

**The Office of the Scottish Charity
Regulator**

Annual Report and Accounts

for the year ended 31 March 2015

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The Accountable Officer authorised these financial statements for issue on
25 June 2015

ANNUAL REPORT

MANAGEMENT COMMENTARY

STRATEGIC REPORT

ORGANISATIONAL BACKGROUND AND GOVERNANCE STATUS

The Office of the Scottish Charity Regulator (OSCR) is a Non-Ministerial Department (NMD) established in April 2006 following Royal Assent of the Charities and Trustee Investment (Scotland) Act 2005 (the 2005 Act). As an NMD, OSCR is an independent body and part of the Scottish Administration, not the Scottish Government.

The corporate body is headed by a Board of up to eight members, appointed by Scottish Ministers following a public appointments process. The Board is accountable directly to the Scottish Parliament, and is responsible for strategic direction, oversight and governance. Members also act as ambassadors for OSCR, promoting policies and values and bringing specialist knowledge to the Board. Our Chief Executive is the Accountable Officer and is responsible for the day-to-day operation of the organisation's functions and for leading its staff.

This annual report and accounts gives a brief account of our activities in 2014-15, and our priorities for the year ahead. It will be laid before the Scottish Parliament and sent to Scottish Ministers for consideration. In common with all other materials we produce, this Report and Accounts is also published on our website, and is available in a range of formats, on request.

The 2014-15 Accounts have been prepared in accordance with a Direction given by the Scottish Ministers in pursuance of the Public Finance and Accountability (Scotland) Act 2000. The Direction is produced as Appendix 1 to these accounts.

As a public body, OSCR has a general responsibility to deliver public value, to operate in accordance with best value principles and to take account of relevant policy priorities of the Scottish Government.

STATEMENT OF ACTIVITY

We are the Office of the Scottish Charity Regulator (OSCR) and are the independent registrar and regulator for over 23,000 Scottish charities including community groups, religious charities, schools, universities grant giving charities and major care providers.

Our vision is of **charities you can trust and that provide public benefit**, and our work as Regulator ultimately supports public confidence in charities and their work.

Charities contribute directly as a major economic force to the Scottish economy, and the range of activities carried out by the charitable sector link directly to the Scottish Government Strategic Objectives, and facilitate delivery of the National Outcomes.

As a publicly funded organisation, OSCR has a role to play in ensuring that the services we provide are high quality, continually improving, efficient and responsive to stakeholder needs.

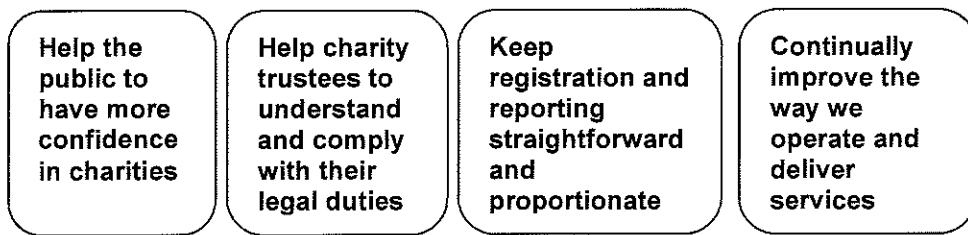
CORPORATE OBJECTIVES AND REVIEW OF PRINCIPAL ACTIVITIES FOR 2014-15

The Charity and Trustee Investment (Scotland) Act 2005 states that OSCR is responsible for:

- granting charitable status;
- maintaining a public register of charities;
- encouraging, facilitating and monitoring compliance by charities with the Charity and Trustee Investment (Scotland) Act 2005;
- identifying and investigating apparent misconduct in the administration of charities; and
- providing information or advice, including proposals, to Scottish Ministers on matters relating to our functions.

Our 2014-17 Corporate Plan outlines our four strategic objectives, and the diagram below shows the connection between these and our statutory functions. The interdependencies associated with many parts of our work mean that some objectives contribute to the delivery of more than one statutory duty. Our annual Business Plan details the work we will carry out to deliver each objective.

Strategic Objectives 2014-17



Statutory Functions



OUR VISION AND VALUES

We aim to be a light-touch, progressive regulator, and recognise that how well we achieve this will be influenced by how we interact and communicate with all our stakeholders. In order to provide a high level of service, each OSCR employee is committed to ensuring that our activities are:

Independent	Proportionate	Accountable	Transparent
Consistent	Fair	Targeted	Informed

ACTIVITIES AND OUTCOMES IN 2014-15

2014-15 marked the start of our journey towards a more targeted approach to regulation, designed to ensure that public confidence in charities and their work is maintained and reinforced. The focus of this approach is ensuring that the services we deliver maximise value for money, and are targeted at those priority areas we believe require our attention, with reporting requirements for compliant charities being minimised. During the year we consulted widely about our change proposals, and the hundreds of responses we received through this exercise have been used to inform the development of detailed plans.

Stakeholder engagement and communication in general were other focus areas for us in 2014-15. We launched our new and improved website in November 2014; and undertook an extensive programme of engagement events throughout Scotland to inform our understanding of the key issues and challenges facing the sector.

In the interests of openness and transparency, we also published a number of reports in respect of specific activities we had undertaken, providing information about the issues we had considered, and where appropriate our decision making rationale. (Links to specific documents are provided below).

In terms of our own performance we collate and publish management information from across the organisation via our website, on a monthly basis: <http://www.oscr.org.uk/about/our-work/performance-indicators>.

In accordance with the Public Services Reform (Scotland) Act 2010 we also publish monthly information in respect of certain areas of expenditure: <http://www.oscr.org.uk/about/our-work/monthly-expenditure-reports>

We publish a 'user friendly' comprehensive summary of our key achievements and performance statistics in our Annual Review, which is available around autumn each year:

<http://www.oscr.org.uk/media/1767/2014-12-15-annual-review-2014-published.pdf>.

Other specific activities to note during 2014-15 included the following:

Casework

- During the year there was a slight decrease in the total number of Scottish Charities, with our register showing 23,774 on 31 March 2015, compared with 23,827 in the previous year.
- The number of new applications for charitable status received in 2014 -15, at 1,092, was a 10% reduction on the applications received in the previous year. Of those charities which were granted status, 43% were constituted as Scottish Charitable Incorporated Organisations (SCIO's).
- The proportion of appealable decisions we took, which we were requested to review rose to 19 during 2014 -15.

Charity compliance

- The levels of charity accounts which met the legislative requirements remained high, with 80% of accounts submitted being acceptable, and only 2% of charities being required to resubmit 'failed' accounts. As in 2013-14, over 90% of charities filed their returns and accounts with us within 12 months of their financial year end date.

- Concerns about charities received from external sources increased by 26% during the year to 337. The number of concerns we were able to resolve within our 9 month target increased from 72% in 2013 -14 to 83%. Three inquiry reports were published on our website, details of which can be accessed using the following link:
<http://www.oscr.org.uk/charities/managing-your-charity/reviews-of-charitable-status/inquiry-reports>.

Targeted Regulation

- In November 2014 our refreshed website, <http://www.oscr.org.uk/> went live. The site is our key communication tool, and the changes have been designed to ease site navigation, and direct visitors more quickly to the information they require. A Charity Register Download which contains basic details for the full list of Scottish charities is now available on the site, so that information from the Register can be re-used free of charge.
- The number of charities opting to use our online or digital services continued to increase during the year, with 83% of charities now being registered for OSCR Online. By completing and submitting their annual monitoring return and accounts to us electronically, considerable time and resource savings are delivered for all parties.
- OSCR fully supports the Scottish Government's digital delivery agenda, and in order to meet the digital expectations of both the public and charities, (and with a view to providing increased transparency and efficiency), during 2014 -15 we consulted widely with stakeholders on our proposed new approach to regulation. We intend to increase transparency through the publication of charity annual reports and accounts via the register; to introduce a new system of serious incident reporting for charities; to change our reporting mechanisms to reinforce the principles of good governance; and provide more online services for charities. Details of our proposed approach are accessible via the following link:
<http://www.oscr.org.uk/hot-topics/regulators-changes-to-reinforce-public-confidence>.

Key Publications and stakeholder engagement

- We held seven 'Meet the Regulator' events throughout Scotland providing OSCR staff and Board members with an opportunity to meet and share information with the public and trustees, and also to receive feedback on consultations and draft policies. In partnership with Volunteer Scotland we held a stall at 'the Gathering', where we also hosted a 'Recruiting a Diverse Board' discussion event.
- In December 2014, following the conclusion of our assessment of the charitable status of fee charging schools, we published our summary report which sets out the findings of our review of 52 schools, in a process which commenced in 2007. Our report details the principles which guided and informed decision making; action taken in cases where we found non

compliance, and provides information about how we ensure compliance is maintained. A copy of the report can be accessed via the following link: <http://www.oscr.org.uk/hot-topics/charity-regulator-publishes-schools-report>.

- In accordance with our more targeted regulatory approach, during 2014 -15 we undertook a study into 'local authority charities' or Arms Length External Organisations (ALEO's). We hoped to establish whether their governance structures were robust, and their relationship with the local authority impacted on their ability to run effectively as a charity. Following a desk based review of 64 ALEO's and detailed consideration in respect of a sample of 11, our findings were published in January 2015 and can be accessed as follows, <http://www.oscr.org.uk/hot-topics/regulator-publishes-findings-on-local-authority-charities>.
- In response to a number of concerns raised in respect of charities and political activities, particularly in the run up to the Scottish Referendum, we published a 'Frequently Asked Questions' document which provides guidance in respect of charities and campaigning on political issues. The information provided is equally applicable to Scottish and UK elections and has been welcomed by the charity sector and its advisors.

GENDER BREAKDOWN OF STAFF

The table below details the gender breakdown of permanent staff, at 31 March 2015.

Role within OSCR	Female	Male
Directors	3	2
Employees	31	18
All staff	34	20

EXPENDITURE FOR THE YEAR

The revenue resource expenditure for the year ended 31 March 2015 was £2.867m as shown in the Statement of Comprehensive Net Expenditure, compared to a revenue budget of £2.975m. Capital resource expenditure for the year ended 31 March 2015 was £0.005m compared to a capital budget of £0.025m. Total resource expenditure for the year was £2.872m resulting in an underspend of £0.128m for the year.

PAYMENT PRACTICE CODE

In line with Scottish Government policy, OSCR requires that all suppliers' invoices not in dispute are paid within the terms of the relevant contract. OSCR aims to pay 100% of invoices, including disputed invoices once the dispute has been settled, on time in these terms. During the year ended 31 March 2015, OSCR paid 97.0% of its invoices within these terms (98.7% in 2013 -14).

In accordance with the Scottish Ministers' guidance, a second target requiring payment to be with suppliers within 10 working days of the receipt of a valid and undisputed invoice also exists. During the year ended 31 March 2014, OSCR paid 92.4% of its invoices within these terms (92.7% 2013 -14).

AUDITOR

The Auditor General for Scotland has appointed Audit Scotland as auditor. Details of the audit fee for the year to 31 March 2015 are disclosed in note 7 to the accounts.

ENVIRONMENTAL, SOCIAL, COMMUNITY AND HUMAN RIGHTS ISSUES

OSCR recognises the importance of environmental issues and sustainability, and endeavours to consider these matters as part of decision making. We are committed to meeting our environmental responsibilities as a public body, and of supporting the national outcome to 'value and enjoy our built and natural environment, and protect it and enhance it for future generations.'

We adhere to environmental requirements in areas such as procurement, business travel and buildings management, and recognise the importance of consistent environmental reporting across public sector bodies. We publish a Sustainability Report, annually, in accordance with Scottish Government recommended practice.

At the beginning of 2014 -15 we published our 2014 -17 Carbon Management Plan <http://www.oscr.org.uk/media/1257/2014-17-oscr-carbon-management-plan.pdf> which commits us to reduce our CO2 emissions by a total of 25% against the 2008 -9 baseline, and was commended by Resource Efficient Scotland. We will work to achieve this stretching target through the implementation of specific projects, both on a standalone basis and in co-operation with the other organisations which occupy Quadrant House.

OSCR's equality duties arise from two main sources: The Equality Act 2010 (the 2010 Act) and the Charities and Trustee Investment (Scotland) Act 2005, Section 1 (8) of which requires us to perform our functions in a manner that encourages equal opportunities and in particular the observance of the equal opportunities requirements.

We have published guidance for charities on meeting the requirements of the Equality Act 2010, <http://www.oscr.org.uk/media/1395/2014-12-02-charities->

[and-the-equality-act-2010.pdf](#) , and our third Equality Strategy was published in December 2014. The strategy confirms our ongoing commitment to equality as a public body and an employer, and features the following statement of OSCR's commitment:

'Advancing the equal opportunities agenda is important and many charities play a key role in this. The Scottish Charity Regulator is committed to carrying out its work in a way that encourages equal opportunities, aims to eliminate unlawful discrimination, and fosters good relations among all people. We will continue to ensure that equality is an integral part of all our policies and practice. We will carefully consider whether any issues with charities' compliance with equality law affect their charitable status, or mean that their charity trustees are not fulfilling their duties. Our Board and Senior Management Team will show their personal commitment to equality and take responsibility for our progress in advancing equality.'

Our staff have a key role to play in ensuring that those with whom we come into contact are dealt with in a manner consistent with our equality duties; and OSCR services and information is as accessible as possible. We follow W3C's Website Accessibility Initiative (WAI) guidelines, and our site is Speak IT Plus enabled. We are also a member of Happy to Translate.

As an employer, OSCR adopts the Scottish Government policies on equal opportunities and diversity. All staff are treated equally irrespective of their sex, marital status, age, race, ethnic origin, sexual orientation, disability, religion or belief, working pattern, employment status, gender identity, caring responsibility or trade union membership. A significant number of our staff are employed on a part time working pattern, and whilst no staff are employed as homeworkers, we support and provide technology to facilitate occasional remote working.

OSCR undertakes to develop all staff and positively values the different perspectives and skills each brings to our work.

EVENTS AFTER THE REPORTING PERIOD

There were no events after the end of the reporting period (31 March 2015) that require disclosure.

ADVICE TO MINISTERS

The 2005 Act provides that the Scottish Charity Regulator has the function of advising Ministers on matters relating to its functions, and that its Annual Report may include general recommendations arising from the exercise of its functions.

We have a Framework Agreement in place with the Scottish Government and, in accordance with this, have regular liaison and contact with officials in the

Third Sector policy team and in the many other parts of the Scottish Government where there are issues connected to charities.

Since our establishment in 2006 we have also made a number of formal recommendations to Scottish Ministers on a variety of subjects. We have welcomed Ministers' willingness to act on previous recommendations, the aims of which have been either:

- to increase public confidence in charities;
- to reduce the regulatory burden on charities;
- to improve our effectiveness as a regulator; or
- to address unintended consequences, confusion or lack of consistency in the 2005 Act, or other legislation which impacts on charities.

As we move towards the more targeted use of our powers, it is possible that legislative constraints could restrict our ability to underpin public confidence in Scottish charities. We will continue to explore with the Scottish Government the possibility of specific legislative changes which would help us to realise our vision of '*charities you can trust and that provide public benefit*' or otherwise enhance our operational effectiveness.

KEY PRIORITIES FOR 2015-16

A core part of our work in 2015 -16 will be commencement of the implementation of our targeted regulation programme. We will start to implement new systems and ways of working to support our risk led approach, facilitated by process and technical changes as necessary. We have identified a number of priority workstreams associated with these changes, and each will be progressed as a priority throughout the year, including:

- publishing charity accounts on the register
- developing new policies and procedures aimed at reducing the number of charities which do not meet annual reporting requirements
- developing and implementing a Serious Incident Reporting regime for charities, and
- making changes to the information we require charities to submit to us annually

Communications and engagement with stakeholders will be critical to the effective delivery of these activities, and we intend to maintain the momentum which our 2014 -15 work in this area has generated, by meeting and working with charities and their advisors, delivering an extensive programme of scheduled events. We recognise the necessity of maintaining a good understanding of the external policy environment to this process, and will

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continue to work with our Scottish Government colleagues, as well as other strategic partners, to share information and inform policy development.

Our website will continue to be our key communications tool, and during the year we will work to ensure that its functionality is optimised, and content refreshed and relevant. We have just completed a public consultation on proposed changes to our Meeting the charity test guidance, which is one of our most frequently used publications. The revised guide, together with other key documents will be launched during the year.

In addition to the above, we will continue to fulfil our statutory duties as registrar and regulator of Scotland's charities, through the work which we do in respect of the considering applications for charitable status, and consents; and our monitoring and compliance work.

As a public body we will continue to ensure that the services we deliver offer best value; and that we comply with the various reporting requirements associated with our status. We will work with other public bodies and with the Scottish Government to maximise resource and performance efficiencies, whilst also meeting stakeholder needs and aspirations.



David Robb
Chief Executive and Accountable Officer
25 June 2015

DIRECTORS' REPORT

The Directors' Report sets out the key aspects of the internal organisation change and development within OSCR over the course of the year to 31 March 2015. The senior officers are:

- David Robb, Chief Executive
- Laura Anderson, Head of Enforcement
- Judith Hayhow, Head of Support Services
- Judith Turbyne, Head of Engagement
- Martin Tyson, Head of Registration

Board members are:

- The Very Reverend Dr Graham Forbes
- Professor David Harrison
- Patricia Armstrong
- Fiona Ballantyne
- Professor Stuart Cross
- David Hughes Hallett
- Kaliani Lyle
- Shona Ulrichsen

THE STATUS OF, AND PROVISION OF, INFORMATION TO EMPLOYEES

OSCR staff are employed by Scottish Ministers as Home Civil Servants. At a practical level, this means they have the same terms and conditions as staff within the Scottish Government, and have access to the civil service pension arrangements. OSCR's Human Resources (HR) and payroll functions are carried out by the Scottish Government Human Resource and Finance Divisions on a shared service basis.

OSCR is committed to ensuring that all staff have a full understanding of the objectives and role of the organisation, together with the legislative context within which we operate as a NMD. Our staff have participated in Corporate and Business Planning events during the course of the year, with a view to reinforcing the linkages between day to day delivery and achievement of corporate strategic objectives.

We have a comprehensive staff induction programme for new staff which includes one-to-one induction sessions between the new employee, relevant representatives from each of the OSCR teams, members of the Senior Management Team and the Chief Executive. New employees are also provided with support and training by their manager.

As in previous years, in October 2014, OSCR took part in the UK Civil Service People Survey. The results from this Cabinet Office co-ordinated survey provided information about staff engagement levels at OSCR, as well as high level comparator data for the other participating organisations. The survey results, which were published on our website in January 2015 have been used to inform staff discussions, and will influence our learning and development activities during 2015 -16.

PENSIONS

OSCR staff members are eligible to be members of the Principal Civil Service Pension Scheme (PCSPS). As at 31 March 2015 all 54 permanent members of staff were PCSPS scheme members (2013 -14 52 PCSPS members). In accordance with the Government Financial Reporting Manual (FReM) the PCSPS is accounted for as if it were a defined contribution scheme. Accounting policy note 1.10 (page 40) provides further information and details of the scheme are included in note 6 to the accounts. Details of the pension entitlements of OSCR's senior management team are given in the Remuneration Report.

SICKNESS ABSENCE

The total number of days lost and the average number of days lost per full time equivalent (FTE) to sickness absence increased considerably during the 2014 -15 period, in comparison with the previous year. Days lost to long term sickness were in the main accountable to 3 spells of absence by staff, (there were no long term absences in 2013 -14) all of whom have now returned to work.

At 9.06 days average absence per FTE staff member, levels at OSCR have exceeded the Scottish Government Core average equivalent level of 7.13. Given the size of our organisation and the relatively small number of staff employed, absence levels can fluctuate significantly on an annual basis.

Absence management is monitored and responded to on our behalf by the Scottish Government Human Resource Division, supported by independent occupational health professionals, as required.

	2014-15	2013-14
Days sickness absence		
Short term (under 20 days)	240	115
Long term (Over 20 days)	213	0
Total	453	115
Average per FTE member of staff	9.06	2.46

NON AUDIT FEES

No payments were made to the External Auditor, Audit Scotland, other than in respect of the statutory audit fee (See note 7 to the accounts).

DISCLOSURE OF INFORMATION TO AUDITORS

So far as the Accountable Officer is aware, there is no relevant audit information of which the entity's auditors are unaware and the Accountable Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that OSCR's auditors are aware of that information.

PERSONAL DATA SECURITY

There were no known incidents of personal data breaches in 2014-15 (nil 2013-14).



David Robb
Chief Executive and Accountable Officer
25 June 2015

REMUNERATION REPORT

INTRODUCTION

This report provides information on the remuneration of OSCR Board members and senior managers. The senior managers are:

- David Robb, Chief Executive
- Laura Anderson, Head of Enforcement
- Judith Hayhow, Head of Support Services
- Judith Turbyne, Head of Engagement
- Martin Tyson, Head of Registration

This report contains audited information and also information which is not subject to audit.

REMUNERATION POLICY

Board members are not employees of OSCR or part of the Civil Service. Board members' remuneration is determined in accordance with the 'Public Sector Pay Policy for Senior Appointments 2014 -15'. Further information about the policy may be found at:

<http://www.gov.scot/Topics/Government/public-sector-pay/staff-pay/public-bodies-covered>

The remuneration of senior civil servants is set in accordance with the Civil Service Management Code (available at www.civilservice.gov.uk) and with independent advice from the Senior Salaries Review Body.

Staff employed below senior civil service level are part of the Scottish Government main collective bargaining unit for the determination of salary. Remuneration is determined by the Scottish Government and, in determining policy, account is taken of the need for pay to be set at a level which will ensure the recruitment, retention and motivation of staff. Also taken into account are the Government's policies on the Civil Service and public sector pay and the need to observe public spending controls.

SERVICE CONTRACTS

Board Members

Board members are appointed for a period determined by Scottish Ministers, and are eligible to be re-appointed following the end of their first period of Board membership. Either party may terminate early by giving notice. Normally there is no payment available in the event of early termination of the contract. However, where special circumstances exist, Scottish Ministers may decide that compensation for early termination is appropriate and instruct OSCR to make a payment. The amount of the payment would also be decided by Scottish Ministers.

Details of the service contracts for Board members serving during the year are detailed below:

		Current term	Date of initial appointment	Date of termination of appointment
The Very Reverend Dr Graham Forbes CBE	Chair	2 nd	March 2011	February 2015
Professor David Harrison	Deputy Chair	2 nd	March 2010	February 2018
Patricia Armstrong	Member	1 st	April 2014	March 2018
Fiona Ballantyne OBE	Member	2 nd	June 2008	February 2016
Professor Stuart Cross	Member	1 st	April 2014	March 2018
David Hughes Hallett	Member	2 nd	June 2008	February 2016
Kaliani Lyle	Member	2 nd	March 2010	February 2018
Shona Ulrichsen	Member	1 st	April 2014	March 2018

Employees (including the Senior Management Team)

The Constitutional Reform and Governance Act 2010 require Civil Service appointments to be on merit on the basis of open and fair competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commission can be found at www.civilservicecommission.org.uk.

AUDITED INFORMATION

BOARD REMUNERATION

	2014-15 £'000	2013-14 £'000
Graham Forbes (Chair)	5-10	5-10
David Harrison	NIL	NIL
Patricia Armstrong	0-5	N/A
Fiona Ballantyne	0-5	0-5
Stuart Cross	0-5	N/A
David Hughes Hallett	0-5	0-5
Annie Gunner Logan*	N/A	0-5
Kaliani Lyle	0-5	0-5
Lindsay Montgomery*	N/A	NIL
Shona Ulrichsen	0-5	N/A

*Lindsay Montgomery/Annie Gunner Logan's Board appointments ended on 31 March 2014

Lindsay Montgomery and David Harrison elected not to claim remuneration for their work as OSCR Board Members. Graham Forbes and Annie Gunner Logan passed on their remuneration to their employers (St Mary's Cathedral, Edinburgh and CCPS Coalition of Care and Support Providers in Scotland). All members are eligible to claim out of pocket expenses relating to their work as OSCR Board Members.

There was no increase in the daily rate in 2014 -15 in accordance with the UK and Scottish Government policy on pay restraint.

Salary, Benefits in Kind and Pensions

The following table provides remuneration information in respect of each senior officer.

Official	Salary (£'000)		Bonus Payments		Benefits in Kind (to nearest £'000)		Pension Benefits (£'000)		Total	
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
David Robb	80-85	75-80	Nil	Nil	Nil	Nil	17	3	95-100	80-85
Laura Anderson	50-55	45-50	Nil	Nil	Nil	Nil	22	20	70-75	65-70
Judith Hayhow	65-70	60-65	Nil	Nil	Nil	Nil	15	11	75-80	70-75
Judith Turbyne (From 16.09.13)	50-55	25-30**	Nil	Nil	Nil	Nil	20	11	70-75	35-40
Martin Tyson	55-60	50-55	Nil	Nil	Nil	Nil	26	43	80-85	95-100

** 45-50 full year equivalent

'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by OSCR and as recorded in these accounts.

Bonus

No bonuses were paid in 2014 -15 or 2013 -14.

Benefits in kind

There were no benefits in kind in 2014 -15 or 2013 -14.

Highest paid employee

Reporting bodies are required to disclose the relationship between the total remuneration of the highest-paid employee in their organisation and the median remuneration of the organisation's workforce. Total remuneration includes salary, non-consolidated performance-related pay, benefits in kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

	2014-15	2013-14
Band of highest paid employee	£80-85,000	£75-80,000
Median salary	£28,166	£26,883
Remuneration ratio	2.93	2.88

PENSION BENEFITS

	Accrued pension at pension age as at 31-3-15 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31-3-15	CETV at 31-3-14	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Chief Executive					
David Robb	20-25 Lump sum 65-70	0-2.5 Lump sum 2.5-5	382	350	12
Senior Management Team					
Laura Anderson	5-10	0-2.5	63	51	6
Judith Hayhow	20-25 Lump sum 60-65	0-2.5 Lump sum 2.5-5	334	308	9
Martin Tyson	15-20 Lump sum 20-25	0-2.5 Lump sum 0-2.5	272	240	17
Judith Turbyne	0-5	0-2.5	21	7	10

Accrued Pension

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. The table below details pension ages for each of the schemes whilst note 6 to the Accounts provides further detail.

Scheme	Pension age
Classic (including Classic Plus)	60
Nuvos	65
Alpha	Later of 65, or state pension age
Partnership	Benefits must be drawn between 50 and 75

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked in accordance with The Occupational Pension Scheme (Transfer Values) (Amendment) regulations 2008 and do not take into account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The real increase reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Compensation for loss of office

No Board member or senior manager left under voluntary or compulsory exit schemes in 2014 -15 (nil in 2013 -14).

Statement of Accountable Officer's Responsibilities

In accordance with section 19(4) of the Public Finance and Accountability (Scotland) Act 2000, Scottish Ministers have directed the Office of the Scottish Charity Regulator (OSCR) to prepare a statement of accounts for each financial year in the form and on the basis set out in the Accounts Direction issued by the Scottish Ministers.

The accounts are prepared on an accruals basis and must give a true and fair view of OSCR's state of affairs at the period end and of its operating costs, recognised gains and losses and cash flows for the financial period.

In preparing the accounts, the Accountable Officer is required to:

- Observe the Accounts Direction issued by Scottish Ministers including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis.
- Make judgements and estimates on a reasonable basis.
- State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts.
- Prepare the accounts on a going concern basis.

The Permanent Secretary of the Scottish Administration has appointed the Chief Executive as the Accountable Officer for OSCR.

As Accountable Officer, I am responsible for the regularity and propriety of the public finances for which I am answerable, for keeping proper records and for safeguarding OSCR's assets, as set out in the Accountable Officer's Memorandum issued by Scottish Ministers.



David Robb
Chief Executive and Accountable Officer
25 June 2015

GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Office of the Scottish Charity Regulator's policies, aims and objectives, while safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me.

The Office of the Scottish Charity Regulator (OSCR) is a Non-Ministerial Department which, while part of the Scottish Administration, is not formally part of the Scottish Government. Whilst our accounts are not consolidated, we liaise with Scottish Government finance colleagues on a monthly basis, providing them with information relating to our expenditure and anticipated outturn. During 2014 -15, I held meetings with the Scottish Government Director for Local Government and Communities, who oversees the Local Government and Third Sector Team, which has policy responsibility for the third sector as a whole. Our Framework Agreement with the Scottish Government was signed in October 2014, and sets out the terms of an agreement between OSCR and the Scottish Government in relation to the governance, financing and operation of the functions of OSCR:
<http://www.oscr.org.uk/media/1684/2014-11-11oscr-framework-agreement-with-scottish-government.pdf>

THE PURPOSE OF THE GOVERNANCE STATEMENT

The Governance Framework accords with the guidance from the Scottish Government provided in the Scottish Public Finance Manual (SPFM).

The system of internal control we have developed at OSCR is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve corporate policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

At OSCR our internal control system is based on an ongoing process designed to identify and prioritise the risks to the achievement of OSCR's policies, aims and objectives, to evaluate the likelihood and impact of those risks being realised and to manage them efficiently, effectively and economically.

OSCR relies upon core Scottish Government Divisions for the provision of certain business critical areas of functionality; in particular aspects of core services relating to transactional finance and human resources. Internal control is addressed by the respective Divisions and I am provided with Annual Certificates of Assurance by the Scottish Government Director of Human Resources and Organisational Development and also the Director of Financial Management.

OUR BOARD

OSCR is headed by a Board consisting of a Chair, a Deputy Chair and up to six Board members. The appointments are made by Scottish Ministers and overseen by the Scottish Public Appointments Commissioner.

In April 2014 following a public appointments process, three new Board members, Patricia Armstrong, Professor Stuart Cross and Shona Ulrichsen took up their appointments.

All new Board members received induction training, and each Board member is subject to an annual appraisal by the Chair. Board members participate in training and briefings as required. In June each year, members collectively complete a retrospective annual self assessment checklist in respect of their overall performance.

Membership of the OSCR Board, and their roles during the period of this report are given below:

The Very Reverend Dr Graham Forbes CBE	Chair
Professor David Harrison	Deputy Chair
Patricia Armstrong	Member
Fiona Ballantyne OBE	Member
Professor Stuart Cross	Member
David Hughes Hallett	Member
Kaliani Lyle	Member
Shona Ulrichsen	Member

The Board is responsible for providing strategic direction, oversight and governance and for monitoring expenditure and operations. The Board met five times throughout 2014 -15 to fulfil this role.

Members of the Board also serve on the Audit Committee, which under its terms of reference meets a minimum of three times a year. Membership of the Audit Committee, which held three meetings during 2014-15 is given below:

Professor David Harrison	Chair
David Hughes Hallett	Member
Shona Ulrichsen	Member

Minutes of Board meetings, brief biographies and the Register of Interest of Board members are available on our website <http://www.oscr.org.uk/>.

Chief Executive

The Chief Executive of OSCR is appointed by the Permanent Secretary as the Accountable Officer of OSCR, and is accountable to the Board for the day-to-day running of the organisation. David Robb was appointed as Chief Executive in October 2011, and is a member of the Senior Civil Service.

Senior Management Team

OSCR has an internal management structure which is headed by the Senior Management Team which is responsible for day-to-day operations.

Senior Management Team	
David Robb	Chief Executive
Laura Anderson	Head of Enforcement
Judith Hayhow	Head of Support Services
Judith Turbyne	Head of Engagement
Martin Tyson	Head of Registration

Details of the salaries and pensions entitlements of the Senior Management Team can be found in the Remuneration Report. No performance pay is currently being awarded in the civil service.

In terms of corporate staffing levels, at the end of 2014 -15 the overall permanent staff headcount number was 54 with 13 staff members working on a part time basis.

THE RISK AND CONTROL FRAMEWORK

All bodies to which the Scottish Public Finance Manual (SPFM) is directly applicable must operate a risk management strategy in accordance with key principles specified and these have been adopted by OSCR.

The OSCR Board regularly considers risk in respect of specific issues. Our Audit Committee considered all of the risks associated with our activities at each of its meetings, and the Senior Management Team formally considers risk every twelve weeks.

At OSCR, risk management is embedded in our operational activities in the following ways:

- The Audit Committee considers and reviews the risk register at every one of its meetings, and reports on this exercise to the Board, who also undertake one annual formal review of the register. OSCR staff consider risks at their regular team meetings, and this information feeds in to the Senior Management Team risk considerations, which take place on a bi-monthly basis.

- In accordance with Scottish Government guidance, OSCR's Audit Committee uses the self assessment checklist to consider and evaluate its performance, annually. The Audit Committee Chair provides a formal annual update of activities to the Board, around June each year.
- Since June 2013, at the recommendation of the Audit Committee, a retrospective self assessment checklist has been completed by the Board in respect of its performance.

In addition to these formal Risk Management practices, we have:

- A comprehensive induction programme for all staff and Board Members which covers governance, accountability and risk management. Included in this programme is training in respect of secure data handling and awareness sessions to clarify the roles and responsibilities associated with each staff team.
- A number of all-staff meetings throughout the year at which topical policy and procedural matters are presented and discussed with staff.
- A Best Value Plan 2014 -17 which complies with Scottish Government guidance in particular taking account of the National Performance Framework and Audit Scotland's Best Value Toolkits and is reviewed by the Audit Committee annually.
- A UK Government Security Policy Framework Document which contains the mandatory requirements for all Public Bodies for the security of electronic and paper records.
- An Information Asset Register, which was introduced in 2013 on the recommendation of Internal Audit.

OSCR staff participate in the Annual Cabinet Office people survey, which takes place around November each year, and is usually participated in by around 100 publicly funded organisations. The results from this give us a clear indication of staff engagement levels, and are used to identify learning requirements for the year ahead.

REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL CONTROL

As Accountable Officer, I have responsibility for reviewing the effectiveness of the governance arrangements including the system of internal control. My review of the effectiveness of the system is informed by the work of the internal auditors and the OSCR Senior Management Team, who meet informally on a weekly basis, and formally every six weeks. The Senior Management Team have responsibility for the development and maintenance of the internal control framework, and for considering and responding to comments made by the external auditors in their management letter and other reports. The Senior Management Team also receive and consider Management Accounts on a monthly basis, and either meet with, or hold an email exchange with the Head of Support Services in respect of incurred and projected expenditure, approximately every six weeks. We have a Business

Continuity Plan which is subject to annual review, and we commission an Independent IT Security Review every two years.

The wider system of internal control is based on ongoing identification of the principal risks in achieving OSCR policies, aims and objectives as outlined in our Corporate Plan. Following identification, the nature and extent of those risks are considered, and a decision taken as to how to manage them effectively, economically and efficiently.

The OSCR Board meets at least every three months, with meetings attended by myself and Senior Management Team members.

The OSCR Audit Committee, which the Head of Support Services and I attend, alongside representatives from both Internal and External Audit, meets at least three times a year. The Audit Committee has responsibility for reviewing OSCR's financial statements prior to publication, and for ensuring that risk is properly identified and mitigated against in the Risk Register. The Audit Committee considers the scope of internal and external audit plans, receives audit reports and makes recommendations where appropriate.

Internal Audit services are provided by the Scottish Government's Internal Audit Division, who, based on the work undertaken during their 2014 -15 review, awarded substantial assurance on the adequacy of risk management, control and governance arrangements in place over the systems reviewed.

In addition to the above, I have individual monthly meetings with each of the Heads of Service to discuss operational and performance activities and risk associated with their service area. I also receive end of year Certificates of Assurance from them in respect of their individual service area.

No lapses of data security took place in 2014 -15.

Given all of the above, as Accountable Officer I can confirm that I am fully content with the effectiveness of OSCR's existing arrangements to ensure appropriate standards of corporate governance and effective risk management.



David Robb
Chief Executive and Accountable Officer
25 June 2015

Independent Auditor's Report

Independent auditor's report to the Office of the Scottish Charity Regulator, the Auditor General for Scotland and the Scottish Parliament

I have audited the financial statements of the Office of the Scottish Charity Regulator for the year ended 31 March 2015 under the Public Finance and Accountability (Scotland) Act 2000. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity, the Statement of Operating Costs by Departmental Strategic Objective and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2014/15 Government Financial Reporting Manual (the 2014/15 FReM).

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Auditor General for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of Accountable Officer and auditor

As explained more fully in the Statement of the Accountable Officer's Responsibilities, the Accountable Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and income. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors. I am also responsible for giving an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements. It also involves obtaining evidence about the regularity of expenditure and income. In addition, I read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements, irregularities, or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2015 and of its net operating cost for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2014/15 FReM; and
- have been prepared in accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

Opinion on regularity

In my opinion in all material respects:

- the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers, the Budget (Scotland) Act covering the financial year and sections 4 to 7 of the Public Finance and Accountability (Scotland) Act 2000; and
- the sums paid out of the Scottish Consolidated Fund for the purpose of meeting the expenditure shown in the financial statements were applied in accordance with section 65 of the Scotland Act 1998.

Opinion on other prescribed matters

In my opinion:

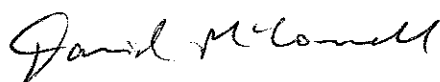
- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers; and
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Governance Statement does not comply with guidance from the Scottish Ministers.

I have nothing to report in respect of these matters.



David McConnell, MA, CPFA
Assistant Director
Audit Scotland
4th Floor South Suite
The Athenaeum Building
8 Nelson Mandela Place
GLASGOW
G2 1BT

26 June 2015



Annual Accounts

2014-15

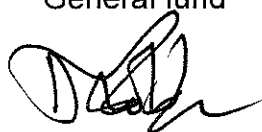
Statement of Comprehensive Net Expenditure
for the year ended 31 March 2015

	Note	2014-15 £'000	2013-14 £'000
Operating costs			
Staff costs	4	2,030	1,968
Other administration costs	7	754	827
Depreciation and amortisation	8,9	83	78
Net operating cost		2,867	2,873

The notes on pages 38 to 51 form part of these accounts.

Statement of Financial Position
as at 31 March 2015

	Note	2014-15 £'000	2013-14 £'000
Non-current assets:			
Property, plant and equipment	8	59	82
Intangible assets	9	130	185
Total non-current assets		189	267
Current assets:			
Cash and cash equivalents	11	1	0
Trade and other receivables	12	0	0
Other current assets	12	49	61
Total current assets		50	61
Total assets		239	328
Current liabilities:			
Trade and other payables	13	217	204
Total current liabilities		217	204
Non-current assets less net liabilities		22	124
Non-current liabilities:			
Provisions	14	0	0
Total non-current liabilities		0	0
Assets less liabilities		22	124
Taxpayers' equity:			
General fund		22	124



David Robb
Chief Executive and Accountable Officer
25 June 2015

The notes on pages 38 to 51 form part of these accounts.

Statement of Cash Flows
for the year ended 31 March 2015

	Note	2014-15 £'000	2013-14 £'000
Cash flows from operating activities			
Net operating cost	SCNE	(2,867)	(2,873)
Adjustments for non cash transactions:			
Depreciation and amortisation	8,9	83	78
Audit fee	7	12	12
Movements in working capital:			
(Increase)/decrease in trade and other receivables	12	12	4
Increase/(decrease) in trade and other payables	13	13	11
Use of provisions	14	0	(3)
Net cash outflow from operating activities		<u>(2,747)</u>	<u>(2,771)</u>
Cash flows from investing activities			
Purchase of property plant and equipment	8	(5)	(17)
Purchase of intangible assets	9	0	(44)
Net cash flow from investing activities		<u>(5)</u>	<u>(61)</u>
Cash flows from financing activities			
Net funding	3	2,753	2,832
Net increase/(decrease) in cash and cash equivalents	11	1	0
Cash and cash equivalents at the beginning of the period	11	0	0
Cash and cash equivalents at the end of the period	11	1	0

The notes on pages 38 to 51 form part of these accounts.

Statement of Changes in Taxpayers' Equity
for the year ended 31 March 2015

	Note	General fund £'000
Balance at 31 March 2013		153
Changes in taxpayers' equity for 2013-14		
Non cash charges – auditor's remuneration	7	12
Net operating cost for the year	SCNE	<u>(2,873)</u>
Total recognised income and expenditure for 2013-14		(2,861)
Net funding	3	2,832
Balance at 31 March 2014		124
Changes in taxpayers' equity for 2014-15		
Non cash charges – auditor's remuneration	7	12
Net operating cost for the year	SCNE	<u>(2,867)</u>
Total recognised income and expenditure for 2014-15		(2,855)
Net funding	3	2,753
Balance at 31 March 2015		22

The notes on pages 38 to 51 form part of these accounts.

Statement of Operating Costs by Departmental Strategic Objective

for the year ended 31 March 2015

	Note	2014-15 £'000	2013-14 £'000
Strategic objective			
To develop a flourishing charity sector in Scotland in which the public has confidence, underpinned by OSCR's effective delivery of its regulatory role.			
Allocation of resources and assets:			
Net expenditure	SCNE	2,867	2,873
Total assets	SOFP	239	328

The notes on pages 38 to 51 form part of these accounts.

Notes to the Accounts

1. Statement of accounting policies

1.1 Basis of Accounting

In accordance with the accounts direction issued by Scottish Ministers (reproduced at Appendix 1), the accounts have been prepared in accordance with the 2014-15 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. The particular policies adopted by OSCR are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

The accounts are prepared using accounting policies and, where necessary, estimation techniques, which are selected as the most appropriate for the purpose of giving a true and fair view in accordance with the principles set out in International Accounting Standard 8 (IAS 8): Accounting Policies, Changes in Accounting Estimates and Errors.

In addition to the primary statements prepared under IFRS, the FReM also requires the Department to prepare additional statements and notes. These include the Statement of Operating Cost by Departmental Strategic Objectives and supporting notes to show outturn against budget in terms of the net resource requirement.

1.2 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment and intangible assets where material at their value to the organisation by reference to their current cost.

1.3 Accounting standards issued but not yet effective

In accordance with IAS 8, changes to IFRS that have been issued but not yet effective have been reviewed for impact on the financial statements in the period of initial application. No significant impact on future periods' financial statements is anticipated as a result of this review.

1.4 Going concern

The accounts have been prepared on a going concern basis, which provides that the organisation will continue in operational existence for the foreseeable future.

1.5 Property, plant and equipment

OSCR occupies a leasehold building under a 17 year operating lease with five year rent reviews. Leaseholder improvements to the building are capitalised at the cost of construction. Plant and equipment and information technology are capitalised at cost. Generally, leasehold improvements over £10,000 and plant and equipment and information technology over £5,000 are capitalised.

Furniture and fittings are not capitalised and the full cost is charged to the operating costs in the year of acquisition.

As required under International Accounting Standard (IAS) 16 all non-current assets are valued at fair value. Depreciated historic cost is used as a proxy for fair value as the assets held under this category have a short life and are low value.

Depreciation is provided on a straight line basis, to write off the cost of the asset over its estimated useful life. The depreciation periods which normally apply to the categories of assets are:

Asset category:	Depreciation period (years)
Leasehold improvements	5 - 12
Plant and machinery	5
Information technology	3 - 5

Assets in the course of construction are not depreciated until the asset is brought into use.

1.6 Intangible assets

Intangible assets are valued initially at cost and subsequently at fair value using the revaluation model. Where an active market does not exist, income generating assets are valued at the lower of depreciated replacement cost and value in use. Non income generating assets are carried at depreciated historic cost. These valuations are considered to be a proxy for fair value.

Future economic benefit has been used as the criteria in assessing whether an intangible asset meets the definition and recognition criteria of IAS 38 where assets do not generate income. IAS 38 defines future economic benefit as, 'revenue from the sale of products or services, cost savings, or other benefits resulting from the use of the asset by the entity'.

The main category of intangible asset is software and its associated development. These assets have an estimated useful life of three to five years and are amortised over this period.

Intangible assets in the course of construction are not amortised until the asset is brought into use.

1.7 Impairment of tangible and intangible assets

All tangible and intangible non-current assets are reviewed for impairment in accordance with IAS 36 'Impairment of Assets' when there are indications that the carrying value may not be recoverable. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount is the higher of fair value less costs to sell, and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

Whenever there is an indication that an asset may be impaired, any losses/gains arising on the disposal of the asset are posted to the Statement of Comprehensive Net Expenditure.

1.8 Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position consist of cash at bank.

1.9 Value Added Tax

OSCR is registered for VAT and where applicable will recover VAT on expenditure incurred. Where VAT is not recoverable, expenditure is charged including VAT, to operating costs or included in the cost of property, plant and equipment and intangible assets.

1.10 Pension

Past and present employees are covered by the provisions of the Principal Civil Service Pension Schemes (PCSPS). The defined benefit schemes are unfunded and are non-contributory except in respect of dependents' benefits. OSCR recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of defined contribution schemes, OSCR recognises the contributions payable for the year.

1.11 Leasing

Rentals applicable to operating leases are charged to operating costs as they are incurred in accordance with IAS17 - Leases.

1.12 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with IAS37, OSCR discloses for parliamentary reporting and accountability purposes certain statutory and non statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but have been reported to Parliament in accordance with the requirements of the Scottish Public Finance Manual.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS37 are stated at the amounts reported to Parliament.

1.13 Short term employee benefits

OSCR permits the carry forward of unused annual leave entitlement and accumulated flexible working hours scheme balances, in accordance with

Scottish Government resourcing policies. Entitlement to annual leave and flexible working hours are recognised in the accounts at the time the employee renders the service and not when the annual leave and accumulated hours balances are actually used.

1.14 Financial instruments

OSCR does not hold any complex financial instruments. The only financial instruments included in the accounts are financial assets in the form of trade receivables and other current assets and financial liabilities in the form of trade payables and other current liabilities.

1.15 Trade receivables and other current assets

All material amounts due at 31 March 2015 have been brought into the Statement of Comprehensive Net Expenditure irrespective of when actual payments were received.

1.16 Trade payables and other current liabilities

All material amounts outstanding at 31 March 2015 have been brought into the Statement of Comprehensive Net Expenditure irrespective of when actual payments were made.

1.17 Segmental reporting

Financial reporting to senior decision makers is at an organisation wide level and therefore segmental reporting under IFRS 8 is not required.

2. Outturn against budget

	Budget	2014-15	2013-14
	£'000	Outturn	Outturn
		£'000	£'000
Gross budget	3,000	2,872	2,934

3. Reconciliation of net resource outturn to net cash requirement in 2014-15

2013-14 Outturn £'000		Note	2014-15 Budget £'000	2014-15 Outturn £'000	2014-15 Variance £'000
2,873	Resource outturn		2,975	2,867	(108)
	Capital:				
17	Acquisition of property, plant and equipment	8	0	5	5
44	Acquisition of intangible assets	9	25		(25)
61			25	5	(20)
<u>2,934</u>	Total resource requirement		<u>3,000</u>	<u>2,872</u>	<u>(128)</u>
	Accruals adjustments:				
(90)	Non cash items			(95)	
(12)	Changes in working capital other than cash			(25)	
<u>2,832</u>	Net cash requirement			<u>2,752</u>	
2,832	Net funding received			2,753	
0	Cash surplus			1	

4. Staff numbers and related costs

	Permanently employed staff £'000	Others £'000	2014-15 Total £'000	2013-14 Total £'000
Wages and salaries	1,553		1,553	1,494
Social security costs	117		117	113
Other pension costs	292		292	284
Inward secondments		7	7	24
Agency staff costs		61	61	53
Total	1,962	68	2,030	1,968

The average number of permanent persons employed was 48.

The average number of whole-time equivalent persons employed during the year was as follows:

	2014-15 WTE	2013-14 WTE
Senior management	4.5	4.5
Other permanent staff	43.3	43.3
Inward secondments	0.3	0.4
Agency staff	1.6	1.9
Total	49.7	50.1

5. Reporting of voluntary early severance/voluntary early retirement scheme

Any early retirement and other departure costs would be paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs would be accounted for, in full, in the year of departure. Where OSCR does agree early retirements, the additional costs would be met by OSCR and not by the Civil Service pension scheme. Any ill health retirement costs would be met by the pension scheme.

No staff members retired under voluntary early severance packages or retired on ill-health grounds in 2014-15 or 2013-14.

6. Post Employment Benefits: Pension

International Accounting Standard 19 (IAS 19) "Employee Benefits" sets out the accounting treatment to be followed when accounting for the costs of providing a pension scheme.

Principal Civil Service Pension Scheme (PCSPS)

The PCSPS is an unfunded multi-employer defined benefit scheme but OSCR is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. You can find details in the resource account of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions).

For 2014-15, employers' contributions of £292,410 were payable to the PCSPS (2013-14 £283,652) at one of four rates in the range 16.7 to 24.3 per cent of pensionable pay, based on salary bands. The scheme actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2014-15 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

The Scottish Government currently has five pension schemes offering employer contributions of between 20% and 24.5% depending on salary bands. Employee contributions range between 3.0% and 8.05%, depending on the scheme. Civil servants may be in one of the five defined benefit schemes; either a 'final salary' scheme: classic (including classic plus) or premium; or a 'whole career scheme' (nuvos, alpha). There is also an annuity scheme (partnership).

These statutory arrangements are unfunded with the cost of benefits met by monies voted by the UK Parliament each year. Pensions payable under classic (including classic plus), premium, nuvos and alpha are increased annually in line with Pension Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

During 2014-15, employee contribution rates were set as follows:

Classic:

Full Time Equivalent Annual Pay Range	Contribution rate from 1 April 2014	Contribution rate from 1 April 2013
Up to £15,000	1.5%	1.5%
£15,001 - £21,000	3.0%	2.7%
£21,001 - £30,000	4.48%	3.88%
£30,001 - £50,000	5.27%	4.67%
£50,001 - £60,000	6.06%	5.46%
Over £60,000	6.85%	6.25%

Benefits accrue at the rate of 1/80th of the final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement.

Premium, Classic Plus and Nuvos:

Full Time Equivalent Annual Pay Range	Contribution rate from 1 April 2014	Contribution rate from 1 April 2013
Up to £15,000	3.5%	3.5%
£15,001 - £21,000	5.0%	4.7%
£21,001 - £30,000	6.48%	5.88%
£30,001 - £50,000	7.27%	6.67%
£50,001 - £60,000	8.06%	7.46%
Over £60,000	8.85%	8.25%

Benefits accrue as follows:

Premium:

Benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. There is no automatic lump sum.

Classic Plus:

Benefits in respect of service before 1 October 2002 are calculated broadly as per Classic and benefits for service from October 2002 are worked out as per Premium.

Nuvos:

In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is up-rated in line with Pension Increase legislation.

In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3 per cent and 14.75 per cent (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3 per cent of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8 per cent of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

Partnership:

Members of a partnership pension scheme can select their own pension contribution rate. Partnership members do not need to contribute, but if they do so, the employer will match this up to 3%. Members of the partnership schemes are contracted in to the state pension scheme – so pay higher National Insurance than members of the four Scottish Government pension schemes.

The employer contribution consists of 0.8% plus an age related contribution ranging from 11.5% to 24.5%.

Further details about the Civil Service pension arrangements can be found at the website www.civilservice.gov.uk/pensions.

7. Other administration costs

	2014-15	2013-14
	£'000	£'000
Property costs	147	137
Supplies and services	403	484
Staff related costs	68	70
Rentals under operating leases	124	124
<u>Non cash items:</u>		
Auditors' remuneration and expenses	12	12
Total	754	827

Auditor's remuneration is disclosed as a notional charge and relates to fees notified to OSCR by Audit Scotland in respect of the audit work carried out in relation to the year ended 31 March 2015. All audit fees are paid from the Scottish Consolidated Fund.

No other work was carried out by Audit Scotland during the year ended 31 March 2015 (£nil in the year to 31 March 2014).

8. Property, plant and equipment

	Leasehold improvements £'000	Information technology £'000	Plant and machinery £'000	Total £'000
Cost				
1 April 2014	191	195	55	441
Additions	0	5	0	5
Disposals	0	(6)	0	(6)
31 March 2015	191	194	55	440
Depreciation				
1 April 2014	160	144	55	359
Charged in year	5	23	0	28
Disposals	0	(6)	0	(6)
31 March 2015	165	161	55	381
Net book value at				
31 March 2015	26	33	0	59

	Leasehold improvements £'000	Information technology £'000	Plant and machinery £'000	Total £'000
Cost				
1 April 2013	191	186	55	432
Additions	0	17	0	17
Disposals	0	(8)	0	(8)
31 March 2014	191	195	55	441
Depreciation				
1 April 2013	154	129	55	338
Charged in year	6	23	0	29
Disposals	0	(8)	0	(8)
31 March 2014	160	144	55	359
Net book value at				
31 March 2014	31	51	0	82
31 March 2013	37	57	0	94

All assets are owned.

9. Intangible assets

	Software £'000
Cost	
1 April 2014	877
Additions	0
Transfers	0
Disposals	0
31 March 2015	<u>877</u>
Amortisation	
1 April 2014	692
Charged in year	55
Disposals	0
31 March 2015	<u>747</u>
Net book value at 31 March 2015	130

	Software £'000
Cost	
1 April 2013	833
Additions	44
Transfers	0
Disposals	0
31 March 2014	<u>877</u>
Amortisation	
1 April 2013	643
Charged in year	49
Disposals	0
31 March 2014	<u>692</u>
Net book value at 31 March 2014	185
31 March 2013	190

All assets are owned.

10. Financial instruments

As the cash requirement of the Non-Ministerial Department is met through the spending review process, financial instruments play a more limited role in creating and managing risk than in a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with OSCR's expected purchase and usage requirements and therefore OSCR is exposed to little credit, liquidity or market risk.

11. Cash and cash equivalents

	2014-15 £'000	2013-14 £'000
Balance as at 1 April	0	0
Net change in cash and cash equivalent balances	1	0
	<u>1</u>	<u>0</u>

This balance is held in a commercial bank.

12. Trade receivables and other current assets

	31 March 2015 £'000	31 March 2014 £'000
Value Added Tax	20	18
Prepayments	29	43
	<u>49</u>	<u>61</u>

Analysis of trade receivables and other current assets:

	31 March 2015 £'000	31 March 2014 £'000
Balances with other central government bodies	20	18
Balances with bodies external to government	29	43
	<u>49</u>	<u>61</u>

13. Trade payables and other current liabilities

	31 March 2015 £'000	31 March 2014 £'000
Trade payables	131	107
Accruals and deferred income	86	97
	217	204

Analysis of trade payables and other current liabilities:

	31 March 2015 £'000	31 March 2014 £'000
Balances with other central government bodies	100	23
Balances with bodies external to government	117	181
	217	204

14. Provisions for liabilities and charges

There were no provisions for liabilities and charges in 2014-15.

15. Capital commitments

There were no contracted capital commitments not otherwise included in these financial statements as at 31 March 2015.

16. Commitments under leases

Total future annual lease payments under operating leases are given in the table below for each of the following periods.

	2014-15 £'000	2013-14 £'000
<u>Land and buildings:</u>		
Not later than one year	124	124
Later than one year and not later than five years	496	496
Later than five years	392	516

17. Related party transactions

OSCR is part of the wider Scottish Administration and it considers that the Scottish Government is a related party within this context. OSCR had significant financial and non-financial transactions with the Scottish Government in the year.

The Board members and Senior Management Team have not undertaken any material transactions or had a significant involvement with other related parties in the year except as reported in the Remuneration Report.

18. Contingent liabilities

There were no contingent liabilities at 31 March 2015 which require disclosure under IAS 37 or the Scottish Public Finance Manual.

19. Post statement of financial position events

There were no events after the statement of financial position date relating to the 2014-15 financial year.



OFFICE OF THE SCOTTISH CHARITY REGULATOR

DIRECTION BY THE SCOTTISH MINISTERS

in accordance with section 19(4) of the Public Finance and Accountability (Scotland) Act 2000

1. The statement of accounts for the financial year ended 31 March 2007 and subsequent years shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.
2. The accounts shall be prepared so as to give a true and fair view of the income and expenditure, recognised gains and losses, and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
3. This direction shall be reproduced as an appendix to the statement of accounts.

D A Stewart
Acting Director of Finance

Signed by the authority of the Scottish Ministers

Dated 12 March 2007