

The Office of the Scottish Charity Regulator

Annual Report and Accounts

For the year ended 31 March 2017

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The Accountable Officer authorised these financial statements for issue on 22 June 2017.

Performance Report

Performance Overview

Chief Executive's statement on performance

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

2016-17 began with implementation of a more streamlined annual reporting regime for many charities, in accordance with our risk based approach to regulation. In a move to encourage greater public confidence and increased transparency, we also began publishing annual report and accounts for charities whose income is over £25,000, and Scottish Charitable Incorporated Organisations, on our Register. Throughout the year we continued our engagement work with charities, their trustees and advisors, through 'Meet the Regulator' events throughout Scotland, and through our involvement in Trustees Week. Recognising the opportunities to engage with stakeholders which social media presents, we expanded our presence in this area with the launch of an OSCR Facebook page which we use to share items of interest to the sector as well as our own policy announcements, news and events.

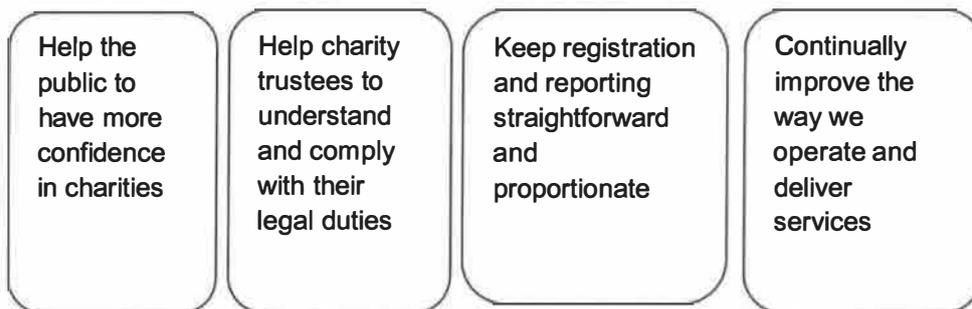
On a personal front, this has been a year of change for myself and the senior management team. In December 2016 I started a 6 month part-time secondment as Deputy Director within the Scottish Government's Digital Directorate, which means that I undertake my CEO role at OSCR on a more strategic basis. The senior management team have done an excellent job of managing the organisation on a day-to-day basis. Their considerable operating experience at OSCR enabled a seamless transition, with all Heads of Service taking on additional responsibilities. I look forward to applying my enhanced knowledge of digital transformation to OSCR work once I return to the organisation full time, in Summer 2017.

Statutory and strategic functions

As charity registrar and regulator, OSCR is responsible for undertaking a number of statutory functions set out in the Charity and Trustee Investment (Scotland) Act 2005. The following diagram, which appears in our 2014-17 Corporate Plan, demonstrated the connection between these functions and our four strategic objectives. The interdependencies associated with many parts of our work mean that some objectives contribute to the delivery of more than one statutory duty, and our annual business plan, <http://www.oscr.org.uk/media/2238/2016-05-03-final-bp-16-17.pdf> details the specific activities we carry out to facilitate delivery of all functions.

Key performance highlights are detailed in the Performance Summary section of this report.

Strategic Objectives 2014-17



Statutory Functions



Purpose and activities of the organisation

The Scottish Charity Regulator was established as a Non-Ministerial Department (NMD) in 2006. We operate independently of Ministerial influence and control, and our eight non-executive Board Members, who are accountable to the Scottish Parliament, are responsible for providing strategic direction. We are located in a single office in Dundee, and our Chief Executive who is also Accountable Officer, leads a team of expert staff managing day to day operations.

Our work as registrar and regulator ultimately supports public confidence in the work of the circa 24,000 charities which are registered in Scotland. Our charities play a valuable role in enhancing life in Scotland's communities and beyond. Our vision is of

charities you can trust and that provide public benefit

and we strive to provide the highest level of service to all our stakeholders, and to be the best organisation that we can, providing maximum public value. In this way, we help deliver the government's 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, it will also be published on our website <http://www.oscr.org.uk/> and is available in a range of formats, on request.

The 2016-17 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 have been identified as the main risks facing the organisation:

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 promote greater transparency and accountability for charities; provide greater protection for charity assets and the charity brand, and improve the efficiency of OSCR's operations. We are in discussion with Scottish Government colleagues in respect of modernising some parts of the 2005 Act, although we recognise that there are other pressures on the legislative timetable

Funding

We are funded solely from the Scottish Block, and like all public bodies have operated on the basis of a single year Budget for the past few years. Whilst our annual allocation has reduced since we were established, over the past three years it has remained more or less static in cash terms at £3.0m, which has also been confirmed for 2017-18 in the Budget Act. This means we have to absorb real-terms cost pressures. We are a relatively small organisation based in a single location, and our greatest area of expenditure is on our staff, with the remainder of our funding being used to pay for our direct operational functions (including professional advice on casework), our running costs, and to support digital transformation. During the coming year, we are committed to enhancing the range of online services we deliver, in order to fully address stakeholder aspirations, and help deliver the government's digital vision. In order to do this, we will continue to streamline current processes and introduce operating efficiencies where appropriate, with resource efficiencies generated being re-aligned to meet new priorities.

Whilst we do not charge charities for the services we provide, The Charity Commission for England and Wales is currently consulting on a range of possible stakeholder charging models. This is not something we are actively considering, however we await the outcome of this consultation with interest.

People

Our staff are our primary resource, and we are committed to their support, development and wellbeing. We recognise that the current political, economic and technological environment is in a period of exceptional turbulence, which can be unsettling and confusing for individuals. Our challenge is to ensure that our people have the skills and information they

need to carry out their work, and to engage with each other and with stakeholders in a positive and constructive way. We will continue to use the Public Service Improvement Framework model to identify and address learning and cultural skills gaps, and will monitor staff welfare closely, through absence analysis and survey participation, in order that we can fully support individuals throughout this period.

Going Concern

OSCR has no reason to believe that Scottish Ministers intend to withdraw support to the organisation, and funding for 2017-18 has been confirmed in the Budget Act. It is therefore considered appropriate to prepare the accounts on a going concern basis.

Performance Summary and Overview

2016-17 was a very busy year at OSCR in terms of fulfilment of our statutory and strategic roles. The following are worthy of note:

- In April 2016 OSCR celebrated its first ten years of operation as Scotland's charity regulator. At the same time, we implemented our new Annual Return reporting requirements for charities, as a core element of our more targeted approach to regulation. Under the revised arrangements, the number of questions which charities are asked to complete have reduced, meaning that we can focus on the collation of information more relevant to risk identification. Notifiable Events reporting was also introduced at this time, and where serious problems have occurred or are occurring at a charity which threaten to have a significant impact on a charity or its assets, we are asking trustees to let us know, so that we can help minimise the impact to the individual charity and the charity sector overall.
- For the second consecutive year, the number of registered charities in Scotland increased, with the total number of charities listed on the OSCR register at the end of March 2017 being a record high of 24,064. Applications for status were very slightly down on the previous year, although the number of requests for consent to change increased marginally, balancing out the overall application volumes. This year we have done more proactive work to de-register charities who persistently fail to submit annual returns and accounts to us, do not appear to provide public benefit, or appear to no longer be operational – this is in accordance with our more targeted, risk based approach to regulation. This work contributed to a total of 835 charities coming off the register – a 30% increase on the 2015-16 levels. A comparison of the non-submission levels for quarter 4 shows a reduction from 1,663 charities in 2015-16 to 1,440 in 2016-17.
- We received 349 concerns about charities from external sources during the year, which was a very slight decrease on the 362 we received in 2015-16. All concerns 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. In addition to concerns about charities, we received 22 formal complaints about OSCR procedures or service standards compared with 18 in 2015-16.

These are progressed in accordance with our complaints handling procedure http://www.oscr.org.uk/media/1335/model_complaints_handling_procedure_for_oscr.pdf which has been approved by the Scottish Public Services Ombudsman.

- To promote greater transparency in respect of activities and financial matters relating to each charity, since the start of 2016-17 we have encouraged charities to publish their annual report and accounts on their websites, a link to which is then added from their Scottish Charity Register entry. From 1st April, links to just over 2,000 charity websites have been added to the register. For those charities whose income is over £25,000 per annum, or who operate as a Scottish Charitable Incorporated Association (SCIO), if a hyperlink to accounts is not available, we have begun to publish a copy of the accounts we have received, alongside the register entry. Analysis of website visit information shows that the number of people viewing charity annual reports and accounts via the OSCR Register has been steadily increasing, with just over 5,500 sets of accounts being viewed this way in March 2017.
- Scotland's self regulatory system of fundraising was launched in July 2016, and members of the Independent Fundraising Standards & Adjudication Panel for Scotland ('the Panel') which will oversee fundraising standards, were appointed in December 2016. As regulator, OSCR recognise that fundraising is one of the most direct ways charities engage with the public, and getting it right is of great importance if charities are to continue to enjoy high levels of trust and confidence. We welcomed the establishment of the Panel, and support the key role it will play in ensuring that charities are complying with the fundraising code and working to ensure high standards in terms of their complaints handling and fundraising practices. To this end, the OSCR Board agreed that we would provide it with practical support in the form of a secretariat function, until such times as key processes, policies and procedures are developed. A small budgetary adjustment was made through the Scottish Government Spring Budget Review process, to reflect the costs associated with employing a secretary, and other start up costs. This role is purely administrative, and is likely to cease at the end of the initial set up phase, which should last for around 9 months.
- Effective and regular interaction with stakeholders increases understanding of, and compliance with, trustee responsibilities and duties, whilst at the same time raising awareness of OSCR and our work. During 2016-17, engaging with charities and other stakeholders remained a key priority, with 'Meet the Regulator Events' being held throughout Scotland. During these events we provided advice, briefings and responded to queries and tried to get a flavour of the issues and challenges facing charities. In November we participated in Trustees Week; and in February we were at 'The Gathering 2017', 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 contains a wide range of relevant and topical information and guidance for stakeholders, and during 2016-17 the documents published included: Guidance on Pension auto enrolment; the Water and Sewerage exemption scheme, and guidance for Social Enterprises who want to become charities. We also

introduced a new process for Scottish charities who wished to become incorporated, following a consultation period and series of user testing events.

Financial Review Summary

The Government Financial Reporting Manual – FReM 2016/17, 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 2017 was £2.865m as shown in the Statement of Comprehensive Net Expenditure; compared to a revenue Budget of £2.968m resulting in an underspend of £0.103m for the year.

As stated in the statement of comprehensive net expenditure, the main operating costs were incurred in relation to staff, at £1.985m (£2.076m in 2015-16); with other expenditure at £0.813m (£0.787m in 2015-16) and depreciation and amortisation at £0.067m (£0.073m in 2015-16). There was no capital resource expenditure for the year ended 31 March 2017.

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 2017, OSCR paid 96.8% of its invoices within these terms (97.2% in 2015-16).

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 2017, OSCR paid 91.2% of its invoices within these terms (92.0% in 2015-16).

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/2238/2016-05-03-final-bp-16-17.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:

	Function and performance measure	2016-17 outcome
1	Consider and decide outcome of applications for charitable status within 90 days of receipt of application, in 80% of cases.	81% of status applications were concluded within the timescale.
2	Consider and decide on 100% of Consent applications within the statutory deadline.	100% of applications concluded within timescale.
3	Consider and decide on 100% of re-organisation scheme consent applications within the statutory deadline.	99% of applications concluded within timescale.
4	Resolve 75% of concerns about charities within 9 months of receipt of original concern.	82% of concerns received were concluded within the timescale.

Our annual Business Plan also contains performance information in the form of the milestones we will use to measure delivery of our core activities. The following link can be used to access this document, and to view our performance against the various milestones <http://www.oscr.org.uk/media/2725/oscr-business-plan-2016-17-with-year-end-outcomes.pdf>

Overall, 70 of our milestones were achieved in full; 20 partially achieved and in the majority of cases still progressing; and 5 not achieved. In the case of the latter, they have been carried through to our 2017-18 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/2453/v2-457716_oscr_annual_report_2015-16_v2.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 publish and review our records management policy, in accordance with the requirements of the Keeper of the Records of Scotland, annually.

Sustainability Report 2016-17

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 CO₂ 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,
<http://www.oscr.org.uk/media/1257/2014-17-oscr-carbon-management-plan.pdf>



David Robb
Chief Executive and Accountable Officer
22 June 2017

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 2017. The senior officers are:

- David Robb, Chief Executive*
 - Laura Anderson, Head of Professional Advice & Intelligence
 - Judith Hayhow, Head of Support Services
 - Judith Turbyne, Head of Engagement
 - Martin Tyson, Head of Casework**
- Nicola McBain/Louise Meikleham, Head of Change (Job share)***

* From December 2016 David Robb was seconded to the Scottish Government's Digital Directorate for four days a week.

** Martin Tyson was on secondment to Registers of Scotland between April and November 2016. During this period his role was covered on a temporary basis by another staff member.

*** For the period between December 2016 and May 2017, a part time Head of Change post was created, to kick start the cultural and process change and improvement agenda within OSCR, associated with targeted regulation and digital delivery. This post has been filled on a job share basis by Nicola McBain and Louise Meikleham.

Board members are:

- The Very Reverend Dr Graham Forbes, Chair
- Professor David Harrison, Deputy Chair
- Patricia Armstrong
- Professor Stuart Cross
- Sophie Flemig
- Kaliani Lyle (resigned November 2016)
- Shona Ulrichsen
- Jessica Wade

Jessica Wade and Sophie Flemig took up their appointments at the start of 2016, following a public appointments process. In November 2016 Kaliani Lyle resigned from the Board, in order to take up an alternative public appointment. The Board agreed that a replacement for Kaliani will be identified when the next round of recruitment takes place in late 2017.

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 rather than the Scottish Government. At a practical level, however, they have the same terms and conditions as staff within the core 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 understand the objectives and role of the organisation, together with the legislative context within which we operate as a NMD. It is also important for each staff member to appreciate how the work they do each day contributes to the delivery of corporate objectives. To this end, our staff participated in a corporate and business planning event in February 2017 during which they considered these linkages and helped develop the business milestones against which we will monitor and report our activities throughout the year.

We have a comprehensive staff induction programme for new staff which includes one-to-one induction sessions between the new employee and relevant representatives from each of the OSCR teams; members of the Senior Management Team and the Chief Executive. 'All Staff' meetings are held on a monthly basis, and provide an opportunity for Senior Management Team members to provide an overview of their business activities, and also to respond to questions relating to the activities of their service. 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 2016, 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 2016, <http://www.oscr.org.uk/news/scottish-charity-regulator-staff-survey-results-for-2016> showed that staff engagement levels had increased slightly since the previous year, and have been considered within the context of the Public Service Improvement Framework (PSIF) to develop an improvement plan.

Under section 5(5) of the Regulatory Reform (Scotland) Act, OSCR must have regard to the Scottish Regulators Code of Practice. Staff dealing with policy review receive specific training to ensure consideration of the code as part of these processes. Senior Management Team and Board papers also refer to the code, and as part of the review process for strategic working agreements between ourselves and other regulators, increased emphasis is placed on effective information sharing.

Pensions

OSCR staff members are eligible to be members of the Principal Civil Service Pension Scheme (PCSPS). As at 31 March 2017 all 51 permanent members of staff were PCSPS scheme members (2015-16 52 PCSPS members). In accordance with the Government Financial Reporting Manual (FReM) the PCSPS is accounted for as if it were a defined contribution scheme. Accounting policy note 1.10 (page 36) 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, Grant Thornton UK LLP, other than in respect of the statutory audit fee (see note 7 to the accounts).

Disclosure of information to auditors

So far as the Accountable Officer is aware, there is no relevant audit information of which OSCR'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

During 2016-17 there were no known incidents of personal data breaches and no data security issues (nil 2015-16).

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 Scottish Permanent Secretary 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 2016-17, 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
Professor Stuart Cross	Member
Dr Sophie Flemig	Member
Kaliani Lyle	Member (Resigned November 2016)
Jessica Wade	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
Professor Stuart Cross	Member (from November 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 Professional Advice & Intelligence
Judith Hayhow	Head of Support Services
Judith Turbyne	Head of Engagement
Martin Tyson	Head of Casework
Nicola McBain/Louise Meikleham	Head of Change (Job share)*

* Refer to explanatory note *** on p9

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 2016-17 the overall permanent staff headcount number was 51 with 17 staff members working on a part time basis, giving an overall FTE of 45.

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 each of its meetings, and reports on this exercise to the Board, who also undertake one annual formal review of the register. In addition, Board members consider risk in relation to each of the papers

presented at meetings, and also receive ad hoc briefings from the CEO and SMT on specific matters as they arise throughout the year. OSCR staff consider risks at their regular team meetings, and this information feeds in to the formal Senior Management Team risk considerations, which take place every 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 any actions are required or 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 in which our corporate performance against the 7 Best Value themes recommended in the Audit Scotland Best Value toolkit, is reviewed.
- An IT Code of Conduct which each staff member signs annually, and which sets out our policy in respect of use of technology.
- A service level agreement with the Scottish Government procurement division, under which they provide us with procurement and contract advice, thereby ensuring that any contract we award are compliant with the requirements of European procurement directives.

In January 2017, we formally joined the Scottish Wide Area Network (SWAN), a single secure technical network available for the public sector. The SWAN network was designed to be a secure infrastructure which supports data sharing and collaboration amongst members. Joining the SWAN network was part of our overall technical resilience strategy, which also included a move to a cloud based hosting solution for all of our business applications. By removing our Quadrant House data centre, and replacing it with a cloud solution we have considerably reduced the risks associated with actual and cyber security; back up, and recovery for our business, increasing overall resilience. We anticipate that this will have a positive impact in terms of up time for all of our stakeholders, which is increasingly important as we look to expand the range of online services we deliver.

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.

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 Plans. 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 Annual Reports from auditors, 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 2016-17 review, substantial assurance was awarded on the adequacy of risk management, control and governance arrangements in place over the systems reviewed, in that period.

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 2016-17.

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 Professional Advice & Intelligence
- Judith Hayhow, Head of Support Services
- Judith Turbyne, Head of Engagement
- Martin Tyson, Head of Casework
- Nicola McBain/Louise Meikleham, Head of Change

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 2016-17'. Further information about the policy may be found at:

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

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

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

Service contracts

Board members

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

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

		Current term	Date of initial appointment	Date of termination of appointment
The Very Reverend Dr Graham Forbes CBE	Chair	2 nd	March 2011	February 2019
Professor David Harrison	Deputy Chair	2 nd	March 2010	February 2018
Patricia Armstrong	Member	1 st	April 2014	March 2018
Professor Stuart Cross	Member	1 st	April 2014	March 2018
Dr Sophie Flemig	Member	1 st	April 2017	March 2021
Kaliani Lyle	Member	2 nd	March 2010	Resigned November 2017
Shona Ulrichsen	Member	1 st	April 2014	March 2018
Jessica Wade	Member	1 st	April 2017	March 2021

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.

Audited Information

Board Remuneration

	2016-17 £'000	2015-16 £'000
Graham Forbes (Chair)	5-10	5-10
David Harrison	NIL	NIL

Patricia Armstrong	0-5	0-5
Stuart Cross	0-5	0-5
Sophie Flemig	0-5	N/A
Kaliani Lyle	0-5	0-5
Shona Ulrichsen	0-5	0-5
Jessica Wade	0-5	N/A

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

There was no increase in the daily fee rate in 2016-17 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)		Benefits in Kind (to nearest £'000)		Pension Benefits (£'000)		Total	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
David Robb	50-55	80-85	Nil	Nil	24	20	75-80	100-105
Laura Anderson	55-60	50-55	Nil	Nil	21	21	75-80	70-75
Judith Hayhow	65-70	65-70	Nil	Nil	22	31	85-90	95-100
Judith Turbyne	55-60	50-55	Nil	Nil	21	21	75-80	70-75
Martin Tyson	15-20	55-60	Nil	Nil	44	41	60-65	100-105
Nicola McBain	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16

	25-30	N/A	Nil	Nil	4	N/A	30-35	N/A
Louise Meikleham	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
	30-35	N/A	Nil	Nil	6	N/A	35-40	N/A

'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 payments were paid in 2016-17 or 2015-16.

Benefits in kind

There were no benefits in kind in 2016-17 or 2015-16.

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.

	2016-17	2015-16
Band of highest paid employee	£75-80,000	£80-85,000
Median salary	£31,654	£29,394
Remuneration ratio	2.45	2.81

The end of a fixed term travel supplement during 2016/17 brought the highest paid employee's salary down to a lower salary banding, which resulted in the significant reduction of the remuneration ratio from the previous year.

Pension benefits

	Accrued pension at pension age as at 31-3-17 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31-3-17	CETV at 31-3-16	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Chief Executive					
David Robb	20-25	0-2.5	474	434	19
	Lump sum	Lump sum			
	70-75	2.5-5			
Senior Management Team					
Laura Anderson	10-15	0-2.5	94	82	7
Judith Hayhow	20-25	0-2.5	411	382	9
	Lump sum	Lump sum			
	60-65	0			
Martin Tyson	20-25	0-2.5	368	325	27
	Lump sum	Lump sum			
	20-25	0-2.5			
Judith Turbyne	0-5	0-2.5	52	37	11
Nicola McBain	5-10	0-2.5	86	84	1
Louise Meikleham	5-10	0-2.5	72	68	3

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	2016-17 Total £'000	2015-16 Total £'000
Wages and salaries	1,472		1,472	1,583
Social security costs	144		144	119
Other pension costs	301		301	330
Inward secondments		0	0	13
Agency staff costs		68	68	31
Total	1,917	68	1,985	2,076

Average staff numbers over the year by WTE

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

	2016-17 WTE	2015-16 WTE
Senior management	4.76	5.0
Other permanent staff	39.54	42.2
Inward secondments	0	0.3
Agency staff	2.35	1.0
Total	46.65	48.5

Breakdown by permanent and other at year end

The table below details breakdown of permanent and non-permanent staff, at 31 March 2017.

	Permanent	Temporary
Senior management	7*	0
Employees	44	5
Total	51	5

*Includes 2 employees who have been undertaking the temporary part-time Head of Change role within the senior management team, on a job share basis.

Breakdown by gender at year end

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

	Female	Male
Senior management	5*	2
Employees	28	16
Total	33	18

* Includes 2 employees who have been undertaking the temporary part-time Head of Change role within the senior management team, on a job share basis.(Note *** on p9 refers)

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 2016-17 to 5.8 days, a slight reduction on the 6.4 level in the 2015-16 period. As shown in the table below, days lost to long term sickness reduced significantly during the year, although there was a marginal increase in the short term rate. Given the size of our organisation and the relatively small number of staff employed, absence levels can fluctuate significantly on an annual basis.

At 5.8 days average absence per FTE staff member, levels at OSCR have once again fallen below the Scottish Government Core average equivalent level of 7.4 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>2016-17</u>	<u>2015-16</u>
Days sickness absence		
Short term (under 20 days)	163.9	144.6
Long term (Over 20 days)	97.1	149.6
Total	261.0	294.2
Average per FTE member of staff	5.8	

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 in September 2016 updated our corporate Equality Strategy which shows how we will work to ensure that equality continues to be an integral part of our policies and practice <http://www.oscr.org.uk/media/2353/2016-18-equality-strategy.pdf>

As stated in the policy, our Board and Senior Management Team are committed to progressing the implementation of the strategy. OSCR will carry out our work in a way that encourages equal opportunities, eliminates unlawful discrimination, and fosters good relations among all people. Equality is an integral part of all our policies and practice, and 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 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 £2,898 was incurred in 2016-17 in respect of a digital maturity assessment which was carried out as part of our considerations around increasing digital delivery.

In 2015-16 there was expenditure of £10,000 on consultancy in respect of facilitation for the Change Control Group and Cyber Resilience work.

Exit packages

No Board member or senior manager left under voluntary or compulsory exit schemes in 2016-17 (nil in 2015-16).

Parliamentary Accountability Report

Losses and Special Payments

There were no losses and special payments incurred by OSCR in the year to 2016-17 (nil in 2015-16).

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 2017 which require disclosure under IAS 37 or the Scottish Public Finance Manual (nil in 2015-16).



David Robb
Chief Executive and Accountable Officer
22 June 2017

Independent Auditors Report

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

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 120 of the Code of Audit Practice approved by the Auditor General for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements in the annual report and accounts of The Office of the Scottish Charity Regulator for the year ended 31 March 2017 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 notes to the financial statements, including a summary of significant accounting policies. 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 2016/17 Government Financial Reporting Manual (the 2016/17 FReM).

In our opinion the accompanying 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 2017 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 2016/17 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.

Basis of opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the body in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standards for Auditors, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit

evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Accountable Officer for the financial statements

As explained more fully in the Statement of the Accountable Officer Responsibilities, the Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors. 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.

Our objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK&I) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Other information in the annual report and accounts

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

In connection with our audit of the financial statements in accordance with ISAs (UK&I), our responsibility is to 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 us in the course of performing the audit. If we

become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Report on regularity of expenditure and income

Opinion on regularity

In our 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.

Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. We are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Report on other requirements

Opinions on other prescribed matters

We are required by the Auditor General for Scotland to express an opinion on the following matters.

In our opinion, the auditable part of the Remuneration and Staff Report has been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

In our opinion, based on the work undertaken in the course of the audit

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been 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 Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

Matters on which we are required to report by exception

We are required by the Auditor General for Scotland to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the auditable part of the Remuneration and Staff Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Joanne Brown, for and on behalf of Grant Thornton UK LLP
110 Queen Street
Level 8
Glasgow
G1 3BX

23 June 2017

Annual Accounts

Financial Statements

Statement of Comprehensive Net Expenditure for the year ended 31 March 2017

	Note	2016-17 £'000	2015-16 £'000
Operating costs			
Staff costs	4	1,985	2,076
Other administration costs	7	813	787
Depreciation and amortisation	8,9	67	73
Net operating cost		2,865	2,936

The notes on pages 37 to 48 form part of these accounts

Statement of Financial Position

as at 31 March 2017

	Note	2016-17 £'000	2015-16 £'000
Non-current assets:			
Property, plant and equipment	8	25	39
Intangible assets	9	24	77
Total non-current assets		49	116
Current assets:			
Cash and cash equivalents	11	1	1
Other current assets	12	40	52
Total current assets		41	53
Total assets		90	169
Current liabilities:			
Trade and other payables	13	175	163
Total current liabilities		175	163
Non-current assets less net liabilities		(85)	6
Non-current liabilities:			
Provisions	14	0	0
Total non-current liabilities		0	0
Assets less liabilities		(85)	6
Taxpayers' equity:			
General fund		(85)	6



David Robb
Chief Executive and Accountable Officer
21 June 2017

The notes on pages 37 to 48 form part of these accounts

Statement of Cash Flows
for the year ended 31 March 2017

	Note	2016-17 £'000	2015-16 £'000
Cash flows from operating activities			
Net operating cost	SCNE	(2,865)	(2,936)
Adjustments for non cash transactions:			
Depreciation and amortisation	8,9	67	73
Audit fee	7	13	12
Movements in working capital:			
(Increase)/decrease in trade and other receivables	12	12	(3)
Increase/(decrease) in trade and other payables	13	12	(54)
Use of provisions	14	0	0
Net cash outflow from operating activities		<u>(2,761)</u>	<u>(2,908)</u>
Cash flows from investing activities			
Purchase of property plant and equipment	8	0	(0)
Purchase of intangible assets	9	0	0
Net cash flow from investing activities		<u>0</u>	<u>(0)</u>
Cash flows from financing activities			
Net funding	3	2,761	2,908
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at the beginning of the period	11	0	0
Cash and cash equivalents at the end of the period	11	1	1
Cash and cash equivalents at the end of the period	11	1	1

The notes on pages 37 to 48 form part of these accounts

Statement of Changes in Taxpayers' Equity
for the year ended 31 March 2017

	Note	General Fund £'000
Balance at 31 March 2015		22
Changes in taxpayers' equity for 2015-16		
Non cash charges – auditor's remuneration	7	12
Net operating cost for the year	SCNE	<u>(2,936)</u>
Total recognised income and expenditure for 2015-16		(2,924)
Net funding	3	2,908
Balance at 31 March 2016		6
Changes in taxpayers' equity for 2016-17		
Non cash charges – auditor's remuneration	7	13
Net operating cost for the year	SCNE	<u>(2,865)</u>
Total recognised income and expenditure for 2016-17		(2,852)
Net funding	3	2,761
Balance at 31 March 2017		(85)

The notes on pages 37 to 48 form part of these accounts

Statement of Operating Costs by Departmental Strategic Objective
for the year ended 31 March 2017

	Note	2016-17 £'000	2015-16 £'000
Strategic objective			
To develop a flourishing charity sector in Scotland in which the public has confidence, underpinned by OSCR's effective delivery of its regulatory role.			
Allocation of resources and assets:			
Net expenditure	SCNE	2,865	2,936
Total assets	SOFP	90	169

The notes on pages 37 to 48 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 2016-17 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adopted by the European Union, International Financial Reporting Interpretation Committee (IFRIC) interpretations and the Companies Act 2006 to the extent that it is meaningful and appropriate in the public sector context. The particular accounting policies adopted by OSCR are described below. They have been applied consistently in dealing with items considered material in relation 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. The following standards have been considered:

- IFRS 9 Financial instruments (from January 2018)
- IFRS 15 Revenue from contracts with customers (from January 2018)
- IFRS 16 Leases (from January 2019)

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. Further explanation of the going concern basis is contained in the Performance overview.

1.5 Property, office furniture and equipment

OSCR occupies a leasehold building under a 17 year operating lease with five year rent reviews. Leaseholder improvements to the building are capitalised at the cost of construction. Plant and equipment and information technology are capitalised at cost. Generally, leasehold improvements over £10,000 and plant and equipment and information technology over £5,000 are capitalised. Furniture and fittings are not capitalised and the full cost is charged to the operating costs in the year of acquisition.

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

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

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

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

1.6 Intangible assets

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

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

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

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

1.7 Impairment of tangible and intangible assets

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

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

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

1.8 Cash and cash equivalents

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

1.9 Value Added Tax

OSCR is registered for VAT and where applicable will recover VAT on expenditure incurred. Where VAT is not recoverable, expenditure is charged including VAT, to operating costs or

included in the cost of property, plant and equipment and intangible assets.

1.10 Pension

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

1.11 Leasing

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

1.12 Contingent liabilities

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

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

1.13 Short term employee benefits

OSCR permits the carry forward of unused annual leave entitlement and accumulated flexible working hours scheme balances, in accordance with Scottish Government resourcing policies. Entitlement to annual leave and flexible working hours are recognised in the accounts at the time the employee renders the service and not when the annual leave and accumulated hours balances are actually used.

1.14 Financial instruments

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

1.15 Trade receivables and other current assets

All material amounts due at 31 March 2017 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 2017 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.

1.18 Changes in Accounting Policy

There have been no changes in accounting policy during the year.

2. Outturn against budget

	2016-17 Budget £'000	2016-17 Outturn £'000	2015-16 Outturn £'000
Gross budget	2,968	2,865	2,936

3. Reconciliation of net resource outturn to net cash requirement in 2016-17

2015-16 Outturn £'000	Note	2016-17 Budget £'000	2016-17 Outturn £'000	2016-17 Variance £'000
2,936	Resource outturn	2,968	2,865	(103)
<u>2,936</u>	Total resource requirement	<u>2,968</u>	<u>2,865</u>	<u>(103)</u>
	Accruals adjustments:			
(85)	Non cash items		(80)	
57	Changes in working capital other than cash		<u>(24)</u>	
2,908	Net cash requirement		2,761	
2,908	Net funding received		2,761	
0	Cash surplus		0	

4. Staff numbers and related costs

An analysis of staff numbers and costs is disclosed in the Staff Report section on page 24 of this report. A summary of cost is provided in the table below.

	2016-17 £'000	2015-16 £'000
Directly employed staff	1,917	2,032
Other staff costs (Agency staff)	68	44
Total	1,985	2,076

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 2016-17 or 2015-16.

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).

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 2016-17, employers' contributions of £300,809 were payable to the PCSPS (2015-16 £330,244). 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 2016-17 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).

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.

From 1 April 2015 employee contribution rates were set as follows:

	Members who moved into alpha from classic	All other members
Full Time Equivalent Annual Pay Range	Contribution rates from 1 April 2015	Contribution rates from 1 April 2015
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 1/80th of the final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement.

Premium:

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

Classic Plus:

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

7. Other administration costs

	2016-17	2015-16
	£'000	£'000
Property costs	150	164
Supplies and services	483	432
Staff related costs	43	55
Rentals under operating leases	124	124
<u>Non cash items:</u>		
Auditors' remuneration and expenses	13	12
Total	813	787

- (i) Property costs for 2016/17 comprises: recharges from Service Level Agreement (SLA) with the Care Inspectorate £98.4k; Rates £47.9k and property maintenance costs £7.3k.
- (ii) Staff related costs 2016/17 comprises: travel and subsistence £29.8k; training £9.4k and membership fees/subscriptions £3.1k.

Auditor's remuneration is disclosed as a notional charge and relates to fees notified to OSCR by Grant Thornton in respect of the audit work carried out in relation to the year ended 31 March 2017. All audit fees are paid from the Scottish Consolidated Fund.

No other work was carried out by Grant Thornton during the year ended 31 March 2017 or by Audit Scotland in the year to 31 March 2016.

8. Property, office furniture and equipment

	Leasehold improvements	Information technology	Furniture and equipment	Total
	£'000	£'000	£'000	£'000
Cost				
1 April 2016	191	144	55	390
Additions	0	0	0	0
Disposals	0	(8)	0	(8)
31 March 2017	191	136	55	382
Depreciation				
1 April 2016	170	126	55	351
Charged in year	3	11	0	14
Disposals	0	(8)	0	(8)
31 March 2017	173	129	55	357
Net book value at				
31 March 2017	18	7	0	25
31 March 2016	21	18	0	39

	Leasehold improvements	Information technology	Furniture and equipment	Total
	£'000	£'000	£'000	£'000
Cost				
1 April 2015	191	185	55	431
Additions	0	0	0	0
Disposals	0	(41)	0	(41)
31 March 2016	191	144	55	390
Depreciation				
1 April 2015	165	152	55	372
Charged in year	5	15	0	20
Disposals	0	(41)	0	(41)
31 March 2016	170	126	55	351
Net book value at				
31 March 2016	21	18	0	39
31 March 2015	26	33	0	59

All assets are owned.

9. Intangible assets

	£'000
Cost:	
At 1 April 2016	877
Additions	0
Transfers	0
Disposals	(7)
At 31 March 2017	<u>870</u>
Amortisation:	
At 1 April 2016	800
Charged in year	53
Disposals	(7)
At 31 March 2017	<u>846</u>
Net book value:	
At 31 March 2017	24
At 31 March 2016	77

	Software £'000
Cost:	
At 1 April 2015	877
Additions	0
Transfers	0
Disposals	0
At 31 March 2016	<u>877</u>
Amortisation:	
At 1 April 2015	747
Charged in year	53
Disposals	0
At 31 March 2016	<u>800</u>
Net book value:	
At 31 March 2016	77
At 31 March 2015	130

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

	2016-17 £'000	2015-16 £'000
Balance as at 1 April	1	1
Net change in cash and cash equivalent balances	<u>0</u>	<u>0</u>
Balance as at 31 March	<u>1</u>	<u>1</u>

This balance is held in a commercial bank.

12. Other current assets

	31 March 2017 £'000	31 March 2016 £'000
Prepayments	<u>40</u>	<u>52</u>
	<u>40</u>	<u>52</u>

Analysis of other current assets:

	31 March 2017 £'000	31 March 2016 £'000
Balances with other central government bodies	20	20
Balances with bodies external to government	<u>20</u>	<u>32</u>
	<u>40</u>	<u>52</u>

13. Trade payables and other current liabilities

	31 March 2017 £'000	31 March 2016 £'000
Trade payables	85	80
Accruals	90	83
	<u>175</u>	<u>163</u>

Analysis of trade payables and other current liabilities:

	31 March 2017 £'000	31 March 2016 £'000
Balances with other central Government bodies	44	58
Balances with bodies external to Government	131	105
	<u>175</u>	<u>163</u>

14. Provisions for liabilities and charges

There were no provisions for liabilities and charges in 2016-17.

15. Capital commitments

There were no contracted capital commitments not otherwise included in these financial statements as at 31 March 2017.

16. Commitments under leases

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

	31 March 2017 £'000	31 March 2016 £'000
<u>Land and buildings:</u>		
Not later than one year	124	124
Later than one year and not later than five years	497	496
Later than five years	147	268

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, through the use of its electronic HR and transactional finance systems.

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 2017 (£nil at 31 March 2016) 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 2016-17 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