



Office of the Scottish Charity Regulator

Report on the 2008-09 Audit

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Appendix

A Action Plan

1 Introduction

1.1 Purpose of the Report

This report has been prepared for the benefit of discussion between Grant Thornton and the Office of the Scottish Charity Regulator (OSCR).

We have audited the financial statements of OSCR for 2008-09, and examined aspects of OSCR's performance and governance arrangements. This report sets out our key findings.

The report is also used to report to those charged with governance to meet the mandatory requirements of International Standard on Auditing (UK & Ireland) (ISAUK) 260.

1.2 Responsibilities

We audit the financial statements and give an opinion on whether:

- they give a true and fair view, in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers, on the state of affairs of OSCR as at 31 March 2009 and of its net expenditure, recognised gains and losses and cash flows for the year then ended
- they, and the part of the Remuneration Report to be audited, have been properly prepared in accordance with the Government Financial Reporting Manual (FRoM) and directions made thereunder by the Scottish Ministers
- in all material respects the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

We also review the Statement on Internal Control by:

- considering compliance with guidance issued by the Scottish Government
- considering the adequacy of the process put in place by the Accountable Officer to obtain assurances on systems of Internal Control
- assessing whether disclosures in the Statement are consistent with the information emerging from our normal audit work.

1.3 Independence and robustness

Ethical standards require us to give you full and fair disclosure of matters relating to our independence.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Ethical Standards of the Auditing Practices Board and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

1.4 Acknowledgements

We would like to take this opportunity to thank the staff who have been involved in this review for their assistance and co-operation.

This report is part of a continuing dialogue between OSCR and Grant Thornton and is not, therefore, intended to cover every matter which came to our attention. Our procedures are designed to support our audit opinion and they cannot be expected to identify all weaknesses or inefficiencies in OSCR's systems and work practices.

The report is not intended for use by third parties and we do not accept responsibility for any reliance that third parties may place on it. The report will be submitted to the Auditor General for Scotland and will be published by him on his website at www.audit-scotland.gov.uk.

2 Executive Summary

2.1 Financial results

OSCR incurred expenditure of £2,971k in the year (2008: £2,732k). As with the prior year the Department has managed its budget extremely effectively resulting in a small underspend against the budget agreed in the Spring Budget Review of £3,020k.

OSCR incurred capital expenditure of £61k (2008: £228k) against a budget of £70k, an underspend of £9k.

2.2 Financial Statements

We have given an unqualified opinion on both the financial statements of OSCR for the year ended 31 March 2009 and on the regularity of transactions undertaken during the financial year.

OSCR's draft financial statements were presented for audit on 19 May 2009, in line with the agreed timetable. The accounts and supporting working papers were of a high standard and, as a result, no adjustments were required to be processed following our audit.

There are no unadjusted audit differences in the financial statements.

OSCR have prepared a restated balance sheet at 31 March 2008 in readiness for the transition to IFRS reporting from 2009-10. We found no errors in this. The Finance Team will send us full shadow IFRS financial statements for 2008-09 by 30 November 2009 and we will report on these by 28 February 2010.

2.3 Governance

We found that OSCR's governance arrangements operated well and within a generally sound control environment. OSCR complies with the good practice guidance in relation to governance, as outlined in the Scottish Public Finance Manual, in so far as it is relevant to the role of OSCR.

As part of the 2008-09 audit, we reviewed the systems of internal control in relation to financial management and budgetary control arrangements, the audit committee's compliance with the guidance stated in the Scottish Government's revised audit committee handbook.

We also reviewed the operating effectiveness of new procedures to deal with charities that do not fulfil their reporting obligations under charity legislation.

Our audit identified only one control weaknesses in the areas reviewed (set out in Appendix A) and we consider OSCR's internal control arrangements to be satisfactory.

2.4 Performance

OSCR is committed to achieving best value in its operations and has a best value approach that approximates to the guidance issued by the Scottish Government.

OSCR continues to complete the Scottish Government's Best Value Checklist. The completed checklist confirms that the arrangements for best value at OSCR are well developed for the majority of the best value principles.

The Scottish Government set OSCR a target to achieve £70,000 in efficiency savings each year from 2007-08 to 2010-11. OSCR has put in place performance management arrangements for capturing, monitoring and reporting efficiency and achieved efficiency savings of c£72k for 2008-09. To date the arrangements are proving to be effective with the required savings for 2008-09 being met without compromising efficiency.

Grant Thornton UK LLP
17 July 2009

3 Financial Results

3.1 Operating Cost Statement

The table below shows the results for the year ended 31 March 2009, showing the outturn for the year versus budget. The overall outturn for the year was £3,032k (2008: £2,960k) compared to the updated budgeted figure of £3,090k leaving an underspend of £58k (2008: £70k).

	Actual 2009 £'000	Budget 2009 £'000
Staff costs	1,707	1,708
Administration		
Other administrative costs	968	1,009
Cost of capital charge, depreciation and permanent diminution	281	287
Notional costs	15	16
Total Resource Expenditure	2,971	3,020
Capital Expenditure	61	70
Total Outturn	3,032	3,090

3.2 Capital

Capital expenditure totalled £61k, giving an underspend of £9k against the budgeted figure of £70k. The bulk of the capital expenditure relates to the purchase of IT systems and software licences.

4 Financial Statements

4.1 Audit Opinion

We have given an unqualified opinion on the financial statements of OSCRC for the 2008-09 financial statements. We are able to conclude that the financial statements give a true and fair view of OSCRC's financial position for the period from 1 April 2008 to 31 March 2009 and that, in all material respects, the expenditure and receipts shown in the accounts were incurred or applied in accordance with applicable enactments and relevant guidance.

4.2 Audit Process

The accounts and supporting working papers were of a good standard and no adjustments were required to be processed following our audit.

4.3 Statement on Internal Control

The Statement on Internal Control sets out the arrangements established and operated by OSCRC for reviewing the effectiveness of the system of internal control and the identification and management of risk.

We are satisfied that the Statement complies with Scottish Government guidance, that the process put in place by the Accountable Officer to obtain assurances on systems of internal control is adequate and that the contents of the Statement are consistent with the information emerging from our normal audit work.

4.4 Misstatements identified by the audit

There are no adjusted or unadjusted audit misstatements to report.

5 Governance

5.1 Introduction

Corporate governance is the system by which organisations direct and control their functions and relate to their stakeholders, and incorporates the way in which an organisation manages its business, determines strategy and objectives, and goes about achieving those objectives. It is concerned with structures and processes for decision-making, accountability, control and behaviour at the upper levels of the organisation. Three fundamental principles of corporate governance apply equally to all public sector bodies - openness, integrity and accountability.

As part of our 2008-09 audit, we assessed the adequacy of OSCR's governance arrangements against good practice standards for the public sector. We examined:

- financial management and budgetary control arrangements
- Audit Committee's compliance with the guidance stated in the Scottish Government's revised audit committee handbook
- the operating effectiveness of new procedures to deal with charities that do not fulfil their reporting requirements to OSCR
- OSCR's processes to achieve Best Value and Efficiency
- performance management.

5.2 Financial management and budgetary control arrangements

OSCR has well developed financial and budgetary management processes and controls and historically achieves a satisfactory outturn against budget. We have not included any recommendations in our Action Plan in Appendix A.

5.3 Audit committee

OSCR operates its Audit Committee within the guidance provided in the Scottish Government's handbook

5.4 Regulation and monitoring of non-engaging charities

OSCR has recently revised its procedures to deal with charities that do not fulfil their reporting obligations under charity legislation ("non-engaging charities"). Such charities are first identified when they do not complete an annual return by the due date. These charities are then followed up by the Register Team. This involves issuing various reminder letters until both the annual return and annual accounts have been received and are correct or, finally, the charity is referred to the Compliance Team with a recommendation that they be removed from the Charity Register. There are strict controls in place to ensure that all such charities are allocated to a team member and followed through to conclusion. The process to be followed by the Register Team is fully documented and is operating satisfactorily.

Prior to this new system, all such charities were handled by the Compliance Team. The new procedure has been in operation since October 2008 and only a handful of charities have been referred to the Compliance Team who check that the recommendation to remove the charity from the register is appropriate and will then proceed to remove them. This final part of process carried out by the Compliance Team is operating satisfactorily but formal written procedures are out of date and should be updated.

Refer Action Plan point 1

5.5 Best Value and efficiency

OSCR has comprehensive procedures in place to deliver Best Value and achieved efficiency savings of £72k during 2008-09. OSCR might need to be prepared for a higher requirement for efficiency savings going forward.

5.6 Performance management

OSCR has a number of Key Performance Indicators which it publishes monthly on its website. We tested a sample of these and found them to be reported correctly. OSCR is achieving its targets.

A Action Plan

No	Finding	Risk	Recommendation	Management Response	Implementation Date
Non-engaging charities					
1	The Compliance Team has to update its documented procedures for dealing with charities referred to it by the Register Team for removal from the Register.	Medium	Documented procedures should be updated.	The updating of documentation has been scheduled in the OSCR business plan.	October 2009.



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