

26 July 2024

Richard Leonard MSP
Convener
Public Audit Committee
Scottish Parliament
Edinburgh
EH99 1SP

Dear Convener

The 2022/23 audit of the Water Industry Commission Scotland

In your letter of 21 June 2024, you shared concerns that the Water Industry Commission for Scotland (WICS) has not been sufficiently focused on ensuring value for money in the use of public funds. While you recognise that the responsibility for ensuring the proper management and control of public money lies with the public body, you inquired about the historic audit focus and whether anything could have been done to identify these issues sooner and any lessons that can be learned for future public sector audits.

As I confirmed during our evidence session on 8 February 2024 the audit process is risk based and auditor's apply judgement in determining the extent, and focus, of testing required. This includes consideration of the [Code of Audit Practice 2021](#) provisions that enable auditors to assess a public body as 'less complex' and apply a more limited wider scope audit model. The criteria for adopting these provisions is well established and seeks to ensure that audit work is proportionate to individual public bodies. However, this does not reduce the audit assurance required on the financial statements audit, which must still be fully compliant with UK Audit Standards (ISAs).

With regards the specific circumstances for the current, and previous, audits of WICS I can confirm that expenditure was subject to audit testing to support the audit opinions on the financial statements and regularity. My [Section 22 report](#) on the 2022/23 audit of WICS drew attention to training and education expenditure. In prior years, high-cost training and education was paid by WICS in a series of payments, spanning across financial year ends, aggregating to the total cost. This reduced the likelihood of selection by the auditor who would have applied professional judgement and materiality to target their audit testing. I am satisfied this was not an attempt to hide the payments.

I have reflected on the audit work undertaken, alongside the additional information that has recently been published, and I have concluded that there is evidence that the issues identified in my report also existed in prior years. I have engaged Audit Scotland's Innovation and Quality team to communicate with public sector auditors to ensure there is awareness of the findings from my report, and that these will be considered when undertaking audit planning assessments and developing related audit approaches.

I am considering whether there is a need for further audit guidance for areas of expenditure which are of public interest, such as expenses, that may not be routinely subject to detailed audit testing due to the low values involved.

Yours sincerely

Stephen Boyle
Auditor General for Scotland