

2010-03-24/BOARD/211A

## MINUTES

### OSCR BOARD MEETING

Held on 20 November 2009 @ 9.45 am

Sheraton Hotel, Edinburgh

**Present:** John Naylor, Chair  
Lindsay Montgomery, Deputy Chair  
David Hughes Hallett, Board Member  
Iris McMillan, Board Member  
Fiona Ballantyne, Board Member  
Oscar Mendoza, Board Member  
Martin Crewe, Board Member  
Annie Gunner Logan, Board Member

**In attendance:** Jane Ryder, Chief Executive  
Judith Hayhow, Head of Resource Management  
Marieke Dwarshuis, Head of Policy & Development  
Martin Tyson, Acting Head of Charity Services  
Laura Anderson, Acting Head of Enquiry & Investigation

		<b>ACTION</b>
1.	<b>Declarations of interest</b>  Martin Crewe, Iris McMillan and David Hughes Hallett declared that they were members of the National Trust for Scotland	
2.	<b>Chairman's introduction</b>  The Chairman opened the meeting by commenting on feedback received on the OSCR open meeting on 6 October. Board members' view was this had been overwhelmingly positive, as had been the feedback received by OSCR staff. The Chief Executive made Board members aware that the Minister's speech has been published on the OSCR website, as have the other presentations from speakers on the day.	

3.	<p><b>Matters arising from the meeting of 18 September 2009</b></p> <p>The Acting Head of Charity Services updated on the situation regarding GTCS: the section 102 Order has been laid before parliament and is awaiting approval In the meantime the Senior Legal Adviser is in discussion with SCAP and Lawyers from GTCS on how to dispose of the outstanding appeal before SCAP.</p> <p>The Chief Executive informed the Board that there had been no further contact with SG regarding Creative Scotland.</p> <p>A list of the recommendations for amendments to the 2005 Act to be put forward through amendments in the PSR Bill is still to be received from SG.</p> <p>The Chief Executive is to follow up with NTS re their proposed governance review</p>	<p><b>Chief Executive / Head of Policy &amp; Development</b></p>
4.	<p><b>Chief Executive contract</b></p> <p>The Board had agreed unanimously that the Chief Executive's contract should be extended for a one year period as permitted in the original appointment.</p>	
5.	<p><b>Future of accounting standards</b></p> <p>The Acting Head of Enquiry and Investigation introduced paper 206, and was able to confirm that the proposed joint OSCR and ICAS/SCFDG meeting will take place in January.</p> <p>The Chief Executive indicated that the issue of new accounting standards for charities had also been discussed at the latest Charity Regulators Forum. It had been agreed there that individual responses from the regulators would be most persuasive, and that in addition to that there should be a response from OSCR and CCEW together as the joint SORP making body.</p> <p>The proposed OSCR policy position was then discussed by the Board, who concluded that a robust policy line should be developed in response to the proposed changes, which should include the</p>	

	<p>following points:</p> <ul style="list-style-type: none"> <li>○ OSCR has considerable concerns about this development, as Board Members are not convinced that it will necessarily add anything of value for charities, yet would create an additional burden for charities.</li> <li>○ OSCR believes that in the development of new standards, the SORP making body (CCEW and OSCR together) should have been involved from the outset.</li> <li>○ OSCR believes that in development of new standards the need of the consumers (the public having an interest in the affairs of charities as well as charities) should be considered.</li> <li>○ OSCR therefore wants to be assured that the end result of this process should be better and easier-to-use accounts.</li> </ul> <p>The Board considered that it is possible to highlight our concerns over this development whilst at the same time offering constructive comments to ensure that any standard is developed appropriately.</p> <p>The board agreed that</p> <ul style="list-style-type: none"> <li>○ OSCR should highlight the consultation on the new accounting standards on its website, and in doing so also make clear its reservations about the proposed development (as above).</li> <li>○ We should seek to have an article for example in Third Force News and other relevant publications (such as Charity Finance and CA magazine), and so be seen to lead the debate.</li> <li>○ We should seek to engage others with common interests, for example with SCVO, ICAS, and possible others such as CIPFA and Audit Scotland</li> </ul>	<p><b>Acting Head of Enquiry &amp; Investigation</b></p>
6.	<p><b>Anti Fraud Strategy</b></p> <p>The Chief Executive introduced paper 207, and asked Board members for comments on the proposed strategy. A number of comments were made, the most significant of these being:</p> <ul style="list-style-type: none"> <li>● Money laundering to be included in the examples of fraud</li> </ul>	

	<ul style="list-style-type: none"> <li>• The importance of training for charity trustees and senior staff should be stressed</li> <li>• The strategy should make reference to how OSCR learns from cases in which fraud has featured, and how that learning is disseminated</li> <li>• The strategy should be clearer on what the public or staff or trustees should or can do when they suspect fraud, whether they should tell OSCR, and what OSCR's role is.</li> </ul> <p>In further general discussion, the board also considered that more guidance may be useful on 'risk factors' or 'triggers' in relation to fraud in charities that trustees should be aware of. The recent CCEW publication on Internal Financial Controls for Charities is very good in that respect, and charities may be directed to that, whilst OSCR considers whether the resources are available to adapt or adopt that publication.</p> <p>The Board discussed whether the intelligence that OSCR gathers and is able to access is good enough in the context of preventing and acting on fraud. It was agreed that a perfect level of intelligence can never be achieved, and that the sources available and being used at present appear to be proportionate to the scale of the issue, the resources we have to interpret and use information, and in comparison to how others are approaching this. We are also actively exploring additional avenues of gathering intelligence.</p> <p>The Board agreed that the finalised strategy should be shared with the Minister, and that at that point we should bring the legislative issues that relate to fraud to his attention again.</p> <p>The Chief Executive informed the Board that at the forthcoming all staff training day a session will be held on fraud awareness – as it is relevant to all parts of OSCR business.</p> <p>It was agreed that the Board should receive a periodic report on cases where fraud is involved so as to highlight risk areas and inform judgements on corporate priorities.</p>	
7.	<p><b>Corporate Priorities 2010/11</b></p> <p>It was agreed that the working assumption for</p>	

	<p>2010/11 would that there would be little change given the climate is relatively certain for that period. However, the subsequent period will have a greater degree of uncertainty and consequently 2010/11 will require more resource and focus on preparing, planning and re-engineering for 2011/12.</p> <p>The Board agreed that the strategic objectives are still relevant and no changes were proposed.</p> <p>In the strategic context, the importance of the Public Service Reform Bill was confirmed, as this potentially impacts upon the very organisations that OSCR regulates.</p> <p>In relation to the performance measures, it was agreed that these should not be changed but some of the targets could be more stretching. All agreed that reviewing the targets on a regular basis in order to make them robust and more testing was a positive approach. It was agreed that SMT would recommend to the Board those targets that could be amended.</p> <p>The Board discussed workforce planning and the difficulties that may be encountered in the future.</p> <p>In relation to the Corporate Priorities, it was clarified that procedural developments for reorganisations would be completed by May 2010. It was noted that there are a great many workstreams that are continuing and therefore there is not a great deal of spare capacity. It was agreed that if too many workstreams are introduced there is a risk that staff may lose a sense of direction.</p> <p>After some discussion around the work under the “could-add’s”, the following was agreed:</p> <ul style="list-style-type: none"> <li>• Charities working internationally – some proactive monitoring to be undertaken.</li> <li>• Local authorities re spin out charities - it had originally been suggested that guidance could be developed on this, but as there are a relatively small number of spin out charities, it was agreed that OSCR would continue to work on an individual basis with such organisations</li> </ul>	<p><b>SMT</b></p>
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	<ul style="list-style-type: none"> <li>• Analysis of sector income – study to be undertaken</li> </ul> <p>A question was raised regarding whether OSCR needed to continue with annual surveys. It was agreed that surveys should be undertaken in 2010 to provide trend information. Thereafter OSCR could consider moving to biennial surveys.</p>	
8.	<p><b>IT Strategy</b></p> <p>It was noted that the strategy is an interim one until the impact of Integrated Reporting is known.</p> <p>An update was also provided regarding current IT developments at OSCR – Microsoft Office and Objective upgrades are currently happening and this will provide a stable platform for future developments for Integrated Reporting.</p> <p>One Board Member suggested the strategy should be more forward looking for 3 years. In this context, a question was raised regarding the use of ‘thin client technology’ which is effectively a plan for extending the life of computer hardware. It was agreed that this will be particularly relevant when the new systems for Integrated Reporting are procured.</p> <p>It was agreed that when the business case for the Integrated Reporting IT investment is brought to the Board in 2010, a revised IT strategy will also be presented. At that point, the Board will decide whether they need to consider the whole IT strategy on an annual basis or whether it may be sufficient for Board members to consider any changes on an annual basis.</p> <p>It was agreed that Board schedules for 2010 should be revisited, as currently there is a significant number of annual reports. Is it possible to reduce these?</p>	
9.	<p><b>Audit Committee</b></p> <p>Board members noted paper 2009-10-28/AUDIT/52. There was some discussion around item 4, the Risk Register update. There was general agreement with the holistic approach suggested by the Chief Executive for the review of Risk in OSCR: it should not merely review operational risks but look more</p>	

	<p>widely at the issues in principle and at the appetite for risk in OSCR. The review is on the agenda for the February meeting of the Audit Committee, which will report to the May Board meeting.</p>	
10.	<p><b>Chief Executive's Report</b></p> <p>In addition to points noted in Part A of the report, the Board noted that the SG's SCIO consultation was published on 16 November.</p> <p>The Chief Executive reported that she and the Senior Legal Adviser had had a positive meeting with the Law Society Scotland's Charity Law Committee, concentrating on Education and Training issues and SCIOs.</p> <p>Board members noted and endorsed the sections of the report on the Third Sector Team and SCVO.</p> <p>Further to the item on the Regulators Forum, it was agreed that it would be helpful for the Chief Executive to provide an overview for the Board of the international Regulatory landscape.</p> <p>On Part B of the report, the Chief Executive confirmed that there were no particular performance issues to report.</p>	<p><b>Chief Executive</b></p>