

# Disclosure Scotland

## Annual Report on the 2010/11 audit



Prepared for Disclosure Scotland and the Auditor General for Scotland  
November 2011

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds



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# Key messages

## 2010/11

Our independent auditor's report provided an unqualified opinion on the financial statements of Disclosure Scotland for 2010/11. This included an emphasis of matter paragraph drawing attention to the valuation of assets transferred from the Scottish Government to Disclosure Scotland to support the Protecting Vulnerable Groups (PVG) scheme. The performance of the IT systems involved fell significantly below that anticipated, creating uncertainty regarding the valuation (£20 million). However, because performance issues were being addressed through a recovery plan, at no extra cost to Disclosure Scotland, it was considered appropriate to value the assets based on cost, rather than conduct an impairment review. This approach represents a significant judgement and the auditor, while not modifying his opinion, considered it appropriate to draw attention to this by including an emphasis of matter paragraph in the audit report.

In 2010/11 Disclosure Scotland's financial outturn and activity levels were approximately 10% higher than those of the previous year. Activity is largely funded by income from fees charged for disclosure applications. Expenditure was £25.8 million; income was £24.0 million; there was an approved resource budget of £2.9 million, but only £1.8 million was required; overall, in terms of budget monitoring, Disclosure Scotland reported a net "surplus" for the year of £1.1 million.

As reflected in the Statement on Internal Control, in this its second year as a separate accounting entity, Disclosure Scotland continued to develop its corporate governance and control arrangements and we confirmed these operated satisfactorily during the year. Also, as recorded in the annual report, Disclosure Scotland met (exceeded) its main performance target by processing 96% of applications within 14 days (target 90%).

## Outlook

Disclosure Scotland faces challenges because the demand for disclosure applications is variable; and, as a result, places a high priority on financial and resource modelling to manage this variability. Although not experienced in actual volumes to date, the economic downturn and public sector cost reductions could give rise to lower demand, which would reduce income levels against a cost base that is relatively fixed in the short term, creating an unplanned deficit and the need to obtain extra resource budget cover. At the same time, Disclosure Scotland's view is that they will be seeking to factor in the regulated workforce into the new PVG Scheme and this will tend to increase applications in the foreseeable future. Nevertheless, Disclosure Scotland should remain alert to the possible economic risks in its forward projections and modelling; and there may be scope to further develop their variance and sensitivity analysis to minimize the risks in this area.

A successful outcome for the PVG recovery plan will be a key challenge for Disclosure Scotland in 2011/12, together with the migration of all work to the new system; and the implementation and documentation of internal control arrangements relating to the new arrangements. We also support Disclosure Scotland's plans to further enhance and formalise arrangements relating to their existing (public sector) suppliers of information/ services.

# Introduction

1. This report is the summary of our findings arising from the 2010/11 audit of Disclosure Scotland. The purpose of the annual audit report is to set out concisely the scope, nature and extent of the audit, and to summarise the auditor's opinions (i.e. on the financial statements) and conclusions and any significant issues arising. The report is divided into sections which reflect the extent of our public sector audit model.
2. This report is addressed to Disclosure Scotland and the Auditor General and should form a key part of discussions with audit committees, either prior to or as soon as possible after the formal completion of the audit of the financial statements. Reports should be made available to stakeholders and the public, where appropriate. Audit is an essential element of accountability and the process of public reporting.
3. This report will be published on our website after consideration by Disclosure Scotland and the Audit and Risk Committee.
4. The management of the audited body is responsible for preparing financial statements that show a true and fair view and for implementing appropriate internal control systems. Weaknesses or risks identified by auditors are only those which have come to our attention during our normal audit work, and may not be all that exist. Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

# Financial statements

5. Audited bodies' financial statements are an essential part of accounting for their stewardship of the resources made available to them and their performance in the use of those resources.
6. Auditors are required to audit financial statements in accordance with the timescales set by Audit Scotland, which may be shorter than statutory requirements, and give an opinion on:
  - whether they give a true and fair view of the financial position of audited bodies and their expenditure and income
  - whether they have been properly prepared in accordance with relevant legislation, the applicable accounting framework and other reporting requirements
  - the regularity of the expenditure and income (except for local government bodies).
7. Auditors review and report on, as appropriate, other information published with the financial statements, including the management commentary, statement on internal control and the remuneration report. Where required, auditors also review and report on the Whole of Government Accounts return. This section summarises the results of our audit on the financial statements.

## Audit opinion

8. We have given an unqualified opinion that the financial statements of Disclosure Scotland for 2010/11 give a true and fair view of the state of the body's affairs and of its net operating cost for the year. Disclosure Scotland is required to follow the 2010/11 Government Financial Reporting Manual (the FReM) and we confirm that the financial statements have been properly prepared in accordance with the FReM.

## Emphasis of matter – valuation of new IT system to support the PVG scheme

9. The PVG scheme was established by the Protection of Vulnerable Groups (Scotland) Act 2007. The arrangements were designed to strengthen the disclosure regime and a new computer system was developed under the control of the Scottish Government. The new system transferred to Disclosure Scotland in February 2011, at a total cost of £21.3 million, and did not perform as required on the 'go live' date. The problems were quickly acknowledged by the external supplier who took immediate action to assess the situation and establish a recovery plan. In relation to these circumstances the independent auditor's report on the financial statements includes the following emphasis of matter paragraph:

"I draw attention to Note 8 to the financial statements and the commentary in the Statement on Internal Control relating to the transfer of assets from the Scottish Government to Disclosure Scotland on 28 February 2011 to support the introduction of the Protecting Vulnerable Groups legislation. The performance of these assets fell significantly short of the standard anticipated, which created uncertainty as to the appropriate value of the assets. Disclosure Scotland considered the valuation of the IT system as an asset and concluded



that, because an immediate recovery plan was in place to deliver the required standard of performance at no extra cost to Disclosure Scotland, an impairment review was not necessary at that stage and the asset is valued at the cost transferred less one month's depreciation. My opinion is not modified in respect of this matter."

10. Accounting standards indicate that asset values should be reviewed and adjusted to their "fair value". International Accounting Standard 16 defines fair value as "the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction". This definition, and accounting standards more generally, must be interpreted in the context of the particular circumstances of introduction of the PVG system and specific guidance on central government accounts. With the benefit of hindsight, it may be possible to derive a value of the asset transferred at 28 February 2011 in line with the definition in the accounting standards (for example, contract value less costs incurred by the recovery plan). However, the costs of the recovery plan to Disclosure Scotland are zero, as they are going to be met by the external provider. This factor, taken with aspects of guidance on central government accounts, mean that it is reasonable for Disclosure Scotland to adopt the principle of recording the PVG asset at contract value; and this has guided Audit Scotland's approach in this area.
11. However, it is also important to recognise that there is uncertainty surrounding the final outcome on the recovery plan. This uncertainty has reduced over time, but an element remains. Also, the PVG asset represents most of the net assets of Disclosure Scotland and dominates the Statement of Financial Position. In accounting and auditing terms it is very material. Combining the materiality of the values and the significant interpretation of the accounting standards as explained in the previous paragraph it was appropriate to include an emphasis of matter paragraph in the independent auditor's report to explain the position to users of the financial statements.
12. In addition, the Auditor General for Scotland (AGS) has decided that he should prepare a short report, under s 22 of the Public Finance and Accountability (Scotland) Act, to be published with the annual report and accounts. This summarises the position on the PVG system which is reported in the annual report and reflects the emphasis of matter paragraph. The AGS report will also indicate that there are similar issues arising in other organisations and that he has asked Audit Scotland's Performance Audit Group to bring forward proposals for a study later in the Parliamentary session. Performance audits are broader in scope and will cover more than the valuation of the asset, which is the issue to be addressed in the audit opinion on the financial statements.
13. Disclosure Scotland will continue to monitor the implementation of the recovery plan in 2011/12 and will use this information to review the recorded value of the IT system for the 2011/12 financial statements, including the possible need to reduce the value of the IT system and, if so, seek to obtain the necessary resource budget cover.

#### **Action plan point 1**

## Regularity

14. In accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000, we have also provided an opinion, that in all material respects, the expenditure and receipts in the financial statements were incurred or applied in accordance with applicable enactments and guidance.

## Remuneration report and statement on internal control

15. In our opinion, the audited part of the remuneration report has been properly prepared and the remaining elements of the remuneration report and management commentary are consistent with the financial statements.
16. We also confirm that we have no issues to report to you on the statement of internal control and its compliance with guidance.

## Accounting issues

### Accounts submission

17. The financial statements were submitted for audit on 15 June, in accordance with a pre-agreed timetable. The audit fieldwork was completed on 15 July and matters arising were discussed on a regular basis with the Disclosure Scotland finance manager.

### Presentational and monetary adjustments to the unaudited accounts

18. A number of presentational changes were required to the annual report and accounts as a result of our review of the disclosures required by the FReM and the audited financial statements have been adjusted to reflect this.

### Prior year adjustments

19. All central government bodies have been affected by the removal of the cost of capital in the 2010/11 FReM. This change is identified in the accounting policies and appropriate amendments have been made to the prior year statements.

### Whole of government accounts/consolidation packs

20. Scottish Government agencies are expected to provide consolidation information for the Scottish Government consolidated accounts by mid-July. Disclosure Scotland submitted its pack to Audit Scotland for audit on 1 June. The only significant issue arising related to the valuation of the PVG system. We liaised with colleagues auditing the Scottish Government in line with the timetable and submitted our Consolidation Certificate on 10 August 2011. The whole of government accounts (WGA) is the consolidated financial statements for all branches of government in the UK. Auditors need only audit WGA returns from bodies that have gross assets/ liabilities/ income/ expenditure of more than £50 million. Disclosure Scotland fall below the threshold so no audit was required.

## Outlook

21. As indicated at paragraph 13, Disclosure Scotland will monitor the developments of the PVG system and consider its value as part of the 2011/12 accounting arrangements. In addition, the main change in the financial reporting framework (FReM) next year (2011/12) is that grants and donated assets should be recognised immediately, unless there is a condition that the recipient had not satisfied that would lead to repayment, although this change is unlikely to have much (if any) impact on Disclosure Scotland.
22. Looking further ahead, from 1 January 2013 changes to international financial reporting standards (IFRSs) will become effective. This includes the introduction of:
  - IFRS 9 - financial instruments (replacing IAS39)
  - IFRS 10 - consolidated financial statements (replacing IAS27)
  - IFRS11 - joint arrangements (replacing IAS31)
  - IFRS12 - disclosure of interest in other entities (replacing IFRS12)
  - IFRS 13 - fair value.
23. Revisions to the FReM for 2013/14 are included in the Financial Reporting Advisory Board (FRAB) forward work programme for 1 December 2011.

## Audit appointment for 2011/12

24. Audit appointments are made by the Auditor General, either to Audit Scotland staff or to private firms of accountants for a five year term. 2010/11 is the last year of the current audit appointment cycle and the procurement process for the next five years was completed in May 2011. Audit Scotland will continue to provide the annual audit, but as part of the consequential changes from the procurement exercise there will a change in the audit team. However, there will be a managed changeover process and we look forward to continuing the good working relationship that exists and thank officers and members of Disclosure Scotland and Board for their assistance during the last two years.

# Financial position

25. Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based.
26. Auditors consider whether audited bodies have established adequate arrangements and examine:
  - financial performance in the period under audit
  - compliance with any statutory financial requirements and financial targets
  - ability to meet known or contingent, statutory and other financial obligations
  - responses to developments which may have an impact on the financial position
  - financial plans for future periods.
27. These are key areas in the current economic circumstances. This section summarises the financial position and outlook for the organisation.

## Financial results 2010/11

28. 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 £2.9 million in 2010/11 (2009/10: £3.2 million). Of the £2.9 million available, only £1.8 million was required to meet the shortfall in operating income, meaning that, taking account of budgets, Disclosure Scotland's outturn resulted in a surplus of £1.1 million (2009/10 £3.2 million available, £2.0 million utilised, £1.2 million surplus). See Exhibit 1.
29. In 2010/11 Disclosure Scotland's operating costs were £25.8 million, £2.9 million higher than the £23.1 million originally budgeted; income earned was £24.0 million, £3.9 million higher than the £20.1 million originally budgeted. (As described above, the overall net result was a shortfall in operating income of £1.8 million compared to the budget of £2.9 million). The outturn reflects the net effect of two main underlying trends: a growth in basic disclosures and a reduction in budgeted operating costs for PVG. Basic disclosures provide a higher contribution toward fixed costs than enhanced disclosures, so increased volumes result in a favourable movement in the outturn operating surplus. There was a reduction in budgeted operating costs for PVG due to the "go live" date being postponed from November 2010 to February 2011. Operating income and costs for 2009/10 were £21.0 million and £23.0 million respectively, approximately 13% lower than the 2010/11 levels.

**Exhibit 1****Disclosure Scotland performance against resource budget 2010/11**

	Actual Outturn £m	Budget £m	Difference £m
Income	24.0	20.1	3.9
Expenditure	(25.8)	(23.0)	(2.8)
Operating shortfall	(1.8)	(2.9)	1.1
Resource Budget	2.9	2.9	N/A
Overall "Surplus"	1.1	0.0	N/A

*Disclosure Scotland financial statements 2010/11 and Budget Documents*

**Budgetary control**

30. Our review of Disclosure Scotland's budget setting and monitoring arrangements was satisfactory. We found that senior management were receiving budget monitoring reports on a regular (monthly) basis.
31. We support Disclosure Scotland's planned further development of its management accounting to allow a better understanding, and reporting, of the relationship between the volume and mix of applications, the contribution generated by each type of application and the break even volume for the organisation. The implementation of sensitivity analysis to changes in volume, and application mix, would enhance the organisation's financial planning, going forward.

**Action plan point 2****Workforce reduction**

32. As a result of the UK Comprehensive Spending Review published in 2010, the Scottish Government committed to a spending plan to 2011-12. As part of this, a reduction in staffing numbers was regarded as an essential part of the commitment to deliver planned savings by 2012. Staff working in government departments, and agencies, were therefore offered an opportunity to depart early during 2010/11 under one of four schemes (tranches). Applications from three staff at Disclosure Scotland were approved at a total estimated cost of £120 thousand. We recognise that, given the low number of staff involved, this was less of an issue for Disclosure Scotland in terms of business and succession planning than for many of the other organisations involved; and that, as a result, the arrangements for decisions in this area were appropriate and reflected these circumstances.

## Financial position at 31 March 2011

33. The Statement of Financial Position shows a net asset position of £20.7 million at 31 March 2011 (net liabilities of £0.2 million for 2009/10). This overall increase of £20.9 million is largely due to the transfer of the PVG system from the Scottish Government, to Disclosure Scotland, at a cost of £21.3 million.

## Capital investment and performance 2010/11

34. Except for expenditure on the PVG system, Disclosure Scotland has a relatively low capital budget reflecting the nature of the organisation and its business. The reported outturn was £0.1million for 2010/11, which related to the acquisition of a new telephony system and a video conferencing suite.

## Outlook

35. Disclosure Scotland has a total approved budget for expenditure of £23.1 million for 2011-12 (Spring Budget Review). Disclosure Scotland must maintain robust budget monitoring systems to ensure that the body operates within the tight budget constraints in place for the next financial years.

# Governance and accountability

36. The three fundamental principles of corporate governance – openness, integrity and accountability – apply to all audited bodies, whether their members are elected or appointed, or whether they comprise groups of people or an individual accountable officer.
37. Through its chief executive or accountable officer, each body is responsible for establishing arrangements for ensuring the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies usually involve those charged with governance (including audit committees or similar groups) in monitoring these arrangements.
38. Consistent with the wider scope of public audit, auditors have a responsibility to review and report on audited bodies' corporate governance arrangements as they relate to:
  - corporate governance and systems of internal control
  - the prevention and detection of fraud and irregularity
  - standards of conduct and arrangements for the prevention and detection of corruption
39. In this part of the report we comment on key areas of governance.

## Corporate governance

### Processes and committees

40. The Board is responsible for ensuring that Disclosure Scotland fulfils the aims and objectives set by Scottish Ministers. The role of the Board includes establishing the overall strategic direction, monitoring performance against agreed objectives and ensuring that statutory requirements for the use of public funds are complied with.
41. The Audit and Risk Committee monitors and reviews risk, control and corporate governance and reports to the Board.
42. Our audit procedures have confirmed the operation of these arrangements and their continued further development over the year.

### Internal control

43. While auditors concentrate on significant systems and key controls in support of the opinion on the financial statements, our wider responsibilities require them to consider the financial systems and controls of audited bodies as a whole. However, the extent of this work should also be informed by their assessment of risk and the activities of internal audit.

As part of our risk assessment and planning process we assessed the Scottish Government Internal Audit Division, Disclosure Scotland's internal auditors, and concluded that they operate in accordance with the Government Internal Audit Manual. We were therefore able to place reliance on their work in a number of areas as detailed within our annual audit plan: financial management; and follow up reviews of health & safety and corporate governance

44. In their annual report for 2010/11, Scottish Government Internal Audit Division provided their opinion that, based on the internal audit work undertaken during the year, there was substantial assurance on the adequacy and effectiveness on the systems of internal control.
45. 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, hosted by the Scottish Government. This approach ensures we are delivering an efficient co-ordinated audit that avoids unnecessary duplication and expense.
46. The central systems assurance letter provided by the auditor of the Scottish Government concluded that there was adequate assurance for all systems except travel and subsistence payments. 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 travel and subsistence (T&S) system due to controls concerns. However, Disclosure Scotland has established local procedures to review T&S claims, which we found to be operating satisfactorily.
47. The Statement on Internal Control (SIC) provided by Disclosure Scotland's Accountable Officer reflected the main findings from both external and internal audit work. The SIC records management's responsibility for maintaining a sound system of internal control and summarises the process by which the Accountable Officer obtains assurances on the contents of the SIC; records the further development of arrangements and draws attention to the implementation of the PVG system, including difficulties arising and remedial actions.
48. Our audit approach includes a review of the high level controls operating within Disclosure Scotland's key financial systems. Our overall conclusion from the 2010/11 review was that key controls were operating effectively and that Disclosure Scotland has adequate systems of internal control in place.
49. We noted that arrangements with other (public sector) bodies for the supply of information/ services are continuing to be enhanced and support Disclosure Scotland's plans to further formalise arrangements and the related documentation to aid clarity and control of underlying expenditure in this area. We provide more detailed comment on specific aspects in our letter to management covering less significant matters arising.

## Prevention and detection of fraud and irregularities

50. Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity. Auditors review and report on these arrangements.



51. Disclosure Scotland has appropriate arrangements in place (based on Scottish Government guidance) to prevent and detect instances of fraud and corruption including detailed policies which have recently been reviewed and updated.
52. There were no instances of fraud or corruption reported by Disclosure Scotland in 2010/11.

### **Standards of conduct and arrangements for the prevention/detection of bribery and corruption**

53. Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and have proper arrangements in place for implementing and monitoring compliance with standards and codes of conduct, standing orders and financial instructions. We have concluded that the arrangements in Disclosure Scotland are satisfactory and we are not aware of any specific issues that we need to identify in this report.

### **Outlook**

54. We note the significant progress that Disclosure Scotland has made in developing its corporate governance arrangements. It is likely that the incoming auditors will undertake a review of governance arrangements in 2011/12. A key challenge for Disclosure Scotland will be ensuring a successful outcome for the PVG recovery plan; the migration of all work to the new system; and the implementation and documentation of internal control arrangements relating to the new arrangements.

# Best Value, use of resources and performance

55. Accountable officers have a specific responsibility to ensure that arrangements have been made to secure Best Value.
56. The Auditor General may require that auditors consider whether accountable officers have put in place appropriate arrangements to satisfy their corresponding duty of Best Value. Where no requirements are specified for auditors in a period they may, in conjunction with their audited bodies, agree to undertake local work in this area.
57. As part of their statutory responsibilities, the Auditor General and Accounts Commission may procure, through Audit Scotland, examinations of the use of resources by audited bodies and publish reports or guidance. Auditors may be requested from time to time to participate in:
  - a performance audit which may result in the publication of a national report
  - an examination of the implications of a particular topic or performance audit for an audited body at local level
  - a review of a body's response to national recommendations.
58. Auditors may also consider the use of resources in services or functions, where the need for this is identified through local audit risk assessments. Audit Scotland has prepared a series of Best Value toolkits to facilitate its reviews in these areas.
59. During the course of their audit appointment auditors should also consider and report on progress made by audited bodies in implementing the recommendations arising from reviews in earlier years.
60. This section includes commentary on Best Value/performance management arrangements within Disclosure Scotland. We also comment on any headline performance outcomes/measures used by Disclosure Scotland and comment on any relevant national reports and the body's response to these.

## Management arrangements

### Best Value

61. In March 2011, the Scottish Government issued new guidance for accountable officers on Best Value in Public Services. The new guidance, in essence, required public bodies to take systematic approach to self-evaluation and continuous improvement.
62. The guidance identifies the themes which an organisation needs to focus on in order to deliver the duty of Best Value, but notes that implementation should be appropriate and proportionate to the priorities, operating environment, scale and nature of the body's business.

63. The five themes and two cross-cutting themes (some of which we have commented on earlier in this report) are:
- vision and leadership
  - effective partnership
  - governance and accountability
  - use of resources
  - performance management
  - equality (cross-cutting)
  - sustainability (cross-cutting).
64. Over the year, as recorded in the Statement on Internal Control, Disclosure Scotland undertook the Scottish Government's Procurement Capability Exercise and participated in a Corporate Services Benchmarking exercise; reviewed Health & Safety and Information Security management systems; further developed risk management arrangements and aspects of financial controls; and produced an Equality action plan.

## Overview of performance in 2010/11

65. Disclosure Scotland's principal activity is to contribute to the safety of the vulnerable in society by providing criminal history information to organisations and potential employers to assist them in making safer, and more informed, recruitment decisions.
66. As recorded in the annual report, Disclosure Scotland received over one million applications in 2010/11, a 10% increase over 2009/10. One of Disclosure Scotland's key organisational aims is to meet its public performance target (to produce 90% of all types of disclosure within 14 calendar days) and continuously improve the quality and efficiency of the service delivered.
67. The annual report records that 99% of applications received were processed within 14 calendar days; the average processing time was 6.6 days. This performance measure excludes the time that applications are in exception; that is where an enquiry has been sent to a Police Force and the application is on hold. The annual report records that the average overall turnaround time was 10 days and that 87% of all applications were processed within 14 days.

## National performance reports

68. Audit Scotland carries out a national performance audit programme on behalf of the Auditor General for Scotland and the Accounts Commission. The findings and key messages of these studies are published in national reports. One report in the last year of direct interest is '*The role of boards*'.

## Role of boards

69. Public bodies and their boards have evolved over time. There is great variety in the size and make-up of boards and the roles they have. Accountability can be complex, with chief

executives and boards reporting in different ways to the Scottish Government, ministers and the Scottish Parliament. This risks causing confusion about who leads an organisation and is responsible for its decisions. We would encourage Disclosure Scotland to review the key findings in the report on the Role of Boards and the assessment checklist, to determine whether the findings were in accordance with the self-evaluation work undertaken by the Management Board and the Audit and Risk Committee and whether there is a need for further action.

### **Action plan point 3**

## **Outlook**

70. Disclosure Scotland should continue a programme of self evaluation and review of their management arrangements with a view to continuous improvement of performance. As part of this process Disclosure Scotland should have regard to the outcomes of Audit Scotland's programme of performance audits, and consider Best Value self assessment toolkits, as appropriate to their circumstances.

# Appendix A: Action Plan

## Key Issues/ Risk Areas and Planned Management Action

Action Point	Issue/ Risk Identified	Planned Management Action	Responsible Officer	Target Date
1 Para 13	<p><b>PVG recovery plan</b></p> <p>PVG system did not perform as anticipated</p> <p>Risk. Recovery plan does not remedy shortcomings creating implications for operations and valuation of assets</p>	<p>DS are monitoring the recovery plan and responding appropriately to the outcomes.</p> <p>The PVG asset valuation will be assessed and the issue of possible impairment will be considered in the 11/12 accounts.</p>	<p>PVG project manager</p> <p>Head of Corporate Affairs &amp; Policy</p>	<p>March 2012 and thereafter in 2012-13 as necessary</p> <p>March 2012</p>
2 Para 32	<p><b>Financial management for variable demand</b></p> <p>Changes in the pattern of demand have differing effects on DS's finances</p> <p>Risk. Unanticipated changes in demand create financial pressures</p>	<p>DS will review its sensitivity and variance analysis to take account of possible economic risks.</p>	<p>Head of Corporate Affairs &amp; Policy</p>	<p>March 2012</p>
3 Para 70	<p><b>Audit Scotland's Role of Boards study</b></p> <p>The report highlights principles for the operation of various categories of board</p> <p>Risk. Boards are not operating to optimum effectiveness</p>	<p>DS will review the report and complete the self assessment checklist.</p>	<p>Head of Corporate Affairs &amp; Policy</p>	<p>March 2012</p>