Disclosure
SCOTLAND

ANNUAL REPORT AND ACCOUNTS 2014-15

Contents

Disclosure Scotland
An Agency of the Scottish Government
Presented to the Scottish Parliament under
Section 22(5) of the Public Finance and
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Laid before the Scottish Parliament
by the Scottish Ministers in October 2015.

SG/2015/146

CHIEF EXECUTIVE'S FOREWORD

The 2014-15 year has been both exciting and challenging. Subsequent events dictated that we undertook significantly more activities than those originally set out in our 2014-15 Business Plan.

During 2014/15 we have significantly progressed our transformation programme. We have received and processed over 1.6 million applications, our highest ever.

This is a year where we have significantly moved forward our transformational change agenda, let two major contracts, completed PVG recovery, exceeded our public performance targets and coped with the largest ever volume of disclosures. It has been a year of significant achievement of which the Agency should be very proud. This is a reflection of continued dedication and work of our staff, Board and stakeholders.

Disclosure Scotland's vision is to contribute to the national strategic objective of a Safer Scotland by making Scotland's communities safer and stronger. To set the scale of that contribution, I can report that during 2014-15 we received 1.6 million applications, a 12% increase in demand for our services on the previous year and the highest volume the Agency has ever received. Our public performance target is to process 90% of correctly completed applications within 14 days. I am pleased to report that in 2014-15 we processed 92% of applications within this target. Further, the efforts of our staff ensured 1.6 million applications were processed with an average turnaround time of 5.8 days.

In terms of our financial performance, in the period of this report we showed a resource underspend which resulted in Disclosure Scotland returning around £4.8 million to the Scottish Government.

I have every confidence that our staff, Board and stakeholders will continue to work together to provide a service which adds value and helps build communities which are safer and stronger for the people of Scotland.

Norman Egan
Chief Executive
01 September 2015

The Disclosure Scotland Board:

1. Stephanie Kerr	Non-Executive Director
2. Gerry McLafferty	Director of ICT and Programme Manager
3. Stephen Dingle	Non-Executive Director
4. Gerry Hart	Director of Protection Services and Policy
5. Norman Egan	Chief Executive

6. Tracy McIntyre — Director of Disclosure Services

7. Keith Ross — Non-Executive Director

8. Alan Eastwood — Director of Corporate Services (joined Board 10th August 2015)

9. Julie Culligan — Non-Executive Director

MANAGEMENT COMMENTARY STRATEGIC REPORT

Who we are and what we do

As an Executive Agency of the Scottish Government, Scottish Ministers decide on the policy objectives of the Agency and Disclosure Scotland delivers those objectives on their behalf.

There are two strands to the services we provide: disclosure and protection. We provide an accurate and responsive disclosure service that enhances public safety through enabling safer recruitment decisions. We deliver protection services through the Protection of Vulnerable Groups Scheme ("the PVG Scheme"); a membership scheme for those individuals in regulated work with children or protected adults. In this context Disclosure Scotland maintains barred lists of individuals unsuitable to work with children or protected adults.

Our core functions are largely defined by legislation.

Under the Protection of Vulnerable Groups (Scotland) Act 2007 (PVG), we:

- introduce individuals undertaking regulated work into the PVG Scheme and issue PVG Scheme disclosure records;
- act for Scottish Ministers in determining unsuitability for regulated work with children, adults or both groups and administer the barred lists in relation to regulated work.

Under Part V of the Police Act 1997, we:

- issue Enhanced Certificates where the individual's role is prescribed in legislation;
- issue Standard Certificates where the individual's role is excepted or excluded by an Order made under the Rehabilitation of Offenders Act 1974; and
- issue Basic Certificates.

More information on the types of Disclosure we provide can be found on our website, www.disclosurescotland.co.uk.

How our vision relates to the Scottish Government's Priorities

The Scottish Government's purpose is:

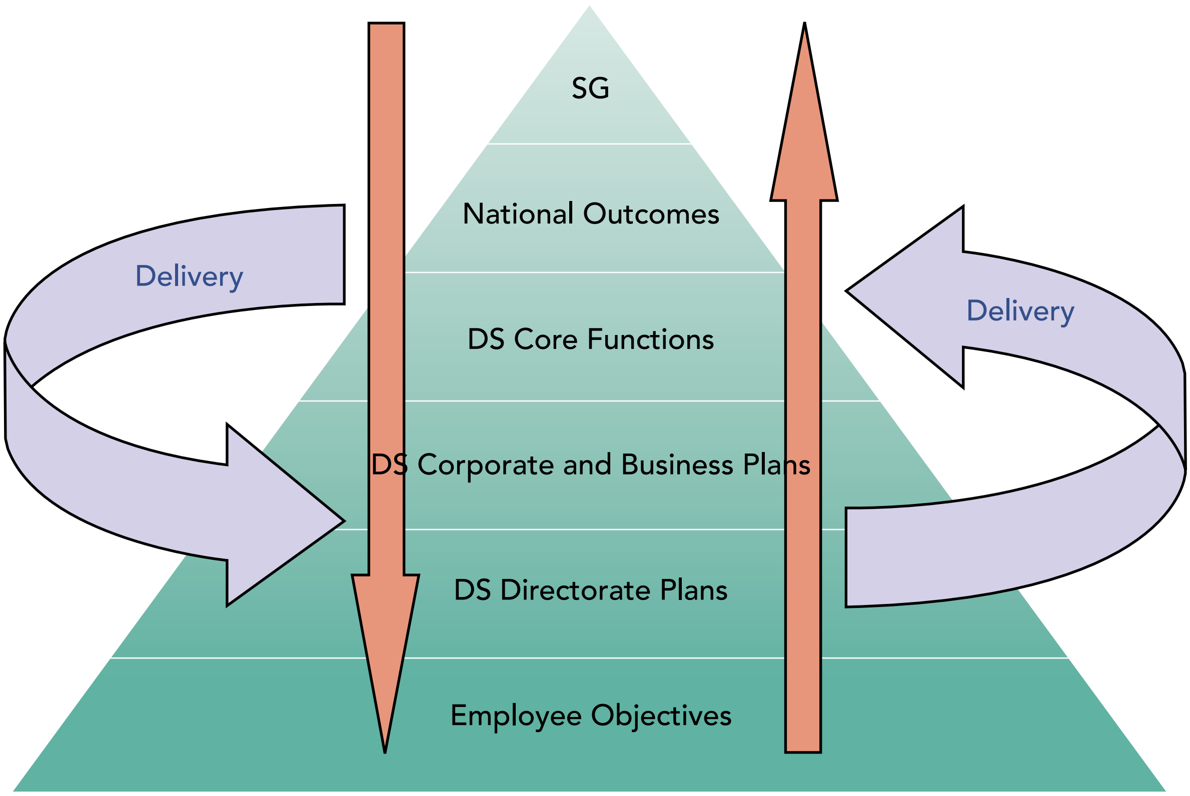
"to focus government and public services on creating a more successful country with opportunities for all of Scotland to flourish, through increasing sustainable economic growth"

The route to the achievement of the government's purpose is by a defined set of Strategic Objectives and National Outcomes. These comprise the National Performance Framework and provide a clear and consistent set of priorities across government and its agencies.

Our vision is to help make Scotland's communities safer and stronger. This contributes to the national strategic objective of a Safer Scotland and in particular we provide functions which contribute to the following outcomes:

- We have improved the life chances for children, young people and families at risk
- We live our lives safe from crime, disorder and danger
- Our public services are high quality, continually improving and responsive to local people's needs
- We reduce the local and global environmental impact of our consumption and production

The diagram below illustrates how our performance framework aligns with the government's purpose.



Our Values

The Civil Service Code sets out the core Civil Service values and the standards of behavior expected of all civil servants in upholding these values. All Disclosure Scotland staff are civil servants and are bound by the Civil Service Code. The core values of the Civil Service Code are:

- Integrity – we will put the obligations of public service above personal interests;
- Honesty – we will be truthful and open;
- Objectivity – we will base advice and decisions on rigorous analysis of the evidence; and
- Impartiality – we will act solely according to the merits of the case and serve equally well Governments of different political persuasions.

Disclosure Scotland Board

In my Governance Statement on page 39, I set out the role of the Board and its relationship with the Senior Management Team.

Following a Public Appointments exercise, Disclosure Scotland recruited two new Non-Executive Directors in January 2015.

As at 31 March 2015 the Board comprised:

Chief Executive (Chair)	**Norman Egan**
Programme Director	**Gerry McLafferty**
Director of Disclosure Services	**Tracy McIntyre**
Director of Corporate Services	**James Wallace**
Director of Strategic Policy and Protection Services	**Gerry Hart**
Non-Executive Director (Chair of the Audit and Risk Committee)	**Julie Culligan** Her career, spanning 25 years has been built advising boards on IT, business strategy and delivering major programmes of change in banking, life and pensions, government, general insurance, investments, wealth management and telecoms. Julie's most recent employed role was as an Executive Director in the IT Advisory practice of Ernst and Young in Sydney, Australia. Julie is also Chair of the Board of Home-Start Glasgow South, a registered charity which provides support and friendship to vulnerable families. She is self-employed and undertakes independent management consultancy.
Non-Executive Director	**Stephen Dingle** Stephen had an executive career as an investment banker and financial advisor, the majority of which was spent at N M Rothschild & Sons Ltd where he was responsible for starting a mining finance business focused mainly on gold mines. Latterly he specialised in advising private and public sector clients on financing commercial property. His final executive position was as a Partner in Ernst & Young LLP where he was co-head of the Real Estate Finance Group and head of the Higher Education Practice in the UK. He is currently Chair of The Coal Authority and a Non-Executive Director and Chair of the Audit Committee at Registers of Scotland.

Non-Executive Director	**Stephanie Kerr** The mainstay of Stephanie's career has been in private industry, driving digital strategies and business transformation. Stephanie is currently CEO of her own company which offers tailored consultancy, IT and project services for Business, SMEs and government. Stephanie serves as a Non-Executive Director on the Audit Committee for Registers of Scotland.
Non-Executive Director	**Keith Ross** After a twenty year career in the NHS culminating in HR Director appointments in an acute NHS Trust and a Regional Health Board, Keith left the NHS to set up his own management and HR consultancy. Over the last 15 years he has undertaken a wide range of assignments for a variety of organisations including Scottish Government, several Scottish Universities, and a number of Special Health Boards. Specialised areas of expertise are strategy development, organisational turnaround, major organisational change projects, and HR and OD transformation. For thirteen years to December 2014 he was a non-Executive Council Member of the Health and Care Professions Council, the UK-wide regulatory body for 15 health and care professions, and the regulator of social workers in England.

As at 31 March 2015 our Board comprised 5 Executive members (4 male and 1 female) and 4 Non-Executive members (2 male and 2 female).

History of Disclosure Scotland

Disclosure Scotland was established in 2002 as part of the Scottish Criminal Records Office. In April 2009 we became an Executive Agency of the Scottish Government delivering disclosure and protection services on behalf of Scottish Ministers to whom we are ultimately accountable.

Prior to the introduction of the Protection of Vulnerable Groups (Scotland) Act 2007 our purpose has been to aid recruitment decisions by carrying out criminal record checks to disclose criminal history information or state that no such information exists. The Agency now also delivers the Protecting Vulnerable Groups Scheme.

Business Strategy and Future Development

Disclosure and Barring Service Transition

Disclosure Scotland currently provides a Basic Disclosure to any individual who applies for one within the United Kingdom. Last year we reported that as a result of policy changes by the UK Government in 2014, the Disclosure and Barring Service (DBS) have assumed responsibility for the provision of Basic Disclosures in England and Wales. Effective negotiations with both Home Office and DBS colleagues resulted in a delegation agreement between DBS and Disclosure Scotland, enabling our Agency to continue to provide Basic disclosure certificates throughout the UK. This agreement remains in place until 31 December 2016.

High level liaison between DBS and Disclosure Scotland around the transition has continued through 2014-15. We will continue to work together over the course of the coming year to ensure a smooth transition of the Basic Disclosure service for England and Wales. Planning for the transfer is underway with governance arrangements having been developed. Disclosure Scotland and DBS will jointly engage with our customers and stakeholders throughout this change and will provide proactive communications to ensure we keep our customers fully informed about our plans for a seamless transition.

For Disclosure Scotland, the transition of the Basic Disclosure service for England and Wales will result in a significant loss of Basics volumes (potentially 90% of current levels) and income, and a major shift in functional priorities.

To support us through multiple upcoming changes, Disclosure Scotland successfully established a Business Change function this year. Our Business Change team will work to ensure that we achieve the objectives within our Business Strategy for 2016 and deliver our Target Operating Model (TOM) for 2017 and beyond. We have also created a Workforce Planning Group to ensure our Agency is well supported in its responsibilities in terms of the Scottish Government's People Strategy. The Workforce Planning Group's purpose is to enable Disclosure Scotland to predict and plan future capability, capacity and skills to deliver a significant transformation in the Agency. At a strategic level, this Group will be instrumental in the preparation for the transformation of our business model.

Phase 2 of Our Transformation Programme

As detailed in our Corporate Plan for 2015-18, Phase 2 of our Transformation Programme is a review of the entire functional design of our organisation. We intend to move away from our existing structure where necessary, targeting optimum new structures for our forecast service priorities. Revising our structures will provide us with an opportunity to ensure that our Agency delivers services to our customers more effectively using digital channels and automation where this is appropriate, improves our performance and delivers greater transparency for customers and stakeholders, all in a cost-effective and fiscally sustainable way. This will require investment, in our people, systems, processes and associated technology.

Phase 2 of our Transformation Programme was mobilised in early 2015 and work to prepare the Agency for this change will continue over the coming year.

Customer Strategy

Disclosure Scotland has begun work on the development of a 'Customer Journey'. In early 2015 we commissioned an extensive customer service review from an external expert organisation. This work will baseline our customer views, both individual and corporate, and will inform us where we need to build better understanding and engagement with our customers. We have recruited a Customer Relationship Manager to help us to engage with our customers and gain feedback on the service they receive from us, combating obstacles that some organisations may face dealing with Disclosure Scotland and ensuring that customer expectations are met. This work will feed in to shape our long-term Transformation Programme and also our shorter-term priorities.

As well as engaging with our customers to obtain feedback, we are working to proactively identify potential business customers for our digital services and promote the benefits of using these channels in line with the Scottish Government's digital strategy. We are working to migrate our existing high-volume submission customers, who currently use paper-based application forms or the Basic Disclosure Online option, to one of the digital channels. This has already resulted in increasing effectiveness for certificate turnaround times for our customers and a reduction in basic paper applications for Disclosure Scotland.

Policy Reorganisation in Disclosure Scotland

Disclosure Scotland's Board and Senior Leadership Team have recognised the need to build on our capacity to deal with the different policy responsibilities within the Agency. There are a number of known areas that require a coordinated policy response from Disclosure Scotland as well as focus on the longer-term strategic vision for the organisation. In April 2014 it was concluded that it would be appropriate to draw policy functions within the Agency into a core team under clear leadership from a Director.

A dedicated policy unit has been formed and will fulfil two high level objectives; first to give better focus to the strategic ambitions of the Agency and, second, to continue to undertake policy work to a highly professional and dependable standard, including the drafting of instructions for legislation and the development of appropriate relationships with Scottish Government and Ministers.

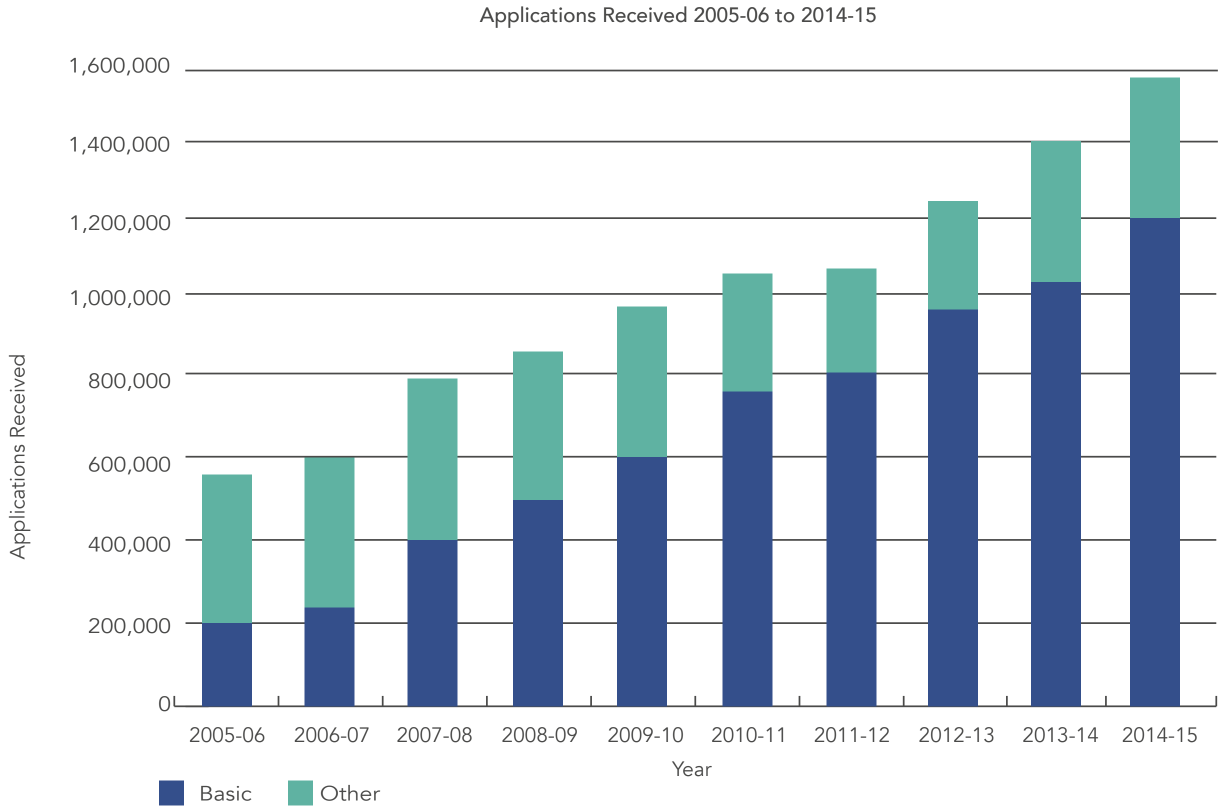
Volume of Applications Received

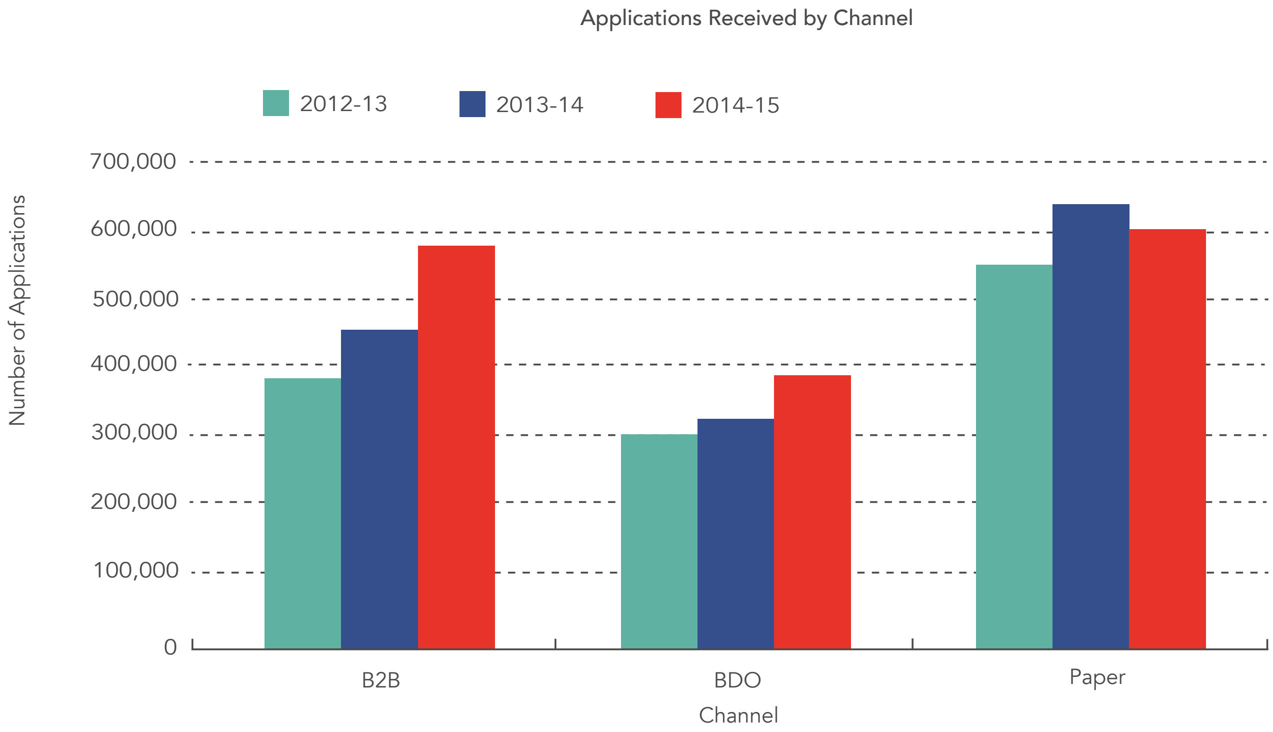
The number of applications received continued to grow during 2014-15, with a total of almost 1.58 million applications received – the highest annual volume the Agency has received to date. This represents growth of 12% compared to 2013-14 and was 0.8% above the volume which had been forecast for the year. A breakdown of applications received, by type, is shown below. The growth in applications is driven by a continued rise in the volume of applications for Basic Disclosures (up 18% compared to 2013-14).

Application Type	Applications Received	Growth on 2013-14
Basic	1,208,784	18%
Standard/Enhanced	23,396	-4%
PVG	347,061	-3%
Scheme Record	234,764	-13%
Scheme Record Update	109,577	28%
Statement of Scheme Membership	2,720	2%
Total	**1,579,241**	**12%**

The volume of PVG applications decreased by 3% during 2014-15. This is because organisations have been progressing through the retrospective checking phase of the PVG Scheme and now appear to have passed the peak of this phase (which is due to conclude around October 2015). The number of Scheme Record applications decreased by 13% to 234,700. However, as the PVG Scheme matures, the number of Scheme Record Update applications (made by people who are already PVG Scheme Members) increased by 28% to 109,600. Total membership of the PVG Scheme grew by over one third (35%) from 584,000 to 789,000 during 2014-15.

The chart below illustrates the growth in applications received by Disclosure Scotland over the past ten years:





The chart above shows the distribution of applications received by submission method. There was a considerable increase during 2014-15 (33%) in the volume of applications submitted via the Business to Business (B2B) channel which is used by organisations who process large volumes of Basic applications. Paper applications (which are comprised of Police Act Disclosures (PAD) and PVG applications) decreased by 6%. This is partly as a consequence of the shift in Basics to the B2B service and partly because the volume of applications to the PVG Scheme has started to decrease. Basic applications submitted online (BDO) increased by 19%.

Performance Against Public Performance Target

Disclosure Scotland's main performance target is to process 90% of correctly completed applications within 14 days[1].

During 2014-15, we processed 1.6 million disclosure applications. The average processing time was 5.8 days and 92% of applications were completed within 14 days; hence Disclosure Scotland met its public performance target.

Application Type	Applications Completed	Average Processing Time (Days)	% Processed Within 14 Day Target
Basic	1,225,853	5.6	92%
Standard/Enhanced	26,345	7.6	88%
PVG	343,331	6.3	93%
Scheme Record	238,373	7.4	90%
Scheme Record Update	102,584	3.5	99%
Statement of Scheme Membership	2,374	6.7	92%
Total	**1,595,529**	**5.8**	**92%**

The Disclosure Scotland Protection Unit manages the membership of the PVG Scheme. In 2014-15 204,459 new members were added to the PVG Scheme. This brought total membership of the PVG Scheme to 788,961 as at March 2015.

In addition to the above, our Protection Unit carried out Initial Consideration for listing on 14,617 individuals who were referred to them (2013-14, 14,041). Increasingly these referrals for Initial Consideration for listing come from the on-going monitoring of PVG Scheme membership. This is a trend we expect to continue as the Scheme continues to grow in size. Of the 14,617 referrals received at Initial Consideration by our Protection Unit, 3,089 progressed to Formal Consideration and 985 people were barred. By March 2015 Disclosure Scotland had barred 2,166 individuals since PVG scheme went-live.

1 This is measured from the day a fully and correctly completed application is received by Disclosure Scotland to the day of dispatch, and excludes any time an application has 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.

Complaints

During the course of 2014-15 we received 227 written complaints. This equates to 1.4 complaints for every 10,000 applications we process, a slightly lower ratio than for 2013-14, which was 1.5 per 10,000 applications received. Of these 227 complaints 55 were upheld, a decrease on last year when 83 complaints were upheld. We have investigated these complaints and where appropriate introduced improvements to our processes. The main areas of complaint concerned processing delays. We also received complaints about posted certificates not being received and about processing delays caused by Police Force Enquiries.

Freedom of Information

In the course of the year we received 27 requests for information submitted under the Freedom of Information (Scotland) Act 2002. All were answered within the statutory timescales.

Sustainability

We have published a freestanding sustainability report for 2014-15. It can be found on www.disclosurescotland.co.uk

Financial performance in 2014-15

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 price of the disclosure application is set at a level to enable the Agency to broadly break-even at the end of each financial year. During 2014-15 the fee for all types of disclosure, other than PVG disclosures, was £25. The price of PVG scheme membership is £59, the price of a Scheme Record Update is £18 and where this leads to a request for a Scheme Record, the price is £41. Our fees have been at these levels since 28 February 2011 as Disclosure Scotland has worked to meet the cost of inflation through operational efficiencies.

The Agency was allocated a total Departmental Expenditure Limit (DEL) resource budget of £10.0 million in 2014-15 by the Scottish Ministers through the Budget (Scotland) Act 2014 as amended by the two Scottish Statutory Instruments, the Autumn and Spring Budget Revisions. This budget comprised; £5.6 million to cover the depreciation cost of the Agency's non-current assets, £4.4 million to cover the Agency's net running costs. This £4.4 million included £1 million provided by the Scottish Government's Health and Social Care Directorate as a contribution to the Protecting Vulnerable Groups Scheme and £0.8 million from the Scottish Government's Children and Families Division to fund the grant provided to Volunteer Scotland Disclosure Services (VSDS).

As in prior years, the Agency reported forecast out-turns to the Directorate General (DG) Finance, Finance Programme Management Division and the Director For Children and Families on a monthly basis. The basis of the forecasts were the Agency's budget monitoring system and volumetric model. The volumetric model utilises information based on trend analysis and regular discussions with key clients. The model differentiates between types of disclosures (e.g. Basic and Enhanced) and was monitored, updated and evaluated on a regular basis.

The following table re-states the out-turn for the year (from the Statement of Net Comprehensive Expenditure on page 48) and compares the actual 2014-15 result against the budgets authorised per the Budget Bill (excluding Capital):

Disclosure Scotland Year to 31 March 2015	Actual £'000	*Budget Bill £'000	Variance £'000
Income	(44,987)	(31,146)	(13,841)
Expenditure	50,116	41,121	8,995
Amount of approved budget utilised	**5,129**	**9,975**	**(4,846)**
Represented by:			
Resource DEL (excluding capital)	(9,975)	9,975	-
2014-15 Resource DEL underspend	(4,846)	-	(4,846)
	5,129	**9,975**	**(4,846)**

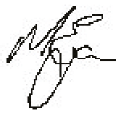
* Spring Budget Revision

As Disclosure Scotland's results are consolidated into the Scottish Government accounts, the Resource underspend of £4,846k against the budget provision is reported by DG Learning and Justice as a resource budget underspend at the year-end (2013-14, £6.5 million). This underspend comprises a cash DEL underspend of £3,932k and a non-cash DEL underspend of £914k.

The bulk of the Agency's operating costs of £50.1 million consist of direct expenditure such as operational salaries, Public Private Partnership (PPP) contract payments and the cost of accessing police information. Almost all of Disclosure Scotland's budget is spent directly or indirectly on operational activities.

Agreed funding for 2015-16

For 2015-16, the Agency has been allocated a budget of £6.8 million through the 2015-16 Budget Bill. This is comprised of £5.6 million non-cash DEL to cover depreciation costs and £1.2 million to meet other cash DEL costs. A transfer of £1 million of cash DEL budget is also planned from the Scottish Government Health and Social Care Directorate to Disclosure Scotland as a contribution to the PVG scheme. This transfer will be carried out through the budget revision process.



Norman Egan
Chief Executive
01 September 2015

MANAGEMENT COMMENTARY DIRECTOR'S REPORT

from the Chief Executive for Disclosure Scotland

As I set out in my foreword to this Annual Report and Accounts, the 2014-15 year has been both exciting and challenging. This year we completed Phase 1 of our transformational change programme and replaced a twelve year Public Private Partnership (PPP) contract with a more appropriate service contract and transferred-in to Disclosure Scotland some significant business functions which were previously carried out through the PPP contract. This move gave Disclosure Scotland control of key business functions including finance processing and debt management. While doing this we exceeded our public performance targets and coped with the largest ever volume of disclosures we have ever experienced.

Disclosure Scotland Management Structure

There are four main business units within Disclosure Scotland – Disclosure Services, Policy & Protection Services, Corporate Services and Transformation Programme & Information Technology.

Our Senior Management structure as of March 2015 is detailed below:

Non-Executive Directors
Julie Culligan
Stephen Dingle
Stephanie Kerr
Keith Ross

- **Chief Executive** Norman Egan
  - **Programme Director** Gerry McLafferty
    - **Deputy Head of ICT** Derek MacMurchy
    - **Business Change Manager** Leanne Carson
  - **Director of Disclosure Services** Tracy McIntyre
    - **Head of Operations** Jane Goodier
  - **Director of Corporate Services** James Wallace
    - **Head of Finance** Chris McCrone
    - **Head of OD, Learning and Communi-cations** Connie Hendry
    - **Procurement and Contract Manager** Leanne Wilson
  - **Director of Protection Services** Gerry Hart
    - **Deputy Head of Protection Services** Innes Fyfe

In the annual report for 2013-14, we intimated that we would be initiating a review of our internal governance with members of my senior management team and with the non-executive directors. The structural element of this review has been implemented and Disclosure Scotland now operates with a Senior Leadership Team comprising our four Directors who along with seven other managers (some specialist) form the Senior Management Team (on the previous page). This realignment of the management structure builds capacity to prepare us for the most significant change since the Agency was established.

It is usual when public bodies produce annual reports that the Chief Executive sets out his organisation's achievements and the challenges it has faced during the year in question. In Disclosure Scotland, during 2014-15 we successfully overcame significant challenges to record numerous major achievements.

Technical and Commercial Review

As reported last year, at the beginning of April 2014 a new Case Management System was accepted into service in our Protection Unit. This was a very successful project which allowed us to improve the storage of information and ensure that everything we hold is entirely on a secure server and is protected from loss. During the course of 2014-15 our Case Management System has been upgraded to include a full reporting function which allows us to create and use Management Information. This upgrade has been a great success.

The PVG Recovery Project was formally completed on 27th April 2014. This was a key success as the Project had been on-going since Spring 2011. Disclosure Scotland worked collaboratively with our delivery partner, BT and undertook a significant review of the remaining recovery activities to allow us to prioritise and re-align the activities with our business objectives. Following the formal closure stage we provided an update to the Auditor General for Scotland following his submission to the Scottish Parliament Public Accounts Committee in March 2012. This update was submitted for an Audit Scotland report published in June 2015.

An Independent Assurance activity around our PVG System was completed in 2014. This activity looked at whether the system delivered its functional and non-functional requirements and found that it did. It also looked at whether the system could meet our strategic and business ambitions moving forward and found that it could not. These findings were used to support our case for re-investment in our IT system, which is included in Phase 2 of our Transformation Programme.

As detailed in the Business Strategy and Future Development section of this report, Phase 2 of our Transformation Programme was mobilised in early 2015. We have recruited the experts required to help us take this work forward. An Outline Business Case and Delivery Strategy were developed in March 2015 and after review by the appropriate governance bodies will be submitted to Ministers for approval.

During 2014-15, Disclosure Scotland planned to replace the PPP service contract with BT, with a new contract for the care and maintenance of the PVG system which would better meet the needs of the organisation. A replacement contract was procured through a competitive exercise conducted via the Scottish Government IT Managed Services Framework. In May 2014 we awarded a new contract to Atos IT Services UK Ltd with the service due to transfer in December 2014. The delivery and transfer of the service by the new supplier did not take place as planned and to protect the business critical operations, Disclosure Scotland continued the existing service contract with BT until the end of March 2015. Disclosure Scotland then awarded a new contract to BT for the care and maintenance of the PVG system starting April 2015. Disclosure Scotland is in discussions with Atos around the non-completion of the contract awarded in May 2014.

During the course of 2014-15 Disclosure Scotland has dealt with a number of complex contractual and procurement issues. We have improved and developed a different approach to these areas and strengthened our capabilities, ensuring that we use a joined up and shared approach. We now have a Procurement and Contract Manager in post within our Senior Management Team.

Where we have required expert knowledge and expertise that we do not have within our Agency we have used external professionals and subject matter experts to ensure that we have the best resources in place to deliver our priorities. We have made best use of external experts and gained value where we brought them in.

Operational Review

In the Performance section above, we gave an outline of the overall performance for this business year. We aim to improve the accuracy of our performance information and better understand what it tells us in order to deliver a better service to our customers.

We understand the correlation between delays in issuing Disclosures and the impact this can have on employers' abilities to make recruitment decisions. We have refined our forecasting model to provide us with a clearer picture of the end-to-end process and increased our engagement with customers and stakeholders. It is our expectation that this will continue to allow us to gather robust intelligence to feed into our forecasting model and be better placed to meet demand.

Our ability to forecast the volumes of applications is key to the efficient operation of our services. To refine our forecasting model and facilitate robust business and resource planning we wrote to all registered bodies seeking information on their chosen application method, estimated timing and volumes of applications in terms of their obligation to bring existing employees/volunteers into the PVG scheme. During 2014-15 we liaised closely with our high volume users who account for 90% of our PVG applications, to ensure an update of retrospective checking commensurate with ensuring that all those undertaking Regulated work for organisations enrolled in the PVG Scheme. Retrospective checking concludes in October 2015 and the majority of our customers will meet this deadline. We are working with the organisations that will miss this deadline.

During 2014-15, our Protection Unit effectively managed the increased workload arising from retrospective checking to bring those already in regulated work in to the PVG Scheme. As of the end of March 2015, there were 2,166 people 'listed' as barred from working with children and/or vulnerable adults, with approximately 8,800 individuals having been considered for listing (since the PVG Scheme began). This does not include those barred automatically due to the nature of their convictions.

Our Protection Unit improved performance in initial consideration cases throughout the year and also saw a steady improvement in formal consideration cases. As part of our programme of continuous improvement, our Protection Unit has created evidence based, streamlined targets to provide a more telling indication of performance. Quick reference guides on specific areas and types of cases have been created for staff and information workshops have been designed to help improve performance.

As reported last year, we have reconvened a national Advisory Group for Protection Services, with membership drawn from government, public sector and third sector partners. This Group met twice during 2014-15. Following from these meetings, the Scottish Drugs Forum met with individuals who had been placed under consideration by our Protection Unit. Some of the materials we use when communicating with individuals under consideration have been amended as a result of these meetings to make them clearer.

On 1st April 2015 Disclosure Scotland successfully completed Phase 1 of our Transformation Programme by transitioning a number of our core front-end business processes, including the responsibility for financial transactions and debtors, in-house. This has provided us with control of our full end to end process. This was a significant step as these processes had previously been outsourced to our delivery partner BT as part of a 13 year partnership. The transition resulted in over 150 staff members transferring into Scottish Government and the removal of zero hours contracts. The agency staff in those functions which transferred in-house are now all paid the Living Wage or higher. The work surrounding the transfer of these individuals involved some extremely complex issues and Disclosure Scotland demonstrated sound decision making and governance. The successful completion of this work and the seamless transition for our customers was a significant achievement for Disclosure Scotland.

During 2014-15 our Compliance team re-established a programme of audits to support and educate our Registered Bodies and improve their use of the disclosure process. We continue to work alongside our partner organisations to ensure that they are meeting their legal obligations to make referrals where appropriate, providing an on-going contribution to safeguarding.

Information Management

During 2014-15 Disclosure Scotland commissioned an external expert to undertake a gap analysis of our Information Assurance against the requirements of ISO/IEC 27001:2013[2]; we received the findings from the analysis early in 2015-16 and actions are being taken forward by the SIRO.

An Internal Audit on the Controls Over Information Security also took place during the course of the year. The scope of this review was to evaluate and report on controls established to manage the risks relating to the efficient and effective operation of information security. We received very positive and reassuring findings from this Audit in early 2015-16 as highlighted in the Governance Statement. Of note, the controls over information security were found to be robust, well managed and confirmed as providing substantial assurances for all stakeholders.

Personal Data Related Incidents

As noted in my Governance Statement, during 2014-15 Disclosure Scotland has improved processes and procedures and have seen fewer and less significant incidents of potential information loss as a result. None of the incidents which occurred required to be reported to the Information Commissioner's Office.

This improvement followed a full review of information security, the introduction of further safeguards and the raising of awareness among staff about the priority that this should be afforded. In addition, Protection Services introduced a reporting system for staff to log 'near misses'; this has allowed lessons to be learned and procedures adapted to pre-empt information loss.

We will continue to build on this work in 2015-16 as Disclosure Scotland has a zero tolerance approach to poor information handling and subsequent loss.

2 ISO/IEC 27001 is the International Standard for Information Security Management. In order to demonstrate compliance with the standard an organisation must meet the requirements for establishing, implementing, maintaining and continually improving an information security management system within the context of the organisation. The standard also includes requirements for the assessment and treatment of information security risks tailored to the needs of the organisation. The objective of the gap analysis is not to obtain certification but to define a baseline position against the standard, with a view to improving information security practices and culture within the organisation.

Governance and Accountability

During 2014-15 Disclosure Scotland has strengthened and improved the system of governance and accountability. As detailed in my Governance Statement, we have defined clear reporting lines with regards to the executive groups and committees in place to support our Senior Management Team and the role and responsibilities which these groups have. The Agency gained substantial assurance following an Internal Audit of our Corporate Governance Function in 2013-14 and built on this to implement improved controls and sharpen our approach.

The DS Framework Document is the key public statement underpinning the Agency's governance arrangements. We formally reviewed this document during this year and in March 2015 the revised Framework Document was approved by the Minister. A copy of Disclosure Scotland's Framework Document can be found on our website www.disclosurescotland.co.uk

Our three year Corporate Plan for 2015-18 was developed during 2014-15 and has now been approved by the Minister. We have also developed our high level Agency Business Plan for 2015-16. This has been approved by Ministers and is published on our website. Our Corporate Governance Team have worked to streamline our Business Planning process and will continue to develop this work.

Register of Interests

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

Julie Culligan is a Chairperson, Home-Start Glasgow South which is a charitable organisation, the position is not remunerated. She is also a Self Employed Independent Management Consultant, remuneration for this work varies by client, and her clients include a range of public and private sector organisations.

Stephen Dingle is a Non-Executive Board Member of Registers of Scotland, the position is non-salaried and non-pensionable but he receives a daily fee of £245 plus expenses. He is also the Chair of the Coal Authority for which he receives a salary of £27, 050 plus expenses. The position is non-pensionable.

Keith Ross is a Self Employed Independent Management Consultant with Scott Ross Partnership. Remuneration for this work varies by client and project. He has a variety of clients most recently in Health and Higher Education sectors.

Stephanie Kerr is a member of Registers of Scotland Audit Committee, the position is non-salaried and non-pensionable but she receives a daily fee of £245 plus expenses. She is the CEO of her own business and IT consultancy, Amber Ltd. Stephanie works with small to medium sized companies and government organisations. Her current significant engagement is with DWP, other engagements are small, mainly with start-up organisations.

Our People

Workforce

Our workforce comprises a mix of permanent and fixed-term core Scottish Government staff, temporary agency workers and outsourced staff. We also contribute to Scottish Government youth employment initiatives in the form of Modern Apprentices and students.

The mix of staff in post at the end of March 2015 is illustrated in Figure 1.

Staff Type	Number
Permanent	179
Fixed Term	101
Temporary Agency	46
Contingent (Interim Programme, Contractor, Consultants)	9
Modern Apprentices	3
Student	1
TOTAL	339

Figure 1 – Breakdown of Disclosure Scotland staff (March 2015)

A significant proportion of our people work within a shift structure composed of day-shift, night-shift and a rotational-shift. There are a range of activities undertaken by our staff, from high-volume transactional work to specialised work that requires a high degree of judgement and decision-making, the latter type of work being open to legal scrutiny.

Following a period of uncertainty, we now know that the agreement between the Disclosure and Barring Service and Disclosure Scotland will end in December 2016 and we will no longer provide Basic Disclosure certificates for England and Wales. Our Workforce Planning Group is preparing for this significant impact which will entail the loss of a significant proportion of our current work and redesign of roles and functions. The current and on-going staff strategy takes account of these changes.

Building Capability

Disclosure Scotland invests significantly to ensure that our staff have the technical skills and expertise that they require to undertake their roles. Feedback from the previous People Survey highlights this as a strength. In emerging from a period of uncertainty we have been proactive in developing the skills we will need in future and in supporting individual career aspirations.

We have strengthened our Learning and Development team and have already derived real added value in the range of offerings they provide. Disclosure Scotland staff had significant success in the Scottish Government Band B Promotion Board in 2014, where we were the most successful department across the Scottish Government. A high number of the staff have already gone on to secure subsequent promotion in roles both within Disclosure Scotland and in other business units across the Scottish Government. Notably, this has helped us to stabilise the Line Management tiers within our Operations Department. Support from both our Learning and Development team and individual line managers helped to contribute to the success of these individuals.

Our Agency continues to offer roles on temporary promotion where this proves to be most suitable. This provides staff with an opportunity to gain experience and to develop their skills at a higher grade. Many of these individuals have gone on to secure promotion following on from these opportunities.

Attendance and Wellbeing

On average we lost 11.09 working days (per full time equivalent employee) to sickness absence between April 2014 and March 2015 (2013-14, 11.9 days).

Average working days lost due to stress has decreased by 1.39 days from March 2014 to 2.3 days in March 2015. This represents a 37.6% decrease in a year and is the lowest since this figure has been monitored. We believe this can be attributed to better application of the Scottish Government's absence management procedures and a number of wellbeing initiatives. Absence remains an area of concern but we have formed an Attendance and Wellbeing Group and improved management information to give us focus as we continue to support our staff.

People Engagement

The benefits of investing in people engagement are recognised in terms of ensuring an informed and capable workforce. During 2014-15 Disclosure Scotland continued to invest in engagement initiatives. A People Engagement Group has been established to provide a focus and coordinating point to continuously improve Agency-wide people engagement.

Disclosure Scotland participates in the UK-wide Civil Service People Engagement Survey. This year, we had an 87% response rate, with a 3% increase on the Engagement Score from the previous year. Across Disclosure Scotland there was significant improvement in all categories of the survey. A notable increase was under the Leadership and Managing Change section where we saw an improvement of 16% from the previous year. This was a very positive and encouraging result for our Agency, given that we have embarked on a period of major change. We will continue to build on this progress at all levels.

We continued to improve our internal communications channels this year. A Disclosure Scotland intranet site was set up and is actively managed to provide an up to date source of information for our staff. An internal system of internal news and communications delivered via screens throughout the office was also introduced. Our internal communications team was restructured and strengthened with the introduction of an Internal Communications Manager.

Partnership Working

We recognise and uphold the Scottish Government Partnership Agreement. An established Partnership Group meets regularly with representation from Scottish Government HR Business Partners, Trade Unions and senior management.

Equality Act 2010

The Equality Act came into force from October 2010 providing a single, modern legal framework to more effectively tackle disadvantage and discrimination. Disclosure Scotland adheres to the Scottish Government policy on equality. All Disclosure Scotland staff are treated equally irrespective of their sex, marital status, age, race, ethnic origin, sexual orientation, disability or religion. Opportunities are made available equally to disabled members of staff as to others to assist in their career development. Every effort will be made to retain people who have become disabled. This may be achieved through supplying appropriate equipment or offering different work patterns.

Gender Composition of Staff

Of the 339 staff employed as at March 2015, 186 were female and 153 were male.

Diversity

We value the different perspectives and skills of all our staff and make full use of these in our work. The Agency aims to increase the diversity of its workforce to better reflect the diversity of the people of Scotland. We have addressed feedback from the last People Engagement survey about bullying, harassment and fair treatment for staff by running a programme of externally facilitated awareness and support sessions for all staff and using the feedback received during these sessions to inform further follow up action. This commitment has been well received by staff.

Disclosure Scotland has signed up to the Scottish Government's 5050 by 2020 Partnership for Change. This is a voluntary pledge to achieve a gender balance on our Board by 2020.

Pensions

Pension benefits are provided through the Civil Service pension arrangements. More details on the Principal Civil Service Pension Scheme and the treatment of liabilities in Disclosure Scotland's financial statements can be found in the annual accounts at note 1.8 and in the Remuneration Report.

Relationship with Suppliers

Disclosure Scotland is committed to the prompt payment of bills for goods and services received and operates to the Scottish Government target of paying suppliers within 10 working days. In 2014-15, Disclosure Scotland paid 100 % of invoices within the target time (2013-14, 99.2 %).

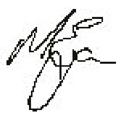
Appointed Auditors

Our Annual Report and Accounts are audited by Helen Russell of Audit Scotland who was appointed by the Auditor General for Scotland. The notional fee for this service was £40k, (2013-14, £20.3k) which related solely to the provision of the statutory audit service.

Statement on 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.



Norman Egan
Chief Executive
01 September 2015

REMUNERATION REPORT

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 http://civilservicecommission.independent.gov.uk/ Disclosure Scotland does not have a remuneration committee.

Salary and pension entitlements

The following sections provide details of the remuneration and pension interests of the Board of Disclosure Scotland for the year to 31 March 2015.

Salary

The salary includes gross salary; 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.

Bonus payments

No performance pay or bonuses were paid in 2014-15.

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 2014-15, this value was £nil.

Highest paid Director and median remuneration of Disclosure Scotland's staff

In accordance with the Government Financial Reporting Manual (FReM), reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in Disclosure Scotland in the financial year 2014-15 was £80-85k (2013-14, £75-80k). This was four times (2013-14, 3.8) the median remuneration of the workforce, which was £19.4k (2013-14, £20.5k).

The FReM definition of total remuneration includes salary, non-consolidated performance-related pay, non-consolidated recruitment and retention allowances for specialists and benefits-in-kind. It does not include employer pension contributions and the cash equivalent transfer value of pensions. The calculation is based on the full-time equivalent staff of Disclosure Scotland at the reporting period end date on an annualised basis. No members of staff have received non-consolidated performance pay or benefits in kind.

The information in this section of the Remuneration Report covering salary and pension entitlements is subject to audit.

Remuneration

2014-15	2014-15 Taxable Salary (bands of £5k) £'000	2014-15 Pension Benefits £'000	2014-15 Total Remuneration (bands of £5k) £'000
N Egan Chief Executive	80-85	9	85-90
G Hart Director of Protection Services	65-70	20	85-90
T McIntyre Director of Disclosure Services (from 19.06.14)	40-45 (50-55 Full year equivalent)	15	55-60
G McLafferty Programme Director	65-70	28	90-95
S Nicholson HR Business Partner (to 31.08.14)	20-25 (50-55 Full year equivalent)	17	35-40
J Wallace Director of Corporate Services	50-55	26	80-85
J Culligan Remunerated External Non-Executive Director	5-10	N/A	5-10
S Dingle Remunerated External Non-Executive Director	0-5	N/A	0-5
J Edey Remunerated External Non-Executive Director (to 31.12.14)	0-5	N/A	0-5
Stephanie Kerr Remunerated External Non-Executive Director (from 01.01.15)	0-5	N/A	0-5
Keith Ross Remunerated External Non-Executive Director (from 01.01.15)	0-5	N/A	0-5

2013-14	2013-14 Taxable Salary (bands of £5k) £'000	2013-14 Pension Benefits £'000	2013-14 Total Remuneration (bands of £5k) £'000
N Egan Chief Executive	75-80	(10)	75-80
C Brennan Head of Transformation Programme (to 09.02.14) (0.8 full time equivalent)	35-40 (50-55 Full-time/Full year equivalent)	10	45-50
B Gorman* Head of Disclosure Services (to 31.03.14)	60-65	18	80-85
G Hart Director of Protection Services	60-65	22	85-90
L Mackenzie Head of Corporate Affairs and Policy (to 13.10.13)	30-35 (55-60 Full year equivalent)	6	35-40
G McLafferty Programme Director	65-70	21	85-90
S Nicholson HR Business Partner (from 02.09.13)	30-35 (50-55 Full year equivalent)	11	40-45
J Wallace Director of Corporate Services (from 25.11.13)	15-20 (50-55 Full year equivalent)	7	25-30
J Culligan Remunerated External Non-Executive Director	0-5	N/A	0-5
S Dingle Remunerated External Non-Executive Director (from 30.09.13)	0-5	N/A	0-5
J Edey Remunerated External Non-Executive Director (from 30.09.13)	0-5	N/A	0-5
R Gwyon Non-Remunerated internal Non-Executive Director (from Senior Civil Service of the Scottish Government) (to 31.08.13)	N/A	N/A	N/A

Pension Benefits

2014-15	Accrued pension at age 60 as at 31/03/15 £'000	Real increase/ (decrease) in pension at age 60 £'000	Lump sum at age 60 as at 31/03/15 £'000	Real increase/ (Decrease) in lump sum at age 60 £'000	CETV at 31/03/14 £'000	CETV at 31/03/15 £'000	Real Increase/ (Decrease) in CETV (as funded by Employer) £'000
N Egan	40-45	0-2.5	125-130	0-2.5	926	932	8
G Hart	20-25	0-2.5	N/A	N/A	265	292	11
T McIntyre	5-10	0-2.5	N/A	N/A	83	98	8
G McLafferty	20-25	0-2.5	70-75	2.5-5	354	391	19
S Nicholson (to 31.08.14)	15-20	0-2.5	45-50	0-2.5	249	271	12
J Wallace	10-15	0-2.5	N/A	N/A	73	89	7

2013-14	Accrued pension at age 60 as at 31/03/14 £'000	Real increase/ (decrease) in pension at age 60 £'000	Lump sum at age 60 as at 31/03/14 £'000	Real increase/ (Decrease) in lump sum at age 60 £'000	CETV at 31/03/13 £'000	CETV at 31/03/14 £'000	Real Increase/ (Decrease) in CETV (as funded by Employer) £'000
N Egan	40-45	(0-2.5)	125-130	(0-2.5)	923	926	(10)
C Brennan (to 09.02.14)	5-10	0-2.5	N/A	N/A	69	83	8
B Gorman (to 31.03.14)	5-10	0-2.5	N/A	N/A	135	158	17
G Hart	20-25	0-2.5	N/A	N/A	234	265	12
L Mackenzie (to 13.10.13)	25-30	0-2.5	N/A	N/A	424	442	10
G McLafferty	20-25	0-2.5	65-70	2.5-5	318	354	13
S Nicholson (from 02.09.13)	15-20	0-2.5	45-50	0-2.5	237	249	7
J Wallace (from 25.11.13)	0-5	0-2.5	N/A	N/A	66	73	4

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

Civil Service Pensions

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). These statutory arrangements 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 Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 1.5% and 6.85% of pensionable earnings for classic and 3.5% and 8.85% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) 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% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% 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 on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

New Career Average pension arrangements will be introduced from 1st April 2015 and the majority of classic, premium, classic plus and nuvos members will join the new scheme. Further details of this new scheme are available at http://www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha/

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the 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. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, 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 member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is 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 end of the period.

Pension contributions

The Executive members of the Board are members of the Principal Civil Service Pension Scheme (PCSPS). Disclosure Scotland's contributions to the scheme in respect of these members amounted to £73,636 for the year to 31 March 2015 (2013-14, £85,531).

Norman Egan
Chief Executive
01 September 2015

STATEMENT OF AGENCY'S AND CHIEF EXECUTIVE'S RESPONSIBILITIES

Under section 19(4) of the Public Finance and 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 69 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 statement of comprehensive net expenditure, 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.

GOVERNANCE STATEMENT

Scope of responsibility

As Accountable Officer for Disclosure Scotland (DS), I have responsibility for maintaining a sound system of risk management and internal control. This system supports the achievement of Agency aims and objectives as agreed with the Scottish Ministers, whilst safeguarding those public funds and assets which have been assigned to me and for which I am responsible in terms of section 15 of the Public Finance and Accountability (Scotland) Act 2000.

The Disclosure Scotland governance framework

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 emphasises the need for efficiency, effectiveness and economy, and promotes good practice and high standards of propriety. The DS governance framework is underpinned by the SPFM and as Accountable Officer, my primary function is to ensure organisational compliance with its principles.

In my role as Chief Executive, I am supported by four Non-Executive members and four internal Executive members (Department Directors) who together comprise the Board. Its principal functions are to provide strategic leadership, direction, support and guidance to the Agency, to monitor performance against our objectives and targets and to promote commitment to proper standards of corporate governance. The Board met six times during 2014-15.

The Board is supported by the Audit and Risk Committee (ARC) which comprises the four Non-Executive members, one of whom is also the Chair. The ARC is responsible for overseeing risk, control and governance arrangements in operation throughout the Agency. It also considers our exposure to fraud and risk and our capacity to respond. The ARC met five times in the course of this year. I attended these meetings in my capacity as Accountable Officer along with relevant Department Directors and the internal and external auditors.

DS is currently undergoing a period a significant change and I have created a Transformation Programme to properly govern this change. Responsibility for the overall Transformation Programme sits with the Transformation Programme Board under delegated authority from the Disclosure Scotland Board. I chair the Transformation Programme Board and am supported by the chair of Disclosure Scotland's Audit and Risk Committee as well as external members from Scottish Government Finance, Procurement and Information Services and Information Systems (ISIS).
The Programme Board has an overarching remit to ensure delivery of the wider Transformation Programme aims and objectives.

Risk Management

All bodies to which the SPFM is applicable must operate and maintain risk management processes and procedures in accordance with relevant guidance issued by the Scottish Ministers. Disclosure Scotland therefore maintains a risk register which records internal and external risks we are exposed to and identifies mitigating actions to reduce the threat of these risks occurring and their impact. Each risk is categorised, described and allocated an owner. We have a corporate-level Risk Review Group (RRG) in operation which comprises managers from across the Agency who are empowered to make informed decisions on how risks are managed. This model is repeated across departmental and project/programme risk management systems with departments managing risks relating to their functions or business plan objectives. We also operate a system where risks can be escalated to, and monitored through, the SG Education and Lifelong Learning (ELL) portfolio risk register.

The RRG meets monthly to review each risk, consider new risks and escalations from departmental or project/programme risk registers. Our Corporate Governance Team meet risk owners between monthly meetings to review and update on progress in advance of the next meeting.

The Agency's Senior Management Team reviews the corporate risk register at each of its monthly meetings. The Board reviews the corporate risk register before each of its meetings and provides comments or advice on the risks contained on it. Part of the role of the Non-Executive members of the Board is to satisfy themselves as to the reliability and integrity of risk management within the Agency. The corporate risk register is also reviewed quarterly by the ARC and is discussed as part of the agenda at these meetings. The ARC formally reports back to the Board after each meeting. The ARC is responsible for advising me as Accountable Officer on the robustness of the risk management processes in place.

During 2014 the Disclosure Scotland Board undertook a review of the Risk Appetite of the Agency. This review identified the areas of our business where we have a low or zero appetite for risk, such as the availability of our service or the accuracy of our products. We will continue to develop this work in the coming year.

During 2014-15 Disclosure Scotland commissioned a review of our risk management processes by the Senior Risk Manager for Scottish Government to ensure that we are in line with the Scottish Government's strategy and processes for risk management.

Review of effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the governance, risk management and control framework. My review is informed by:

- Formal assurances from my Senior Leadership Team (Department Directors) who have responsibility for the development and maintenance of our internal control framework.
- Input to the above process by other members of the Senior Management Team who have discrete responsibilities for aspects of the operation and governance of the Agency.
- The Board's consideration of business plans, the assessment and management of risk and the strategic direction of the Agency.
- The Audit and Risk Committee's consideration of the adequacy and effectiveness of the system of internal control and risk management.
- The work of our internal auditors who agree with us areas for scrutiny and thereafter conduct audits and report to our Audit and Risk Committee. Their reports assess the

adequacy and effectiveness of our systems of internal control and risk management, provide objective assessment and make recommendations for improvement.

- Comments in management letters and other reports from external audit. We have an action plan in place to address the issues raised in Audit Scotland's recent controls report.
- The Corporate Risk Register and reports from the Risk Review Group to the Board, ARC and Senior Management Team in advance of their meetings.
- During 2014-15 two Gate zero reviews were undertaken on the Transformation Programme by the SG Programme and Project Management Centre of Expertise (PPM-CoE). PPM-CoE provides a focal point for programme and project management within the Scottish Government, leads work to improve the Scottish Government's programme and project management capability, manages and supports the delivery of the Scottish Government's independent programme and project assurance framework and encourages and supports the sharing of lessons learned from programme and project delivery. The reports from both Gateway Reviews were positive and supportive; all recommendations were accepted by the Transformation Programme Board and subsequently fully implemented. A further Gateway Review focusing on the mobilisation of Phase 2 of the Transformation Programme was carried out in May 2015.

The DS risk and control framework is based on an on-going process designed to identify the principal risks to the achievement of our aims and objectives, to evaluate the nature and level of the exposure inherent in these risks and to manage them proportionately, efficiently, effectively and economically. The framework provides substantial and not absolute assurance of effectiveness.

I am content that the reviews detailed above provide substantial assurance of the effectiveness of the systems of governance and internal controls in Disclosure Scotland.

Advances in governance, risk management and controls during 2014-15

The review process outlined above has evidenced areas of continuing improvement which I consider worthy of note:

During the last year Disclosure Scotland has developed and strengthened the system of governance and accountability that we have in place. We have defined clear reporting lines with regards to the executive groups and committees in place to support our Senior Management Team and the role and responsibilities which these groups have. In 2013-14 Disclosure Scotland gained substantial assurance following an Internal Audit of our Corporate Governance function; we have built on this to implement improved controls and sharpen our approach. These improvements will ensure that our overarching management practices, policies, guidance, delegations and assurances effectively govern our organisation and oversee our strategic direction, performance monitoring and review. We will continue to build on these improvements in the coming year.

Disclosure Scotland follows Scottish Government policy on Information Security and has a Senior Information Risk Owner (SIRO) in place along with Information Asset Owners to manage the risk to information. In 2013-14 we reported that there were a number of information losses, one of which we self-reported to the Information Commissioner's Office. In 2014-15 we have significantly improved our processes and procedures and have seen fewer and less significant incidents of potential information loss as a result, none of which required to be reported to the Information

Commissioner's Office. This improvement followed a full internal review of information security, the introduction of further safeguards and the raising of awareness among staff about the priority that this should be afforded. In addition, Protection Services introduced a reporting system for staff to log 'near misses'; this has allowed lessons to be learned and procedures adapted to pre-empt information loss. We will continue to build on this work in 2015-16 as Disclosure Scotland has a zero tolerance approach to information loss.

During 2014-15 an internal audit undertook a comprehensive review of Controls over Information Security. The assurance level from the audit was substantial with the report concluding that Disclosure Scotland had established and well managed controls in place which were robust and effective. The report also commented that the Internal Audit opinion should be a source of reassurance for all stakeholders.

Additionally, Disclosure Scotland also engaged an independent, external specialist to undertake a Gap Analysis of our information security management practices and controls against those prescribed by the international standard for Information Security Management ISO/IEC 27001-2.2013. The intent was not to seek formal accreditation against the standard but to consider opportunities to go beyond the prescribed standard. In May 2015 Disclosure Scotland received a report detailing the findings of the Gap Analysis. Several opportunities were outlined in the report. Our SIRO will evaluate these findings to establish which should be taken forward and form an action plan for consideration by the DS Board and ARC.

On 1 April 2015 a range of application processing and finance responsibilities, previously undertaken by British Telecom plc (BT) under a Public Private Partnership (PPP) contract, transitioned to Disclosure Scotland. This transfer of responsibilities has significantly increased the direct control Disclosure Scotland has over end-to-end business processes and reduces the risk to the continuity of service delivery. Additionally, the changes have given the Agency full access to the finance system previously operated by BT for the first time. As a result of preparing for the transfer the processes BT utilised for reconciliation of disclosure income during 2014-15 were reviewed and areas were identified for improvement. A plan was put in place to carry out these process improvements and was completed by June 2015. This plan included improvements to the Oracle Financials system previously operated and maintained by BT under the PPP contract. BT have agreed to undertake the system upgrade activities required as part of this improvement plan. We have included the completion of this plan by September 2015 as a specified deliverable in our new contract with BT. Prior to the transfer Internal Audit undertook a review into Transition Arrangements over Income and Debtors. This audit attracted a substantial assurance level with no recommendation for further action. The audit report commented that the transition was robust and well managed and recognised the significant amount of work which had gone into the validation of the information held on income and debtors.

In 2014 we introduced a Workforce Planning Group to our governance and control structure. The purpose of the group is to ensure that we manage the capacity and capability demands of maintaining business delivery and resourcing our programme of change. Throughout 2014 the Workforce Planning Group, directed by the DS Board and the Senior Management Team, have maintained our staffing strategy agreed with Scottish Government to adopt a flexible approach to the use of agency worker and staff on fixed-term appointment to avoid creating future staff surpluses and to manage the seasonal variations in the volume of applications received. In addition we have recruited staff to specific new posts including a Customer Relations Manager, Policy Managers, Senior Solutions Architect, Senior Business Analyst and Programme Manager. We have also contracted specialist support on accommodation and space planning and systems security. Additionally, we have appointed two new Non-Executive Directors with digital technology and organisational transformation experience to advise and support the Agency through this period of change.

Throughout 2014-15 we have improved our approach to Procurement and Contract Management and strengthened and developed our governance and capability in these areas. During the year we recruited an experienced Procurement and Contracts Manager to ensure that we have the correct skills in place to deal with the complex nature of our activities and relationships in these areas. We have also introduced, into our governance structure, a Service Provider Management Board and Service Delivery Board jointly attended by Disclosure Scotland and BT. These new groups are responsible for managing the key operational, tactical and strategic interface between supplier and client.

Finally, we have prepared a three year Corporate Plan for 2015-18 which sets out the strategic priorities which will steer Disclosure Scotland through the most significant period of change since its inception. Our Corporate Plan and the supporting Business Plan for 2015-16 have been fully endorsed by Ministers and published on our website.

The achievements set out in the body of this statement could not have been delivered without the efforts of a dedicated and committed workforce supported by an engaged leadership team and Board.

Norman Egan
Chief Executive
01 September 2015

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 for the year ended 31 March 2015 under the Public Finance and Accountability (Scotland) Act 2000. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Cash Flow Statement, the Statement of Changes in Taxpayers' Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2014-15 Government Financial Reporting Manual (the 2014-15 FReM).

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 125 of the Code of Audit Practice approved by the Auditor General for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of Accountable Officer and auditor

As explained more fully in the Statement of the Accountable Officer's Responsibilities, the Accountable Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and income. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors. I am also responsible for giving an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements. It also involves obtaining evidence about the regularity of expenditure and income. In addition, I read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements, irregularities, or inconsistencies I consider the implications for my report.

Opinion on 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 directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2015 and of its net cost of operations for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union, as interpreted and adapted by the 2014-15 FReM; and
- have been prepared in accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

Opinion on regularity

In my opinion in all material respects:

- the expenditure and income 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.

Opinion on other prescribed matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers; and
- the information given in the Strategic and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Governance Statement does not comply with guidance from the Scottish Ministers.

I have nothing to report in respect of these matters.

Helen Russell BA CPFA

Senior Audit Manager

Audit Scotland
4th Floor South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow G2 1BT

02 September 2015

ANNUAL ACCOUNTS AND NOTES 2014-15

Statement of Comprehensive Net Expenditure for the year ended 31 March 2015

		2014/15	2013/14
	Notes	£'000	£'000
Expenditure			
Staff costs	4	10,645	9,060
Other operating costs	5	34,872	28,995
Depreciation	6,7	4,599	4,283
		50,116	**42,338**
Income			
Income from Disclosure Fees	2	43,362	40,072
Other operating income	3	1,625	215
		44,987	**40,287**
Net cost of operations		5,129	2,051

The above results relate to continuing activities

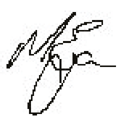
The notes on pages 52-68 form part of these accounts.

Statement of Financial Position at 31 March 2015

		2014/15	2013/14
	Note	£'000	£'000
Non-current assets			
Property, plant and equipment	6	0	598
Intangible assets	7	3,832	7,833
Total non-current assets		3,832	8,431
Current assets			
Trade receivables and other current assets	8	9,910	7,198
Total current assets		9,910	7,198
Total assets		13,742	15,629
Current liabilities			
Trade payables and other current liabilities	9	(7,300)	(5,901)
Provisions for liabilities and charges	11	(0)	(3)
Total current liabilities		(7,300)	(5,904)
Total assets less current liabilities		6,442	9,725
Non-current liabilities			
Provisions for liabilities and charges	11	0	0
Total non-current liabilities		0	0
Assets less liabilities		6,442	9,725
Taxpayers' equity			
General fund	12	6,442	9,725
Total taxpayers' equity		6,442	9,725

The notes on pages 52-68 form part of these accounts.

These Accounts were authorised for issue on 01 September 2015



Norman Egan
Chief Executive
01 September 2015

Cash Flow Statement for the year ended 31 March 2015

		2014/15	2013/14
	Note	£'000	£'000
Cash Flows from Operating Activities			
Net operating cost	12	(5,129)	(2,051)
Adjust for non-cash transactions	6,7,13	4,639	4,303
(Increase)/decrease in receivables and other current assets		(2,713)	(341)
Increase/(decrease) in trade and other payables		1,400	(2,453)
Increase/(decrease) in provisions		(3)	(17)
Net cash outflow from operating activities		(1,806)	(559)
Analysis of cash flows from investment activities			
Purchase of property, plant and equipment		0	0
Purchase of intangible assets		0	(269)
Net cash outflow from investment activities		0	(269)
Analysis of cash flows from financing activities			
From Scottish Consolidated Fund	12	1,806	828
Cash flows from financing activities		1,806	828

The notes on pages 52-68 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2015

		2014/15 General Fund	2013/14 General Fund
	Note	£'000	£'000
Balance at 31 March 2014		9,725	10,928
Changes in taxpayers' equity for 2014/15			
Non-cash charges	13	40	20
Net operating cost for the year	12	(5,129)	(2,051)
Total recognised income and expense for 2014/15		4,636	8,897
Parliamentary Funding	12	1,806	828
Balance at 31 March 2015		6,442	9,725

The notes on pages 52-68 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 (2014-15 FReM) 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 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.

1.3 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 Property, Plant and Equipment (PPE)

Recognition

All PPE assets will be accounted for as non-current assets unless they are deemed to be held-for-sale.

Capitalisation

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 (exclusive of VAT).
- Information and Communications Technology (ICT) systems are capitalised where the individual cost is over £1,000 (exclusive of VAT).

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

Measurement

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 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 statement of comprehensive net expenditure. 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

Items of property, plant and equipment are depreciated to their estimated residual value over their remaining useful economic lives in a manner consistent with the consumption of economic or service delivery benefits.

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
Bespoke ICT equipment	5 years

1.5 Intangible Assets

Recognition

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 (exclusive of VAT).

Measurement

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.

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 statement of comprehensive net expenditure, 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 statement of comprehensive net expenditure.

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 statement of comprehensive net expenditure 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

1.6 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 statement of comprehensive net expenditure are deducted from future operating costs to the extent that they are identified as being reversed in subsequent revaluations.

1.7 Leasing

Finance Leases

Disclosure Scotland currently has no finance leases.

Operating Leases

Disclosure Scotland has an operating lease with the Scottish Police Services Authority (SPSA) to lease approximately 72% of the shared premises. As with the Agency's other operating leases for equipment, the rental is charged to the Statement of Comprehensive Net Expenditure on a straight-line basis over the term of the lease.

1.8 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 4). 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.

1.9 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.

1.10 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 principal objective of the administration and processing of disclosure applications.

1.11 Impact of new Accounting Standards issued but not yet in effect

A number of new accounting standards have been issued or amendments made to existing standards, but have not yet been applied in these financial statements. Standard which are considered relevant and the anticipated impact on Disclosure Scotland's accounts are as follows:

IFRS 9 – Financial Instruments

The date for mandatory implementation of this standard has been changed to 1 January 2018. The adoption of this standard could change the classification and measurement of financial assets. The impact on the accounts has not been determined.

IFRS 11 – Joint Arrangements

Mandatory for accounting periods on or after 1 January 2016. Disclosure Scotland have considered the effect of this standard on the accounts and have determined that it is not applicable.

IFRS 13 – This is effective from 2015-16. The application of IFRS 13 is under HMT review, and the final application is not yet known. The adoption of this standard could change the measurement techniques used when determining fair value. The impact on the accounts has not been determined.

Note 2. Income from Disclosure Fees

	2014/15 £'000	2013/14 £'000
Disclosure Fees	43,362	40,072
	43,362	**40,072**

Note 3. Other Operating Income

	2014/15 £'000	2013/14 £'000
Recharges to Other Government Entities		
Disclosure & Barring Service	82	180
Access Northern Ireland	2	5
Recharges to Other Entities - BT	1,541	30
	1,625	**215**

Note 4. Staff Numbers and Costs

The average number of whole time equivalent persons employed (including senior management) during the year to 31 March 2015 was as follows:

	2014/15	2013/14	2014/15 £'000	2013/14 £'000
Senior Managers	5	7	455	519
Central Services*	36	27	1,564	1,056
Disclosure Services	145	131	4,104	3,735
Protection Services	44	39	1,486	1,332
	230	**204**	**7,609**	**6,642**
Agency & Temporary Staff	84	89	3,029	2,407
	314	**293**	**10,638**	**9,049**

The average number of disabled employees employed during the year was 14 (2013-14, 6).

*Includes Corporate Services, IT Services and Transformation.

The range of Agency and Temporary staff in 2014-15 was 53 – 124 FTE (77 – 120 FTE, 2013-14).

The aggregate payroll costs were as follows:

	2014/15 £'000	2013/14 £'000
Wages & Salaries	6,155	5,352
Social Security Costs	446	395
Pension Costs	1,007	895
Agency & Temporary Staff	3,029	2,407
Movement in Employee benefits	8	11
	10,645	9,060

The pension costs are analysed as follows:

	2014/15 £'000	2013/14 £'000
Contributions paid to PCSPS	992	883
Contributions paid to partnership pension	15	12

Principal Civil Service Pension Scheme

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme where Disclosure Scotland is unable to identify its share of the underlying assets and liabilities.

The scheme Actuary valued the scheme as at 31 March 2012. Details of this can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservicepensionscheme.org.uk).

During the year to 31 March 2015, employers contributions of £992k (2013-14 £883k) were payable to the PCSPS at one of the four rates in the range 16.7 % to 24.3 % of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2014-15 to be paid when the member retires and not the benefits paid during this period to existing members.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £15k (2013-14 £12k) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable earnings. Employers also match employee contributions up to 3% of pensionable earnings.

Reporting of Civil Service and other compensation schemes – exit packages

Comparative data shown (in brackets) for 2013/14

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	0 (0)	0 (1)	0 (1)
£25,000 – £50,000	0 (0)	2 (0)	2 (0)
Total number of exit packages	0 (0)	2 (1)	2 (1)
Total resource cost/£	0 (0)	£63,262 (£522)	£63,262 (£522)

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the department has agreed early retirements, the additional costs are met by the department and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

Note 5. Other Operating Costs

	2014/15 £'000	2013/14 £'000
Administration		
Notional costs - audit fees*	40	20
Accommodation	1,080	1,103
Travel subsistence & hospitality	50	47
Early Retirement/Severance	64	0
General administration	1,664	1,645
	2,898	**2,815**
Programme		
Payments to PPP Partner**	26,378	22,027
Grant Funding	735	760
Other programme costs	4,861	3,393
	31,974	**26,180**
	34,872	**28,995**

*The audit fee is a notional charge as notified to the Agency by the external auditors, Audit Scotland. This scores against the non-cash budget provided by the Scottish Government.

** No remuneration has been paid for non-audit services.

Recoveries within payments to PPP Partner	2014/15 £'000	2013/14 £'000
Refund of additional costs arising from the operation of the PVG IT System	18	295
Non Recovery of BT debts, over 90 days, written-off by BT	6 (non-recovery)	129 (non-recovery)
Recovery of BT debts, over 90 days, written-off by BT	(31)	-
Contractual Penalty Deductions for not achieving contractual service levels	360	306
Gross Expenditure of Payments to PPP Partner (BT)	26,731	22,757

Note 6. Property, Plant and Equipment

2014/15	ICT Hardware 2014/15 £'000	Total 2014/15 £'000
Cost or valuation		
Balance at 1 April 2014	1,664	1,664
Additions	0	0
Disposals	0	0
At 31 March 2015	1,664	1,664
Depreciation		
Balance at 1 April 2014	1,066	1,066
Charged in year	598	598
Disposals	0	0
At 31 March 2015	1,664	1,664
Net book value	0	0

	ICT Hardware 2014/15	Total 2014/15
Analysis of asset financing:		
Owned	0	0
Finance leased	0	0
Net book value	0	0

2013/14	ICT Hardware 2013/14 £'000	Total 2013/14 £'000
Cost or valuation		
Balance at 1 April 2013	1,664	1,664
Additions	0	0
Disposals	0	0
At 31 March 2014	**1,664**	**1,664**
Depreciation		
Balance at 1 April 2013	735	735
Charged in year	331	331
Disposals	0	0
At 31 March 2014	**1,066**	**1,066**
Net book value	**598**	**598**

	ICT Hardware 2013/14 £'000	Total 2013/14 £'000
Analysis of asset financing:		
Owned	598	598
Finance leased	0	0
Net book value	**598**	**598**

Note 7. Intangible Assets

2014/15	Software Licences 2014/15 £'000	IT Software 2014/15 £'000	Total 2014/15 £'000
Cost or valuation			
Balance at 1 April 2014	0	20,006	20,006
Additions	0	0	0
Disposals	0	0	0
At 31 March 2015	0	20,006	20,006
Amortisation			
Balance at 1 April 2014	0	12,173	12,173
Charged in year	0	4,001	4,001
Disposals	0	0	0
At 31 March 2015	0	16,174	16,174
Net book value current year	0	3,832	3,832

	Software Licences 2014/15 £'000	IT Software 2014/15 £'000	Total 2014/15 £'000
Analysis of asset financing:			
Owned	0	3,832	3,832
Finance leased	0	0	0
Net book value current year	0	3,832	3,832

2013/14	Software Licences 2013/14 £'000	IT Software 2013/14 £'000	Total 2013/14 £'000
Cost or valuation			
Balance at 1 April 2013	33	24,292	24,325
Additions	0	269	269
Disposals	(33)	(4,555)	(4,588)
At 31 March 2014	**0**	**20,006**	**20,006**
Amortisation			
Balance at 1 April 2013	33	12,776	12,809
Charged in year	0	3,952	3,952
Disposals	(33)	(4,555)	(4,588)
At 31 March 2014	**0**	**12,173**	**12,173**
Net book value current year	0	7,833	7,833

Disposals – before the end of the 2013-14 financial year all disclosure operations ceased to be processed through the Legacy system and transferred onto the replacement PVG system. The system which had been fully amortised was written out of the accounts at the year-end. Following the transfer of the data held within the system it (the system) was disposed of securely.

	Software Licences 2013/14 £'000	IT Software 2013/14 £'000	Total 2013/14 £'000
Analysis of asset financing:			
Owned	0	7,833	7,833
Finance leased	0	0	0
Net book value current year	0	7,833	7,833

Note 8. Trade Receivables and Other Current assets

	2014/15 £'000	2013/14 £'000
Trade receivables	4,438	4,352
Accrued income	4,430	2,827
PPP Settlement Account	0	(39)
Prepayments	1,042	58
	9,910	7,198

The PPP partner, BT plc, was contracted to operate and maintain the trade receivables ledger until 31 March 2015. Under the PPP contract, BT plc was responsible for the cost of any debts in excess of 90 days overdue. The net balance at 31 March 2015 representing recoverable debt was incorporated into the Disclosure Scotland ledger as Trade Receivables.

All receivable balances are with bodies external to government.

Note 9. Trade payables and Other Current liabilities

	2014/15 £'000	2013/14 £'000
Trade payables	1,557	402
Accruals	5,544	5,307
Holiday pay/Flexi accrual	199	192
	7,300	5,901

All payable balances are with bodies external to government.

Disclosure Scotland policy is to pay all invoices within 10 days that are not in dispute. The Agency aims to pay 100% of invoices, including disputed invoice once the dispute has been settled, on time in these terms. For the year ended 31 March 2015, the Agency paid 100% of all undisputed invoices within 10 days of receipt. This represents 1,250 invoices out of an annual total of 1,250.

Note 10. Cash and cash equivalents

There were no cash or cash equivalent balances in 2014-15 and 2013-14.

Note 11. Provisions for Liabilities and Charges

	As at 1 April 2014 £'000	Transfers from Scottish Government £'000	Released £'000	As at 31 March 2015 £'000
Early Departure Costs	3	0	(3)	0

Disclosure Scotland meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to PCSPS over the period between early departure and normal retirement date. The agency provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments.

	Total 2014/15 £'000	Total 2013/14 £'000
Within 1 year	0	3
Within 2 to 5 years	0	0
After 5 years	0	0
	0	3

Note 12. General Fund

	2014/15 £'000	2013/14 £'000
At 1 April 2014	9,725	10,928
Scottish Government funding	1,806	828
Notional charges	40	20
Net operating costs for the period	(5,129)	(2,051)
Balance at 31 March 2015	6,442	9,725

Note 13. Notional Charges

The following charges have been included within the accounts:

	2014/15 £'000	2013/14 £'000
Auditor's remuneration	40	20
	40	20

Note 14. Related Party Transactions

A related party transaction is a business arrangement between two parties who are already linked prior to the deal. For example, a business arrangement between Disclosure Scotland and the Scottish Government.

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. All Income and Expenditure is accounted for within the financial systems of 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, Independent Audit and Risk Committee member, or key manager has undertaken any material transactions with Disclosure Scotland

Note 15. Losses and Special Payments

Disclosure Scotland made a payment to a supplier during the course of 2014-15 of £1.1 million, representing the first milestone payment of a contract that subsequently did not complete.

Note 16. Operating Leases

At 31 March 2015, Disclosure Scotland was committed to making the following payments in respect of operating leases:

	Equipment £'000	Property £'000	Total 2014/15 £'000	Total 2013/14 £'000
Within 1 year	5	385	390	389
Within 2 to 5 years	16	1,538	1,554	1,551
After 5 years	0	1,954	1,954	2,339
	21	**3,877**	**3,898**	**4,279**

The property leases are in respect of Disclosure Scotland's premises and equipment leases relate to seven multifunctional printer devices.

Note 17. Finance Leases

Disclosure Scotland has no Finance Leases as at 31 March 2015.

Note 18. Contracted Capital Commitments and Contingent Liabilities

There were no contracted capital commitments outstanding at 31 March 2015 which were not otherwise included within these accounts.

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.

Financial Assets	Loans & Receivable 2014/15 £'000	Loans & Receivable 2013/14 £'000
Trade Receivables (note 8)	4,438	4,352
Accrued Income (note 8)	4,430	2,827
PPP Settlement Account (note 8)	0	(39)
	8,868	7,140

Financial Liabilities	Loans & Receivable 2014/15 £'000	Loans & Receivable 2013/14 £'000
Trade Payables (note 9)	1,557	402
Accrued Expenditure (note 9)	5,544	5,307
	7,101	5,709

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.

Note 20. Contingent Asset/Liabilities

DS planned to replace the BT service contract with a new contract for the care and maintenance of the PVG system which would better meet the needs of the organisation. It awarded a new contract to a new supplier in May 2014 with the service due to transfer in December 2014. The delivery and transfer of the service by the “new supplier” did not take place as planned and to protect the business critical operations, DS continued the existing service contract with BT until the end of March 2015. DS awarded a new contract to BT for the support and maintenance of the PVG system starting April 2015. DS is in discussions with the “new supplier” around the non-completion of the contract awarded in May 2014 and therefore is unable to quantify any amount claimable or payable at this time.

Note 21. Post Balance Sheet Events

There are no post balance sheet events to report.

DIRECTION BY THE SCOTTISH MINISTERS

DISCLOSURE SCOTLAND

The Scottish Government
Riaghaltas na h-Alba

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.

Alyson Stafford

Signed by the authority of the Scottish Ministers

Dated 9 February 2010

CONTACT INFORMATION

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