

Royal Botanic Garden Edinburgh

2022/23 Annual Audit Report



 AUDIT SCOTLAND

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

November 2023

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Key messages

2022/23 annual report and accounts

- 1 Audit opinions on the annual report and accounts are unmodified, i.e. the financial statements and related reports are free from material misstatement.
- 2 Material adjustments have been made to the financial statements as a result of the audit process.

Financial management and sustainability

- 3 Unrestricted expenditure exceeded unrestricted income resulting in a net deficit of £0.022 million and total unrestricted reserves of £0.206 million as at 31 March 2023.
- 4 RBGE had appropriate financial management in place with regular budget monitoring reports provided to the Board of Trustees.
- 5 The most recent financial monitoring is projecting a better position than forecast.
- 6 Delivery of the Edinburgh Biomes programme in the current market, together with the annual nature of Scottish Government funding continues to be challenging.

Vision, leadership and governance

- 7 RBGE has clear plans in place to implement its vision, strategy and priorities.
- 8 RBGE has appropriate governance arrangements in place that support scrutiny of decisions made by the Board of Trustees.
- 9 Effective performance management arrangements are in place.

Introduction

1. This report summarises the findings from the 2022/23 annual audit of Royal Botanic Garden Edinburgh (“RBGE”). The scope of the audit was set out in an annual audit plan presented to the 14 June 2023 meeting of the Audit Committee. This Annual Audit Report comprises:

- significant matters arising from an audit of RBGE’s annual report and accounts
- conclusions on the following wider scope areas that frame public audit as set out in the [Code of Audit Practice 2021](#):
 - Financial Management
 - Financial Sustainability
 - Vision, Leadership, and Governance
 - Use of Resources to Improve Outcomes.

2. This report is addressed to the board of RBGE and the Auditor General for Scotland and will be published on Audit Scotland’s website www.audit-scotland.gov.uk in due course.

Audit appointment from 2022/23

3. I, Pauline Murray, have been appointed by the Auditor General as auditor of RBGE for the period from 2022/23 until 2026/27. The 2022/23 financial year was the first year of my five-year appointment. My appointment coincides with the new [Code of Audit Practice](#) which was introduced for financial years commencing on or after 1 April 2022.

4. My team and I would like to thank board members, audit committee members, senior leadership team, and other staff, particularly those in finance, for their cooperation and assistance in this year and we look forward to working together constructively over the course of the five-year appointment.

Responsibilities and reporting

5. RBGE has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing an annual report and accounts that are in accordance with the account’s direction from the Scottish Ministers. RBGE is also responsible for establishing appropriate and effective arrangements for governance, propriety, and regularity.

6. The responsibilities of the independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the [Code of Audit Practice 2021](#), and supplementary guidance and International Standards on Auditing in the UK.

7. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management of RBGE from its responsibility to address the issues we raise and to maintain adequate systems of control.

8. This report contains an agreed action plan at [Appendix 1](#). It sets out specific recommendations, the responsible officers, and dates for implementation.

Auditor Independence

9. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2022/23 audit fee of £23,090 as set out in our 2022/23 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

10. We add value to RBGE by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, arrangements to ensure the best use of resources and financial sustainability.
- sharing intelligence and good practice identified.

1. Audit of 2022/23 annual report and accounts

Public bodies are required to prepare annual reports and accounts comprising financial statements and other related reports. These are principal means of accounting for the stewardship public funds.

Main judgements

Audit opinions on the annual report and accounts are unmodified.

Material adjustments have been made to the financial statements as a result of the audit process.

Audit opinions on the annual report and accounts are unmodified

11. The Board of Trustees approved the annual report and accounts for RBGE and its group for the year ended 31 March 2023 on 13 December 2023 (TBC). As reported in the independent auditor's report, in my opinion as the appointed auditor:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- expenditure and income were in accordance with applicable enactments and guidance
- the audited part of the remuneration and staff report was prepared in accordance with the financial reporting framework
- the trustees' report and governance statement were consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.

Overall materiality was assessed as £400,000

12. Broadly, the concept of materiality is applied by auditors to determine whether misstatements identified during the audit could reasonably be expected to influence the economic decisions of users of the financial statements, and hence impact their opinion set out in the independent auditor's report. Auditors set a monetary threshold when considering materiality, although some issues

may be considered material by their nature. It is ultimately a matter of the auditor's professional judgement.

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

Exhibit 1

Materiality values

Materiality level	RBGE	Group
Overall materiality	£400,000	£475,000
Performance materiality	£240,000	£285,000
Reporting threshold	£12,000	£14,000

Source: Audit Scotland

14. The overall materiality threshold was set with reference to gross expenditure, which we judged as the figure most relevant to the users of the financial statements.

15. Performance materiality is used by auditors when undertaking work on individual areas of the financial statements. It is a lower materiality threshold, set to reduce the probability of aggregated misstatements exceeding overall materiality. Performance materiality was set at 60 per cent of overall materiality, reflecting audit findings reported in the prior year and risks identified at planning.

16. It is our responsibility to request that all misstatements, other than those below our reporting threshold, are corrected, although the final decision on making the correction lies with those charged with governance.

Significant findings and key audit matters

17. Under International Standard on Auditing (UK) 260 we communicate significant findings from the audit to the board, including our view about the qualitative aspects of the body's accounting practices.

18. The Code of Audit Practice also requires all audits to communicate key audit matters within the annual audit report under International Standard on Auditing (UK) 701. These are matters that we judged to be of most significance in our audit of the financial statements.

19. The significant findings are summarised in [Exhibit 2](#).

Exhibit 2

Significant findings and key audit matters from the audit of the annual report and accounts

Issue	Resolution
<p>1. Prior year restatement in the value of land and buildings</p> <p>RBGE follow a quinquennial revaluation policy for land and buildings with indexation applied annually in intervening years. In line with this accounting policy, 2022/23 saw a full revaluation of land and buildings. This resulted in a downward revaluation movement of £10.733 million. However, in 2021/22 indexation resulted in an increase in the value of land and buildings of £5 million.</p> <p>On further review, RBGE identified an error in the 2018 valuation. Public sector guidance states that finance costs should not be included due to 'instant build assumption', but the Valuer confirmed these had been included at a rate of 19.9%.</p>	<p>The accounts have been appropriately adjusted and the 2021/22 figures have been restated. The impact is a decrease in the land and buildings balance of £11.386 million and an equivalent decrease in the revaluation reserve. The impact of this adjustment on the accounts has been set out at Note 2a to the accounts.</p>
<p>2. Agreement of fixed asset register to Valuer's report</p> <p>Our work identified a difference of £0.462 million between the value of land and buildings on RBGE's fixed asset register and the total value of the Valuer's report. The difference was due to how assets were held on the fixed asset register.</p>	<p>An adjustment of £0.462 million was made to the accounts and the fixed asset register updated to ensure the value of assets agreed to the Valuer's report.</p>

Source: Audit Scotland

Our audit work responded to the risks of material misstatement we identified in the annual report and accounts

20. We have obtained audit assurances over the identified significant risks of material misstatement in the annual report and accounts. [Exhibit 3](#) sets out the significant risks of material misstatement to the financial statements we identified in our 2022/23 Annual Audit Plan. It also summarises the further audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 3**Significant risks of material misstatement in the annual report and accounts**

Audit risk	Assurance procedure	Results and conclusions
<p>1. Risk of material misstatement due to fraud caused by management override of controls</p> <p>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<ul style="list-style-type: none"> • Assessed the design and implementation of controls over journal entry processing. • Made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. • Tested journals at the year-end and post-closing entries and focussed on significant risk areas. • Considered the need to test journal entries and other adjustments during the period. • Evaluated significant transactions outside the normal course of business. • Assessed the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements. 	<p>We found no instances of material misstatement due to fraud caused by management override of controls.</p>

Source: Annual Audit Plan 2022/23

21. In addition, we identified “areas of audit focus” in our 2022/23 Annual Audit Plan where we considered there to be risks of material misstatement to the financial statements. These areas of specific audit focus were:

- **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. Please see [Exhibit 2](#) for the main findings from our review of valuation of land and buildings.
- **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 undertook detailed testing of income to ensure it is recognised in line with the accounting requirements of IFRS 15. We have no issues to report.

- **Expenditure recognition:** Prior year audit testing identified issues in relation to the apportionment of expenditure to the correct financial year. We undertook detailed testing of expenditure to ensure it is correctly classified and accounted for in the correct financial year. We have no issues to report.

Identified misstatements totalling £0.520 million were corrected within the financial statements

22. Our audit identified two further misstatements above our reporting threshold, other than the corrected material misstatements detailed as significant findings in [Exhibit 2](#).

23. One of these was corrected by management in the audited accounts and one was not. Further details of corrected misstatements are included in [Appendix 2A](#) and the uncorrected misstatement is reported in [Appendix 2B](#). We considered the size, nature and circumstances leading to this uncorrected misstatement, and concluded it was not material.

The unaudited annual report and accounts were received in line with the agreed audit timetable.

24. The unaudited annual report and accounts were received on 9 October 2023.

Good progress was made on prior year recommendations

25. RBGE has made good progress in implementing the audit recommendations identified by RBGE's previous external auditor. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

2. Financial management

Financial management means having sound budgetary processes, and the ability to understand the financial environment and whether internal controls are operating effectively.

Conclusion

Unrestricted expenditure exceeded unrestricted income resulting in a net deficit of £0.022 million and total unrestricted reserves of £0.206 million as at 31 March 2023.

RBGE had appropriate financial management in place with regular budget monitoring reports provided to the Board of Trustees.

No significant control weaknesses were found but we identified one area where controls could be strengthened.

RBGE operated within its revised budget in 2022/23

26. The main financial objective for RBGE is to ensure that the financial outturn for the year is within the budget allocated by Scottish Ministers. As a charitable Non-Departmental Public Body, RBGE is primarily funded by the Scottish Government by way of grant-in-aid.

27. For 2022/23, RBGE received £22.1 million (£20.3 million in 2021/22) from the Scottish Government. This comprised a revenue budget of £11.2 million and a capital budget of £10.9 million.

28. This was supplemented by other income of £6.3 million (£5.1 million in 2021/22) from donations, charitable activities and other trading activities including gains on investments.

29. In 2022/23 unrestricted expenditure exceeded unrestricted income resulting in a net deficit of £0.022 million and a closing balance on unrestricted reserves of £0.206 million. Unrestricted reserves represent accumulated surpluses on unrestricted income over unrestricted expenditure, commonly referred to as General funds.

30. RBGE's performance against fiscal resource in 2022/23 is detailed in [Exhibit 4](#).

Exhibit 4

Performance against fiscal resource in 2022/23

Performance	Income £m	Expenditure £m	Gain/(loss) on investments £m	Net income/ (expenditure) 2022/23 £m
Unrestricted	14.884	14.906		(0.022)
Restricted	13.520	7.041		6.479
Endowment	0.031	0.009	(0.084)	(0.062)
Total	28.435	21.956	(0.084)	6.395

Source: RBGE Statement of Financial Activities

31. The financial statements show that RBGE has:

- net assets of £77.824 million at 31 March 2023, an increase of £5.631 million from the previous year. This is mainly attributable to an increase in assets under construction of £7.764 million.
- unrestricted reserves fund balance at the end of the year of £0.206 million (£0.228 million in 2021/22).

Group Accounts

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

33. Total Group income for 2022/23 was £30.467 million (£27.319 million in 2021/22) with expenditure totalling £22.891 million (£19.865 million in 2021/22) resulting in net income of £7.550 million, including £0.084 million loss on investment. This is analysed between unrestricted, restricted and endowment funds.

34. RBGE has two other subsidiaries; Centre for Middle Eastern Plants Limited which remains dormant and the Botanics Energy Company Limited which was established in 2021/22 but did not start trading until 2023/24. We are satisfied that there is no impact on the Group for 2022/23.

Donation to the Botanic Foundation

35. The Botanic Foundation was set up in 1997 to hold and manage funds to support RBGE. The Foundation allocate these funds after reviewing applications and business cases. In 2018 the Board of Trustees decided that any legacy income, which does not form part of RBGE's overall forecast, should be redirected to the Foundation, whilst ensuring the original wishes of the legator are maintained. In 2022/23, RBGE donated £0.194 million (£0.164 million in 2021/22) of legacy income to the foundation. This has been recorded as expenditure in the accounts.

Budget processes were appropriate

36. The Board approved the budget for 2022/23 in March 2022.

37. We observed that the board and the Audit Committee continued to receive regular and accurate financial information on RBGE's financial position throughout 2022/23. Receiving regular, timely and up to date financial information supports sound decision making and effective scrutiny.

We identified one area where controls could be strengthened

38. From our review of the design and implementation of systems of internal control relevant to our audit approach, we did not identify any significant internal control weaknesses which could affect RBGE's ability to record, process, and report financial and other relevant data to result in a material misstatement in the financial statements.

39. We did however, during our interim audit, identify an area where controls could be strengthened. On review of creditors key controls, we identified that RBGE does not maintain a log report of all changes in supplier bank details. Consequently, there is no clear audit trail which evidences the control procedure surrounding changes in supplier bank details.

40. RBGE should maintain a record of all changes in supplier bank details. This record should include the supplier name, new bank details of the supplier, and the date the change of bank details takes effect from.

Recommendation 1

Management should ensure a record is maintained of all changes in supplier bank details.

41. All recommendations are captured in the action plan at [Appendix 1](#).

42. Our work has been undertaken to provide an audit opinion on the annual report and accounts, and in response to our additional responsibilities set out in the Code of Audit Practice. The control deficiencies reported here are limited to those we identified while completing our audit work for these purposes.

The overall pace of implementation of Internal Audit recommendations has been slow

43. RBGE's internal audit function is carried out by Henderson Loggie. Internal Audit have now completed their 2022/23 audit work and presented their Annual Audit Report to the Audit Committee on 13 September 2023.

44. In 2021/22, Internal Audit reported two areas that were assessed as 'Requires Improvement' – Education and Cyber Security. This led to Internal Audit caveating their opinion.

45. Follow up work conducted by Internal Audit in June 2023 found that the pace of implementing its recommendations was slow:

- for Education, six of 10 recommendations had been fully implemented, with the remaining four assessed as partially implemented
- for Cyber Security, none of the nine recommendations had been fully implemented, and all eight that had passed their due date were assessed as partially implemented.

46. This has led Internal Audit to caveat their opinion for a second year. Their opinion for 2022/23 reported that, "with the exception of the pace of implementation of recommendations [made in 2021/22 relating to Education and Cyber Security], RBGE has adequate and effective arrangements for risk management, control and governance. Proper arrangements are in place to promote and secure Value for Money".

47. Due to the number of recommendations remaining outstanding, Internal Audit have increased the time allocated to follow up work in their audit plan for 2023/24.

48. There continues to be a significant risk of cyber-attacks to public bodies, with a number of recent incidents demonstrating the significant impact that a cyber-attack can have on both the finances and operation of an organisation.

49. In 2022/23, we considered RBGE's arrangements for managing and mitigating cyber security risks and identified a number of areas where arrangements could be strengthened which are consistent with Internal Audit's recommendations. We will ensure these are followed up as part of future audit work.

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

50. In the public sector there are specific fraud risks, including those relating to tax receipts, welfare benefits, grants and other claims made by individuals and organisations. Public sector bodies are responsible for implementing effective systems of internal control, including internal audit, which safeguard public assets and prevent and detect fraud, error and irregularities, bribery and corruption.

51. We have reviewed the arrangements in place to maintain standards of conduct including the RBGE Staff Handbook. There are established procedures for preventing and detecting any breaches of these standards including any instances of corruption.

52. RBGE also has a Theft and Fraud Response Group in place who are responsible for investigating theft and fraud. The group must inform the Accountable Officer of all reported instances of theft and fraud and make an annual report to the Audit Committee. Significant issues are reported to the Board of Trustees as soon as is practical. The process followed by the group to investigate reports is outlined in the Theft and Fraud Policy.

53. We have concluded that RBGE has adequate arrangements in place to prevent and detect fraud or other irregularities.

3. Financial sustainability

Financial Sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

Conclusion

RBGE has appropriate arrangements in place to continue to deliver services.

The most recent financial monitoring is projecting a better position than forecast.

Delivery of the Edinburgh Biomes programme in the current market, together with the annual nature of Scottish Government funding continues to be challenging.

54. [Exhibit 5](#) sets out the wider scope risks relating to Financial Sustainability we identified in our 2022/23 audit. It summarises the audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Audit work has addressed the wider scope risks identified in our Annual Audit Plan

Exhibit 5

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

Audit risk	Assurance procedure	Results and conclusions
<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</p>	<ul style="list-style-type: none"> Reviewed the annual budget setting arrangements Assessed the medium-term financial strategy Reviewed the financial monitoring reports presented to trustees Reviewed of correspondence with the Scottish Government around Grant-in-Aid funding 	<p>RBGE recognises the financial challenges facing the organisation and has appropriate measures in place to assess and monitor financial sustainability.</p>

Audit risk	Assurance procedure	Results and conclusions
income, the need to generate cost savings in future years and identification of additional income streams to relieve financial pressure.	<ul style="list-style-type: none"> On-going review of Royal Botanic Garden Edinburgh's financial position. 	

RBGE has appropriate arrangements in place to continue to deliver services

55. The Board of Trustees considered the 2023/24 budget at its meeting in March 2023. The budget was set to meet an expenditure requirement of £15.241 million from the following income sources:

- Core Grant in Aid of £11.087 million
- Other income of £4.154 million

56. The Budget projected a deficit of £0.100 million for 2023/24 and RBGE's intention is to utilise expected year-end reserves from 2022/23 in order to manage the funding gap.

57. Prior to the Covid-19 pandemic, RBGE saw a steady increase in its self-generated income. The pandemic years had a significant impact on self-generated income and it is only now that self-generated income is recovering towards pre-covid levels.

58. In 2023/24, self-generated income is forecast to increase to £4.228 million. This is largely due to the continued improvement in the profits in the Botanic Trading Company.

59. RBGE continues to prioritise ways to develop and identify new income streams to generate future income. RBGE hopes that this will help reduce funding gaps in future years.

60. Uncertainty around the Scottish Government budget continues to present a challenge for financial planning. This is increased due to the current context of significant cost pressures from inflation and the cost-of-living crisis. RBGE recognises the financial challenges facing the organisation and has appropriate measures in place to assess and monitor financial sustainability.

The most recent financial monitoring is projecting a better position than forecast

61. A financial update on the 2023/24 budget position was presented to the September 2023 meeting of the Board of Trustees. A surplus of £0.785 million at 31 August 2023 was reported against an expected deficit of £0.702 million.

62. This positive position is the result of unrestricted income (excluding grant in aid) reporting 49% higher than budgeted. This is due to positive variances in most areas as well as the earlier than budgeted draw down of gift aid from BTC.

63. RBGE has secured additional Scottish Government funding to support an improved pay offer above the 2% that was budgeted. The offer has been accepted by the unions and the costs have been incorporated into the latest financial forecasts.

Delivery of the Edinburgh Biomes programme in the current market, together with the annual nature of Scottish Government funding continues to be challenging

64. RBGE incurred capital expenditure of £10.8 million in 2022/23 (2021/22: £8.5m). The most significant expenditure in the year was the Edinburgh Biomes project. September 2022 saw the start of construction work on the Victorian Palm House.

65. The Edinburgh Biomes project is an infrastructure project which aims to safeguard Scotland's national plant collection, including the under-glass Living Collection, elevating horticultural, educational, and visitor infrastructure, and enhancing research facilities.

66. RBGE has an Edinburgh Biomes Oversight Committee in place. The committee's overarching purpose is:

- to provide assurance to the RBGE Board of Trustees for the successful development and implementation of Edinburgh Biomes,
- to make decisions within the delegated authority of the Board of Trustees, and
- to challenge, guide and support the Senior Responsible Officer on the delivery of Edinburgh Biomes.

67. The overall cost of the Edinburgh Biomes project was previously estimated at £89.9 million (excluding internal costs and inflation). The Scottish Government has committed capital funding of £58 million to 2025/26. There is uncertainty around funding after this point.

68. The current economic climate, as well as issues with the annual nature of Scottish Government funding, has meant the cost of the project has increased with the project estimated at £122.8 million, including internal and inflation costs.

69. This results in an overall funding shortfall. See [Exhibit 6](#) which details the cost movement. Discussions on future funding are continuing with Scottish Government while RBGE progress fundraising activities locally, nationally and internationally to raise additional investment.

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

71. The current economic environment and the annual nature of funding from Scottish Government makes it a challenge to deliver the Edinburgh Biomes programme in line with the project schedule and budget.

Exhibit 6

Cost movement in Edinburgh Biomes project

Budget heading	Cost £m	Cost £m
External costs (December 2020 Baseline)	£89.9	
Overspend	£10.7	
External costs (sub-total)		£100.6
RBGE internal costs (staff, furniture, fixtures & equipment, and visitor experience costs)		£13.4
Inflation prediction		£8.8
Total		£122.8

Source: RBGE Board of Trustees' paper

4. Vision, leadership and governance

Public sector bodies must have a clear vision and strategy and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.

Conclusion

RBGE has clear plans in place to implement its vision, strategy and priorities.

RBGE has appropriate governance arrangements in place that support scrutiny of decisions made by the Board of Trustees.

The balance of the performance analysis in the Trustees' Report could be further improved.

RBGE has clear plans in place to implement its vision, strategy and priorities

72. With clear plans and strategies in place, and with sound governance and strong leadership, an organisation will be well placed to ensure that all of its resources are deployed to achieve its strategic priorities and support continuous improvement.

73. The RBGE Strategy 2021-26, Responding to the Biodiversity Crisis and Climate Emergency, was developed together with its longer term Science and Biodiversity Strategy 2021-2030. These strategies, together with its Operational Delivery Plan 2022/23 ensure alignment with the Scottish Government's updated Programme for Government.

74. RBGE has a clear vision supported by prioritised corporate and operational planning.

Governance arrangements are appropriate

75. RBGE has as a Board of Trustees in place which is underpinned by clear roles and responsibilities for trustees and management. The Board is supported by the Science Advisory Committee, the Investment Committee, and the Audit Committee.

76. RBGE's governance arrangements have been set out in the Governance Statement in the annual accounts. We have reviewed these arrangements and concluded that they are appropriate. This is informed by our regular attendance at the Audit Committee and review of the Board of Trustees' papers and other committees as appropriate.

The balance of the performance analysis in the Trustees' Report could be further improved

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

78. On review of the Trustees' Report, we identified some areas of the performance analysis that lacked balance and where the presentation could be improved. There should be balanced reporting for those areas where performance targets were missed as well as reporting successes. Management updated the Trustees' Report to provide further detail where performance targets were missed.

79. Our audit work also found that the Trustees' Report included significant detail on RBGE's performance. However, the level of detail and the length of the report means that it is not easy for the reader to establish whether the performance reported is good or bad and the key points. RBGE should continue to develop its performance reporting in the Trustees' Report to ensure the reader has a clear understanding of how it performed.

Recommendation 2

RBGE should further develop its performance reporting in the Trustees' Report to ensure it provides the reader with a clear understanding of how it performed.

Climate change arrangements

80. 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.

81. RBGE is a key contributor to Scotland's response to climate change and is guided by the *Environment Strategy for Scotland*. Responding to the climate emergency is integral to RBGE's vision and long term strategy.

82. RBGE is aligned to the Scottish Government Net Zero targets, with a target of reaching Net Zero by 2045, and a 70% reduction by 2030 (on 1990 levels). RBGE has therefore set an interim target of a 40% reduction on 2019 levels by 2030. This includes an annual 5% reduction on emissions from both electricity and gas.

83. A Carbon Management Plan is also in place which outlines all emissions reduction projects to be implemented between now and 2030. RBGE monitors and validates all utilities billing on a monthly basis and reports its progress against reduction targets each quarter.

84. RBGE also complies with the Public Body Climate Change Reporting Duties for the Scottish Government, which is a detailed report of all climate change related activities, emissions, targets, and adaptation efforts. This is submitted in November each year to the Sustainable Scotland Network, who compile and send to Scottish Government for use in national emissions reporting.

85. The Auditor General and Accounts Commission are developing a programme of work on climate change. This involves a blend of climate change-specific outputs that focus on key issues and challenges as well as moving towards integrating climate change considerations into all aspects of audit work.

5. Use of resources to improve outcomes

Public sector bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities.

Conclusions

RBGE has developed an appropriate Best Value framework.

Effective performance management arrangements are in place.

RBGE has developed an appropriate Best Value framework

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

87. As part of its arrangements to secure Best Value, directors and managers are encouraged to review, identify and improve the efficient and effective use of resources. Business cases for major capital investment are produced where spending limits require it.

88. In April 2020, RBGE established an in-house procurement service to ensure compliance with regulations, directives and guidelines and to improve value and service. Previously, the arrangements were to have a member of the Scottish Government Shared Procurement Service embedded at RBGE.

Effective performance management arrangements are in place

89. Good quality performance information is needed to make well-informed decisions, scrutinise performance and identify areas for improvement. Managing performance is important for both governance and accountability.

90. RBGE's performance information is presented to the Board of Trustees through a Key Results Dashboard. This allows qualitative and quantitative measures to be presented which can be used to inform decision making. The dashboard includes benchmarking against other organisations and measures showing progress against RBGE's strategic priorities.

91. The initial dashboard was developed in 2020/21. The dashboard includes fifteen key performance indicators which are reported either on an annual, quarterly or monthly basis depending on the most appropriate measure.

92. A key results report is presented alongside the dashboard. This provides context for the indicators, reports the highlights as well as background to those below target together with planned mitigations.

93. RBGE continue to develop the dashboard. A review of performance indicators was carried out alongside the development of the Operational Delivery Plan for 2023/24. This review led to amendments to three of the indicators and the introduction of one new indicator for Edinburgh Biomes fundraising pledges. This continual review and updating of the dashboard demonstrates RBGE's commitment to continuous improvement.

Appendix 1. Action plan 2022/23

2022/23 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Changes in supplier bank details</p> <p>RBGE does not maintain a record of all changes in supplier bank details. Therefore there is no audit trail which evidences the control procedure surrounding changes in supplier bank details.</p> <p>Risk – There is a risk that unauthorised changes are made to supplier bank details.</p>	<p>Management should ensure a record is maintained of all changes in supplier bank details.</p> <p>Paragraph 40.</p>	<p>RBGE have implemented a log that records information on all changes to bank details.</p> <p>Responsible officer</p> <p>Head of Finance, Governance & Risk</p> <p>Completed date</p> <p>30 September 2023</p>
<p>2. Performance reporting in the Trustees' Report</p> <p>Our audit work found that the Trustees' Report included significant detail on RBGE's performance. However, the level of detail and the length of the report means that it is not easy for the reader to establish whether the performance reported is good or bad and what the key points are.</p> <p>Risk – There is a risk that the reader of the accounts cannot determine RBGE's true performance overall.</p>	<p>RBGE should further develop its performance reporting in the Trustees' Report to ensure it provides the reader with a clear understanding of how it performed.</p> <p>Paragraph 79.</p>	<p>RBGE will review the Trustees' Report, along with Audit Scotland, to ensure best practice is adhered to in future years and establish how the report can be improved.</p> <p>Responsible officer</p> <p>Head of Finance, Governance & Risk</p> <p>Agreed date</p> <p>31 March 2024</p>

Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Income recognition in accordance with IFRS 15</p> <p>RBGE currently recognise income due for educational services provided to universities only when service delivery is complete. There is a risk that the current arrangement does not comply with the income recognition requirements of IFRS 15.</p> <p>Risk – The accounts may be mis-stated.</p>	<p>RBGE should review their accounting policy and the arrangements in place with the university and other partners to ensure that income is being recognised in line with the requirements of IFRS 15.</p>	<p>Complete</p> <p>Audit testing did not identify any misstatements in relation to income recognition.</p>
<p>2. Year-end close down arrangements</p> <p>Errors relating to the apportionment of expenditure to the correct financial year and income recognition in the correct financial period were identified as part of our audit testing.</p> <p>Risk – There is a risk that the accounts may be mis-stated.</p>	<p>RBGE should review their arrangements at financial year-end to ensure that income due and expenditure incurred are correctly classified and accounted for as part of the year-end closedown procedures.</p>	<p>Complete</p> <p>Audit testing did not identify any misstatements.</p> <p>RBGE continue to improve its processes around year end close down to ensure pre- and post-year end unrestricted revenue transactions are accounted for in the correct financial period. Capital and project transactions are also reviewed.</p>
<p>3. Procurement Strategy Review</p> <p>The procurement strategy was due to be reviewed and updated in 2018.</p> <p>Risk – There is a risk that current policy does not comply with legislative requirement.</p>	<p>Review and refresh the procurement strategy to ensure it is aligned to legislative requirements.</p>	<p>In Progress</p> <p>A draft of the strategy and procedures was prepared and was due to submitted to the Executive Team for approval in September. However, RBGE advised that a new Scottish Government Procurement Manual was unexpectedly issued in September which delayed the submission as management</p>

Issue/risk	Recommendation	Agreed management action/timing
		<p>ensure its documentation is in line with the revised document.</p> <p>Responsible officer Head of Finance, Governance & Risk</p> <p>Revised date 31 March 2024</p>
<p>4. Digital Strategy and Policy Review</p> <p>Our review of Digital strategies and policies identified a number of policies that require to be reviewed and updated.</p> <p>Risk – There is a risk that policies do not reflect current arrangements.</p>	<p>RBGE should put in place a programme of policy review to ensure that approved Digital Strategy documents and policies are regularly reviewed and updated to reflect current arrangements and legislative requirements.</p>	<p>Complete</p> <p>The Digital Strategy and Roadmap were presented to the Audit Committee in September.</p> <p>RBGE has advised that the new revision of its people management solution, People Hub, will house all policies currently referenced in the Staff Handbook. As part of this revision the procedure will be devised to manage the upkeep of these documents.</p> <p>All RBGE corporate policies are currently under review.</p>
<p>5. Financial sustainability</p> <p>The medium-term financial forecasts projects recurring deficits from 2023/24 onwards.</p> <p>Risk – RBGE may not be able to deal with future financial challenges and deliver required savings without adversely impacting service delivery.</p>	<p>RBGE should continue to refine the medium-term financial plan as more clarity on the impacts of financial pressures becomes available.</p>	<p>Complete</p> <p>Updated budget figures are used by management and shared with RBGE’s sponsor division by inclusion in Scottish Government requests. RBGE continually updates its medium-term financial plan.</p>
<p>6. Business Continuity Planning</p> <p>ICT business continuity planning documents have not</p>	<p>RBGE should review its Business Continuity Plan and update this based on its</p>	<p>In Progress</p> <p>RBGE’s Major Incident Response Plan and Cyber</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>been subject to update in recent years and do not detail the arrangements that need to be followed in the event of different scenarios. Furthermore, ICT disaster recovery arrangements have not been tested for a number of years. No progress has been made to address the 2018/19 recommendation.</p> <p>Risk – ICT systems may not be recovered as fully or quickly as intended in the event of a disaster situation.</p>	<p>experience of responding to the Covid-19 pandemic.</p> <p>Update reported in 2021/22</p> <p>Draft Business Continuity Plan developed. Work will continue to add detail to Business Continuity Plan reflecting outcomes in other areas such as Cyber and Information Governance.</p>	<p>Incident Response are currently being updated.</p> <p>IT disaster recovery has to be revised following the data centre capital investment in 2023/24.</p> <p>Responsible Officer</p> <p>Head of Estates & Technology Services</p> <p>Revised date</p> <p>31 March 2024</p>

Appendix 2. Summary of corrected misstatements

We report all corrected misstatements in the annual report and accounts that are individually greater than our reporting threshold of £12,000.

The table below summarises the misstatements that were noted during our audit testing and were corrected in the financial statements.

Narrative	Account areas	Statement of Financial Activities		Balance Sheet	
		Dr £000	Cr £000	Dr £000	Cr £000
Accounting Misstatements					
1. Income understated	Accrued income			58	
	Income		58		
2. Fixed asset register agreement to Valuer's report	Land and buildings			471	
	Restricted reserves				471
3. Impact of prior year restatement on current year	Dep'n and impairment exp		946		
	Restricted reserves			946	
Account Disclosure Issues					
1. Remuneration and Staff Report – exit packages table updated to include two payments in lieu of notice totalling £46,000					

Appendix 2B. Summary of uncorrected misstatements

We report all uncorrected misstatements in the annual report and accounts that are individually greater than our reporting threshold of £12,000.

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

Narrative	Account areas	Statement of Financial Activities		Balance Sheet	
		Dr £'000	Cr £'000	Dr £'000	Cr £'000
Accounting Misstatements					
1. Overstated grant income	Partner account	25			
	Deferred income			25	

Royal Botanic Garden Edinburgh

2022/23 Annual Audit Report

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