

The 2018/19 audit of Disclosure Scotland



AUDITOR GENERAL 

Prepared for the Public Audit & Post-Legislative Scrutiny Committee by the Auditor General for Scotland
Made under section 22 of the Public Finance and Accountability (Scotland) Act 2000
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Introduction

1. I have received the audited accounts and the auditor's report for Disclosure Scotland for 2018/19. I submit these accounts and the auditor's report under section 22(4) of the Public Finance and Accountability (Scotland) Act 2000, together with this report, which I have prepared under section 22(3) of the Act. The auditor has issued an unqualified opinion on Disclosure Scotland's financial statements for 2018/19.
2. Disclosure Scotland is changing the way it administers disclosure applications as part of an ambitious transformation programme which aims to improve how it works and generate efficiencies.
3. At the end of September 2019, Disclosure Scotland successfully completed the transfer of all of its activities to an innovative bespoke, cloud-based system called PASS (Protecting and Safeguarding Scotland). Feedback from users of the new system indicates high levels of satisfaction. Throughout the process of developing the new system, Disclosure Scotland has always prioritised the protection of the public. Disclosure Scotland has a target of processing 90 per cent of disclosure certificates within 14 days (2018/19: 98.9 per cent). There was a reduction in performance between mid-October and mid-November 2019. Performance has subsequently improved and Disclosure Scotland considers that it is on target for 2019/20.
4. The transfer of all activities to PASS allowed Disclosure Scotland to end its contract with BT which had supported the disclosure system through a public-private partnership since 2002. This was 18 months later than originally planned. The final cost of the new system was significantly greater than that presented in the Final Business Case that was last updated in November 2017.
5. This report details the history of the development of the PASS system (paragraphs 8-12) and draws the Parliament's attention to issues identified by the auditor relating the programme's governance, financial reporting and management (paragraphs 13-24).

Background

6. Disclosure Scotland has two main functions. It:
 - carries out disclosure checks on criminal history for employers
 - manages the Protection of Vulnerable Groups scheme which protects children or vulnerable adults.
7. In 2018/19, Disclosure Scotland carried out 282,000 basic disclosure checks, over 22,000 standard and enhanced disclosure checks and 280,000 Protection of Vulnerable Groups checks. The Disclosure (Scotland) Bill, currently under consideration by the Scottish Parliament, aims to extend and further modernise the existing disclosure system.

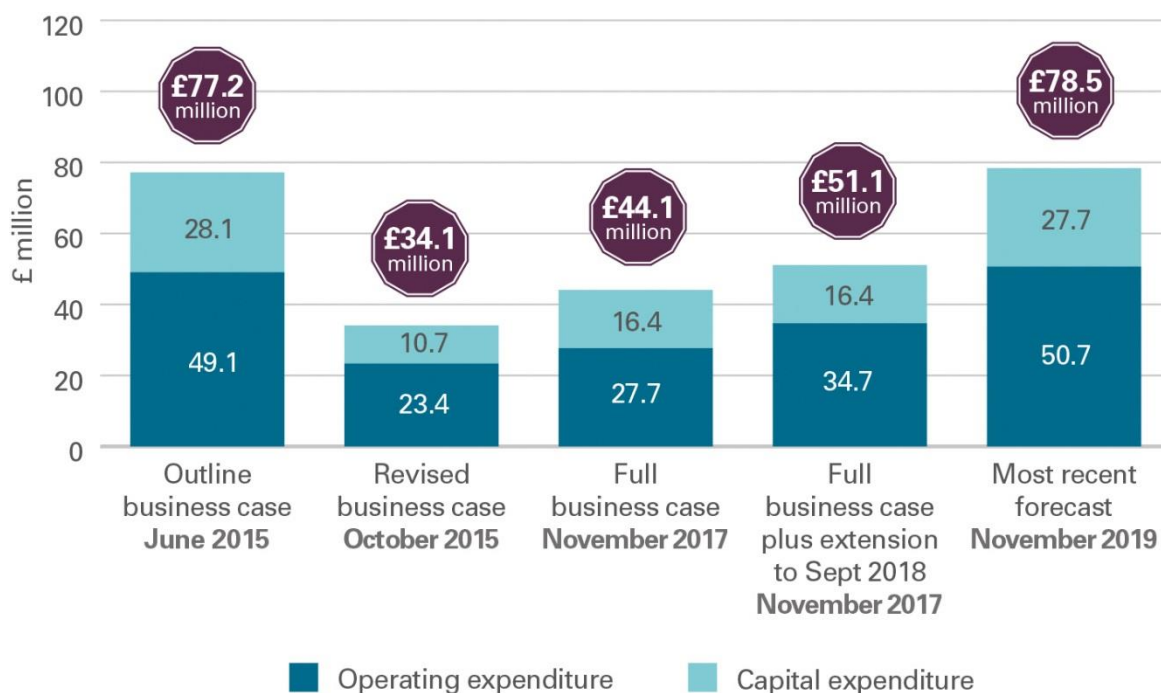
History

8. In June 2015, Disclosure Scotland developed an outline business case to replace the existing BT system at a projected cost of £77.2 million over the period 2015/16 to 2022/23 ([Exhibit 1](#)).

The Scottish Government initially rejected the outline business case due to the cost. In October 2015, Disclosure Scotland reviewed and revised the outline business case, including reducing the level of optimism bias. The Scottish Government approved the revised projected costs of £34.1 million.

Exhibit 1

Estimates of the overall cost of Disclosure Scotland's PASS system



Note: The estimates for June 2015 and October 2015 include optimism bias. The other estimates do not.

Source: Disclosure Scotland

9. Disclosure Scotland then developed a full business case which estimated the cost of the new system to be £44.1 million. In August 2016, Disclosure Scotland appointed BJSS to develop the new system using agile project management methodology. The first phase of the new system was due to go live in March 2018 when the existing BT contract was due to end. By January 2017, it was already clear that this was unrealistic. Disclosure Scotland and BJSS carried out a review to agree a more realistic timetable. In November 2017, a revised full business case estimated the total cost of the programme at £51.1 million (£44.1 million plus £7.0 million for an extension to the BT contract to the end of September 2018).
10. In August 2018, it became clear that the end of September 2018 deadline would not be met and Disclosure Scotland agreed to extend the contract with BT to the end of March 2019. In November 2018, Disclosure Scotland extended the contract with BT again until the end of September 2019. At this point, BT made it clear that it would not be able to extend the contract beyond this date.

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11. In November 2019, Disclosure Scotland estimated that the total cost of the PASS system would be £78.5 million over the period 2016/17 to 2022/23. This is £22.2 million over the last full business case estimate. This additional expenditure consists of:
- £10.4 million for additional capital costs, to cover system development costs
 - £5.8 million additional costs to extend the BT contract. Disclosure Scotland negotiated an agreement which reduced the additional BT costs after 30 September 2018 by approximately £2.8 million.
 - £6.0 million for manual workaround for processes not covered by the current functionality of the system.
12. On 25 September 2019, Disclosure Scotland successfully completed the transfer of all its activities to the new PASS system.

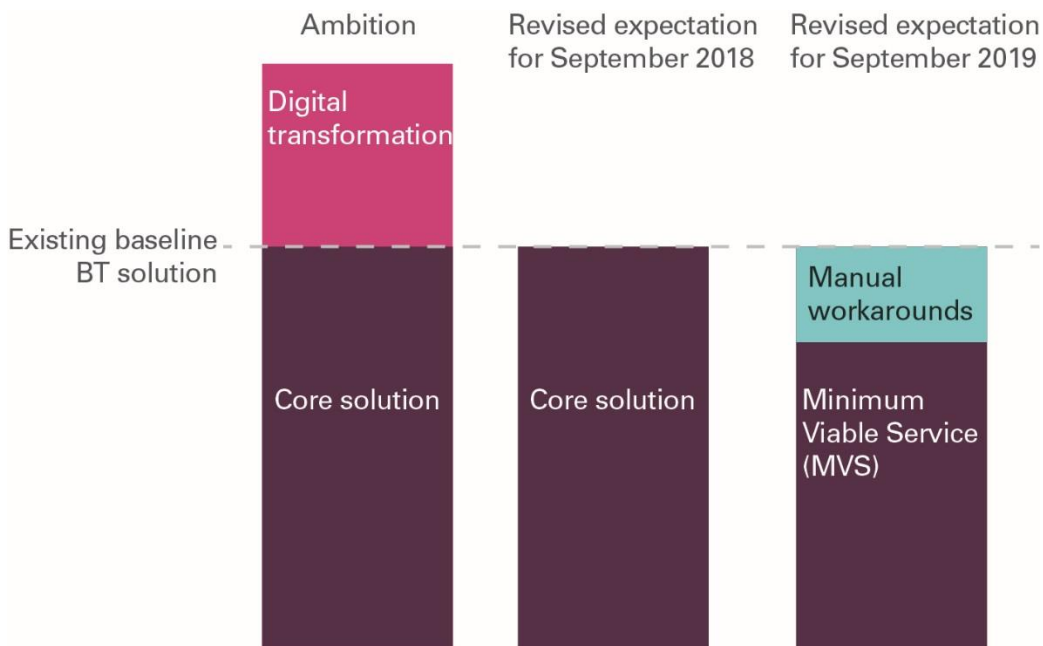
Key issues

The current functionality of the PASS system is less than the original ambitions for it

13. The current PASS system is described as a Minimum Viable Service (MVS) ([Exhibit 2](#)). It requires manual workarounds delivered by temporary staff, at an additional cost, estimated at £2.70 million in 2019/20 and reducing to £2.14 million in 2020/21. The pace at which further development happens is dependent on future funding from the Scottish Government. Disclosure Scotland's budget for 2019/20 identified a funding shortfall of £16.1 million (£6.6 million revenue and £9.5 million capital). It anticipates that this will be resolved as part of the Scottish Government's spring budget revision.

Exhibit 2

Expectations of the Protecting and Safeguarding Scotland system



Source: Disclosure Scotland

Governance was not clear

14. There were four governance groups involved in the oversight of the development of the PASS system:
- the board
 - the Audit and Risk Committee
 - the leadership team
 - the Transformation Programme Board (TPB).

15. There was ambiguity about the respective roles of the TPB and the leadership team with regard to the programme. The TPB was made up of representatives from Disclosure Scotland and the Scottish Government, with BJSS attending as invitees. According to its terms of reference, the Transformation Programme Board had responsibility for:

"[...] the day-to-day management of the Programme. The Programme Board is responsible for approving budgeted expenditure, defining and realising benefits and managing risks, quality and timelines."

Feedback to the auditor suggested that the TPB viewed itself as having a challenge and scrutiny role rather than the management role set out in its terms of reference.

16. During 2018, the TPB only met three times until early 2019 when it began to meet monthly and to receive better quality information. Furthermore, the Audit and Risk Committee took an

increased oversight role from late 2018. Prior to this, it only considered information that appeared in standard committee reports.

17. Disclosure Scotland is an executive agency. Its board is made up of its leadership team and non-executive members and performs an advisory role. Disclosure Scotland's leadership team were members of three of the four governance groups (they were not members of the Audit and Risk Committee). This may have constrained the extent of independent challenge and scrutiny of the programme. The leadership team was overseeing the programme while also maintaining oversight of the organisation's normal business. This represented a significant additional pressure on its time.

There was a lack of financial reporting and oversight

18. Until 2019, there was a lack of detailed financial reporting to any of the programme governance groups. As noted above, the terms of reference of the TPB included responsibility for authorising expenditure, but no financial information was provided to the group, and there is no evidence of it carrying out this role.
19. The first time a report on the overall financial position of the programme was presented to a governance group was in May 2019 when the Audit and Risk Committee considered a paper summarising the financial history of the programme, following a request from the chair. Despite the increases in the budget since the original full business case was produced, there is no evidence that the additional budget was formally approved by any of Disclosure Scotland's governance groups. The Scottish Government approved additional expenditure associated with the programme.
20. The lack of financial reporting limited the ability of governance groups to scrutinise and challenge progress against deliverables and monitor whether planned timescales would be achieved. The auditor concluded that the financial management arrangements associated with this project were not sufficient for a programme of this scale and complexity.

The level of optimism bias was too low for such a programme

21. The Treasury Green Book sets out good practice in the design, management and evaluation of policies, projects and programmes. One element of this is guidance on optimism bias for projects and programmes in terms of their costs, benefits and duration. The Green Book states the optimism bias to be applied should begin at the upper end of the range and reduce according to the mitigations in place.
22. The Full Business Case for the PASS programme adopted the lowest level allowed for this type of programme and for many areas the optimism bias was included only for one year, usually the year of implementation. Given that this programme was the first time that police data would be held in the cloud, as well as the first time that an agile methodology was used by Disclosure Scotland, the level of optimism bias is lower than would be expected. The auditor noted that Disclosure Scotland has not been able to evidence how it determined the optimism bias used in the full business case.

There was limited experience of agile methodology in the governance groups

23. As noted above, the PASS programme used an agile methodology. Disclosure Scotland had not previously adopted this approach and, overall, there was limited experience among the governance groups overseeing it. The governance structures that would be expected for an agile approach were not set up. This includes having terms of reference for all strategic governance groups, governance over the prioritisation of system requirements and regular reporting on progress against targets.

Contingency planning did not start until very late

24. The PASS system is now being used to process all disclosure and PVG applications. The 30 September 2019 date was a hard deadline with no possibility of a further extension. Despite this, Disclosure Scotland did not begin any contingency planning until the start of 2019/20 with a workshop in May 2019. It is not clear how prepared Disclosure Scotland would have been if it had not met the 30 September 2019 deadline.

Conclusion

25. Disclosure Scotland successfully completed the transfer of all its activities to the PASS system on 25 September 2019. This was a significant milestone in the wider transformation of the disclosure system. However, there are lessons to be learned from Disclosure Scotland's experience relating to:

- governance
- financial reporting
- assessment of optimism bias
- programme management and contingency planning.

In particular, there were real weaknesses in control and oversight: one of the key principles highlighted in our *Principles for a digital future* report.¹

26. Ultimately, the PASS system was delivered. But it was late, over budget, and with less functionality than originally intended. There remains more work to be done before the full ambition for the PASS system, and the wider transformation of the disclosure system, is realised. I have asked the auditor to review progress as part of the 2019/20 audit.

¹ [Principles for a digital future: Lessons learned from public sector ICT projects](#), Audit Scotland, May 2017

The 2018/19 audit of Disclosure Scotland

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