

Annual Report & Accounts 2019-20

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Performance Overview and Analysis

Introduction by the Chair



I am delighted to share our Annual Report for 2019-20, having now completed my first full year as Chair of OSCR.

During that time the organisation worked extremely hard to not only develop a strong corporate vision for the future, as articulated in our new Corporate Plan, but to begin to implement it. My fellow Board Members and I have been privileged to have been a part of that process and look forward to supporting the staff team over the coming year, as our transformation journey continues. There is no doubt that this is a critical time for charities and the wider third sector, as their essential contribution to Scottish society is more relevant and important than ever. To properly fulfill that role, public trust and confidence in charities needs to be high, and there is strong evidence that increasing public awareness of charity regulation increases the level of trust and confidence in it. We will work with the sector and partners to help charities have the skills, understanding and knowledge they require to be the best organisations they can be.

The Board and I have a strong ambition for OSCR to be a robust and enabling regulator and champion of the sector and 2019-20 marked the start of delivery of that ambition. This report outlines some of the achievements and challenges we have faced throughout the last twelve months as we started to re-align our systems and processes, further develop our governance arrangements, establish better partnerships working with key stakeholders, and articulate the strategies and approaches which will be essential to future success. I am confident that our work to date has provided a strong foundation for the challenges ahead and that OSCR is going into 2020-21 strongly placed to deliver our vision for a trusted and respected Scottish charity sector which positively contributes to society.

I wish to thank the Members of the OSCR Board for their contributions throughout the year, and also our hugely committed staff, ably led by our Chief Executive, Maureen Mallon.

Lindsay Montgomery CBE

Chief Executive's Welcome



How different the world is from twelve months ago, when as OSCR's new Chief Executive, I presented my first Annual Report. Recent months have been a time of unprecedented and unpredictable challenge for us all with the COVID-19 pandemic affecting every walk of life.

In a matter of weeks OSCR has changed radically in ways which would have been previously unimaginable, as the office-based processes and systems which we operated have been adapted to different way of working.

What has not changed is our commitment to supporting charities in Scotland and our belief that Scotland is a stronger, more aspirational and ethical country as a result of the quality and scale of its 24,500 charities.

OSCR is an organisation which has developed and evolved in the years since it was established, adapting to the changing needs of the sector and overall operating environment and, most importantly, staying relevant.

Reading through this report, I was reminded of how that has been true over the past twelve months as we have developed new strategies and working approaches. OSCR worked to influence policy colleagues, elected officials and other organisations to help ensure that the role, impact and potential of the charity sector is more widely recognised and understood by the public and partners.

Our achievements throughout 2019-20 stand us in very good stead for the future and all its unknowns and uncertainties and would not have been possible without such an engaged, enthusiastic, knowledgeable and resilient staff team. Throughout the year I have continued to be astounded by their passion and commitment to both OSCR and to proportionate yet robust charity regulation.

I am confident that as we go into 2020-21 OSCR is well placed to not only deliver our ambitious targets, but also to meet the challenges which will undoubtedly emerge for both ourselves as an organisation, and the charity sector itself as the impact and legacy of the COVID pandemic emerges. I look forward to reporting back on our successes in twelve months.

Maureen Mallon. Chief Executive and Accountable Officer

Purpose and Activities of the Organisation



OSCR is the independent regulator and registrar for Scotland's 24,000 + charities. We grant charitable status, monitor registered charities and identify and take action where we believe misconduct including mismanagement has occurred.

We are a non-ministerial office (NMO) of the Scottish Administration, operating independently of the Scottish Government, reporting directly to the Scottish Parliament. The Members of OSCR who comprise its Board are appointed by Scottish Ministers through the public appointments process. The staff of OSCR are Scottish Government civil servants, but report and are accountable to the Board of OSCR.

All charities in Scotland must be registered with us and must meet annual reporting requirements to keep their status. We are an enabling regulator and offer a wide range of services to support and encourage improvement within the charity sector.

Our work with charities ultimately supports public confidence in the sector. We support and champion Scottish charities through a collaborative approach, working with other organisations, government and the charity sector itself to share good practice and improvements and drive up standards in charities.

We use our knowledge and intelligence to positively influence and inform the development of national policy, legislation and practice-and are committed to delivering good quality services to the charity sector and to improving the lives, wellbeing and safety of the communities and environment where we work and live.

Scotland's National Performance Framework

The National Performance Framework (NPF) is for all of Scotland and sets out the how the government's ambitions for the following will be achieved:

- create a more successful country
- give opportunities to all people living in Scotland
- increase the wellbeing of people living in Scotland
- create sustainable and inclusive growth
- reduce inequalities and give equal importance to economic, environmental and social progress

We believe that charities are essential to the implementation of the National Performance Framework (NPF) and have identified the five NPF indicators, listed below, where we as an organisation can contribute, and where Scotland's charities will play a significant role in delivery.

- Globally competitive, entrepreneurial, inclusive and sustainable economy
- Open, connected and make a positive contribution internationally
- We live in communities that are inclusive, empowered, resilient and safe
- We are well educated, skilled and contribute to society
- We have thriving and innovative businesses with quality jobs and fair work for everyone.



How we work

We strive to provide the highest level of service to all our customers and to be the best organisation that we can, providing maximum public value.

To do this, we are committed to ensuring that our activities are:



Independent



Proportionate



Accountable



Informed



Consistent



Fair



Transparent

Our regulatory journey is summarised below, and is increasingly informed by intelligence we gather about the sector; delivered in a way which meets our stakeholder's needs.

2006	2014	2019
Prescriptive	Framework based	Variable assurance
Interventionist	Targeted	Risk-based approach Informed by intelligence
One size fits all	Proportionate	Proactive, preventative, informative and engaged
Regulator focused	Customer Aware	Delivery focused, based on a digital first model
Rules based	Increasingly flexible	Simplified process with transparent decision making

Our staff structure has similarly evolved over time, and during 2019-20 we piloted a more flexible culture of cross-teamworking and knowledge sharing by creating a risk assessment team made up of members of staff from throughout the organization. They worked together to trial our new triage approach to key areas of our casework.

We hope that working in this way will maximise business resilience and provide clearer career pathways for staff, which will have a positive impact on retention and engagement. Detailed information about staffing is included in the Remuneration and Staff report section of this document.

The 2019-20 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.

This Annual Report will be laid before the Scottish Parliament and sent to Scottish Ministers for consideration. It will also be published on our [website](#).

Key Issues and Risks Affecting OSCR

The key issues and challenges faced in 2019-20 were centred around developing the strategies and underpinning business, operational and technological changes required to be a relevant, enabling regulator and champion of the sector. Specific details in respect of some of these are detailed below.

Legislative change



Following the Scottish Government consultation on proposed changes to Scottish charity law, a [full analysis of responses](#) was published in July 2019. The responses showed a high level of support for the 10 consultation proposals, and whilst some respondents called for a wider review of charity law, others identified further technical changes to the 2005 Act for consideration.

Scottish Government determined that the proposals required further development and targeted engagement. Throughout 2019-20 we worked closely with Scottish Government officials to provide evidence and information to inform this development.

Ministers did, commit to amending the [Scottish Charitable Incorporated Organisation \(Removal from Register and Dissolution\) Regulations 2011](#), and in August 2019 the SCIO Dissolution Working Group 2019 was set up to make recommendations to Scottish Government about improving the SCIO Dissolution Regulations 2011. OSCR acted as group secretariat and supported members as they worked towards production of the final [report](#) on 10 March 2020.

Having been aware of a number of areas where the Scottish legislation lagged behind other parts of the UK for several years, the delays in legislative change have been disappointing. We remain committed to working with government colleagues to promote and support the development of change proposals over the coming year, albeit that we recognize charity law reform may be regarded as less of a priority for government than the competing legislative requirements stemming from global and national events.

Developing a Digital Strategy, and updating systems and technology



OSCR online, the system which we use to regulate charities, and which generates the Scottish Charity Register is reaching the end of its life and is not capable of meeting our changing business requirements, or the digital aspirations of users. Having identified a requirement to replace it with an agile solution which supports efficient working and an improved user experience, a key challenge was to establish how to progress with a critical system update,

given the options available in the market, and our lack of in-house technical development skills. With our Board's support, we engaged colleagues from the Scottish Government's Digital Transformation Service who worked with us to develop an overarching Digital Strategy which articulated our corporate aspirations in respect of using technology to support our operational delivery activities now and in the future. The [Strategy](#) was published in October 2019, and supported by user research, an implementation plan for key elements of our digital transformation was developed. Our Board are extremely committed to digital delivery, appreciating the operational and financial efficiencies and enhanced user experiences and will play a key oversight role as we move towards procuring a replacement online system and cloud hosting solution, around June 2020. In the coming year, most of our new investment will be related to technical transformation and resources will be targeted towards facilitating delivery of the online replacement system.

New ways of working and resourcing



At the beginning of April 2019, we began a pilot work programme focussed on a more risk-based approach to aspects of our casework activity. This involved the introduction of a single corporate triage team, who initially assessed Notifiable Events and Consent applications before progressing on to Status applications. The triage work is conducted by the newly created Risk Assessment Team

that is comprised of staff members from all parts of the organisation, who for a short-term period, undertake what is in effect an internal secondment to carry out this work.

The risk assessment work has been monitored and evaluated at regular intervals and feedback has been positive in terms of consistency and quality of decision making and volumes of cases considered. This leads us to believe that more flexible working is the way we would wish to progress in future, albeit there are a number of changes which we will have to fully consider and decide upon to enable us to move this forward. Foremost are changes to how we measure and report on our performance; and the staff resources

and organisational structure required to support more effective and agile corporate working. In November, our Board agreed that an organisational redesign led by the Chief Executive should take place. Discussion around the key proposals had been expected in March, but has been impacted by the COVID 19 pandemic, and has resulted in some delay. All considerations have taken place with an understanding that any potential change can be unsettling for staff and we are aware that uncertainties and changing work practices have caused increased anxiety amongst some colleagues. This key project recommenced at the end of May and consultation with staff and trade unions, and the provision of support for colleagues, will form an integral part of any decision-making process.

Enhancing our corporate governance arrangements

The appointment of a new Chair and Chief Executive, together with our membership of Scotland's third sector governance forum, prompted us to review our own corporate governance arrangements and to consider whether and how they could be enhanced to provide increased clarity and leadership for OSCR.



We developed a Terms of Reference for our Board which provides clarity on the role of members and the Chair; and sets out principles for interaction with the executive team. The frequency of Board meetings was increased to every second month. In parallel, a review of the Audit Risk and Assurance Committee Terms of Reference was carried out, as a result of which the committee's responsibilities, relationship with the Board, and membership are more

transparent. A new Casework Committee was established in February 2020 and its role, responsibility and purpose are clearly articulated in its Terms of Reference.

Discussion around the roles and responsibilities of the Board and clarifying expectations in respect of interaction with staff have provided clarity about decision making and allowed the unique skills and knowledge which each Board members brings to the role to be fully utilised. In parallel with this review, and led by the Audit Risk and Assurance Committee, an extensive overhaul of our corporate risk register took place, informed by Scottish Government Guidance. The revised risk register is a much more condensed and current document and the review schedule we have agreed ensures that its relevance is maintained.

Good governance also means engaging stakeholders and making accountability real. In this respect, we consult with stakeholders in respect of guidance and policy development and implement external user groups as appropriate, e.g. targeted regulation and change of legal form guidance. To inform implementation of our digital strategy, we commissioned independent research into our most commonly used online service so that future developments could have user experience at the forefront. Feedback from the research has been incorporated into our specification for a replacement system.

We developed an annual Engagement Strategy which details how we will work with stakeholders throughout the year and hold Meet the Regulator events throughout Scotland

which we present, meet and respond to concerns or queries raised by stakeholders.

We have been active participants at The Gathering, a free annual event organised by the Scottish Council for Voluntary Organisations (SCVO), for many years, and sponsored the event in 2020. The Gathering is a place for people from the third sector to network, showcase their work and learn from each other. We hosted two sessions, participated in panel discussion about strengthening Scotland's charity sector, and hosted a stand on the show floor as part of our efforts to deepen our interaction and understanding of the sector and provide an opportunity for real engagement with us.

Our Framework Agreement with the Scottish Government, which details how we will work together, was also comprehensively reviewed in 2019-20 with the resulting agreement clearly outlining how we will work with the Scottish Government in relation to the governance, financing and operation of the functions of OSCR. Copies of relevant documents are available through the ['About Us'](#) section of our website.

Going Concern

OSCR has no reason to believe that Scottish Ministers intend to withdraw support to the organisation and funding for 2020-21 has been confirmed in the 2020 Budget (Scotland) Act. It is therefore considered appropriate to prepare the accounts on a going concern basis.

Performance Summary and Analysis

How we measure and report on performance

Our [Business Plan](#) sets out at a fairly high level the key activities we will carry out during the year to ensure delivery of our Corporate Plan priorities. The Business Plan is supported by a comprehensive internal Operational Plan, which sets out in detail the specifics of the activities we will carry out, and we monitor our performance against it monthly.

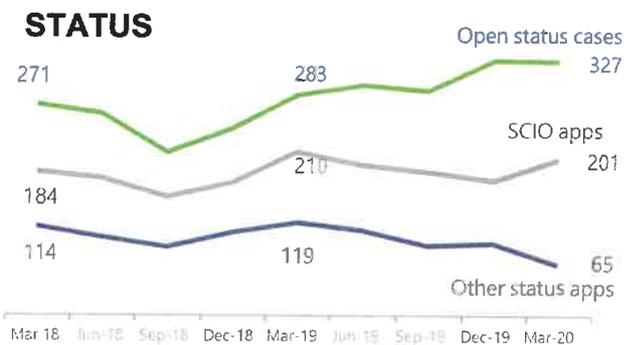
In addition to the above, we compile and publish detailed monthly [performance information](#) in respect of 23 areas of our activity, and this mainly quantitative data is considered by our Board at each of its meetings and is also published on our website. Under the Public Services Reform (Scotland) Act 2010 we are required to publish monthly [expenditure reports](#) and these are available via our website.

A summary of key performance trend information for 2019-20, is as follows:

There was a continued increase in the number of **status applications** during 2019-20, and the overall number of registered Scottish Charities increased from **24,536** in 2018-19 to **24,882**. The time we took to process applications from receipt to approval increased from 69 to 94 days, and the overall percentage concluded within our internal 90-day target fell to

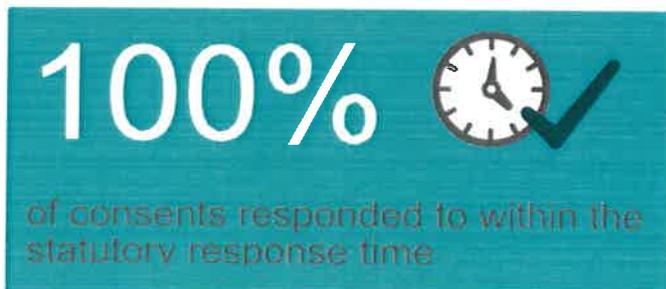
56%, from 76% in the preceding year.

Changes to our internal processes, staff vacancies at the start of the year and the increasing complexity of applications accounted for our performance dip. As our risk based approach becomes embedded, and our organisational redesign is implemented, we anticipate that our considerations will become increasingly streamlined.

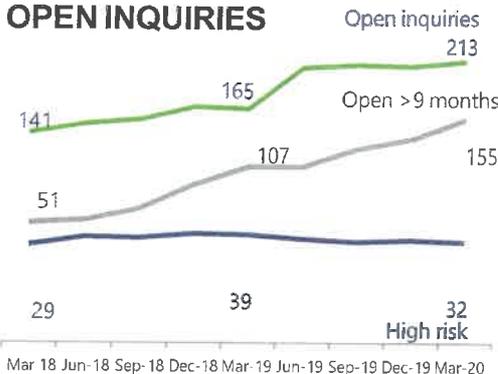


We operate to statutory timescales for considering **consent to change** applications received from Charities, and in 2019-20, all applications were considered on time.

Timescales for the consideration of applications from charities to **re-organise** are also in place, and during the year were met in respect of 98% of applications, which was a decrease of 1% on the previous year.



The number of concerns about charities we received increased from 506 to 620 during the year. Following initial assessment, we determined that it was appropriate for us to act in only 127 cases, which was consistent with the previous year. In February, we published updated guidance; [How OSCR deals with concerns and inquiries](#) with a view to



providing clarity and managing expectations of individuals who raise concerns with us. We ended the year with a significantly higher number of open inquiries than in 2018-19, and whilst we aim to conclude as many as we can within 9 months of receipt, this is not always possible since we are often reliant on the provision of information from external sources.

As Scotland's charity regulator we must report on the subject of the inquiries we make when as a result of our inquiries we:

1. give a direction, or remove a charity from the Register
2. suspend a person from acting as a charity trustee, or
3. issue a direction to a charity in respect of a specific action or actions

We also publish Inquiry Reports where we believe that our findings offer useful lessons for the wider sector. During the year, 5 Inquiry reports were prepared and published on our website.

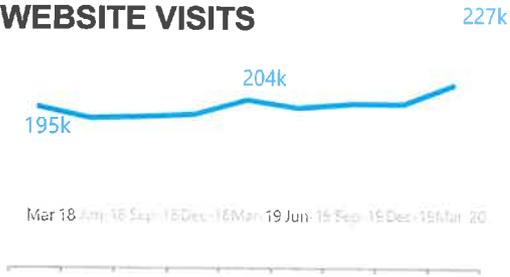
Engaging with stakeholders is a critical part of our work, and whilst our website is our most widely used delivery channel, we have increased our Twitter and Facebook presence to deliver key messages and provide general and specific information and guidance.

TWITTER



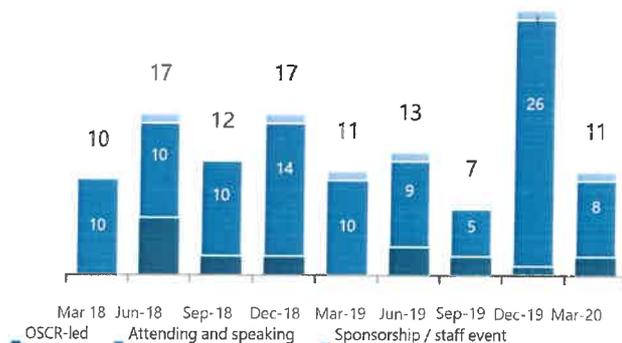
Website visitor numbers increased during the year, with our Register and guidance sections receiving the most visits. Short guidance videos are regularly uploaded and our Blog provides comment and analysis from a number of external speakers.

WEBSITE VISITS



Events

We continued our programme of meetings through our Meet the Regulator Events, and also presented at a number of externally hosted ones.



For those stakeholders who wish to access more traditional news and information updates, six issues of our newsletter, OSCR Reporter, were published during the year.

Charity SORP

The charities' statement of recommended practice (SORP) gives a framework for accounting and reporting designed to help charity trustees meet their legal requirement for their accounts and to encourage consistency in charity accounting standards for larger charities. (Those with an annual income over £ 250,000).

OSCR, together with the Charity Commission for England and Wales (CCEW) and the Charity Commission for Northern Ireland (CCNI) are authorised by the Financial Reporting Council (FRC) as the SORP-making body and as such take the responsibility for organising the SORP, led by a committee of experts, the [SORP committee](#), which we co-chair.

In following the recent recruitment exercise carried out in 2019-20, the SORP-making body appointed the membership of the new SORP Committee with 14 Committee members drawn from the 4 charity law jurisdictions covered by UK-Irish GAAP.

In 2019, we were part of the oversight panel set up to review the future development of charity reporting and accounting. The panel made a number of recommendations aimed at ensuring the way that charities report on their work and account for their income under the SORP can meet new public expectations and are fit for the future. These have been accepted and are being implemented by the SORP Committee. Some of the key recommendations include simplification of reporting requirements for smaller charities; reforming the size and composition of the SORP Committee and broadening and increasing engagement with a much wider group of stakeholders.

The full panel report, in which all 36 panel recommendations are outlined has been published [online](#).

Security and cyber resilience are critical to the effective delivery of digital services, and in 2019-20 we secured Cyber Essential Plus accreditation for a second year. Securing accreditation demonstrates that OSCR has appropriate technical security systems in place and provides assurance and reassurance to our online service users. We have promoted the importance of cyber security and resilience to stakeholders through website articles and discussion at events, including highlighting the availability of [SCVO grants](#) for the third sector.



In 2019-20 we received **15 formal complaints** about our procedures or service standards, which was an increase of 3 on the 2018-19 level. All complaints are analysed to determine potential service improvements and areas for development, and our Inquiry Policy was revised during the year to take cognisance of complaints received.

As a public body our activities fall within the scope of the **Freedom of Information (Scotland) Act 2005**, and we received 44 requests for information during the year, which was an increase from the 39 requests received in 2018-19. 99% of requests were responded to within the statutory timescale

Financial review summary

The Government Financial Reporting Manual, FReM 2019-20, 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 2020 was £3.294m as shown in the Statement of Comprehensive Net Expenditure; compared to a revenue Budget of £3.375m resulting in an underspend of £0.081m for the year.

As stated in the Statement of Comprehensive Net Expenditure, the main operating costs were incurred in relation to staff, at £2.228m (£2.115m in 2018-19); with other expenditure at £1.003m (£0.815 m in 2018-19) and depreciation and amortisation at £0.003m (£0.010m in 2018-19). There was no capital resource expenditure for the year ended 31 March 2020.

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. During the year ended 31 March 2020, OSCR paid 92.7% of invoices received within these terms, which was a decrease on our 2018-19 performance of 98.2%. A second target for undisputed invoices which requires payment to be with suppliers within 10 working days of receipt also exists, and during the year this target was achieved in respect of 86.7% of invoices. In both areas our performance has **decreased**, and whilst the number of invoices concerned are relatively low, we recognise that this is an area which requires focus in the coming year.



committed to developing and incorporating features which will enable all of our customers to interact with us, however they are able to.

As a regulator, we strive to ensure that the charities we register and who report to us are aware of their obligations in respect of the human rights of their beneficiaries. In addition to the [safeguarding](#) guidance we published, we will work with charities to promote the leadership and culture required to tackle and eliminate human rights abuse.

The Public Interest Disclosure Act 1998 (PIDA)

OSCR is a 'prescribed person' under the [Public Interest Disclosure Act 1998 \(PIDA\)](#) which means that we are allowed to accept disclosures from people who carry out paid work for a charity.

Our regulatory priorities are set out in our [Risk Framework](#), and when we receive a whistleblowing disclosure we assess it in the light of our Risk Framework and in line with our [Whistleblowing guidance](#) and our [Inquiry Policy](#)

Whistleblowing disclosures help us identify and prevent concerns within the sector and help charities to put things right. They play an important part in supporting OSCR to underpin public trust and confidence in the charity sector.

We received eight (8) whistleblowing reports in 2019-20 which was an increase on the seven (7) received in the previous year.

- Four (4) of these led to OSCR opening an inquiry using our powers under section 28 of the 2005 Act and using our other statutory powers as appropriate. These inquiries are all ongoing.
- Four (4) of the reports were assessed as not appropriate for OSCR to take forward as a formal inquiry, but caused us to engage with charities on a more informal basis to encourage compliance with requirements of charity law.

In 2019-20 whistleblowing concerns helped us to:

- Identify regulatory concerns
- Take action to protect charity assets and beneficiaries
- Identify risks to charities and to the charity sector that would not otherwise have come to light without the protection afforded to whistleblowers.



Maureen Mallon
Chief Executive and Accountable Officer
6 August 2020

Accountability 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 2020.

The status of and provision of information to employees

OSCR staff are employed by Scottish Ministers but have the same terms and conditions as staff within the core Scottish Government, including access to the civil service pension arrangements. OSCR follow the Scottish Government's policies and procedures, including those for performance management, and all staff use its online HR system to record transactional matters relating to staff absence and performance.

Our aim is that all staff are clear about how their role contributes to the delivery of our corporate vision and objectives. New staff joining us have a comprehensive induction programme which explains corporate activities, functions and interdependencies, and all staff are involved in operational planning and the development of business milestones each year.

During 2019-20 a fortnightly staff newsletter which provided strategic and operational information and updates was issued, and all staff meetings took place when there were appropriate matters for discussion.

OSCR participates in the annual UK Civil Service People Survey which is co-ordinated by the Cabinet Office and provides information about staff engagement levels within the civil service. Detailed results are prepared for each participating organisation and results are benchmarked against similarly sized public sector bodies throughout the UK. OSCR's overall engagement score at 60% was an increase on the 2018-19 level and increases in positive responses around learning development, leadership and change management was encouraging. Our Board have taken a very keen interest in the results and an improvement plan designed to tackle those areas where engagement is low, has been developed.

In accordance with the **Regulatory Reform (Scotland) Act**, OSCR must have regard to the Scottish Regulators Code of Practice. Staff who are involved with policy development and review work have received specific training on the Code; the review process for strategic working agreements between ourselves and other regulators now places increased emphasis on promoting effective, secure information sharing and minimising duplication.

Pensions

OSCR staff members are eligible to be members of the Principal Civil Service Pension Scheme (PCSPS) and at 31 March 2020 all permanent members of staff had joined. In accordance with the Government Financial Reporting Manual (FReM) the PCSPS is accounted for as if it were a defined contribution scheme. Further information and details in respect of the pension schemes 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.

Disclosure of information to auditors

As Accountable Officer, I can confirm that there is no relevant information in respect of OSCR, of which our auditors are unaware. I have taken all the steps that I ought to have, to make myself aware of any relevant audit information and to establish that OSCR's auditors are aware of that information.

Personal data security

During 2019-20 there were no known incidents of personal data breaches and no data security issues (there were also none in 2018-19).

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 and 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 OSCR's policies, aims and objectives, while safeguarding the public funds and assets for which I am personally responsible.

The purpose of the governance statement

Our Governance Framework accords with the Scottish Public Finance Manual (SPFM).

Our system of internal control 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 is focused around the ongoing identification and prioritisation of risks relating to strategic and operational activity; based on evaluation of the likelihood and impact of each risk being realised.

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

Our Board is responsible for providing strategic direction, oversight, governance and for monitoring expenditure and operations. During 2019-20, it held six formal meetings and one strategic session to fulfil this role.

Membership of our Board is as follows, and 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>



Lindsay Montgomery CBE
Chair



Patricia Armstrong OBE
Deputy Chair



Professor Stuart Cross
Audit Risk and Assurance
Committee Chair



Jill Vickerman
Casework Committee Chair



Dr Sophie Flemig



Shona Ulrichsen

Audit Risk and Assurance
Committee member



Stephanie Fraser

Casework Committee
member



Jessica Wade

Audit Risk and Assurance
Committee member

The Board meets every two months and during 2019-20, meetings were held in May, June, August, October, December and February. Members of the Board also serve on the Audit Risk and Assurance Committee which meets at least three times a year; The Casework Committee held its first meeting in March 2020. Minutes of [Board meetings](#) are published 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. Maureen Mallon was appointed as interim Chief Executive in January 2019, and permanent Chief Executive following an open recruitment process in October 2019. Maureen 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.

The senior officers are:



Maureen Mallon
Chief Executive



Laura Anderson
Head of Professional
Advice & Intelligence



Judith Turbyne
Head of Engagement



Judith Hayhow
Head of Support Services



Martin Tyson
Head of Casework

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 2019-20 the overall permanent staff headcount number was 50 with 11 staff members working on a part time basis and 1 staff member seconded out of OSCR. The overall Whole Time Equivalent for permanent staff was 42.5.

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, as part of its overall deliberations, and risk management is embedded in our operational activities in the following ways:

- Our Board, Audit Risk and Assurance Committee, and Senior Management Team consider and review our Corporate Risk Register at each of their meetings.
- The Audit Risk and Assurance Committee Chair formally reports to the Board following committee meetings. Similar arrangements take place in respect of the Casework Committee.
- Members receive ad hoc briefings from the CEO and SMT on specific matters which have the potential to create risk as they arise throughout the year.
- The CEO and SMT prepare a report for consideration at each Board meeting which highlights key issues and activities which have been undertaken by staff in the preceding period. This ensures Members have a comprehensive understating of key operational activities and challenges and an opportunity to discuss these with staff.
- OSCR staff consider risk at their regular team meetings and this information feeds in to both the formal and informal Senior Management Team risk considerations.
- OSCR's Audit Risk and Assurance Committee considers and evaluates its performance annually using a self assessment checklist. This forms the basis of a formal report on activity and performance which the Audit Committee Chair provides to the Board annually.
- In addition to individual performance reviews which the Chair and each Member conduct annually, the whole Board also completes an annual retrospective self assessment review which is used to determine whether there are any collective actions, learning or performance issues which require to be addressed.

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

- A mandatory all staff and Board training programme which includes on line courses and evaluation in respect of data handling, awareness and security.
- A Best Value Plan which evaluates our performance against the Best Value themes detailed in the Audit Scotland Best Value toolkit.
- An IT Code of Conduct which staff and Board members sign 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 and support thereby ensuring that contracts we award are compliant with the requirements of European procurement directives.
- Secured Cyber Essentials Plus accreditation.

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.

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.

OSCR Board meetings are attended by myself and Senior Management Team members. The Chair and I hold either face to face or telephone discussions each week, and he visits OSCR at least one day each month, meeting myself and separately with members of the Senior Management Team.

The OSCR Audit Risk and Assurance 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 Committee reviews OSCR's financial statements prior to publication and provides advice to the Board, and myself as Accountable Officer, in respect of the adequacy and effectiveness of risk identification and reporting. The Audit Committee also considers the scope of internal and external audit plans, receives Annual Reports from auditors, provides feedback and makes recommendations to myself and the Board where appropriate.

Internal Audit services are provided by the Scottish Government's Internal Audit Division. Based on the work undertaken during their 2019-20 review, substantial assurance on the adequacy of risk management, control and governance arrangements in place over the systems reviewed was awarded.

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 2019-20 (Nil 2018-19).

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:

- Maureen Mallon, Chief Executive (from 8.10.19, and Interim CEO prior to that)
- Laura Anderson, Head of Professional Advice & Intelligence
- Judith Hayhow, Head of Support Services
- Judith Turbyne, Head of Engagement
- Martin Tyson, Head of Casework

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 2019-20'](#), which the Scottish Government prepare.

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.

Details of the service contracts for Board members serving during the year are detailed below, with those Members whose tenure will end in 2022 highlighted:

		Current term	Date of initial appointment	Date of termination of appointment
Lindsay Montgomery CBE	Chair	1st	March 2019	February 2023
Patricia Armstrong OBE	Deputy Chair	2nd	April 2014	March 2022
Professor Stuart Cross	Member	2nd	April 2014	March 2022
Dr Sophie Flemig	Member	1st	April 2016	March 2020
Stephanie Fraser	Member	1st	March 2018	March 2022
Shona Ulrichsen	Member	2nd	April 2014	March 2022
Jill Vickerman	Member	1st	March 2018	March 2022
Jessica Wade	Member	2nd	April 2016	March 2020

Dr Sophie Flemig declined to take up a second term as a Board Member, and so resigned from the Board with effect from 1 April 2020. Recruitment in respect of the vacancy which her departure creates will commence around June 2020.

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

	2019-20 £'000	2018-19 £'000
Lindsay Montgomery (Chair)	15-20	0-5
Patricia Armstrong	0-5	0-5
Stuart Cross	0-5	0-5
Sophie Flemig	0-5	0-5
Stephanie Fraser	0-5	0-5
Shona Ulrichsen	0-5	0-5
Jill Vickerman	0-5	0-5
Jessica Wade	0-5	0-5

There was no increase in the daily fee rate in 2019-20.

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 (£'000)		Benefits	
	19-20	18-19	19-20	18-19	19-20	18-19	19-20	18-19
Maureen Mallon	85-90	10-15***	N/A	N/A	41	7		
Laura Anderson	60-65	55-60	Nil	Nil	23	23		
Judith Hayhow	55-60	55-60	Nil	Nil	6	25		
Judith Turbyne	55-60	55-60	Nil	Nil	23	22		
Martin Tyson	70-75	70-75	Nil	Nil	34	38		

*** Maureen Mallon started at OSCR on 28.01.2019. Her FTE salary banding was £80-85k.

'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 2019-20 or 2018-19.

Benefits in kind

There were no benefits in kind in 2019-20 or 2018-19.

Fair pay disclosure

We are required to disclose the relationship between the total remuneration of the highest paid employee in the 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.

The Chief Executive was the highest paid Director in the financial year 2019-20. The full time annual salary for the Chief Executive is in the salary band £85,000 to £90,000. The midpoint of this band is £87,500 which is 2.88 times greater than the median remuneration of the workforce.

	2019-20	2018-19
Band of highest paid employee (mid point)	87,500	82,500
Median salary	30,351	33,416
Remuneration ratio	2.88	2.47
Staff minimum FTE remuneration	19,314	19,851
Staff maximum FTE remuneration	72,478	70,367

Pension benefits	Accrued pension at pension age as at 31-3-20 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31-3-20	CETV at 31-3-19	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Chief Executive					
Maureen Mallon	20-25	0.2.5	377	329	29
Senior Management Team					
Laura Anderson	15-20	0-2.5	162	142	10
Judith Hayhow	25-30	0-2.5	516	442	14
	Lump sum	Lump sum			
	65-70	0-2.5			
Martin Tyson	30-35	0-2.5	542	495	22
	Lump sum	Lump sum			
	25-30	0-2.5			
Judith Turbyne	5-10	0-2.5	117	95	14

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 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

Staff costs

The staff costs for the year were as follows:

	Permanently employed staff £'000	Others £'000	2019-20 Total £'000	2018-19 Total £'000
Wages and salaries	1,633		1,633	1,589
Social security costs	169		169	169
Other pension costs	429		429	328
Agency staff costs		57	57	29
Total	2,231	57	2,288	2,115

Average staff numbers over the year by WTE

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

	2019-20 WTE	2018-19 WTE
Senior management	5.0	5.0
Other permanent staff	37.4	37.17
Agency staff	1.5	0.96
Total	43.90	43.13

Breakdown by permanent and other at year end

This table details the headcount breakdown of permanent and non-permanent staff, at 31 March 2020.

	Permanent	Temporary
Senior management	5	0
Employees	45	2
Total	50	2

Breakdown by gender at year end

The table below details the gender breakdown of permanent staff, at 31 March 2020.

	Female	Male
Senior management	4	1
Employees	28	17
Total	32	18

Sickness absence

The total number of days lost and the average number of days lost per full time equivalent (FTE) to sickness absence during 2019-20 at 6.4 days, was an increase on the 20-18-19 level, but was below the average for the Scottish Government Core at 8.1 days. A breakdown of absence shown between short term (under 11 day) and long term (over 11 days) for OSCR, is detailed in the table below, and highlights how there was a significant increase in long terms absence during the year. Given the relatively small number of staff employed, absence levels can fluctuate significantly on an annual basis, particularly when periods of long term absence occur.

All staff absences are recorded using the Scottish Government's OneHR system, and absence information is provided to us on a quarterly basis by the SG Human Resource Division (SGHRD), as part of our shared service arrangement. SGHRD manage long term absences involving occupational health professionals as required and in accordance with official absence policies and procedures.

	<u>2019-20</u>	<u>2018-19</u>
Days sickness absence		
Short term (under 20 days)	161.4	159.8
Long term (Over 20 days)	117.97	41.0
Total	279.32	200.8
Average per FTE member of staff	6.4	4.9

Policies in relation to disabled persons

OSCR's equality duties arise from 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 explaining what they should do to ensure compliance with equality law and we have a corporate responsibility to ensure that OSCR services and information is as accessible as possible. Our website meets accessibility standards, is Speak IT Plus enabled, and we are a member of Happy to Translate.

As an employer, OSCR undertakes to develop all staff and positively values the different perspectives and skills each brings to our work. We adopt the Scottish Government policies on equal opportunities and diversity and 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 formally employed as homeworkers, we support and facilitate remote working.

Expenditure on consultancy and payroll arrangements

Consultancy expenditure of £140,743.40 was paid during 2019-20. £134,195.10 was paid to the Scottish Government Digital Transformation Service in respect of their work with us in developing our Digital Strategy and detailed digital implementation plan. £5,491.40 was paid to Marieke Dwarshuis Consultancy in respect of the work which she undertook in chairing the Scottish Charitable Incorporate Organisations Dissolution Working Group. Finally, £1,056.90 was paid to Shackleton Technologies Ltd in respect of work which they undertook to assist us to secure Cyber Essential accreditation.

This compares with £34,409.28 which was previously spent on consultancy support and reflects the significant digital work which was undertaken throughout 2019-20 to support our business transformation.

Exit packages

No Board member or senior manager left under voluntary or compulsory exit schemes in 2019-20 (nil in 2018-19).

Parliamentary Accountability Report

Losses and Special Payments

There were no losses and special payments incurred by OSCR in the year to 2019-20 (nil in 2018-19).

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 2020 which require disclosure under IAS 37 or the Scottish Public Finance Manual (nil in 2018-19).



Maureen Mallon
Chief Executive and Accountable Officer
6 August 2020

Independent Auditor's Report

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

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 2020 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 Tax Payers' Equity 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 2019/20 Government Financial Reporting Manual (the 2019/20 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 2020 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 2019/20 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 for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Auditor General for Scotland. 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 were appointed by the Auditor General on May 2016. The period of total uninterrupted appointment is four years. 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 Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

the body has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Risks of material misstatement

We have reported in a separate Annual Audit Report, which is available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that we identified and our conclusions thereon.

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.

In preparing the financial statements, the Accountable Officer is responsible for using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain 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) 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.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skillfulness of the perpetrator,

the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. We therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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, the audited part of the Remuneration and Staff Report, 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, our responsibility is to read all the other information in the annual report and accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 matters prescribed by the Auditor General for Scotland

In our opinion, the audited 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 audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or

[I/we] have not received all the information and explanations we require for our audit.

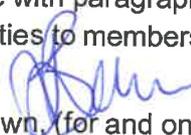
We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to our responsibilities for the annual report and accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in our Annual Audit Report.

Use of our report

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, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.


Joanne Brown, (for and on behalf of Grant Thornton UK LLP)

Level 8

110 Queen Street

Glasgow

G1 3BX

7 August 2020

Financial Statements

Annual Accounts

Statement of Comprehensive Net Expenditure for the year ended 31 March 2020

	Note	2019-20 £'000	2018-19 £'000
Operating costs			
Staff costs	4	2,288	2,115
Other administration costs	7	1,003	815
Depreciation and amortisation	8,9	3	10
Net operating cost		3,294	2,940

The notes on pages 41 to 54 form part of these accounts

Statement of Financial Position

as at 31 March 2020

	Note	2019-20 £'000	2018-19 £'000
Non-current assets:			
Property, plant and equipment	8	9	12
Intangible assets	9	0	0
Total non-current assets		9	12
Current assets:			
Cash and cash equivalents	11	1	1
Other current assets	12	28	32
Total current assets		29	33
Total assets		38	45
Current liabilities:			
Trade and other payables	13	281	234
Total current liabilities		281	234
Total assets less current liabilities		(243)	(189)
Assets less liabilities		(243)	(189)
Taxpayers' equity:			
General fund		(243)	(189)



Maureen Mallon
Chief Executive and Accountable Officer
6 August 2020

The notes on pages 41 to 54 form part of these accounts

Statement of Cash Flows
for the year ended 31 March 2020

	Note	2019-20 £'000	2018-19 £'000
Cash flows from operating activities			
Net operating cost	SCNE	(3,294)	(2,940)
Adjustments for non cash transactions:			
Depreciation and amortisation	8,9	3	10
Audit fee	7	14	14
Movements in working capital:			
Decrease/(increase) in trade and other receivables	12	4	(21)
Increase in trade and other payables	13	47	30
Net cash outflow from operating activities		<u>(3,226)</u>	<u>(2,907)</u>
Cash flows from financing activities			
Net funding	3	3,226	2,907
Net increase/(decrease) in cash and cash equivalents			
	11	0	0
Cash and cash equivalents at the beginning of the period	11	1	1
Cash and cash equivalents at the end of the period	11	1	1

The notes on pages 41 to 54 form part of these accounts

Statement of Changes in Taxpayers' Equity
for the year ended 31 March 2020

	Note	General Fund £'000
Balance at 31 March 2018		(170)
Changes in taxpayers' equity for 2018-19		
Non cash charges – auditor's remuneration	7	14
Net operating cost for the year	SCNE	<u>(2,940)</u>
Total recognised income and expenditure for 2018-19		(2,926)
Net funding	3	2,907
Balance at 31 March 2019		<u>(189)</u>
Changes in taxpayers' equity for 2019-20		
Non cash charges – auditor's remuneration	7	14
Net operating cost for the year	SCNE	<u>(3,294)</u>
Total recognised income and expenditure for 2019-20		(3,280)
Net funding	3	3,226
Balance at 31 March 2020		<u>(243)</u>

The notes on pages 41 to 54 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 2019-20 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 standard has been considered:

- IFRS 16 Leases

Due to circumstances caused by the Covid-19 pandemic, HM Treasury (HMT) have agreed with the Financial Reporting Advisory Board (FRAB) to defer the implementation of IFRS 16 Leases until 1 April 2021.

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 (page 10).

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
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 2020 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 2020 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. Statement of Operating Costs by Departmental Strategic Objective

for the year ended 31 March 2020

	Note	2019-20 £'000	2018-19 £'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	3,294	2,940
Total assets	SOFP	38	45

3. Outturn against budget

	2019-20 Budget £'000	2019-20 Outturn £'000	2018-19 Outturn £'000
Gross budget	3,375	3,294	2,940

4. Reconciliation of net resource outturn to net cash requirement in 2019-20

2018-19 Outturn £'000	Note	2019-20 Budget £'000	2019-20 Outturn £'000	2019-20 Variance £'000
2,940	Resource outturn	3,375	3,294	(81)
<u>2,940</u>	Total resource requirement	<u>3,375</u>	<u>3,294</u>	<u>(81)</u>
	Accruals adjustments:			
(24)	Non cash items		(17)	
(9)	Changes in working capital other than cash		<u>(51)</u>	
2,907	Net cash requirement		3,226	
2,907	Net funding received		3,226	
0	Cash surplus		0	

5. Staff numbers and related costs

An analysis of staff numbers and costs is disclosed in the Staff Report section on page 27 of this report. A summary of cost is provided in the table below.

	2019-20 £'000	2018-19 £'000
Directly employed staff	2,231	2,086
Other staff costs (Agency staff)	57	29
Total	2,288	2,115

6. 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 2019-20 or 2018-19.

7. 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 2019-20, employers' contributions of £429k were payable to the PCSPS (2018-19 £328k). 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 2019-20 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	All other members
Full Time Equivalent Annual Pay Range	Contribution rates from 1 April	Contribution rates from 1 April
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.

8. Other administration costs

	2019-20 £'000	2018-19 £'000
Property costs	165	154
Supplies and services	609	469
Staff related costs	91	54
Rentals under operating leases (note 16)	124	124
<u>Non cash items:</u>		
Auditors' remuneration and expenses	14	14
Total	1,003	815

- (i) Property costs for 2019/20 comprise: recharges from Service Level Agreement (SLA) with the Care Inspectorate £89k; Rates £45k, property maintenance costs £5k and furniture and fittings £26k.

- (ii) Supplies and services costs for 2019/20 comprise: ICT £260k, consultancy £141k, administration costs £115k and professional fees £93k.
- (iii) Staff related costs for 2019/20 comprise: training £43k, travel and subsistence £35k, recruitment £9k and membership fees/subscriptions £4k.

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 2020. All audit fees are paid from the Scottish Consolidated Fund.

No other work was carried out by Grant Thornton UK LLP (appointed auditors), during the year ended 31 March 2020 (£ nil in the year to 31 March 2019).

9. Property, office furniture and equipment

	Leasehold improvements	Information technology	Furniture and equipment	Total
	£'000	£'000	£'000	£'000
Cost				
1 April 2019	191	65	55	311
Additions	0	0	0	0
Disposals	0	(2)	0	(2)
31 March 2020	191	63	55	309
Depreciation				
1 April 2019	179	65	55	299
Charged in year	3	0	0	3
Disposals	0	(2)	0	(2)
31 March 2020	182	63	55	300
Net book value at				
31 March 2020	9	0	0	9
31 March 2019	12	0	0	12

	Leasehold improvements	Information technology	Furniture and equipment	Total
	£'000	£'000	£'000	£'000
Cost				
1 April 2018	191	65	55	311
Additions	0	0	0	0
Disposals	0	0	0	0
31 March 2019	<u>191</u>	<u>65</u>	<u>55</u>	<u>311</u>
Depreciation				
1 April 2018	176	65	55	296
Charged in year	3	0	0	3
Disposals	0	0	0	0
31 March 2019	<u>179</u>	<u>65</u>	<u>55</u>	<u>299</u>
Net book value at				
31 March 2019	12	0	0	12
31 March 2018	15	0	0	15

All assets are owned.

10. Intangible assets

	Software £'000
Cost:	
At 1 April 2019	870
Additions	0
Disposals	(688)
At 31 March 2020	<u>182</u>
Amortisation:	
At 1 April 2019	870
Charged in year	0
Disposals	(688)
At 31 March 2020	<u>182</u>
Net book value:	
At 31 March 2020	0
At 31 March 2019	0

	Software £'000
Cost:	
At 1 April 2018	870
Additions	0
Disposals	0
At 31 March 2019	<u>870</u>
Amortisation:	
At 1 April 2018	863
Charged in year	7
Disposals	0
At 31 March 2019	<u>870</u>
Net book value:	
At 31 March 2019	0
At 31 March 2018	7

All assets are owned.

11. Financial instruments

As the cash requirement of the Non-Ministerial Office 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.

12. Cash and cash equivalents

	2019-20 £'000	2018-19 £'000
Balance as at 1 April	1	1
Net change in cash and cash equivalent balances	0	0
Balance as at 31 March	<u>1</u>	<u>1</u>

This balance is held in a commercial bank.

13. Other current assets

	2019-20	2018-19
	£'000	£'000
Prepayments	28	32
	<u>28</u>	<u>32</u>

Analysis of other current assets:

	2019-20	2018-19
	£'000	£'000
Balances with other central Government bodies	20	20
Balances with bodies external to Government	<u>8</u>	<u>12</u>
	<u>28</u>	<u>32</u>

14. Trade payables and other current liabilities

	2019-20	2018-19
	£'000	£'000
Trade payables	1	5
Accruals	187	155
Other taxation and social security	48	40
Other payables	45	34
	<u>281</u>	<u>234</u>

Analysis of trade payables and other current liabilities:

	2019-20	2018-19
	£'000	£'000
Balances with other central Government bodies	104	82
Balances with bodies external to Government	<u>177</u>	<u>152</u>

15. Provisions for liabilities and charges

There were no provisions for liabilities and charges in 2019-20 or 2018-19.

16. Capital commitments

There were no contracted capital commitments not otherwise included in these financial statements as at 31 March 2020.

17. Commitments under leases

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

	2019-20 £'000	2018-19 £'000
<u>Land and buildings:</u>		
Not later than one year	124	124
Later than one year and not later than five years	271	396
Later than five years	0	0

18. 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 with the exception of a £7k contribution to the Association of Chief Officers of Scottish Voluntary Organisations (ACOSVO) for events held during Trustees' week in November 2019. Patricia Armstrong, OSCR Board Member is the Chief Executive of ACOSVO. In addition, Shona Ulrichsen, who is also a Board member, chooses to have her Fees for attending Board meetings, paid through her company, Kellytech Ltd. In 2019-20 these totaled £2.5k.

19. Contingent liabilities

At the end of the 2019-20 financial year, OSCR had appealed two decisions of the Upper Tribunal for Scotland to the Inner House of the Court of Session. There will be an appeal hearing in these matters in due course and OSCR will incur legal costs in this appeal process. The timing of any appeal hearing and the decisions of the Court are unknown. In the event that the Inner House finds against OSCR in these appeals, OSCR will be liable for the judicial expenses of the two organisations who are the subjects of the appeals. This is shown as a contingent liability as it is not possible to quantify those expenses at this time.

There were no contingent liabilities at 31 March 2020 which required disclosure under IAS 37 or the Scottish Public Finance Manual.

20. Post statement of financial position events

There were no events after the statement of financial position date relating to the 2019-20 financial year.



OFFICE OF THE SCOTTISH CHARITREGULATOR

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



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