



The Scottish Parliament
Pàrlamaid na h-Alba

Stephen Boyle
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Public Audit Committee
Room T3.60
The Scottish Parliament
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21 June 2024

Dear Stephen,

The 2022/23 audit of the Water Industry Commission for Scotland

Thank you for your [letter of 14 May 2024](#). As part of its scrutiny of the above section 22 report, the Committee considered the letter alongside correspondence from the [Scottish Government](#) and the [Water Industry Commission for Scotland](#) (WICS) at its meeting on 13 June 2024. The Committee also considered the contents of a [Freedom of Information \(FOI\) request](#) published by WICS on 11 June 2024 in relation to staff training costs, as referred to by the Scottish Government in its correspondence.

The Committee was concerned to learn of further instances of the inappropriate use of public funds, as highlighted in your letter and set out in further detail by WICS in its correspondence. The Committee was also concerned to learn that the FOI response identified instances where WICS staff attended MBA courses since 2016-17, where the total costs for each exceed £70,000. The correspondence from the

Scottish Government states that its Sponsorship team was unaware of the costs of these MBAs and that no approval had been sought for them.¹

In its correspondence, WICS provided a copy of its internal review of financial transactions. The review shows that in September 2023, WICS's former CEO appears to have disregarded advice from the Head of Finance, that Scottish Government approval was required in respect of a single tender contract.

During the [evidence session on 8 February 2024](#) the Committee asked why previous external audits had not identified issues relating to public expenditure, and the associated approval processes that had been followed and you explained that—

“Our audit is risk based. We operate on the basis of a sample of expenditure; we do not test every single transaction in an organisation.”

The Committee understands from the information included in WICS's [2022/23 annual audit plan](#) prepared by the external auditor, that as part of the planning process for the audit, a risk assessment was carried out to help identify any significant risks. The Committee also notes from the annual audit plan that the audit was informed by the relevant industry standard requirements and guidance, and also by Audit Scotland's [2021 Code of Audit Practice](#).

The annual audit plan explains that the Code of Audit Practice—

“Includes provisions relating to the audit of less complex bodies. Where the application of the full wider audit scope is judged by auditors not to be appropriate to an audited body then the annual audit work can focus on the appropriateness of the disclosures in the governance statement, concluding on the financial sustainability of the body and its services and the arrangements for securing Best Value.”

The annual audit plan goes on to say—

“In light of the low volume and lack of complexity of the financial transactions, we plan to apply the less complex body provisions of the Code to the 2022/23 audit of WICS”.

From the evidence it has received to date, the Committee is concerned that WICS has not been sufficiently focussed on ensuring value for money is achieved in the use of public funds over several years. While the Committee is clear that the

¹ The Committee has written to WICS and the Scottish Government seeking further clarity on these issues.

responsibility for ensuring the proper management and control of public money lies with the public body, in this case WICS, it seeks to understand what, if anything, past external audits could have done differently to help identify these issues sooner.

The Committee also asks if there are any lessons that can be learned from the 2022/23 audit of WICS that could be applied to the planning of future audits, while recognising the need for audits to be proportionate and tailored to the individual public body.

I would be grateful for a response by **31 July 2024**.

Yours sincerely

Richard Leonard MSP
Convener