

# **The Office of the Scottish Charity Regulator**

Annual Report and Accounts

for the year ended 31 March 2016

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The Accountable Officer authorised these financial statements for issue on 16 June 2016.

# Performance Report

## Performance Overview

### Chief Executive's statement on performance

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.

2015-16 saw OSCR move towards implementation of a more focused approach to charity regulation, where our resources will be targeted at groups and types of charities that are more likely to pose a risk to public trust and confidence in the sector, and are identified by means of a newly developed risk framework. In parallel, our reporting will reduce for most charities from April 2016, and the information we provide to all stakeholders via our website [www.oscr.org.uk](http://www.oscr.org.uk) will be enhanced by the publication of annual reports and accounts, initially for charities whose income is over £25,000, and Scottish Charitable Incorporated Organisations. In addition, in order that we can better understand the issues being faced by charities, and support them in responding to these, from April 2016 we will be asking them to report any 'notifiable events', which threaten to have a significant impact on the charity or its assets, to us. This will provide a further opportunity for us to contribute or advise in respect of governance, and to inform our future engagement with charities and their advisors, in order that impact can be maximised.

### Statutory and strategic functions

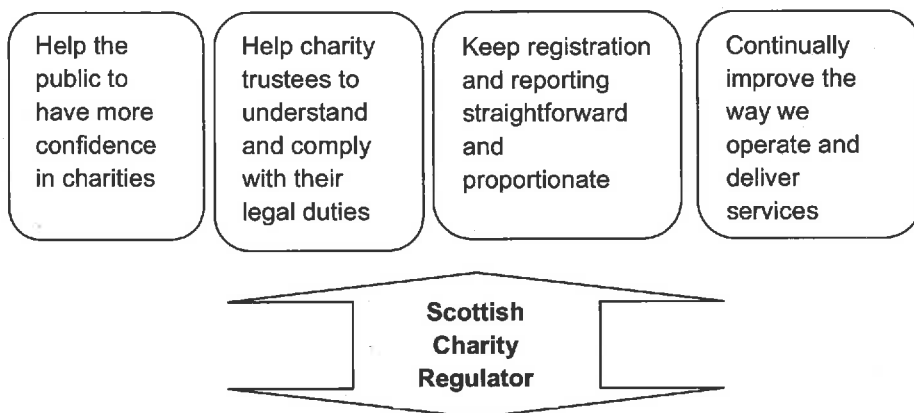
As the backdrop to our shift to more targeted regulation, the Charity and Trustee Investment (Scotland) Act 2005 states that OSCR is responsible for:

- granting charitable status;
- maintaining a public register of charities;
- encouraging, facilitating and monitoring compliance by charities with the 2005 Act;
- 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.

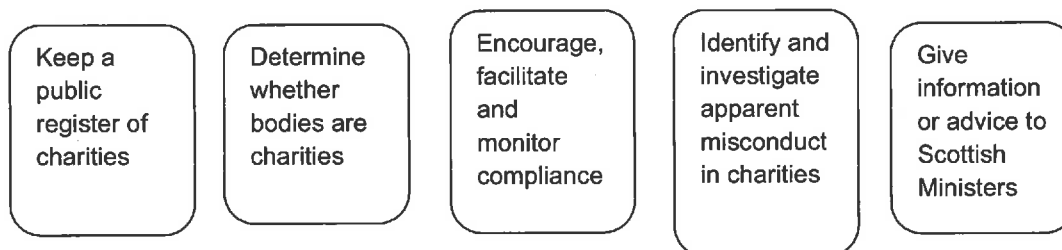
Our corporate plan sets out four strategic objectives, and the diagram below shows the connection between these and our statutory functions. The interdependencies associated with many parts of our work means that some objectives contribute to the delivery of more than one statutory duty, and our annual business plan, <http://www.oscr.org.uk/media/1889/oscr-business-plan-2015-16.pdf>, details the specific activities we carry out to facilitate delivery of our functions.

Key performance highlights are detailed in the Performance Summary at page 5.

## Strategic Objectives 2014-17



## Statutory Functions



## Purpose and activities of the organisation

The Office of the Scottish Charity Regulator (OSCR) is a Non-Ministerial Department (NMD) established in April 2006 following Royal Assent to 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.

OSCR 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.

Our vision is of **charities you can trust and that provide public benefit**, and our work as Registrar and Regulator ultimately supports public confidence in the work of the circa 24,000 charities which are registered in Scotland, and include community groups, religious charities, schools, universities grant giving charities and major care providers.

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.

This annual report will be laid before the Scottish Parliament and sent to Scottish Ministers for consideration. In common with all other materials we produce, this report will also be published on our website, and is available in a range of formats, on request.

The 2015-16 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.

## **Key issues and risks affecting OSCR**

The following risks from OSCR's Risk Register have been identified as key.

### **Legislation**

Having operated as Scotland's charity regulator for ten years, we have identified areas where adjustment of the legislative framework for charity law and regulation, The Charities and Trustee Investment (Scotland) 2005 Act, would better equip us to promote public trust and confidence in charities. We have begun a dialogue with Scottish Government colleagues in respect of modernisation of some parts of the 2005 Act, with the updates being aimed at:

- promoting greater transparency and accountability for charities;
- providing greater protection for charity assets and the charity brand; and
- improving the efficiency of OSCR's operations.

While some of the changes require primary legislative amendment, our view is that a wholesale review is not required, and we will continue to explore options and provide evidence in respect of this over the coming months.

### **Fundraising**

In September 2015, Sir Stuart Etherington of the National Council for Voluntary Organisations (NCVO) published his report into fundraising practices and regulation in England and Wales in response to a commission from the UK Government; and the Scottish Council for Voluntary Organisations (SCVO) published its informal review into fundraising in Scotland, which had been commissioned by the Scottish Government. Since that time, a cross sector working group has been established in Scotland, and has developed and consulted on a range of options in respect of fundraising. The preferred option places greater emphasis on fundraising charities to self-regulate, involves a role for an independent Scottish body to set standards, along with an enhanced upper-tier complaints handling role for OSCR. Whilst no final decision on how to proceed will be taken until summer 2016, the emerging preferred option, which would be a good strategic fit with the rest of our regulatory work, would have significant implications for OSCR in terms of operations and resources. As an observer on the working group, we will continue to closely monitor the proposals and to work with the Scottish Government and other stakeholders towards implementation.

### **Operational activity**

Our greatest operational risk over the coming year is resourcing. The introduction of targeted regulation will result in changes to the day to day activities which many of our staff undertake, and we are aware that functional and structural changes can impact on staff

morale, attendance and engagement. In addition, any additional statutory responsibilities will place pressure on what is already a finite resource. Like many other public bodies, our 2015-16 funding allocation has been reduced, and whilst we are streamlining our activities to ensure that efficiencies are maximised, it is essential that we ensure that our staff are fully aware of and involved in the change process through all staff discussion, working groups and regular communications. Responsibility for this task lies with the Senior Management Team, and during 2015-16 we worked with an external facilitator to develop our capacity in this area.

## 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.

## Performance Summary and Overview

2015-16 was an extremely productive year in terms of fulfilment of our statutory and strategic roles, with the following worthy of note:

- The overall number of registered charities in Scotland increased to 24,055, its highest yet, during the year. Applications for status were 7% higher than in 2014-15, but we managed to achieve our target of concluding 80% of these within 90 days of receipt. Looking ahead, we expect the number of registered charities to decrease slightly in 2016-17 as we prioritise work to remove charities from the register, where they persistently fail to submit annual returns and accounts to us, do not appear to provide public benefit, or appear to no longer be operational.
- We received 362 concerns about charities from external sources, which was an increase of 7% on 2014-15. All of these are dealt with in accordance with our Inquiry Policy, <http://www.oscr.org.uk/media/1768/2014-12-22-oscr-inquiry-policy-document.pdf> and we aim to resolve the majority within nine months of receipt. Where the outcome of an inquiry may have issues which are of wider relevance or interest to the sector, or where our inquiry results in OSCR issuing a direction or suspension to a Trustee, we publish an Inquiry Report on our website. 2015-16 Reports can be accessed using the following link, <http://www.oscr.org.uk/about/documentation-guidance?search=Inquiry%20Report&cat=&stype=doc>.
- During the year, the number of complaints received about OSCR procedures and/or service standards also increased to 19. We follow the Scottish Public Service Ombudsman's complaints handling procedures, and aim to resolve concerns as quickly as possible, and within the recommended 20 day timescales. Our complaints handling procedure has been approved by the Ombudsman, and is published on our website, [http://www.oscr.org.uk/media/1335/model\\_complaints\\_handling\\_procedure\\_for\\_oscr.pdf](http://www.oscr.org.uk/media/1335/model_complaints_handling_procedure_for_oscr.pdf).

- We recognise that effective and regular interaction with stakeholders increases understanding of trustee responsibilities, enhances compliance with duties, and also raises awareness of OSCR. It also provides us with useful and honest feedback in terms of our own performance and plans. Engaging with charities and other stakeholders was a key priority for us in 2015-16, and we undertook a series of Meet the Regulator Events, throughout Scotland, often in conjunction with the local Third Sector Interface (TSI) organisation. During the events which were themed around diversity, we provided advice briefings and responded to queries; consulted on our proposals for targeted regulation; and tried to get a flavour of the issues and challenges facing charities. In November we participated in Trustees Week, speaking at the launch event in Airdrie; and in February we were at 'The Gathering 2016', which is the Scottish Council for Voluntary Organisations (SCVO) run event aimed at third sector networking learning and discussion. Our website, [www.oscr.org.uk](http://www.oscr.org.uk) contains a wide range of information and guidance for stakeholders in an assortment of formats, and during 2015-16 our 'Meeting the Charity Test' Guidance, which is perhaps one of the most viewed, and important documents we produce, was comprehensively reviewed.

### **Financial Review Summary**

The Government Financial Reporting Manual – FReM 2015/16, issued by HM Treasury sets out the format for the preparation of annual accounts. The revenue resource expenditure, or net operating cost for the year ended 31 March 2016 was £2.936m as shown in the Statement of Comprehensive Net Expenditure; compared to a revenue Budget of £2.997m resulting in an underspend of £0.061m for the year.

As stated in the statement of comprehensive net expenditure, the main operating costs were incurred in relation to staff, at £2.076m (£2.030 in 2014-15); with other expenditure at £0.787m (£0.754m in 2014-15) and depreciation and amortisation at £0.073m (£0.083m in 2014-15). There was no capital resource expenditure for the year ended 31 March 2016.

### **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 2016, OSCR paid 97.2% of its invoices within these terms (97.0% in 2014-15).

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 2016, OSCR paid 92.0% of its invoices within these terms (92.4% in 2014-15).

# Performance Analysis

## How we measure performance

We develop an annual Business Plan, which sets out our key delivery milestones, and publish it on our website, <http://www.oscr.org.uk/media/1867/2015-04-15-oscr-business-plan-2015-16.pdf>. We also collate and publish management information from across the organisation, mainly in respect of our performance on statutory activities, on a monthly basis, <http://www.oscr.org.uk/about/our-work/performance-indicators>.

A summary of our performance in relation to several of our key functions, is provided in the following table:

	<b>Function and performance measure</b>	<b>2015-16 outcome</b>	
1	Consider and decide outcome of applications for charitable status within 90 days of receipt of application, in 80% of cases.	80% of status applications were concluded within the timescale.	
2	Consider and decide on 100% of Consent applications within the statutory deadline.	99% of applications concluded within timescale.	
3	Consider and decide on 100% of re-organisation scheme consent applications within the statutory deadline.	97% of applications concluded within timescale.	
4	Consider and process 100% of charity annual and monitoring returns within 2 months of receipt.	100% of returns considered.	
5	Resolve 75% of concerns about charities within 9 months of receipt of original concern.	86% of concerns received were concluded within the timescale.	

Each year we develop and publish an annual Business Plan which provides information about the specific activities we will undertake to deliver our strategic objectives, and the milestones we will use to measure outcomes. The following link can be used to access this document, and to view our performance <http://www.oscr.org.uk/media/2264/oscr-business-plan-2015-16-year-end-outcomes.pdf>. Overall, 15 of our milestones were achieved in full; 7 partially achieved and in the majority of cases still progressing; and 2 not achieved. In the case of the latter, they have been carried through to our 2016-17 Plan.

In accordance with the Public Services Reform (Scotland) Act 2010 we publish a monthly breakdown of certain areas of expenditure, <http://www.oscr.org.uk/about/our-work/monthly-expenditure-reports> and annually around September, we publish a 'user friendly' comprehensive summary of our key achievements and performance statistics in our Annual Review, <http://www.oscr.org.uk/media/2056/2015-10-15-annual-review-2014-15-a4.pdf>.

As a public body our activities fall under the Freedom of Information (Scotland) Act 2002, and we have a statutory duty to respond to information requests in accordance with legislation. We are also a named organisation under the Public Records (Scotland) Act 2011, and are required to publish and review our records management policy, in accordance with the requirements of the Keeper of the Records of Scotland, annually.

## Sustainability Report 2015-16

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.'

In accordance with the Climate Change (Scotland) Act 2009 we report annually to the Sustainable Scotland Network (SSN), of which we are a member, on our compliance with climate change duties. We also 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 are committed to reducing our CO<sub>2</sub> emissions annually, and will work to achieve this through the implementation of specific projects, both on a standalone basis and in co-operation with the other public bodies which occupy Quadrant House. A copy of our Carbon Management Plan 2014-17 which provides detailed information in respect of our works towards facilitating greater sustainability can be accessed using the following web link, <https://www.oscr.org.uk/media/1505/carbon-management-plan.pdf>.

A handwritten signature in black ink, appearing to read 'D Robb', with a large, stylized flourish above the name.

David Robb  
Chief Executive and Accountable Officer  
16 June 2016

# Accountability Report

## Corporate Governance Report

### Directors' Report

The Directors' Report sets out the key aspects of the internal organisational change and development within OSCR over the course of the year to 31 March 2016. 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, Chair
- Professor David Harrison, Deputy Chair
- Patricia Armstrong
- Fiona Ballantyne (to February 2016)
- Professor Stuart Cross
- David Hughes Hallett (to February 2016)
- Kaliani Lyle
- Shona Ulrichsen

A short biography of each Board Member, together with their Register of Interests can be accessed on our website using the following link <http://www.oscr.org.uk/about/oscr-management/oscr-board>.

### **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 participated in a Business Planning event in January 2016 during which they considered the linkages between day-to-day delivery and achievement of corporate strategic objectives and national performance outcomes; and developed targets and milestones in respect of their day-to-day activities.

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. 'All Staff' meetings are held on a monthly basis, and at these Senior Management Team members provide an overview of their business activities, and take questions relating to their work. This is often followed by a focussed briefing on a relevant topic, provided by either a staff member or invited speaker. In addition, following the conclusion of standard Board business, staff and members have been participating in joint 'Strategic Sessions', which involve an external speaker providing an update on a specific topic, followed by a short discussion on relevance and impact to OSCR.

As in previous years, in October 2015, 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 within the organisation, as well as high level comparator data for the other participating organisations. The survey results, which were published on our website in November 2015, <http://www.oscr.org.uk/hot-topics/charity-regulator-publishes-staff-survey-scores>, have been used to inform staff discussions and learning and development.

Under section 5(5) of the Regulatory Reform (Scotland) Act OSCR must have regard to the Scottish Regulators Code of Practice.

In 2015-16 we carried out an initial assessment of the impact of the new Scottish Regulators Code of Practice and briefed staff on the Code's key objectives. Staff dealing with change and policy review were given specific training to ensure consideration of the code as part of these processes, and a quality assurance checklist added to both Senior Management Team and Board papers ensuring evidence is captured on the Code's impact on key policy and service delivery decisions. Areas of impact this year are demonstrable across OSCR and specifically this year in the work undertaken on the development of OSCR's Risk Framework and planned Charity Review activities. Furthermore, we have reviewed agreements with a number of other regulators to ensure we are effectively sharing information.

## **Pensions**

OSCR staff members are eligible to be members of the Principal Civil Service Pension Scheme (PCSPS). As at 31 March 2016 all 52 permanent members of staff were PCSPS scheme members (2014 -15 54 PCSPS members). In accordance with the Government Financial Reporting Manual (FRoM) the PCSPS is accounted for as if it were a defined contribution scheme. Accounting policy note 1.10 (page 34) 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.

## **Non audit fees**

No payments were made to the External Auditor, Audit Scotland, other than in respect of the statutory audit fee (see note 9 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 2015-16 (nil 2014-15).

## **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.

## **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. Although 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; and to inform preparation of the annual Scottish Budget Act. During 2015-16, I held a series of 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 sets out the terms of our agreement with 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 other Board members. The appointments are made by Scottish Ministers and overseen by the Scottish Public Appointments Commissioner.

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 self assessment checklist in respect of their overall performance in the preceding year.

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 (until February 2016)
Professor Stuart Cross	Member
David Hughes Hallett	Member (Until February 2016)
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 2015-16 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 2015-16, is given below:

Professor David Harrison	Chair
David Hughes Hallett	Member (until February 2016)
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 and Staff Report. As in previous years, no performance pay is currently being awarded in the civil service.

In terms of corporate staffing levels, at the end of 2015-16 the overall permanent staff headcount number was 52 with 17 staff members working on a part time basis, giving an overall FTE of 46.86.

### 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 every second meeting (twelve weeks).
- 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.
- Board Members complete an annual, retrospective self assessment review in respect of their collective performance. Results from this are co-ordinated and fed back to members who then consider whether and any actions; learning or performance issues require to be addressed.

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.
- An IT Code of Conduct which each staff member signs annually, and which sets out our policy in respect of use of technology.

Every two years an Independent ICT security review is conducted in respect of our ICT systems, back-up and recovery arrangements. In addition in 2015-16, at the request of the Audit Committee, an independent review of our cyber resilience arrangements was commissioned and conducted by an ICT consultant. As we move towards delivering additional services on line, we are conscious that the threat of a cyber attack is one of the most critical risks we face. Looking ahead, our considerations in respect of expanding current cloud-based hosting will be influenced heavily by resilience considerations.

### **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 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.

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 and Business 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. Based on the work undertaken during their 2015-16 review, reasonable assurance was awarded 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 2015-16.

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.

## **Remuneration and Staff Report**

### **Remuneration Report**

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 2015-16'. 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](http://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:

		<b>Current term</b>	<b>Date of initial appointment</b>	<b>Date of termination of appointment</b>
The Very Reverend Dr Graham Forbes CBE	Chair	2 <sup>nd</sup>	March 2011	February 2019
Professor David Harrison	Deputy Chair	2 <sup>nd</sup>	March 2010	February 2018
Patricia Armstrong	Member	1 <sup>st</sup>	April 2014	March 2018
Fiona Ballantyne OBE	Member	2 <sup>nd</sup>	June 2008	February 2016*
Professor Stuart Cross	Member	1 <sup>st</sup>	April 2014	March 2018
David Hughes Hallett	Member	2 <sup>nd</sup>	June 2008	February 2016*
Kaliani Lyle	Member	2 <sup>nd</sup>	March 2010	February 2018
Shona Ulrichsen	Member	1 <sup>st</sup>	April 2014	March 2018

\* as indicated, both Fiona Ballantyne and David Hughes Hallett's appointments as Board members ended at the end of February 2016.

### Employees (including the Senior Management Team)

The Constitutional Reform and Governance Act 2010 requires 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](http://www.civilservicecommission.org.uk).

## **Audited Information**

### **Board Remuneration**

	<b>2015-16 £'000</b>	<b>2014-15 £'000</b>
Graham Forbes (Chair)	5-10	5-10
David Harrison	NIL	NIL
Patricia Armstrong	0-5	0-5
Fiona Ballantyne	0-5	0-5
Stuart Cross	0-5	0-5
David Hughes Hallett	0-5	0-5
Kaliani Lyle	0-5	0-5
Shona Ulrichsen	0-5	0-5

David Harrison elected not to claim remuneration for his work as an OSCR Board Member, and Graham Forbes passed on his remuneration to his employers, St Mary's Cathedral, Edinburgh.

There was no increase in the daily fee rate in 2015-16 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	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
David Robb	80-85	80-85	Nil	Nil	Nil	Nil	20	17	100-105	95-100
Laura Anderson	50-55	50-55	Nil	Nil	Nil	Nil	21	20*	70-75	70-75
Judith Hayhow	65-70	65-70	Nil	Nil	Nil	Nil	31	15	95-100	75-80
Judith Turbyne	50-55	50-55	Nil	Nil	Nil	Nil	21	20	70-75	70-75
Martin Tyson	55-60	55-60	Nil	Nil	Nil	Nil	41	26	100-105	80-85

\*Restated in information provided by MyCSP

'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 2015-16 or 2014-15.

### Benefits in kind

There were no benefits in kind in 2015-16 or 2014-15.

### 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.

	2015-16	2014-15
<b>Band of highest paid employee</b>	£80-85,000	£80-85,000
<b>Median salary</b>	£29,394	£28,166
<b>Remuneration ratio</b>	2.81	2.93
<b>Pension benefits</b>		

	Accrued pension at pension age as at 31-3-16 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31-3-16	CETV at 31-3-15	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
<b>Chief Executive</b>					
David Robb	20-25	0-2.5	434	382	16
	Lump sum	Lump sum			
	65-70	2.5-5			
<b>Senior Management Team</b>					
Laura Anderson	5-10	0-2.5	82	63	5
Judith Hayhow	20-25	0-2.5	382	334	16
	Lump sum	Lump sum			
	60-65	0-2.5			

Martin Tyson	15-20	0-2.5	325	272	24
	Lump sum	Lump sum			
	20-25	0-2.5			
Judith Turbyne	0-5	0-2.5	37	21	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
Premium	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.

## Staff Report

The Staff Report contains information relating to staff costs and staff numbers.

### Staff Costs

The staff costs for the year were as follows:

	Permanently employed staff £'000	Others £'000	2015-16 Total £'000	2014-15 Total £'000
Wages and salaries	1,583		1,583	1,553
Social security costs	119		119	117
Other pension costs	330		330	292
Inward secondments		13	13	7
Agency staff costs		31	31	61
<b>Total</b>	<b>2,032</b>	<b>44</b>	<b>2,076</b>	<b>2,030</b>

### Average staff numbers over the year by WTE

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

	2015-16 WTE	2014-15 WTE
Senior management	5.0	4.5
Other permanent staff	42.2	43.3
Inward secondments	0.3	0.3
Agency staff	1.0	1.6
<b>Total</b>	<b>48.5</b>	<b>49.7</b>

### Breakdown by permanent and other at year end

The table below details breakdown of permanent and non-permanent staff, at 31 March 2016.

	Permanent	Temporary
Senior management	5	0
Employees	47	1
<b>Total</b>	<b>52</b>	<b>1</b>

## Breakdown by gender at year end

The table below details the gender breakdown of permanent staff, at 31 March 2016.

	Female	Male
Senior management	3	2
Employees	30	17
<b>Total</b>	<b>33</b>	<b>19</b>

## Sickness absence

The total number of days lost and the average number of days lost per full time equivalent (FTE) to sickness absence reduced during 2015-16 to 6.4 days, as opposed to 9.1 in the 2014-15 period. Days lost to long term sickness were in the main attributable to three spells of absence by staff, two of whom have now returned to work. Given the size of our organisation and the relatively small number of staff employed, absence levels can fluctuate significantly on an annual basis.

At 6.4 days average absence per FTE staff member, levels at OSCR have once again fallen below the Scottish Government Core average equivalent level of 7.2 which is encouraging.

All absences are recorded on the Scottish Government's OneHR system, and absence levels are monitored on a monthly basis within OSCR, and on a quarterly basis on our behalf, by the Scottish Government Human Resource Division. Independent occupational health professionals become involved when absences reach a certain level within a determined timeframe.

	<u>2015-16</u>	<u>2014-15</u>
Days sickness absence		
Short term (under 20 days)	144.6	240
Long term (Over 20 days)	149.6	213
Total	294.2	453

Average per FTE member of staff 6.4

## Policies in relation to disabled persons

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 have published an equality strategy which confirms our ongoing commitment to equality as a public body and an employer. OSCR's commitment to the equality agenda is recorded in the strategy as follows:

'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 we have a corporate responsibility to ensure that 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.

## **Expenditure on consultancy and payroll arrangements**

Consultancy expenditure of £10k was incurred in 2015-16 in respect of facilitation for the Change Control Group (£8k) and Cyber Resilience work (£2k).

In 2014-15 there was expenditure of £10k on consultancy in respect of facilitation for the Change Control Group.

## **Exit packages**

No Board member or senior manager left under voluntary or compulsory exit schemes in 2015-16 (nil in 2014-15).

# **Parliamentary Accountability Report**

## **Losses and Special Payments**

There were no losses and special payments incurred by OSCR in the year to 2015-16 (nil in 2014-15).

## **Fees and Charges**

OSCR do not receive fees or charges income, in the course of work carried out. All income is in the form of funding from the Scottish Government.

## **Remote contingent liabilities**

There were no contingent liabilities at 31 March 2016 which require disclosure under IAS 37 or the Scottish Public Finance Manual (nil in 2014-15).

A handwritten signature in black ink, appearing to be 'David Robb', with a long horizontal line extending to the right.

David Robb  
Chief Executive and Accountable Officer  
16 June 2016

# **Independent Auditors 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 2016 under the Public Finance and Accountability (Scotland) Act 2000. The financial statements comprise the Statement of Comprehensive Net Expenditure, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Taxpayers' Equity, 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 2015/16 Government Financial Reporting Manual (the 2015/16 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 2016 and of its net expenditure 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 2015/16 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:

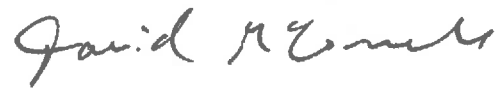
- the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers; and
- the information given in the Performance Report for the financial year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

A handwritten signature in black ink, appearing to read "David McConnell". The signature is written in a cursive style with a large initial 'D' and 'M'.

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

17 June 2016

# Annual Accounts

## Financial Statements

### Statement of Comprehensive Net Expenditure

for the year ended 31 March 2016

	Note	2015-16 £'000	2014-15 £'000
<b>Operating costs</b>			
Staff costs	4	2,076	2,030
Other administration costs	7	787	754
Depreciation and amortisation	8,9	73	83
<b>Net operating cost</b>		<u>2,936</u>	<u>2,867</u>

The notes on pages 34 to 46 form part of these accounts

## Statement of Financial Position

as at 31 March 2016

	Note	2015-16 £'000	2014-15 £'000
<b>Non-current assets:</b>			
Property, plant and equipment	8	39	59
Intangible assets	9	77	130
<b>Total non-current assets</b>		<b>116</b>	<b>189</b>
<b>Current assets:</b>			
Cash and cash equivalents	11	1	1
Trade and other receivables	12	0	0
Other current assets	12	52	49
<b>Total current assets</b>		<b>53</b>	<b>50</b>
<b>Total assets</b>		<b>169</b>	<b>239</b>
<b>Current liabilities:</b>			
Trade and other payables	13	163	217
<b>Total current liabilities</b>		<b>163</b>	<b>217</b>
<b>Non-current assets less net liabilities</b>		<b>6</b>	<b>22</b>
<b>Non-current liabilities:</b>			
Provisions	14	0	0
<b>Total non-current liabilities</b>		<b>0</b>	<b>0</b>
<b>Assets less liabilities</b>		<b>6</b>	<b>22</b>
<b>Taxpayers' equity:</b>			
General fund		6	22



David Robb  
Chief Executive and Accountable Officer  
16 June 2016

The notes on pages 34 to 46 form part of these accounts

**Statement of Cash Flows**  
for the year ended 31 March 2016

	Note	2015-16 £'000	2014-15 £'000
<b>Cash flows from operating activities</b>			
Net operating cost	SCNE	(2,936)	(2,867)
Adjustments for non cash transactions:			
Depreciation and amortisation	8,9	73	83
Audit fee	7	12	12
Movements in working capital:			
(Increase)/decrease in trade and other receivables	12	(3)	12
Increase/(decrease) in trade and other payables	13	(54)	13
Use of provisions	14	0	0
<b>Net cash outflow from operating activities</b>		<u>(2,908)</u>	<u>(2,747)</u>
<b>Cash flows from investing activities</b>			
Purchase of property plant and equipment	8	0	(5)
Purchase of intangible assets	9	0	0
<b>Net cash flow from investing activities</b>		<u>0</u>	<u>(5)</u>
<b>Cash flows from financing activities</b>			
Net funding	3	2,908	2,753
<b>Net increase/(decrease) in cash and cash equivalents</b>			
	11	0	1
Cash and cash equivalents at the beginning of the period	11	1	0
Cash and cash equivalents at the end of the period	11	1	1

The notes on pages 34 to 46 form part of these accounts



**Statement of Changes in Taxpayers' Equity**  
for the year ended 31 March 2016

	Note	General Fund £'000
<b>Balance at 31 March 2014</b>		<b>124</b>
<b>Changes in taxpayers' equity for 2014-15</b>		
Non cash charges – auditor's remuneration	7	12
Net operating cost for the year	SCNE	<u>(2,867)</u>
<b>Total recognised income and expenditure for 2014-15</b>		<b>(2,855)</b>
Net funding	3	2,753
<b>Balance at 31 March 2015</b>		<b>22</b>
<b>Changes in taxpayers' equity for 2015-16</b>		
Non cash charges – auditor's remuneration	7	12
Net operating cost for the year	SCNE	<u>(2,936)</u>
<b>Total recognised income and expenditure for 2015-16</b>		<b>(2,924)</b>
Net funding	3	2,908
<b>Balance at 31 March 2016</b>		<b>6</b>

The notes on pages 34 to 46 form part of these accounts

**Statement of Operating Costs by Departmental Strategic Objective**  
for the year ended 31 March 2016

	Note	2015-16 £'000	2014-15 £'000
<b>Strategic objective</b>			
To develop a flourishing charity sector in Scotland in which the public has confidence, underpinned by OSCR's effective delivery of its regulatory role.			
<b>Allocation of resources and assets:</b>			
Net expenditure	SCNE	2,936	2,867
Total assets	SOFP	169	239

The notes on pages 34 to 46 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 2015-16 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 the 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:

<b>Asset category:</b>	<b>Depreciation period (years)</b>
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 2016 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 2016 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

	2015-16 Budget £'000	2015-16 Outturn £'000	2014-15 Outturn £'000
Gross budget	2,997	2,936	2,872

## 3. Reconciliation of net resource outturn to net cash requirement in 2015-16

2014-15 Outturn £'000		Note	2015-16 Budget £'000	2015-16 Outturn £'000	2015-16 Variance £'000
2,867	Resource outturn		2,997	2,936	(61)
	Capital:				
5	Acquisition of property, plant and equipment	8	0	0	0
	Acquisition of intangible assets	9	0	0	0
<u>5</u>			<u>0</u>	<u>0</u>	<u>0</u>
<u>2,872</u>	Total resource requirement		<u>2,997</u>	<u>2,936</u>	<u>(61)</u>
	Accruals adjustments:				
(95)	Non cash items			(85)	
(25)	Changes in working capital other than cash			57	
<u>2,752</u>	<b>Net cash requirement</b>			<u>2,908</u>	
<b>2,753</b>	<b>Net funding received</b>			<b>2,908</b>	
1	Cash surplus			0	

#### 4. Staff numbers and related costs

	Permanently employed staff £'000	Others £'000	2015-16 Total £'000	2014-15 Total £'000
Wages and salaries	1,583		1,583	1,553
Social security costs	119		119	117
Other pension costs	330		330	292
Inward secondments		13	13	7
Agency staff costs		31	31	61
<b>Total</b>	<b>2,032</b>	<b>44</b>	<b>2,076</b>	<b>2,030</b>

The average number of permanent persons employed was 47.

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

	2015-16 WTE	2014-15 WTE
Senior management	5.0	4.5
Other permanent staff	42.2	43.3
Inward secondments	0.3	0.3
Agency staff	1.0	1.6
<b>Total</b>	<b>48.5</b>	<b>49.7</b>

Additional staffing information can also be found in the Staff Report on page 22.

#### 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 2015-16 or 2014-15.

## 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](http://www.civilservice.gov.uk/pensions)).

The Scottish Government currently has five pension schemes offering employer contributions at one of four rates in the range of 20% to 24.5% of pensionable pay, 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 or Alpha. There is also an annuity scheme (Partnership).

For 2015-16, employers' contributions of £330,244 were payable to the PCSPS (2014-15 £292,410). 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 2015-16 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

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:

	<b>Classic</b>	<b>Premium, Classic Plus, Nuvos and Alpha</b>
<b>Full Time Equivalent Annual Pay Range</b>	<b>Contribution rates from 1 April 2014</b>	<b>Contribution rates from 1 April 2014</b>
Up to £15,000	1.50%	3.50%
£15,001 - £21,000	3.00%	5.00%
£21,001 - £30,000	4.48%	6.48%
£30,001 - £50,000	5.27%	7.27%
£50,001 - £60,000	6.06%	8.06%
Over £60,000	6.85%	8.85%

From 1 April 2015 a single set of contribution rates was set across Civil Service Pensions, regardless of whether members are in Classic, Classic Plus, Premium, Nuvos or Alpha.



During 2015-16, employee contribution rates were set as follows:

	<b>Members who moved into alpha from classic</b>	<b>All other members</b>
<b>Full Time Equivalent Annual Pay Range</b>	<b>Contribution rates from 1 April 2015</b>	<b>Contribution rates from 1 April 2015</b>
Up to £15,000	3.00%	4.60%
£15,001 - £21,000	4.60%	4.60%
£21,001 - £47,000	5.45%	5.45%
£47,001 - £150,000	7.35%	7.35%
£150,001 and above	8.05%	8.05%

Benefits accrue as follows:

Classic:

Benefits accrue at the rate of 1/80<sup>th</sup> 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:

Benefits accrue at the rate of 1/60<sup>th</sup> 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 1 October 2002 are worked out as per Premium.

Nuvos and Alpha:

In both of these schemes 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. There is no automatic lump sum.

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

Partnership:

The partnership pension account is a stakeholder pension arrangement. The employer contribution consists of 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement) plus an age related contribution ranging from 11.5% to 24.5%.

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 a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Members of the partnership schemes are contracted in to the state pension scheme – so pay higher National Insurance contributions than members of the four Scottish Government pension schemes.

Further details about the Civil Service pension arrangements can be found at the website [www.civilservice.gov.uk/pensions](http://www.civilservice.gov.uk/pensions).

## 7. Other administration costs

	2015-16 £'000	2014-15 £'000
Property costs	164	147
Supplies and services	432	403
Staff related costs	55	68
Rentals under operating leases	124	124
<u>Non cash items:</u>		
Auditors' remuneration and expenses	12	12
<b>Total</b>	<b>787</b>	<b>754</b>

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 2016. 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 2016 (£nil in the year to 31 March 2015).

## 8. Property, plant and equipment

	Leasehold improvements £'000	Information technology £'000	Plant and machinery £'000	Total £'000
<b>Cost</b>				
1 April 2015	191	185	55	431
Additions	0	0	0	0
Disposals	0	(41)	0	(41)
<b>31 March 2016</b>	<b>191</b>	<b>144</b>	<b>55</b>	<b>390</b>
<b>Depreciation</b>				
1 April 2015	165	152	55	372
Charged in year	5	15	0	20
Disposals	0	(41)	0	(41)
<b>31 March 2016</b>	<b>170</b>	<b>126</b>	<b>55</b>	<b>351</b>
<b>Net book value at 31 March 2016</b>	<b>21</b>	<b>18</b>	<b>0</b>	<b>39</b>
<b>Restated</b>				
	Leasehold improvements £'000	Information technology £'000	Plant and machinery £'000	Total £'000
<b>Cost</b>				
1 April 2014	191	195	55	441
Additions	0	5	0	5
Disposals	0	(15)	0	(15)
<b>31 March 2015</b>	<b>191</b>	<b>185</b>	<b>55</b>	<b>431</b>
<b>Depreciation</b>				
1 April 2014	160	144	55	359
Charged in year	5	23	0	28
Disposals	0	(15)	0	(15)
<b>31 March 2015</b>	<b>165</b>	<b>152</b>	<b>55</b>	<b>372</b>
<b>Net book value at 31 March 2015</b>	<b>26</b>	<b>33</b>	<b>0</b>	<b>59</b>
<b>31 March 2014</b>	<b>31</b>	<b>51</b>	<b>0</b>	<b>82</b>

All assets are owned.

**9. Intangible assets**

	<b>Software £'000</b>
<b>Cost</b>	
1 April 2015	877
Additions	0
Transfers	0
Disposals	0
<b>31 March 2016</b>	<u><b>877</b></u>
<b>Amortisation</b>	
1 April 2015	747
Charged in year	53
Disposals	0
<b>31 March 2016</b>	<u><b>800</b></u>
<b>Net book value at 31 March 2016</b>	<b>77</b>

	<b>Software £'000</b>
<b>Cost</b>	
1 April 2014	877
Additions	0
Transfers	0
Disposals	0
<b>31 March 2015</b>	<u><b>877</b></u>
<b>Amortisation</b>	
1 April 2014	692
Charged in year	55
Disposals	0
<b>31 March 2015</b>	<u><b>747</b></u>
<b>Net book value at 31 March 2015</b>	<b>130</b>
<b>31 March 2014</b>	<b>185</b>

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

	2015-16 £'000	2014-15 £'000
Balance as at 1 April	1	0
Net change in cash and cash equivalent balances	<u>0</u>	<u>1</u>
Balance as at 31 March	<u>1</u>	<u>1</u>

This balance is held in a commercial bank.

## 12. Trade receivables and other current assets

	31 March 2016 £'000	31 March 2015 £'000
Value Added Tax	0	20
Prepayments	<u>52</u>	<u>29</u>
	<u>52</u>	<u>49</u>

Analysis of trade receivables and other current assets:

	31 March 2016 £'000	31 March 2015 £'000
Balances with other central government bodies	20	20
Balances with bodies external to government	<u>32</u>	<u>29</u>
	<u>52</u>	<u>49</u>

### 13. Trade payables and other current liabilities

	31 March 2016 £'000	31 March 2015 £'000
Trade payables	80	131
Accruals and deferred income	83	86
	<u>163</u>	<u>217</u>

Analysis of trade payables and other current liabilities:

	31 March 2016 £'000	31 March 2015 £'000
Balances with other central Government bodies	105	100
Balances with bodies external to Government	58	117
	<u>163</u>	<u>217</u>

### 14. Provisions for liabilities and charges

There were no provisions for liabilities and charges in 2015-16.

### 15. Capital commitments

There were no contracted capital commitments not otherwise included in these financial statements as at 31 March 2016.

### 16. Commitments under leases

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

	£'000	£'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	268	392

## **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 2016 (£nil 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 2015-16 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 2016 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.

Signed by the authority of the Scottish Ministers



Dated 6 June 2016