28,938.</p>

Audit Risk	Assurance procedure	Results and conclusions
<p>Transfer of Board reserves</p> <p>RBGE is planning to transfer its unrestricted Board reserves to an external charitable trust, the Botanic Foundation. This requires an amendment to the charitable objectives of the Foundation, which must be agreed by OSCR. It also requires the Scottish Government to provide sufficient budget cover for the transfer. The changed role of the Foundation may affect its exclusion from the RBGE group boundary for consolidation into the group accounts; it has previously been excluded as an independent entity over which RBGE has no significant influence.</p>	<ul style="list-style-type: none"> • We will consider RBGE’s relationship with the Botanic Foundation as part of our annual review of the RBGE group boundary for the consolidated group accounts. • We will review the legal opinion on the proposed transfer of reserves and RBGE correspondence with the Scottish Government on this matter. 	<p>We considered the relationship between RBGE and the Botanic Foundation with reference to the SORP’s definition of “control” and “significant influence” regarding group accounts.</p> <p>The legal opinion obtained by RBGE covered whether the change to the Foundation’s Trust Deed would meet OSCR’s requirements to remain a separate registered charity. It did not consider whether RBGE exercised control or significant influence, as defined by the SORP, over the Foundation.</p> <p>We concluded that while RBGE clearly received benefit from the Foundation, there was not conclusive evidence that RBGE exercised power to govern the Foundation and thus the second element of control could not be demonstrated.</p> <p>We recommend that RBGE should review its group accounts boundary each year to ensure that any control or influence over related bodies is identified and appropriately accounted for.</p>

Audit Risk	Assurance procedure	Results and conclusions
Risks identified from the auditor's wider responsibility under the Code of Audit Practice		
<p>Transparency and accountability</p> <p>RBGE holds all its Board and committee meetings in private, and minutes of meetings other than the Board are not publicly available. The Scottish Government's "On Board" guidance for Board members of Non Departmental Public Bodies states that the Board has a responsibility for: "Demonstrating high standards of corporate governance at all times, including openness and transparency in its decision-making."</p> <p>We reported last year that RBGE's arrangements might not be seen as open and transparent decision making by a public body.</p>	<ul style="list-style-type: none"> • Attendance at Audit and Risk Committee meetings • We will review RBGE's public reporting of its activities during 2015/16 	<p>The Board has considered our recommendation and concluded that meetings will continue to be held in private. However, RBGE plans to hold an annual open day to encourage public interest in, and support for, the work of the organisation. In addition, Board minutes are now published on the RBGE website along with a number of corporate documents including the Corporate Plan, Annual Report and Consolidated Accounts and corporate policies.</p>

Appendix II: Summary of local audit reports 2015/16



Appendix III: Action plan

No. AS ref.	Paragraph ref.	Issue/risk/Recommendation	Management action/response	Responsible officer / Target date
1. MA 69120	38	<p>Review of Group Accounts Boundary</p> <p>RBGE did not formally consider its relationship with the Botanic Foundation (already disclosed as a related party in notes to the accounts) in terms of the RBGE group accounts boundary. The extent of a body's control or influence over another related body has accounting implications which are set out in the SORP and separate from the independence requirements of charities legislation.</p> <p>Risk: That RBGE exercises control or significant influence over a related party but this is not identified and included in the consolidated (group) accounts. This could result in a qualified audit opinion.</p> <p>Recommendation</p> <p>RBGE should review its group accounts boundary each year to ensure that any control or influence over related bodies is identified and appropriately accounted for.</p>	Noted; a review will be carried out annually to ensure that any control or influence over related bodies is identified and appropriately accounted for.	Director of Corporate Services & Head of Finance 31 January 2017

No. AS ref.	Paragraph ref.	Issue/risk/Recommendation	Management action/response	Responsible officer / Target date
2. MA 78814	73	<p>National Fraud Initiative</p> <p>The national report on the 2014/15 NFI exercise was published 30 June 2016. The report contains a self appraisal checklist for audit committees, to ensure that they are fully informed of the planning and the progress being made by their officers investigating the NFI 2016/17 exercise.</p> <p>Risk: There is a risk that Audit Committee members are not fully informed of any issues arising from the National Fraud Initiative.</p> <p>Recommendation: The national NFI report published by Audit Scotland and updates on future NFI exercises should be reported to the Audit Committee.</p>	Noted; the Board and Audit Committee were apprised of the outcomes of the previous NFI report in June 2015. The next exercise will be carried out in the Autumn and the Board will be apprised of the outcomes in due course.	Head of Finance 30 June 2017