

Royal Botanic Garden Edinburgh

Annual Audit Plan 2022/23



 AUDIT SCOTLAND

Prepared for Royal Botanic Garden Edinburgh

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Introduction

Summary of planned audit work

1. This document summarises the work plan for our 2022/23 external audit of Royal Botanic Garden Edinburgh. The main elements of our work include:

- evaluation of the key controls within the main accounting systems
- an audit of the annual accounts, and provision of an Independent Auditor's Report
- an audit opinion on regularity and other statutory information published within the annual report and accounts including the Trustees' Report, the Governance Statement and the Remuneration and Staff Report
- consideration of arrangements in relation to wider scope areas: financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes
- consideration of Best Value arrangements.

Audit Appointment

2. We are pleased to be appointed as the external auditor of Royal Botanic Garden Edinburgh for the period 2022/23 to 2026/27 inclusive. You can find a brief biography of your audit team at [Appendix 1](#).

3. In the first year of the audit appointment, we invest significant time gaining an understanding of your business and identifying and assessing the risks of material misstatement to the financial statements. While we use our initial assessment of risk to inform our planned audit approach, we keep our assessment of risks under review as the audit progresses. We will inform you of any significant changes in assessed risks and any resulting changes in our planned audit work.

4. The audit team will actively engage with you over the course of the audit to ensure our audit work continues to be focused on risk.

Adding value

5. We aim to add value to Royal Botanic Garden Edinburgh through our external audit work by being constructive and forward looking, by attending meetings of the Audit Committee and by recommending and encouraging good practice. In so doing, we will help the Royal Botanic Garden Edinburgh promote improved standards of governance, better management and decision making and more effective use of resources.

Respective responsibilities of the auditor and Royal Botanic Garden Edinburgh

6. The [Code of Audit Practice 2021](#) sets out in detail the respective responsibilities of the auditor and the Royal Botanic Garden Edinburgh. Key responsibilities are summarised below.

Auditor responsibilities

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

8. Auditors in the public sector give an independent opinion on the financial statements and other information within the annual report and accounts. We also review and report on the wider scope arrangements in place at the Royal Botanic Garden Edinburgh. In doing this, we aim to support improvement and accountability.

Royal Botanic Garden Edinburgh responsibilities

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

10. Royal Botanic Garden Edinburgh has the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to deliver their objectives.

Financial statements audit planning

Introduction

11. The annual report and accounts are an essential part of demonstrating the Royal Botanic Garden Edinburgh's stewardship of resources and its performance in the use of those resources.

12. We focus our work on the areas of highest risk. As part of our planning process, we prepare a risk assessment highlighting the audit risks relating to each of the main financial systems relevant to the production of the financial statements.

Materiality

13. The concept of materiality is applied by auditors in planning and performing the audit, and in evaluating the effect of any uncorrected misstatements on the financial statements. We are required to plan our audit to obtain reasonable assurance that the financial statements are free from material misstatement. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement.

Materiality levels for the 2022/23 audit

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

Exhibit 1

2022/23 Materiality levels for Royal Botanic Garden Edinburgh and its group

Materiality	Amount	Group
<p>Planning materiality – This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. Materiality has been set based on our assessment of the needs of the users of the financial statements and the nature of the Royal Botanic Garden Edinburgh operations. For the year ended 31 March 2023 we have set our materiality at 2% of gross expenditure based on the audited financial statements for 2021/22.</p>	£400,000	£405,000
<p>Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds</p>	£240,000	£243,000

performance materiality, this could indicate that further audit procedures should be considered. Using our professional judgement, we have assessed performance materiality at 60% of planning materiality.

Reporting threshold (i.e. clearly trivial) – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. This has been calculated as 3% of planning materiality.	£12,000	£12,000
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Source: Audit Scotland

Significant risks of material misstatement to the financial statements

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

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

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

Exhibit 2

2022/23 Significant risks of material misstatement to the financial statements

Significant risk of material misstatement	Sources of assurance	Planned audit response
<p>1. Risk of material misstatement due to fraud caused by management override of controls</p> <p>As stated in International</p>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance</p>	<ul style="list-style-type: none"> Assess the design and implementation of controls over journal entry processing. Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. Test journals at the year-end and post-closing entries and focus on significant risk areas.

Significant risk of material misstatement	Sources of assurance	Planned audit response
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.		<ul style="list-style-type: none"> • Consider the need to test journal entries and other adjustments during the period. • Evaluate significant transactions outside the normal course of business. • Assess the adequacy of controls in place for identifying and disclosing related party relationship and transactions in the financial statements.

Source: Audit Scotland

18. As set out in International Standard on Auditing (UK) 240: *The auditor's responsibilities relating to fraud in an audit of financial statement*, there is a presumed risk of fraud over the recognition of revenue. There is a risk that revenue may be misstated resulting in a material misstatement in the financial statements.

We have rebutted this risk as funding received from the Scottish Government is clearly communicated and can be readily agreed to third party confirmations. In addition, the Royal Botanic Garden Edinburgh's other income streams comprise of a high volume of low valued transactions, and we have concluded there is limited opportunity or incentive to manipulate the recognition of income in the financial statements.

19. In line with Practice Note 10: *Audit of financial statements and regularity of public sector bodies in the United Kingdom*, as most public-sector bodies are net spending bodies, the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk relating to revenue recognition.

We have rebutted this risk as the main expenditure streams of the Royal Botanic Garden Edinburgh mainly comprise a high volume of low value items. We also consider there to be limited incentive and opportunity for the manipulation of expenditure recognition in the financial statements.

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

Other areas of audit focus

21. As part of our assessment of audit risks, we have identified other areas where we consider there are also risks of material misstatement to the financial statements. Based on our assessment of the likelihood and magnitude of the risk,

we do not consider these to represent significant risks. We will keep these areas under review as our audit progresses.

22. The areas of specific audit focus are:

- **Valuation of land and buildings:** There is a high degree of subjectivity and estimation in the valuation of land and buildings. The sensitivity of the estimates to changes in key assumptions presents an inherent risk in this area. We will evaluate the competence, capabilities and objectivity of the professional valuer.
- **Income recognition:** Prior year audit testing identified issues in the recognition of income for educational services provided to universities by Royal Botanic Garden Edinburgh. We will carry out detailed testing of income to ensure it is recognised in line with the accounting requirements of IFRS 15.
- **Expenditure recognition:** Prior year audit testing identified issues in relation to the apportionment of expenditure to the correct financial year. We will carry out detailed testing of expenditure to ensure it is correctly classified and accounted for in the correct financial year.

Group Consideration

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

24. Royal Botanic Garden Edinburgh has a group which comprises:

- Botanics Trading Company Limited – component entity which is a wholly owned subsidiary
- Centre for Middle Eastern Plants Limited – a subsidiary which has been dormant for several years
- Botanics Energy Company Limited – a subsidiary established in 2021/22 which will not commence trading until 2023/24; we will review the financial disclosures and financial transactions for 2022/23 to confirm that there is no impact on the 2022/23 financial statements.

25. Our planned audit approach for the components is informed by our assessment of risk and our consideration of the size and nature of assets, liabilities and transaction streams.

26. The audits of the financial information of some of the components are performed by other auditors. These components have been assessed as not being significant through our audit planning process.

27. We will obtain sufficient appropriate audit evidence in relation to the consolidation process and the financial information of the components on which to base our group audit opinion.

Wider Scope and Best Value

Introduction

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

29. In summary, the four wider scope areas cover the following:

- **Financial management** - means having sound budgetary processes. We will consider the arrangements to secure sound financial management including the strength of the financial management culture, accountability and arrangements to prevent and detect fraud, error and other irregularities, bribery and corruption.
- **Financial sustainability** - means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs. We will consider the extent to which audited bodies have shown regard to financial sustainability and are planning ahead effectively. We look at planning for the medium term (two to five years) and longer term (longer than five years). The audit will include consideration of the use of the going concern basis of accounting. as part of the annual audit. We will also comment on financial sustainability in the longer term.
- **Vision, leadership and governance** - audited bodies must have a clear vision and strategy and work together with partners and communities to improve outcomes and set priorities for improvement. We will consider the arrangements in place to deliver the vision, strategy and priorities adopted by Royal Botanic Garden Edinburgh. We will also consider the effectiveness of the governance arrangements to support delivery.
- **Use of resources to improve outcomes** - audited bodies must make best use of their resources to meet stated outcomes and improvement objectives. We will consider how Royal Botanic Garden Edinburgh demonstrates economy, efficiency and effectiveness through the use of financial and other resources.

Wider scope risks

30. We have identified wider scope audit risks in the areas set out in [Exhibit 3](#). This exhibit sets out the risks, sources of assurance from management arrangements and the further audit procedures we plan to perform to gain assurances over the risks.

Exhibit 3**2022/23 wider scope risks**

Description of risk	Sources of assurance	Planned audit response
<p>1. Financial Sustainability</p> <p>Royal Botanic Garden Edinburgh continue to face a number of financial uncertainties and pressures which present a risk to financial sustainability. The principal pressures identified by Royal Botanic Garden Edinburgh are the continued impact of the Covid-19 pandemic on self-generated income, the need to generate cost savings in future years and identification of additional income streams to relieve financial pressure.</p>	<ul style="list-style-type: none"> • An updated 5 year plan will be produced based on the latest budget and updated assumptions. • RBGE continue to seek opportunities to develop additional income streams and maximise current income generating activities. A number of new streams have been identified and work has commenced on bringing these to fruition. • RBGE also continue to identify areas where savings can be made, via astute procurement practices, process improvements, timely management information reporting for effective decision making on financial matters, and by stopping work that is no longer core to our vision and mission. 	<ul style="list-style-type: none"> • Review the annual budget setting arrangements • Assess the medium-term financial strategy • Review the financial monitoring reports presented to trustees • Review of correspondence with the Scottish Government around Grant-in-Aid funding • On-going review of Royal Botanic Garden Edinburgh's financial position.

Source: Audit Scotland

31. Our planned work on our wider scope responsibilities is risk based and proportionate and in addition to local risks we consider challenges which are impacting the public sector as a whole. In 2022/23 we will consider tackling climate change and responding to cyber security threats.

Climate Change

32. Tackling climate change is one of the greatest global challenges. The Scottish Parliament has set a legally binding target of becoming net zero by 2045 and has interim targets including a 75% reduction in greenhouse gas emissions by 2030. The public sector in Scotland has a key role to play in ensuring these targets are met and in adapting to the impacts of climate change.

33. The Auditor General and Accounts Commission are developing a programme of work on climate change. In 2022/23, we will gather information on the arrangements Royal Botanic Garden Edinburgh have for responding to climate change covering areas such as the development of climate change strategies and the monitoring and reporting of progress against targets for reducing emissions.

Cyber Security

34. There continues to be a significant risk of cyber-attacks to public bodies, and it is important that they have appropriate cyber security arrangements in place. A number of recent incidents have demonstrated the significant impact that a cyber-attack can have on both the finances and operation of an organisation. In 2022/23, we will consider Royal Botanic Garden Edinburgh's arrangements for managing and mitigating cyber security risks.

Duty of Best Value

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

Reporting arrangements, timetable, and audit fee

Reporting arrangements

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

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

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

39. [Exhibit 4](#) outlines the target dates for our audit outputs, and we aim to issue the independent auditor's report by the statutory deadline of 31 December 2023.

Exhibit 4 2020/21 Audit outputs

Audit Output	Target date	Audit and Risk Committee Date
Annual Audit Plan	31 March 2023	Agreed via correspondence
Independent Auditor's Report	31 October 2023	29 November 2023
Annual Audit Report	31 October 2023	29 November 2023

Source: Audit Scotland



Timetable

40. To support an efficient audit, it is critical that the timetable for producing the annual report and accounts for audit is achieved. We have included a proposed timetable for the audit at [Exhibit 5](#) that has been discussed with management.

41. Covid-19 has had a considerable impact on the conduct and timeliness of the audit. We recognise that it is in the best interests of public accountability to get the reporting of audited accounts back to pre-pandemic timelines. We are identifying ways to work more efficiently to expedite the 2022/23 audits whilst at the same time maintaining high standards of quality.

42. We intend to take a hybrid approach to the 2022/23 audit with a blend of onsite and remote working. We will continue to work closely with management to identify the most efficient approach as appropriate and will keep timeframes and logistics for the completion of the audit under review. Progress will be discussed with management and finance officers over the course of the audit.

Exhibit 5 Proposed annual report and accounts timetable

 Key stage	 Provisional Date
Latest submission date for the receipt of the unaudited annual report and accounts with complete working papers package.	22 September 2023
Latest date for final clearance meeting with the Head of Finance, Corporate Governance and Risk	25 October 2023
Issue of draft Letter of Representation and proposed Independent Auditor's Report	27 October 2023
Agreement of audited and unsigned annual report and accounts	31 October 2023
Issue of Annual Audit Report to those charged with governance.	31 October 2023
Signed Independent Auditor's Report	13 December 2023

Source: Audit Scotland

Audit fee

43. In determining the audit fee, we have taken account of the risk exposure of the Royal Botanic Garden Edinburgh and the planned management assurances in place. The proposed audit fee for 2022/23 is £23,090 as set out in Exhibit 6.

44. Our fees have increased in 2022/23 and this is a reflection of the current audit market and the rising costs in delivering high quality audit work. There are

increased regulatory expectations and risks placed on audit and its quality, as well as a widening in the scope of work audit must cover.

Exhibit 6

Audit fees (including VAT)

Fee component	Fees (£)
External Auditor Remuneration	38,210
Pooled costs	(600)
Contribution to Audit Scotland costs	1,090
Sectoral Cap Adjustment	(15,610)
2022/23 Audit fee	23,090

Source: Audit Scotland

45. In setting the fee for 2022/23 we have assumed that Royal Botanic Garden Edinburgh has effective governance arrangements and will prepare comprehensive and accurate accounts for audit in line with the agreed timetable for the audit. The audit fee assumes there will be no major change in respect of the scope of the audit during the year and where our audit cannot proceed as planned, a supplementary fee may be levied.

Other matters

Internal audit

46. It is the responsibility of the Royal Botanic Garden Edinburgh to establish adequate internal audit arrangements. We will review the internal audit plan and the results of internal audit's work.

47. While we are not planning to place formal reliance on the work of internal audit in 2022/23, we will review internal audit reports and assess the impact of the findings on our financial statements and wider scope audit responsibilities.

Independence and objectivity

48. Auditors appointed by the Auditor General for Scotland or Accounts Commission must comply with the [Code of Audit Practice](#) and relevant supporting guidance. When auditing the financial statements, auditors must also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors.

49. Audit Scotland has robust arrangements in place to ensure compliance with these standards including an annual '*fit and proper*' declaration for all members of staff. The arrangements are overseen by the Executive Director of Innovation and Quality, who serves as Audit Scotland's Ethics Partner.

50. The appointed auditor for Royal Botanic Garden Edinburgh is Pauline Murray Senior Audit Manager. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of Royal Botanic Garden Edinburgh.

Audit Quality

51. Quality is at the core of public audit in Scotland and is the foundation for building consistency and confidence across all audit work. High quality audits provide assurance, add value and can support public bodies to achieve their objectives.

52. Until 2021/22, the applicable audit quality standard was International Standard on Quality Control 1 (ISQC (UK) 1). This set out an audit practice's responsibilities for its system of quality control for audits.

53. ISQC(UK) 1 has been replaced by two new audit quality standards: Internal Standards on Quality Management (ISQM (UK) 1) applicable from 15 December 2022 and (ISQM(UK) 2) effective for the 2023/24 audits. Work is underway at Audit Scotland to meet the requirements of these quality standards.

54. Audit Scotland is committed to delivering high quality audits. 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 supplementary guidance) issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that we achieve the required quality standards, Audit Scotland conducts peer reviews and internal quality reviews. Additionally, the Institute of Chartered Accountants of England and Wales (ICAEW) have been commissioned to carry out external quality reviews.

55. 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.

Appendix 1. Your audit team

56. The audit team involved in the audit of Royal Botanic Garden Edinburgh have significant experience in public sector audit.

Pauline Murray

Senior Audit Manager

pmurray@audit-scotland.gov.uk

Pauline has over 14 years of public sector auditing experience and has delivered external audit services to a range of bodies including local authorities, health boards and central government bodies.

Jacqueline Farmer

Senior Auditor

jfarmer@audit-scotland.gov.uk

Jackie has considerable experience in planning and delivering audits. Jackie will manage the team and work alongside the Senior Audit Manager to deliver the audit.

57. The local audit team is supported by a specialist technical accounting team, all of whom have significant experience of public bodies and work with accounting regulatory bodies.

Royal Botanic Garden Edinburgh

Annual Audit Plan 2022/23

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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