

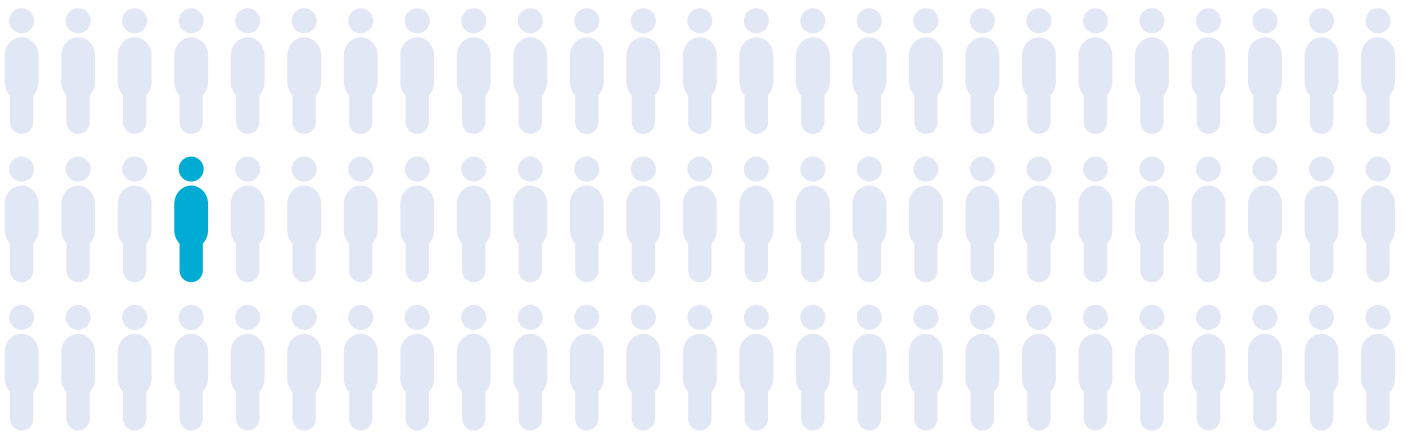
Disclosure SCOTLAND

Annual Report and
Accounts 2009-2010



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SCOTTISH GOVERNMENT

Annual Report and Accounts 2009-2010



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This Annual Report sets out Disclosure Scotland's performance and accounts for the financial year 2009-10.

The report shows that the organisation performed well in terms of its key public performance target. It received just short of 950,000 applications during the year, with 97 per cent processed within the target of 14 days for all correctly completed applications. The volumes processed are the highest ever, following a number of years of growth. It was a major achievement and a credit to our staff. On average, they handle 20,000 disclosure applications a week from all sectors of Scottish society and a number in England and Wales. All expect a prompt turnaround and the organisation responded very well to the record numbers during the year. More detail on our performance, and results of a Customer Satisfaction Survey in April 2010, are included in the Report.

2009-10 was a challenge in other respects. It was the organisation's first year as an Agency of the Scottish Government. We introduced new reporting practices, of which this Report and the associated Accounts are part; new organisational practices that brought us closer to the core Scottish Government, including the SCOTS computer network

and the electronic HR system, e-HR; and new internal and external auditing, that helps us to ensure good practice in the organisation. While each of these is fairly straightforward, the combined effect of all the changes in organisational practices has meant that the organisation has been in almost continuous internal transition mode, requiring flexibility from its management and new learning among all staff.

Within the year, we identified the need to seek greater engagement of staff in the organisation. As a customer driven business operating to established performance targets, and working within a broadly 7-day-a-week shift environment, it requires even more effort than is typical to offer staff sufficient opportunities to have a wider involvement in the organisation. We took steps during 2009-10 to do that. Firstly, we began the process of introducing formal Development Reviews for all staff in which they plan development activity with their managers. Secondly, we were delighted by the willingness of staff to participate in 3 new Forums - one a general Staff Forum, and the others an

Environmental Forum and a Training Forum. Many staff have welcomed these initiatives and their input is making the organisation better informed and more connected. This is a start to a process that requires genuine efforts every year.

Last, but by no means least, we faced the challenges of preparing for the future revision of our business, its data and its infrastructure through the introduction of the Protecting Vulnerable Groups (PVG) Scheme, which is due later in 2010. The Scheme is the result of the PVG (Scotland) Act 2007, passed by the Scottish Parliament. Details of what it will deliver are contained in the Report. Very significant activity took place in 2009-10 in making the complex business change for the new Scheme. It has been very much a partnership activity with colleagues in core Scottish Government in which the teams on both sides have worked to a detailed plan.

In summary, 2009-10 has seen challenges on different fronts. The organisation has delivered well on its core public service and shown skill in making the other changes. The efforts

during the year will help us continue to make the transitions which lie ahead in the coming year. We are grateful to all our staff, and to our many partners - Scottish Government generally, the Central Registered Body in Scotland, the Police Forces, our business partner, BT Plc, amongst others.



David Patel
Chief Executive

30 September 2010



Our role, vision and aims

Who we are

Disclosure Scotland is an Executive Agency of the Scottish Government. It was originally established in April 2002 to provide basic, standard and enhanced disclosure certificates (see below) on behalf of Scottish Ministers under Part V of the Police Act 1997. The service is provided in partnership with British Telecom plc (BT). It was initially administered by the then Scottish Criminal Record Office, which was a common police service, and all non BT staff were employed by the Strathclyde Joint Police Board. Disclosure Scotland transferred to the Scottish Government in 2007 and became an Executive Agency on 1 April 2009; all staff previously employed by the Strathclyde Joint Police Board transferred to the Scottish Government.

Disclosure Scotland's Chief Executive is the Accountable Officer for the Agency and is directly accountable to Scottish Ministers. All of the key relationships – both to Ministers and to the Director General for Education in the Scottish Government – are described in Disclosure Scotland's Framework Document.

What we do

Disclosure Scotland is a service designed to enhance public safety. Our services provide employers, voluntary sector organisations and individuals with disclosure information to assist in the recruitment decision, helping protect the vulnerable.

The 3 levels of disclosure certificate provided under Part V of the Police Act 1997 are basic, standard, and enhanced.

The **Basic** Disclosure is the lowest level of disclosure and is available to anyone who applies on the appropriate form and pays the prescribed fee. This type of Disclosure is only available to the applicant and it will show details of all convictions that are unspent under the Rehabilitation of Offenders Act 1974 or state that there are no such convictions. It is for the individual who requested a Basic Disclosure to decide whether to show the Basic Disclosure to prospective employers or individuals/organisations who could have an interest.

As well as providing basic disclosures for Scotland, Disclosure Scotland also serves England and Wales for these disclosures. It has done so for a number of years and liaises accordingly with the relevant police authorities.

Disclosure Scotland provides an invoicing facility for organisations using the basic certificate facility and who wish to pay for their employees' certificates. These are known as 'responsible bodies' and must confirm to Disclosure Scotland that they will comply with all aspects of Data Protection legislation. There are currently over 1,200 responsible bodies.

Disclosure Scotland has also developed a 'Business to Business' (B2B) profile to allow responsible bodies to submit applications electronically.

The **Standard** Disclosure can be issued when the position being applied for is exempted within the Rehabilitation of Offenders Act 1974 (Exclusions and Exceptions)(Scotland) Order 2003, as amended, and is countersigned by a person registered with Disclosure Scotland. It contains all the conviction information recorded for a person and

includes both spent and unspent convictions and any cautions (from England, Wales and Northern Ireland) held on record or it will indicate that there are no such matters held on record. This means that even minor convictions, if they have not been deleted from central records, may be included on the Disclosure. Two copies of the Disclosure will be issued; one to the individual and one to the Registered Person.

Examples of those eligible for Standard Disclosures are:

- Solicitors;
- Individuals seeking firearms and explosives licences;
- Actuaries; and
- Accountants and those regulated by the FSA.

The **Enhanced** Disclosure is issued when the position being applied for is both 'exempted' as above and also where the post/duty fulfils a prescribed position within the Police Act 1997 (Criminal Records)(Scotland) Regulations 2006, as amended. It contains details of both spent and unspent convictions and any cautions (cautions from England, Wales, and Northern Ireland) held on central records or it will indicate that there are no matters held on central records.

In addition, the Enhanced Disclosure may also show any information held on local police records considered by the Chief Constable or Chief Officer to be relevant to the position being sought, and which can be disclosed without harming the interests of preventing or detecting crime. It is entirely for the Chief Constable or Chief Officer to decide what information

is disclosed, if any, in these circumstances. Disclosure Scotland pays a fee to the relevant police force(s) for their work involved in this procedure.

Examples of those eligible for Enhanced Disclosures are:

- people who perform a childcare role in terms of the Protection of Children (Scotland) Act 2003;
- people who have contact with adults at risk;
- applicants for various gaming and lottery licences;
- applicants for registration for child minding, day care, foster parents or carers;
- applicants for registration as a care service provider, social service worker or social worker in terms of the Registration of Care (Scotland) Act 2001.

The fee for all levels of disclosure certificates is currently £23. The fee to register as a Registered Body is £150 with a £10 fee for second and subsequent counter-signatories. Disclosure Scotland currently has around 3,250 organisations registered to be able to receive disclosure information and over 9,000 people registered as being able to endorse both enhanced and standard disclosure certificates. All Registered Bodies are required to comply with a Code of Practice issued under the 1997 Act.

Our vision and aims

Disclosure Scotland's **vision** is to help make Scotland's communities safer and stronger, a key strategic objective of the Scottish Government. 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.

Disclosure Scotland provides a service to a large proportion of the public sector as well as a wide range of private sector organisations and individuals. The total number of applications handled is approaching 950,000 in a year.

In delivering for customers Disclosure Scotland has the following key **organisational aims**:

- **It seeks to have a customer-focus:** A range of relationships are maintained with customers. Some of Disclosure Scotland's larger customers are seeking the electronic exchange of information to streamline the processing of large volumes of Basic disclosure applications, an arrangement already in place for some. For some of the smaller organisations, it is important to provide additional support and advice. This is done in particular with the voluntary sector through the Central Registered Body in Scotland (CRBS).
- **It seeks to generate user confidence:** Disclosure Scotland recognises the key determinants of user confidence: that it has effective quality assurance processes in place and holds information securely; that disclosures

are issued in a timely manner; and that the IT system provided by BT is fit for purpose and as reliable as possible.

- **It seeks to be an efficient and effective organisation:** Disclosure Scotland operates to a public performance target which directs its operational activities. It also provides its service at a cost per disclosure that compares well with other UK disclosure services. Disclosure Scotland aims to promote a culture of efficiency and a capacity to adapt well to change.

As part of the Scottish Government's National Performance Framework, there are 5 **strategic objectives** – a wealthier and fairer Scotland; a smarter Scotland; a healthier Scotland; a safer and stronger Scotland; and a greener Scotland. Disclosure Scotland's principal contribution is to a safer and stronger Scotland, while making some contribution to other of the strategic objectives.

Within the National Performance Framework, there are 15 **National Outcomes** that the Scottish Government wants all public services to promote. In carrying out its strategic aim, Disclosure Scotland contributes principally to the National Outcomes shown in the Box. The contribution to these National Outcomes will be strengthened further during 2010-11 with the implementation of the Protecting Vulnerable Groups (PVG) Scheme. Enhanced disclosures for work with children or protected adults will be replaced by PVG Scheme membership under the provisions of the PVG (Scotland) Act 2007.

We have improved the life chances for children, young people and families at risk

Disclosure Scotland makes a contribution to improved life chances by reducing potential risks to both children and protected adults that may arise in a work setting.

We live our lives safe from crime, disorder and danger

Through the provision of information to a range of employers, Disclosure Scotland helps to ensure that employers employing people in positions of trust have access to criminal history information where it exists.

Our public services are high quality, continually improving and responsive to local people's needs

Performance overall is already good in terms of speed, cost and accuracy. Improvements to the organisation will be brought about by the introduction of the Protection of Vulnerable Groups (Scotland) Act 2007 - (PVG (Scotland) Act 2007), which will provide further opportunities to enhance existing services.

We reduce the local and global environmental impact of our consumption and production

Changes introduced both as part of the implementation of the PVG (Scotland) Act 2007 and as part of other initiatives should help to reduce Disclosure Scotland's environmental impact.



Our people

The Agency recognises that its most valuable asset is its people. During the year we have built on work, focussed on our people and introduced a number of initiatives which will continue in the years to come.

Investors in People (IiP)

IiP is the national standard which sets out a level of good practice for training and development of people to achieve organisational objectives. In Disclosure Scotland, we want to help everyone to have effective learning and development. Being recognised as an Investor in People is a real achievement that says excellent things about how an organisation operates.

Currently Disclosure Scotland takes an active role in contributing to the accreditation of Investors in People under the Scottish Government banner, conducting annual internal IiP health checks with all our staff, and providing the findings to be included into the organisation wide report.

During 2009-10, the health checks assessed 10 separate aspects of learning and development strategy, management and organisational level outcomes. They provided an invaluable source of information on how staff view the success of Disclosure Scotland's learning and development activities. Previous health checks identified four areas where attention would best be focused. These were: involvement and empowerment, learning and development, performance management, and continuous improvement.

The 2009-10 health check results were particularly encouraging, with all four areas showing improvement and with a dramatic 300 per cent increase in positive ratings given for the continuous improvement indicator. These strong results are likely to be related to a variety of recent initiatives designed to foster staff engagement. One of the most significant has been the creation of several new staff forums, which have encouraged a cross section of the organisation to participate in decision making processes.

Going forward, Disclosure Scotland will work to achieve stand alone accreditation to Investors in People to further progress our desire to be recognised as an excellent organisation that develops people and works to a set level of good practice.

Learning and Development

Our aim is to ensure that all staff within Disclosure Scotland are properly equipped to carry out their tasks in an effective and professional manner. Our Learning and Development Strategy outlines how we will contribute to developing on the skills, knowledge and learning of all staff and sets out how Disclosure Scotland plans to support and develop our people. It takes on-board the IiP health check results, information emerging from the 2009 Scottish Government staff survey, and also the broader Learning Strategy of Scottish Government's DG Education.

A particular aim is to capitalise on the skills staff already have to deliver an even higher quality service. We want to do this in a way which is appropriate, effective, efficient and represents good value. Development Reviews and associated Personal Learning Planning are integral parts of the performance management process employed by the Scottish Government. They encourage staff to identify their own development needs and allows them an opportunity to address these needs with the guidance and support of their managers.

Disclosure Scotland began the process of development reviews in 2009-10 and made preparations for their full roll-out at the start of 2010-11. Through the new process, all Disclosure Scotland staff will have an up to date Success Profile which details skills and experience, and a Personal Learning Plan designed to address any learning and development needs. Personal Learning Plans for staff within Disclosure Scotland will now be collated and analysed to draw out key requirements for training and development of staff. They will inform our Learning and Development Strategy and help to structure training and future courses that we can offer at Disclosure Scotland.

Training

Formal training is delivered by both Scottish Government's Corporate Learning Services and our in-house training team. This allows staff to bring back new knowledge and skills from outside of Disclosure Scotland, while also ensuring that they receive training that enables them to achieve exceptionally high levels of accuracy in their disclosure work.

Informal development opportunities are equally valued, and suitable opportunities are discussed within Development Reviews. During 2009-10, the preparations at Disclosure Scotland for the PVG Scheme resulted in opportunities for specific new challenges for some staff. They provided a significant number of staff with invaluable experience, helping individuals to progress in their own careers and ensuring a supply of suitable candidates for succession planning.

As part of our commitment to continuous improvement we have increased our focus on training evaluation over the past 12 months. This has taken many forms, such as communicating with colleagues through a new Training Review Forum (see below), surveying the entire staff and conducting individual interviews. This, coupled with information gathered from our existing training evaluation systems, led us to identify potential improvements in one of our key in-house training courses.

Within 2009-10, by combining staff suggestions with industry best practice and current training theory, we developed an entirely new approach to the way our in house ICT Training course was delivered. We are always keen to innovate and this new approach led to significant improvements in outcomes at all levels. Work is already in place to apply the approach to other in-house courses.

Developing our Staff's Engagement

The **Training Review Forum** was created in 2009-10 with a view to enhancing the flow of communication from our Teams to the Training and Quality Team. The Forum is attended by a number of employees from a range of different parts of Disclosure Scotland with varying lengths of service and grading. The main role of the Review Forum is to consider and review all aspects of current and transitional internal training for Disclosure Scotland staff and make recommendations for enhancements.

To fulfil that role, the Forum aims to monitor and evaluate the effectiveness of the internal training courses provided, identify gaps in current training, and introduce and promote a training communication flow throughout the organisation. The Forum will also be responsible for facilitating information sharing, developing best practice and considering the financial and other implications for implementing recommended changes.

The Forum is currently reviewing new start training, and a training and development timeline for new and existing employees. The Forum is an opportunity for Disclosure Scotland employees to take a more active role in the development of training packages and seeks to ensure all staff needs are considered and effectively met.

Two other Forums were created during 2009-10 with the same aim of improving the engagement of staff at all levels in the organisation. An **Environmental Forum** now champions sound environmental stewardship in our use of resources and how we conduct our business. In the coming year we will produce our first Environmental Policy which will cover travel planning, waste management and energy efficiency. Although not required to register for the Carbon Reduction Commitment Energy Efficiency Scheme, it is the Agency's intention to participate with Scottish Government in its efforts to meet its exacting targets.

Disclosure Scotland also created a **Staff Forum** in November 2009 with a view to improving communications across the Agency on matters of interest to all staff. Members were drawn from both operational and non-operational areas, with all grades of staff represented.

The Forum initially looked at general areas such as accommodation and the Agency's overall approach to training. Staff have responded positively to this innovation. The communication role of the Staff Forum will continue to develop in the coming year and it will be a vehicle for driving forward actions arising from the staff survey.

Partnership Group

Disclosure Scotland has signed up to the principles of the Scottish Government Main Partnership Agreement and is committed to supporting an effective partnership with the Council of Scottish Government Unions (CSGU) and each constituent union. A Partnership Group with CSGU and Scottish Government's Human Resources (HR) team was established in 2009-10. It includes our Chief Executive, our Head of Operations, SG HR partners, and Public and Commercial Services (PCS) union partners, and meets every quarter. The Group is not only a means of promoting good working relationships between unions, management, and Scottish Government HR but also ensures a commitment to an ongoing way of working. There is very much a partnership ethos and one that is fundamentally built on trust. We have welcomed the support of the Group as we strive towards developing the organisation and meeting the challenges of the new PVG delivery programme in the next year.

Introduction of the Scottish Government's IT System (SCOTS)

During 2009-10 Disclosure Scotland underwent a major transition from the Scottish Police Services' IT Network to the Scottish Government's IT Network (SCOTS). We are grateful to colleagues in Scottish Government's Information Services and Information Systems (ISIS) for the support throughout this process. For Disclosure Scotland, moving to SCOTS was not only in keeping with the government's shared services agenda but it afforded the protection of the government's secure internet, allowed the Agency to benefit from centralised Scottish Government support, and, for staff, it gave full access to Scottish Government guidance and systems.

Electronic HR (eHR)

During this year we also made the transition to the Scottish Government's electronic HR system (eHR). The technology itself supports efficient shared services and enables staff to manage a range of HR information on-line.



Our customers

Disclosure Scotland seeks to provide a high standard of customer service to all who use our services. We work to a public performance target of producing 90 per cent of all types of Disclosure – for a correctly completed application requiring no further enquiries – within 14 calendar days. This is measured from the day we receive the application to the day of dispatch. Certificates are dispatched 1st class Royal Mail postage. Some applications may require further enquiries and will take longer.

Customer Service Standards

A number of standards are followed to help ensure a good level of service.

- *We aim to answer every telephone call within 20 seconds*
- *We aim to respond to written correspondence within ten working days*
- *You can expect us to be welcoming, courteous, fair and respectful*
- *We will always be helpful and responsive, keep you informed and communicate clearly with you at all times*
- *We will let you know what we can provide, who to contact and how to get in touch*
- *We will aim to provide good quality information that is suited to your individual needs*
- *In return, we ask you to help us achieve our standards by being courteous and respectful towards us and help us to help you by providing the information we need*

Customer Satisfaction Survey

An up-to-date Customer Satisfaction Survey was conducted in April 2010, following on from surveys in 2005 and 2007. The environment in which Disclosure Scotland operates is dynamic and will change in the future with the implementation of the new PVG legislation and a need was identified to establish an updated benchmark of customer satisfaction as things stood before the changes.

The Survey sought to establish customers' views on specific aspects of the service and the overall delivery. The largest group of respondents were individuals within organisations pre-registered with Disclosure Scotland as a Registered Body and who apply for Standard and Enhanced Disclosures on behalf of their organisation. A second group of customers, those in charge of the administration of Basic Disclosures in their organisation, was also surveyed.

The Survey was conducted by means of a telephone interview; 976 interviews with Registered Bodies and 100 interviews relating to Basic Disclosures were completed in total.

The main findings were:

- Levels of customer satisfaction remained very high in the 2010 Survey for both groups of customers. Satisfaction scores were already high in 2005 and 2007 and customers appeared to be even more satisfied with the service they had been receiving;
- On a scale of 1 to 10, where 10 was very satisfied and 1 was very dissatisfied, 92 per cent of customers from Registered Bodies rated the overall satisfaction as 7 or better. The same proportion of Basic Disclosure customers also rated satisfaction as 7 or better;
- 41 per cent of Registered Bodies gave the overall service a rating of 9 or 10, and 16 per cent gave a satisfaction rating of 10/10;
- The key reason given for satisfaction with the service was the 'prompt reply to applications or submissions' (37 per cent for Registered Bodies and 35 per cent for Basic Disclosures);
- Satisfaction was highest for the service elements of 'helpfulness of helpline staff' and 'staff knowledge';
- The most important service standard to customers in Registered Bodies was the 'time taken to process applications'. For those dealing with Basic Disclosures, the most important element is 'time taken to answer queries';
- Time taken to process applications was still the factor that contributes most to customers' overall satisfaction with Disclosure Scotland.
- 30 per cent of customers in Registered Bodies felt that the timescales in receiving their Disclosures were not suitable to their organisation's needs. This was the same level as in 2007. The key reason given for why the timescales were unsuitable was that *'the organisations had a delay in starting new staff as a result of slow processing'*. (It is worth emphasising nonetheless that overall turnaround times in 2009-10 were within the public performance target - see Chapter 6);
- 7 per cent of respondents in Registered Bodies, and 10 per cent of Responsible Bodies dealing with Basics, reported that they had raised a dispute with Disclosure Scotland in the past year. In the main, these disputes were reported to relate to the accuracy of information. There is no correlation between the figures shown here and those shown on page 22 as these figures relate to the Registered/Responsible Bodies, while the figures shown on page 22 under Disputes relate to application numbers;

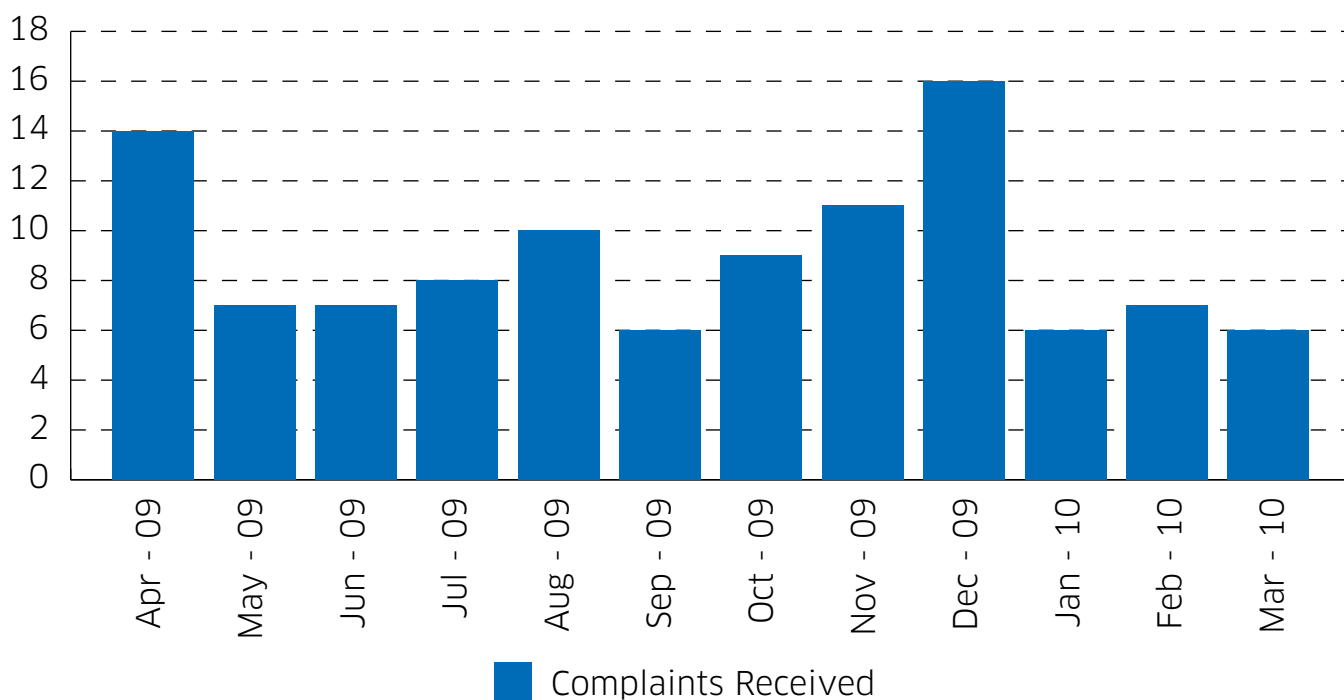
- 3 per cent in Registered Bodies and 5 per cent of Responsible Bodies dealing with Basics had raised complaints. Issues surrounding the timing of the Disclosure application process were the most common source of complaints. There is no correlation between the figures shown here and those shown on page 22 as these figures relate to the Registered/Responsible Bodies, while the figures shown on page 22 under Disputes relate to application numbers;
- Around a third of all customers had raised a query about a Disclosure in the past year. The nature of the queries related to timescales, requests for applications, clarifications, and invoicing;
- The main method of raising a query was by telephoning the helpline (86 per cent) and this was the primary method for all types of contact. The emphasis on telephone calls places a considerable onus on staff to be sufficiently trained, knowledgeable and confident so that they can handle customers' queries;
- Encouragingly, there was a high level of satisfaction with staff responses to both disputes and queries especially in the way staff handled customers and levels of satisfaction had increased since 2007;
- Over a third of the customers reported that they had visited the new website. Customers who are responsible for the administration of Basic Disclosures appeared to use the website more frequently. All the customers who used the website rated the features and usability of the website very highly;
- A high proportion of customers (89 per cent of customers in Registered Bodies) specified they were aware of the revised Code of Practice requirements regarding Disclosure information;
- The majority of Disclosure Scotland's customers indicated they would prefer to be kept informed of Disclosure Scotland's services by 'e-newsletter'.

Overall the results of the customer survey were encouraging and suggest that employees delivered higher levels of overall customer satisfaction than before.

How we handle complaints

The Agency has a complaints procedure which is published on the website. The procedure sets out timescales for response and an escalation process should the complainant not be satisfied. The Agency keeps a record of these complaints. The content is reviewed by the Agency’s Training and Quality team to identify training needs and to review written procedures.

During 2009-10, Disclosure Scotland received 946,728 applications and processed 956,000 applications. **107** written complaints were received, 8 of which were from Members of the Scottish Parliament and 6 from Members of the UK Parliament. The monthly numbers are shown in the Chart below.



Of the 107 written complaints, 43 cited a delay in processing applications; 18 cited incorrect information on Disclosure Certificates; 9 related to identification and verification procedures; 7 related to mailing issues; 3 were received regarding missing documents or correspondence; 3 related to Disclosure Scotland not responding to applicants’ complaints or queries; and the remaining 24 complaints were attributable to a range of other (miscellaneous) reasons.



Our stakeholders

The delivery of Disclosure Scotland's operation is heavily dependent on the provision of information or service from a number of key partners. It has engaged with these partners over a number of years to promote a successful disclosure process and to ensure all service delivery expectations are met and future requirements considered and developed. The range of partners is wide.

British Telecom – As already noted, BT is a partner in the disclosure operation. In addition to maintenance of the IT system, it provides an interactive helpdesk, together with the initial processing of disclosure applications. It is also responsible for the mailing of completed disclosure certificates. The contract with BT extends to 2014.

The UK police service – Including the Association of Chief Police Officers in Scotland, the Association of Chief Police Officers (England, Wales and Northern Ireland), the Scottish Police Services Authority, and the National Policing Improvement Agency – individually or collectively fulfil the requirements of the police under legislation and also the provision of their conviction databases. This partnership also extends to complaint and dispute resolution and mechanisms for escalation. It continues to evolve, and the new legislation underpinning the prospective Protecting Vulnerable Groups (PVG) Scheme is demonstrating a need to be even more closely interactive with all of the police services in the UK.

The Criminal Records Bureau (CRB)

– CRB provides the disclosure service for England and Wales (not basics). It supplies Disclosure Scotland with a nominal index database which allows police forces with information on an application to be identified. Disclosure Scotland also undertakes direct interaction with the CRB regarding the administration of CRB-generated disclosure applications for the attention of the Scottish police forces. Disclosure Scotland provides a service for this requirement on agreement with the Scottish police forces and deals directly with the CRB in this regard.

Access Northern Ireland (ANI) –

ANI provides the disclosure service for Northern Ireland and also deals directly with Disclosure Scotland regarding the administration of ANI-generated disclosure applications for the attention of the Scottish police forces. Disclosure Scotland also provides a service for this requirement, again with agreement with the Scottish police forces, and deals directly with the ANI in this regard.

Our commitment to our

stakeholders – Disclosure Scotland has committed to ensuring that external stakeholders are appropriately informed and, where relevant, involved in the delivery of services. As noted in the previous section, key relationships are maintained with the Scottish, English, Welsh and Northern Ireland police services, who provide information on specific disclosure applicants and also, critically, access to the Police National Computer and the Scottish Criminal History Database for the purposes of vetting.

Other UK police ‘forces’ – The Agency relies on such bodies as the Scottish Crime and Drug Enforcement Agency, the Serious and Organised Crime Agency, the Royal Military Police, British Transport Police, and the Jersey, Guernsey, and Isle of Man police forces to supply information on specific applicants.

The Scottish Government, the Northern Ireland Office, and the Independent Safeguarding Authority

– These organisations are central to our business as they administer the lists of people disqualified from working with children or vulnerable adults.

The Registered Bodies – The bodies registered with Disclosure Scotland are reliant on Disclosure Scotland to provide disclosures as part of their employment strategy. The Registered Bodies supply ‘supporting statements’ on registering and outline their profile in terms of exempted posts and predicted volumes.

Disclosure Scotland’s Sponsorship Role

– The Agency has taken on the sponsoring role from core Scottish Government for the CRBS, which administers the ‘free check’ facility on behalf of the voluntary sector. Disclosure Scotland works closely with the CRBS to try to minimise any administrative issues and to ensure a standardised approach to disclosure processing and the reduction of unnecessary bureaucracy.

Other stakeholders with Disclosure Scotland include Regulatory Bodies involved in the regulation of relevant workforces, the Home Office for the pursuit of obtaining overseas convictions, and the members of the public who use the disclosure service. Disclosure Scotland is also currently involved in working with other organisations to secure their information. These include the Child Exploitation and On Line Protection Centre, An Garda Síochána (the police service in Ireland), and with the Criminal Justice Agency in Northern Ireland to gain access to their database which holds convictions from the courts in Northern Ireland.



Performance and statistics

Applications Received

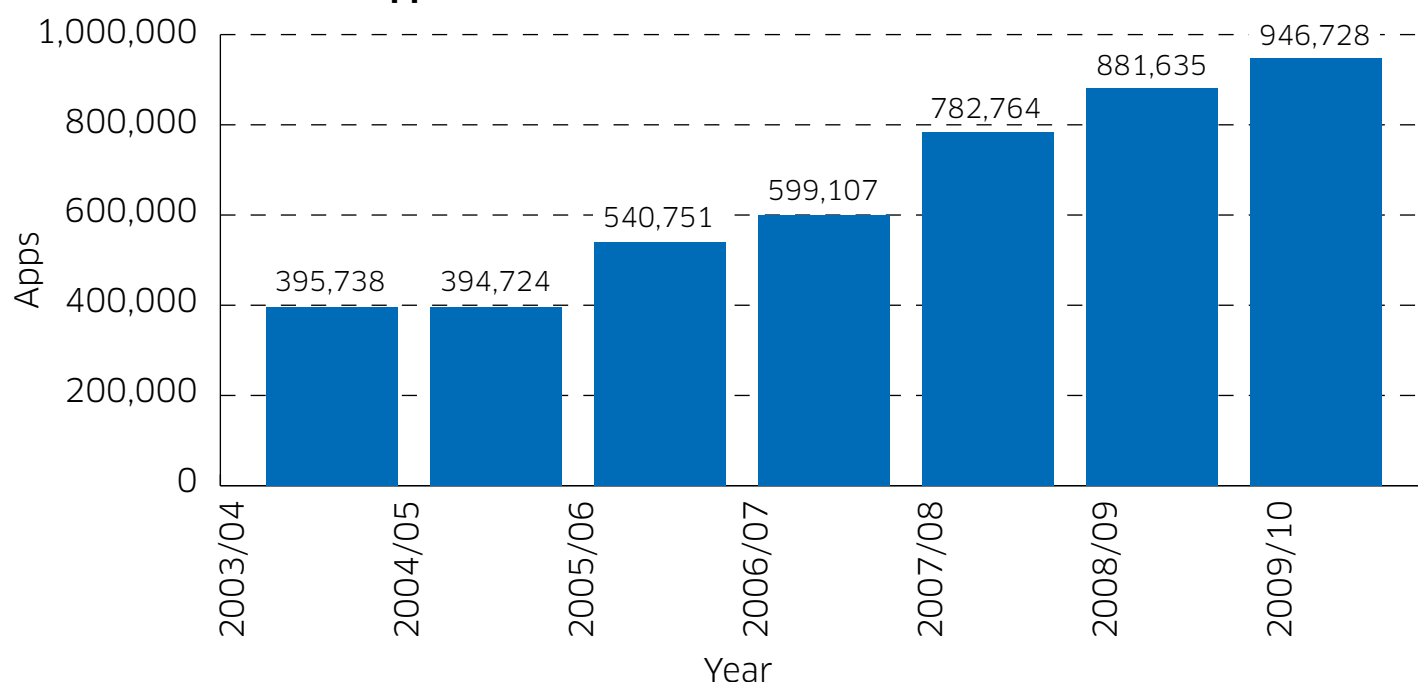
Since Disclosure Scotland's inception in 2002, the volume of applications received has increased year on year. In 2009-10, Disclosure Scotland received 946,728 applications, which was an increase of 7 per cent on the previous year's volume. This information can be broken down as follows

| Application Type | Applications Received | Growth |
|---------------------|-----------------------|------------|
| Standard / Enhanced | 363,776 | -4% |
| Basic | 582,952 | +16% |
| Total | 946,728 | +7% |

Medium-Term Growth

The following chart shows the total volume of applications received and demonstrates Disclosure Scotland's growth in the last seven years.

Applications Received - 2003-04 to 2009-10



The majority of the growth in applications, particularly in recent years, can be attributed to an increasing volume of Basic applications. The volume of Basics has more than tripled from around 180,000 in 2003-04 to over 580,000 in 2009-10. This strong growth in the Basic market has been driven by increasing organisational requirements. More generally, the large number of Basic applications in absolute terms can be explained by the fact that the Criminal Records Bureau does not provide a basic disclosure service, which means Disclosure Scotland processes applications from Scotland, England and Wales.

Processing Turnaround Time

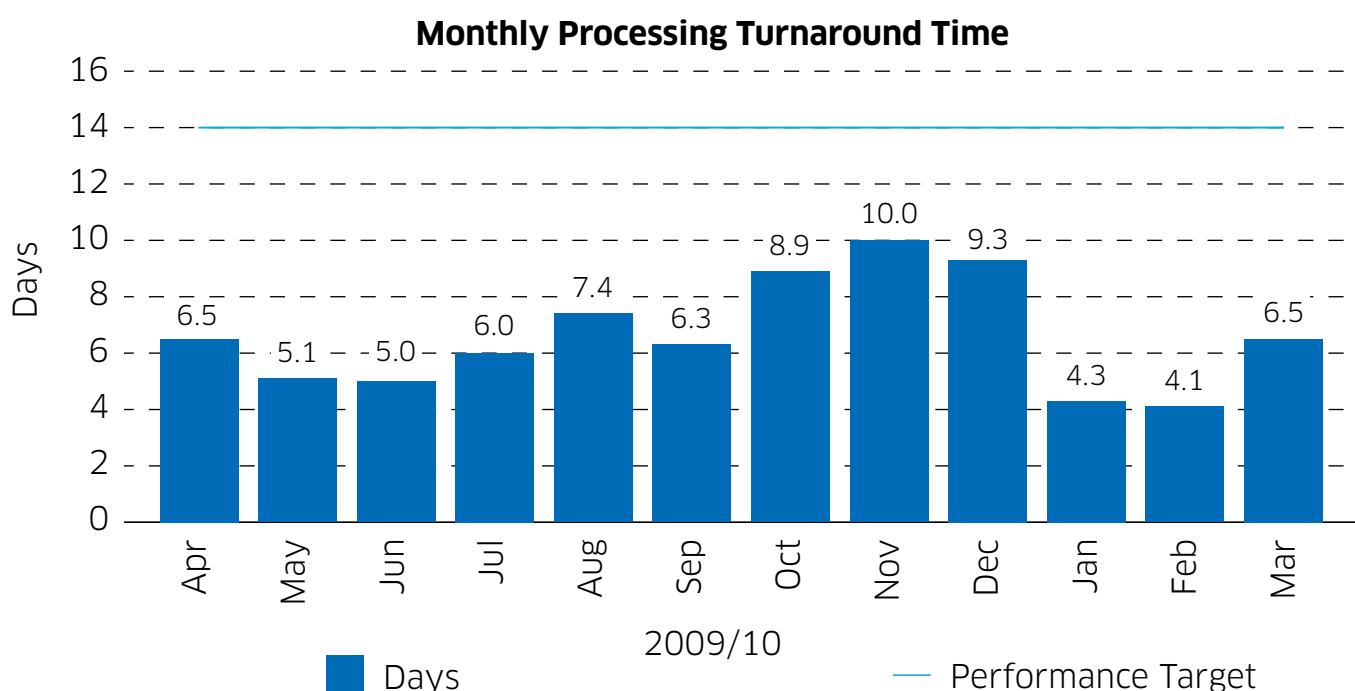
The success of Disclosure Scotland as a public service depends significantly on the time taken to process applications. The organisation operates to a public performance target of producing 90 per cent of all types of disclosure within 14 calendar days. This is measured from the day the (fully and correctly completed) application is received by Disclosure Scotland to the day of dispatch, and excludes any time the application is spent in exception. Examples of exception time include where an enquiry has been sent to a Police Force and the application is put on hold until the Force responds, and where an application is put on hold while further information is requested from the applicant.

This information for 2009-10 is shown in the following table:

| Application Type | Average Processing Time | Percentage processed within 14 day target |
|---------------------|-------------------------|---|
| Standard / Enhanced | 7.8 days | 93% |
| Basic | 5.7 days | 100% |
| Total | 6.6 days | 97% |

This table shows that in 2009-10, 97 per cent of the applications were processed within 14 days, which was well above the target level of 90 per cent. The average processing time was **6.6 days** which was a vast improvement on 2008-09's figure of 11.4 days.

The following chart shows the monthly average processing turnaround time in 2009-10:



This chart demonstrates the organisation has consistently processed the applications within the public performance target and this trend looks to continue into 2010-11.

Overall Processing Turnaround Time

Disclosure Scotland also reports on the overall processing turnaround time. This is calculated in a similar way to the target processing turnaround time, with the difference being that any time an application is spent in exception is still counted. So, for example, if a Police Force takes 6 days to respond to a Force enquiry, these 6 days are added to the turnaround time. Hence this provides a more realistic average for how long the applicant has waited for their certificate.

The information for 2009-10 is shown in the following table:

| Application Type | Average Overall Processing Time | Percentage processed within 14 days |
|---------------------|---------------------------------|-------------------------------------|
| Standard / Enhanced | 12.0 days | 76% |
| Basic | 7.8 days | 93% |
| Total | 9.4 days | 87% |

This table shows that in 2009-10, the average turnaround time, including all exception time, was **9.4 days**, while 87 per cent of applications were processed within 14 days. Again, this shows improved performance on the previous year as the average turnaround time, including all exception time, in 2008-09 was 14.5 days.

Force Enquiries

For some applications, Disclosure Scotland also relies on receiving force enquiry information from Police Forces – approximately 7 per cent of disclosures are subject to a force enquiry. There is a Service Level Agreement (SLA) in place with Scottish Police Forces which requires them to respond to 90 per cent of these enquiries within 14 days and, for cases subject to an enquiry, their performance against this SLA has an impact on Disclosure Scotland's ultimate performance.

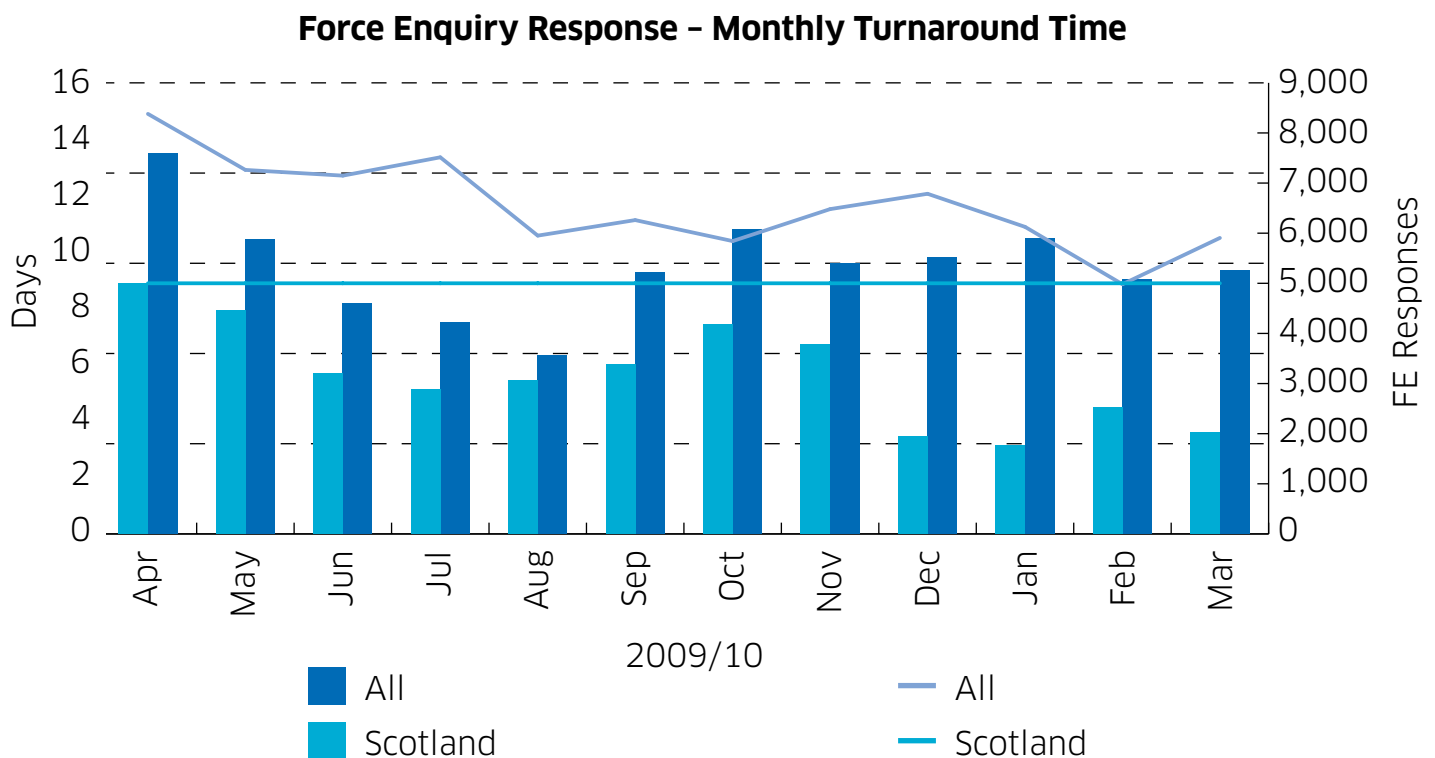
In 2009-10, Disclosure Scotland sent a total of 78,304 force enquiries and 31,788 (41 per cent) of these were to Scottish Forces. This was equal to around 1 for every 5 Enhanced disclosures processed. Performance information on Force enquiries sent in 2009-10 is summarised in the following table:

| Force | Average Turnaround Time | Percentage within 14 days |
|---------------------|-------------------------|---------------------------|
| Scottish Forces | 15.1 days | 56% |
| Non-Scottish Forces | 8.0 days | 85% |
| Total | 8.6 days | 73% |

This table shows that overall, Scottish Forces failed to perform within the SLA in 2009-10. However their average turnaround time did improve from 2008-09, when the average was just under 23 days.

Although there is no formal SLA with non-Scottish Forces, they are expected to perform within the same timescales as the Scottish Forces and these figures tend to suggest that they performed better than Scottish Forces in terms of both average time to respond and the percentage responded within 14 days. However, it is worth pointing out that the nature of enquiries undertaken by Scottish and non-Scottish forces is not an exact match and hence these figures are not directly comparable.

The following chart shows the monthly force enquiry volumes and the average turnaround time for all forces and for Scottish forces in 2009-10:



Disputes

Disputes can originate from anything that is disclosed on a certificate that the applicant feels is incorrect. Disclosure Scotland categorise the disputes into 3 types; Identity, Accuracy, and Other Relevant Information (ORI).

- An identity dispute usually occurs when the recipient of the disclosure challenges the entire content of a certificate because it contains information that does not belong to them, for example, when information from another person's criminal record has been included on the certificate.
- An accuracy dispute arises, for example, when the recipient of the certificate questions the inclusion or exclusion of a conviction that belongs to them, the disposal for the conviction or that they were charged and convicted for an offence different from that shown.
- Other Relevant Information (ORI) disputes relate to the information provided by police forces as a result of force enquiries made for enhanced disclosure applications only.

In 2009-10, Disclosure Scotland received a total of 380 disputes of which 198 (52 per cent) were upheld. This is equal to 0.02 per cent of all applications processed. Details of these 380 disputes are shown in the table below:

| Force | Total Disputes | Upheld |
|--------------|----------------|------------|
| Identity | 71 | 51 |
| Accuracy | 173 | 101 |
| ORI | 136 | 46 |
| Total | 380 | 198 |

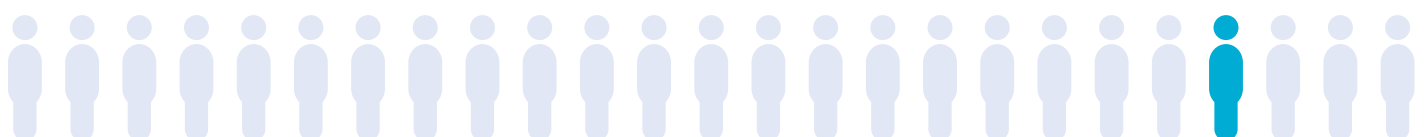
Disclosure Scotland's service level is to resolve any dispute within 21 calendar days, although this does not include any time a dispute is spent with a force.

Volume Forecasting

Imperative to Disclosure Scotland's business is volume forecasting. An accurate forecast is vital to the organisation's operational planning and financial budgeting. Using a combination of trend analysis, environmental scanning, and regular discussions with our major clients, a volume forecast is produced before the beginning of each year. This is continually monitored and updated throughout the year, if new information becomes available. The volume forecast for both 2008-09 and 2009-10 proved to be very accurate with only a small variance (1 per cent) between the forecasted and actual volume.

Staff Modelling

Linked to this volume forecasting and playing an equally important role in the organisation is staff modelling. The staff model uses a number of assumptions, including productivity and absence levels, which are based on historic data. This allows the model to calculate the number of vetting staff required throughout the year to process the forecasted volume of applications. The dynamic nature of this model means that if the assumptions or forecast is changed for any reason, the required staff numbers are updated accordingly. This model, which gives a monthly breakdown of vetting staff required, allows Disclosure Scotland to plan its recruitment effectively, including the use of temporary workers at key peaks. It also allows the organisation to calculate predicted staffing costs at the beginning of each financial year.



The 2009-10 year in focus

This chapter sets out key changes and achievements in 2009-10 in terms of the 4 objectives that underpin Disclosure Scotland's activity: meeting its public performance target; improving operations; embedding as an Executive Agency and improving the organisation; and preparing for and delivering the Protecting Vulnerable Groups (PVG) Scheme.

Public Performance Target

Disclosure Scotland's key activity is providing its public service to customers. Our performance was within target, as highlighted in Chapter 6.

In addition to application vetting, a range of support activity underpinned this performance, including handling calls from the public, liaison with forces, and training of staff.

Improving Operations

Disclosure Scotland established a capacity during 2009-10 to assess Northern Irish criminal record information electronically. This change will allow Disclosure Scotland to broaden its searching of criminal record databases in the UK. It will enhance the quality of service provided to employers and organisations requesting disclosure information by broadening that scope. This change will be continued within the new IT software being developed for the new Protecting Vulnerable Groups (PVG) Scheme in the coming year.

We also embedded a Disaster Recovery capacity within the organisation during 2009-10. We now have an IT disaster recovery solution provided in a secondary

data centre; as such, should the principal IT system be disrupted for two days or more, the service can be provided through the use of the secondary solution, thereby giving a level of protection against serious IT problems. Failover and fallback aspects of it are subject to testing on a 6-monthly basis.

We also established the basic groundwork during 2009-10 for a business continuity capacity, which is an important part of the preparation for the PVG scheme. Through the initiative, were there to be a total or partial loss of Disclosure Scotland's building (for whatever reason) for longer than 3 days, a third party recovery site can be accessed, allowing Disclosure Scotland to accommodate key operational staff, including staff from Disclosure Scotland's business partner, BT. The live connection – which completes the basic groundwork – is due to be established during 2010-11.

Improving the Organisation

The ISO 9001 (2008) Quality System

An effective quality management system is important in the running of Disclosure Scotland. The organisation has been accredited with the Quality Standard ISO 9001:2000 since January 2004. In September 2009, we achieved accreditation to the updated Quality Standard ISO 9001:2008, a year ahead of schedule. The accreditation confirms our compliance with the ISO 9001:2008 Quality Standard and effective management of our Quality System.

The organisation's accreditation is maintained by the recognised auditing company ISOQAR. This involves twice

yearly external independent audits. The ISOQAR auditors predetermine specific sections of the Standard they wish to audit and examine our main processes to ascertain any issues or improvement requests. External audits in January 2009, September 2009 and January 2010 were completed without any improvement requests identified. An audit of the full Quality Management System is carried out triennially, the last having been completed in September 2009 where the upgraded accreditation was achieved. The next ISOQAR external audit is scheduled for late August 2010.

Becoming a Scottish Government Executive Agency

In the course of the year we published our Framework Document and a Corporate Plan to cover 2009 to 2011. We also set up our new Strategic Board, as required by Executive Agency status.

We undertook some limited procurement activity accessing established Framework Agreements to deliver best value in terms of cost to the public purse and procurement best practice and are grateful to colleagues in the Scottish Government's Centre of Procurement Expertise for their help. In the coming year we will build on our in-house procurement expertise.

Introducing Environmental Initiatives

As noted in Chapter 3, an Environmental Forum was set up to promote sustainability both in terms of the way we travel to work and whilst at work. Preparatory work has taken place to look at the possibility of a scheme offering dedicated parking spaces for car-sharers and the Forum is championing other greener forms of travel. It has also explored how we handle waste and in the coming year will work to maximise the benefits of the waste management processes established in the tenant's cleaning contract.

Accounting Procedures

The reporting year presented a range of new challenges in respect of accounting procedures. We established accounting treatment and valuation of the PPP contract and the conversion from cash to resource accounting as required under International Financial Reporting Standards (IFRS). In addition, we established the values and accounting treatment of the opening balances to be transferred to the Agency from Scottish Government with an effective date of 1 April 2009. This report accompanies the first set of accounts submitted to Audit Scotland.

Preparing for the PVG Scheme

The organisation worked throughout 2009-10 with the core PVG Implementation Team in Scottish Government on the complex IT, data and internal and external business preparations for the new PVG Scheme.

As mentioned in Chapter 2, Enhanced disclosures for work with children or protected adults will be replaced by PVG Scheme membership under the provisions of the PVG (Scotland) Act 2007. People who work with vulnerable groups will join the PVG Scheme and their membership records will be updated automatically with any new conviction and non-conviction information over time. While in the vast majority of cases there will be no new information that is relevant, the automatic updating of information will help to ensure that any new relevant information indicating that an individual might pose a risk to vulnerable groups can be acted upon promptly.

The new Scheme will be easier to use for organisations recruiting people working with vulnerable groups. It will reduce the need for people to complete a detailed application form every time their circumstances change, as currently takes place with enhanced disclosures for such work. Once an individual is a Scheme member, organisations and groups recruiting people will, as a result, be able to do a quicker check to verify that a person is a Scheme member.

The PVG Scheme will also strengthen protection for vulnerable groups in instances where people are employed on a personal basis. Personal employers – such as a parent who employs a sports coach for their child or a person employing a personal carer – will be able to check that a person is a Scheme member.

It will, in addition, improve protection for adults as there will be a list of those who are barred from working with protected adults. This will complement the list already in operation for those who are barred from working with children.

During 2009-10, significant progress was made in the preparations for the PVG Scheme. On the IT and related security preparations, Disclosure Scotland staff contributed significantly to the specification of the user and system requirements for PVG; developed a related test strategy; established the early necessary infrastructure to support the coming PVG systems, and completed the security accreditation for the Pacific Quay service. They also worked with future data providers – in particular the Scottish Police Services Authority (SPSA) and the National Policing Improvement Agency (NPIA) – to agree PVG access to third party information.



How we will build on our achievements

Improving Operations

Security

Our primary information system is formally accredited to the UK Government's Information Assurance Standards. Our staff induction arrangements include training on data protection, Freedom of Information, and information security. We encourage all staff to value and protect the information that they use as part of their job.

We will continue to work towards ISO 27001, covering all aspects of information security, as well as ensuring that Disclosure Scotland meets all necessary accreditation requirements for its external partners. ISO/IEC 27001 is the international best practice for the management of information security.

Protective Security, including physical, personnel and information security, is an essential part of the organisation's business, and needs to be managed effectively, collectively and proportionately to achieve a secure and safe working environment. With the change of function associated with the transition to the Protecting Vulnerable Groups (PVG) Scheme, we are reviewing aspects of security to ensure that appropriate measures are in place.

Improving the Organisation

Strategic Board and Audit Committee

The new Strategic Board will offer increased oversight of corporate governance in the coming year. Its work programme will include monitoring the approach to the overall running of the organisation, reviewing our readiness for PVG, and assisting with business planning and reporting.

The non-executive directors of the Strategic Board have convened a new Audit Committee, which will support the Chief Executive with regard to his responsibilities for issues of risk, control and governance. The Audit Committee will meet quarterly and its work programme in the coming year includes:

- consideration of both internal and external audit opinions;
- reviewing the draft accounts;
- reviewing risk and control management; and
- preparing an annual report for the Accountable Officer detailing the work and performance of the Committee.

Equality

In the discharge of our Public Sector Equality Duties, Equality Impact Assessment will be considered in any new policies and practices contributing to Disclosure Scotland's strategic objectives. In the coming year it is our intention to assess our activity and put in place an Action Plan to discharge our equality duties.

Preparing for, and Delivering, the PVG Scheme

The Protection of Vulnerable Groups (Scotland) Act 2007 will have major implications for Disclosure Scotland's service. It is anticipated that the Scheme will go-live during late 2010. To deliver the PVG Scheme, substantial new processes will be required in the Disclosure Scotland operation. A Transition Plan has been developed to identify, document and manage the changes required to the current business processes to support the implementation of PVG. In addition to legislation changes, new IT system development, new information exchange process, and engaging stakeholders, there is a major internal change requirement for Disclosure Scotland, including staff restructuring and training. The IT system being developed to support the new Scheme is sophisticated, secure and resilient.

During most of the first year after go-live, the application process will be paper based. During summer of 2011, the new secure, electronic, system will become available - allowing on-line interaction with the Scheme and a more efficient service. A paper-based system will continue to be available for those who wish it.

The new scheme will complement similar arrangements for the rest of the UK established under the Safeguarding Vulnerable Groups (SVG) Act 2006, so that an individual who is listed in either jurisdiction will be unable to work in that field of work anywhere in the UK.

How we will determine unsuitability

As noted in Chapter 7, an important aspect of the PVG Scheme is that there will be a list of those who are barred from working with protected adults, complementing the list already in operation for those who are barred from working with children. Where vetting or referral information indicates that a person may pose a risk to these vulnerable groups, Disclosure Scotland will consider all information available before deciding whether they should be placed under consideration for listing on one or both of the barred lists. Decisions about barring will be based around a thorough and fair framework. An individual will have access to all information being considered and be able to submit written representation to Disclosure Scotland.

Where an individual is assessed as unsuitable to work with children and/or protected adults, Disclosure Scotland will list them on one or both of the barred lists. It will be an offence for a barred person – and for an organisation to permit that person – to undertake such work.

Key stakeholders and experts contributed in a seminar in March 2010 to the development of a reliable and fair approach to deciding who should be barred from working with vulnerable groups. Delegates heard about the range of research and analysis already undertaken by Disclosure Scotland to develop the determinations process and considered early drafts of the assessment aides case workers will use. Delegates agreed with the approach Disclosure Scotland intends to apply in making decisions to bar people.

Types of PVG Applications & Fees

Applications to join the PVG Scheme for the first time or for a PVG Scheme Record (full record) will cost £59. Once all of the existing workforce has joined, a PVG Scheme Record will only be required for people new to the workforce or when an employer chooses to follow up any new vetting information relating to an employee.

Once a person becomes a PVG Scheme member in respect of working with children, protected adults or both, the fee will be £18 for any future PVG Scheme Record Updates. In the vast majority of cases, this will be all that an employer will need to confirm that there is no new vetting information about an existing member. This is because over 90 per cent of current enhanced disclosures contain no new criminal history information. It follows therefore, that over 90 per cent of PVG Scheme members will have no criminal history information on their scheme record when they join and only very small numbers are likely to acquire new convictions thereafter.

It will only be when a PVG Scheme Record Update shows that new vetting information has been recorded, that an employer may wish to request a PVG Scheme Record Disclosure to see the detail. The proposed fee for this will be the difference between the cost of the Scheme Record and the Update – £41.

At present the disclosure system has no memory. This means that even if a person has made multiple disclosure applications in the past, they and their employer have to process every application from scratch because a full identity verification and a fresh check for criminal history information is required every time. This is time-consuming and therefore costly.

The PVG Scheme will change this. After a person becomes a member, only one page of personal information will be required on the application form to enable Disclosure Scotland to process any future checks. All the other information supplied during the original application for PVG Scheme membership will already be held and Disclosure Scotland will simply download the membership record and then issue a PVG Scheme Record Update.

In addition, about one year after commencement, the online account facility will be available. This will speed up the process even more. Organisations will be able to process all applications via a secure online portal and PVG Scheme Record Updates will be issued online. It will also be possible to view financial statements online and receive and process invoices electronically.

For voluntary organisations choosing not to register direct with Disclosure Scotland, the Central Registered Body in Scotland (CRBS) process will be streamlined to end the need for duplicate processing of information. This will decrease turnaround time by at least two days. PVG Scheme membership for volunteers working with vulnerable groups in the qualifying voluntary sector will continue to be free whether applied for via the CRBS or direct from Disclosure Scotland.

Further information

In recognition that there are various websites that provide information on the PVG Scheme and the vetting and barring scheme that will be implemented in the rest of the UK, a new web landing page has been created.

The purpose of this page is to help direct people to the most appropriate and relevant website depending on their needs and, to enable them to register on to the PVG Scheme mailing list if they are not already receiving this regular Progress Update newsletter and other email updates. The web landing page is at www.infoscotland.com/pvgscheme

What benefits does PVG bring?

The principal benefit of the Scheme is to improve the safety of vulnerable groups. There are benefits in terms of reduced administrative costs over the longer term. As part of the PVG programme delivery, the management of benefit delivery is key to ensuring that the potential value from the programme is realised. The value of the Scheme is the broad range of benefits from the new scheme that will be available to stakeholders, in either quantifiable or quality improvements.

| Internal Benefits | External Benefits |
|--|---|
| Consistent decision making regarding unsuitability | Fewer incidents of harm in the regulated workforce |
| Better informed decisions through information sharing | Improved availability, responsiveness & faster access |
| Improved data management | Reduced administrative cost for employers |
| Improved efficiency of information sharing with partners | Reduced lifetime costs for typical members |
| Transparency of decision making | Improved ease of use for employers/ users |
| Improved management of list info across the UK | Improved reporting & transparency |
| Increased motivation & retention of staff | Improved understanding of the obligations of the Act |
| More effective use of resources | Enhanced decision making for personal employers |
| Improved management of registration | Improved decision making regarding suitability by employers |



Statement of the Agency's and Chief Executive's responsibilities

Statement of the Disclosure of Information to Auditors

So far as the Accountable Officer is aware:

- There is no relevant audit information of which Disclosure Scotland's auditors are unaware;
- The Accountable Officer has taken all steps that he ought to have taken to make himself aware of any relevant audit information, and to establish that the entity's auditors are aware of this information.

Statement of Agency's and Chief Executive's Responsibilities

Under section 19(4) of the Public Finance & Accountability (Scotland) Act 2000, the Scottish Ministers have directed Disclosure Scotland to prepare a statement of accounts for each financial year in the form and on the basis set out in the direction on page 73 at the end of the accounts. The accounts are prepared on an accruals basis and must give a true and fair view of the Agency's state of affairs at the year-end and of its operating cost statement, balance sheet, statement of changes in taxpayers equity and cash flows for the financial year.

In preparing accounts, the Accountable Officer is required to:

- observe the accounts direction, including the relevant accounting and disclosure requirements;
- apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Agency will continue in operation.

The Principal Accountable Officer of the Scottish Administration has appointed the Chief Executive of Disclosure Scotland as the Accountable Officer for the Agency. The relevant responsibilities as Accountable Officer, including responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Memorandum to Accountable Officers issued by the Principal Accountable Officer.



David Patel

Chief Executive

30 September 2010



Financial Statements

The Financial Statements cover the period from 1 April 2009 to 31 March 2010. They have been prepared in accordance with the Direction given by Scottish Ministers in pursuance of the Public Finance and Accountability (Scotland) Act 2000, and in accordance with the Government Treasury Financial Reporting Manual (FRoM). As Disclosure Scotland is an Executive Agency of the Scottish Government, the financial statements are consolidated within the Scottish Government Consolidated Resource Accounts.

Disclosure Scotland's annual report and accounts are published on the Agency website at: www.disclosurescotland.co.uk and the Scottish Government Consolidated Resource Accounts at: www.scotland.gov.uk

Financial Performance in 2009-10

Disclosure Scotland's service provides employers, voluntary sector organisations and individuals with disclosure information to assist in their recruitment decisions. The process involves the receipt and processing of disclosure applications and the distribution of completed disclosure certificates. The cost of the disclosure application is set at a level to enable the Agency to be broadly break-even at the end of each financial year. On 1 April 2009, the fee for all types of disclosure was £20. It changed to £23 during the year.

New Budget Pressures

Disclosure Scotland became an Executive Agency on 1 April 2009 and its assets and liabilities were transferred from Scottish Government. The Agency was allocated baseline transfers of £1.45m in the 2009-10 Budget Bill, which comprised £900k for grant funding to the Central Registered Body in Scotland (CRBS) and £550k to cover the depreciation cost of the Agency's key intangible asset.

Prior to the transfer, a number of new budgetary pressures were identified and the Agency initially forecast a significant deficit for 2009-10 at the start of the financial year. These new pressures included:

- A change in the Agency's access to information held on the Police National Computer (PNC). This was previously covered by the overall Scottish Government contribution to NPIA for access to the data. From 2009-10 onwards, this was no longer the case and the cost was estimated at approximately £4m per annum;
- A change in the funding of free volunteer checks for individuals working in the voluntary sector;
- New costs incurred by the Agency on behalf of the PVG Implementation programme.

A fee increase to £23 was taken through Parliament in order to provide a contribution to the new budget pressures and other operating cost increases. The Regulatory Impact Assessment and associated Scottish Statutory Instrument were placed before Parliament and the £23 fee came into effect on 1 August 2009. In addition, £1m was secured as support from the Scottish Government in respect of the pressures in the Autumn Budget Revision.

Disclosure Scotland also implemented a solution to permanently reduce the PNC cost. This resulted in a cost saving of approximately £2.5m in 2009-10 and there will be additional savings in future years.

Additional savings across a range of costs further reduced the forecast deficit. DG Education in the Scottish Government authorised a further budget transfer of £207k in respect of PVG costs in the Autumn Budget Revision, together with a transfer of £323k to bring the Agency back into a break even position. A further £223k was transferred at the Spring Budget Revision as a further contribution to PVG costs incurred in the year.

Out-turn for 2009-10

As in prior years, the Agency reported forecast out-turns to DG Education's Finance Team on a monthly basis. The basis of the forecasts was the Agency's volumetric model, which uses information based on trend analysis and regular discussions with key clients. The model differentiated between types of disclosures (e.g. basic and enhanced) and was monitored, updated and evaluated on a regular basis.

The volumes, and consequently the direct income and expenditure, were broadly on target for the majority of the year. In March 2010, however, there was an unexpected 22 per cent increase in Basics and a 4 per cent reduction in Standard/Enhanced against budget. Basic disclosures do not attract operational costs such as force enquiries and consequently provide the highest contribution towards fixed costs.

At the same time, Disclosure Scotland was part of the Scottish Government-wide exercise to convert to International Financial Reporting Standards (IFRS) for the 2009-10 financial year. This meant moving from cash accounting to accruals (or resource) accounting. Due to the complexities of the business, the accounting entries were not fully agreed with the auditors until May 2010. Both the increased volumes in March 2010 and the adjustments meant the out-turn was £941k greater than reported to the DG Education Finance Team in March 2010. The out-turn reported was based on Disclosure Scotland's detailed budget analysis for 2009-10 and is summarised in the table below.

| Disclosure Scotland Year to 31 March 2010 | Actual £'000 | *Budget £'000 | Variance £'000 |
|--|-----------------|------------------|-------------------|
| Income & Budgets | 24,130 | 23,339 | 791 |
| Expenditure | (22,960) | (23,110) | 150 |
| Surplus/(Deficit) | 1,170 | 229 | 941 |

*Disclosure Scotland's detailed budget for management reporting purposes.

In the table above, the budgets authorised by DG Education are incorporated within Income and was the format used for internal management reporting purposes. The following table re-states the out-turn and compares the actual 2009-10 result against the budgets authorised per the Budget Bill.

**Disclosure Scotland
Year to 31 March 2010**

**Actual
£'000**

***Budget
Bill
£'000**

**Variance
£'000**

| | | | |
|--------------------------------------|----------------|----------------|--------------|
| Income & Budgets (excluding budgets) | 20,927 | 20,137 | 790 |
| Expenditure | (22,960) | (23,340) | 380 |
| Surplus/(Deficit) | (2,033) | (3,203) | 1,170 |

Represented by:

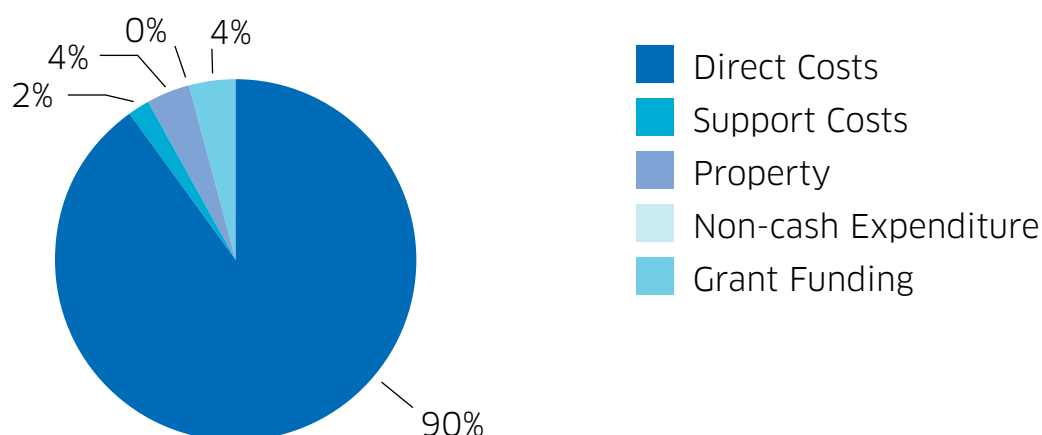
| | | | |
|-----------------------------------|----------------|----------------|--------------|
| 09-10 baseline transfers | (1,450) | (1,450) | - |
| DG Education transfer | (1,000) | (1,000) | - |
| PVG costs transfers | (430) | (430) | - |
| Deficit funding as at August 2009 | (323) | (323) | - |
| 2009-10 surplus | 1,170 | - | 1,170 |
| | (2,033) | (3,203) | 1,170 |

***Spring Budget Revision**

As Disclosure Scotland's results are consolidated into the Scottish Government accounts, the surplus of £1,170k was effectively returned to DG Education as an unspent budget at the year-end. This surplus more than offset the deficit funding of £323k provided by DG Education at the Autumn Budget Revision.

Expenditure

The bulk of the Agency's Operating Costs consist of direct expenditure such as operational salaries, PPP contract payments, cost of accessing police information etc. The actual expenditure of £22,960k is analysed below:



Almost all of Disclosure Scotland's budget is spent directly or indirectly on the operational activities.

Relationship with Suppliers

Disclosure Scotland is committed to prompt payment of bills for goods and services received and operates to the Scottish Government target of paying suppliers within 10 working days. In 2009-10, Disclosure Scotland paid 98.3 per cent of invoices within the target turnaround time.

Staff Absence

For the twelve-month period from 1 April 2009 to 31 March 2010, 8.95 per cent of working days were lost as a result of sickness absence.

Board Members' Interests

Board member interests are recorded in a "Register of Interests" maintained by Disclosure Scotland and the key information is summarised in the "Remuneration Section" of this annual report.

Appointed Auditors

The accounts for 2009-10 are audited by Audit Scotland who are appointed by the Auditor General for Scotland. The notional fee for this service was £19k, which related solely to the provision of the statutory audit service.

Freedom of Information

The Freedom of Information (Scotland) Act 2002 aims to make information held by public authorities accessible. Disclosure Scotland acts in the spirit of openness to provide information (unless exempt) within 20 working days. It is developing a Publication Scheme in the coming year.

Significant Events Since the End of the Financial Year

To date there have been no significant events since the end of the financial year.



David Patel
Chief Executive

30 September 2010



Statement on Internal Control

Scope of Responsibility

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives set by the Scottish Ministers, whilst safeguarding the public funds and assets for which I am responsible, in accordance with the responsibilities assigned to me.

Purpose of the System of Internal Control

The Scottish Public Finance Manual (SPFM) is issued by the Scottish Ministers to provide guidance to the Scottish Government and other relevant bodies on the proper handling and reporting of public funds. It sets out the relevant statutory, parliamentary and administrative requirements, emphasises the need for economy, efficiency and effectiveness, and promotes good practice and high standards of propriety.

The SPFM sets out a framework of accountability for public bodies in relation to the use of public funds. As mentioned, the Chief Executive is the accountable officer of the Agency and as such is directly responsible for the funds under his stewardship.

The SPFM sets out a robust risk management process which provides assurances to Chief Executives in completing a Statement of Internal Control (SIC). In particular, the SIC is supported by Certificates of Assurance from all the business areas within the Agency. The responsible officers provide a Certificate of Assurance only after they

complete the risk management process set out in an Internal Control Checklist. This system helps embed an ongoing process in our corporate practices which evaluates, monitors and addresses risks in a way which is efficient, economical and effective.

Risk and Control Framework

The SPFM requires all public bodies to maintain a risk management system which complies with its guidelines. Within the Agency risks are managed as follows:

- Corporate risk is a standing agenda item which is discussed at meetings of our Strategic Board, the Audit Committee and our Senior Management Team, and is managed by a Risk Review Group;
- Operational risks are identified and managed by the Agency's Operations Board and these are discussed within, or if required escalated to, corporate risk management through the Risk Review Group;
- The implementation of the new scheme arising from the PVG legislation is managed by the PVG Project Board led by the Children, Young People and Social Care (CYPSC) Directorate in DG Education of the Scottish Government. Related risks are identified and managed by the PVG Project Board and are addressed as required in the corporate risk management process through the Risk Review Group. In the coming year, as we approach and subsequently implement the PVG Scheme, the Agency will work with the PVG Project Board to manage the transfer of any remaining risks to the Agency's risk

registers. This will be a phased process and some will remain with the PVG Project Board after the first phase of implementation; and

- The Head of Disclosure Services is the Senior Information Risk Owner (SIRO) for the Agency. He is a member of the Agency's Information Security Forum and Risk Review Group, and works with the Information Security Officer on the development of the Agency's security policies.

During 2009-10, mitigation to address identified risk also included:

- Identifying Information Asset Owners (IAO) across the various functional areas within the Agency. IAOs will form the file-plan development team in the coming business year as the Agency implements eRDM;
- Taking steps to ensure that all staff undertook an e-learning module developed by the Cabinet Office on Data Handling. It is envisaged that IAOs will undertake the second stage of this training during 2010-11;
- Undergoing internal audits of both our corporate governance arrangements as a new Executive Agency and our health and safety practices, ensuring action points are captured in our business planning process for the coming year.

The Agency is committed to an ongoing process of improvement and development involving its people, the organisation as a whole, and its stakeholders. In our first year as an Agency:

- we have refined our business continuity and disaster recovery plans in preparation for the implementation of the PVG scheme;
- we have transferred to the Scottish Government's SCOTS computer network and introduced electronic flexi and eHR systems;
- we have conducted awareness sessions prior to the introduction of development reviews for all staff and introduced a Training Forum;
- we have taken steps to further explain how Scottish Government HR policy applies in a shift-working environment;
- we have established a Staff Forum and a structure to take forward action points from the 2009 staff survey;
- we have embedded many of the requirements of Agency status including establishing our Strategic Board and Audit Committee;
- we have published our Framework Document, our Business Plan for 2010-11 and our Corporate Plan 2009-2011;

- we have identified areas for future internal audit with Scottish Government internal audit colleagues and our new Audit Committee which will broaden our level of assurance; and
- we have identified budget holders within the Agency with each having a cost centre and receiving monthly management accounts and the supporting commentaries.

Review of Effectiveness

As Accountable Officer, I have to review the effectiveness of the internal control system. My review was informed by:

- my management team who are aware of and diligent in discharging their responsibilities in relation to internal control, and in particular I have received Certificates of Assurance and supporting Internal Control Checklists from members of the Agency's senior management team covering their individual area of responsibility;
- the report I and the Agency's Audit Committee received from Scottish Government Internal Audit colleagues on internal audit activities in 2009-10, including annual assurance;
- comments made by the external auditors in their management letters and other reports.

The Audit Committee

The membership and remit of the Agency's Audit Committee was developed in March 2010. It was decided that the Audit Committee would meet on a quarterly basis beginning in April 2010. It is chaired by the external non-executive director of the Strategic Board. It considers internal and external reports and reviews our corporate risk register at all its meetings. In the coming year, I will formally ask the Audit Committee for a view on the effectiveness of the Agency's risk management process.

Managers Reports and Assurances

As a new Agency, this is the first year that the organisation has adopted the aforementioned Certificates of Assurance. My management team met colleagues from Scottish Government Internal Audit to ensure they had a clear understanding of what assurance was required, the process involved and how to engage staff to embed assurance and accountability in the Agency. Following this, team meetings were held to address the Internal Control Checklist which was submitted to support the certification process. I am satisfied that my management team has adopted a robust approach to risk management and reporting and I am content to submit my Statement of Internal Control to the Scottish Government.

Health and Safety

At Pacific Quay, Disclosure Scotland participates in a building-wide health and safety committee with SPSA Forensic Services. This committee meets regularly to discuss and review any building-wide risks or specific health and safety issues that have been raised. Recent issues discussed have included the impact of building renovations and Her Majesty's Fire Inspectorate (HMFI) report into the fire safety plan for the building. Following this report an action plan was put in place and the key issues identified have been addressed and remedied. Less urgent recommendations are still being addressed.

Information Security Forum

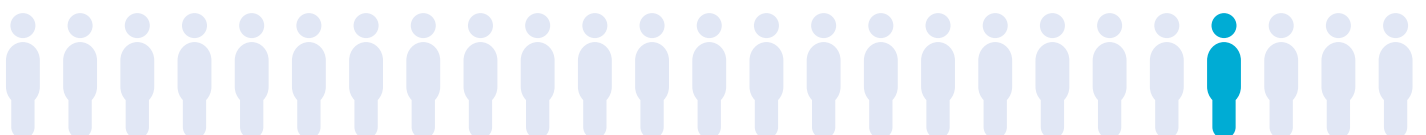
Disclosure Scotland has a quarterly Information Security Forum with members from our main delivery partners, external experts and stakeholders, Scottish Government Security colleagues, and internal Agency business areas. The Forum provides advice and governance on information security and is chaired by me as Chief Executive. As noted, we have an Information Security Officer who coordinates information security activities and provides specialist advice and guidance.



David Patel

Chief Executive

30 September 2010



Remuneration report

Remuneration Policy

The remuneration policy of all the Agency's management and employees is set by the Scottish Government under its standard terms and conditions of employment.

Service Contracts

Civil Service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes circumstances when appointments may be otherwise made.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commissioners can be found at www.civilservicecommissioners.gov.uk.

Disclosure Scotland does not have a remuneration committee.

Salary & Pension Entitlements

The following sections provide details of the remuneration and pension interests of the Strategic Board of Disclosure Scotland for the year to 31 March 2010. The information in these sections of the remuneration report covering salary and pension entitlements are subject to audit.

Remuneration

| 2009/10 | £'000 |
|---|--|
| D Patel* Chief Executive | 5-10 (50-55 full year equivalent; D Patel is 0.8 full-time equivalent) |
| B Gorman* Head of Disclosure Services | 5-10 (50-55 full year equivalent) |
| T Grant* Head of Operations | 5-10 (40-45 full year equivalent) |
| G Hart* Head of Protection Services | 5-10 (50-55 full year equivalent) |
| W McQueen Remunerated External Non-Executive Director Chair of the Audit Committee | £215 per day |
| R Gwyon Non-Remunerated Internal Non-Executive Director (from Senior Civil Service of Scottish Government) | Not applicable |
| M Gibb , Representing BT Plc | Not applicable |

The Strategic Board began on 16 February 2010 and the actual figures quoted for salaries and performance-related pay fall within the bandings quoted above.

Prior to this date, a Joint Management Board (JMB) was in place whose membership was a cross-section of senior management from Disclosure Scotland and the PPP partner, BT plc. The JMB met on a monthly basis to discuss a broad range of operational and planning issues including vetting operations, finance, IT, PVG implementation, information security, business planning and complaints. This board was superseded by the establishment of the Strategic Board.

The External Non-Executive Board member of the Strategic Board was appointed on a three-year contract after a public appointment process and is a remunerated position. The Internal Non-Executive member participates as a staff developmental opportunity and is not remunerated. Both Non-Executive board members also serve on the Agency's Audit Committee, with the External member serving as the Chair. Both members are eligible for relevant travel expenses.

In addition to the Non-Executive directors, Strategic board meetings are attended by Mr M Gibb, the representative of Disclosure Scotland's PPP partner, BT plc. This position does not attract remuneration, daily fees or travel expenses.

Salary

The salary includes gross salary; performance pay or bonuses; overtime; and any other allowance to the extent that it is subject to UK taxation. The report is based on payments made by the Agency during the financial year for the period for which the Strategic Board was in place. Full year equivalent data for the Executive members of the Board is also shown. The Executive members of the Board are marked with * in the table on page 43.

Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by Her Majesty's Revenue & Customs as a taxable emolument. In 2009-10 this value was £nil.

Pension Benefits

| | Accrued pension at age 60 as at 31/03/10 £'000 | Real increase in pension at age 60 £ | Lump sum at age 60 as at 31/03/10 £'000 | Real increase in lump sum at age 60 £ | CETV at 01/04/09 £'000 | CETV at 31/03/10 £'000 | Real Increase in CETV £'000 |
|-------------------------------------|---|---|--|--|---------------------------|---------------------------|--------------------------------|
| D Patel (from 16 Feb 10) | 15 - 20 | 0 - 2,500 | 45 - 50 | 0 - 2,500 | 235 | 235 | 2 |
| B Gorman (from 16 Feb 10) | 0 - 5 | 0 - 2,500 | 0 | 0 | 63 | 65 | 2 |
| T Grant (from 16 Feb 10) | 0 - 5 | 0 - 2,500 | 0 | 0 | 26 | 27 | 1 |
| G Hart (from 16 Feb 10) | 10 - 15 | 0 - 2,500 | 0 | 0 | 152 | 154 | 3 |

Non-Executive Agency board members positions are non-pensionable.

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a “final salary” scheme (classic, premium or classic plus) or a “whole career” scheme (nuvos). The Schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with changes in the Retail Price Index (RPI). New entrants from 1 October 2002 may choose either the appropriate defined benefit arrangement or a good quality “money purchase” stakeholder pension with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5 per cent of pensionable earnings for classic and 3.5 per cent for premium, classic plus, and nuvos. Benefits in classic accrue at the rate of 1/80th pensionable salary for each year of service. In addition, a lump sum equivalent to three years pension is payable on retirement. For premium, benefits accrue at a rate of 1/60th final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up some of their pension to provide a lump sum). Classic plus is essentially a variation of premium but with benefits in respect of service before 1 October 2002 calculated broadly the same way as classic. In nuvos, a member builds up a pension based on his pensionable earnings during the period of the scheme membership. At the end

of the scheme year (31 March), the member’s earned pension account is credited with 2.3 per cent of their pensionable earnings in that scheme year and, immediately after the scheme year end, the accrued pension is updated in line with RPI. In all cases, members may opt to give up pension for a lump sum up to the limits set by the Finance Act 2004. The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3 per cent and 12.5 per cent (depending on the age of the member) into a stakeholder product chosen by the employee from a panel of three providers.

The employee does not have to contribute but where they do contribute, the employer will match these up to a limit of 3 per cent of pensionable salary (in addition to the employer’s basic contribution). Employers also contribute a further 0.8 per cent of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately ceasing to be an active member of the scheme if they are already at or over pension age. The pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.

Further details of Civil Service pension arrangements can be found at the website www.civilservice-pensions.gov.uk.

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is an actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. It is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement where the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total actual service as a civil servant, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service schemes. These include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real Increase in CETV

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and the end of the period.

Pension Contributions

The Executive members of the Strategic Board, are members of the Principal Civil Service Pension Scheme (PCSPS) which provides benefits on a final salary basis at normal retirement age of 60. Disclosure Scotland's contributions to the scheme in respect of these members amounted to £34,075 for the year to 31 March 2010.

Register of Interests

The following appointments or other significant interest were held by members of the Strategic Board:

W McQueen is a remunerated Commission Member of the Accounts Commission for Scotland. He is also a remunerated board member and member of Scottish Legal Aid Board and Employment Tribunals (Scotland) respectively and the director of Bill McQueen Ltd, Consultancy Services.

R Gwyon is the Deputy Director of Housing Markets & Supply within the Housing & Regeneration Directorate of Scottish Government.

M Gibb is the General Manager of BT Global Services - Local Government Police and Judiciary, Devolved Government, UK Public Sector. He is also a member of various boards within BT Global Services.



David Patel
Chief Executive

30 September 2010



Independent auditor's report to Disclosure Scotland, the Auditor General for Scotland and the Scottish Parliament

I have audited the financial statements of Disclosure Scotland (the Agency) for the year ended 31 March 2010 under the Public Finance and Accountability (Scotland) Act 2000. These comprise the Operating Cost Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 123 of the Code of Audit Practice approved by the Auditor General for Scotland, I do not undertake to have responsibilities to Agency Board Members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Agency, Chief Executive and auditor

The Agency and Chief Executive are responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers. The Chief Executive

is also responsible for ensuring the regularity of expenditure and receipts. These responsibilities are set out in the Statement of Agency's and Chief Executive's Responsibilities.

My responsibility is to audit the financial statements and that part of the remuneration report to be audited in accordance with relevant legal and regulatory requirements and with International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland.

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers. I report to you whether, in my opinion, the information which comprises the Management Commentary, included in the Annual Report, is consistent with the financial statements. I also report whether in all material respects:

- the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers, the Budget (Scotland) Act covering the financial year and sections 4 to 7 of the Public Finance and Accountability (Scotland) Act 2000; and

- the sums paid out of the Scottish Consolidated Fund for the purpose of meeting the expenditure shown in the financial statements were applied in accordance with section 65 of the Scotland Act 1998.

In addition, I report to you if, in my opinion, the Agency has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed. I review whether the Statement on Internal Control reflects the Agency's compliance with Scottish Government guidance and I report if, in my opinion, it does not. I am not required to consider whether this statement covers all risks and controls or to form an opinion on the effectiveness of the Agency's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises sections one to eight of the Annual Report and the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Public Finance and Accountability (Scotland) Act 2000 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Auditor General for Scotland. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of expenditure and receipts included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Agency and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Agency's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

Financial statements

In my opinion

- the financial statements give a true and fair view, in accordance with the Public Finance and Accountability (Scotland) Act 2000 and the directions made thereunder by the Scottish Ministers, of the state of affairs of Disclosure Scotland as at 31 March 2010 and of the net operating cost, changes in taxpayers' equity and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers; and
- information which comprises the Management Commentary included in the Annual Report is consistent with the financial statements.

Regularity

In my opinion in all material respects

- the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers, the Budget (Scotland) Act covering the financial year and sections 4 to 7 of the Public Finance and Accountability (Scotland) Act 2000; and
- the sums paid out of the Scottish Consolidated Fund for the purpose of meeting the expenditure shown in the financial statements were applied in accordance with section 65 of the Scotland Act 1998.

Murdoch McCamley

12 October 2010

Murdoch McCamley, CA
Senior Audit Manager

Audit Scotland
Osborne House
1 Osborne Terrace
Edinburgh
EH12 5HG



Annual accounts 2009-10

Operating Cost Statement for the year ended 31 March 2010

| 2009/10 | Notes | £'000 | £'000 |
|--|-------|--------|---------------|
| Expenditure | | | |
| Staff costs | 5 | 5,020 | |
| Other operating costs | 6 | 17,395 | |
| Depreciation | 7, 8 | 555 | |
| | | | 22,970 |
| Income | | | |
| Income from Disclosure Fees | 3 | 20,634 | |
| Other operating income | 4 | 293 | |
| | | | 20,927 |
| Net cost of operations before capital charges | | | 2,043 |
| Capital charges | 13 | | (10) |
| Net cost of operations after capital charges | | | 2,033 |

The notes on pages 55-72 form part of these accounts.

Balance sheet at 31 March 2010

| 2009/10 | Notes | £'000 | £'000 |
|--|-------|---------|----------------|
| Non-Current Assets | | | |
| Property, Plant and Equipment | 7 | 10 | |
| Intangible Assets | 8 | 565 | |
| Total Non-Current Assets | | | 575 |
| Current Assets | | | |
| Trade Receivables and Other Current Assets | 9 | 3,507 | |
| Total Current Assets | | | 3,507 |
| Total Assets | | | 4,082 |
| Current Liabilities | | | |
| Trade Payables and Other Current Liabilities | 10 | (4,103) | |
| Provisions for Liabilities and Charges | 11 | (222) | |
| Total Current Liabilities | | | (4,325) |
| Total assets less Current Liabilities | | | (243) |
| Assets less Liabilities | | | (243) |
| Taxpayers' Equity | | | |
| General Fund | 12 | | (243) |
| Total Taxpayers' Equity | | | (243) |

The notes on pages 55-72 form part of these accounts.



David Patel

Chief Executive

30 September 2010

Cash Flow Statement for the year ended 31 March 2010

| 2009/10 | Notes | £'000 |
|---|--------------|--------------|
| Cash Flows from Operating Activities | | |
| Net operating cost | 12 | (2,033) |
| Adjust for non -cash transactions | 8, 13 | 564 |
| Add back : interest payable recognised in net operating cost for financing | | 40 |
| (Increase/decrease) in receivables and other current assets | | 52 |
| (Increase/(decrease) in trade and other payables | | 1,140 |
| (Increase/(decrease) in provisions | 11 | (327) |
| Net cash outflow from operating activities | | (564) |
| Analysis of cash flows from investment activities | | |
| Purchase of property, plant and equipment | 7 | (11) |
| Purchase of intangible assets | 8 | (33) |
| Net cash outflow from investment activities | | (44) |
| Analysis of cash flows from financing activities | | |
| From Scottish Consolidated Fund | 12 | 2,046 |
| Capital elements of payments in respect of the finance leases and on- balance sheet PFI/PPP contracts | | (559) |
| Interest element of finance leases and on-balance sheet PFI/PPP contracts | | (40) |
| Cash flows from financing activities | | 1,447 |

The notes on pages 55-72 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2010

| 2009/10 | Notes | General Fund £'000 |
|---|-----------|-----------------------|
| Balance at 31 March 2009 | | 0 |
| Prior year adjustments for changes in accounting policy and material errors | | 0 |
| Restated balance at 1 April 2009 | | 0 |
| Changes in taxpayers' equity for 2009/10 | | |
| Non cash charges | 13 | 9 |
| Net operating cost for the year | 12 | (2,033) |
| Total recognised income and expense for 2009/10 | | (2,024) |
| Parliamentary Funding | 12 | 2,046 |
| Transfer from Scottish Government to Agencies | 2 | (265) |
| Balance at 31 March 2010 | | (243) |

The notes on pages 55-72 form part of these accounts.



Notes to the accounts

Note 1 Accounting Policies

1.1 Authority

In accordance with the accounts direction issued by Scottish Ministers under section 19(4) of the Public Finance and Accountability (Scotland) Act 2000 these accounts have been prepared in compliance with the principles and disclosure requirements of the Government Financial Reporting Manual (FRM) issued by HM Treasury, which follows International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), International Financial Reporting Interpretations Committee (IFRIC) interpretations and the Companies Act 2006 to the extent that they are meaningful and appropriate in the public sector. They have been applied consistently in dealing with items considered material in relation to the accounts.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies. The accounts policies, and where necessary estimation techniques, selected are done so in accordance with the principles set out in International Accounting Standard 8: Accounting Policies, Changes in Accounting Estimates and Errors.

1.2 First Time Adoption of International Financial Reporting Standards

These financial statements have been prepared under International Financial Reporting Standards for the first time and the comparatives have been restated from UK Generally Accepted Accounting Policy (UK GAAP) where required.

For the year ended 31 March 2010, Disclosure Scotland is required to prepare its annual report and accounts in accordance with International Financial Reporting Standards (IFRS) as interpreted by the IFRM.

IFRS 1 requires that where an entity adopted IFRS for the first time, comparative amounts should be restated to reflect the new accounting policies, and that the date of transition to IFRS is the beginning of the earliest comparative year reported in the financial statements. For Disclosure Scotland applying IFRS from 2009-10, this means that the effective date of transition would normally be 1 April 2008.

The Agency, however, was established as an Executive Agency of the Scottish Government on 1 April 2009 and the assets and liabilities were transferred from Scottish Government to the Agency on that date. As such, Disclosure Scotland has no prior year comparatives. For ease of comparison, details of the balances transferred from Scottish Government under UK GAAP and IFRS to the Agency on 1 April 2009 can be found at Note 2.

1.3 Going Concern

The accounts are prepared on the going concern basis, which provides that the entity will continue in operational existence for the foreseeable future.

1.4 Accounting Convention

These accounts are prepared on a historical cost basis, as modified by the revaluation of property, plant and equipment, intangible assets and financial assets and liabilities at fair value.

1.5 Transfer of Assets from Scottish Government

On 1 April 2009, the status of Disclosure Scotland changed from a delivery unit within the core Scottish Government to an Executive Agency of the Scottish Government.

A summary of the balances transferred is provided at note 2.

1.6 Property, Plant and Equipment

Recognition

Property, plant and equipment is capitalised where: it is held for use in delivering services or for administrative purposes; it is probable that future economic benefit will flow to, or service potential be provided to, the Agency; it is expected to be used for more than one financial year; and the cost of the item can be measured reliably. All assets falling into the following categories are capitalised:

- Plant and Equipment which is capable of being used for a period which could exceed one year, and have a cost equal to or greater than £5,000;
- Information and Communications Technology (ICT) systems are capitalised where either the individual cost is over £1,000.

Expenditure on furniture, fixtures and fittings are charged to the operating cost statement in the year the cost is incurred and are not capitalised.

Measurement

Valuation

All plant and equipment assets are measured initially at cost, representing the costs directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management.

All assets are measured subsequently at fair value. Plant and equipment assets that have short useful lives or low values (or both) are reported on a depreciated historic cost basis as a proxy for fair value.

Subsequent Expenditure

Subsequent expenditure is capitalised into an asset's carrying value where it is probable the future economic benefits associated with the item will flow to the Agency and the cost can be reliably measured. Where subsequent expenditure does not meet these criteria the expenditure is charged to the operating cost statement. If part of an asset is replaced, then the part it replaces is de-recognised, regardless of whether or not it has been depreciated separately.

Depreciation

Depreciation is charged on a straight line basis on each main class of property, plant and equipment as follows:

| | |
|-----------------------------|---------------|
| Equipment - non fixed plant | 3 to 10 years |
| ICT equipment | 3 years |

1.7 Intangible Assets

Recognition

Intangible assets are non-monetary assets without physical substance which are capable of being sold separately from the rest of the Agency's business or which arise from contractual or other legal rights. They are recognised only where it is probable that future economic benefits will flow to, or service potential be provided to, the Agency and where the cost of the asset can be measured reliably.

Intangible assets that meet the recognition criteria are capitalised where they are capable of being used in the Agency's activities for more than one year and they have a cost of at least £1,000.

Measurement

Valuation

Intangible assets are recognised initially at cost, comprising all directly attributable costs needed to create, produce and prepare the asset to the point that it is capable of operating in the manner intended by management.

Subsequently intangible assets are measured at fair value. Where an active (homogeneous) market exists, intangible assets are carried at fair value. Where no active market exists, the intangible asset is revalued, using indices or some suitable model, to the lower of depreciated replacement cost and the value in use where the asset is income generating. Where there is no value in use, the intangible asset is valued using depreciated replacement cost. These measures are a proxy for fair value.

The main classes of intangible assets recognised are:

| |
|---|
| Computer software - bespoke development |
| Computer software - licences |

Revaluations and Impairment

Increases in asset values arising from revaluations are recognised in the revaluation reserve, except where, and to the extent that, they reverse an impairment previously recognised in the operating cost statement, in which case they are recognised as income.

Decreases in asset values and impairments are charged to the revaluation reserve to the extent that there is an available balance for the asset concerned, and thereafter are charged to the operating cost statement.

Intangible assets held for sale are reclassified to 'non-current assets held for sale' measured at the lower of their carrying amount or 'fair value less cost to sell'.

Amortisation

Intangible assets are amortised to their estimated residual value over their remaining useful economic lives in a manner that is consistent with the consumption of economic or service delivery benefits.

Amortisation is charged on a straight line basis to the operating cost statement on each of the main class of intangible assets as follows:

| | |
|---|---------------------------------------|
| Computer software - internally developed | 5 years |
| Computer software - licences | 3 years or life of licence if shorter |
| Held for sale | Not amortised |

1.8 Impairment of Non-Financial Assets

Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an asset is not held for the purpose of generating cash flows, value in use is assumed to equal the cost of replacing the service potential provided by the asset, unless there has been a reduction in service potential. For the purposes of assessing impairment, assets are grouped at the lowest levels

for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffer an impairment are reviewed for possible reversal of the impairment. Impairment losses charged to the operating cost statement are deducted from future operating costs to the extent that they are identified as being reversed in subsequent revaluations.

1.9 Leasing

Finance Leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the Agency, the asset is recorded as property, plant and equipment and a corresponding liability is recorded. The value at which both are recognised is the lower of the fair value of the asset or the present value of the minimum lease payments, discounted using the interest rate implicit in the lease. The implicit interest rate is that which produces a constant periodic rate of interest on the outstanding liability. Assets held under finance leases are valued at their fair values and are depreciated over the remaining period of the lease in accordance with IFRS.

The asset and liability are recognised at the inception of the lease, and are de-recognised when the liability is discharged, cancelled or expires. The annual rental is split between the repayment of the liability and a finance cost. The annual finance cost is calculated by applying the implicit interest rate to the outstanding liability and is charged to interest payable in the Operating Cost Statement.

Operating Leases

Disclosure Scotland has an operating lease with the Scottish Police Services Authority (SPSA) to lease approximately 68% of the premises at Pacific Quay. As with the Agency's other operating leases for equipment, the rental is charged to the Operating Cost Statement on a straight-line basis over the term of the lease.

1.10 Employee Benefits

Short-term Employee Benefits

Salaries, wages and employment-related payments are recognised in the year in which the service is received from employees. The cost of annual leave and flexible working time entitlement earned but not taken by employees at the end of the year is recognised in the financial statements to the extent that employees are permitted to carry-forward leave into the following year.

Pension Costs

Present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is a defined benefit scheme and is unfunded and non-contributory. The Agency recognises the expected cost of providing pensions for their employees on a systematic and rational basis over the period during which they benefit from their services by payment to the PCSPS of amounts calculated on an accruing basis (relevant disclosures are reported in Note 5). Liability for the payment of future benefits is a charge to the PCSPS.

In respect of the defined contribution schemes, the Agency recognises the contributions payable for the year.

1.11 Cost of Capital Charge

A charge reflecting the cost of capital utilised by Disclosure Scotland is included in the Operating Cost Statement. The charge is calculated at the Government's standard rate of 3.5 per cent on the average value of fixed assets and working capital held during the financial year.

1.12 Value Added Tax

Operating Costs are stated net of VAT where VAT is recoverable by the Agency. Disclosure Scotland is registered for VAT as part of the Scottish Government which is responsible for recovering VAT from HM Revenue & Customs on behalf of the Agency.

1.13 Segmental Reporting

The Agency identifies operating segments on the basis of internal reports that are regularly reviewed by the Chief Executive, and the Strategic Board, in order to allocate resources to the segments and assess their performance. Disclosure Scotland reports on one single core segment which represents the principle objective of the administration and processing of disclosure applications.

Note 2 Transfer of Assets and Liabilities from Scottish Government

On 1 April 2009 Disclosure Scotland was created as a separate accounting entity within the Scottish Government. The net assets transferred out from the Scottish Government, as recorded under International Financial Reporting Standards, were valued at £129k and comprised mainly an intangible asset, representing the software used to manage the processing of disclosure applications: the related finance lease liability: receivables and payables associated with accounting for processing applications: and a provision for pension transfer costs. Refinement of accounting policies for Disclosure Scotland's first statutory accounts led to a further adjustment of £394k, resulting in the recorded transfer in of net liabilities of £265k on 1 April 2009.

Future transfer of assets: Protecting Vulnerable Groups

New software is currently under development to accommodate the changes arising from the PVG legislation. The project budget and management is controlled by Scottish Government and not the Agency.

As at 31 March 2010, this asset was classified as an Asset under Construction with a value of £13.409m and will be transferred from Scottish Government to the Agency when the PVG scheme is implemented during 2010/11. The total capital cost is expected to be £26.019m, of which £9.526m and £3.084m will be incurred in 2010-11 and 2011-12 respectively.

The estimated life of the asset is 5 years, which is in line with Scottish Government policy.

Note 3 Income from Disclosure Fees

| 2009/10 | £'000 |
|-----------------|---------------|
| Disclosure Fees | 20,634 |
| | 20,634 |

Note 4 Other Operating Income

| 2009/10 | £'000 |
|--|------------|
| Recharges to Other Government Entities | |
| Criminal Records Bureau | 283 |
| Access Northern Ireland | 10 |
| | 293 |

Note 5 Staff Numbers and Costs

The average number of whole time equivalent persons employed (including senior management) during the year to 31 March 2010 was as follows:

2009/10

| | |
|--------------------------|------------|
| Senior Managers | 7 |
| Support Staff | 27 |
| Operations | 128 |
| Agency & Temporary Staff | 22 |
| | 184 |

The average number of disabled employees employed during the year was 9.

The aggregate payroll costs of these persons were as follows:

2009/10

£'000

| | |
|--------------------------|--------------|
| Wages & Salaries | 3,619 |
| Social Security Costs | 235 |
| Other Pension Costs | 605 |
| Agency & Temporary Staff | 561 |
| | 5,020 |

The pension costs are analysed as follows:

2009/10

£'000

| | |
|---|-----|
| Contributions paid to PCSPS | 604 |
| Contributions paid to partnership pension | 1 |

Principal Civil Service Pension Scheme

The Principal Civil Service Pension Scheme (PCSPS) is an un-funded multi-employer defined benefit scheme where Disclosure Scotland is unable to identify its share of the underlying assets and liabilities. More details about the scheme can be found under "Pension Benefits" in the Remuneration Report on pages 42-47.

Note 6 Other Operating Costs

2009/10

£'000

Administration

| | |
|----------------------------------|--------------|
| Notional costs - audit fees | 19 |
| Accommodation | 922 |
| Travel subsistence & hospitality | 40 |
| General administration | 555 |
| | 1,536 |

Programme

| | |
|------------------------------|---------------|
| Payments to contract partner | 10,950 |
| Grant Funding | 900 |
| Other programme costs | 4,009 |
| | 15,859 |

17,395

The audit fee is a notional charge as notified to the Agency by the external auditors, Audit Scotland.

No remuneration has been paid for non-audit services.

Note 7 Property, Plant and Equipment

| 2009/10 | ICT Systems £'000 | Total £'000 |
|--|-------------------------|----------------|
| Cost or valuation | | |
| Balance at 1 April 2009 | 0 | 0 |
| Additions | 11 | 11 |
| Disposals | 0 | 0 |
| Transfers from Scottish Government on 1 April 2009 | 2 | 2 |
| At 31 March 2010 | 13 | 13 |
| Depreciation | | |
| Balance at 1 April 2009 | 0 | 0 |
| Charged in year | 1 | 1 |
| Disposals | 2 | 2 |
| Transfers from Scottish Government on 1 April 2009 | 0 | 0 |
| At 31 March 2010 | 3 | 3 |
| Net book value | 10 | 10 |

| 2009/10 | ICT Systems £'000 | Total £'000 |
|-------------------------------------|-------------------------|----------------|
| Analysis of asset financing: | | |
| Owned | 10 | 10 |
| Finance leased | 0 | 0 |
| Net book value | 10 | 10 |

Note 8 Intangible Assets

| 2009/10 | Software Licences £'000 | IT Software £'000 | Total £'000 |
|--|----------------------------|----------------------|----------------|
| Cost or valuation | | | |
| Balance at 1 April 2009 | 0 | 0 | 0 |
| Additions | 33 | 0 | 33 |
| Disposals | 0 | 0 | 0 |
| Transfers from Scottish Government on 1 April 2009 | 0 | 4,555 | 4,555 |
| At 31 March 2010 | 33 | 4,555 | 4,588 |
| Amortisation | | | |
| Balance at 1 April 2009 | 0 | 0 | 0 |
| Charged in year | 11 | 543 | 554 |
| Disposals | 0 | 0 | 0 |
| Transfers from Scottish Government on 1 April 2009 | 0 | 3,469 | 3,469 |
| At 31 March 2010 | 11 | 4,012 | 4,023 |
| Net book value current year | 22 | 543 | 565 |

| 2009/10 | Software Licences £'000 | IT Software £'000 | Total £'000 |
|-------------------------------------|----------------------------|----------------------|----------------|
| Analysis of asset financing: | | | |
| Owned | 22 | 0 | 22 |
| Finance leased | 0 | 543 | 543 |
| Net book value current year | 22 | 543 | 565 |

Note 9 Trade Receivables and Other Current Assets

| 2009/10 | £'000 |
|-------------------|--------------|
| Trade receivables | 1,482 |
| Accrued income | 2,010 |
| Prepayments | 15 |
| | 3,507 |

The contract partner, BT plc, is contracted to operate and maintain the trade receivables ledger. Under the contract, BT plc is responsible for the cost of any debts in excess of 90 days. The net balance at 31 March 2010 representing recoverable debt was incorporated into the Disclosure Scotland ledger as Trade Receivables.

Accrued income represents the balance of Disclosure fees collected by BT plc but not yet transferred to Disclosure Scotland.

All receivable balances are with bodies external to government.

Note 10 Trade payables and Other Current liabilities

| 2009/10 | £'000 |
|---------------------|--------------|
| Trade payables | 1,155 |
| Accruals | 2,243 |
| Holiday pay accrual | 127 |
| Finance leases | 578 |
| | 4,103 |

Intra-Government Balances

| 2009/10 | £'000 |
|---|--------------|
| Balances with other central government bodies | 127 |
| Balances with bodies external to government | 3,976 |
| | 4,103 |

Note 11 Provision for Liabilities and Charges

| | As at 1 April 2009 £'000 | Transfers from Scottish Government £'000 | Released £'000 | As at 31 March 2010 £'000 |
|------------------------|-----------------------------------|---|-------------------|------------------------------------|
| Pension Transfer Costs | 0 | 549 | (327) | 222 |

Pension Transfer Costs

Disclosure Scotland staff who are ex-employees of Strathclyde Police were given the option to transfer their past service credits accrued in the Strathclyde Pension Scheme (SPS) into the premium scheme of the PCSPS. A provision was established in Scottish Government to meet the total cost of the transfers. This provision was transferred to Disclosure Scotland on 1 April 2009 (see Note 2) and the final payments in respect of the TUPE transfer are expected during 2010/11.

Note 12 General Fund

| 2009/10 | £'000 |
|--------------------------------------|--------------|
| At 1 April 2009 | 0 |
| Transferred from Scottish Government | (265) |
| Scottish Government funding | 2,046 |
| Notional charges | 9 |
| Net operating costs for the period | (2,033) |
| Balance at 31 March 2010 | (243) |

Expenditure and activity in 2009-10 was largely matched by income from third parties and funding from Scottish Government.

The General fund records that liabilities exceed assets by £243,000 at 31 March 2010. This does not represent an issue for the Agency as a going concern as liabilities will continue to be met as they fall due. The balances transferred from Scottish Government at 1 April 2009 were net liabilities of £265,000.

Note 13 Notional Charges

The following charges have been included within the accounts:

| 2009/10 | £'000 |
|-----------------------|----------|
| Auditors remuneration | 19 |
| Cost of capital | (10) |
| | 9 |

Note 14 Related Party Transactions

Disclosure Scotland is an Executive Agency of the Scottish Government. The Scottish Government is regarded as a related party and during the year, Disclosure Scotland had various material transactions with the Scottish Government.

In addition, Disclosure Scotland has had a small number of material transactions with other government departments, central government bodies, non-departmental public bodies and other similar organisations.

During the year, apart from their service contracts, no Board member or key manager has undertaken any material transactions with Disclosure Scotland.

Note 15 Pensions

Pension benefits are provided through the Civil Service pension arrangements.

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme. Disclosure Scotland is unable to identify its share of the underlying assets and liabilities. The scheme Actuary valued the scheme as at 31 March 2007. Details of this can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

During the year to 31 March 2010, employers contributions of £604k were payable to the PCSPS at one of the four rates in the range 17.1% to 25.5% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. In 2009/10, the salary bands were revised but the rates remained unchanged. The contribution rates are set to meet the cost of benefits accruing during 2009/10 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Note 16 Operating Leases

At 31 March 2010, Disclosure Scotland was committed to making the following payments in respect of operating leases:

| | Equipment £'000 | Property £'000 | Total £'000 |
|---------------------|--------------------|-------------------|----------------|
| Within 1 year | 1 | 622 | 623 |
| Within 2 to 5 years | 0 | 1,565 | 1,565 |
| After 5 years | 0 | 3,944 | 3,944 |
| | 1 | 6,131 | 6,132 |

The property leases are in respect of Disclosure Scotland's property at Pacific Quay and access to a facility in the event the business continuity plan has to be implemented.

Note 17 Finance Leases

From 1 April 2009, Disclosure Scotland is required to report under an IFRS based reporting manual (IFReM) and as such, the PPP contract with BT plc is incorporated into the Agency's balance sheet.

The contract with BT is designated a finance lease with infrastructure assets as defined under IAS 17 "Accounting for Leases" and IFRIC 12 "Service Concession Arrangements". Disclosure Scotland therefore has to recognise an asset and a finance lease liability for the bespoke IT system used to administer the disclosure application and certification process. The interest and service expenditure costs will be recognised in the period they fall due.

The contract with BT expires in 2014, but the life of the intangible asset is deemed to be shorter due to the introduction of the PVG scheme in 2010/11. The asset was incorporated into the Scottish Government balance sheet at 1 April 2008 under the IFRS first time adoption requirements (see Note 1). The net book value of the asset at 1 April 2009 was £1,087k and this transferred from Scottish Government to the Agency on that date.

Note 18 Contracted Capital Commitments & Contingent Liabilities

There were no contracted capital commitments outstanding at 31 March 2010 and not included within the balance sheet. No contingent liabilities existed at 31 March 2010.

Note 19 Financial Instruments

Under FRS 25 “Disclosure & Presentation of Financial Instruments”, the Agency requires to disclose information about the significance of financial instruments held over the year and the nature and extent of risks arising from those financial instruments. Disclosure Scotland is not exposed to the degree of financial risk faced by business entities because of the way it is funded. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 25 mainly applies. Financial assets and liabilities are generated by day to day operational activities and are not held to change the risks facing the Agency in undertaking its’ activities.

The Agency’s financial liabilities include a finance lease creditor with BT plc in respect of the intangible asset transferred from the Scottish Government to Disclosure Scotland on 1 April 2009 (see note 2). The asset life expires during 2010-11 and both the asset value and the associated finance lease will be fully written off in the 2010-11 financial year.

| Financial Assets | Loans & Receivable £'000 |
|----------------------------|-----------------------------|
| Trade Receivables (note 9) | 1,482 |
| Accrued Income (note 9) | 2,010 |
| | 3,492 |

| Financial Assets | Loans & Receivable £'000 |
|-------------------------------|-----------------------------|
| Trade Payables (note 10) | 1,155 |
| Accrued Expenditure (note 10) | 2,243 |
| Lease Creditors (note 10) | 578 |
| | 3,976 |

Liquidity Risk

The Scottish Parliament makes provision for the use of resources by Disclosure Scotland in a Budget Act for each financial year. The Agency is primarily self-financing whilst the resources allocated through the Budget Acts is in respect of specific annual projects. Cash authorisation is provided by the Scottish Government to the extent that expenditure is covered by budget authority. Disclosure Scotland is not therefore exposed to liquidity risks.

Fair Values

Assets and liabilities are carried at fair value in the balance sheet of Disclosure Scotland. The Agency's financial assets consist of trade receivables (note 9) and accrued income (note 9).

Note 20 Post Balance Sheet Events

There have been no post balance sheet events of which the Agency is aware.





DISCLOSURE SCOTLAND

DIRECTION BY THE SCOTTISH MINISTERS in accordance with section 19(4) of the **Public Finance and Accountability (Scotland) Act 2000**

1. The statement of accounts for the financial year ended 31 March 2010 and subsequent years shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.
2. The accounts shall be prepared so as to give a true and fair view of the income and expenditure, recognised gains and losses, and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
3. This direction shall be reproduced as an appendix to the statement of accounts.

Signed by the authority of the Scottish Ministers



Dated 9 February 2010

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