

ANNUAL REPORT & ACCOUNTS
2022-23

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Performance Report



Introduction by the Chair

I was delighted and honored to become Chair of OSCR in October 2022, and have pleasure in presenting our Annual Report and Accounts for 2022-23.

This report provides an overview of OSCR's performance during the year, and I would like to thank my predecessor, Interim Chair George Walker, for his work in leading the organisation for part of that time. I would also like to thank the five new **Board Members** who took up their posts on 1 April 2022, for their work in familiarising themselves with OSCR, its role and for their contribution to the effective governance of the organisation to date. Information about all Board Members, including their Registers of Interest, are available on our website.

I would particularly like to thank OSCR's diligent and professional staff team for their hard work and focus over the past twelve months. I can see clear evidence of how OSCR's transformation work and experiences of the last few years have enabled us to be in a great position to regulate and support Scotland's charities, whatever the future holds. Our 2023-26 Corporate Strategy was published in early June 2023 and contains our ambitions, targets and outcomes for OSCR, which the staff team have identified jointly with the Board. The extent to which we can deliver, particularly with new powers in prospect for OSCR, if and when the Charities (Regulation and Improvement) (Scotland) Bill becomes law, will be impacted by the challenging circumstances associated with the public sector resource environment. I look forward to reporting on our achievements next year.

The Scottish Charity sector is large and diverse, delivering services ranging from sports and youthwork to nature conservation, social care, and providing high levels of funding and other support. Charities touch the lives of almost everyone in Scotland, and the services and support that charities offer provide security and essential services for a



huge number of beneficiaries, irrespective of age or where they live. I would like to recognise the work and commitment of the trustees, staff and volunteers who make this possible, and I look forward to regulating and supporting the sector over the coming year.

Marieke Dwarshuis
OSCR Board Chair

Chief Executive's welcome and statement on performance



Welcome to our 2022–23 Annual Report and Accounts.

Looking back over the year, I am proud of our achievements, and the work which we have done to continue our improvement journey, both as a public body and also in terms of our interactions with Scotland's 25,000 plus charities.

2022–23 has been a year of change for OSCR in a number of ways, not least with the appointment of a new Chair, and five new Board Members. Their enthusiasm, interest and commitment to OSCR has been impressive from the outset, and our 2023–26 Corporate Strategy which was launched in June 2023, very much reflects both their and the staff team's involvement.

Our replacement charity reporting system, OSCR Online, went live in July 2022, and was a key deliverable of our Digital Strategy. We are already seeing operational and process efficiencies stemming from the system, which will be used as a platform on which to expand our digital offering to charities over the coming years. Charity feedback about the system has also been encouraging, and by making it easier for charities to submit information to us, we hope to see compliance levels increase over the coming years.

Throughout 2022–23 we worked closely with Scottish Government colleagues and the Cabinet Secretary in respect of the development of the Charities (Regulation and Administration) (Scotland) Bill, and its passage through Parliament. We very much welcome the proposals contained in the legislation and have worked throughout the year to quantify and plan the timing of the resource requirements associated with implementation, appearing before the Scottish Parliament's Social Justice and Social Security Committee in February to give evidence in this respect. We are hopeful that the Bill will receive Royal Assent in summer 2023 and we will continue to dedicate staff resources to assist with the passage, particularly in the early part of 2023–24. We are making recommendations to Scottish Ministers in relation to specific related regulations that require improvements and these can be found on page 19.

At an operational level, we spent time in 2022–23 reviewing and evaluating how we deliver core elements of our business, introducing new procedures in a number of areas, including our status and consent work. Using analysis and feedback in respect of how we consider concerns about charities we have significantly reviewed our Inquiry Policy, which we will launch in summer 2023. The revised policy is designed to make it easier to understand the type of concerns which OSCR can look into, and to better manage expectations of people who submit concerns to us. In parallel with this work, we intend to publish information about our regulatory framework and risk assessment process, to help increase transparency around what we do.

The hybrid working model we introduced following the pandemic is now fully embedded, with staff spending at least two days a week in the office. We have seen real benefits in terms of collaborative working as a result of colleagues spending time together in person, and we have carried out a number of changes to our accommodation to better

facilitate the increased requirement for shared working spaces. Improved technologies are making working and connecting with others when working outwith the office easier and much more productive. Our People Strategy, which was launched in July 2022 details how we will support our staff to thrive and develop new skills, so that they can work flexibly across the organisation, responding to changing priorities. Managers across the business are working really proactively with their teams and our overall engagement scores within OSCR, as demonstrated by the Cabinet Office annual survey results, increased to their highest level for OSCR for a number of years. Myself, the Board and the staff team are committed to ensuring that this positive trend continues, and over the coming years a focus on ensuring staff support and development will underpin our activities alongside our focus on being an efficient and responsive regulator

Maureen Mallon
OSCR Chief Executive and Accountable Officer

Purpose and activities of the organisation

OSCR is the regulator and registrar for Scotland's 25,000 charities. We are a non-ministerial office (NMO) working alongside the Scottish Government and are directly accountable to the Scottish Parliament. We work to ensure that the Scottish public have confidence that the country's 25,000 charities are well run. Every charity in Scotland must be registered with us and meet annual reporting requirements.

- We provide information to the public about charities and their activities, through our Scottish Charity Register and reporting.
- We offer a range of tools and guidance for charities and the people who run them, to support and encourage improvement in the sector.
- We use our knowledge and intelligence of charities to positively influence and inform the development of national policy, legislation and practice that affects the charitable sector in Scotland.
- We ensure that any wrongdoing in charities is identified, addressed and that the relevant parties are held to account.

Mission statement

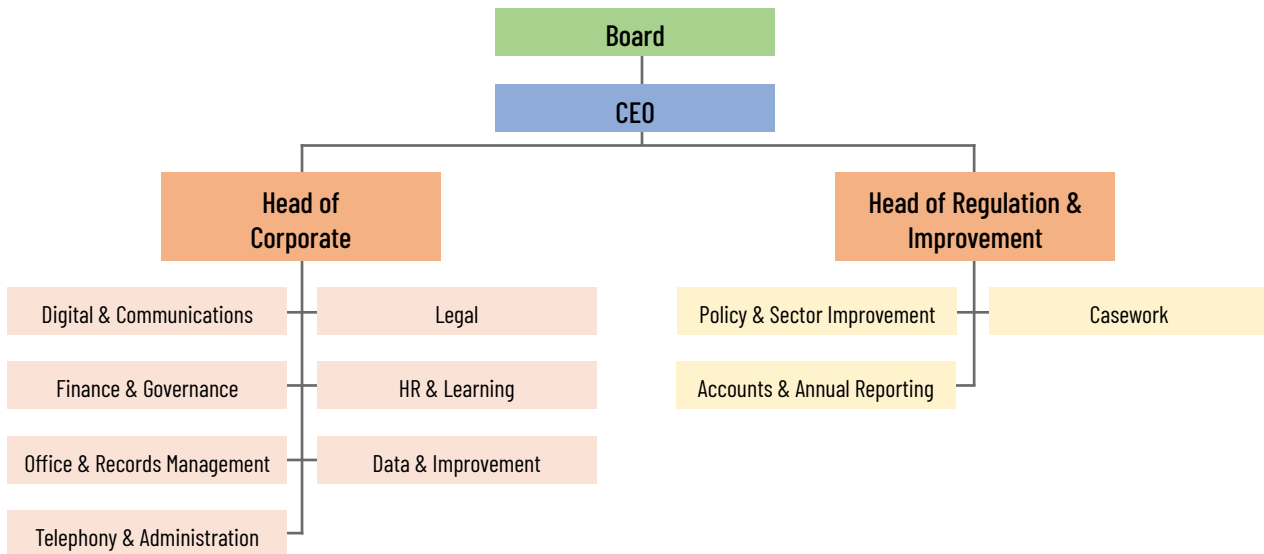
The Scottish Charity Regulator will regulate in a way which builds trust and confidence in Scottish charities, holds charities to account and strengthens their ability to positively contribute to society.

OSCR's Values

- Independent
- Transparent
- Targeted
- Proportionate
- Consistent
- Fair
- Accountable
- Informed



How we are structured



OSCR's structure is based on a target operating model which enables us to operate in a balanced and consistent manner, whilst also being sufficiently agile to enable us to adapt to meet changing demands. This structure which was implemented in 2020 is outlined in the diagram below. A detailed organisational chart, which shows all posts, is published on our [website](#).

We review the requirement for any post which becomes vacant. We refine remits as required to ensure that our structure is as streamlined as it can be, and that the roles of all our people link clearly to delivery of our strategic objectives. We are committed to working in an efficient and agile way, using technology to streamline activities where possible, and to maximise the impact of our key resource, our people.

How we are funded

As a Non-Ministerial Office, we are funded by the Scottish Government. The level of funding we receive is set out in the annual Budget (Scotland) Act. Our revenue budget for 2022-23 was £3.430m (2021-22 - £3.580m) and our net operating costs for 2022-23 were £3.390m, (2021-22 - £3.293m)

Financial review summary

OSCR is classed as a directly funded external body which requires separate parliamentary approval from the Scottish Government portfolio and consequently our budget is detailed separately in the relevant Budget (Scotland) Act.

The revenue resource expenditure, or net operating cost for the year ended 31 March 2023 was £3.390m, (£3.293m in 2021-22) as shown in the Statement of Comprehensive Net Expenditure; compared to a revenue budget of £3.430m (£3.580m in 2021-22). The main operating costs were incurred in relation to staff at £2.443m (£2.368m in 2021-22) with other expenditure at £0.818m (£0.922m in 2021-22) and depreciation at £0.128m (£0.003m in 2021-22).

The impact of IFRS 16 – Leases, effective 1 April 2022 has been included in the 2022-23 accounts. The impact of IFRS 16 is to bring into account a right of use asset (our building) and the lease liability (note 14).

A provision for the dilapidations on Quadrant House of £162k remains in the accounts from 2021-22 as the rental lease is expected to end in June 2023.

Payment performance

OSCR is required to pay contracts that are not with dispute in line with Scottish Government Policy. OSCR paid 98.8% of invoices within these terms for the 2022-23 financial year, which was an improvement on our 2021-22 performance (93.7%). The policy also requires a measure of payments made within 10 days in respect of undisputed invoices. We paid 92.3% of invoices within 10 working days in 2022/23, an improvement on our 2021-22 performance (81.9%).



Contributing to Scotland's priorities

As outlined in the Scottish Government's published priorities in the Resource Spending Review 2022, the Government is committed to a range of programmes to drive and improve efficiency across the public service. OSCR is committed to playing an active role in this work, and to carrying out our functions in a way which helps deliver better national outcomes.

We are already co-located with other public bodies in our Dundee office and in 2023-24 we plan to move to a public service hub model, building on our current shared service arrangements with other tenants. The adoption of hybrid working practices has benefits for our overall efficiencies as well as staff wellbeing and associated carbon emissions reductions.

Our statutory duties, our corporate priorities and our work to achieve efficiencies contribute to delivery of the national priorities, as set out in the [Scottish Government's budget](#).

The activities of a significant portion of the charity sector directly deliver priority services for beneficiaries, and many other charities support delivery against national priorities through providing grants, donations or gifts to organisations and individuals.

With an annual income of £14 billion*, and employing almost 210,000 people*, charities in Scotland contribute significantly to the national economy. OSCR continued to directly contribute to the priorities outlined in the current National Performance Framework (NPF), notably in making substantial changes to the accessibility of the data we hold on Scotland's charities. Moving to an online Sector Overview Report that is updated quarterly, the new approach provides key facts and figures from our database of charity information to present a profile of income, expenditure, purposes, beneficiaries, activities and operation. As outlined in our Sustainability report we have exceeded the climate targets set and have provided accessible online opportunities for skills development for trustees and volunteers. We look forward to the next iteration and will publish our intended contributions once the new NPF is agreed.



* Data from OSCR's [Sector Overview report](#)

Highlights of progress against our corporate objectives

This is the final year of our **2020–23 Corporate Plan**, and specific details of our work achievements over that period are set out in the Performance Data section of this Annual Report.

Some additional highlights, which demonstrate how we have delivered against our corporate objectives this year, are as follows:

The public has confidence in charities

During 2022–23, we undertook work to improve the way we share data on our website in order to ensure that the public and other stakeholders are able to access information about Scottish charities more easily.

- We increased the range of information about charities which we publish on the Scottish Charity Register to make it easier to identify whether charities have met their reporting requirements. We also launched Register download functionality and a Charity Chart Tool, so that stakeholders can download and more easily use the information we publish about charities on our website.
- We updated the information we publish about how we are performing in terms of delivering our core functions, to make it easier to find and understand.

Charities are well run and thriving

Throughout 2022–23 we worked to reduce the number of charities on our Register whose annual report and accounts are not up to date. The 'Revitalising Trusts' project which was launched in May 2021 is a collaboration between Foundation Scotland and OSCR which has identified nearly 300 dormant charitable trusts with forgotten charitable assets. As a result of this project, charitable funds of approximately £2.3 million have been unlocked from lost or forgotten charities, and distributed to other active charities.

The Charities SORP (Statement of Recommended Practice) provides guidance to anyone responsible for preparing charity accounts. It provides recommendations and requirements setting out how to prepare 'true and fair' accounts in accordance with UK accounting standards. The SORP is updated from time to time to take account of changes to accounting standards and/or charity law. OSCR and other UK charity regulators are part of the Charities SORP-making body. In 2022–23 the SORP-making body has been heavily involved in the drafting of the next Charities SORP. It is intended that the revised SORP will respond better to the needs of those who prepare charity annual reports and accounts, and also to those who read and use charity accounts to understand more about what a particular charity is doing. This supports accountability, transparency and stewardship and actively contributes to public trust in charities. Information about the work of the SORP-making body can be found on the **SORP microsite**.

Charities are at the heart of a vibrant and sustainable Scotland

OSCR has worked with the Scottish Government to support the creation of the Charities (Regulation and Administration) (Scotland) Bill. Recommendations for changes to the current law relating to charity regulation were made in previous OSCR annual reports. They were taken forward this year to form the basis for measures in the Bill.

We engaged with key stakeholders during the process of Bill creation to seek views on the impact of key measures upon charities and other stakeholders. Those views were taken into consideration during the creation of specific measures. OSCR was also involved in the creation of the documents that accompanied the Bill, setting out key factors for the Scottish Parliament in its consideration of the merits of the Bill.

In February 2023, Martin Tyson, Head of

Regulation and Improvement at OSCR, gave evidence to the Scottish Parliament's Social Justice and Social Security Committee, to help inform considerations.

Within OSCR we commenced preparations for the implementation of the Bill, identifying where updates and change are required to internal systems and processes, to support implementation of the proposed new powers. Work was undertaken to scope out the IT systems required to deliver the new measures – a database of trustee names, list of disqualified trustees, a charity-facing portal to update OSCR's database with current information, and a public-facing portal to enable people to review charity accounts and names of charity-specific trustees

The Scottish Charity Regulator is a highly effective organisation

In March 2022 we launched our People Strategy, which details how we will develop and retain staff using the following strategic goals:

- Developing a flexible, high performing workforce
- Attracting, rewarding and retaining the best talent
- Developing effective leadership
- Prioritising our people's wellbeing
- Embracing change
- An organisational commitment to HR and learning.

Over the course of 2022-23 we have made good progress in terms of delivery by:

- Introducing comprehensive induction packs for both our Board and staff
- Continuing to regularly review our work and priorities to ensure that our people resource is always focused on addressing priority work
- Working with the Scottish Delivery Bodies Group to improve and influence the services and knowledge we share

with other public bodies

- Developing and publishing an annual corporate training plan.

As a result of this work, we have seen an increase from 45% in 2021 to 56% in 2022 in our Civil Service People Survey engagement score, and we remain committed to increasing this further.

In July 2022 we successfully launched our new OSCR Online system. This portal enables charities to submit their annual monitoring information to us online. Its introduction was a significant step in terms of modernising our digital infrastructure and charity users' experience. The system is hosted on a secure, agile and iterative digital platform, which can be easily updated and manipulated in-house. Since it was implemented, we have been able to alter and improve processes to introduce efficiencies, and we are already seeing a reduction in the time our staff spend on clerical and administrative tasks, and on assessing concerns which are outside of our regulatory responsibilities.



Key challenges for OSCR during 2022-23

The following section of the report outlines the key challenges faced by OSCR in 2022-23, and the actions taken to address them.

Cyber security

Over the past few years, the threat of cyber-attacks has increased for all public bodies. Cyber security has been a high priority for OSCR over the past year and a number of changes to our IT infrastructure have been made to mitigate against the threat of cyber-attacks. The upgrade to our OSCR Online portal mentioned in the previous section of this report is one of them. During 2022-23 we also updated our main systems to cloud-based platforms. This ensures we are always working with the most up-to-date and secure version of applications, that we enjoy the benefit of the additional security measures provided by service providers, and we are able to restore systems from backups easily and with minimal data loss if required. We have been successful in achieving Cyber Essential accreditation during 2022-23 and look to further enhance accreditation in 2023-24 whilst acknowledging that the threat of a cyber-attack remains one of the biggest challenges and risks worldwide.

Financial sustainability

Our 2022-23 budget allocation was £3.43m, as detailed in the Budget (Scotland) Act 2022. Due to the nature of our work, regulation, we are reliant on our staff to consider and make evidence-based judgements on a day-to-day basis. It is therefore not surprising that staffing costs form the largest part of our budget, accounting for over 72% of our expenditure. Once staff costs are deducted, the majority of the remaining budget is committed to contracts necessary to support us in carrying out our functions, for example through software licensing and secure hosting for our ICT systems. This results in a very small remaining resource to spend on activities other than our core duties, and means we have to be innovative and flexible in planning for larger one off expenditure, for example

to support digital delivery or stakeholder communication. Throughout 2022-23 we identified efficiencies within our processes, mainly through increasing the use of automation where possible, and reviewing all vacancies as they arose to free up resources to fund changes to our charity reporting system. Ongoing discussions and uncertainty around Public Sector Pay Policy negotiations made resource planning particularly complex, since until negotiations were concluded in December 2022, it was not possible for us to accurately predict what our pay bill for the year would be, and consequently what level of funding, if any, could be spent on digital transformation projects. The lateness of this clarification also impacted on what it was possible to achieve in the limited timeframe of December to March, and meant the final part of the year was extremely challenging for our people.

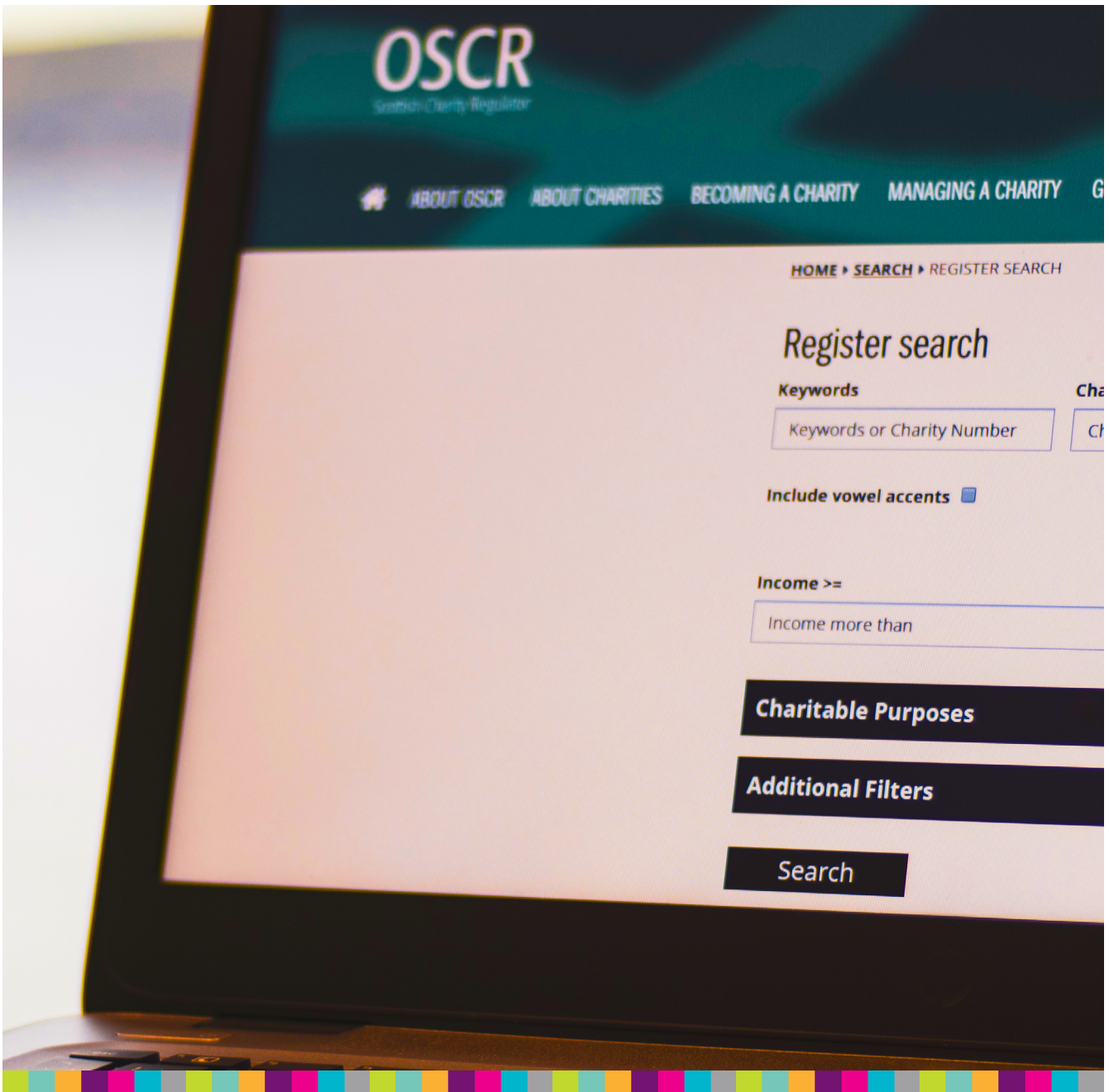
Staff engagement

An engaged workforce is a crucial part of OSCR being an agile, effective and efficient regulator. Keeping staff engaged through a period of change and a difficult environment outside of work has been a key priority this year. The previous section of this report gave some details of the actions we took and progress achieved in addressing this challenge.

New charity legislation

In considering how to plan for the implementation of the measures in the Charities (Regulation and Administration) (Scotland) Bill, it is clear that the overall public sector resourcing environment will remain challenging. Within this context we are continuing to work with SG colleagues to ensure that the resourcing requirements of implementation (including the areas noted by the Social Justice and Social Security Committee as needing effective communication with the sector) can be met. We prepared a Financial Memorandum which sets out the expected resource requirements

for OSCR associated with implementation of the proposed legislation. This will form the basis of our ongoing dialogue with SG colleagues and Scottish Ministers around potential commencement timescales associated with the proposed legislation. There is likely to be a need for flexibility and prioritisation around timescales for implementation of different aspects covered by the Bill.

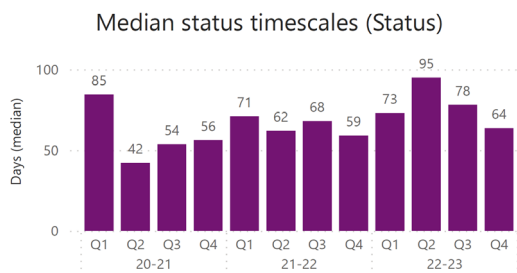


Performance analysis

During 2022–23, in conjunction with our Board, we reviewed the performance information we use to monitor and report on how we are carrying out our role. The revised performance information, which we publish on our [website](#), is focused on those areas of our work which contribute most directly to the delivery of our business and corporate goals. The information below draws on this new performance framework, and taken together with the highlights set out in the earlier section, provides an overview of our 2022–23 activities.

Granting charitable status

There has been a continued increase in the number of registered charities in Scotland, with the total number of charities registered at the end of 2022–23 being 25,427. This compares to 25,412 in 2021–22 and 25,230 in 2020–21. This apparent stability in the overall numbers belies the high levels of underlying activity associated with considering and granting charitable status to new charities, and removing existing charities that wish to wind up. In 2022–23 we received 867 new status applications (865 in 2021–22; 981 in 2020–21), with 759 charities removed in 2022–23 (compared to 607 in 2021–22).

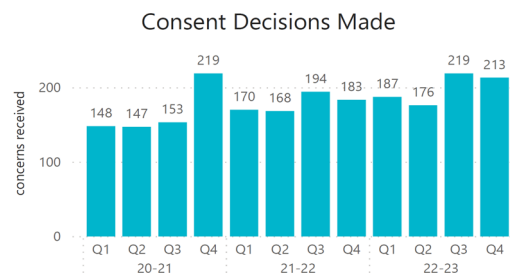


Considering status applications involves a number of considerations and checks in respect of meeting the charity test. The average time taken by OSCR to make a decision on applications for charitable status decreased from 73 days in Q1 of 2022–23 to 64 at in Q4 of 2022–23. This reduction reflects the process improvements which have streamlined handling of cases, and the flexible

approach we have taken to the prioritisation and targeting of staff resources.

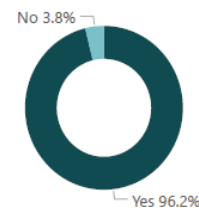
Consents

Consent is the process of seeking prior approval from OSCR for certain changes that a charity can make which require our prior approval as outlined in the Charities and Trustee Investment (Scotland) Act 2005.



The 21 day timescale that we have by law for considering applications for consent from charities was met in 96.2% of cases during 2022–23. This is a decrease from 97% 2021–22 and at a similar level to 2020–21 at 96%. The number of decisions we made increased to 795 in 2022–23, an increase from 715 in 2021–22 and 667 in 2020–21.

Statutory Deadline met (Consents YTD)



Concerns


The number of concerns about charities we received from members of the public in 2022–23 increased to 638, compared to 563 in 2021–22, and 426 in 2020–21. Following an initial risk assessment, we determined that it was appropriate for us to deal with 228 of these cases, which was an increase on the 60 we acted upon in the previous year. OSCR can only consider concerns where we

have a reason in law to do so. We do not, for example, deal with employment disputes or disagreements between trustees of a charity.

Where we receive concerns that are outwith our remit, we direct the individual to the appropriate place where possible. As part of the update to our Inquiry Policy referred to earlier in this report, together with changes we have made to our online concerns form, we are hoping to make it easier for individuals to understand when it is appropriate for concerns to be submitted to OSCR, and when these should be directed to other bodies or the charity itself. This should result in a more transparent and responsive complaints process for individuals.

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concerns where it was appropriate for OSCR to act



We analyse the concerns we receive and have identified that increase in the numbers in 2022-23 is not directly related to one specific issue or charity. However, we are aware that a significant number of concerns relate to social media posts by charities. Whilst this is not solely responsible for all of the increase in 2022-23, it is a growing issue. As a result we have published new guidance for charities.

The proportion of charities that are the subject of concern remains very small, reflecting the fact that most charities are doing a good job of delivering charitable activities and providing public benefit. Where an inquiry is justified, most cases can be concluded on the basis of engagement with trustees rather than use of OSCR’s formal powers.

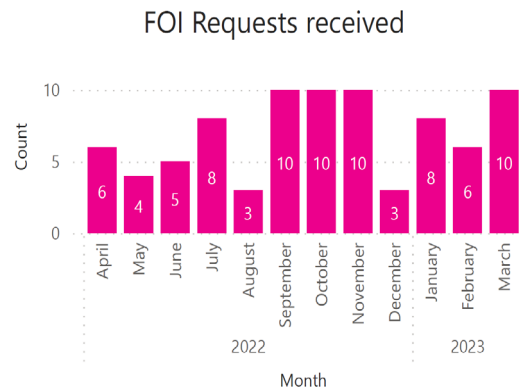
Stakeholder engagement

We have continued our work to engage with

our stakeholders throughout 2022-23. This has been, primarily, in relation to the work on legislation and the revised Inquiry Policy. OSCR held a series of events at The Gathering, the annual conference for charities in Scotland and the UK’s biggest voluntary sector event. We provided an understanding of how OSCR operates and why it makes certain decisions, and listened to feedback from charities about their priorities, issues and concerns.

In addition, during 2022-23, we have provided speakers to various charity sector conferences and hosted several webinars in relation to different aspects regarding the running of a charity. Participating in these events has informed charities, professional bodies and membership organisations of our priorities, supported their engagement with us and raised the profile of OSCR as Scotland’s charity regulator.

Freedom of Information requests

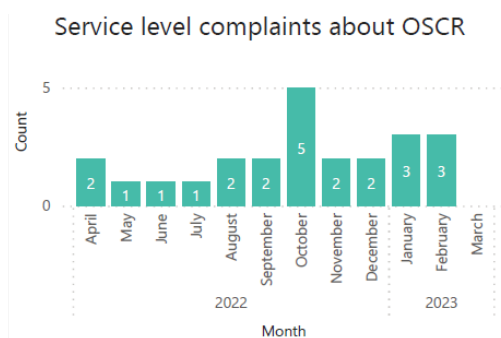


During 2022-23, we received 83 requests under the Freedom of Information (Scotland) Act 2002. This was a significant increase on the number received in 2021-22 (45) and 2020-21 (36). In order to respond to the higher number of requests, we increased the staff resource and provided training to colleagues, thereby increasing our resilience and ability to meet the statutory timescale associated with this work. All requests were responded to within the 20 working day deadline. During 2022-23 two of our

responses were referred by the requestor to the Scottish Information Commissioner, one was withdrawn by the requestor and OSIC took no further action in the other.

Service level complaints

OSCR received 24 service level complaints. Of these 9 were either upheld or partially upheld following an internal review. All were responded to within the statutory timescale of 20 working days. Where complaints were upheld, the reason for the complaint and associated processes were reviewed, so that improvements could be made to internal processes where appropriate.



Three complaints were referred to the Scottish Public Service Ombudsman by complainants who were not satisfied with the response provided by OSCR. In all of these cases the Ombudsman decided not to take the complaints any further.

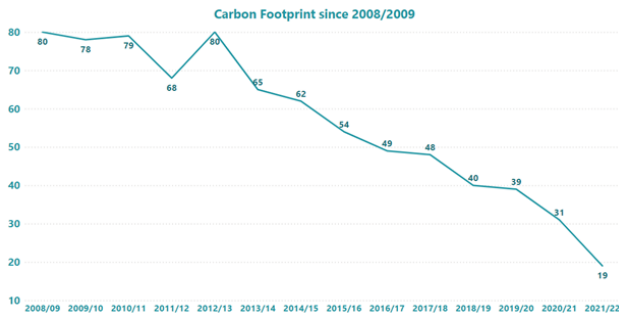
Going concern

OSCR has no reason to believe that Scottish Ministers intend to withdraw support to the organisation, and funding for 2023–24 of £3.3m has been confirmed in the Budget Scotland Act 2023. It is therefore considered appropriate to prepare these accounts on a going concern basis.



Sustainability Report

The Climate Change (Scotland) Act 2009 is the key driver for our improved environmental and sustainability performance, and as a publicly funded body we have a responsibility to lead by example and influence how Scotland performs in terms of reducing carbon emissions. We are required to report annually to the Scottish Government on measures we have taken to reduce our carbon footprint, via data sent to the Sustainable Scotland Network. Our environmental strategy lists specific actions we have taken to contribute to SG sustainability goals.



Over the last three years, we have reduced our emissions from 39 tCO₂e (2019–20) to 19 tCO₂e 2021–22 (figures for 2022–23 are not yet available). In 2008–9 our emissions were 80 tCO₂e, so overall the efficiencies we have introduced since then exceeds the 42% reduction goal set for all public bodies in the Climate Change (Scotland) Act 2009. As a relatively small organisation based in a single leased office in Dundee, opportunities for emission reductions are limited. The advent of hybrid working contributed to our 2022–23 carbon emission reduction since more meetings and events were held virtually, resulting in a minimal amount of travel for our staff. We also encourage our colleagues to participate in online rather than in-person learning to reduce travel. In 2022–23, we replaced the lighting in our office, moving from a compact fluorescent system to an efficient LED one. We have expanded the range of online interactions we have with charities to reduce the requirement for printing and postage; and through using cloud-

based hosting for our infrastructure, we have removed the need to have a climate controlled server room in our office.

We use our staff newsletter and intranet to share information with colleagues about climate change and biodiversity activity, and encourage awareness of and participation in national events such as Earth Hour. Along with our building co-inhabitants, we encourage biodiversity by maintaining planters containing bee and insect friendly flowers at the entrance to our building, and we maintain and manage the very small piece of land our building sits on to encourage insect, animal and plant life.

Anti-corruption and Anti-bribery

During the year 2022–23 there were no reports of fraud within OSCR. Staff are aware of the Civil Service Code, and complete annual training on the subject of Fraud, Bribery & Corruption. Contractors are also bound by Scottish Government terms and conditions. Staff are able to access information about raising concerns of fraud and whistleblowing via the SG website, internal SG intranet and also during monthly conversations with their manager. Our Whistleblowing and Counter Fraud policies were refreshed in January 2023.

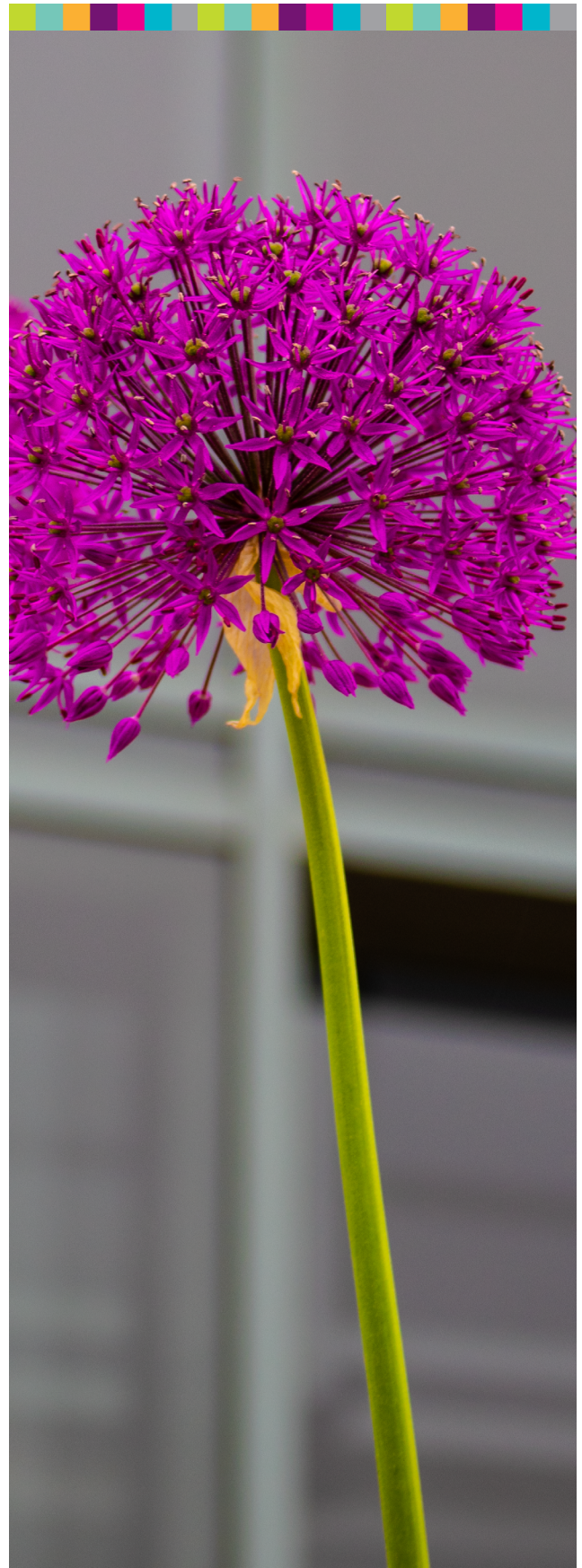
Recommendations to Scottish Ministers

The Charities and Trustee Investment (Scotland) Act 2005, under which OSCR was established, advises that we may include recommendations to Scottish Ministers in respect of key issues and factors relating to the charity sector in Scotland. As detailed elsewhere in the report, we have been working closely with Scottish Ministers and Scottish Government colleagues to assist in the progress of the Charities (Regulation and Administration) (Scotland) Bill through the Scottish Parliament, which embodies many of OSCR's previous recommendations to Ministers.

Going forward we recommend that as a complement to some of the measures in the Bill, regulations should be made under sections 19 and 35 of the 2005 Act to allow transfer of charity assets. This will allow OSCR to protect charitable assets more effectively and ensure that they can continue to be used to provide public benefit.

We also recommend that amendments should be made to the Scottish Charitable Incorporated Organisations (Removal from Register and Dissolution) Regulations 2011 to improve the process of handling dissolution of insolvent SCIOs and to allow strike off and restoration of SCIOs to the Register by OSCR, as recommended by the SCIO Dissolution Working Group in its report to Ministers of March 2020. We would wish to see the current gaps in the coverage of the process for dissolving insolvent SCIOs closed and the process made clearer for all involved. We would also wish to have powers (similar to those provided for other charities in the current bill) to remove SCIOs from the Register which are inactive and failing to engage with the regulator.

We also recommend that the opportunity is taken to amend the Charities Accounts (Scotland) Regulations 2006 to consolidate changes introduced in previous amendment regulations.

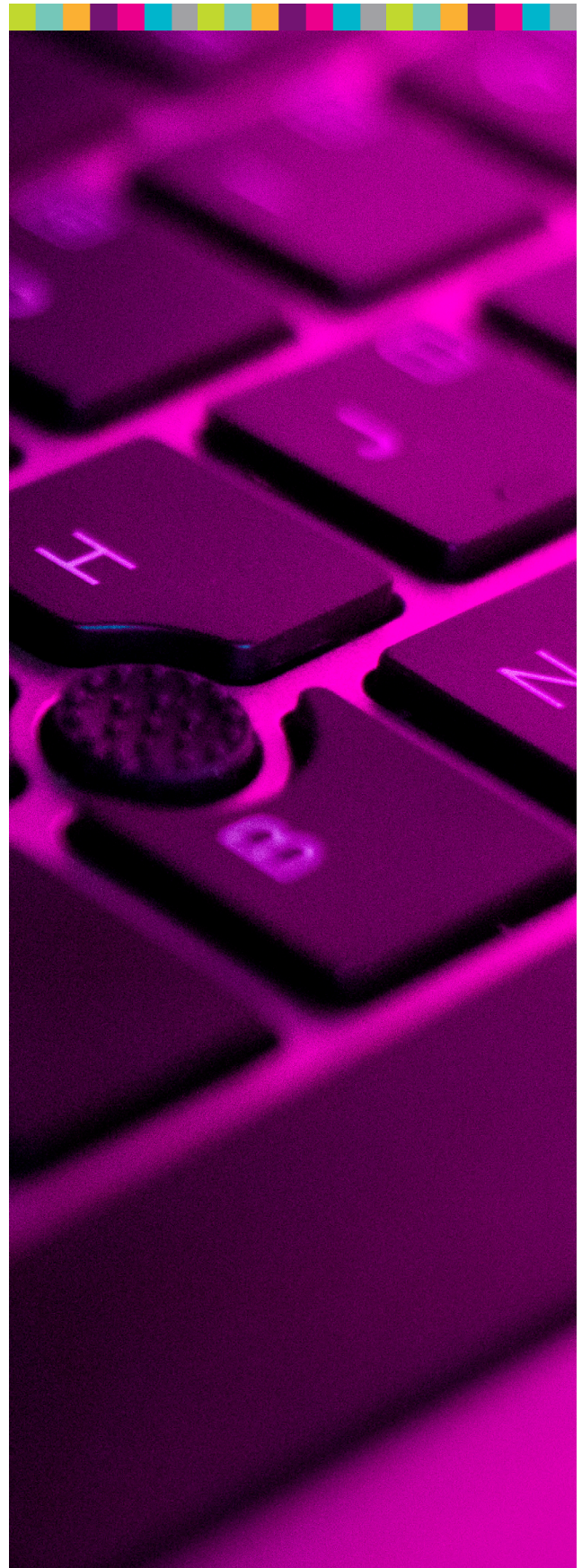


Diversity, equality and human rights

OSCR is committed to protecting and respecting the human rights of everyone ensuring no one is directly or indirectly discriminated against. We do this by treating everyone as individuals; being fair and inclusive in our approaches; providing staff training; following Scottish Government policy, and considering equality and human rights impacts on any new guidance or policy being developed.

As an employer, OSCR is committed to recruiting, supporting and developing all staff equally and fairly. We positively value the different perspectives and skills each person brings to our work. As Civil Servants we follow the principals set out in the Scottish Government's Equality Outcomes and Mainstreaming Report 2021. 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. Our vacancies are advertised fairly and openly with successful applicants being recruited on merit. We encourage and embrace ideas from all staff promoting inclusion across the organisation and ensure all staff are trained in, and are championing diversity and inclusion on an ongoing basis.

We support a number of staff to work on a part-time basis, and our hybrid working model supports flexibility for individuals. We work together with HR professionals, Occupational Health and Workplace Adjustment teams to ensure workplace adjustments are put in place to support those who need them due to disability or other needs.



Public Interest Disclosure

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 2022-23 compared to the three (3) received in the previous year. This reflects an increased number of concerns being received about charities in general over the year, as reflected elsewhere in OSCR's Annual Report.

Six (6) of the concerns received were assessed as requiring OSCR to open inquiries using our powers under section 28 of the 2005 Act and using our other statutory powers as appropriate. These inquiries are still ongoing.

In 2022-23 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.

Maureen Mallon

Chief Executive and Accountable Officer
26.06.2023

Accountability Report



Chief Executive's Report

OSCR staff are employed by Scottish Ministers, but have the same terms and conditions as staff within the core Scottish Government, including access to Civil Service pension arrangements. OSCR follow Scottish Government policies and procedures, including Performance Management Procedures, and all staff use the digital HR system to record transactional matters relating to absence and performance.

Our aim is that OSCR staff have a clear understanding of how the work they carry out on a day to day basis, contributes to delivery of our corporate vision and objectives. Our induction programme for new staff joining the organisation was updated during the year, and we have successfully embedded a hybrid working model whereby colleagues attend the office in person, at least two days each week.

A staff newsletter which provides feedback from meetings, outlines key events and decisions, and includes general updates is prepared and issued electronically to each staff member each week, and in March 2023 we launched a staff intranet, where news, guidance and general information can be shared. The new internal intranet site was launched to make sure all of our people are up-to-date with current events and to make it easier to find the information they need. We hold regular all-staff meetings via Microsoft Teams. In November 2022 we engaged all staff in an in-person 'townhall' event to discuss the development of our 2023-26 Corporate Strategy, involving colleagues in identifying strategic priorities and prompting thinking about how their day-to-day work helps deliver these. Staff members meet with their manager to discuss work priorities each week. They also meet their manager each month for a more structured conversation, which includes discussions about wellbeing, learning and performance.

OSCR participated in the annual UK Civil Service People survey which is co-ordinated by the Cabinet Office. Our 2022 results

showed our employee engagement score to have improved, further detail to the actions we have taken to improve our staff engagement can be found within the 'Highlights of progress against our corporate objectives' section of this report. The continuation of this work remains a top priority for OSCR in future.

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.
- Confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

The Scottish Permanent Secretary has appointed the Chief Executive, Maureen Mallon, 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.

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

Governance Statement

Purpose of governance statement

Our Governance Framework accords with the Scottish Public Finance Manual (SPFM). 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. 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 on 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 certain business critical systems which are provided by the Scottish Government, in particular in respect of Finance and Human Resource functionality. Internal Control is addressed by the respective Scottish Government Directorates, 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.

Operation of the Board and Committees

The Board of OSCR is the Charity Regulator, and as such has collective responsibility for setting the strategic direction of the organisation, and for ensuring it carries out its functions effectively and efficiently. Scottish Ministers are responsible for appointing the OSCR Board, following a public appointments exercise, regulated by the Commission for Ethical Standards in Public Life in Scotland. Ministers must not direct, or otherwise seek to control OSCR in the exercise of its functions. The Board sets the strategic direction for the organisation, oversees OSCR's work and monitors performance including the design and operation of risk frameworks.

They do this through scrutiny, and where appropriate, approval of:

- Corporate Plans and Business Plans
- Key strategies and policies
- Scrutiny of the Annual Report and Accounts
- Considering reports from the Audit Risk and Assurance Committee and Casework Committee
- Regular reports, including reports relating to risk management and performance.

In April 2022, five new Board Members started their first term with OSCR. The high number was as a result of previous Board members tenures coming to an end and the need to bring the Board up to its full complement.

From October 2022 a permanent Chair was appointed to fill the vacant post which had been filled by an Interim Chair from April 2021.

Audit Risk and Assurance Committee

The Audit Risk and Assurance Committee (ARAC) support the Board in relation to responsibilities associated with risk, control and governance. The terms of reference for the ARAC, which are reviewed annually, are published on the OSCR website. The ARAC, which comprises three Board Members (four Board Members up to September 2022 to provide continuity whilst new members became familiar with the organisation.). It is attended by the CEO, Head of Corporate, and representatives from Internal and External Audit, and met 4 times in 2022-23 (June, September, December and February). The co-opted member of ARAC came to the end of their term in February 2022.

In addition to the regular meetings, an ARAC strategy day was held in August to review the organisational risk framework and management. Following this, ARAC members worked with staff to refine the risk management framework and introduce assurance mapping to improve risk

identification. The ARAC conducts its business with reference to the Scottish Government Audit Committee Handbook, and reviews its own effectiveness annually, reporting the results of that review to the Board and Accountable Officer. Feedback on each ARAC meeting is also provided by the ARAC Chair to the full Board, following each meeting. The terms of reference for ARAC can be found on [our website](#).

Casework Committee

The Casework Committee support the Board by providing oversight of OSCR's case-based activities, and assurance to the Board that case based decision making is undertaken in line with charity and other applicable laws, right first time principles, and OSCR's Risk Framework, policies and published guidance. The work of the Casework Committee will also influence our thoughts around our regulatory priorities for the coming year. Terms of Reference for the Committee are reviewed annually, and are published on [our website](#).

The Casework Committee met 9 times during 2022-23 (April, May, June, August, October, November, December, February and March). Feedback on each Casework Committee meeting is provided to the Board at every Board Meeting.

Our Board



Marieke Dwarshuis
Board Chair



Jill Vickerman
Vice Chair and Casework
Committee Chair



Jessica Wade
Board Member and Casework
Committee member



Lynn Bradley
Board Member and Audit Risk
and Assurance Committee Chair



Kirsten Howie
Board Member and Casework
Committee member



Neil Mackay
Board Member and Audit Risk
and Assurance Committee
member



William Maxwell
Board Member and Audit Risk
and Assurance Committee
member



Robin Strang
Board Member and Casework
Committee member

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 Chief Executive in October 2019.

Maureen is a member of the Senior Civil Service.

Senior Management Team



Maureen Mallon
Chief Executive



Martin Tyson
Head of Regulation and
Improvement



Judith Hayhow
Head of Corporate

Our Senior Management Team who are responsible for day-to-day operations of the organisation is made up of our Chief Executive and two Heads of Service.

Details of Senior Management Team remuneration can be found in the Remuneration Report.

The risk and control framework

All bodies covered by the Scottish Public Finance Manual (SPFM) must operate a Risk Management Strategy in accordance with key principles specified, and these have been adopted by OSCR.

- In 2022–23 the OSCR Board and Audit Risk and Assurance Committee (ARAC) considered our Corporate Risk Register at each meeting, and corporate Risk Appetite Statements have been reviewed.
- Board Members receive ad hoc briefings from the CEO and SMT on specific matters which have the potential to create risks, as they arise throughout the year.
- The OSCR Leadership Team regularly review and update the risk register of operational delivery matters.
- A formal report on the activity of the ARAC and Casework Committees is presented to the Board annually.
- The Board Chair conducts individual performance reviews of each Board Member annually, as a part of which any learning or development requirements are discussed.
- Internal Audit conduct an annual review of specific activities, with the coverage being determined through discussion with the CEO and ARAC and drawn from our risk register.
- External Audit consider governance arrangements as part of their Annual Report and Accounts review work.

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

- Mandatory all-staff and Board training, which includes online courses in respect of data handling, awareness and security.
- An IT Code of Conduct which staff and Board Members review annually and which sets out our policy in respect of the use of technology.
- Issued reminders to staff on the risks around cyber security and their

responsibilities in respect of this.

- Achieved Cyber Essentials accreditation
- A Service Level Agreement with the Scottish Government Procurement Division under which they provide us with procurement and contract advice and support, thereby ensuring compliance with the SG procurement directives.



Review effectiveness of the system of effective control

As Accountable Officer, I have responsibility for reviewing the effectiveness of the governance arrangements including the system of internal control which has been in place during 2022-23, and up to the period when these accounts are signed. My review of the effectiveness of the system is informed by the work of our internal auditors and the OSCR Senior Management Team who, supported by the Leadership Team are responsible for overseeing implementation of the internal control framework, and ensuring that any comments raised by internal audit through their management letter are adequately responded to. The Senior Management Team receive and consider management accounts on a monthly basis, and also review expenditure projections, and budget allocations monthly. In addition, the Senior Management Team and Extended Leadership Team have weekly meetings which alternate between thematic-based discussion around key areas, and standard business meetings.

I receive Certificates of Assurance from Heads of Service, in respect of their business areas, annually. The wider system of internal control is based on the ongoing identification of the principal risks in delivering OSCR's policies, aims and objectives as outlined in the Corporate and Business Plans. Following identification, the nature and extent of those risks are considered and a decision taken as to how to manage and mitigate them effectively, economically and efficiently.

OSCR Board Meetings are attended by myself and Senior Management Team Members, with input from staff members involved in the preparation of specific papers and lead areas. The Chair and I hold meetings weekly either face to face or virtually, and throughout the year Committee Chairs have also engaged with other staff on specific topics, attended staff meetings and been visible in the organisation. Internal Audit services are provided by the Scottish Government's Internal Audit Division. Based on their 2022-23 review, a 'substantial' assurance rating

was awarded in respect of the adequacy of risk management, control and governance arrangements for those areas reviewed. No lapses of data security took place in 2022-23 (Nil in 2021-22). In light of the above, as Accountable Officer I can confirm that I am fully content with the effectiveness of OSCR's existing arrangements in respect of corporate governance and risk management.

Maureen Mallon

Chief Executive and Accountable Officer
26.06.2023

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



Martin Tyson
Head of Regulation and
Improvement



Judith Hayhow
Head of Corporate

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 2022-23 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.

		Current term	Date of initial appointment	Date of termination of appointment
Marieke Dwarshuis	Chair*	1st	October 2022	October 2026
George Walker	Chair**	Interim	April 2021	October 2022
Jill Vickerman	Vice Chair	2nd	March 2018	March 2026
Jessica Wade	Member	2nd	April 2016	April 2024
Lynn Bradley	Member	1st	April 2022	April 2026
Kirsten Howie	Member	1st	April 2022	April 2025
Neil Mackay	Member	1st	April 2022	April 2026
William Maxwell	Member	1st	April 2022	April 2025
Robin Strang	Member	1st	April 2022	April 2026

* Appointed Chair October 2022

** Interim appointment as Chair ended October 2022

Board Remuneration (Audited)

	2022-23 £'000	2021-22 £'000
Marieke Dwarshuis*	5-10	n/a
George Walker**	5-10	10-15
Jill Vickerman	5-10	5-10
Jess Wade	5-10	0-5
Lynn Bradley	5-10	n/a
Kirsten Howie	5-10	n/a
Neil Mackay	0-5	n/a
William Maxwell	5-10	n/a
Robin Strang	5-10	n/a

* full year equivalent 15-20

** full year equivalent 10-15

The daily rate paid to members is set by the Scottish Government, and in 2022-23 was £213.92 per day for Members, £229.22 for the Vice Chair and £286.92 for the Chair. The variance in rates paid reflects personal attendance levels throughout the year. No Board Member received any benefit in kind, or pension payment

Salary, Benefits in Kind and Pensions (Audited)

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

Official	Salary (£'000)		Pension Benefits (£'000)		Total Remuneration (£'000)	
	22-23	21-22	22-23	21-22	22-23	21-22
Maureen Mallon	85-90	80-85	3	24	85-90	105-110
Martin Tyson	75-80	75-80	5	23*	80-85	95-100
Judith Hayhow	70-75	65-70	26	47	100-105	110-115

* Adjusted from 2021-22 due to error in calculation in last year's calculations

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. No benefits in kind were paid in 2022-23 (or 2021-22).

Bonus

No bonus payments were paid in 2022-23 or 2021-22.

Benefits in kind

There were no benefits in kind in 2022-23 or 2021-22.

Fair pay disclosure (Audited)

We are required to disclose the relationship between the remuneration of the highest paid director in the organisation and the lower quartile, median and upper quartile remuneration of our workforce.

Total remuneration includes salary, overtime, other taxable allowances and benefits in kind. It does not include severance payments, employer pension contributions or the cash equivalent transfer value of pensions.

The Chief Executive was the highest paid Director in the financial year 2022-23. 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 £87,250 which is 2.64 times greater than the median remuneration of the workforce. The median pay ratio for 2022-23 is consistent with the pay reward and progression policies for OSCR's employees as a whole. The Chief Executive's salary (our highest paid Director) increased by 6% from the previous financial year (based on mid-point of salary band).

The average percentage change from the previous financial year in respect of the employees of the entity taken as a whole (excluding highest paid director) was an increase of 5.53% in 2022-23. 2021-22 was an increase of 0.08% on 2020-21.

	2022-2023	2021-2122 restated
Band of highest paid employee (mid point)	£87,500	£82,500
Lower quartile (25th percentile) remuneration	£29,447	£27,231
Lower quartile ratio	2.97%	3.02%
Median remuneration	£33,120	£30,039
Median ratio	2.64%	2.74%
Upper quartile (75th percentile) remuneration	£49,860	£47,485
Upper quartile ratio	1.75%	1.73%
Staff minimum FTE remuneration	£25,713	£21,045
Staff maximum FTE remuneration	£79,109	£75,341

The figures from 2021/22 have been restated to include the 25th and 75 percentile information which was omitted in the prior year in error.

Pension benefit (Audited)

Pension benefits	Accrued pension at pension age as at 31.3.23 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31.3.22	CETV at 31.3.23	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Chief Executive					
Maureen Mallon	25-30	0-2.5	528	476	-8
Senior Management Team					
Martin Tyson	35-40	0-2.5	707	639*	-6
	Lump Sum	Lump Sum			
	25-30	0			
Judith Hayhow	35-40	0-2.5	698	610	15
	Lump Sum	Lump Sum			
	70-75	0			

* Adjusted from 2021-22 due to error in calculation in last year's calculations

Pensions statement

OSCR staff members are eligible to be members of the Principal Civil Service Pension Scheme (PCSPS) and at 31 March 2023 all permanent members of staff had joined. In accordance with the Government Financial Reporting Manual (FRm) 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 4 to the accounts. Details of the pension entitlements of OSCR's Senior Management Team have been provided.

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 4 to the Accounts provides further detail.

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.

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

Staff costs (Audited)

The staff costs for the year were as follows:

	Permanently employed staff £'000	Others £'000	2022-23 Total £'000	2021-22 Total £'000
Wages and salaries	1,722		1,722	1,689
Social security costs	187		187	174
Other pension costs	463		463	463
Agency staff costs		71	71	42
Total	2,372	71	2,443	2,368

Average staff numbers over the year by WTE (Audited)

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

	2022-23 WTE	2021-22 WTE
Senior management (from September)	3.0	3.0
Other permanent staff	39.1	39.6
Agency staff	1.7	1.2
Total	43.8	43.8

Agency staff costs

Agency staff were employed in 2022-23 to fill gaps created by permanent staff leaving OSCR. Recruiting and onboarding staff can take several months, and the agency workers provided cover for essential posts during that period. In addition, during 2022-23 one temporary worker was employed to undertake a specific data cleanse project, which was a prerequisite to enabling us to making the information we hold about charities publicly downloadable on our website. The costs of securing an agency staff member with the skills required to undertake this work account for the majority of the increase in agency staff costs between 2021-22 and 2022-23.

Breakdown by permanent and other at year end

In terms of corporate staffing levels, at the end of 2022-23 the overall permanent staff headcount number was 44 with 8 staff members working on a part time basis. The overall Whole Time Equivalent for permanent staff was 42.1. Only 1 member of OSCR staff is a Senior Civil Servant.

Breakdown by gender at year end

The table below details the gender breakdown of permanent staff, at 31 March 2023.

	Female	Male
Senior management	2	1
Employees	22	19
Total	24	20

Sickness absence

The average number of days lost per full time equivalent (WTE) to sickness absence during 2022-23 was 5.5 days (SG Core for comparison was 8.05 days for the same period), was a decrease on the 2021-22 level of 7.1. A breakdown of absence shown between short term and long term is detailed in the table below and highlights the reduction in long term 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 work with our HR advisor to manage long-term absences, involving occupational health professionals, as required and in accordance with official absence policies and procedures.

Days sick absence	2022-23	2021-22
Short term (under 20 days)	174.0	128.8
Long term (Over 20 days)	44.0	140.8
Total	218.0	269.6
Average per FTE member of staff	5.5	7.1

Policies in relation to disabled persons

OSCR performs its functions in a manner that supports equal opportunities and observance of equal opportunities requirements. These are based on the duties which are detailed in Equality Act 2010 (the 2010 Act) and the Charities and Trustee Investment (Scotland) Act 2005, Section 1 (8).

To ensure 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. To support charities in complying with equality law we have **published guidance** highlighting their responsibilities.

We value the different skills and perspectives our staff bring to OSCR and seek to develop all staff. 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. We have a variety of different working patterns to support a different staff circumstance and all staff now operate a hybrid working model providing staff with more flexibility in where they do their work (no members of staff are homeworkers permanently).

Expenditure on consultancy and payroll arrangements (Audited)

Consultancy expenditure totalled £6k in 2022–23. We received procurement advice and support from the Scottish Government Procurement Directorate in respect of the Fully Managed Service (Lite) at a cost of £4k (£4k 2021–22). In addition, we received executive coaching from DRM Consulting at a cost of £2k (£2k 2021–22).

Exit packages (Audited)

No staff member, Board member or senior manager left under voluntary or compulsory exit schemes in 2022–23 (nil in 2021–22).

Parliamentary Accountability Report

Losses and special payments

There were no losses and special payments incurred by OSCR in the year 2022–23 (nil in 2021–22).

Fees and charges

OSCR do not charge for any of the work carried out, and so receive no fee income. All income is in the form of Scottish Government funding.

Remote contingent liabilities

There were no contingent liabilities which require disclosure under IAS31 in 2022–23 (one 2021–22).

Maureen Mallon

Chief Executive and Accountable Officer
26.06.2023

Independent Auditor's Report



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

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 Office of the Scottish Charity Regulator for the year ended 31 March 2023 under the Public Finance and Accountability (Scotland) Act 2000. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Government Financial Reporting Manual (the 2022/23 FReM).

In our opinion the accompanying financial statements:

- give a true and fair view of the state of the body's affairs as at 31 March 2023 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2022/23 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 18 May 2022. Our period of appointment is five

years, covering 2022/23 to 2026/27. 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 concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the body's current or future financial sustainability. However, we report on the body's arrangements for financial sustainability in a separate Annual Audit Report available from the **Audit Scotland website**.

Risks of material misstatement

We report in our Annual Audit Report the most significant assessed risks of material misstatement that we identified and our judgements thereon.

Responsibilities of the Accountable Officer for the financial statements

As explained more fully in the Statement of Accountable Officer's 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 there is an intention to discontinue the body's operations.

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 decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using our understanding of the central government sector to identify that the Public Finance and Accountability (Scotland) Act 2000 and directions

- made thereunder by the Scottish Ministers are significant in the context of the body;
- inquiring of the Accountable Officer and Head of Corporate as to other laws or regulations that may be expected to have a fundamental effect on the operations of the body;
- inquiring of the Accountable Officer and Head of Corporate concerning the body's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among our audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

We obtained an understanding of the legal and regulatory framework that the body operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. This includes the Public Finance and Accountability (Scotland) Act 2000.
- Do not have a direct effect on the financial statements but compliance with which may be fundamental to the body's ability to operate or to avoid a material penalty. These include the Data Protection Act 2018 and relevant employment legislation.

As a result of performing the above, we identified the greatest potential for fraud was in relation to the requirement to operate within the revenue budget set by the Scottish Government as part of the Budget (Scotland) Act. The risk is that the expenditure in relation to year-end transactions may be subject to potential manipulation in an attempt to align with its tolerance target or achieve a breakeven position. In response to this risk,

we obtained confirmation of the revenue budget via the Budget (Scotland) Act and tested a sample of accruals, prepayments and invoices received around the year-end to assess whether they have been recorded in the correct period.

In common with audits under ISAs (UK) we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments, assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulation described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatements due to fraud;
- enquiring of management, internal audit and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the body's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than

than irregularities that result 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 skilfulness 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.

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.

Reporting 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. In addition to our responsibilities in respect of irregularities explained in the audit of the financial statements section of our

report, 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.

Reporting on other requirements

Opinion prescribed by the Auditor General for Scotland on audited parts of the Remuneration and Staff Report

We have audited the parts of the Remuneration and Staff Report described as audited. In our opinion, the audited parts of the Remuneration and Staff Report have been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

Other information

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the Performance Report and the Accountability Report excluding the audited parts of the Remuneration and Staff Report.

Our responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

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 the Performance Report and Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

Opinions prescribed by the Auditor General for Scotland on Performance Report and Governance Statement

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 parts of the Remuneration and Staff Report are not in agreement with the accounting records; or
- We have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

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 108 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.

Pat Kenny, CPFA (for and on behalf of Deloitte LLP)
110 Queen Street
Glasgow
G1 3BX
United Kingdom

26 June 2023

Annual Accounts



Financial Statements - Office of the Scottish Charity Regulator

Statement of Comprehensive Net Expenditure for the year ended 31 March 2023

	Note	2022-23 £'000	2021-22 £'000
Operating Costs			
Staff costs	3	2,443	2,368
Other administration costs	5	818	922
Depreciation and amortisation	6,7	128	3
Interest expense on lease liability	14	1	0
Net operating expenditure		3,390	3,293
Total comprehensive net expenditure		3,390	3,293

The notes on pages 53 to 73 form part of these accounts

Statement of Financial Position
as at 31 March 2023

	Note	2022-23 £'000	2021-22 £'000
Non-current assets:			
Right of use of asset – building	6, 14	6	0
Property, plant and equipment	6	0	3
Intangible assets	7	0	0
Total non-current assets		6	3
Current assets:			
Cash and cash equivalents	9	0	1
Other current assets	10	9	46
Total current assets		9	47
Total assets		15	50
Current liabilities:			
Trade and other payables	11	319	263
Building lease liability	14	5	0
Total current liabilities		324	263
Total assets less current liabilities		(309)	(213)
Non current liabilities			
Provision for dilapidations	12	(162)	(162)
Assets less liabilities		(471)	(375)
Taxpayers' equity:			
General fund		(471)	(375)

The notes on pages 53 to 73 form part of these accounts

Statement of Cash Flows

for the year ended 31 March 2023

	Note	2022-23 £'000	2021-22 £'000
Cash flows from operating activities			
Net operating cost	SCNE	(3,390)	(3,293)
Adjustments for non-cash transactions:			
Depreciation and amortisation	6,7	128	3
Audit fee	5	15	15
Movements in working capital:			
(Increase)/decrease in trade and other receivables	10	36	(9)
(Decrease)/Increase in trade and other payables	11	56	(94)
Increase in provision	12	162	0
Building lease - interest	14	1	0
		<hr/>	<hr/>
Net cash outflow from operating activities		(3,154)	(3,215)
Cash flows from financing activities			
Net funding	2	3,284	3,216
Net increase/(decrease) in cash and cash equivalents	9	(1)	0
Cash and cash equivalents at the beginning of the period	9	1	1
Cash and cash equivalents at the end of the period	9	0	1

The notes on pages 53 to 73 form part of these accounts

Statement of Changes in Taxpayers' Equity
for the year ended 31 March 2023

	Note	General Fund £'000
Balance at 31 March 2021		(313)
Changes in Taxpayers' equity for 2021-2022		
Non-cash charges – auditor's remuneration	5	15
Net operating cost for the year	SCNE	(3,293)
Total recognised income and expenditure for 2021-22		(3,278)
Net funding	2	3,215
Balance at 31 March 2022		(375)
Changes in Taxpayers' equity for 2022-2023		
Non-cash charges – auditor's remuneration	5	15
Net operating cost for the year	SCNE	(3,392)
Transitional adjustment to reserves – lease liability	14	(5)
Total recognised income and expenditure for 2022-23		(3,380)
Net funding	2	3,284
Balance at 31 March 2023		(471)

Maureen Mallon

Chief Executive and Accountable Officer

The Accountable Officer authorised these statements for issue on 26.06.2023

The notes on pages 53 to 73 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 under section 19(4) of the Public Finance and Accountability (Scotland) Act 2000 appended, these Accounts have been prepared in accordance with the Government Financial Reporting Manual (FReM) issued by HM Treasury, which follows International Financial Reporting Standards (IFRS) as adopted by the United Kingdom, IFRIC Interpretations and the Companies Act 2006, to the extent that they are meaningful and appropriate to the public sector. 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.

1.2 Accounting convention

These accounts have been prepared under the historical cost convention.

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.

1.4 Accounting standards effective in current year

The effective date of IFRS 16 Leases in the public sector was delayed until 1 April 2022. This was to recognise that bodies' preparations are being adversely affected by dealing with the COVID-19 crisis. OSCR has a lease relating to office space. The Statement of Financial Position has been adjusted for the recognition of a right of use asset and a liability for future lease commitments for 2022/23. No new standards, amendments and interpretations issued but not adopted in 2022/23 are expected to have a material impact on OSCR.

1.5 Assumptions made about the future and other major sources of estimation uncertainty

Management have made no judgements or estimates in the preparation of these accounts.

1.6 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. The negative balance on our Statement of Financial Position of £471k does not indicate an inability to continue as we are funded by Scottish Government. This is further explanation of the going concern basis is contained in the Performance Overview (page 3).

1.7 Property, office furniture and equipment

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 current value in existing use. Depreciated historic cost is used as a proxy for current value in existing uses 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. Leasehold improvements are depreciated at the lower of expected useful economic life and lease term. The depreciation periods which normally apply to the categories of assets are:

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

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

1.8 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.

1.9 Impairment to 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.

1.10 Cash and cash equivalents

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

1.11 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.

1.12 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.

1.13 Leasing

IFRS 16 leases became effective for periods beginning on or after 1 January 2019, however the FReM deferred adoption until 2021. The cumulative catch-up method has been mandated by the FReM. Consequently, the comparatives for 2021-22 reflect the requirements of IAS 17 Leases.

Scope and classification of leases

Leases are contracts, or parts of a contract that convey the right to use an asset in exchange for consideration. The standard is also applied to accommodation sharing arrangements with other government departments.

Contracts or parts of contract that are leases in substance are determined by evaluating whether they convey the right to control the use of an identified asset, as represented by rights both to obtain substantially all the economic benefits from that asset and to direct its use.

The following are excluded:

- Contracts for low value items, defined as items costing less than £5,000 when new, provided they are not highly dependent or integrated with other items; and contracts with a term shorter than 12 months.

Initial recognition of leases

At the commencement of a lease (or the IFRS 16 transition date, if later), a right-of-use asset and a lease liability are recognised. The lease liability is measured at the present value of the payments for the remaining lease term (as defined above), net of irrecoverable value added tax, discounted either by the rate implicit in the lease, or, where this cannot be determined, the rate advised by HM Treasury for that calendar year. We have used the HM Treasury rate of 0.95%. The liability includes payments that are fixed or in-substance fixed, excluding, for example, changes arising from future rent reviews or changes in an index. The right-of-use asset is measured at the value of the liability, adjusted for any payments made or amounts accrued before the commencement date; lease incentives received; incremental costs of obtaining the lease; and any disposal costs at the end of the lease.

Subsequent measurement

The asset is subsequently measured using the fair value model. The cost model is considered to be a reasonable proxy except for leases of property without regular rent reviews. For these leases, the asset is carried at a revalued amount.

Lease expenditure

Expenditure includes interest, straight-line depreciation, any asset impairments and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering event occurred. Lease payments are debited against the liability.

Transitional arrangements

The following determinations have been made:

- To adopt IFRS 16 retrospectively, without restatement of comparative balances. Consequently, the Statement of Comprehensive Net Expenditure and the Statement of Financial Position for 2021-22 reflect the requirements of IAS 17;
- Not to reassess the classification of contracts previously classified as leases or service contracts under IAS 17 and IFRIC 4. However, new contracts entered into from 1 April 2022 have been classified using the IFRS 16 criteria;
- For leases previously treated as operating leases:
 - To measure the liability at the present value of the remaining payments, discounted by the discount rate issued by HM Treasury;
 - To measure the asset at an amount equal to the liability, adjusted for any prepayment or accrual balances previously recognised for that lease;
 - To exclude leases whose term ends within twelve months of first adoption;
 - To use hindsight in assessing remaining lease terms;
 - For leases previously identified as onerous and provided for, to use the practical expedient of adjusting the right-of-use asset by the amount of that provision.

Accounting for leases under IAS 17 (2021-22)

Operating leases

Operating leases and the rentals are charged to expenditure on a straight-line basis over the term of the lease. Operating lease incentives received are added to the lease rentals and charged to expenditure over the life of the lease.

Impairment of assets

Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an asset is not held for the purpose of generating cash flows, value in use is assumed to equal the cost of replacing the service potential provided by the asset, unless there has been a reduction in service potential.

1.14 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.

1.15 Short term employee benefits

OSCR permits the carry forward of unused annual leave entitlement and accumulated flexible working hour's 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. In response to the COVID 19 pandemic, in 2020-21 Scottish Government policy on leave carry-forward was amended to enable up to 20 days leave, rather than 10 as was previously the case, to be carried forward by individual staff members into 2021-22 and 2022-23. This position reverted to 10 days for 2023-24.

1.16 Financial instruments

OSCR does not hold any complex financial instruments. As the cash requirements of OSCR are met by the Scottish Government, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. Most financial instruments relate to contracts to buy non-financial items in line with our expected purchase and usage requirements and OSCR is therefore exposed to little credit, liquidity or market risk.

Financial assets and financial liabilities are recognised on the Statement of Financial Position when OSCR becomes a party to the contractual provisions of the instrument.

1.17 Trade receivables and other current assets

All material amounts due at 31 March 2023 have been brought into the Statement of Comprehensive Net Expenditure irrespective of when actual payments were received.

1.18 Trade payables and other current liabilities

All material amounts outstanding at 31 March 2023 have been brought into the Statement of Comprehensive Net Expenditure irrespective of when actual payments were made.

1.19 Segmental reporting

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

1.20 Changes in Accounting Policy

There have been no changes in accounting policy during the year, with the exception of the introduction of IFRS 16 – Leases (note 14).

2. Reconciliation of net resource outturn to net cash requirement in 2022-23

2021-22 Outturn £'000		2022-23 Budget £'000	2022-23 Outturn £'000	2022-23 Variance £'000
3,293	Resource outturn	3,430	3,390	(287)
3,293	Total resource requirement	3,430	3,390	(287)
	Building lease		130	
	Accruals adjustments:			
(17)	Non-cash items		(143)	
(59)	Changes in working capital other than cash		(93)	
3,217	Net cash requirement		3,284	
3,216	Net funding received		3,284	
(1)	Cash surplus		0	

3. Staff numbers and related costs

An analysis of staff numbers and costs is disclosed in the Staff Report section on page 38 of this report. A summary of cost is provided in the table below.

	2022-23 £'000	2021-22 £'000
Directly employed staff	2,372	2,326
Other staff costs (Agency staff)	71	42
Total	2,443	2,368

4. 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 2022-23, employers' contributions of £463k were payable to the PCSPS (2021-22 £463k). 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 2021-22 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: (see next page)

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

Benefits accrue as follows:

Classic:

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

Premium:

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

Classic Plus:

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

Nuvos and Alpha:

In both of these schemes a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is up-rated in line with Pension Increase legislation. There is no automatic lump sum.

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

Partnership:

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

Members of a partnership pension scheme can select their own pension contribution rate. Partnership members do not need to contribute, but if they do so, the employer will match this up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Members of the partnership schemes are contracted in to the state pension scheme – so pay higher National Insurance contributions than members of the four Scottish Government pension schemes. Further details about the Civil Service pension arrangements can be found at the website www.civilservice.gov.uk/pensions.

5. Other administration costs

	2022-23 £'000	2021-22 £'000
Property costs	179	152
Supplies and services	586	397
Staff related costs	38	52
Rentals under operating leases (note 14)	0	144
<u>Non-cash items</u>		
Auditors' remuneration and expenses	15	15
Provision for dilapidations	0	162
Total	818	922

(i) Property costs for 2022-23 comprise: property running costs recharged under Service Level Agreement (SLA) with the Care Inspectorate £130k (2021-22 £86k); Rates recharged from Care Inspectorate £47k (2021-22 £63k) and property maintenance costs £2k (2021-22 £3k).

(ii) Supplies and services costs for 2022-23 comprise: ICT support and equipment £443k (2021-22 £222k), ICT development £24k (2021-22 £64k), consultancy £6k (2021-22 £6k), administration costs £57k (2021-22 £71k) and professional fees £56k (2021-22 £34k).

(iii) Staff related costs for 2022-23 comprise: training £27k (2021-22 £43k), travel and subsistence £3k (2021-22 £0k), recruitment £3k (2021-22 £6k) and membership fees/subscriptions £5k (2021-22 £3k).

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 2023. All audit fees are paid from the Scottish Consolidated Fund.

No other work was carried out by Deloitte (appointed auditors) during the year ended 31 March 2023 (£ nil in the year to 31 March 2022).

6. Property, plant and equipment

See page 64.

2022-23	Leasehold Improvement	Right of use asset	Furniture and equipment	IT	Total
Cost	£000	£000	£000	£000	£000
IFRS transition adjustment 1/4/22	0	131	0	0	131
At 1 April 2022	191	0	55	63	309
Additions	0	0	0	0	0
On transfer	0	0	0	0	0
On disposals	(50)	0	(55)	(63)	168
At 31 March 2023	141	131	0	0	272
Depreciation					
At 1 April 2022	188	0	55	63	306
ROU assets depreciation	0	125	0	0	125
Charge for year	3	0	0	0	3
On transfer	0	0	0	0	0
On disposals	(50)	0	(55)	(63)	(168)
At 31 March 2023	141	125	0	0	266
Net book value at 31 March 2023	0	6	0	0	6
at 31 March 2021	3	0	0	0	3

6. Property, office furniture and equipment (continued.)

2021-22	Leasehold Improvement	Right of use asset	Furniture and equipment	IT	Total
Cost	£000	£000	£000	£000	£000
At 1 April 2021	191	0	55	63	309
Additions	0	0	0	0	0
On transfer	0	0	0	0	0
On disposals	0	0	0	0	0
At 31 March 2022	191	0	55	63	309
Depreciation					
At 1 April 2021	185	0	55	63	309
Charge for year	3	0	0	0	3
On transfer	0	0	0	0	0
On disposals	0	0	0	0	0
At 31 March 2022	188	0	55	63	306
Net book value at 31 March 2022	3	0	0	0	3
at 31 March 2021	6	0	0	0	6

All assets are owned, with the exception of leasehold improvements and right of use asset.

7. Intangible assets

	Software £'000
Cost:	
At 1 April 2022	174
Additions	0
Disposals	(174)
At 31 March 2023	0
Amortisation:	
At 1 April 2022	174
Charged in year	0
Disposals	(174)
At 31 March 2023	0
Net book value:	
At 31 March 2023	0
At 31 March 2022	0

7. Intangible assets (continued.)

	Software £'000
Cost:	
At 1 April 2021	174
Additions	0
Disposals	0
At 31 March 2022	174
Amortisation:	
At 1 April 2021	174
Charged in year	0
Disposals	0
At 31 March 2022	174
Net book value:	
At 31 March 2022	0
At 31 March 2021	0

All assets are owned.

8. Financial instruments

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

9. Cash and cash equivalents

	2022-23 £'000	2021-22 £'000
Balance as at 1 April	1	1
Net change in cash and cash equivalent balances	(1)	0
	<hr/>	<hr/>
Balance as at 31 March	0	1
	<hr/>	<hr/>

This balance is held in a commercial bank.

10. Other current assets

	2022-23 £'000	2021-22 £'000
Prepayments	8	46
Trade receivables	1	0
	<hr/>	<hr/>
Analysis of other current assets:	9	46
	<hr/>	<hr/>

	2022-23 £'000	2021-22 £'000
Balances with other central Government bodies	0	20
Balances with bodies external to Government	9	26
	<hr/>	<hr/>
	9	46
	<hr/>	<hr/>

11. Trade payables and other current liabilities

	2022-23 £'000	2021-22 £'000
Trade payables	64	2
Accruals	164	164
Other taxation and social security	46	48
Other payables	47	49
	<hr/>	<hr/>
	319	263
	<hr/>	<hr/>

Analysis of trade payables and other current liabilities:

	2022-23 £'000	2021-22 £'000
Balances with other central Government bodies	108	91
Balances with bodies external to Government	211	172
	<hr/>	<hr/>
	319	263
	<hr/>	<hr/>

12. Provisions for liabilities and charges

There is a provision of £162k for property dilapidations in respect of lease obligations in 2022-23 and 2021-22. Estimates of likely costs in respect of obligations for property dilapidations, reinstatement and decoration are charged to revenue in equal instalments over the life of the lease or the period to a planned early termination of the lease, whichever is shorter.

Figures are available on the next page.

	2022-23 £'000	2021-22 £'000
Opening balance at 01 April	162	0
Provided in year	0	162
Released in year	0	0
Closing balance at 31 March	162	162

13. Capital commitments

There were no contracted capital commitments not otherwise included in these financial statements as at 31 March 2023. There are on-going negotiations around a new building lease. However, at the date of these accounts the lease has not been signed. We anticipate similar rental costs for 2023/24 and beyond.

14. Commitments under leases

OSCR has one operating lease for Quadrant House which is rented from Scottish Government. The lease period ends during 2023/24 and it is expected that OSCR will remain in the building. A provision for dilapidations has been made (note 12).

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

	2022-23 £'000	2021-22 £'000
<u>Land and buildings</u>		
Not later than one year	126	124
Later than one year and not later than five years	0	23
Later than five years	0	0

Lease liabilities

	Note	2022-23 £'000
Transitional adjustment IFRS 16 – 1 April 2022 Addition of right of use asset		131
Depreciation charge for right of use asset	0	(125)
Right of use asset	SOFP	6
Later than five years	0	0
Building lease – current liability	SOFP	5
Transitional adjustment to reserves	SCTE	(5)
Cash outflows for lease		
Building rental charge		125
Building lease interest		
Total cash outflows for building lease		126

15. 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.

Facilities Management of our office at Quadrant House, Dundee is undertaken by the Care Inspectorate on a shared service basis, for which we paid £161k in 2022-23 (£111k 2021-22). OSCR also obtained some transactional financial services, and year-end and strategic accounting services from the Scottish Social Services Council during 2022-23 totalling £17k (2021-22 £17k).

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.

16. Contingent liabilities

There are no contingent liabilities at 31 March 2023 which require disclosure under IAS 37 or the Scottish Public Finance Manual.

17. Post statement of financial positions events

Scottish Ministers have signed a new lease in relation to OSCR's accommodation, the MOTO (memorandum of terms of occupation) is expected to be signed in July 2023. This will result in a new asset and liability being recognised by OSCR from 2023/24.

Direction by Scottish Ministers





OFFICE OF THE SCOTTISH CHARITY REGULATOR

DIRECTION BY THE SCOTTISH MINISTERS

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

1. The statement of accounts for the financial year ended 31 March 2016 and subsequent years shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FRM) which is in force for the year for which the statement of accounts are prepared.
2. The accounts shall be prepared so as to give a true and fair view of the income and expenditure, recognised gains and losses, and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
3. This direction shall be reproduced as an appendix to the statement of accounts.

Signed by the authority of the Scottish Ministers

Dated 06 June 2021

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