



# Office of the Scottish Charity Regulator (OSCR)

**Final report to the Audit Risk & Assurance Committee, OSCR and the Auditor General for  
Scotland on the 2024/25 External Audit – 7<sup>th</sup> October 2025**

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## Final report

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# Partner introduction

## The key messages

### Introduction

I have pleasure in presenting our final report to the Audit Risk & Assurance Committee (“the Committee”) of the Office of the Scottish Charity Regulator (“OSCR”) for the 2024/25 audit. The report summarises our findings and conclusions in relation to the audit of the Annual Report and Accounts and the wider scope requirements, the scope of which was set out within our planning report presented to the Committee in March 2025.

### Conclusions from our testing

Based on our audit work, we have issued an unmodified audit report.

The Performance Report and Accountability Report comply with the statutory guidance and proper practice and are consistent with the Annual Report and Accounts and our knowledge of OSCR.

The auditable parts of the Remuneration and Staff report have been prepared in accordance with the relevant regulation.

Based on the audit procedures performed we identified one misstatement above our reporting threshold of £5,600 and one disclosure misstatement relating to 2023/24, both corrected. A summary of the misstatement schedule is detailed on page 16.

### **Significant risk**

In our planning report we identified operating within expenditure resource limits and management override of controls as significant risks, a summary of our work is presented on page 5. Whilst OSCR has exceeded the revenue budget by £78k, the overspend was approved by Scottish Government.

### Conclusions from our testing (continued)

#### **Areas of audit focus**

*Pension reporting:* No issues arose from our audit of the Principal Civil Service Pension Scheme (PSCPS). Pension disclosures are appropriate in accordance with disclosure requirements.

*Change in IT system:* No issues arose from our data migration testing.

### Wider Scope

OSCR faces financial sustainability challenges due to rising costs, management and board members are actively involved in monitoring current and future risks and explore mitigating actions.

### Added value

Our aim is to add value to the Board by providing insight into, and offering foresight on, financial sustainability, risk and performance by identifying areas for improvement and recommending and encouraging good practice. In so doing, we aim to help the Board promote improved standards of governance, better management and decision making, and more effective use of resources. This is provided throughout the report.

# Quality indicators

## Impact on the execution of our audit

! Lagging

! Developing

● Mature



Management and those charged with governance are in a position to influence the effectiveness of our audit, through timely formulation of judgements, provision of accurate information, and responsiveness to issues identified in the course of the audit. This slide summarises some key metrics related to your control environment which can significantly impact the execution of the audit. We consider these metrics important in assessing the reliability of your financial reporting and provide context for other messages in this report.

Area	Grading	Reason	Further detail
Timing of key accounting judgements	●	Information was provided by the requested deadline and covered the points required.	N/A
Adherence to deliverables timetable	●	Management provided deliverables within agreed timelines.	N/A
Access to finance team and other key personnel	●	The audit team always had access to the finance team and key personnel from beginning through to the end of the audit process.	N/A
Quality and accuracy of management accounting papers	●	Working papers provided were of a good quality. There were few exceptions where further clarification or resubmissions were required.	N/A
Quality and timing of audit committee papers	●	Quality and timing of audit committee papers was of a high standard.	N/A
Quality of draft financial statements	●	Quality of draft was of a high standard.	N/A
Response to control deficiencies identified	●	No control deficiencies identified.	Page 8
Volume and magnitude of identified errors	●	Management identified the over receipt of purchase invoices and had correctly adjusted for these in the profit and loss account; however, the presentation resulted in the grossing up of a debtor and creditor. The financial statements have now been updated to offset these balances.	Page 16

# Significant risks

## Significant risk dashboard



Risk	Fraud risk	Planned approach to controls	Controls conclusion	Consistency of judgements with Deloitte's expectations	Slide no.
Management override of controls		DI	Satisfactory		Page 6
Operating within the revenue budget		DI	Satisfactory		Page 7



**Controls approach adopted**  
Assess design & implementation



**Level of management judgement**  
Limited management judgement

# Significant risks (continued)

## Management override of controls

### Risk identified

Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Although management is responsible for safeguarding the assets of the business, we planned our audit so that we had a reasonable expectation of detecting material misstatements to the financial statements and accounting records.

### Deloitte response and challenge

In considering the risk of management override, we have performed the audit procedures that are set out in our planning report, specifically:

#### Journals

We have tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the Annual Report and Accounts. In designing and performing audit procedures for such tests, we have:

- Tested the design and implementation of controls over journal entry processing;
- Made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments;
- Selected journal entries made at the end of a reporting period; and
- Considered the need to test journal entries and other adjustments throughout the period.

### Accounting estimates and judgements

While management has not identified any key sources of estimation uncertainty, standard prepayments and accruals will be recorded during the year-end close process. We specifically challenged the level of accruals and considered prepayments in relation to the identified fraud risk of exceeding resource limits (see slide 7 for testing details).

We discussed with management the basis for their assertion that the entity has no key sources of estimation uncertainty requiring disclosure in accordance with IAS 1, specifically considering the judgements inherent in the valuations of pensions and property dilapidations. Management explained that while they review and understand these valuations, they do not directly determine the key assumptions used, relying instead on external experts. Therefore, they believe their own judgements do not significantly influence the resulting figures. We evaluated this rationale in light of the requirements of IAS 1.

### Significant and unusual transactions

We did not identify any significant transactions outside the normal course of business or any transactions where the business rationale was not clear.

#### Deloitte view

We have no instances of management override to report based on the testing performed.

# Significant risks (continued)

## Operating within resource limits

### Risk identified and key judgements

Under Auditing Standards there is a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. Aligned with our planning report we concluded that this was not a significant risk for OSCR as there is little incentive to manipulate revenue recognition with all of revenue being from the Scottish Government which can be agreed to the Budget (Scotland) Act.

We therefore consider the fraud risk to be focused on how management operate within the revenue budget set by the Scottish Government; this is aligned to the guidance set out in Practice Note 10. The risk is that OSCR could materially misstate expenditure in relation to year-end transactions, in an attempt to align with its tolerance target or achieve a breakeven position.

The significant risk is therefore pinpointed to the completeness of accruals and the existence of prepayments made by management at the year-end and invoices processed around the year-end as this is the area where there is scope to manipulate the final results. Given the financial pressures across the whole of the public sector, there is an inherent fraud risk associated with the recording of accruals and prepayments around year-end.

### Deloitte response and challenge

We have evaluated the results of our audit testing in the context of the achievement of the limits set by the Scottish Government. Our work in this area included the following:

- Evaluated the design and implementation of controls around monthly monitoring of financial performance and the estimated accruals and prepayments made at the year-end;
- Obtained independent confirmation of the resource limits allocated to OSCR via the Budget (Scotland) Act;
- Performed focused testing of a sample of accruals and prepayments made at the year-end; and
- Performed focused cut-off testing of a sample of invoices received and paid around the year-end.

### Deloitte view

We have concluded that expenditure and receipts were incurred or applied in accordance with the applicable enactments and guidance issued by the Scottish Ministers.

Based on our testing, we confirm that OSCR has achieved a net cash requirement of £78k, being budgeted resource expenditure of £3.717m against an agreed budget of £3.639m. An additional reassurance letter from Scottish Government has been provided, and our view is that this does not create a risk of operating outside of the resource limit.

# Other findings

## Financial reporting and control findings

Below are the findings from our audit surrounding your financial reporting process.

### Qualitative aspects of your accounting practices

OSCR's Annual Report and Accounts have been prepared in accordance with the Government Financial Reporting Manual (the "FReM"). Following our audit work, we are satisfied that the accounting policies are appropriate.

### Significant matters discussed with management

Matters relating to our significant risks have been assessed and we have identified no issues.

### Liaison with internal audit

The audit team has completed an assessment of the independence and competence of the internal audit department and reviewed their work and findings. In response to the significant risks identified, no reliance was placed on the work of internal audit and we performed all work ourselves.

We have obtained written representations from OSCR on matters material to the Annual Report and Accounts when other sufficient appropriate audit evidence cannot reasonably be expected to exist.

Below are the findings from our audit surrounding your control environment.

### Your control environment and findings

The purpose of the audit was for us to express an opinion on the financial statements. The audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters being reported are limited to those deficiencies that we have identified during the audit and that we have concluded are of sufficient importance to merit being reported to you.

While our planning report initially identified balance sheet reconciliations as a control mitigating management override and operating within resource limit, the effectiveness of existing alternative controls indicates that monthly balance sheet reconciliations are not a key control in addressing these risks.

In 2024/25, there have been no control deficiencies identified by the audit team.



# Our audit report

## Other matters relating to the form and content of our report

Here we discuss how the results of the audit impact on other significant sections of our audit report.



### **Our opinion on the financial statements**

Our opinion on the financial statements is unmodified.



### **Going concern**

We have not identified a material uncertainty related to going concern and will report that we concur with management's use of the going concern basis of accounting.

Practice Note 10 provides guidance on applying ISA (UK) 570 Going Concern to the audit of public sector bodies. The anticipated continued provision of the service is more relevant to the assessment than the continued existence of a particular body.



### **Emphasis of matter and other matter paragraphs**

There are no matters we judge to be of fundamental importance in the financial statements that we consider it necessary to draw attention to in an emphasis of matter paragraph.



### **Other reporting responsibilities**

The Annual Report is reviewed in its entirety for material consistency with the Annual Accounts and the audit work performance and to ensure that they are fair, balanced and reasonable.

### **Opinion on regularity**

In our opinion in all material respects the expenditure and income in the Annual Report and Accounts were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Our opinion on matters prescribed by the Auditor General for Scotland are discussed further on page 10.

# Your Annual Report and Accounts

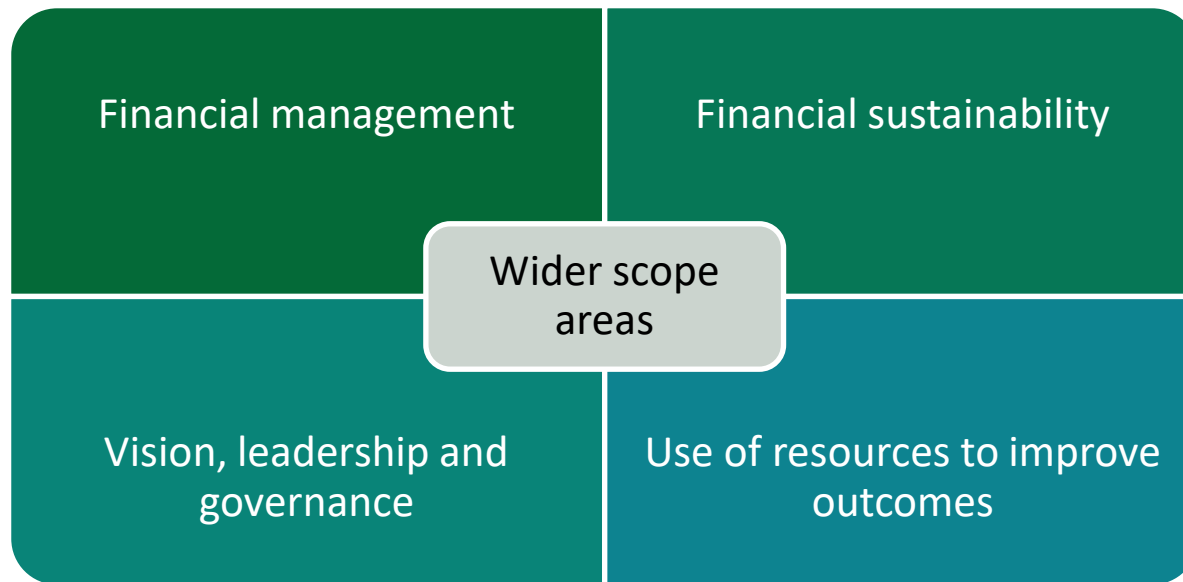
We are required to provide an opinion on the auditable parts of the Remuneration and Staff report, the Annual Governance Statement, the Accountability report, the Regularity of Expenditure and Income, and whether the Performance Report is consistent with the disclosures in the accounts.

	Requirement	Deloitte response
The Performance Report	The report outlines OSCR's performance, both financial and non-financial. It also sets out the key risks and uncertainties faced by OSCR.	<p>We have assessed whether the Performance Report has been prepared in accordance with the Accounts Direction. We have also read the Performance Report and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit, and is not otherwise misleading.</p> <p>We provided management with comments and suggested changes which management have updated in the final version.</p>
The Accountability Report, Remuneration and Staff report & the Annual Governance Statement	Management have ensured that the accountability report meets the requirements of the FRem, comprising the governance statement, remuneration and staff report and the parliamentary accountability report.	<p>We have assessed whether the information given in the Annual Governance Statement is consistent with the Annual Report and Accounts and has been prepared in accordance with the accounts direction. No exceptions were noted.</p> <p>We have also read the Accountability Report and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit, and is not otherwise misleading. We provided management with disclosure comments and suggested changes which management have updated in the revised drafts.</p> <p>We have also audited the auditable parts of the Remuneration and Staff Report and confirmed that based on our audit work performed it has been prepared in accordance with the accounts direction. As noted on page 16 management have restated the Fair Pay disclosures to correctly reflect agency costs, we have concurred with this restatement.</p>
Regularity of Expenditure and Income	We are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.	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.

# Wider scope requirements

## Overview

As set out in our audit plan, reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector. The wider scope audit specified by the Code of Audit Practice broadens the audit of the accounts to include consideration of additional aspects or risks in the following areas.



Our audit work has considered how the Board is addressing these and our conclusions are set out within this report, with the report structured in accordance with the four dimensions. Our responsibilities in relation to Best Value ("BV") have all been incorporated into this audit work.

As highlighted in our Audit Plan and agreed with the Commission we concluded that OSCR was assessed as 'less complex' in accordance with Audit Scotland planning guidance and therefore our wider scope work is limited to assessing the financial sustainability of OSCR.

# Wider scope requirements (continued)

## Financial sustainability

Can short-term  
(current and next year)  
financial balance be  
achieved?



Is there a medium and  
longer-term plan in  
place?



Is the body planning  
effectively to continue  
to deliver its services  
or the way in which  
they should be  
delivered?



**Financial  
Sustainability**

### Significant risks identified in Audit Plan

Like other Central Government bodies, OSCR faces significant potential cost pressures, both short-term and long-term. Forecasting is challenging due to substantial staff costs, increases in which are often beyond OSCR's control and not guaranteed with matched funding from the Scottish Government.

OSCR has achieved short-term balance in 2024/25, with a 2.1% overspend approved by the Scottish Government.

### Budget setting and monitoring

Financial performance of OSCR is closely monitored through monthly management information, which shows spend against budget and forecast positions.

Although no specific savings were identified for 2024/25, OSCR actively managed its budget, utilising underspends in certain areas to offset overspends elsewhere.

For 2025/26, the Scottish Government budget has allocated £3.8m (available to spend being £3.6m) to OSCR. OSCR's Board has approved (in April 2025) a budget of £3.6m. We note the budget increase includes discretionary increases across operational functions, leadership and governance, resource management, people management and communication. However, information and knowledge management has decreased per the budget due to increased digital development in 2024/25 which will not be required in 2025/26.

As part of the Spending Review, the Scottish Government expects bodies to set an annual efficiency target of 3% and also expects them to explore the scope to maximise the use of shared services across the public sector landscape. The setting of an efficiency target of 3% is particularly challenging for OSCR where 76% of its costs are staffing and Board costs.

Through creating flexibility within the workforce, improving information/data access and shared services agreements in place, OSCR remains focused on creating efficiencies.

# Wider scope requirements (continued)

## Financial sustainability (continued)

### **Deloitte view – financial Sustainability**

OSCR received a reassurance letter from Scottish Government in respect of the overspend incurred in 2024/25 and have agreed an uplift of £72k from the Scottish Government for 2025/26, increasing the expected net operating expenditure to £3.7m.

OSCR's financial sustainability relies heavily on management's active engagement in addressing its cost structure and mitigating potential future risks, as such the body is not without risk. Management is acutely aware of the financial threats facing the organisation. To ensure OSCR's continued effectiveness as a regulator of Scottish charities, mitigating actions, including digital solutions, are being explored and implemented.

In order to manage the financial sustainability risk arising from unavoidable cost increases, OSCR should continue to monitor the medium term financial risks and associated costs.

# Purpose of our report and responsibility statement

## Our report is designed to help you meet your governance duties

### What we report

Our report is designed to help the Audit Committee and OSCR discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA (UK) 260 to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Report.
- Our internal control observations; and
- Other insights we have identified from our audit.

### The scope of our work

Our observations are developed in the context of our audit of the financial statements.

We described the scope of our work in our audit plan.

### Use of this report

This report has been prepared for OSCR of Directors, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

### What we don't report

As you will be aware, our audit was not designed to identify all matters that may be relevant to OSCR.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

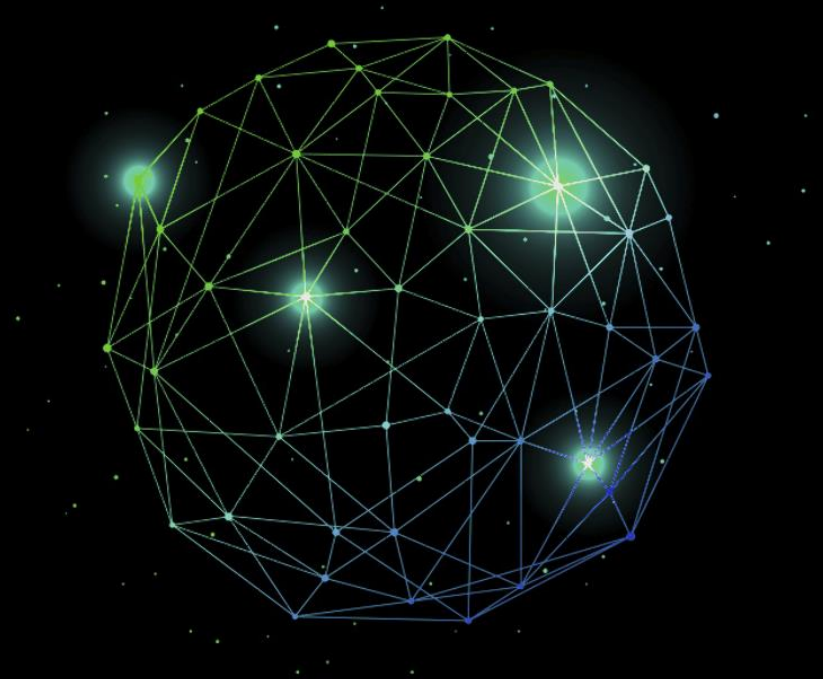
Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

We welcome the opportunity to discuss our report with you and receive your feedback.

**Deloitte LLP**

Aberdeen | 7 October 2025

# Appendices



# Audit adjustments

## Corrected misstatements and Disclosures

The following misstatements have been identified which have been corrected by management. We nonetheless communicate them to you to assist you in fulfilling your governance responsibilities, including reviewing the effectiveness of the system of internal control.

		Account Balance	Debit/ (credit) income statement £	Debit/ (credit) in net assets £	Debit/ (credit) prior year retained earnings £	Debit/ (credit) OCI/Equity £	If applicable, control deficiency identified
Payables – Over Receipt	[1]	Trade and Other Current Payables		8,179			N/A
		Accruals		(8,179)			N/A
<b>Total</b>							

[1] Items were over receipted in the new Oracle system and recorded as payables at year end. These were not true payables and required to be adjusted. This is below our materiality threshold however is above our reporting threshold. This has been corrected by management.

### Disclosure misstatements

In 2024/25, OSCR have complied with all disclosure requirements satisfactorily. Management noted a disclosure misstatement relating to 2023/24 whereby the fair pay disclosure was restated due to employer pension contributions, national insurance, and agency fees being included in the agency staff remuneration. The impact of this was a reduction of £31k to the “Staff Maximum FTE Remuneration” line from £121,723 to £89,888. This has been corrected by management in the 2024/25 annual report and accounts and we would concur with the disclosures included.



# Our other responsibilities explained

## Fraud responsibilities and representations



### Responsibilities

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.

### Required representations

We have asked OSCR to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you are not aware of any fraud or suspected fraud that affects the entity.

We have also asked OSCR to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error and their belief that they have appropriately fulfilled those responsibilities.



### Audit work performed

In our planning we identified the risk of fraud in management override of controls and operating within the revenue budget as a key audit risks.

During course of our audit, we have had discussions with management and those charged with governance.

In addition, we have reviewed management's own documented procedures regarding fraud and error in the financial statements.

We will explain in our audit report how we considered the audit capable of detecting irregularities, including fraud. In doing so, we will describe the procedures we performed in understanding the legal and regulatory framework and assessing compliance with relevant laws and regulations.

### Concerns:

No issues or concerns have been identified in relation to fraud.



# Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation	We re-confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of OSCR and our objectivity is not compromised.	
Fees	The expected fee for 2024/25, is analysed below:	
		£
	Audit Remuneration	32,160
	Audit Scotland Fixed Charges:	
	• Pooled Costs	(2,650)
	• Sectoral Cap Adjustment	(13,860)
	<b>Total expected fee</b>	<b>15,650</b>
	There are no non-audit fees.	
Non-audit services	In our opinion there are no inconsistencies between the FRC's Ethical Standard and OSCR's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.	
Relationships	We have no other relationships with OSCR, its directors, senior managers and affiliates, and have not supplied any services to other known connected parties.	



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