

Disclosure Scotland

Report on the 2009/10 audit to Disclosure Scotland and the Auditor General for Scotland

October 2010



 AUDIT SCOTLAND



Disclosure Scotland

Report on the 2009/10 audit to Disclosure Scotland and the Auditor
General for Scotland

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Key messages

2009/10 was Disclosure Scotland's first year of operation as a separate Executive Agency of the Scottish Government. In our first year as appointed auditors we looked at the key strategic and financial risks facing Disclosure Scotland; we audited the financial statements and we also reviewed the use of resources and aspects of governance and performance management. This report sets out our key findings.

Financial statements

We have given an unqualified opinion on the financial statements of Disclosure Scotland. We have also concluded that in all material respects, the expenditure and receipts shown in the financial statements were incurred or applied in accordance with applicable enactments and relevant guidance, issued by Scottish Ministers.

We also comment on judgements made on accounting for BT contract and other aspects of accounting policies, confirming that the appropriate treatment has been adopted in the financial statements.

Financial position and use of resources

Disclosure Scotland's operating budget is largely funded by income from fees charged for each disclosure application. The Spring Revision of the 2009/10 Budget Act set a budget for Disclosure Scotland £23.3 million expenditure and £20.1 million income (£3.2 million net). For 2009/10 Disclosure Scotland reported an operational deficit totalling £2m which, taken with Scottish Government funding, resulted in a net surplus of £1.2 million.

At the time of the Summer Budget Revision the resource budget for Disclosure Scotland is £21.6 million for 2010/11, a reduction of £1.7 million (7%) from the final budget for 2009/10. However, in anticipation of the implementation of the Protection of Vulnerable Groups (PVG) scheme in 2010/11 and other changes, Disclosure Scotland's operational budget is £30.9 million, an increase of £7.6 million (33%), albeit 86% of this budget is covered by fee income (2009/10 also 86%).

The public sector is under the greatest financial pressure since devolution ten years ago. It will be very challenging to maintain current levels of public services and meet new demands when resources are tight. It remains unclear what impact the current recession will have beyond 2010/11. The Scottish budget is likely to reduce in real terms but the full extent of this is not yet known. Two per cent efficiency savings will not be sufficient beyond 2011 to bridge the gap between public spending and the smaller budget available. In the current economic climate difficult decisions will have to be made across the public sector about priority spending programmes

Disclosure Scotland has financial planning and budgeting arrangements with regular reporting to senior management. Estimating income and expenditure for a demand led (volume based) activity presents a number of challenges, especially in the context of the uncertainty surrounding uptake under the PVG



scheme and the related income and costs that this will generate. Budgetary pressures arising from the implementation of the PVG scheme may reduce the scope for immediate savings but produce efficiency savings in the longer term. Disclosure Scotland recognises that further work is required to develop and implement key (financial) performance indicators.

Governance and accountability

Corporate Governance is concerned with the structures and process for decision making, accountability, control and behaviour at the upper levels of an organisation. Disclosure Scotland has built on the processes and arrangements in place in predecessor organisations, making significant progress in establishing the corporate governance arrangements that we would expect. Our assessment is based on our high level review and on the findings of internal audit's more detailed review of Disclosure Scotland's arrangements. The Statement on Internal Control reflects this position, but recognises that further work is required. We examined the key financial systems which underpin the organisation's control environment. We concluded that financial systems and procedures operated sufficiently well to enable us to place reliance on them.

Performance

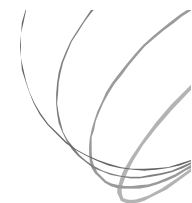
Disclosure Scotland's vision is to help make Scotland's communities safer and stronger. Its strategic aim is to inform recruitment decisions through the timely provision of accurate criminal history information and, as part of that, to help protect vulnerable groups by preventing unsuitable people from working with them. The corporate plan focuses on three key organisational aims. Disclosure Scotland seeks to: have a customer focus; generate user confidence; and be an efficient and effective organisation. The 2009/10 annual report and accounts record that its key performance target on turn around times for processing applications was met; it also records in more detail the progress against organisational aims.

Looking forward

The final part of our report notes some key risk areas and issues for Disclosure Scotland going forward, including some national issues which affect all public sector bodies. These include managing the budgetary and business risks associated with the implementation of the Protection of Vulnerable Groups scheme; and the need for continuing efficiencies in the face of future funding constraints.

The assistance and co-operation given to us by Board members and staff during our audit is gratefully acknowledged.

Audit Scotland
28 October 2010



Introduction

1. This report summarises the findings from our 2009/10 audit of Disclosure Scotland. The scope of the audit was set out in our Audit Plan in accordance with the Code of Audit Practice, which was presented to the Audit Committee on 5 March 2010 (agreed 27 April 2010). This plan set out our views on the key business risks facing the organisation and described the work we planned to carry out on financial statements, performance and governance.
2. We have discussed a range of issues with Disclosure Scotland management and the audit committee over the course of the year. We will follow up issues as appropriate as part of the 2010/11 audit.
3. Best value duties apply across the public sector and are a formal duty on all accountable officers. Audit Scotland has adopted a generic framework for the audit of best value across the public sector and this has been further developed during 2009/10 with the completion of its bank of best value toolkits which, although primarily designed for audit use, are available to all public bodies for reference.

Exhibit 1: Framework for a best value audit of a public body





4. A linked development here has been the Scottish Government's work to refresh its 2006 best value Guidance for Public Bodies. This latter initiative, due for issue later in 2010, will result in clearer guidance to public bodies, and particularly those in the Central Government and Health sectors, on securing continuous improvement in performance, with due regard to the balance between cost and quality.
5. Another building block for our assessment of best value is the national study programme carried out by Audit Scotland on behalf of both the Auditor General for Scotland and the Accounts Commission. Where these have a bearing on the activities, risks or performance of Disclosure Scotland, we make reference to these reports in this document. Full copies of the study reports can be obtained from Audit Scotland's website, www.audit-scotland.gov.uk.
6. Audit Scotland is currently developing a more flexible approach to our national performance audit programme. Our focus continues to be on value for money, economy, efficiency, effectiveness and on governance and accountability. We have developed the following five key themes to help underpin our programme:
 - **Managing reductions in public sector budgets:** in recognition of the cost pressures facing public services, and building on and developing issues arising from our reports on Scotland's public finances and improving public sector efficiency.
 - **Investment:** looking at accountability for the use of public funds; examining the scope for reducing cost overruns and improving project management; and assessing whether investing in services with early intervention leads to better outcomes and savings in the longer term.
 - **Partnership working:** examining the value for money of partnership working and whether this way of planning and delivering services is making a real difference.
 - **User focus and personalisation:** looking across organisational boundaries and identifying cost-effective ways of delivering services which better suit people's needs at the same time as delivering savings.
 - **Environmental auditing:** reviewing how Scotland is responding to the challenges of reducing carbon emissions and adapting to climate change.
7. We would like to take this opportunity to express our appreciation for the assistance and co-operation provided by management and members of Disclosure Scotland during the course of our audit. This report will be submitted to the Auditor General for Scotland and will be published on our website.



Financial Statements

8. In this section we summarise key outcomes from our audit of Disclosure Scotland's financial statements for 2009/10 and the accounting issues faced. The financial statements are an essential means by which the organisation accounts for its stewardship of the resources available to it and its financial performance in the use of those resources.

Our responsibilities

9. We audit the financial statements and give an opinion on:
- whether they give a true and fair view of the financial position of Disclosure Scotland and its expenditure and income for the period in question;
 - whether they were prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements;
 - the consistency of the information which comprises the Management Commentary and the unaudited part of the Remuneration Report included in the Annual Report with the financial statements; and
 - the regularity of the expenditure and receipts.
10. We also review the statement on internal control by:
- considering the adequacy of the process put in place by the Chief Executive, as Accountable Officer, to obtain assurances on systems of internal control; and
 - assessing whether disclosures in the statement are consistent with our knowledge of Disclosure Scotland.

Overall conclusion

11. As agreed the unaudited accounts were provided to us on 28 June 2010, supported by a comprehensive working paper package. We concluded our audit fieldwork within the agreed timetable and provided our opinion to the Audit Committee on 31 August 2010 (as timetabled). Following this there was a period of discussion and consideration of the annual report and accounts within Disclosure Scotland and with the Scottish Government. The annual report and accounts were signed by the Chief Executive on 30 September.
12. We gave an unqualified opinion on the financial statements of Disclosure Scotland for 2009/10 on 12 October 2010.



Key audit issues

13. Although there were no significant issues arising that required to be drawn to attention in relation to the audit opinion on the financial statements, there are a number of qualitative issues that we wish to note for information.
14. The adoption of International Financial Reporting Standards (IFRS) required creating an asset value for the IT hardware and software components of the BT contract and the matching liability. Our audit review confirmed that Disclosure Scotland had accounted for the BT contract as required under IFRS. However, the new Protecting Vulnerable Groups (PVG) system is likely to come into use before the existing BT contract expires. This required accelerated (extra) depreciation to reflect the shorter useful life of the assets and the Scottish Government met this additional charge prior to the transfer of the assets to Disclosure Scotland.
15. Disclosure Scotland also had to adopt accruals accounting for the income and expenditure relating to the BT contract. This was previously dealt with by the Scottish Government in line with the contract, which was based on cash flows. The change to accruals accounting was not straightforward and a number of options were considered, with information being provided by BT. We are pleased to confirm that a satisfactory solution has been adopted, which is to recognise income on the basis of validated applications (pre-vetting), with expenditure accrued to match the costs to completion (issuing certificates). While this is considered the best and most pragmatic approach, it still involves quite complex information gathering. We have recommended that Disclosure Scotland documents, and regularly reviews, the process.
16. Our audit included a review of a TUPE provision relating to the pension rights of the ex employees of Strathclyde Police that opted to transfer their past service to the civil service pension scheme. The provision was established in 2008/09 and initially accounted for by the Scottish Government. On examination we found that the balance was too high; and, following discussions with the relevant parties, it was agreed to exclude the excess element of the provision amounting to £0.4 million from the statutory accounts of Disclosure Scotland. The provision will be reviewed in 2010/11 and any necessary book-keeping action that is required will be taken before 31 March 2011.

Regularity

17. The Public Finance and Accountability (Scotland) Act 2000 imposes a responsibility on auditors that requires us to certify that, in all material respects, the expenditure and receipts shown in the accounts were incurred or applied in accordance with applicable enactments and guidance issued by the Scottish Ministers. We have been able to address the requirements of the regularity assertion through a range of procedures, including written assurances from the Accountable Officer as to his view on adherence to enactments and guidance. No significant issues were identified for disclosure.



Use of Resources

18. Sound management and use of resources (people, money and assets) to deliver strategic objectives is a key feature of best value. This section sets out our main findings from a review of Disclosure Scotland's:

- financial position; and
- financial management.

Financial Position

Outturn 2009/10

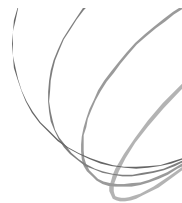
19. Disclosure Scotland is expected to be largely self funding from fees paid by applicants, or employers, for disclosures. The Scottish Government provides additional funding for specific purposes. The organisation is therefore required to work within its resource budget set by the Scottish Government, which was £3.2 million in 2009/10. See Exhibit 2, below. This funding included deficit funding of £0.3m; transfers of £2.5m to meet budgetary pressures and transfers of £0.4m to meet initial costs for the Protection of Vulnerable Groups scheme.

20. In 2009/10 Disclosure Scotland's operating costs were £23.0 million (£23.3 million budgeted). This reduction was mainly due to a higher than expected volume of applications for basic disclosures. Basic disclosures, unlike enhanced disclosures, do not incur additional costs and therefore provide a higher contribution toward fixed costs. The fee for all types of disclosures changed during the year, from £20 to £23, which contributed to the higher than budgeted income totalling £21.0 million (budgeted £20.1 million).

Exhibit 2 – Performance against resource budget 2009/10 (£ million)

Limits	Budget	Actual Outturn	Difference
Income	20.1	21.0	0.9
Expenditure	23.3	23.0	0.3
Difference	(3.2)	(2.0)	1.2

21. The net liabilities recorded as transferring in to the Agency on 1 April 2009 totalled £0.3 million. Over the year the net position remained very similar with the balance sheet recording net liabilities of £0.2 million at 31 March 2010. The year end position reflects non-current assets at £0.6 million and net current liabilities of £0.8 million.



Financial sustainability and the 2010/11 budget

Scotland's public finances

22. The Auditor General's report on *Scotland's public finances, published in November 2009*, contained an overview of the financial environment in Scotland and the pressures and challenges facing the public sector. The aim of this report was to help to inform the debate on the future of public finances in Scotland. The key messages from this report were:

Extract from Auditor General's report *Scotland's public finances*

The public sector is coming under the greatest financial pressure since devolution.

- Scotland's economy is in recession and the public sector is under the greatest financial pressure since devolution ten years ago. It will be very challenging to maintain current levels of public services and meet new demands when resources are tight.
- The Scottish Government and the wider public sector need to work together to develop better activity, cost and performance information. This information is needed to enable informed choices to be made between competing priorities, and to encourage greater efficiency and productivity.

The Scottish Government faces significant challenges in balancing the budget while also delivering on its commitments and meeting increasing demands for public services.

- It remains unclear what impact the current recession will have beyond 2010/11. The Scottish budget is likely to reduce in real terms but the full extent of this is not yet known.
- In many cases, the public sector uses income from various sources to pay for services. Income levels anticipated before the recession are unlikely to be realised, reducing the amount available to spend.
- The Scottish public sector faces significant challenges in balancing its budget while also delivering on its commitments. Changes in Scotland's population and rising unemployment rates will increase demand for public services.
- Two per cent efficiency savings will not be sufficient beyond 2011 to bridge the gap between public spending and the smaller budget available.



In the current economic climate difficult decisions will have to be made about priority spending programmes.

- The Scottish Government's annual budget is largely developed on an incremental basis which involves making adjustments at the margin to existing budgets. This approach is not suitable for budgeting in a financial downturn because it does not easily allow informed choices to be made about priorities, based on robust information about activity, costs and performance.
- The Scottish Parliament has an important role in scrutinising the government's spending plans. Better information linking spending to costs, activities and service performance, and a rolling programme of performance reviews, would support the Scottish Parliament in fulfilling this role.

Disclosure Scotland 2010/11

23. Executive Agencies have been expected to deliver 2% of efficiency savings per year over recent years, up to and including 2010/11, under the Scottish Governments Efficiency agenda. At the time of the Summer Budget Revision the resource budget for Disclosure Scotland is £21.6 million for 2010/11, a reduction of £1.7 million (7%) from the final budget for 2009/10. However, in anticipation of the implementation of the Protection of Vulnerable Groups (PVG) scheme in 2010/11 and other changes, Disclosure Scotland's operational budget is £30.9 million, an increase of £7.6 million (33%), albeit 86% of this budget is covered by fee income (2009/10 also 86%).
24. The new system to support the PVG scheme is planned to be brought on line in November 2010. The current system will run in parallel until the PVG system is fully operational. As at October 2010 a further £1.4 million of (non-cash) budget cover is required for the depreciation of the PVG system for the 4 month period to the end of the year should the system transfer from the Scottish Government to Disclosure Scotland in November as planned. Also, we note that Disclosure Scotland recognise that there is uncertainty surrounding uptake under the PVG scheme and the related income and costs that will be generated, particularly in the context of reductions in public expenditure and uncertainty on levels of economic activity more generally.
25. More generally Disclosure Scotland is continuing to review the way it carries on its business. It has already changed the way in which it accesses the Police National Computer. Disclosure Scotland is also reviewing the way that it pays police forces for force enquiries. It plans to switch to quarterly billing for IT support and accommodation, and is reviewing its procurement arrangements.
26. Delivering savings whilst implementing the PVG scheme, with related re-organisation, will represent a significant challenge. Disclosure Scotland will continue to closely monitor their outturn against budget and keep the Scottish Government informed of their position and projections. We will monitor these developments as part of the 2010/11 audit.



Governance and Accountability

27. High standards of governance and accountability, with effective structures and processes to govern decision-making and balanced reporting of performance to the public, are fundamental features of best value. Disclosure Scotland, in its first year of operation as a separate Agency, has built on the processes and arrangements in place, making significant progress in establishing the corporate governance arrangements that we would expect. Our assessment is based on our high level review and on the findings of internal audit's more detailed review of Disclosure Scotland's arrangements.

Overview of arrangements

28. This year we reviewed:
- Key systems of internal control;
 - Internal audit; and
 - Prevention and detection of fraud and irregularities.

Systems of internal control

29. Key controls within systems should operate effectively and efficiently to accurately record financial transactions and prevent and detect fraud or error. This supports a robust internal control environment and the effective production of financial statements. In their annual report for 2009/10 the Scottish Government Internal Audit Division (the internal auditors) provided their opinion that, based on the internal audit work undertaken during the year, there was reasonable assurance on the adequacy and effectiveness on the systems of internal control.
30. As part of our audit we reviewed the high level controls in a number of Disclosure Scotland's systems that impact on the financial statements. This audit work covered a number of areas including budgetary control, payroll (starters and leavers) and accounts payable. Our overall conclusion was that key controls were operating effectively and that Disclosure Scotland has adequate systems of internal control in place.
31. In the interests of an efficient audit approach we also rely on assurances received from the auditor of the Scottish Government on work performed on shared systems that operate at Disclosure Scotland, which are hosted by the Scottish Government. This approach ensures we are delivering an efficient co-ordinated audit that avoids unnecessary duplication and expense.
32. The central systems assurance letter provided by the auditor of the Scottish Government concluded that there was adequate assurance for all systems except payroll and travel and subsistence.



Adequate assurance is where key controls and procedures are operating to enable reliance to be placed on the system. Limited assurance was provided for the payroll system and travel and subsistence (T&S). We carried out sufficient local work to allow us to place reliance on the payroll system and T&S system. There is no impact on our overall opinion on the financial statements.

Statement on Internal Control

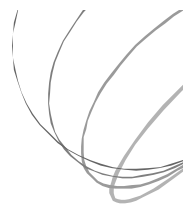
33. The Statement on Internal Control provided by Disclosure Scotland's Accountable Officer reflected the main findings from both external and internal audit work. The Statement also recorded management's responsibility for maintaining a sound system of internal control and set out Disclosure Scotland's approach to this.
34. We are pleased to report that during 2009/10 Disclosure Scotland established a Strategic Board and an Audit Committee.
35. Our overall conclusion, supported by work completed by internal audit, is that arrangements currently in place within Disclosure Scotland are sound and have operated through 2009/10. We report that key controls were operating effectively and that Disclosure Scotland has adequate systems of internal control in place.

Internal Audit

36. The establishment and operation of an effective internal audit function forms a key element of effective governance and stewardship. We therefore seek to rely on the work of internal audit wherever possible and as part of our risk assessment and planning process for the 2009/10 audit we assessed whether we could place reliance on Disclosure Scotland's internal audit function. We concluded that the Scottish Government Internal Audit Division operates in accordance with the Government Internal Audit Manual and therefore placed reliance on their work in number of areas during 2009/10, as we anticipated in our annual audit plan. This included reliance on aspects of internal audit's systems work to avoid duplication of effort
37. For the 2009/10 audit we placed formal reliance on the work of internal audit in the following areas:
 - Health and Safety; and
 - Corporate Governance.

Prevention and detection of fraud and irregularities

38. Internal audit noted, as part of their review of Corporate Governance Arrangements, that while Disclosure Scotland has adopted a Fraud Policy it is insufficient to address all of the potential



fraudulent threats faced by the organisation. As part of our 2010/11 audit we will review the progress made in developing appropriate arrangements in this area.

National Studies

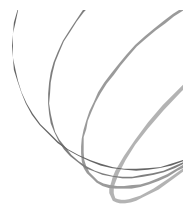
39. In late September 2010, Audit Scotland published a national study on *The Role of Boards* which will be relevant to the governance of Disclosure Scotland. Boards play a crucial role in ensuring that governance standards are maintained in public sector organisations. There are recent examples of the failure of public sector organisations to establish an adequate Board. The audit assessed how Board members are selected and whether the membership of Boards is appropriate; and reviewed how the performance of Boards is measured and the arrangements for induction and training for non-executive members.

40. The **key messages** arising from the study were:

- The Scottish Government has made progress with its public sector reform agenda but the public sector landscape remains complex with a number of different types of body. The make-up of boards and their role has evolved over time rather than as a result of any objective evaluation of the best model for public accountability. Chief executives and their boards have parallel lines of accountability and this can cause confusion over who leads the organisation unless the separate roles are well defined and understood.
- The overall number of people applying to be non-executives is falling. The appointments process for non-executives is improving but there are still weaknesses. The length of time it can take to make an appointment remains too long and there has been mixed progress in widening the diversity of applicants to become non-executives.
- In addition to giving leadership and strategic direction, a very important role for boards is the scrutiny of risk, financial management and performance. This will become increasingly important as budgets are reduced. Boards are not consistently good at doing this. Responsibility for risk management is largely delegated to audit committees, rather than being led by the board.

41. The summary **key recommendations** arising were:

- The Scottish Government should:
 - as part of its public sector simplification agenda, clarify the lines of accountability between public bodies, the Scottish Government and the Scottish Parliament
 - investigate why the number of applications for public appointments is falling and take action to reverse this trend.
- The Scottish Government and public bodies should:



- review the skills and expertise that they need among non-executives for the future and seek to attract applicants to fill any gaps identified.
- Public bodies should:
 - ensure that their boards focus their scrutiny on organisational performance, financial management and risk management
 - review the use of committees and ensure that major decisions which should be made by the board are not delegated.



Performance

42. Public audit is more wide-ranging than in the private sector and covers the examination of, and reporting on, performance and value for money issues. Key features of best value include:
- setting a clear vision of what the organisation wants to achieve, backed up by plans and strategies to secure improvement, with resources aligned to support their delivery; and
 - a performance management culture which is embedded throughout the organisation and a performance management framework which is comprehensive and supports the delivery of improved outcomes.
43. This section of the report comments on Disclosure Scotland's corporate plan (vision and strategic direction) and performance management arrangements, including risk management. We also provide details of Audit Scotland's study *Improving Public Sector Efficiency*.

Vision and strategic direction

44. Disclosure Scotland's vision is to help make Scotland's communities safer and stronger. Its strategic aim is to inform recruitment decisions through the timely provision of accurate criminal history information and, as part of that, to help protect vulnerable groups by preventing unsuitable people from working with them.
45. Disclosure Scotland published an updated corporate plan for 2009 – 2011 in November 2009. The corporate plan focuses on three key organisational aims:
- It seeks to have a customer focus;
 - It seeks to generate user confidence; and
 - It seeks to be an efficient and effective organisation.
46. By achieving these objectives, Disclosure Scotland expects to contribute directly to the outcomes and related indicators for the Scottish Government's strategic priority; a safer and stronger Scotland.
47. The introduction of the Protection of Vulnerable Groups scheme will increase Disclosure Scotland's role in contributing to a safer and stronger Scotland. Under Part 1 of the Protection of Vulnerable Groups (Scotland) Act 2007, Disclosure Scotland will take on responsibility for maintaining the lists established by the 2007 Act as well as deciding who will be listed.



Performance Management

48. Disclosure Scotland's annual report and accounts record that its key performance target on turn around times for processing applications was met. The annual report also records in more detail the progress in 2009/10 against organisational aims.
49. Internal audit, in their review of corporate governance, commented on aspects of performance management arrangements, noting the progress made over the initial stages of Disclosure Scotland being created as a separate Agency and identifying areas for improvement, for example, through establishing Key Performance Indicators (KPI's) to support the monitoring and reporting of outcomes. Disclosure Scotland has agreed to develop and implement KPI's for 2011/12

Risk management

50. There a number of key challenges and risks for the Strategic Board (the Board) in delivering its corporate plan. The Board is responsible for identifying, managing and reviewing corporate risks and the effectiveness of actions identified to control these risks.
51. Internal audit noted the progress made by Disclosure Scotland around risk management, given the short time that the Agency had been established; and further development work has been carried out after the end of the accounting period. This is reflected in the Statement on Internal Control. In summary we conclude that the Board has put in place systems for the identification and management of risk and has established a Risk Review Group. Operational risks are identified and managed by the Agency's Operations Board.
52. We will continue to monitor the development of risk management arrangements in 2010/11.

Improving public sector efficiency

53. The Audit Scotland report *Improving public sector efficiency* was published on 25 February 2010. It provides a position statement on the first year (2008/09) of the Efficient Government Programme (the Programme), which aims to deliver £1.6 billion efficiency savings over the three years to 2010/11. It also gave an update on how the Scottish Government and public bodies have addressed the recommendations made in the 2006 report about the previous efficiency programme.
54. The report found that Scottish public bodies reported more efficiency savings than the Government's two per cent target. But there are serious financial challenges ahead – the biggest since devolution – and making the required savings through efficiency will become increasingly difficult.
55. The report recommended that to deal with reduced future funding and increase savings public bodies need to consider fresh approaches to improving efficiency and productivity. They must take a more



fundamental approach to identifying priorities, improving the productivity of public services, and improving collaboration and joint working.

56. The drive to improve efficiency and productivity is not just an exercise for managers and service providers. It requires strong leadership and engagement from the very top of public bodies. Leaders and senior decision-makers within an organisation have a responsibility to check, challenge, monitor and support their organisations in delivering efficiency and productivity improvements. The report's recommendations highlighted areas that public bodies' key decision makers should look at to assess their organisation's development and to challenge existing arrangements (see below).

Extract from Audit Scotland report *Improving public sector efficiency*

In order to improve the delivery of efficiency savings public bodies should:

- ensure they have a priority-based approach to budgeting and spending
- continue to improve collaboration and joint working, overcoming traditional service boundaries
- consider using alternative providers of services, if these providers can improve the efficiency, productivity or quality of services
- improve information on costs, activity, productivity and outcomes, including setting baselines to measure performance against
- give greater urgency to developing benchmarking programmes
- maintain the momentum of activities and initiatives to improve purchasing and asset management and extend shared services
- ensure there is a joined-up approach to efficiency savings across the public sector, avoiding duplication
- ensure that plans are in place to deliver savings, clearly setting out what action will be taken, the level of savings to be delivered and how these will be measured
- strengthen the involvement of front-line staff, service providers and users in redesigning public services
- reduce reliance on non-recurring savings to meet financial targets and generally use these as part of a wider and longer term strategy
- report efficiency savings consistently.

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57. To support these high-level recommendations, Audit Scotland, the Northern Ireland Audit Office and the Wales Audit Office have drawn on their combined experience to develop a detailed good practice



checklist. The checklist is intended to promote detailed review and reflection and, if necessary, a basis for improvement. We recommend that those responsible for leading efficiency and improvement work should consider assessing themselves against each question, and recording the results.



Looking Forward

58. Disclosure Scotland faces a number of challenges in 2010/11, which include:

- **Further development of corporate governance and performance management arrangements** - Disclosure Scotland has made good progress in establishing governance and performance management arrangements. Further work is required around an organisational Code of Conduct, including a Fraud policy; and around performance reporting arrangements, through developing key performance indicators, to demonstrate the achievement of corporate aims.
- **Implementing the Protection of Vulnerable Groups Scheme** – Scottish Ministers plan to implement the Protection of Vulnerable Groups (PVG) scheme by the end of the 2010 calendar year. This presents a number of challenges to Disclosure Scotland as plans are based on delivering a complex IT system and achieving a smooth transition from the existing system; training staff and agreeing new work practices to operate the new system; and overall, maintaining service delivery on the existing system while bringing in the new system.
- **Financial management and affordability** – As at October 2010, the Parliamentary budget for Disclosure Scotland (£21.6 million) is significantly below the operational budget (£30.9 million). Most of the expenditure (86%) is funded by fees, so this is mainly a matter of updating the position in the Parliamentary record. However, within the operational budget, the source of £1.4 million (non-cash) budget cover has still to be identified for the depreciation of the PVG system for the 4 month period to the end of the year. Also, there is uncertainty surrounding uptake under the PVG scheme and the related income and costs that will be generated, particularly in the context of reductions in public expenditure and uncertainty on levels of economic activity more generally. Effective budget monitoring and reporting arrangements will be crucial to Disclosure Scotland achieving its financial targets. We will monitor this as part of the 2010/11 audit.
- **Best Value** - The concept of best value is seen as a key driver of modernisation and improvement in public services. Audit Scotland has continued its commitment to extending the best value audit regime across the whole public sector and significant development work has taken place over the last year including the finalisation of its best value toolkits. This has been matched by the Scottish Government's commitment to refreshing its Best Value Guidance for Public Bodies. We will discuss best value developments with Disclosure Scotland as part of the 2010/11 audit.