

Àrd-stiùiriche airson Cothromachadh Carboin

Director-General Net Zero

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Dear Convener,

I am writing to provide responses to the three further areas of clarification asked by the Public Audit Committee in your letter of 10 May.

- 1. The Committee asks whether the Scottish Government has received a copy of the review of data sets of transactions throughout 2022-23 and 2023-24 and the separate review conducted by the internal audit team and if so, to what extent is it assured by the rigour of these reviews?**

The Sponsorship team has recently received a copy of WICS' internal review of transactions in 22/23 and 23/24 and has reviewed this. The Sponsorship team considers that the review demonstrates WICS' commitment to respond to the issues highlighted by the Auditor General's section 22 report in December 2023.

Since the section 22 report, the team hold monthly Sponsorship meetings with WICS, where they have discussed the report. WICS provided verbal assurance that there is no reoccurrence of non-compliant expenses in the period since end December 2023. However, WICS have highlighted that the report shows non-compliant expenses in the period from the start of the 2023/24 financial year to the end of quarter 3.

WICS have set out to the Sponsorship team the new scrutiny processes that they have put in place to address the issues that arose in previous years. They have also taken action to identify and address the factors that gave rise to the unreceipted expenditure. They now require all expenses to be approved and that clarity of the number of approvers, including those transactions to be approved by the Board, is set out in WICS' internal financial procedures. The Sponsorship team consider that this action is appropriate to improve financial risk management and deliver value for money.

We will continue to monitor whether WICS can demonstrate that these processes are effective, engaging with the WICS Board on further actions to strengthen confidence such as the external review of WICS governance we have committed to undertake, and regular updates direct from WICS to this Committee, if that would be welcomed, until you are comfortable that issues highlighted in the Auditor General's section 22 report have been resolved.

2. The Committee seeks clarity from the Scottish Government as to when it first became aware of the Chief Operating Officer's attendance on a training course at Harvard Business School, given there appears to be a discrepancy in the evidence received on this point.

In reference to the paragraph in your letter regarding oral evidence, the exchange context related to the retrospective approval by the Deputy Director of Water Policy, and to clarify the point I was trying to make was in relation to the Sponsorship Deputy Director for WICS being made aware of the irregularity of the expenditure for the Harvard training course in the section 22 report work.

I have sought further information from the Director of Energy and Climate Change and the Deputy Director of Water Policy on this specific point. The Deputy Director and the Sponsorship team have clarified that the Chief Operating Officer had made them aware of her participation in the Harvard course as part of her development plan agreed by WICS. Details of the duration and timing of the course became evident to the Sponsorship team when the Chief Operating Officer gave her apologies for being unable to attend Scottish Government meetings in early 2023.

The Sponsorship team expected that WICS would have followed the appropriate procurement and business case requirements as per their Governance Framework, and that WICS would have complied with wider duties as a public body – which unfortunately was discovered not to be the case during the audit. Although the Deputy Director of Water Policy acknowledges the benefit of hindsight, he is aware he should have asked questions about the course when he was initially made aware that the Chief Operating Officer was going to be absent due to participation in the Harvard Business School course in early 2023. He is clear that officials were not aware of the cost of the course until WICS sought retrospective approval. The Deputy Director of Water Policy accepts that he should have been clearer with the committee and myself, and indeed to Ministers, as to when the Sponsorship team were initially aware of the Chief Operating Officer's participation in the Harvard Business School course and regrets any confusion this has caused.

Since your letter, WICS has informed the Sponsorship team of an FOI request they received for details of training courses paid for by WICS and have now provided details of significant training costs for senior members of staff from earlier years. I have asked the Sponsorship team to set out what was known about the approach that WICS had to senior staff and MBAs.

This has shown that the Scottish Government was aware from 2006, when it approved a restructuring and pay agreement, that WICS had a policy of funding MBAs for senior staff. In 2014 the Scottish Government approved a WICS Pay and Grading Restructure through its Remuneration Committee which included reference to a fully funded MBA, available after 4 years' service, being a significant element of the retention strategy for the organisation. Through the Remuneration Committee, the Scottish Government also approved a Revised Grading Structure in 2017 which referred to senior members of staff being required to hold an MBA. In addition, the Sponsorship team were aware through their general day to day interactions with senior WICS staff that they were attending MBA courses. The Deputy Director and the Sponsorship team have confirmed they were not aware of the cost of these

courses at the time and that no approval from the Sponsorship team was sought for these courses.

I wish to also make clear that I only became aware of the Harvard course from the section 22 report work. This was also the case for Ministers and the Director of Energy and Climate Change. I and Ministers and the Director of Energy and Climate Change also were not aware of the further occasions where MBAs had been paid for until WICS provided the team with the information as part of their response to the FOI request.

3. The Committee requests further information on the training available for Senior Civil Servants including—

- **the extent to which Senior Civil Servants are offered the opportunity to attend advanced management and leadership programmes delivered by higher education institutions, either within the UK or abroad**
- **how many Senior Civil Servants have either completed such a programme within the past five years or are currently participating in one**
- **the total public expenditure incurred over the past five years as a result of the participation of Senior Civil Servants on advanced management and leadership programmes at higher education institutions.**

Scottish Government HR colleagues have provided the following responses based on centrally held records. There is a possibility that other advanced management and leadership programmes provided by higher education institutions have been funded directly by local business areas. Work is underway to enhance the governance across learning and development expenditure to ensure oversight.

Centrally, we do not routinely promote advanced management and leadership programmes delivered direct by higher education institutions, either within the UK or abroad. An exception to this was the FWB and University of Edinburgh Business School programme. Two Senior Civil Servants (Deputy Directors) attended the 2019 Executive Women's Leadership Programme - FWB (fwbltd.com), which was run by FWB Consultants in partnership with the University of Edinburgh. The programme was led by specialists from the Business School's senior management team and the level of teaching was Executive MBA and above. Based on the 2 places noted above, total expenditure was £2,500 per person (£5,000 total).

The programmes which we promote regularly are either run by the UK Civil Service or leadership training specialists such as the non-profit organisations Whitehall and Industry Group or Forward Institute. UK Civil Service core development programmes, commissioned from the Cabinet Office, can draw on UK universities for part of their delivery. For example the UK Civil Service 'Major Projects Leadership Academy' has been delivered by Oxford University's Saïd Business School and the 'Project Leadership Programme' with Cranfield University School of Management. In line with other UK government departments, the Scottish Government participates in these programmes as part of our learning and development offer and to build capability and professional networks across the wider civil service.

I hope that this answers your further questions, and I or colleagues would be very happy to provide any further information or clarification as required.

The Scottish Government accepts in full the findings of the Auditor General for Scotland's section 22 report and is clear that the issues in WICS were unacceptable. I would like to stress that the Scottish Government Sponsorship team and the Director of Energy and Climate Change are working closely with the WICS leadership team to address the recommendations and ensure that it fulfils its statutory role of regulating Scottish Water. I share the Committee's concern in regard to these events and, along with the Cabinet Secretary, have reinforced again the need for ongoing cooperation and transparency on these matters.

Finally, the Scottish Government is committed to ensuring that we learn lessons from this matter building on the improvement work being implemented following publication of the 'Progress Review of Scottish Government Relationships with Public Bodies' (Ryan Review 2022). We would be happy to share more details of this work with the Committee at a future session.

ROY BRANNEN