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Disclosure Scotland

Report to the Audit and Risk Committee and the Auditor General for Scotland on the 2023/24 audit.

Issued on 30 July for the meeting on the 21 August 2024

Contents

1.1 Partner introduction

The key messages in this report

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

I have pleasure in presenting our final report to the Audit and Risk Committee ("the Committee") of Disclosure Scotland ("DS") for the 2023/24 audit. The report summarises our findings and conclusions in relation to the audit of the Annual Accounts and the wider scope requirements, the scope of which was set out within our planning report presented to the Committee in February 2024.

I would like to draw your attention to the key messages of this paper:

Conclusions from our testing

Based on our audit work completed to date, we expect to issue an unmodified audit report.

The Management Commentary and Annual Governance Statement comply with the statutory guidance and proper practice and are consistent with the Annual Accounts and our knowledge of the DS. We provided management with comments and suggested changes based on review of the first draft and an update has been received confirming compliance.

The auditable parts of the Remuneration report have been prepared in accordance with the relevant regulation. We note at the date of presenting this report pension information is still outstanding.

A summary of our work on the significant risks is provided in the dashboard on page 9. DS met its financial targets for 2023/24, achieving a surplus of £3.6m.

No material errors have been identified to date and there were no uncorrected misstatements noted. Further, we have not identified any misstatements in excess of our reporting threshold.

1.2 Partner introduction (continued)

The key messages in this report (continued)

Status of the Annual Accounts audit

We have completed all of our audit procedures and have no outstanding points to address.

Conclusions from wider scope audit work

Financial management – Overall effective budget setting and monitoring arrangements are in place. This includes budget holders proactively following up on deviation from budgets when variances occur and setting action plans to and processes to control these risks.

While an underspend was reported at the end of the year, this was largely as a result of the need to make savings in the year, at the request of the Scottish Government.

Financial sustainability – Disclosure Scotland has achieved financial balance in 2023/24 with an underspend of £3.6m. However, for 2024/25 Disclosure Scotland's allocated budget from Scottish Government Core is below the level needed to meet all its expected commitments and expenses, which may mean Scottish Government will need to allocate additional budget. It is important that this is continually monitored and action is taken as required during the year. This is being transparently reported to both the Board and the Scottish Government during the year. We have concluded that there is a significant risk adequate funding levels will not be allocated.

Vision, leadership and governance – Disclosure Scotland's Corporate Strategy 2021-2025 clearly sets out the organisations purpose and functions and the Business Plan 2023/24 includes the key action for the year in the development of the Target Operating Model to allow Disclosure Scotland to plan for the future, recognising the significant period of change. For 2024/25 they are moving to quarterly business plans due to the significant changes occurring to allow the business plan to be more fluid.

The Leadership and governance arrangements that were implemented last year have had time to develop and can now be formally assessed as to whether they are meeting the requirements and operating effectively. This is due to take place on 11 September 2024.

1.3 Partner introduction (continued)

The key messages in this report (continued)

Conclusions from wider scope audit work (Continued)

Use of resources to improve outcomes – Disclosure Scotland has a clear performance management framework which has recently been updated with clear performance scorecards to monitor performance. Disclosure Scotland has continued to perform well during 2023/24 and work is progressing as part of The Act readiness work, to consult with customers and considering resourcing needs to set the right timescales for the new products according to the balance of customer needs and value for money.

Best value - Disclosure Scotland has sufficient arrangements in place to secure best value. It has a clear understanding of areas which require further development. The delivery of the significant digital transformational programme remains a key risk.

Cyber risk - Cyber security has been a high priority for Disclosure Scotland, particularly in view of the Transformation Programme and digital change.

Next steps

An agreed Action Plan is included on pages 39 to 46 of this report, including a follow-up of progress against prior year actions.

Added value

Our aim is to add value to DS 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 DS promote improved standards of governance, better management and decision making, and more effective use of resources. This is provided throughout the report.

Pat Kenny
Lead audit partner

Annual Accounts Audit

2.1 Quality indicators

Impact on the execution of our audit

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.

! Lagging ! Developing ● Mature

Area	Grading	Reason	Further detail
Timing of key accounting judgements	N/A	Not applicable as the Annual Report and Accounts do not contain any key accounting judgements.	N/A
Adherence to deliverables timetable	●	Management provided deliverables within the agreed timelines. Any follow-up requests were actioned quickly.	N/A
Access to finance team and other key personnel	●	Throughout the audit, there were no issues in accessing members of the finance team and other key personnel.	N/A
Quality and accuracy of management accounting papers	●	Documentation provided was of a high standard which enabled an efficient audit. Working papers were clear and reconcilable to the Annual Report and Accounts.	N/A
Quality of draft Annual Report and Accounts	●	The initial version of the draft Annual Report and Accounts was of good quality. We identified minor disclosure recommendations which have been corrected by management.	14
Response to control deficiencies identified	●	No control deficiencies have been identified.	N/A
Volume and magnitude of identified errors	●	No material misstatements have been identified to date and there are no uncorrected misstatements.	N/A

2.2 Our audit explained

We tailor our audit to your business and your strategy

Identify changes in your business and environment

In our planning report we identified the key changes in your business and articulated how these impacted our audit approach.

Scoping

Our planning report set out the scoping of our audit in line with the Code of Audit Practice. We have completed our audit in line with our audit plan.

Other findings

As well as our conclusions on the significant risks we are required to report to you our observations on the internal control environment as well as any other findings from the audit. We would like to draw to your attention our other findings, detailed further on page 12.

Determine materiality

When planning our audit, we set our materiality at £593,000 based on forecast gross expenditure. We have updated this to reflect final figures and completed our audit materiality of £740,000 (PY: £675,000), performance materiality of £518,000 (PY: £472,000) and report to you in this report all misstatements above £37,000 (PY: £33,000).

Significant risk assessment

In our planning report we explained our risk assessment process and detailed the significant risks we have identified on this engagement. We report our findings and conclusions on these risks in this report.

Conclude on significant risk areas

We draw to the Audit and Risk Committee's attention our conclusions on the significant audit risks. In particular the Audit and Risk Committee must satisfy themselves that management's judgements are appropriate.

Our audit report

Based on the current status of our audit work, we envisage issuing an unmodified audit report.

2.3.1 Significant risks

Significant risk dashboard

Risk	Fraud risk	Planned approach to controls	Controls conclusion	Consistency of judgements with Deloitte's expectations
Management override of controls	✓	DI	Satisfactory	Consistent
Operating within the expenditure resource limit	✓	DI	Satisfactory	Consistent

Controls approach adopted

DI Assess design & implementation

Consistency of judgements with Deloitte's expectations

Consistent

Improvement required

Inconsistent

2.3.2 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 entity, we planned our audit so that we had a reasonable expectation of detecting material misstatements to the Annual Accounts and accounting records.

Deloitte response and challenge

In considering the risk of management override, we have performed the following audit procedures that directly address this risk:

Journals

In designing and performing audit procedures for such tests, we have:

- Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the Annual Accounts;
- 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 and other adjustments 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.

We have reviewed accounting estimates for biases and evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud. In performing this review, we have:

- Evaluated whether the judgments and decisions made by management in making the accounting estimates included in the Annual Accounts, even if they are individually reasonable, indicate a possible bias on the part of the entity's management that may represent a risk of material misstatement due to fraud. From our testing we did not identify any indications of bias. A summary of the key estimates and judgements considered is provided on the next page; and
- Performed a retrospective review of management judgements and assumptions related to significant accounting estimates reflected in the Annual Accounts of the prior year.

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 not identified any instances of management override of controls from our testing.

2.3.3 Significant risks (continued)

Operating within the expenditure resource limits

Risk identified and key judgements

In accordance with Practice Note 10 (Audit of Annual Accounts of public sector bodies in the United Kingdom), in addition to the presumed risk of fraud in revenue recognition set out in ISA (UK) 240, auditors of public sector bodies should also consider the risk of fraud and error on expenditure. This is on the basis that most public bodies are net spending bodies, therefore the risk of material misstatement due to fraud related expenditure may be greater than the risk of material misstatement due to fraud related to revenue recognition.

We consider this fraud risk to be focused on how management operate within the resource budget set by the Scottish Government. The risk is that Disclosure Scotland 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 cut-off and 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 the 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:

- Evaluating the design and implementation of controls around monthly monitoring of financial performance;
- Confirming the resource limits allocated to DS by the Scottish Government by reference to the Budget Act;
- Performing focused testing of accruals and prepayments made at the year end; and
- Performing focused cut-off testing 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 DS has performed within the limits set by Scottish Government, achieving a surplus of £3.6m. It is therefore in compliance with the financial targets for the year.

2.4 Other significant findings

Financial reporting findings

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

Qualitative aspects of your accounting practices:

DS'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:

There were no significant matters raised with management.

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 will obtain written representations from DS on matters material to the Annual Accounts when other sufficient appropriate audit evidence cannot reasonably be expected to exist. A copy of the draft representations letter has been circulated separately.

2.5 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 Annual Accounts

Our opinion on the financial statements is expected to be 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.

There are no matters relevant to users' understanding of the audit that we consider necessary to communicate in any other 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.

Our opinion on matters prescribed by the Controller of Audit are discussed further on page 15.

2.6 Your Annual Accounts

We are required to provide an opinion on the auditable parts of the Remuneration report, the Annual Governance Statement and whether the Management Commentary is consistent with the disclosures in the accounts.

	Requirement	Deloitte response
The Performance Report	The report outlines DS's performance, both financial and non-financial. It also sets out the key risks and uncertainties faced by DS.	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. We provided management with comments and suggested changes which management have updated in the revised draft. This included additional disclosure on the critical judgments and key sources of estimation uncertainty stating that there were none.
The Accountability Report	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.	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. 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 comments and suggested changes which management have updated in the revised draft. We have also audited the auditable parts of the Remuneration and Staff Report and confirmed that it has been prepared in accordance with the accounts direction. A minor disclosure point was raised in that it should be average number of employees across the year rather than number of employees as at 31 March. This been corrected by management.

3.1 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 and Risk Committee 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
- 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 Annual Accounts.

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

Use of this report

This report has been prepared for the Board, 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.

What we don't report

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

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

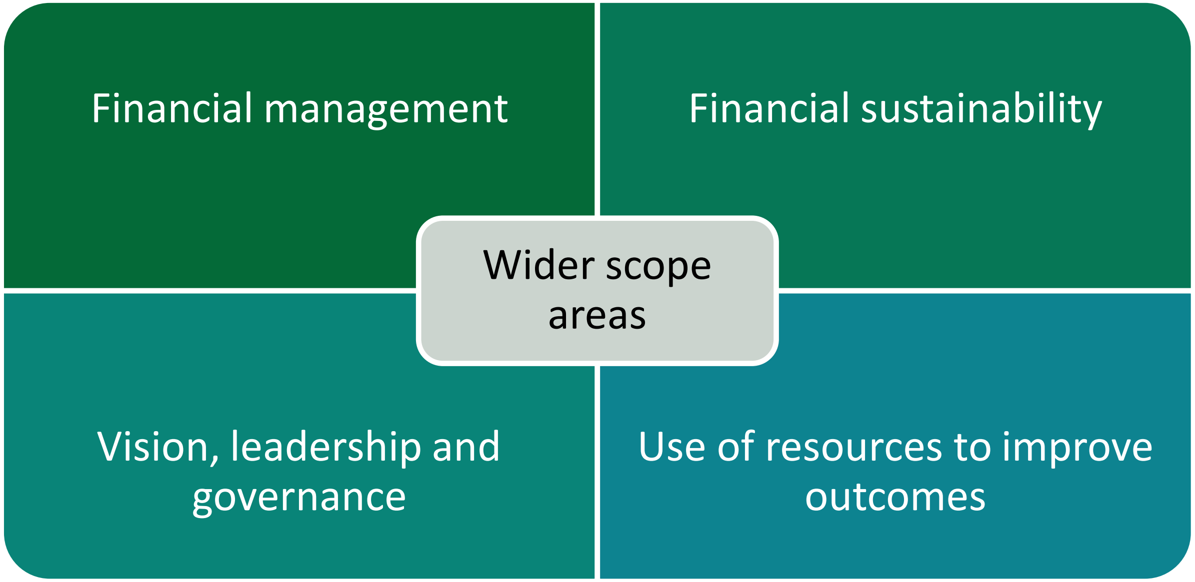
Glasgow | 30 July 2024

Wider scope audit

4.1 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 Disclosure Scotland is addressing these and our conclusions are set out within this report, with the report structured in accordance with the four dimensions.

4.2 Wider scope requirements (continued)

Financial management

Significant risks identified in Audit Plan

In our audit plan, we highlighted whilst there have been changes within the finance team between 2022/23 and 2023/24 there has been minimal impact on consistency of key personnel and that the team remains at an appropriate capacity. We have not identified any significant risks however we assessed the budget setting and monitoring arrangements that are currently in place.

Current year financial performance

As an Executive Agency of the Scottish Government, Disclosure Scotland's budget allocation appears as distinct lines items in the Annual Scottish Budget Bill as part of the Children and Families Spending Plans. The Board, as an Advisory Board, therefore do not approve the budget but instead receive regular reporting from the Leadership Team on how Disclosure Scotland is performing against the budget. The Leadership Team approve the budget.

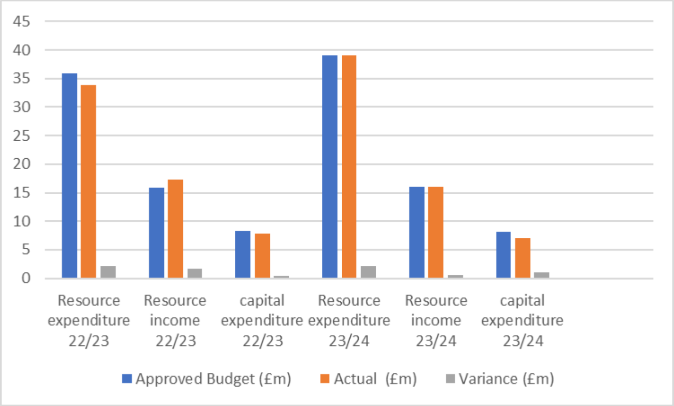
After receiving the allocation, Disclosure Scotland has flexibility to determine how that money is spent and is split at a high-level between staffing costs, non-staffing costs and non-cash. This is offset against the expected income to be received from fees.

4.3 Wider scope requirements (continued)

Financial management (continued)

Current year financial performance (continued)

Disclosure Scotland has reported an overall underspend of £3.6m (16% of budget) in FY 2023/24, as summarised below:



The key reasons for the variance in expenditure was a result of the Scottish Government requesting Disclosure Scotland to carry out a savings review to identify potential areas where savings could be achieved. These were risk rates (Red, Amber, Green).

In addition, there was also slippage of projects and drop in use of contractors. Disclosure Scotland have a number of digital projects in progress to implement The Act.

Income ended the year ahead of budget (3%). However, the last 2 months of the financial year (February and March 2024) saw income below what was forecasted. Disclosure Scotland noted that income will be monitored more closely throughout the year to ensure actuals are in line with forecast.

This is demand led so can be difficult to predict however this is closely monitored by the finance team.

The underspend has been a continuing trend from the previous year with an underspend of £4.1m (14% of budget) in FY 2022/23 as a result of DS being asked to carry out savings.

The Leadership Team, Board and Audit and Risk Committee (ARC) regularly review progress against budget through the year, with quarterly reporting to the Board. Any variances arising during the year are clearly reported and there is a clear link between the financial information reported in the year and the Annual Report and Accounts. Improvements have been made to the reporting during the year, with reports now more focussed on the key messages to aid this scrutiny.

Finance capacity

The finance team was enhanced in the prior year with the introduction of dedicated resource to support the change programme. We are therefore satisfied that Disclosure Scotland continues to have a sufficiently qualified and experienced finance team to support its financial management.

4.4 Wider scope requirements (continued)

Financial management (continued)

Internal controls and internal audit

Disclosure Scotland relies upon the financial systems provided by the Scottish Government, in particular the general ledger, purchase ledger and payment of invoices and payroll. A detailed Framework Agreement is in place, which was updated in 2022. As part of this, Disclosure Scotland use the services of the Scottish Government's internal audit team.

We have assessed the internal audit function, including its nature, organisational status and activities performed. We have reviewed all internal audit reports published throughout 2023/24. The conclusions have helped inform our audit work, although no specific reliance has been placed on this work.

The capacity of the internal audit team is adequate to deliver their plan.

The 2023/24 Internal Audit Plan was approved by the Audit Committee in February 2023.

The plan included 85 audit days assigned across a number of assignments. Summary reports are provided to the Committee for each assignments.

All agreed actions arising from Internal Audit assignments are monitored during the year, with the Internal Audit team seeking confirmation that agreed actions have been implemented in line with target dates. Verification work is performed on a sample of actions.

The latest report to the Audit Committee highlighted that there are 4 medium and 3 low priorities of which action dates ranged from 31 March 2024 to June 2024.

The Internal Audit annual assurance opinion 2023/24 was a substantial opinion based on three pieces of work, Collaboration, Review of Budgetary Processes and Review of Key Performance Initiators.

The Internal Audit Annual Assurance Report for 2023/24 was presented to the Audit Committee for consideration.

Standards of conduct for prevention and detection of fraud and error

We have assessed the Disclosure Scotland's arrangements for the prevention and detection of fraud and irregularities. This has included specific considerations in response to the Audit Scotland's publication "Fraud and irregularities 2022/23 – sharing risks and case studies to support the Scottish public sector in the prevention of fraud". Overall, we found the Disclosure Scotland's arrangements to be designed and implemented appropriately.

4.5 Wider scope requirements (continued)

Financial management (continued)

Deloitte view – financial management

Disclosure Scotland has made improvements to its budget setting and monitoring arrangements in place during the year, with revised monitoring reports providing greater focus on key areas. The Board's input to the budget setting process should continue to enhance the review process and provide additional scrutiny and challenge at the time the internal budget allocations are agreed. We note in the prior year there was a finding in relation the budget allocations developed and approved by the Leadership Team should be scrutinised by the ARC and/ or Board in advance of the start of the financial year to assess the budget allocations and assumptions applied. This has since been implemented refer to page 41 for further details.

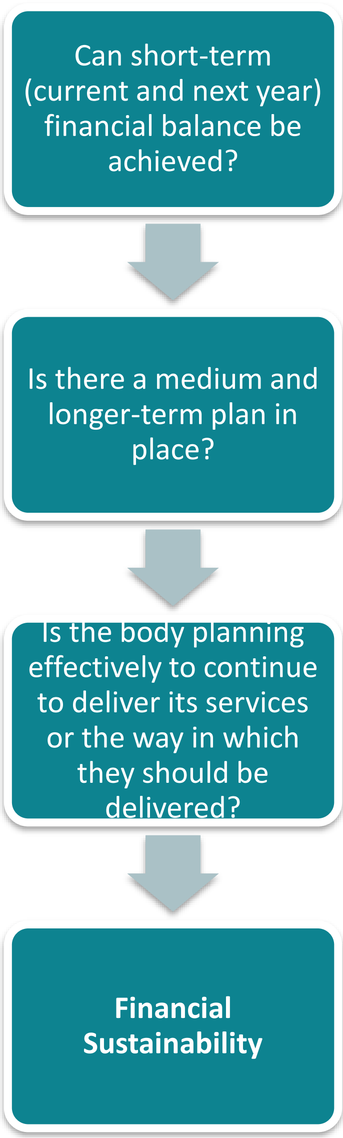
While an underspend was reported at the end of the year, this was largely as a result of the need to make savings in the year, at the request of Scottish Government.

The finance team expanded in the prior year therefore ensuring there is enough resources to help with financial management. This is supported by a robust internal audit function, as well as appropriate arrangements for the prevention and detection of fraud and error.

We have concluded that there is no significant risks in relation to financial management.

4.6 Wider scope requirements (continued)

Financial sustainability



Significant risks identified in Audit Plan

In our audit plan we highlighted that Disclosure Scotland has a medium-term financial planning arrangement in place and is continuing a major organisational and digital transformation journey. There is a risk that adequate funding levels will not be allocated to allow for the transformation to be fully implemented whilst meeting all the objectives. We have monitored any developments within the financial strategy and delivery of the change programme.

2024/25 budget setting

As an Executive Agency, the Board does not approve the budget. Based on the budget allocation in the Scottish Budget Bill which is part of the Children and Families Spending Plans, the Leadership Team worked together to identify the expected costs and income in the year and compare with the funding provided, which was then agreed in February 2024. The Board was provided with high level information on confirmed funding at its February 2024 meeting. The internal budget was discussed at various stages with Leadership Team (monthly from November 2023), Board (January 2024) and the Audit and Risk Committee (February 2024). There was also a financial deep dive undertaken with the Board following the Scottish Government allocations.

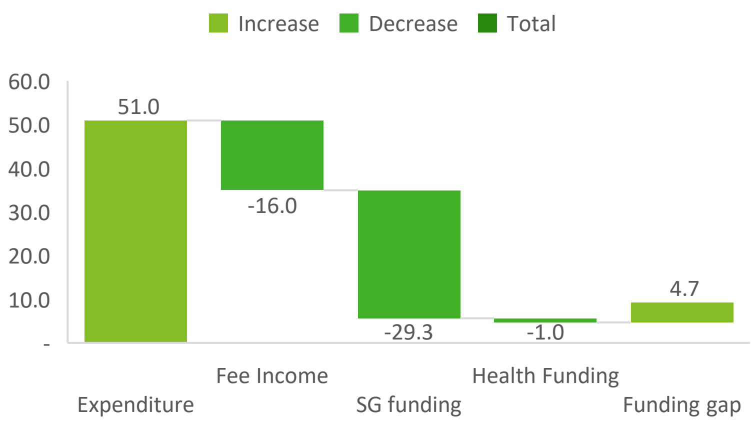
A summary of the 2024/25 budget position is illustrated on the following page, combing both resource and capital requirements.

4.7 Wider scope requirements (continued)

Financial sustainability (continued)

2024/25 budget setting (continued)

2024/25 budget position (£m)



In comparison with the initial funding confirmed via the Scottish Budget Bill, Disclosure Scotland had identified budget pressures of £11m (£10.7 m in resources and £0.3m in capital).

To offset this DS expect to receive, £1m from the Health Directorate. In July 2024, management noted that they expect to receive £5.5m further top-up funding from SG. therefore reducing the budget pressure to £4.7m.

Therefore, should additional funding not be made available, Disclosure Scotland will need to identify areas of further efficiency to achieve financial balance.

This continues to be reported as a cost pressure in the monthly reporting to Scottish Government, however, Disclosure Scotland have developed a savings plan with 3 different levels (red, amber and green) if funding is not received.

Furthermore, there is currently no expectation that a letter of comfort will be received.

It has been noted that Disclosure Scotland have started marketing through Google Ads in February 2024 to corporate businesses online in order to generate additional income.

Savings target

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. We have considered each of these element as applicable to Disclosure Scotland as follows.

Budget setting should be enhanced by incorporating specific savings targets to demonstrate that the annual efficiency target of 3% is being met.

Disclosure Scotland is progressing with its Digital Transformation Programme which is expected to drive efficiencies. This has been demonstrated as now approximately 3% of applications are now fully automated from start to finish.

Disclosure Scotland have considered efficiencies in their Benefits Realisation Plan.

4.8 Wider scope requirements (continued)

Financial sustainability

Medium-to-long term financial planning

Controlling costs – six essential cost categories make up 91% of operational expenditure, with two-thirds being staff related costs, potentially making savings difficult to identify.

While the Strategy covers the period to 2025, there are no approved budget beyond 2024/25 as this is performed on an annual basis in line with SG budget approval, therefore it is difficult to visualise the level of funding gap and efficiency savings required in the medium term. The finance team have prepared projections over a 10 year period to estimate the Scottish Government funding required depending on where the fee is set. This is a good starting point for developing a medium to longer term finance strategy.

Given the limited opportunities to increase income over the short to medium term, the primary focus over the period of the Strategy is to seek new and innovative ways to control and reduce operational expenditure, eliminate waste and drive efficiencies.

The Act changes the products that Disclosure Scotland offer to the public and as a result, there is an opportunity to consult on changes to fee levels beyond 2025. Key stakeholders has been consulted on revised fees. Consultation on fees closed in May and is currently under review. Over 1200 responses were received and are therefore still being reviewed. Following the consultation, proposals on revised fee structures and levels will be put to Ministers, however, the final decision is with Parliament, therefore there remains a risk that the revised fee structure does not cover all operational costs.

Workforce planning

A key element of the medium-to-long term planning is workforce planning, given that a high proportion of Disclosure Scotland's costs relate to staff. There continues to be a reliance on agency and temporary staff, although this is part of a conscious strategy to address resource requirements over the short term. We recognise that recruiting digital staff continues to be a challenge across the public sector. The use of agency and temporary staff has remained consistent with 71 FTE, although the overall costs have increased slightly from £2.575m to £2.756m.

Work is underway to design a Strategic Workforce Plan and a new Target Operating model covering up to 2028 has been developed. Beyond 2025, in view of the digital transformation, the workforce is expected to look very different to how it looks now. As a result, the Finance Strategy does not go beyond 2025 until these elements are further advanced to be able to forecast with more certainty. A strategic workforce planning group was set up in 2022 to ensure the resourcing strategies are meeting the intended workforce planning outcomes.

4.9 Wider scope requirements (continued)

Financial sustainability (continued)

Medium-to-long term financial planning

Area	Important features of a financial strategy
Period	A financial strategy should cover 5-10 years
Cost	A clear understanding of the business model and the cost of individual activities within it
Savings options	Evidence based options for achieving savings
Savings details	Details of one-off and recurring savings
Scenario planning	Scenario planning to outline best, worst and most likely scenarios of the financial position and the assumptions used
Assets/Liabilities and Reserves	Details of assets, liabilities and reserves and how these will change over time
Capital Investment Activity	Details of investment needs and plans and how these will be paid for
Demand	An analysis of levels of service demand and project income
Funding shortfalls	Any income or funding shortfalls and how to deal with these
Strategy links	Clear links to the corporate strategy and other relevant strategies such as workforce and asset management
Risks and timescales	The risks and timescales involved in achieving financial sustainability

Disclosure Scotland Finance Strategy has remained unchanged since the prior year covering the period 2023-2025. The organisation is going through a period of significant organisational and digital change as it looks to implement the provisions of the Act and drive forward the DS25 Corporate Strategic vision. We note that the new Target Operating Model beyond 2025 has been developed and covers up to 2028.

The Finance Strategy recognises the following key financial challenges:

Funding gap – as the fees currently charged, as set by Scottish Ministers, do not cover operational expenditure, Disclosure Scotland is reliant on annual funding from the Scottish Government;

Wider fiscal pressures – the Scottish Government is facing significant budgetary pressures which will impact on the availability of funding. As noted earlier, the forecast income plus agreed funding is not sufficient to cover operational expenditure in 2024/25;

Demand led service – the volume of applications, and therefore income, is demand led, therefore there is little opportunity to promote products and services to increase income;

Ministerial commitments – Disclosure Scotland is required to provide products free of charge to certain sectors, as set in Statute, therefore receives no direct income to cover the associated operational costs, illustrating the need for additional Scottish Government funding.

4.10 Wider scope requirements (continued)

Financial sustainability (continued)

Medium-to-long term financial planning (continued)

Digital Transformation

Disclosure Scotland is in the process of implementing an ambitious programme of digital transformation, developing software and tools that are intended to improve internal process, support delivery of The Act and change the way customers interact with the organisation.

Much of the development work is being done “in-house” and requires significant capital investment with a heavy reliance on contractors to deliver the functionality. Work is also ongoing to recruit and develop permanent staff to reduce reliance on this expensive resource in the longer term.

Regular reports are provided to the Board to provide an update on the change portfolio, including the digital transformation work. This reporting has evolved during the year to ensure that the information provided is data-driven and useful to allow the Board to challenge and provide advice. Reports are now provided in the form of a dashboard.

The board was updated in May 2024 and was informed that releases of key projects was going live on the 5 June 2024 in relation to online accounts, vetting project and ongoing monitoring.

We followed up on the releases that went live on the 5 June 2024 and it was noted that there were a few bugs on the release; however, the digital team had contingency plans in place as this was to be expected. The bugs were resolved in a couple of days and it has been deemed a success.

However there is still a significant amount of work ongoing in order to meet the requirements of The Act.

Benefit plans are in place for all projects and a benefits register is in place which collates details including benefit themes, financial benefits, benefit summary, measurement and baseline.

4.11 Wider scope requirements (continued)

Financial sustainability

Deloitte view – Financial sustainability

Disclosure Scotland has achieved financial balance in 2023/24. However Disclosure Scotland's allocated budget from Scottish Government Core is below the level needed to meet all its expected commitments and expenses, which is likely to mean Scottish Government will need to allocate additional budget cover in 2024/25. However, there is expectation that Disclosure Scotland will not receive a letter of comfort. It is important that this is continually monitored and action taken as required during the year. This is being transparently reported to both the Board and the Scottish Government during the year (refer to page 41).

Disclosure Scotland have developed a savings plan with 3 different levels (red, amber and green) if funding is not received.

The organisation is going through a period of significant organisational and digital change as it looks to implement the provisions of The Act and drive forward the DS25 Corporate Strategic vision. While a finance strategy has been prepared covering the period 2023 to 2025, the finance team have prepared projections over a 10-year period to estimate the Scottish Government funding required depending on where the fee is set, there are currently no budget of expected funding gaps and efficiencies required beyond 2024/25. While we recognise that the Scottish Government only confirms funding on an annual basis, the finance strategy can be prepared based on assumptions around expected funding.

We note that the workforce plan is currently under development and is being considered by the Leadership Team and the new Target Operating Model has been developed covering up to 2028. It is important that once these are progressed, the financial strategy is further developed and aligned to the corporate strategy. The delivery of the change programme is critical to the future financial sustainability of the organisation and remains a key area of risk that is being managed. We will continue to monitor the progress with this during our audit appointment.

In conclusion there is still a significant risk that adequate funding levels will not be allocated.

4.12 Wider scope requirements (continued)

Vision, leadership and governance

Are the scrutiny and governance arrangements effective?

Is leadership and decision making effective?

Is there transparent reporting of financial and performance information?

Vision, leadership and governance

Significant risks identified in Audit Plan

In our audit plan, we noted that there is a risk that changes in leadership and governance arrangements have not yet become fully embedded or developed which could negatively impact upon organisational transformation. We have therefore assessed any impact from the changes which have taken place over the year. In addition, we have assessed whether governance arrangements meet the requirements of the organisation and that these are operating effectively.

Vision and strategy

Disclosure Scotland's current Corporate Strategy and Plan covers the period 2021-2025. This sets out the organisations purpose and functions defined in legislation across the follow three functions:

Disclose – provide disclosure certificates;

Protect – manage the Protecting Vulnerable Groups (PVG) scheme; and

Promote – support our customers and stakeholders to use our services.

During the course of this strategic plan, Disclosure Scotland will bring the new Disclosure (Scotland) Act into force, which will fundamentally change disclosure and protection services in Scotland as it moves to new ways of working by 2025.

The Strategy sets out "our actions", "our aims" and "our outcomes" to demonstrate how Disclosure Scotland will deliver its objectives in the context of the Scottish Government's National Performance Framework.

The Business Plan for 2024/25 for Q1 has been drafted. We note that the business plan is being updated in a quarterly basis in order to remain fluid for the upcoming changes.

4.13 Wider scope requirements (continued)

Vision, leadership and governance (continued)

Leadership

The Leadership Team has remained relatively consistent during the year with two Deputy Chief Executives focusing on business and digital strategy. There are also three further Directors covering Policy, Customer engagement, Digital Innovation Corporate Services and Safeguarding.

During the year, two board members term came to an end, who were replaced. Given the significant change programme being undertaken across the organisation, it is critical that once the new non-executive Board are confirmed, there is a clear handover, induction and training provided to ensure that the there is a clear understanding of roles and responsibilities to support the Chief Executive, as Accountable Officer, providing advice, support and challenge in accordance with the Framework Agreement. We note that as part of our review the new board members were given sufficient induction to be able to fulfil their roles. Consideration should also be given to succession planning on non-executive Board members to prevent future changes having a significant impact on the organisation.

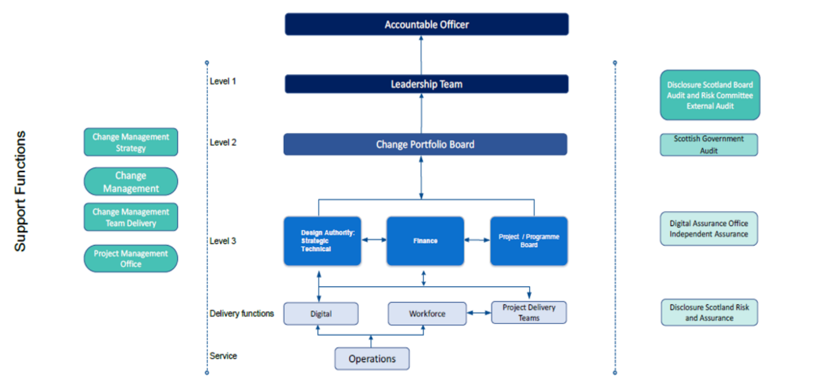
In line with good practice, the Board carries out an annual self-assessment, with the last one completed as part of the Board Away Day in July 2022. It was noted that due to changes to the board, no self-assessment was performed in 2023. The next self-assessment is due to take place in the next Board's away day 11 September 2024.

Areas that will be covered include the structure and dynamic of the Board and the information that is provided by Disclosure Scotland staff.

Governance and scrutiny arrangements

The Scottish Government Framework Agreement was revised and updated in 2022. This sets out the strategic relationship and a number of shared principles between Disclosure Scotland, Scottish Ministers and the Scottish Government. It forms a key part of the governance and accountability framework within which Disclosure Scotland operates.

During 2022/23, Disclosure Scotland made changes to its governance structure to support the next part of its change programme, the current structure is noted below.



4.14 Wider scope requirements (continued)

Vision, leadership and governance (continued)

Governance and scrutiny arrangements (continued)

We noted that that there is a risk that changes in leadership and governance arrangements have not yet become fully embedded or developed which could negatively impact upon organisational transformation.

We noted that the new structure has successfully been embedded within the culture of Disclosure Scotland and has been given time to develop.

The ARC continues to be a key element of the governance arrangements in place. In line with good practice, the Committee carries out an annual self assessment of its effectiveness, the outcome of which was reviewed by the ARC in September 2022. Key actions arising from the assessment were set out in the covering paper.

In terms of succession planning, we note that senior civil service succession is managed by the Scottish Government. In general succession planning is managed at team level, which is considered as part of the Strategic Workforce Plan that is currently under development. At the moment there is no formal succession plan in place. We therefore recommend that consideration should be given to succession planning to prevent future changes having a significant impact on the organisation.

The ARC also provide oversight and scrutiny of the risk management activity. An update on the Corporate Risk Register is provided to each meeting, with an update on any movements in risk in the last quarter.

We note there have been a number of changes to the ARC, resignation of Chair of the ARC and Independent member with four new appointments including new Chair of the ARC being appointed in November 2023.

We have reviewed meetings attendance from the past year and confirm that these have been well attended. In addition, from attendance at meetings we can confirm that there is sufficient scrutiny and challenge exercised by members during the meetings.

Transparency of reporting

All Board and ARC minutes are publicly available through Disclosure Scotland's website.

The Disclosure Scotland website includes a comprehensive suite of information including links to strategies and policies and annual report and accounts, thereby demonstrating openness and transparency of decision making and performance information.

4.15 Wider scope requirements (continued)

Vision, leadership and governance (continued)

Deloitte view – Vision, leadership and governance

Disclosure Scotland's Corporate Strategy 2021-2025 clearly sets out the organisations purpose and functions and the Business Plan 2023/24 includes the key action for the year in the development of the Target Operating Model to allow Disclosure Scotland to plan for the future, recognising the significant period of change. For 2024/2025 they are moving to quarterly business plans due to the significant changes occurring to allow the business plan to be more fluid.

The leadership and governance arrangements that were implemented last year have had time to develop and can now be formally assessed whether they are meeting the requirements and operating effectively. The next leadership team self review is due September 2024. We note from our review of the leadership and government arrangements they are now fully embedded and working toward Disclosure Scotland Strategic objectives.

There has been a change to the ARC, with a new Chair of the ARC being appointed in November 2023.

Consideration should be given to producing a formal succession plan to prevent future changes having a significant impact on the organisation. Refer to page 40.

Disclosure Scotland continues to be open and transparent.

Deloitte have concluded that there are no further significant risks in relation to vison, leadership and governance.

4.16 Wider scope requirements (continued)

Use of resources to improve outcomes

Significant risks identified in Audit Plan

In our audit plan we did not note any significant risks relating to use of resources to improve outcomes.

Statutory performance indicators

Disclosure Scotland had historically monitored its performance in accordance with its strategic themes set out within its Corporate Strategy – “Disclose, Protect and Promote” – and also according to enabling objectives where appropriate, “our people, our systems and the way we work”. This allows it to align its performance to its six strategic objectives. Regular reports are provided to the Board on performance and from April 2023, the format of these reports have changed to a performance scorecard to provide the Board with:

- Data to assurance key functions are performant;
- Exceptions narrative for in depth discussion where key functions are performing below target; and
- Proposed actions and recommendations where focus on non-performant areas plan to improve.

The Business Plan for 2023/24 has a revised set of Key Performance Indicators against each strategic theme, with a focus on continuous improvement. The business plan for 2024/25 is still being released on a quarterly basis.

4.17 Wider scope requirements (continued)

Use of resources to improve outcomes (continued)

Performance management framework

The KPIs set out within the Business Plan are largely output focussed, rather than outcome focussed. This is understandable given the work that Disclosure Scotland carries out and how it works with other bodies to help Scottish Government to deliver its national outcomes. Consideration should be given to if there are other areas where there are specific outcomes that can be monitored and reported to demonstrate that continuous improvement.

Performance data

A summary of the performance reported to the Board during the year, as at 31 March 2024 is provided below.

Disclosure Scotland continues to perform well, however there are still some KPIs not achieved in the year.

Theme	Summary of performance 2023/24		Action taken
Disclose	There are 4 KPIs in relation to disclose 3 out of 4 targets exceeded for the percentage of Disclosure certificates issued within 14 calendar days, percentage of correspondence actioned within 5 working days and average call handling time. However, the percentage of Customer Contact Centre calls answered was slightly behind target (target of 95% vs actual of 93.75%.		Resources being managed carefully. Call volumes are significantly lower than previous years, therefore e-mail enquiries resourced to a higher level as receive significantly more. Aim to promote and guide customers to online services and correspondence send via e-mail to reduce volume of calls. Call tagging helps to identify trends. Average call time has been noted as 4.36 minutes, which is within the target of < 5 minutes.

Strong performance

Performance slightly below target

4.18 Wider scope requirements (continued)

Use of resources to improve outcomes (continued)

Performance data (continued)

Theme	Summary of performance 2023/24		Action taken
Protect	Ongoing monitoring of PVG members processed within target dates and stage 2 notification of decision to list an individual to ensure that unsuitable people are swiftly removed from the workforce.		KPIs for 2023/24, with two indicators within "Protect" reported as green and one as amber in relation to the percentage of automatic listing cases within 5 working days (target 95% vs actual 93.29%). Disclosure Scotland will continue to work towards achieving KPIs.
Promote	77.3% increase of stakeholder reach (against target of 33%) and the percentage of complaints resolved at Stage 1 within 5 days ahead of target.		All reportable items within tolerance.
Digital	Percentage of customer service availability – 100% Percentage of business service availability – 99.7% Online Customer satisfaction – 88.8%		All reportable items within tolerance.
People	Staff engagement index, average working days lost and staff attrition all within .		KPIs for 2023/24, with two indicators within "People" reported as green and one as amber in relation staff engagement index (target 68% vs actual 64%). Disclosure Scotland will continue to work towards achieving KPIs.

4.19 Wider scope requirements (continued)

Use of resources to improve outcomes (continued)

Performance data (continued)

Theme	Summary of performance 2023/24		Action taken
Finance	Percentage of invoices paid within 10 days and percentage of debt older than 60 days within target.		KPIs for 2023/24, with one indicator within “finance” reported as green and one as amber in relation to percentage of invoices within 10 days (target 100% vs actual 98.92%). Disclosure Scotland will continue to work towards achieving KPIs.
Governance and Data Protection	The percentage of adherence to legislative timescales for Subject Access Requests and Freedom of Information and reportable data breaches within target.		All reportable items within tolerance.

4.20 Wider scope requirements (continued)

Use of resources to improve outcomes (continued)

Deloitte view –Use of resources to improve outcomes

Disclosure Scotland has a clear performance management framework. The updated Business Delivery Plan for 2024/25 has clear KPIs with a focus on continuous improvement.

Regular reporting on performance is provided to the Board. Consideration should be given to if there are other areas where there are specific outcomes that can be monitored and reported to demonstrate that continuous improvement.

Disclosure Scotland has continued to perform well during 2023/24, actively managing its performance and taking appropriate action, including re-allocation of resources, in response to the data collected. As part of The Act readiness work, Disclosure Scotland are consulting with customers and considering resourcing needs to set the right timescales for the new products according to the balance of customer needs and value for money.

Deloitte have concluded that there are no significant risks in relation to use of resources to improve outcomes.

4.21 Wider scope requirements (continued)

Best value

Requirements

The Scottish Public Finance Manual (SPFM) explains that Accountable Officers have a specific responsibility to ensure that arrangements have been made to secure Best Value (BV).

Ministerial guidance to Accountable Officers for public bodies sets out their duty to ensure that arrangements are in place to secure Best Value in public services. As part of our wider scope audit work, we have considered whether there are organisational arrangements in place in this regard.

The duty of BV in Public Services is as follows:

- To make arrangements to secure continuous improvement in performance whilst maintaining an appropriate balance between quality and cost; and in making those arrangements and securing that balance;
- To have regard to economy, efficiency, effectiveness, the equal opportunities requirements, and to contribute to the achievement of sustainable development.
- BV characteristics have been recently regrouped to reflect the key themes which will support the development of an effective organisational context from which public services can deliver key outcomes and ultimately achieve best value:
    - Vision and Leadership
    - Governance and Accountability
    - Use of resources
    - Partnership and collaborative working
    - Working with Communities
    - Sustainability
    - Fairness and equality

Conclusions

Disclosure Scotland has a number of arrangements in place to secure best value. As noted elsewhere within this report, the Corporate Strategy provides a clear vision and has specific focus on some of the BV characteristics including partnership and collaboration, fairness and equality and a focus on continuous improvement.

Disclosure Scotland is implementing an extensive Digital Transformation programme, linked closely to the implementation of The Act. This continues to be a key area of focus for management and the Board.

Deloitte view – Best Value

Disclosure Scotland has sufficient arrangements in place to secure best value. It has a clear understanding of areas which require further development. The delivery of the significant digital transformational programme remains a key risk.

Appendices

5.1.1 Action Plan

The following recommendations have arisen from our 2023/24 audit work:

Recommendation	Management Response	Priority	Responsible Person	Target Date
1. Vision, leadership and governance It was noted that the board did not perform an annual self assessment in 2023. Last self assessment was performed in July 2022. The Audit Committee should carry out an annual self-assessment, with the results published as part of its annual report. Reference should be made to the CIPFA Position Statement: Audit Committees in Local Authorities and Police published in 2022, along with the associated self-assessment of good practice checklist [Support for audit committees (cipfa.org)](). This would allow the Committee to identify any training needs or changes to operation of the Committee.	The board did not perform a self assessment in 2023 due to the board just being established the next one will be performed as part of the next Board Away day scheduled for 11 September 2024.	Low	Director of Corporate Services	September 2024

5.1.2 Action Plan (continued)

Recommendation	Management Response	Priority	Responsible Person	Target Date
2. Vision, leadership and governance Disclosure Scotland currently do not have a formal succession plan in place. Consideration should be given to succession planning to prevent future changes having a significant impact on the organisation.	Succession planning is managed at a team level and strategically we consider this at the Strategic Workforce Planning Group. There is no formal ‘succession plan’ in place, however this will be included an element of Disclosure Scotland’s draft workforce plan under development, and the Workforce Planning Group will continue to drive this forward.	Low	Director of Corporate Services	March 2025

5.2.1 Action Plan (continued)

We have followed up the recommendations made in 2022/23. We are pleased to note that out of the 6 recommendations 3 are fully implemented as documented below.

Recommendation	Management Response	Priority	Responsible Person/Target Date	FY 2023/24 update
1. Evidence of management review of journal entries Whilst our controls work found that there was a review element to the approval of journal entries, evidence of this is a name and date sign off typed into the journal workings. It is recommended that confirmation of the review and approval is created, such as an e-mail thread to confirm review and approval and a proper sign off indicating appropriate review has been performed. We have alternatively satisfied ourselves based on observation and inspection of communication by the finance and management team that review is done.	Although we are satisfied that there were no issues with the journal review process during the year, to enhance our financial controls we have introduced from late July 2023 the email approval sign off as suggested.	Low	**Director of Corporate Services** **Target Date: Completed in July 2023**	This recommendation was implemented as soon as it was raised and has been reviewed as part of our journal entry testing during the FY 2023/24 audit. **Recommendation closed**
2. Financial management The internal budget allocations developed and approved by the Leadership Team should be scrutinised by the ARC and/ or Board in advance of the start of the financial year to assess the budget allocations and assumptions applied.	The budget in 2023/24 was taken to Board (June 23) and Audit and Risk Committee (May 23) which was the first possible meeting after Leadership Team scrutinised and approved the budget in March 23. We will look at our calendar of business going forward so that the Board can have earlier sight of budgets	Medium	Director of Corporate Services Target Date: March 2024	The internal budget was discussed at various stages with Leadership Team (discussed on a monthly basis from November 2023), Board (31 January 2024) and the Audit and Risk Committee (14 February 2024). All groups had the opportunity to feed into the budget. There was also a financial deep dive undertaken with the Board following the Scottish Government allocation allocations. **Recommendation closed**

5.2.2 Action Plan (continued)

Recommendation	Management Response	Priority	Responsible Person/Target Date	FY23/24 update
3. Financial sustainability Where funding gaps are identified at the time of approving the budget allocations, efficiency savings options should be developed and considered to ensure that there are sufficient consideration of the potential impact on the wider delivery of objectives. This should incorporate how Disclosure Scotland is actively working towards the Scottish Government 3% efficiency target	As part our budget setting and review process we will make explicitly clear as part of our reports seeking advice from Leadership Team and Board the context in which we are operating and how it aligns with the Scottish Government target. When budgets are set the Directors should consider with assistance from Finance what savings could be made.	Low	Director of Corporate Services Target Date: March 2024	Management noted that this years' budget was set clearly in alignment with the delivery of Scottish Government and Disclosure Scotland objectives. In defining the budget throughout all stages DS consulted with Non Executive's and Fraser Figure to ensure where possible efficiency savings could be made. DS have also developed a savings plan with 3 different levels (red, amber and green) if funding is not received. **Recommendation remains open**
4. Financial sustainability In developing and updating its medium term financial strategy, Disclosure Scotland should consider the important features of a financial strategy, as set out in Audit Scotland's report in June 2014 Scotland's public finances – A follow-up audit: Progress in meeting the challenges (audit-scotland.gov.uk).	We do have a medium term financial strategy. As part of our review process which is planned for April 2025 we will consider these points.	Medium	Director of Corporate Services Target Date: April 2025	**Not yet due**

5.2.3 Action Plan (continued)

Recommendation	Management Response	Priority	Responsible Person/ Target Date	FY23/24 update
5. Use of resources to improve outcomes Disclosure Scotland should consider enhancing its performance reporting to explain what the KPIs mean in terms of outcomes. One of the strategic objectives is "we use our influence and expertise beyond our organisational boundaries to integrate disclosure with wider initiatives in the service of Scotland, supporting the Scottish Government to deliver its National Outcomes". Reporting could be enhanced to demonstrate how the work being done is impacting on these outcomes.	This is a new reporting process and we have work time scheduled with Internal Audit to further review and find improvement, these suggestions will be included.	Low	Director of Corporate Services Target Date: March 2024	An internal audit of KPI's has been undertaken and a substantial rating provided. Management noted that Disclosure Scotland have continued in year to improve KPI reporting, with reports provided to both Board and Leadership Team. **Recommendation closed**
6. Climate change A Climate Change Strategy or Action Plan should be developed to set out how the organisation plans to contribute to the Scottish Government targets.	Disclosure Scotland will seek to review its approach to climate change and consider the development of a strategy or action plan. This will take into account best practice and Scottish Government guidance.	Low	Director of Corporate Services Target Date: March 2024 **Revised target date**: March 2025	Disclosure Scotland continue to actively participate in Scottish Government climate initiatives and have complied with all reporting in 2023/24. Disclosure Scotland published our Biodiversity Report in 2023 https://www.disclosure.gov.scot/biodiversity-report) and this is being used by Facilities as an action plan. **Recommendation remains open**

5.3.1 Action plan (continued)

We have followed up the recommendations made by the previous auditors. We note that 3 recommendations are still in progress.

Recommendation	Management Response	Management update 2022/23	Management update 2023/24
1. Workforce Plan Whilst it has been noted that work is going to develop this, we would recommend that taken forward and a detailed workforce plan is established.	A key theme of our planned People Strategy and output from our new Strategic Workforce Planning Group will be the development of Workforce Plans. We will be using a recognised six step workforce planning toolkit. This will help us analyse current workforce composition, determine future demand and support, identify the environmental factors and carry out a gap analysis between present and future. ***Responsible Person:*** Director of Chief Executive Office ***Target Date***: March 2023	Partially implemented Target date: November 2023 **Revised target date**: October 2024	Workforce plan is still being developed and has been considered by the Leadership Team. **Recommendation remains open**

5.3.2 Action plan (continued)

Recommendation	Management Response	Management update 2022/23	Management update 2023/24
2.Efficiency Opportunities We would recommend that work is carried out to understand the total volume of applications that could be processed while still meeting KPI processing targets in order to fully understand processing capacity and potential efficiency opportunities.	With the implementation of the Disclosure Act the current 4 levels and 2 products will move to 2 levels and 4 products. Therefore as part of the Act readiness work Disclosure Scotland will consult with customers and consider resourcing needs to set the right timescale targets for the new products according to the balance of customer needs and value for money. In preparation we are reviewing current processing performance and targets. The target date is 2024. Responsible Person: Deputy Chief Executive, Operations and Strategic Change Implementation Target Date: 2024	Management has been monitoring volumes, staffing levels and performance now for 2022-23. DS continue to perform well, and due to the demand led nature of its work it has identified that the current budgeted resource levels will lead to running at SLA during peak times, and performing better during quieter periods. This allows DS to re allocate resource into essential training and cross skilling to support workforce and resource planning. This is an agile process and DS has 2 key tools to allow it to monitor both across a long period of time to identify trends and also for the purposes of daily processing queue allocations. **Not yet due – management recommended for closure**	Management noted that they continue to perform well. Due to the demand led nature of Disclosure Scotland have identified that current budgeted resource levels will lead to us running at SLA during peak times, and performing better during quieter periods. This allows DS to re allocate resource into essential training and cross skilling to support workforce and resource planning. Corporately this is monitored by DS Leadership Team, Board and ARC in the manner of the KPI report, which includes Disclosure Service SLA monthly reporting. **Recommendation remains open**

5.3.3 Action plan (continued)

Recommendation	Management Response	Management update 2022/23	Management update 2023/24
3. Capital Delivery Model We would recommend that the current model of delivery of the capital project is assessed.	Consideration of other delivery models – such as outsourcing – has taken place. A process will be carried out to pull together written evidence of this work. Other delivery models are still actively being explored with the aim of reducing both overall cost and risk. The scarcity of specialist technical resource in Scotland and the wider UK means that the cost of large, highly complex Digital programmes such as that being carried out by Disclosure Scotland will be high. However, it should be noted that over the past year, Disclosure Scotland has managed to drive down the average daily rate paid to contractors while increasing the pace of delivery. Responsible Person: Deputy Chief Executive - Digital Target Date: December 2023	**Not yet due**	DS continue to plan to recruit permanent members of staff to replace contractors. DS have been working with People Services and core Scottish Government to improve how DS target our job advertisements, in the expectation that DS can get more suitable external candidates to apply for permanent roles when they are advertised. **Recommendation remains open**

6.1 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 the Board 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 have disclosed to us all information in relation to fraud or suspected fraud that you are aware of and that affects the Board.

We have also asked the Board 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 capital expenditure recognition and management override of controls as a key audit risk.

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 have reviewed the paper prepared by management for the audit committee on the process for identifying, evaluating and managing the system of internal financial control.

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.

7.1 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 confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the Board and our objectivity is not compromised.
Fees	The expected fee for 2023/24, as communicated by Audit Scotland in December 2023 is analysed below:
Non-audit services	In our opinion there are no inconsistencies between the FRC's Ethical Standard and the Board'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 the Board, its directors, senior managers and affiliates, and have not supplied any services to other known connected parties.

	£
Auditor remuneration	49,090
Audit Scotland fixed charges:	
• Pooled costs	4,950
• Audit support costs	(9,580)
Total expected fee	**44,390**

There are no non-audit fees.