

Royal Botanic Gardens Edinburgh

Annual Audit Plan 2017/18



 AUDIT SCOTLAND

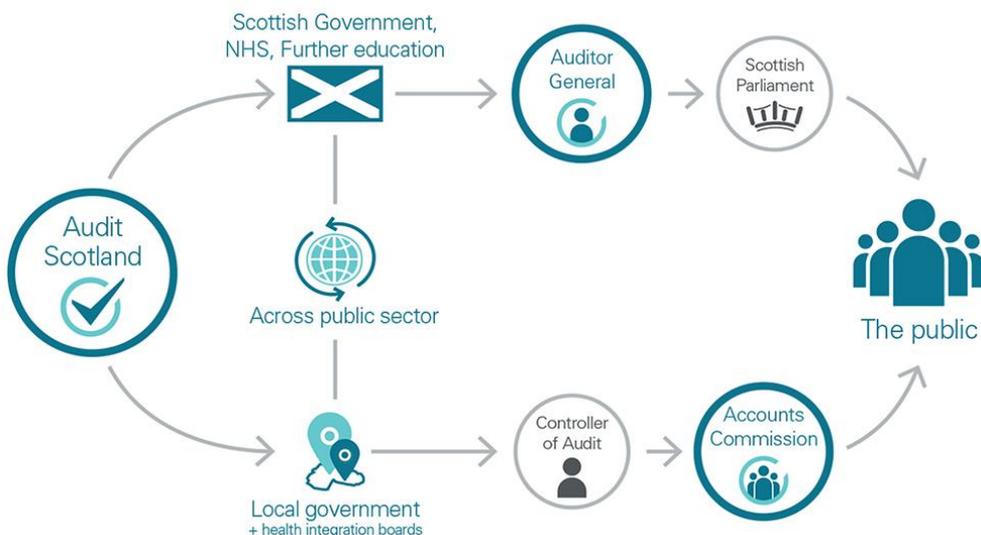
Prepared for Royal Botanic Gardens Edinburgh

February 2018

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non – executive board chair, and two non – executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world – class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

Contents

Risks and planned work	4
Audit risks	4
Reporting arrangements	6
Audit fee	6
Responsibilities	7
Audit scope and timing	8
Financial statements	8
Materiality	8
Internal audit	9
Audit dimensions	10
Independence and objectivity	11
Quality control	12
Adding Value	12

Risks and planned work

1. This annual audit plan contains an overview of the planned scope and timing of our audit and is carried out in accordance with International Standards on Auditing (ISAs), the [Code of Audit Practice](#), and any other relevant guidance. This plan identifies our audit work to provide an opinion on the financial statements and related matters and meet the wider scope requirements of public sector audit.

2. The wider scope of public audit contributes to conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

Audit risks

3. Based on our discussions with staff, attendance at committee meetings and a review of supporting information we have identified the following main risk areas for Royal Botanic Gardens Edinburgh (RBGE). We have categorised these risks into financial risks and wider dimension risks. The key audit risks, which require specific audit testing, are detailed in [Exhibit 1](#).

Exhibit 1

2017/18 Key audit risks

Audit Risk	Source of assurance	Planned audit work
Financial statement issues and risks		
<p>1 Risk of management override of controls</p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls in order to change the position disclosed in the financial statements.</p>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance.</p>	<p>Detailed testing of journal entries.</p> <p>Review of accounting estimates.</p> <p>Focused testing of accruals and prepayments.</p> <p>Evaluation of significant transactions that are outside the normal course of business.</p>
<p>2 Risk of fraud over income</p> <p>RBGE receives a significant amount of income in addition to Scottish Government funding. The extent and complexity of income means that, in accordance with ISA240, there is an inherent risk of fraud.</p>	<p>Regular budget monitoring reports are provided to the Board.</p>	<p>Analytical procedures on income streams.</p> <p>Detailed testing of revenue transactions focusing on the areas of greatest risk.</p>

Audit Risk	Source of assurance	Planned audit work
<p>3 Accounting for fixed assets</p> <p>Our 2016/17 audit identified aspects of the accounting for fixed assets, such as depreciation and indexation, where improvements were required to ensure the correct accounting treatment is applied. There is a risk that RBGE does not hold accurate records of its assets and that they are misstated in the financial statements.</p>	<p>The finance team will review the asset records and ensure they are fit for purpose.</p> <p>There are procedures for distinguishing between capital and revenue expenditure.</p>	<p>Early discussion with officers over the revaluation process.</p> <p>Audit testing of depreciation and indexation adjustments.</p> <p>Assess the accuracy of accounting entries relating to additions, depreciation, revaluations and impairments.</p> <p>Audit testing of a sample fixed assets revalued in year.</p>
<p>4 Estimation and judgements</p> <p>There is a significant degree of subjectivity in the measurement and valuation of the material account area of fixed assets. This subjectivity represents an increased risk of misstatement in the financial statements.</p>	<p>Revaluation of fixed assets is carried out every five years with a planned revaluation in 2018.</p> <p>The valuations are carried out in accordance with the RICS Approval and Valuation Manual.</p>	<p>Completion of 'review of the work of an expert' in accordance with ISA 500 for the professional valuer.</p> <p>Audit testing of a sample fixed assets revalued in year.</p>
Wider dimension risks		
<p>5 Financial sustainability – 2018/19</p> <p>RBGE continue to face budget pressures and requires, in 2018/19, to increase self-generated income and reduce costs in order to break even. This follows a similar increase in self generated income and cost reductions that were required in 2017/18 to break even. While RBGE is forecasting to break even in 2017/18, any additional income or recurring efficiency savings not achieved will increase savings requirements for future years and will present a risk to future financial sustainability.</p>	<p>RBGE undertakes an appropriate level of sensitivity analysis and scenario planning, particularly in relation to potential changes in government funding.</p> <p>In advance of GIA announcements, different funding scenarios are modelled and the leadership team/Board discuss options to manage a reduced funding situation. Income sources are reviewed and challenged. The impact and mitigation of any potential cost reductions are identified.</p>	<p>Review of arrangements to identify, monitor and report efficiencies.</p> <p>Review of correspondence with Scottish Government regarding future funding.</p> <p>Review financial monitoring papers presented to committee.</p>
<p>6 Longer term financial planning and backlog maintenance</p> <p>RBGE includes a high level 5 year financial plan within the Corporate Plan. This is based on flat grant in aid income, but does not consider a range of scenarios or support medium to long term planning, and does not address the significant backlog maintenance costs that have</p>	<p>RBGE undertakes an appropriate level of sensitivity analysis and scenario planning, particularly in relation to potential changes in government funding.</p>	<p>Reliance on the work of internal audit on asset management.</p> <p>Review the level of sensitivity analysis and scenario planning regarding potential changes in government funding, and whether the Board have assessed the impact on future financial planning.</p> <p>Review of Board papers to assess what action has been</p>

Audit Risk	Source of assurance	Planned audit work
<p>been identified through the condition survey.</p> <p>There is a risk that RBGE is not able to respond to financial challenges over the medium to longer term, including the required maintenance of their assets.</p>		<p>taken.</p> <p>Review of budget and allocation monitoring letters to identify whether any additional funding has been provided to address the backlog of maintenance.</p>

Reporting arrangements

4. Audit reporting is the visible output for the annual audit. All annual audit plans and the outputs as detailed in [Exhibit 2](#), and any other outputs on matters of public interest will be published on our website: www.audit-scotland.gov.uk.

5. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the relevant officer to confirm factual accuracy.

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

Exhibit 2

2017/18 Audit outputs

Audit Output	Target date	Audit Committee (or equivalent) Date
Annual Audit Plan	01 February 2018	15 February 2018
Management Report	30 May 2018	13 June 2018
Annual Audit Report	05 September 2018	19 September 2018
Independent Auditor's Report	19 September 2018	19 September 2018

Audit fee

7. The proposed audit fee for the 2017/18 audit of RBGE is £16,380 (2016/17 £16,140). In determining the audit fee we have taken account of the risk exposure of RBGE, the planned management assurances in place and the level of reliance we plan to take from the work of internal audit. Our audit approach assumes receipt of the unaudited financial statements, with a complete working papers package on 16 July 2018.

8. Where our audit cannot proceed as planned through, for example, late receipt of unaudited financial statements or being unable to take planned reliance from the work of internal audit, a supplementary fee may be levied. An additional fee may

also be required in relation to any work or other significant exercises outwith our planned audit activity.

Responsibilities

Audit Committee and Accountable Officer

9. Audited bodies have the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives.

10. The audit of the financial statements does not relieve management or the Audit Committee, as those charged with governance, of their responsibilities.

Appointed auditor

11. Our responsibilities as independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice (including supplementary guidance) and guided by the auditing profession's ethical guidance.

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

Audit scope and timing

Financial statements

13. The statutory financial statements audit will be the foundation and source for the majority of the audit work necessary to support our judgements and conclusions. We also consider the wider environment and challenges facing the public sector. Our audit approach includes:

- understanding the business of RBGE and the associated risks which could impact on the financial statements
- assessing the key systems of internal control, and establishing how weaknesses in these systems could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how RBGE will include these in the financial statements
- assessing the risks of material misstatement in the financial statements
- determining the nature, timing and extent of audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements are free of material misstatement.

14. We will give an opinion on the financial statements as to:

- whether they give a true and fair view in accordance with the National Heritage (Scotland) Act 1985 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2018 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended
- whether they have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- whether they have been prepared in accordance with the requirements of the National Heritage (Scotland) Act 1985 and directions made thereunder by the Scottish Ministers, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations.



characteristics



responsibilities



principal activities



risks



governance arrangements

Materiality

15. We apply the concept of materiality in planning and performing the audit. It is used in evaluating the effect of identified misstatements on the audit, and of any uncorrected misstatements, on the financial statements and in forming our opinion in the auditor's report.

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

Exhibit 3

Materiality values

Materiality level	Amount
Planning materiality – This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It has been set at 1% of gross expenditure for the year ended 31 March 2018 based on the latest audited accounts for 2016/17.	£169,000
Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement we have calculated performance materiality at 40% of planning materiality.	£68,000
Reporting threshold (i.e. clearly trivial) – We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount. This has been calculated at 2% of planning materiality.	£3,000

Source: RBGE Audited financial statements 2016/17

17. We review and report on other information published with the financial statements including the Trustees' Report and Governance Statement. Any issue identified will be reported to the Audit Committee.

Timetable

18. To support the efficient use of resources it is critical that a financial statements timetable is agreed with us for the production of the unaudited accounts. An agreed timetable is included at [Exhibit 4](#) which takes account of submission requirements and planned Audit Committee dates:

Exhibit 4

Financial statements timetable

 Key stage	 Date
Latest submission date of unaudited annual accounts with complete working papers package	16 July 2018
Latest date for final clearance meeting with Head of Finance	31 August 2018
Agreement of audited unsigned annual accounts	04 September 2018
Issue of Annual Audit Report including ISA 260 report to those charged with governance	04 September 2018
Independent auditor's report signed	19 September 2018

Internal audit

19. Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to rely on the work of internal audit wherever possible and as part of our planning process we

carry out an assessment of the internal audit function. Internal audit is provided by Henderson Loggie.

Adequacy of Internal Audit

20. Overall, we concluded that the internal audit service operates in accordance with Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place.

Areas of reliance

21. To support our audit opinion on the financial statements we do not plan to place formal reliance on any specific internal audit review carried out for 2017/18.

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

- Asset Management
- Data Protection

Audit dimensions

23. Our audit is based on four audit dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 5](#).

Exhibit 5

Audit dimensions



Source: Code of Audit Practice

Financial sustainability

24. As auditors we consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. We will also comment on the body's financial sustainability in the longer term. We define this as medium term (two to five years) and longer term (longer than five years) sustainability. We will carry out work and conclude on:

- the effectiveness of financial planning in identifying and addressing risks to financial sustainability in the short, medium and long term

- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps
- whether RBGE can demonstrate the affordability and effectiveness of funding and investment decisions it has made.

Financial management

25. Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. We will review, conclude and report on:

- whether RBGE has arrangements in place to ensure systems of internal control are operating effectively
- whether RBGE can demonstrate the effectiveness of budgetary control system in communicating accurate and timely financial performance
- how RBGE has assured itself that its financial capacity and skills are appropriate
- whether RBGE has established appropriate and effective arrangements for the prevention and detection of fraud and corruption.

Governance and transparency

26. Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision – making and transparent reporting of financial and performance information. We will review, conclude and report on:

- whether RBGE can demonstrate that the governance arrangements in place are appropriate and operating effectively.
- whether there is effective scrutiny, challenge and transparency on the decision – making and finance and performance reports.
- the quality and timeliness of financial and performance reporting.

Value for money

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

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

Independence and objectivity

28. Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has in place robust arrangements to ensure compliance with these standards including an annual “fit

and proper” declaration for all members of staff. The arrangements are overseen by the Director of Audit Services, who serves as Audit Scotland’s Ethics Partner.

29. The engagement lead for RBGE is Paul Craig, Senior Audit Manager. Auditing and ethical standards require the appointed auditor, Paul Craig, to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of RBGE.

Quality control

30. International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor’s report or opinion is appropriate in the circumstances.

31. The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice (and relevant supporting guidance) issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that we achieve the required quality standards Audit Scotland conducts peer reviews, internal quality reviews and is currently reviewing the arrangements for external quality reviews.

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

Adding Value

33. Through our audit work we aim to add value to the Audited Body. We will do this by ensuring our Annual Audit Report provides a summary of the audit work done in the year together with clear judgements and conclusions on how well the Audited Body has discharged its responsibilities and how well it has demonstrated the effectiveness of its arrangements. Where it is appropriate we will recommend actions that support continuous improvement and summarise areas of good practice identified from our audit work.

Royal Botanic Gardens Edinburgh

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Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
T: 0131 625 1500 E: info@audit-scotland.gov.uk
www.audit-scotland.gov.uk