



# Annual Report and Accounts 2011-12

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# **Annual Report and Accounts 2011-12**

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The Accountable Officer authorised these financial statements for issue on 2 July 2012.

## Annual Report

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### 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, which is appointed by Scottish Ministers following a public appointments process. The Board is responsible for strategic direction, oversight and governance and Members also act as ambassadors for OSCR, promoting policies and values and bringing specialist knowledge to the Board.

This Annual Report and Accounts gives a brief account of our activities in 2011-12 including general recommendations which have arisen from the exercise of our functions during the year. The report will be laid before the Scottish Parliament and sent to Scottish Ministers for consideration. In common with all other materials produced by OSCR, including our Annual Review document which is aimed at a more general readership, this Report and Accounts is also published on our website, and is available in a range of formats, on request.

The 2011-12 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 an appendix 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, whilst maintaining operational independence.

### Statement of Activity

OSCR is the independent registrar and regulator for Scotland's charities. We regulate over 23,000 Scottish charities which include community groups, care providers, environmental groups, religious charities, schools, universities, museums and grant-giving charities. Charities contribute directly as a major economic force to the Scottish economy, and figures taken from the Scottish Charity

Register indicate that Scottish based charities have an annual turnover of over £8 billion.

OSCR is responsible for:

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

### Corporate Objectives and Review of Principal Activities for 2011-12

OSCR has a significant role to play in creating and ensuring an environment where proportionate regulation adds positive value for charities, enabling them to effectively contribute to the economic and social development of Scotland, fully supported by the public.

OSCR's vision is of:

'a flourishing charity sector in which the public has confidence, underpinned by the effective delivery of OSCR's regulatory role'.

Our Strategic Objectives for 2011-12, were to:

- increase public confidence in charities through effective regulation;
- increase transparency and public accountability of charities;
- increase charity trustees' awareness of and compliance with their statutory responsibilities;
- establish and maintain OSCR as a trusted, effective and innovative regulator;
- minimise the burden of regulation on charities wherever possible, with particular emphasis on reducing multiple reporting; and
- operate effectively and efficiently, demonstrating a commitment to the principles and practice of Best Value.

Our strategic objectives are long-term in nature, and whilst we have made significant progress towards the achievement of these, much of our outcome reporting is in the form of longitudinal studies which show trends over time.

In accordance with the requirements of the Public Services Reform (Scotland) Act 2010, we publish information on our website relating to certain expenditure and to the exercise of our functions. We also publish monthly performance statistics tracking our efficiency as a public body, and how charities are responding to the regulatory regime.

### Activities and Outcomes in 2011-12

In addition to our Strategic Objectives, for 2011-12 we developed a range of specific business objectives which allow us to measure how well we are performing on the range of day-to-day functions which contribute to the overall strategic delivery. Appendix 2 of this document provides full details of these measures, and records our overall performance throughout 2011-12.

Other key activities to note in the business year are as follows:

- The **Scottish Charitable Incorporated Organisation**, which is a new legal form for registered Scottish charities, became available for new charities from 1 April 2011, and for existing Scottish charities who wished to change legal form, from 1 January 2012. As a corporate body with legal personality, a SCIO may enter into the same type of transactions as a natural person, such as entering into contracts, employing staff, incurring debts, owning property, suing and being sued. As the transactions of a SCIO are undertaken by it directly, rather than by its *charity trustees* on its behalf, the charity trustees are in general protected from incurring personal liability. 238 SCIOs were registered in 2011-12.
- As part of our **Outreach Programme**, during 2011-12 we held a series of dedicated training sessions for the charity sector in locations throughout Scotland. The outreach programme is aimed specifically at those professionals who advise charities on their responsibilities, such as umbrella bodies, local support groups, lawyers and accountants. Through the provision of training to these advisors, we aim to improve reporting standards and governance within charities.
- **Reviewing Charitable Status:** in 2008 we determined that Hutcheson's Educational Trust, Glasgow; Lomond School, Helensburgh; Merchiston Castle School, Edinburgh and St Leonard's School, St Andrews did not meet the charity test, due to unduly restrictive conditions, primarily fees, and insufficient mitigation to address these. Each school was issued with a three part Direction which required them to demonstrate, by October 2011 that they had addressed the issues which had caused them to fail the test, and implemented the necessary changes. In November 2011 OSCR's Board decided that all four schools had taken sufficient steps to enhance public benefit, and accordingly that each school met the charity test, and will remain on the Scottish Charity Register.
- Our report, **Protecting Charitable Status**, published in February 2012, summarised the reviews of status undertaken in our first 6 years of operation, (including the 4 schools mentioned above) and explains how we considered whether charities in specific 'priority' groups were assessed for compliance against the charity test. Based on experience, we determined that there is no need for a full scale review of charities in the Scottish Charity Register, and that going forward, we will focus our reviews on those types of charity where there seems to be the greatest likelihood of difficulty in complying with the requirements of charity law. The basis for reviews will also be broader than at present, covering a range of regulatory issues including governance, and an emphasis on international charities.
- Our **Scottish Charities 2011** report, published in February 2012, provided an updated general profile of the geographical location and activity of Scotland's charities and their income and expenditure and charitable purposes. In addition the report included for the first time information about the scale and nature of charity income provided from the public sector, enabling us to develop a better understanding of how future public sector spending decisions might impact on the charity sector.
- Under the Public Service Reform Act 2010, OSCR has a legal duty to involve its users in its work and show that it is continually trying to improve that involvement. Following consultation we developed and implemented a new **Public Focus** action plan which outlines how we will involve and seek to involve the public, charities and other bodies who may have an interest in our work.

- Under section 33 of the 2005 Act, OSCR must report on the subject of inquiries made under section 28 if as a result of the inquiries it gives a Direction or removes a charity from the Register or suspends a person under sections 30 or 31 of the Act. In 2011-12 a total of 18 **Inquiry Reports** were published on our website, in respect of a diverse range of inquiries undertaken. Included within these were a number of high profile Inquiry Reports which attracted media coverage, such as The Scalloway Public Hall Trust and The Royal Zoological Society of Scotland.

### Advice to Ministers

Section 1(5)(e) of the 2005 Act provides that OSCR has the function of advising Ministers on matters relating to its functions. Section 2 further provides that our Annual Report may include any general recommendations which we have arising from the exercise of our functions during this and any previous years.

Since our establishment in 2006 we have made a number of recommendations to Ministers many of which have related to specific technical changes to the 2005 Act. We have welcomed Ministers' willingness to engage with us in respect of these recommendations, as demonstrated by the inclusion of many in the Public Services Reform (Scotland) Act 2010. There are, however, a number of other changes, which we have previously recommended to Ministers which have yet to be acted upon and we recognise that this is primarily because there have been no appropriate legislative opportunities from them to be. We would also draw attention to the following previous recommendations which remain outstanding:

- that the provisions of the National Health Service (Scotland) Act 1978 are reviewed with a view to ensuring that at least a majority of charity trustees of the Endowment Funds are independent of the relevant Health Board, thereby resolving our concerns about governance.
- as was proposed last year, we would suggest that Ministers initiate an overall review of the 2005 Act, and we would be happy to support the process.
- that Scottish Ministers explore with Ministers in England and Wales and in Northern Ireland, a route by which HMRC might formally accept, for the purposes of UK tax relief, all organisations recognised by any UK Charity Regulator.
- that consideration be given to removing the requirement for the accounts of charities where the local authority is the sole trustee to be audited. Instead, the accounts

of these charities should be subject only to the external scrutiny requirements of the Charities Accounts (Scotland) Regulations 2006 (as amended) and therefore independent examination would be an option for smaller local authority charities.

- that organisations engaged in public collections should be required to positively state whether or not they are a charity.

### Key Priorities for 2012-13

As a public body OSCR is required to maximise value for money and to continually improve the efficiency with which we undertake our statutory functions. Early in 2012-13 we will carry out a comprehensive review of our **Corporate Plan** and consider the scale, scope and focus of our activities, in light of our three year Comprehensive Spending Review allocation. We anticipate consulting on our updated plan towards the end of the year.

**OSCR online**, a major new IT system will go live in the summer enabling charities to complete their annual monitoring returns electronically, and submit them, together with the appropriate accounts, to us. Whilst initially online filing will not be mandatory, it is something which we expect to move towards over time, and over 60% of charities have already indicated that they wish to receive monitoring information from us electronically. As part of the development of the project, we have streamlined the information which charities require to submit to us; and we will also enhance the information we provide about charities on the Scottish Charity Register. Specifically we will provide easy to interpret financial breakdown of larger charity incomes; and make it clearer to see whether charities have or have not met our monitoring requirements.

**Ongoing casework** - We anticipate that casework will continue in the year ahead at no less than 2011-12 levels. Given the current economic challenges being faced we anticipate that the number of reorganisation schemes put forward by charities may increase. For example, we are aware that many local authorities are either in the process of, or are planning to submit proposals to us in respect for the reorganisations of the charitable trusts which they administer, in order to release additional charitable funds and apply these better to charitable purposes.

We understand the importance of **providing ongoing information and guidance** to charities, and through the delivery of the second phase of our Outreach Programme we will continue to focus on working with intermediary

organisations and professional advisers to maximise our reach and impact. We also recognise that there is a considerable appetite for advice, guidance and support from OSCR at trustee level, and our Board have decided that we will replace our Annual Open Meeting with a rolling programme of events throughout Scotland, where trustees will have the opportunity to meet with our Board Members and staff, and discuss key issues and challenges. We are currently developing proposals for the events, but hope to launch the programme in September.

Our **website** remains our key communication tool, and both visitor numbers and subscriber numbers to our e-newsletter, 'OSCR Reporter' have increased on an annual basis since 2006. The website layout has already been refreshed to take account of the changes stemming from online filing, and further enhancements are planned throughout the year, with a view to making it easier for site visitors to access the information they are looking for. Initial exploratory work into the feasibility of using social media such as Twitter, to engage with stakeholders has been carried out, and we hope to start 'tweeting' in the autumn.

## 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 that OSCR staff have the same terms and conditions as staff within the Scottish Government, and have access to the civil service pension arrangements. OSCR's HR and payroll functions are carried out by the Scottish Government Human Resource Division 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.

We have a comprehensive staff induction programme for all new staff which includes a series of one-to-one induction sessions between the new employee, representatives from each of the OSCR teams, members of the Senior Management Team and the Chief Executive.

As a Bronze Standard Investors in People accredited organisation, learning and development are an integral part of what we do. Each staff member has two formal performance review meetings each year, during the course of which any learning or development needs are identified.

These are then collated into our Corporate Learning Plan, which identifies training needs and delivery mechanisms at an individual, team and corporate level. This Plan is reviewed at regular intervals by our Senior Management Team.

In September 2011, OSCR was one of 97 organisations which took part in the UK Civil Service People's 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, were very positive, and will be used to inform staff training and development in 2012-13.

## Pensions

OSCR staff members are eligible to be members of the Principal Civil Service Pension Scheme. During the year to 31 March 2012, 7 new staff joined and 4 left the scheme as OSCR members, leaving an OSCR membership at 31 March 2012 of 51 (48 as at 31 March 2011). Details of the scheme are included in note 4 to these accounts. Details of the pension entitlements of OSCR's Senior Management Team are given in the Remuneration Report.

## Sickness Absence

The following information is provided for the year ended 31 December 2011. Whilst the overall days of sickness appear to have increased, the average per staff member has reduced, reflecting the increased staffing levels between 2010 and 2011.

	2011	2010
Days sickness absence*		
Short term	224	172
Long term	22	71
Total	246	243
Average per member of staff	4.9	5.1

\*excludes sickness days incurred while on part-time working on medical grounds

## Personal Data Security

There were no known incidents of personal data breaches in 2011-12 (nil 2010-11).

## Equal Opportunities and Diversity Policies

OSCR adopts the Scottish Government policies on equal opportunities and diversity. The policy on equal opportunity states that all staff should be 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. In line with Scottish Government policy, OSCR is specifically required to increase the diversity of staff within the organisation. OSCR undertakes to develop all staff and positively values the different perspectives and skills each brings to our work.

OSCR is implementing its Equality Strategy for 2012-15, which outlines how it will meet its public duties regarding equalities during the next 3 years in an effective and proportionate manner. OSCR is committed to delivering its functions in a manner that encourages equal opportunities, aims to eliminate unlawful discrimination and other conduct prohibited by equality legislation, and fosters good relations between people who share a protected characteristic and those who do not.

## Environmental Matters

OSCR remains committed to meeting its environmental responsibilities as a public body. We adhere to environmental requirements in areas such as procurement, business travel and buildings management. We also recognise the importance of consistent environmental reporting across public sector bodies and our full Sustainability Report therefore, conforms to the public sector sustainability reporting guidance produced by the Scottish Government.

Our Carbon Management Plan (CMP) 2011-14 sets a target of a 10% reduction in our CO<sub>2</sub> emissions, which we believe is realistic given that we are a relatively small organisation occupying a building already accredited as Very Good

under the Building Research Establishment Environmental Assessment Methodology. We intend to achieve our target through the implementation of specific projects, both on a stand-alone basis and in co-operation with the other bodies occupying Quadrant House. Several of our projects have required behavioural changes among our staff and all have been implemented successfully. These projects are published in our CMP and our progress set out in our full Sustainability Report.

Compared to our 2008-09 baseline, we have achieved a 16% reduction in our CO<sub>2</sub> emissions from energy use and a 43% reduction in CO<sub>2</sub> emissions from business travel. This represents a 19% reduction in our CO<sub>2</sub> emissions overall.

## Expenditure for Year

The resource expenditure for the year ended 31 March 2012 was £2.8 million as shown in the Statement of Comprehensive Expenditure. Non-current assets to the value of £0.3 million were acquired during the year, resulting in a total outflow of £3.1 million.

## 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 2012, OSCR paid 99.8% of its invoices within these terms (99.4% in 2010-11).

Following the Scottish Ministers announcement to reduce the time taken to make payments to suppliers in October 2008, OSCR has set a second target requiring payment to be with suppliers within 10 working days of the receipt of a valid and undisputed invoice. During the year ended 31 March 2012, OSCR paid 98.4% of its invoices within these terms (98.8% in 2010-11).

## Provision of Relevant Information

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.

## Auditor

The Auditor General for Scotland has appointed Audit Scotland as auditor. Details of the audit fee for the year to 31 March 2012 are disclosed in note 5 to the accounts.



DAVID ROBB  
Chief Executive and  
Accountable Officer  
27 June 2012

## Remuneration Report

### Remuneration Policy

Board Members are not employees of OSCR or part of the Civil Service, and until 31 March 2008 were not remunerated. From 1 April 2008 Scottish Ministers approved remuneration for Board Members. Remuneration is determined in accordance with the 'Public Sector Pay Policy for Senior Appointment: Chief Executive, Chairs and Members'. Further information about the policy may be found at [www.scotland.gov.uk/Publications](http://www.scotland.gov.uk/Publications).

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

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](http://www.civilservicecommission.org.uk).

### Board Remuneration

Board Members were due remuneration in the following bands:

	2011-12 £'000	2010-11 £'000
John Naylor OBE (Chair, until 28 February 2011)	n/a	10-15
Graham Forbes CBE (Chair, from 1 March 2011)	5-10	0-5
Lindsay Montgomery CBE (Deputy Chair)	Nil	Nil
Fiona Ballantyne	0-5	0-5
Annie Gunner Logan	0-5	0-5
David Harrison	Nil	0-5
David Hughes Hallett	0-5	0-5
Kaliani Lyle	0-5	0-5
Oscar Mendoza	0-5	0-5

Lindsay Montgomery and David Harrison (from 2011-12) have elected not to claim remuneration for their work as OSCR Board Members. Graham Forbes and Annie Gunner Logan have 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 2011-12 in accordance with the government policy on pay restraint.

## Salary and Pension Entitlements

The following sections provide details of the remuneration and pension interests of the most senior officials of the department during their period in office.

	2011-12			2010-11		
	Salary £'000	Bonus £'000	Benefits in kind (to nearest £100)	Salary £'000	Bonus £'000	Benefits in kind (to nearest £100)
<b>Chief Executive</b>						
Jane Ryder (to 30 September 2011)	35-40 (70-75 fye*)	0	0	70-75	0-5	0
David Robb (from 24 October 2011)	30-35 (75-80 fye*)	0	0	n/a	n/a	n/a
<b>Senior Management Team</b>						
Laura Anderson	40-45	0	0	40-45	0	0
Quentin Fisher	50-55	0	0	50-55	0	0
Judith Hayhow	60-65	0	0	55-60	0	0
Martin Tyson	40-45	0	0	40-45	0	0

\*fye is full year equivalent

### Salary

'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

Bonuses, where available within the constraints of the UK pay policy, are based on performance levels attained and are made as part of the appraisal process and are not consolidated. Bonuses are recorded according to the year in which they are paid.

### Benefits in kind

The monetary value of benefits in kind covers any benefits provided by OSCR and treated by HM Revenue and Customs as a taxable emolument.

### 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.

	2011-12	2010-11
<b>Band of highest-paid employee</b>	£75-80,000	£75-80,000
<b>Median total</b>	£27,207	£27,207
<b>Remuneration ratio</b>	2.8	2.8

## Pension Benefits

	Accrued pension at pension age as at 31-3-12 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31-3-12 <sup>1</sup>	CETV at 31-3-11	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
<b>Chief Executive</b>					
Jane Ryder	5-10	0-2.5	112	97	12
David Robb	15-20 Lump sum 55-60	0-2.5 Lump sum 0-2.5	313	305	1
<b>Senior Management Team</b>					
Laura Anderson	0-5	0-2.5	18	12	3
Quentin Fisher	5-10 Lump sum 25-30	0-2.5 Lump sum 2.5-5	119	98	12
Judith Hayhow	15-20 Lump sum 50-55	0-2.5 Lump sum 0-2.5	253	225	9
Martin Tyson	10-15 Lump sum 15-20	0-2.5 Lump sum 0-2.5	166	145	7

The financial information above is covered by the audit opinion.

### Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (classic, premium, or classic plus); or a 'whole career scheme' (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by the UK Parliament each year. Pensions payable under classic, premium, classic plus and nuvos 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 2011-12, employee contributions were set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. Increases in employee contributions will apply from 1 April 2012. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. 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.

<sup>1</sup> The actuarial factors used to calculate CETVs were changed in 2011-12. The CETVs at 31-3-11 and 31-3-12 have both been calculated using the new factors for consistency. The CETV figures at 31-3-11 therefore differs from the corresponding figures in last year's report which was calculated using the previous factors.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (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% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.

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).

### **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.

### **Real increase in CETV**

This 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 members of staff left under voluntary or compulsory exit schemes in 2011-12 (2 in 2010-11).

## Statement of Accountable Officer's Responsibilities

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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; and
- 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. 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. We also liaise with the Charity Law Team, responsible for implementing the Charity and Trustee Investment (Scotland) Act 2005, and the Third Sector Team which has policy responsibility for the third sector as a whole.

### 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) and section 2 of 'On Board: A Guide for Board Members of Public Bodies in Scotland'.

The system of internal control we have developed 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 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 Corporate Services and also the Director of Finance.

### Our Board

OSCR is headed by a Board consisting of a Chair, a Deputy Chair and 6 Board Members. The appointments are made by Scottish Ministers and overseen by the Scottish Public Appointments Commissioner. Each Board Member is subject to an annual appraisal by the Chair and Board Members participate in regular training and briefings. The Chair also meets with the Scottish Government's Director General for Learning and Justice to annually consider the Board and his own performance.

Membership of the Board and their roles during the period to the date of this report are given below:

The Very Reverend Dr Graham Forbes CBE	<b>Chair</b>
Lindsay Montgomery CBE	<b>Deputy Chair</b>
Fiona Ballantyne	<b>Member</b>
Annie Gunner Logan	<b>Member</b>
Professor David Harrison	<b>Member</b>
David Hughes Hallett	<b>Member</b>
Kaliani Lyle	<b>Member</b>
Oscar Mendoza	<b>Member</b>

The Board is responsible for providing strategic direction, oversight and governance and for monitoring expenditure and operations. The Board met regularly throughout the period to fulfil this role.

Members of the Board also serve on the Audit Committee, which under its terms of reference meets a minimum of 3 times a year. Membership of the Audit Committee is given below:

Lindsay Montgomery CBE	<b>Chair</b>
David Hughes Hallett	<b>Member</b>
Oscar Mendoza	<b>Member</b>

Minutes of the meetings, brief biographies and the Register of Interest of Board Members are available on our website.

### 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. Jane Ryder, who had been Chief Executive since OSCR's establishment, resigned from post in September 2011. David Robb was appointed as Chief Executive in October 2011. The Chief Executive 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 who are responsible for day-to-day operations.

### Senior Management Team

Jane Ryder (to 30 September 2011)	<b>Chief Executive</b>
David Robb (from 24 October 2011)	<b>Chief Executive</b>
Laura Anderson	<b>Head of Inquiry and Investigations</b>
Quentin Fisher	<b>Head of Policy and Development</b>
Judith Hayhow	<b>Head of Corporate Services</b>
Martin Tyson	<b>Head of Charity Services</b>

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, in 2011-12 the overall staff head count was 52 with 7 staff members working on a part-time basis.

## The Risk and Control Framework

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

The OSCR Board regularly considers risk in respect of specific issues, and in 2011-12 also considered matters relating to the undertaking of core functions within the current economic climate. Our Audit Committee considered all of the risks associated with our activities at each of its meetings.

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

- Our Corporate Risk Register is comprehensive, and ownership of specific risks is allocated to members of the Senior Management Team. The register is reviewed by them on a quarterly basis.
- 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. All OSCR staff have access to the risk register and are invited to comment on it on an on-going basis.

- In accordance with Scottish Government Guidance to Audit Committees, 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 to the Board around June each year.
- Quality Assurance is embedded into our core business and processes, and is an integral part of what we do. We have a Quality Assurance Framework, against which we assess our performance and the outcome is reported to the Audit Committee.

In addition we have:

- A comprehensive induction programme for all staff and Board Members which covers governance and accountability; risk management including training in secure data handling; and details of staff roles and responsibilities.
- A number of all-staff meetings at which topical policy and procedural matters are presented to, and discussed with, staff.
- Surveys of the public, the charity sector and OSCR staff which seek comments on our performance, our values and our corporate objectives.
- A Best Value Plan 2011-14 which complies with the revised 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.

## 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 6 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 considers Management Accounts on a monthly basis, and have individual meetings with the Finance Manager, every 6 weeks, to consider expenditure and projections. We have a Business Continuity Plan which is subject to annual review, and during 2011-12 its effectiveness was tested.

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; evaluating the nature and extent of those risks; and deciding how to manage them effectively, economically and efficiently.

The OSCR Board meets at least every 2 months, with meetings attended by myself and Senior Management Team members.

The OSCR Audit Committee, which the Head of Corporate Services and I attend, alongside representatives from both Internal and External Audit, meets at least 3 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. The Board then reviews risk overall on an annual basis.

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.



DAVID ROBB  
Chief Executive and Accountable Officer  
27 June 2012

# 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 2012 under the Public Finance and Accountability (Scotland) Act 2000. The financial statements comprise the Statement of Comprehensive 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 2011-12 Government Financial Reporting Manual (the 2011-12 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.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts, disclosures, and regularity of expenditure and income 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. 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. If I become aware of any apparent material misstatements 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 2012 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 2011-12 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 and Performance against Business Objectives 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.

*Linda Porter*

**Linda Porter**  
Senior Audit Manager

Audit Scotland  
18 George Street  
Edinburgh  
EH2 2QU

2 July 2012

## Statement of Comprehensive Expenditure

### for the year ended 31 March 2012

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	Note	2011-12 £'000	2010-11 £'000
<b>Operating costs</b>			
Staff costs	4	1,953	1,952
Other administration costs	5	763	792
Depreciation	6,7	72	169
<b>Net operating cost</b>		<b>2,788</b>	<b>2,913</b>

The notes on pages 24 to 31 form part of these accounts.

## Statement of Financial Position

### as at 31 March 2012

	Note	2012 £'000	2011 £'000
<b>Non-current assets:</b>			
Property, plant and equipment	6	121	86
Intangible assets	7	206	55
<b>Total non-current assets</b>		<b>327</b>	<b>141</b>
<b>Current assets:</b>			
Trade and other receivables	9	0	0
Other current assets	9	48	10
<b>Total current assets</b>		<b>48</b>	<b>10</b>
<b>Total assets</b>		<b>375</b>	<b>151</b>
<b>Current liabilities:</b>			
Trade and other payables	10	203	205
<b>Total current liabilities</b>		<b>203</b>	<b>205</b>
<b>Non-current assets less net liabilities</b>		<b>172</b>	<b>(54)</b>
<b>Non-current liabilities:</b>			
Provisions	11	5	7
<b>Total non-current liabilities</b>		<b>5</b>	<b>7</b>
<b>Assets less liabilities</b>		<b>167</b>	<b>(61)</b>
<b>Taxpayers' equity:</b>			
General fund		167	(61)



DAVID ROBB  
Chief Executive and Accountable Officer  
27 June 2012

The notes on pages 24 to 31 form part of these accounts.

## Statement of Cash Flows

### for the year ended 31 March 2012

	Note	2011-12 £'000	2010-11 £'000
<b>Cash flows from operating activities</b>			
Net operating cost		(2,788)	(2,913)
Adjustments for non-cash transactions:			
Depreciation	6,7	72	169
Audit fee	5	13	14
Movements in working capital:			
(Increase)/decrease in trade and other receivables		(38)	(2)
Increase/(decrease) in trade and other payables		(51)	24
Use of provisions		2	7
<b>Net cash outflow from operating activities</b>		<b>(2,790)</b>	<b>(2,701)</b>
<b>Cash flows from investing activities</b>			
Purchase of property plant and equipment		(79)	(41)
Purchase of intangible assets		(131)	(19)
<b>Net cash flow from investing activities</b>		<b>(210)</b>	<b>(60)</b>
<b>Cash flows from financing activities</b>			
Net funding		3,000	2,761
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>0</b>	<b>0</b>
Cash and cash equivalents at the beginning of the period		0	0
Cash and cash equivalents at the end of the period		0	0

The notes on pages 24 to 31 form part of these accounts.

## Statement of Changes in Taxpayers' Equity

### for the year ended 31 March 2012

	Note	General Fund £'000
<b>Balance at 1 April 2010</b>		<b>77</b>
<b>Changes in taxpayers' equity for 2010-11</b>		
Non-cash charges – auditor's remuneration	5	14
Net operating cost for the year		(2,913)
<b>Total recognised income and expenditure for 2010-11</b>		<b>(2,899)</b>
Net funding		2,761
<b>Balance at 31 March 2011</b>		<b>(61)</b>
<b>Changes in taxpayers' equity for 2011-12</b>		
Non-cash charges – auditor's remuneration	5	13
Release of provisions		3
Net operating cost for the year		(2,788)
<b>Total recognised income and expenditure for 2011-12</b>		<b>(2,833)</b>
Net funding		3,000
<b>Balance at 31 March 2012</b>		<b>167</b>

The notes on pages 24 to 31 form part of these accounts.

## Statement of Operating Costs by Departmental Strategic Objective

for the year ended 31 March 2012

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	2011-12 £'000	2010-11 £'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	2,788	2,913
Total assets	375	151

The notes on pages 24 to 31 form part of these accounts.

## Notes to the Accounts

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### 1. Statement of accounting policies

The financial statements have been prepared in accordance with the 2011-12 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. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of OSCR for the purposes of giving a true and fair view has been selected. 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.

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.

#### 1.1 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.

#### 1.2 Property, plant and equipment

OSCR occupies a leasehold building under a 17 year operating lease with 5 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 £1,000 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:

Leasehold improvements	5-11 years
Plant and machinery	5 years
Information technology	3-5 years

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

#### 1.3 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 IAS38 where assets do not generate income. IAS38 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 3 to 5 years and are amortised over this period.

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

#### 1.4 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.

#### 1.5 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.

#### 1.6 Leasing

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

#### 1.7 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.

## 2. Outturn against budget

	Budget £'000	2011-12 Outturn £'000	2010-11 Outturn £'000
Gross budget	3,278	3,046	2,965

## 3. Reconciliation of net resource outturn to net cash requirement in 2011-12

	Note	Budget £'000	Outturn £'000	Variance £'000
Resource outturn		3,027	2,788	239
Capital				
Acquisition of property, plant and equipment	6	70	70	0
Acquisition of intangible assets	7	190	188	2
		3,287	3,046	241
Accruals adjustments				
Non cash items			(86)	
Changes in working capital other than cash			40	
<b>Net cash requirement</b>			<b>3,000</b>	

#### 4. Staff numbers and related costs

Staff costs comprise

	£'000	£'000	2011-12 £'000	2010-11 £'000
	Permanently employed staff	Others	Total	Total
Wages and salaries	1,453	13	1,466	1,391
Social security costs	110	0	110	103
Other pension costs	277	0	277	257
Inward secondments	0	68	68	18
Agency staff costs	0	29	29	81
Exit packages	3	0	3	102
<b>Total</b>	<b>1,843</b>	<b>110</b>	<b>1,953</b>	<b>1,952</b>

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)).

For 2011-12, employers' contributions of £276,611 were payable to the PCSPS (2010-11; £256,580) at one of 4 rates in the range 16.7 to 24.3% of pensionable pay, based on salary bands. The scheme actuary reviews employer contributions usually every 4 years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2011-12 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £nil were paid to one or more of a panel of 3 appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £nil, 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £nil. Contributions prepaid at that date were £nil.

Early retirement and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where OSCR has agreed early retirements, the additional costs are met by OSCR and not by the Civil Service pension scheme. Ill health retirement costs are met by the pension scheme.

No person retired under voluntary early severance packages in 2011-12 (1 <£10,000 and 1 £50-100,000 in 2010-11). No persons retired on ill-health grounds.

Average number of permanent persons employed was 52.

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

	2011-12 No.	2010-11 No.
Senior management	5	5
Other permanent staff	45	44
Inward secondments	2	1
Agency staff	1	3
<b>Total</b>	<b>53</b>	<b>53</b>

## 5. Other administration costs

	2011-12 £'000	2010-11 £'000
Property costs	134	138
Supplies and services	437	482
Staff related costs	55	36
Rentals under operating leases	124	122
Non cash items		
Auditors' remuneration and expenses	13	14
<b>Total</b>	<b>763</b>	<b>792</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 2012. 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 2012 (£nil in the year to 31 March 2011).

## 6. Property, plant and equipment

	Leasehold improvements £'000	Information technology £'000	Plant and machinery £'000	Total £'000
<b>Cost</b>				
1 April 2011	159	201	56	416
Additions	33	37	0	70
Disposals	(4)	(16)	0	(20)
<b>31 March 2011</b>	<b>188</b>	<b>222</b>	<b>56</b>	<b>466</b>
<b>Depreciation</b>				
1 April 2011	144	133	53	330
Charged in year	3	26	2	31
Disposals	0	(16)	0	(16)
<b>31 March 2012</b>	<b>147</b>	<b>143</b>	<b>55</b>	<b>345</b>
<b>Net book value at 31 March 2012</b>	<b>41</b>	<b>79</b>	<b>1</b>	<b>121</b>

All assets were owned at 31 March 2012.

	Leasehold improvements £'000	Information technology <sup>2</sup> £'000	Plant and machinery £'000	Total £'000
<b>Cost</b>				
1 April 2010	144	189	57	390
Additions	15	28	1	44
Disposals	0	(16)	(2)	(18)
<b>31 March 2011</b>	<b>159</b>	<b>201</b>	<b>56</b>	<b>416</b>
<b>Depreciation</b>				
1 April 2010	115	122	44	281
Charged in year	29	26	11	66
Disposals	0	(15)	(2)	(17)
<b>31 March 2011</b>	<b>144</b>	<b>133</b>	<b>53</b>	<b>330</b>
<b>Net book value at</b>				
<b>31 March 2011</b>	<b>15</b>	<b>68</b>	<b>3</b>	<b>86</b>
<b>31 March 2010</b>	<b>29</b>	<b>65</b>	<b>13</b>	<b>107</b>

All assets were owned at 31 March 2011 and 31 March 2010.

## 7. Intangible assets

	Software £'000	Assets under construction £'000	Total £'000
<b>Cost</b>			
1 April 2011	960	0	960
Additions	54	134	188
Disposals	0	0	0
<b>31 March 2012</b>	<b>1,014</b>	<b>134</b>	<b>1,148</b>
<b>Depreciation</b>			
1 April 2011	905	0	905
Charged in year	37	0	37
Disposals	0	0	0
<b>31 March 2012</b>	<b>942</b>	<b>0</b>	<b>942</b>
<b>Net book value at</b>			
<b>31 March 2012</b>	<b>72</b>	<b>134</b>	<b>206</b>

2 At 1 April 2010 IT server software to the value of £2,632 was transferred from intangible to tangible assets in accordance with International Accounting Standards.

	Software <sup>3</sup> £'000	Assets under construction £'000	Total £'000
<b>Cost</b>			
1 April 2010	960	0	960
Additions	8	0	8
Transfers	(8)	0	(8)
<b>31 March 2011</b>	<b>960</b>	<b>0</b>	<b>960</b>
<b>Depreciation</b>			
1 April 2010	811	0	811
Charged in year	101	0	101
Transfers	(7)	0	(7)
<b>31 March 2011</b>	<b>905</b>	<b>0</b>	<b>905</b>
<b>Net book value at</b>			
<b>31 March 2011</b>	<b>55</b>	<b>0</b>	<b>55</b>
<b>31 March 2010</b>	<b>152</b>	<b>0</b>	<b>152</b>

## 8. 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.

## 9. Trade receivables and other current assets

	31 March 2012 £'000	31 March 2011 £'000
Value added tax	19	10
Prepayments	29	0
	48	10
Intra government balances		
	31 March 2012 £'000	31 March 2011 £'000
Balances with other central government bodies	22	10
Balances with bodies external to government	26	0
	48	10

<sup>3</sup> At 1 April 2010 IT server software to the value of £2,632 was transferred from intangible to tangible assets in accordance with International Accounting Standards.

## 10. Trade payables and other current liabilities

	<b>31 March 2012 £'000</b>	<b>31 March 2011 £'000</b>
Trade payables	2	28
Accruals and deferred income	201	177
	<hr/> 203	<hr/> 205
Intra government balances		
	<b>31 March 2012 £'000</b>	<b>31 March 2011 £'000</b>
Balances with other central government bodies	32	17
Balances with bodies external to government	171	188
	<hr/> 203	<hr/> 205

## 11. Provisions for liabilities and charges

	<b>Early departure costs £'000</b>
<b>Balance at 1 April 2011</b>	<b>7</b>
Provided in the year	2
Released in year	(4)
<b>Balance at 31 March 2012</b>	<hr/> <b>5</b>
Analysis of expected timing of discounted flows	
Not later than one year	2
Later than one year and not later than five years	3
Later than five years	0
<b>Balance at 31 March 2012</b>	<hr/> <b>5</b>

OSCR meets the additional costs of benefits beyond the normal Approved Early Retirement scheme benefits of employees who retire early by paying the required amounts annually to PCSPS over the period between early departure and normal retirement date, or as required by the scheme. This is provided for in full when the early retirement programme becomes binding by establishing a provision for the estimated payments discounted by the Treasury discount rate of 1.5% in real terms.

## 12. Capital commitments

Contracted capital commitments not otherwise included in these financial statements:

	<b>31 March 2012 £'000</b>	<b>31 March 2011 £'000</b>
Property, plant and equipment	0	16
Intangible assets	8	119

## 13. Commitments under leases

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

	<b>31 March 2012 £'000</b>	<b>31 March 2011 £'000</b>
Land and buildings		
Not later than one year	0	0
Later than one year and not later than five years	0	0
Later than five years	124	122

## 14. 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.

## 15. Contingent liabilities

There were no contingent liabilities at 31 March 2012 (£nil; 31 March 2011) which require disclosure under IAS37 or the Scottish Public Finance Manual.

## Appendix 1

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**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 (FRM) 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

## Appendix 2

### Performance against Business Objectives

Business Objective	Performance Indicator	2011-12 Performance
<i>1 To determine whether bodies are charities</i>		
1.1 Assess new applications for charitable status	Conclude 80% of status applications within 90 days of receipt	89% of status applications were concluded within 90 days of receipt.
1.2 Introduce new SCIO status	Review at 6 and 12 months operation	Review at 12 months to be commenced. No review at 6 months as legislation not then fully implemented.
1.3 Targeted risk-based reviews of charities	Individual action is taken when required.  Overall we report annually in the Annual Report and Accounts	18 Inquiry Reports were published in 2011-12 covering action by OSCR against charities.  Summary included in the review of outcomes 2011-12.
1.4 Operate an effective consents regime for charities	100% of consents are granted within statutory deadline of 28 days (from receipt of full application)	99% of consents were decided within the 28 day statutory deadline.
1.5 Operate an effective Charity Reorganisation regime	100% of applications acknowledged within the statutory deadline of 14 days from receipt  100% of final decisions within the statutory deadline of 6 months from advertisement	100% of reorganisation applications were acknowledged within the statutory deadline.  100% of final decisions were made within the statutory deadline.
1.6 Conduct appeals before the Scottish Charity Appeals Panel (SCAP)	SCAP clarifies points of law  SCAP upholds the integrity of OSCR's internal procedures	No appeals were made to SCAP in 2011-12.
<i>2 To keep a public Register of charities</i>		
2.1 Maintain the definitive Charity Register of existing charities	Annual Returns are issued to all registered charities within 2 months of their accounting reference date  The Register is updated each working day	All annual returns issued within 2 months except for charities submitting late annual returns.  Register is updated each working day.
2.2 Operate a programme of Annual Returns which provides both information for the public and the regulator	Register provides information highlights  Updated list of defaulting charities published monthly	Website updated on the first working day of the month and when an individual charity complies with the requirement.
2.3 Develop a programme of research using the Register as basis for selection	Publication programme implemented	Charities 2011 was published in January 2012.

Business Objective	Performance Indicator	2011-12 Performance
<i>3 To encourage facilitate and monitor compliance by charities with the provisions of the Act</i>		
3.1 Maintain information service for charities and the public	Website maintained and upgraded	Website upgrade completed and revised in year to support OSCR on-line.
	Publication programme implemented	7 charity guidance documents have been published in 2011-12.
3.2 Develop and implement an education programme with charities' professional advisors and umbrella organisations	Report annually, assessing the impact of our programmes in the Annual Report and Annual Review	<p>Outreach Programme delivered a range of training courses for charity advisors. New programme launched in April 2012 in association with SCVO.</p> <p>OSCR staff continued to contribute to seminars, conferences and workshops in line with the OSCR external events programme.</p>
3.3 Support the development of charity infrastructure	Outcome depends on how SG policy in this area develops	OSCR personnel contributed to 2 courses for the Third Sector interfaces across Scotland, delivered by EVOC as part of the Supporting Voluntary Action initiative. Outreach programme delivers training to charity advisors.
3.4 Develop new charity SORP within the new UK Accounting Framework	New SORP endorsed by ASB for 2015 implementation	
3.5 Continue to implement a risk-based and proportionate monitoring programme	Close 80% of annual and monitoring returns within 2 months of submission	86% of annual and monitoring returns were closed within 2 months of submission.
	Report annually via our Annual Report and Annual Review	

Business Objective	Performance Indicator	2011-12 Performance
<i>4 To identify, investigate and take appropriate action in relation to individual charities</i>		
4.1 Identify concerns and take appropriate action in relation to individual charities	75% of enquiries are completed within 9 months	81% of complaints about charities from external sources were completed within 9 months.
4.2 Identify emerging trends as a basis for further enquiry	We report annually via the Annual Report and Annual Review	Summary in Annual Review and Annual Report.
4.3 Work with other regulators and enforcement agencies	Concordats are published on our website  We report annually on referrals and joint enquiries	11 concordats are published on our website.  During the year we have conducted no joint enquires. We made no referrals and received 2 referrals from other regulators.
<i>5 Give information or advice, or make proposals to Scottish Ministers on matters relating to our functions</i>		
5.1 Advise Ministers in relation to primary legislation	SG adopts formal recommendations made in our Annual Report and elsewhere  MSPs and MPs support our formal recommendations	OSCR continues to support ministers to implement recommendations as legislative opportunities arise.
5.2 Advise Ministers in relation to secondary legislation	SG adopts our recommendations	OSCR continues to support ministers to implement recommendations as legislative opportunities arise.
5.3 Advise Ministers on relation to policy for the wider Third Sector where appropriate	We can evidence where we have contributed, including developing OSCR initiatives to complement SG policies	OSCR continues to work with the Scottish Government on a full range of issues including charity law and third sector research.

Business Objective	Performance Indicator	2011-12 Performance
<i>6 Operate effectively and efficiently as a fully accountable public body</i>		
6.1 Demonstrate how OSCR takes into account principles of Best Regulatory Practice	External and internal audit confirm	Internal Audit Report gave substantial assurance on charity regulatory systems reviewed. No external audit coverage in 2011-12.
6.2 Demonstrate the principles and practice of Best Value	External and internal audit confirm	Internal Audit Report provided substantial assurance on all systems reviewed. No external audit coverage in 2011-12.
6.3 Demonstrate a commitment to shared services	External and internal audit confirm	Not covered in 2011-12 audit.
6.4 Maintain a culture of excellence in staff management and development	Investors in People accreditation maintained	liP Bronze accreditation awarded in March 2010.
	Civil Service People Survey indicates satisfaction levels among staff remain high	The survey indicated high levels of staff satisfaction. The survey results were published on our website in February 2012.
6.5 Undertake outcome and performance reporting	OSCR Annual Report	Evidence relating to our performance is published in our Annual Report.
	OSCR website	Our performance indicators are published monthly on our website.
6.6 Develop other requirements as a public body	Implement Equalities Strategy	Equalities Strategy for 2012-15 implemented in June 2012.
	Implement user focus plan to meet statutory requirements including SG guidance	Public focus strategy was published in March 2012.
	Publishing information as appropriate (including expenditure details monthly on website)	Expenditure information published monthly on website. Annual statement on exercise of functions published on website.
	External and internal audit confirm.	No audit coverage in 2011-12

