

Public Audit Committee
Thursday 9 January 2025
1st Meeting, 2024 (Session 6)

The 2023/24 audit of the Water Industry Commission for Scotland

Introduction

1. At its meeting today, the Public Audit Committee will take evidence from the Auditor General for Scotland (AGS) on the section 22 report, [The 2023/24 audit of the Water Industry Commission for Scotland](#) (WICS), which was published on 10 December 2024.
2. The AGS has prepared a briefing paper on the key messages and recommendations from the report, which can be found at **Annexe A**. A copy of the report can be found at **Annexe B**.
3. The Committee is also currently scrutinising [The 2022/23 audit of the Water Industry Commission for Scotland](#), as part of this work it has received correspondence from WICS and the Scottish Government. This can be found in **Annexe C** and **Annexe D**.
4. WICS has provided a further written submission to the Committee, setting out the progress it has made in addressing the issues identified by the AGS in the 2022/23 audit of WICS. This can be found at **Annexe E**.
5. The Committee will decide any further action it wishes to take following the evidence session today.

Clerks to the Committee
January 2025

Public Audit Committee

9 January 2025

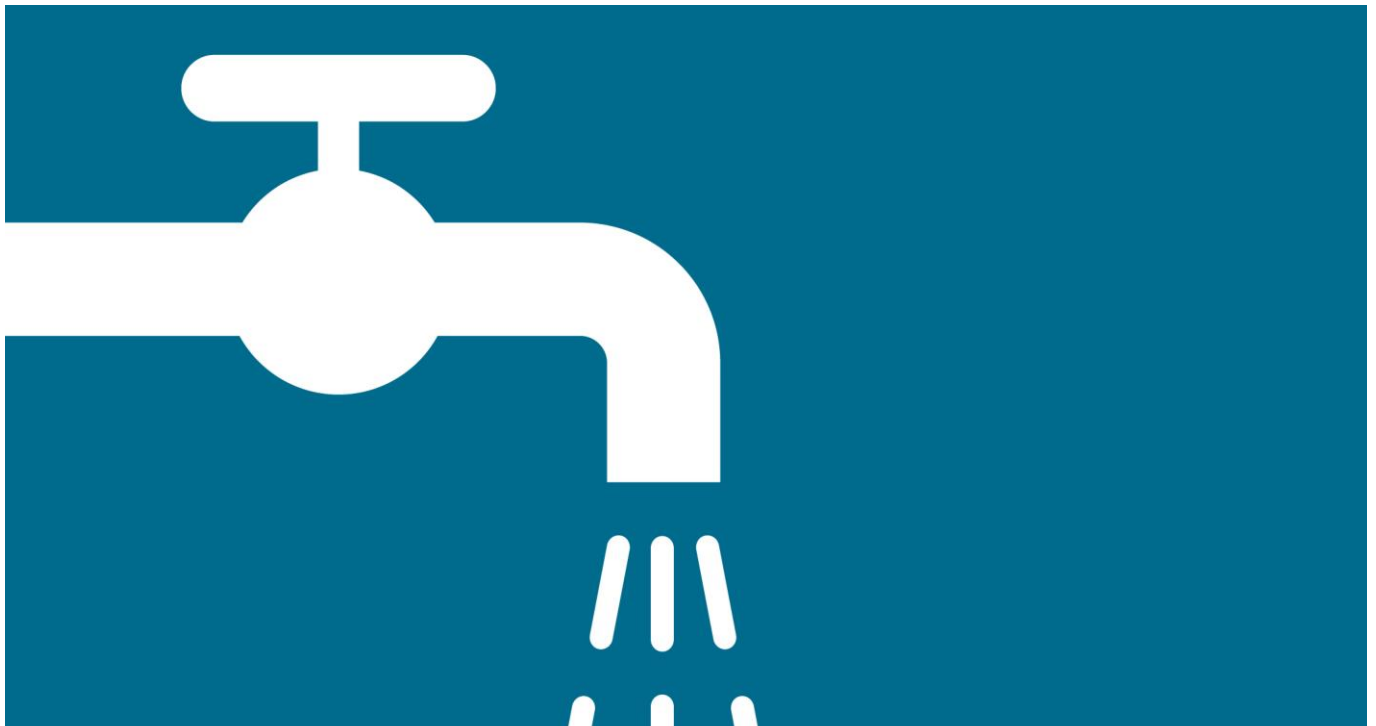
The 2023/24 audit of the Water Industry Commission for Scotland

Briefing paper by the Auditor General for Scotland

1. The Auditor General has prepared a report under section 22 of the Public Finance and Accountability (Scotland) Act 2000 on the 2023/24 audit of the Water Industry Commission for Scotland. The report was published on 10 December 2024.
2. The report provides the Committee with a number of updates following the conclusion of the 2023/24 audit of the Water Industry Commission for Scotland. Many of the areas explored in the report are familiar to the Committee and, indeed, cover areas where evidence has already been heard.
3. Key messages from the report are:
 - The appointed auditor issued a qualified regularity opinion on the 2023/24 audit of the Water Industry Commission for Scotland. In his opinion £74,832 of expenditure was not in accordance with applicable enactments and guidance from Scottish ministers. No instances of non-compliant expenditure have been identified by the auditor that occurred since the publication of my previous report.
 - The appointed auditor also reported a further £20,355 of expenditure on business class flights and meals which complied with policies but does not appear to represent value for money.
 - The total cost to the public purse of the departure of the former Chief Executive was £105,488. The Commission should have sought and received clearer guidance from the sponsor team, and taken more time to consider the wider options available, before offering a settlement agreement to the former Chief Executive.
 - Together with its Scottish Government sponsor team, the Commission is taking action to address the financial management and governance weaknesses that I reported last year. It is essential that the board and senior management team, with support from the Scottish Government, provide effective leadership to embed a positive culture of Best Value across the organisation.
4. The Chair of the Board resigned from the Commission in October 2024 and an interim Chair is now in post. The post of Chief Executive and Accountable Officer continues to be filled on an interim basis with plans to commence the recruitment of a permanent Chief Executive early in 2025. Consistency and strong leadership is needed for the Commission to ensure a clear strategic direction during this period of organisational change.
5. The auditor will continue to monitor the situation and the Auditor General will report further in public as necessary.

Annexe B: The 2023/24 audit of the Water Industry Commission for Scotland

The 2023/24 audit of the Water Industry Commission for Scotland



AUDITOR GENERAL 

Prepared for the Public Audit Committee by the Auditor General for Scotland
Made under section 22 of the Public Finance and Accountability (Scotland) Act 2000
December 2024

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Accessibility

You can find out more and read this report using assistive technology on our website www.audit.scot/accessibility.

Key messages

- 1** The appointed auditor issued a qualified regularity opinion on the 2023/24 audit of the Water Industry Commission for Scotland. In his opinion £74,832 of expenditure was not in accordance with applicable enactments and guidance from Scottish ministers. No instances of non-compliant expenditure have been identified by the auditor that occurred since the publication of my previous report.
 - 2** The appointed auditor also reported a further £20,355 of expenditure on business class flights and meals which complied with policies but does not appear to represent value for money.
 - 3** The total cost to the public purse of the departure of the former Chief Executive was £105,488. The Commission should have sought and received clearer guidance from the sponsor team, and taken more time to consider the wider options available, before offering a settlement agreement to the former Chief Executive.
 - 4** Together with its Scottish Government sponsor team, the Commission is taking action to address the financial management and governance weaknesses that I reported last year. It is essential that the board and senior management team, with support from the Scottish Government, provide effective leadership to embed a positive culture of Best Value across the organisation.
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Introduction

1. I have received the audited annual report and accounts including the independent auditor's report for the Water Industry Commission for Scotland (the Commission) for 2023/24. I am submitting these accounts and auditor's report under section 22(4) of the Public Finance and Accountability (Scotland) Act 2000, together with this report that I have prepared under section 22(3) of the Act.
2. I have prepared this report to provide an update on the significant issues highlighted in my report, [The 2022/23 audit of the Water Industry Commission for Scotland](#). I recognise that action is being taken to address the financial management and governance weaknesses raised, but I agree with the auditor's view that it is too early to conclude whether this will be successful in embedding a positive culture of Best Value across the organisation.
3. The auditor issued a qualified opinion on the regularity of transactions as expenditure of £74,832 was not in accordance with guidance from the Scottish ministers.

Background

4. The Commission is the economic regulator of Scottish Water. It is a non-departmental public body with a statutory duty to promote the interests of Scottish Water's customers to ensure long-term value and excellent levels of service for customers and communities. Its work in supporting the Scottish Government's **Hydro Nation** ambition is currently paused.

The first **Hydro Nation** strategy was created in February 2012 to fulfil the statutory duty to 'take such reasonable steps as the Scottish Government consider appropriate' for the purpose of ensuring the development of the value of Scotland's water resources.

5. The Commission currently employs 21 staff (full establishment is 30 staff) and incurred expenditure of £3.378 million during 2023/24 (with 70 per cent relating to staff costs). It received income of £4.519 million during the year, including levy income of £4.020 million from Scottish Water and Licensed Providers of retail services in the non-household market. This resulted in the Commission reporting an operating surplus of £1.142 million for the year ended 31 March 2024.

6. As a non-departmental public body, the Commission is supported by a sponsor team in the Water Policy Division of the Scottish Government.

Non-compliant expenditure

The appointed auditor qualified his regularity opinion for 2023/24

7. The independent auditor's report includes a qualified opinion on regularity as £74,832 of expenditure, for the year ended 31 March 2024, was not in accordance with applicable enactments and guidance from the Scottish ministers.

8. Three items of expenditure, totalling £43,604, were identified which did not meet the requirements of the Scottish Public Finance Manual (SPFM) on delegated authority limits, relating to:

- £19,484 with a recruitment consultancy which required Scottish Government approval as the contract was not awarded via a competitive tender exercise and the expected costs of £28,000 exceeded the £20,000 threshold
- a gift bought for a visiting international delegation which cost £120, exceeding the Commission's delegated limit of £75
- £24,000 paid as a retainer for the use of a King's Counsel for 'advanced reservation and commitment of diary time each quarter', which should have been approved by the Scottish Government due to the value and unusual nature of this expenditure.

9. Travel and subsistence expenses of £23,774 were identified which were not incurred in accordance with the requirements set out in Commission's Financial Policies and Guidelines, and did not meet the requirements for authorisation of expenditure set out in the expenditure and payments section of the SPFM.

10. Staff expenses of £7,454 were identified for which no itemised receipts or other proof of purchase were provided. These did not meet the proof of payment requirements set out in the SPFM.

Further expenditure of £20,355 was identified which complied with policies but does not appear to represent value for money

11. As part of the Commission's response to the issues reported on the 2022/23 audit, management conducted a review of financial transactions to identify areas of similar non-compliance. This review considered all

transactions, receipts and invoices submitted, along with purchase orders for transactions over £1,000, up to the end of December 2023.

12. This identified £17,686 for business class flights. This expenditure was in line with the Commission's Financial Policies and Guidelines in place at the time, but the auditor noted that this policy did not set clear criteria for purchasing business class flights, and this expenditure may not have represented value for money.

13. Management's review of expenditure also identified £2,669 incurred on meals which exceeded £50 per head, and the audit team's review identified a further £590 had been spent on two meals with external guests. This expenditure was in line with the Commission's Financial Policies and Guidelines that were in place at the time, as the limit per head for meals was removed from the policy in January 2023. However, I believe this does not represent value for money.

All inappropriate payments occurred in the first nine months of the year and predated my previous report

14. While it is disappointing that further inappropriate expenditure has been identified, it is reassuring that this occurred prior to my December 2023 report. The auditor has confirmed that the action taken by management to address the financial management weaknesses identified has improved compliance. The auditor's testing did not identify any instances of non-compliant expenditure between January and March 2024.

Financial settlement for former Chief Executive

The total cost to the public purse of the departure of the former Chief Executive was £105,488

15. The former Chief Executive and Accountable Officer tendered his resignation with effect from 31 December 2023. As part of the agreement for his departure he received a payment of £86,268 covering payment of salary in lieu of the six months' notice period (£84,800) and 2.25 days of accrued but untaken annual leave (£1,468).

16. The Commission also paid £840 to the former Chief Executive's legal representatives and incurred a further £6,580 for their own legal advice and services. A payment of £11,800 was paid to HMRC for the employer national insurance contributions due on the payment in lieu of notice. The total cost to the Commission of the former Chief Executive's departure was £105,488.

17. I note that the Director General Net Zero provided approval for this payment on 11 March 2024. The auditor therefore concluded that this payment did not impact on his regularity opinion.

The Commission should have taken more time to consider the wider options available, before offering a settlement agreement to the former Chief Executive. The use of a settlement agreement removed the possibility for disciplinary procedures to be taken.

A **settlement agreement** is a legally binding contract between an employer and an employee whereby the employee agrees to waive their rights to bring any claims against the employer, and vice versa, often in exchange for compensation.

18. The former Chief Executive was appointed as Water Industry Commissioner for Scotland from November 1999, before serving as the Chief Executive of the Commission from July 2005. The auditor identified that a subsequent contract was issued to the former Chief Executive in February 2007, however this was never signed. It is not clear why another contract was issued at that time.

19. The auditor has identified that the Commission applied the conditions in the former Chief Executive's initial contract of employment when preparing the value-for-money assessment. The assessment considered financial costs, non-financial costs and non-financial benefits of the following options:

- accepting the offer from the former Chief Executive to work until November 2024
- suspending the former Chief Executive to allow an investigation/hearing to take place
- dismissing the former Chief Executive (and incurring 12 months contractual severance)
- allowing the former Chief Executive to work his six-month notice period, or
- making a payment in lieu of the six-month contractual notice period.

20. As the initial contract included a notice period on termination of 12 months, the conclusion was that the lowest financial cost options were either to allow the former Chief Executive to work his six-month notice period or to make a payment in lieu of this.

21. However, had the more recent contract, from February 2007, been used this would have reduced the notice period required on termination from 12 months to three months. This would then have been the lowest financial cost option.

22. The auditor discussed this issue with the former Chair of the Board who advised that, based on the legal advice received, the Board was uncertain about the Commission's ability to enforce the terms of the former Chief Executive's later contract as he had not signed it.

23. Given the significant difference in the potential costs of terminating the former Chief Executive's contract under the terms in the two different contracts, further consideration should have been given to the enforceability of the terms of the 2007 contract. The Commission's legal advice did not give a clear view on its enforceability.

24. The auditor confirmed that the Commission's legal advisers provided guidance, including highlighting the potential financial risk to the Commission of commencing a disciplinary process against the former Chief Executive. Given the importance of these issues, more time should have been taken to assess wider options prior to the settlement agreement being prepared on 19 December 2023. The use of a settlement agreement removed the possibility for any disciplinary procedures against the former Chief Executive.

The Commission should have sought and received clearer guidance from the sponsor team before offering a settlement agreement to the former Chief Executive

25. As also reported in evidence to the Scottish Parliament's Public Audit Committee, the former Chair of the Board advised the auditor of telephone conversations held with the former Deputy Director of the Scottish Government Water Policy Division on 19 December 2023 and 20 December 2023. The former chair then emailed the former Deputy Director on 22 December 2023 to notify him of the Board's decision regarding the departure of the former Chief Executive. This email made no reference to the use of a settlement agreement in relation to the former Chief Executive's departure.

26. After the settlement agreement confirming the terms and date of the former Chief Executive's departure was signed by the Chief Executive and the Chair of the Board, the Commission's finance team emailed the Deputy Director of the Scottish Government Water Policy Division to inform him of the value of the payment and seek confirmation for the payment. This email, on 12 January 2024, noted that they held a copy of the related settlement agreement.

27. At this point, the Water Policy Division emailed to advise that the settlement payment could not be approved until the Commission completed a business case for the settlement agreement in accordance with the requirements of the SPFM. On 11 March 2024, the financial settlement payment to the former Chief Executive was approved by the Director General Net Zero. The payment was made on 27 March 2024.

28. On 15 March 2024 the Cabinet Secretary for Wellbeing Economy, Net Zero and Energy wrote to the former Chair of the Board stating: 'I note that in choosing a settlement agreement to conclude the departure of the former CEO, the Board failed to follow due process. This is extremely concerning given the nature of the failings identified by the Auditor General. Furthermore, it did not offer an opportunity to the SG to offer a wider steer on the use of settlement agreements and in particular the concerns that the PAC has expressed in respect of the use of such agreements. While I am advised that the payment reflects contractual terms, this recurrent breach of process is unacceptable.'

29. A complete timeline for the financial settlement paid to the former Chief Executive, including the process relating to the use of the settlement agreement, is detailed in [Appendix 1 \(page 16\)](#).

30. At January 2024, when the settlement agreement was signed, the Settlement agreements, severance, early retirement and redundancy terms section of the SPFM was written based on the final decision to enter into a settlement agreement resting with the Accountable Officer for the public body.

31. Given that the departure related to the Accountable Officer of the Commission, the specifications of the SPFM, as written at the time, could not be fully followed. I agree with the auditor that the Commission's sponsor division should have been more proactive in providing clear guidance and support. I note that the relevant section of the SPFM was revised in March 2024 and now includes an additional clause to provide clarity on the approach to be taken where the Accountable Officer is the subject of a settlement agreement.

32. Further, I note the report published by the Scottish Government on 7 November 2024, [Water Industry Commission for Scotland – independent review: sponsorship oversight and governance](#), which acknowledges weaknesses in the sponsorship arrangements at that time. Steps have been taken to strengthen the sponsorship oversight for the Commission and I have asked the Scottish Government auditor to monitor the implementation of the recommendations.

Leadership and culture

There have been changes to the Board and senior management team

33. Following the departure of the former Chief Executive and Accountable Officer on 31 December 2023, the Commission operated without a Chief Executive or Accountable Officer until the Director of Strategy and Governance was appointed interim Chief Executive and Accountable Officer on 20 March 2024. The Commission plan to commence the recruitment of a permanent Chief Executive early in 2025.

34. In July 2024, the Acting Cabinet Secretary for Net Zero and Energy announced the appointment of two new interim members of the Board. The Chair of the Board then resigned with effect from 21 October 2024. One of the newly appointed non-executive board members has been appointed by the Cabinet Secretary as interim Chair, while a permanent Chair is recruited.

35. I note that the auditor is satisfied that improvements have been made in the level of reporting to, and scrutiny at, the Board and Audit and Risk Committee since January 2024.

The Commission is taking action to address the financial management and governance issues reported last year

36. Following the publication of my section 22 report on the 2022/23 audit, management agreed a twenty-one-point workplan to respond to the reported issues. The range of actions included an overhaul of the Commission's governance and controls, including revising the expenses policy; reinstating an approval panel to scrutinise expenditure; and strengthening the internal reporting processes. It also included training to ensure all staff were aware of the requirements of the Commission's Finance Policies and Guidelines and the SPFM, and their role in ensuring that all expenditure incurred is compliant. Staff were also provided with specific VFM training.

37. The Commission also asked their internal auditors at the time, Grant Thornton, to undertake a detailed review of governance and financial management arrangements. This report was considered by the Audit and Risk Committee in June 2024 with a further action plan agreed to address the recommendations. All actions are due to be implemented by the end of the 2024/25 financial year.

38. The Commission has acted quickly to address the findings, with the auditor advising that the original twenty-one actions has been implemented.

Further work is required to embed a positive culture of Best Value

39. The Commission has started engaging more formally with staff and, in February 2024, completed a Health and Safety Executive Stress Survey. This survey is designed to help organisations identify and manage work-related stress among employees and includes questions across six key areas: Demands, Control, Support, Relationships, Role and Change.

40. The results of the survey were reported in March 2024 and indicated staff who had experienced bullying and harassment within the workplace. Management engaged HR consultants to provide Bullying and Harassment training and a Diversity, Equality, and Inclusion workshop for staff in June 2024. Staff will be given the opportunity to complete the survey again during 2025 to enable the Commission to assess how their response is addressing the issues identified. In addition, the Commission also plans to conduct its own staff survey and pulse surveys to monitor the wellbeing of staff on an ongoing basis.

41. Following the Covid-19 pandemic, the former Chief Executive decided that the Commission did not need a physical office as all staff could work from home. While this decision has saved the Commission around £200,000 a year, management believe it had a detrimental impact on the organisation in terms of collaboration and cohesiveness within and between teams, and communication across the organisation.

42. The hybrid working arrangements are being reviewed and an essential aspect of this is re-establishing a physical office presence to provide staff with greater opportunities for in-person interaction.

43. In June 2024, the Board approved an organisational change programme which is looking to clarify roles and responsibilities, effectively align budgets, and strengthen the Commission's risk and assurance functions, communication strategies, and hybrid working practices. Although the work has commenced it is expected to continue into 2025/26.

44. As noted at [paragraph 4](#), the Commission's international work is currently paused. Given that this remains one of the Commission's strategic objectives for the current control period, management need to engage with the Scottish Government to discuss the expectations of activity in this area in the future. It is critical that appropriate governance arrangements and financial policies are in place to provide clarity on what is permissible activity and expenditure as part of this work.

45. The Scottish Government recently published the [Water Industry Commission for Scotland - independent review: governance arrangements](#). The report notes that the Commission remains in a state of reset and highlights how important it is to foster a culture where it is safe to challenge, staff views are heard, and issues of non-compliance are identified and acted upon.

46. This has been a challenging year for the Commission. Significant work is under way to improve the leadership, governance and culture of the Commission. It is critical that all parties, Board members, senior management, staff and the sponsor team, work together to move the Commission into a stronger place in delivering its regulatory role while ensuring Best Value in the use of its resources.

Conclusion

47. Actions are being taken to address the financial management and governance weaknesses raised. Effective leadership from the Board and senior management team, with support from the Scottish Government sponsor team, is essential to embed a positive culture of Best Value and provide clear strategic direction during this period of organisational change.

Appendix 1

Timeline for the financial settlement paid to the former Chief Executive

Date	Event
6 November 2023	Draft 2022/23 Annual Audit Report issued by appointed auditor to the former Chief Executive.
21 November 2023	Appointed auditor presented 2022/23 Annual Audit Report to the Audit and Risk Committee and notified them that the Auditor General for Scotland would be preparing a Section 22 Report on the Commission's 2022/23 audit. This was confirmed via email on 22 November 2023, which provided the Section 22 report timetable and requested that this information was shared with the Commission's sponsor division.
6 December 2023	Appointed auditor issued draft Section 22 report to the former Chief Executive, former Chair of the Board and Chair of the ARC. The covering email requested that the report was also shared with the sponsor division to ensure they were aware of the issues being reported by the Auditor General for Scotland within the report.
7 December 2023	The Commission's Senior Management Team presented a draft action plan to the Board setting out actions to address the points being reported in the Section 22 report on the 2022/23 audit.
10 December 2023	The former Chair of the Board received a letter from the former Chief Executive setting out his intention to retire in October 2024.
12 December 2023	The Board discussed the former Chief Executive's letter and agreed as a Board that they would accept his resignation but wished for him to leave the organisation as soon as possible.
19 December 2023	<p>The former Chair of the Board and another board member met with the former Chief Executive to discuss the timing of his departure. The Board also held separate discussions with its legal advisers and the former Deputy Director of the Scottish Government Water Policy Division during the day.</p> <p>Later that day the former Chief Executive advised the former Chair that he would resign and confirmed via email that evening that he was giving six months' notice, from 31 December 2023, as required under his contract.</p>

Date	Event
	<p>Following further consideration, the Board agreed that it would accept the former Chief Executive's resignation but would require him to step down with effect from the end of December rather than working his notice period.</p> <p>The Board instructed its legal advisers to prepare a settlement agreement to cover the payment the Commission were required to make for the period of his notice and for any accrued leave up to and including the 31 December 2023.</p>
20 December 2023	<p>Section 22 report on the 2022/23 audit published and the Scottish Government released a media statement stating that: 'The Water Industry Commission for Scotland's Chief Executive is stepping down with immediate effect and has tendered his resignation.'</p>
22 December 2023	<p>The former Chair of the Board contacted the former Deputy Director of the Scottish Government Water Policy Division to formally notify him of the Board's decision regarding the departure of the former Chief Executive. This email made reference to the previous discussions held between him and the Board and also stated that: 'Under his contract he had to provide six-months' notice and as confirmed by the Scottish Government Public Pay Policy Unit to you he is entitled to his salary for the period of his notice; in paying this WICS is meeting its contractual obligation and not making any change to his contract. WICS had received legal advice confirming our contractual obligation in respect to Alan's notice period.' However, the email made no reference to the use of a settlement agreement in relation to the former Chief Executive's departure.</p>
4 and 5 January 2024	<p>A settlement agreement confirming the terms and date of the former Chief Executive's departure was signed by the former Chief Executive (4 January 2024) and the former Chair of the Board (5 January 2024).</p>
12 January 2024	<p>The Commission's finance team emailed the former Deputy Director of the Scottish Government Water Policy Division to inform him of the value of the payment due to the former Chief Executive and to seek confirmation they could make the payment. This email also noted that the Commission held a copy of the related settlement agreement.</p>
15 January 2024	<p>The Water Policy Division emailed the Commission's finance team to advise that the settlement payment could not be approved until the Commission completed a business case for the settlement agreement in accordance with the requirements set out in the Scottish Public Finance Manual.</p>
19 January 2024	<p>The Commission's Director of Strategy and Governance (now interim Chief Executive) submitted a voluntary severance</p>

Date	Event
	business case to the Water Policy Division in relation to the former Chief Executive's financial settlement on the basis that the payment made was a contractual entitlement (ie, payment in lieu of notice). The Water Policy Division advised that a settlement agreement business case would be required as the Commission had used a settlement agreement for the financial settlement.
23 January 2024	The Commission's Director of Strategy and Governance (now interim Chief Executive) submitted a settlement agreement business case to the Water Policy Division.
29 February 2024	The Water Policy Division requested additional documentation, including a copy of the settlement agreement value for money assessment, to be submitted in support of the settlement agreement business case.
4 March 2024	The Commission's Director of Strategy and Governance (now interim Chief Executive) resubmitted the business case for the settlement agreement, along with the related value for money assessment and employee information schedule, to the Water Policy Division.
11 March 2024	Financial settlement to be paid to the former Chief Executive approved by Director General Net Zero.
15 March 2024	<p>Letter sent by Cabinet Secretary for Wellbeing Economy, Net Zero and Energy to the former Chair of the Board noting:</p> <p>'That the manner in which the removal [of the Chief Executive] was achieved was not in accordance with Scottish Government requirements as set out in the Scottish Public Finance Manual.'</p> <p>The letter also stated that: 'I note that in choosing a Settlement Agreement to conclude the departure of the former CEO, the Board failed to follow due process. This is extremely concerning given the nature of the failings identified by the Auditor General. Furthermore, it did not offer an opportunity to the SG to offer a wider steer on the use of Settlement Agreements and in particular the concerns that the PAC has expressed in respect of the use of such agreements. While I am advised that the payment reflects contractual terms, this recurrent breach of process is unacceptable.'</p>
27 March 2024	Payment to former Chief Executive made in accordance with the settlement agreement and business case.

The 2023/24 audit of the Water Industry Commission for Scotland



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Annexe C: Correspondence from the Water Industry Commission for Scotland, 13 December 2024

Richard Leonard MSP

13 December 2024

Convener
Public Audit Committee
Room T3.60
The Scottish Parliament
Edinburgh
EH99 1SP

Your Ref:
131224-DSRL

Dear Convener

Further information relating to the 2022/23 audit of the Water Industry Commission for Scotland

On 15 November 2024, you wrote to me requesting further information in relation the international work carried out by WICS to support the Scottish Government's Hydro Nation Strategy, which we are happy to provide.

Before addressing the committee's specific questions, it may be helpful to provide some broader context explaining the journey of WICS' contribution to the Hydro Nation strategy over the years.

WICS' regulatory approach

Scotland has benefitted significantly from a model where Scottish Water is publicly owned, commercially run, and subject to rigorous economic regulation. This approach has delivered exceptional outcomes for customers - keeping water charges among the lowest in the UK while enabling significant investment and improvements in service levels.

The regulatory approach within this model is widely regarded as a success, consistently drawing interest from others globally who are eager to learn from and replicate the success. As a result, what initially began as information sharing among peer regulators evolved into revenue-generating opportunities. This interest coincided with the introduction of Hydro Nation initiative.

Hydro Nation

The Hydro Nation Strategy outlines the Scottish Government's intent to deploy the potential of Scotland's knowledge and innovation in a global context. The strategy was created following the Water Resources (Scotland) Act 2013 and comprised the establishment of a Hydro Nation Forum, the Hydro Nation Scholars programme, and the Hydro Nation International programme.

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Interim Chair: Ronnie Hinds

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The Hydro Nation International programme is aimed at maximising the value of our water resources by sharing knowledge and collaborating with other countries to grow the international water economy. Included in this remit is exporting Scotland's expertise in water management and delivering projects with partners in key international territories.

WICS, along with other designated bodies¹, have contributed to developing and delivering Scotland's Hydro Nation strategy. The Scottish Government's annual Hydro Nation [report](#) provides an overview of the work completed by designated bodies in support of the initiative.

WICS' contribution to Hydro Nation

The main contribution of WICS to the delivery of the Hydro Nation strategy has been in the Hydro Nation international programme delivering consultancy projects in countries such as Greece, Romania and more recently in New Zealand.

Greece

In 2014 WICS delivered its first international project which involved training the Greek Special Secretariat for Water as part of three missions. This training was funded by the EU.

Romania

Between 2016 and 2022, WICS has worked with Romania to improve the water industry within the country. This initially begun with capacity building with the Romanian Public Services Regulatory Authority (ANRSC) and led a project funded by the EU Commission to support a programme of water reform in Romania in 2018. We received a grant of £877,191 from the European Commission to reimburse the expenditure related to this project.

Between August 2020 and September 2021, WICS was part of a consortium led by BDO Romania that provided services to improve the regulation of community public water supply and sewerage services in Romania. The total value of this project was £88,560. Alongside this work we supported Romanian water operator Apa Vital to develop its business plans and supporting regulatory information.

New Zealand

WICS supported New Zealand's Department of Internal Affairs (DIA) by undertaking a strategic analysis of the entities delivering water service in the country following several high-profile infrastructure failures. The purpose of this work was to understand and estimate the economic

¹ Alongside Scottish Water, SEPA, Scottish National Heritage, Scottish Enterprise, Highlands and Islands Enterprise and South of Scotland Enterprise.

benefits of aggregating those entities in a similar way to which Scotland aggregated three regional providers and created Scottish Water in 2002.

Between March and July 2020 WICS completed an initial project valued at £321,549. This work led to a longer project which concluded in 2023 generating a further £2,028,602. A report prepared for the DIA in May 2021 is available on WICS' website: [WICS final report - economic analysis of water services aggregation](#). The data collection exercise underpinning this report was said to be the largest ever undertaken in the water industry in New Zealand.

During this time, WICS also completed projects for other clients in New Zealand including a water company and the Ministry of Transport.

Including the countries noted above, WICS has agreed to Memorandums of Understanding (MoU) for cooperation with regulatory authorities in ten countries and has delivered training and workshops in Europe, Asia, and the Middle East. WICS has also participated in peer review project of other regulatory bodies by invitation of the OECD. It is an active member of the OECD's Network of Economic Regulators and WAREG, the European water regulators network.

While not all these activities generate income, they enhance the reputation of the Scottish water industry internationally and improve the way in which we regulate Scottish Water.

Benefits

WICS' involvement in international projects delivered benefits both to the organisation and to Scotland's customers. Collaborating with international partners strengthened our horizon scanning activities, allowing us to refine our regulatory approach by learning from the achievements and challenges of our international counterparts.

It has also played a key role in attracting, training and developing our staff particularly during periods outside of the core years of the Strategic Review of Charges process. During the 2015-21 regulatory period WICS generated total income of £2.0m through consultancy projects. This helped enable WICS to return £1.8m to Scottish Water and Licensed Providers during the period.

In 2020 the Scottish Government approved our corporate plan for the 2021-27 period, which for the first time had a net revenue target (income minus direct costs) of £1.3m for international consultancy projects. Included within the corporate plan was a 'business development budget of £600,000 over six years for the purposes of proactively investing in new client relationships which may lead to future consultancy projects.

Total net income received during the first three years of the 2021-27 regulatory period totalled £1.6m thus exceeding the 6-year target three years ahead of schedule. We are now reviewing our financial position to assess whether we can return funds to Scottish Water and Licensed Providers, and if so, how much.

Next steps

International revenue generation activities are currently on pause following the issues raised in the Auditor General's Section 22. This coincides with the peak period in WICS domestic regulatory activities in Scotland.

We are working with the Scottish Government to revise our Framework Document to make explicit expectations with respect to revenue generating activities. We also plan to revisit discussions on the legal and governance structures that would be required for these activities if there is a continued expectation for public bodies to engage in revenue generating. This will include the role of 'business development' expenditure and the requirements of the Scottish Public Finance Manual (SPFM).

In the meantime, we intend to continue engaging internationally to share knowledge and learn from others since this engagement and learning helps to support our core regulatory role.

I hope this information is helpful and sets our response to the committee's specific questions within the appropriate context.

Specific information requested by the committee

The committee has requested details of formal feedback WICS has gathered from its international clients in respect of:

- The level of support and expertise provided by WICS
- The impact of the support provided by WICS, including any long-term benefits that may have arisen
- Any improvements that could be made in how WICS provides support to its international partners
- Overall satisfaction and value for money
- Whether they would recommend WICS to other partners and / or would work with them again in the future.

The Committee has also requested information on how WICS has responded to and acted upon any feedback it has received from its international partners.

I have reviewed the information available and respond to each request in turn below:

1. Measuring the effectiveness of our Hydro Nation activities

The effectiveness of our Hydro Nation activity was measured by the net revenue generated relative to the target set in the 2021-2027 corporate plan. This revenue was a function of the number of MoUs signed with international partners and the repeat business from existing clients.

As highlighted above, WICS exceeded its six-year net revenue target three years ahead of schedule which was largely the result of continued request for further engagement with clients in New Zealand and Romania.

We have had many positive contacts from international partners requesting advice and assistance. We have signed ten MoUs with countries with the purpose of sharing regulatory knowledge and experience since 2014.

2. Feedback from international partners

I have attached in an appendix to this letter feedback received from international partners. This includes from New Zealand, Romania and Greece.

3. How WICS has acted upon feedback received

The feedback we have received from international partners has been positive. We are routinely contacted to provide further support or knowledge sharing activity with other regulatory bodies including this year following the Section 22 and pause in international revenue generating initiatives.

I hope this information is useful. We will continue to engage with the Committee and Audit Scotland providing any further information that may be required.

Yours sincerely

David Satti
Interim Chief Executive

Appendix 1 – Timeline of WICS consulting projects

Country	Project	Time period	Income
England	Open Water Anglo-Scottish market	2014 to 2016	£350,888 £140,702
Greece	Training for Greek Special Secretariat for Water.	2014	N/A funded by the EU Commission.
Romania	Regulatory support and training for Romanian regulator	2017-18	£4,399
Romania	Support for water reform programme focusing on developing a regulatory information framework.	2018-19	£877,191 SRSS European Commission
Romania	Consortium project led by BDO Romania to improve regulation of public water supply and sewerage services.	Aug 2020 – Sep 2021	£88,560
New Zealand	Economic analysis to NZ water companies to support government reform agenda. Including development of an information framework for investment proposals and expenditure.	Mar 2020 – Jul 2020	£321,549
New Zealand	Strategic analysis of economic benefits of aggregating water service delivery entities, including a 'bottom-up' assessment for ministerial policy papers on Three Waters Reform.	Jun 2020 – Sep 2023	£2,028,602
New Zealand	Supported a NZ water company in preparing regulatory information for	Aug 2021 – Jul 2022	£505,935

	economic regulation and built regulatory capacity.		
New Zealand	Support for examining regulatory models and their application to New Zealand's state highway network.	May 2022 – Jul 2022	£13,256

Appendix 2 – Feedback from international partners

- 2014 letter from European Commission (Greece) to Deputy First Minister
- 2021 letter from Minister Mahuta (NZ) to WICS

Feedback from Department of Internal Affairs, New Zealand

“WICS bring deep expertise and experience in the water sector and the economics of delivering water services. They pair that expertise with a pragmatic approach to understanding the challenges we were facing and developing solutions that address these.

“They were practical in how they set about addressing our information challenges and took the time to understand the New Zealand context. They engaged in a genuine way with us and with local councils, often going above and beyond what would have been reasonably expected, including meeting with us and working through all hours of the day to accommodate the time zone challenges.

“WICS were open to challenge and independent review of their work, seeking to address concerns and demonstrate that their analysis was robust.

“WICS are unique in that they have both an understanding of what a mature three waters sector looks and feels like but have many staff who have experienced the transformation required to achieve that end state – this experience and knowledge has benefited us immensely and means they are able to pair their advice and analysis with practical experience of what works.”

Feedback from a water company in Romania

“WICS’s experience has been so valuable to us. In explaining Scotland’s journey, WICS has given us confidence, courage and the confirmation that we are on the right track – even if we still have lots of work to do.

We have been impressed by the balanced way WICS approaches their role as regulator and the direct way in which they talked about the challenges facing the water and sewerage sector. We particularly appreciated the candid way our Scottish colleagues shared the mistakes they have made along the way – so that we can learn from them.

The WICS team is made up of wonderful professional people who are ready to share their experience and good practice with others. It has been a great opportunity to work with them.”



EUROPEAN COMMISSION

TFGR - TASK FORCE FOR GREECE

Brussels,
TFGR/JD/da (2014)

Nicola Sturgeon MSP
Deputy First Minister
Scottish Government
St. Andrew's House
Regent Road
Edinburgh, EH1 3DG
Scotland

Subject: Scottish Assistance in the Water Sector in Greece

Dear Deputy First Minister,

I am writing to you on behalf of the Task Force for Greece (TFGR) to express our thanks for the assistance that the Water Industry Commission (WICS) for Scotland and your officials have been giving us in our work to help the Greek Authorities to establish a water regulator in Greece. First I should explain that TFGR was set up almost exactly three years ago to mobilise technical assistance from EU Member States and International Organisations to assist the Greeks to fulfil the obligations that they have undertaken to secure the loans in the economic adjustment programmes. Our activities have concentrated on assistance for the reform of the public administration, the tax administration, the health sector and the business environment. At last the Greek economy is showing some positive signs and progress has been made not only with restoring public finances but also with much needed structural reforms.


A thorough reform of the state owned industries was an important element in the economic adjustment programme agreed by Greece and its creditors which it was hoped would help to both raise money to pay back some of Greece's crushing debt burden and to improve the business environment. Water was included as the Government owns the vast majority of shares in the two largest water companies, Athens and Thessalonica. The Task Force was asked to provide assistance in the creation of an effective economic regulator as an essential prerequisite of improving the performance of the companies both in terms of service to customers and meeting environmental standards. We contacted the Water Industry for Scotland who immediately said that they would do what they could to provide technical assistance.

Largely thanks to Alan Sutherland and his colleagues at WICS, progress is being made with building and strengthening the newly created water regulator. There have been training sessions for senior management in both Athens and Edinburgh. The session in Edinburgh was held in the Government's offices. It was chaired by [REDACTED] and other officials made valuable contributions. There will now be a series of two day sessions in October, November and December of this year. These sessions, which will be held in Athens, will be led by WICS and will involve all the staff of the Greek Regulator, most of whom are newly recruited. Next year, it is planned that selected staff from Greece will go to Stirling to get some hands-on experience.

Scotland has committed to make itself into a Hydro Nation by fully recognising the fundamental importance of water for the economy, health, social wellbeing and environment. The support that WICS is giving Greece is certainly in line with raising Scotland's international profile as an international leader on water management and governance. Greece too recognises the importance of water and has made the Blue Economy an important plank in its economic growth strategy. While their climates are very different, Greece and Scotland are both countries that know the value of water and experience its significance on a day to day basis as well as having the sea deeply embedded in their cultures. Maybe in the longer term, the two countries can work further together and exploit their complementarities in this area. In the meantime, Scotland's assistance to Greece in the strengthening of its newly created water regulator is much appreciated.

Yours sincerely,

A large black rectangular redaction box covering the signature of the sender.


Special Adviser
Task Force for Greece

Cc: Mr Alan Sutherland (WICS), 


Office of Hon Nanaia Mahuta

MP for Hauraki-Waikato

Minister of Foreign Affairs

Minister of Local Government

Associate Minister for Māori Development



13 October 2021

Alan Sutherland
Chief Executive
Water Industry Commission for Scotland
alan.sutherland@watercommission.co.uk

Tēnā koe Alan

Thank you for your letter outlining your observations of New Zealand's current position on its water reform journey and the similarities with the England and Scotland experience. I also appreciate the reflections you've shared on the report Castalia produced for Whangārei District Council.

I share the concerns you've raised about the Castalia report, and agree that any evidence and analysis considered through the reform process should stand up to robust scrutiny. I also note that the Department of Internal Affairs has issued its own statement on the report, which outlines its view that the report misrepresents the evidence base and analysis supporting the reform proposals, and reaches conclusions that are not well supported by the available empirical evidence from similar reforms undertaken in other jurisdictions. This statement, along with the Department's advice to me on the report, has been made publicly available to ensure the public is informed of the full range of perspectives on the issues canvassed by Castalia.

I would like to acknowledge the support of you and your team over the course of the reform programme, including the significant amount of work undertaken over the Request for Information process and in developing your final reports (stages 1 and 2) on the net benefits of reform. I look forward to your continued support and perspective as we make further progress on our reform journey.

Thank you again for writing.

Nāku noa

Hon Nanaia Mahuta
Minister of Local Government

Annexe D: Correspondence from the Scottish Government, 13 December 2024

DIRECTORATE FOR ENERGY AND CLIMATE CHANGE

Kersti Berge, Director,
Directorate for Energy and Climate Change
Kersti.Berge@gov.scot



13 December 2024

Dear Convener,

Thank you for your letter of 15 November to Michelle Quinn, seeking further information in relation to the below areas. As policy lead I am replying on her behalf. I have addressed each of the Committee's requests in turn.

The Committee seeks information on how the Scottish Government plans to assess whether WICS's international work to support the Hydro Nation Strategy should resume, including the factors it will take into account and the timescale for a decision to be made.

The Hydro Nation Strategy is now over a decade old and during that time the priorities for the Water Industry as a whole have changed. In 2019, sector partners agreed to an overarching Water Sector Vision to shape our work as set out in Annex A. The Scottish Government is now looking at how we refocus our efforts towards delivering that Vision and setting clear objectives that focus on our primary challenges surrounding: water quality and treatment, net zero, water scarcity and affordability.

The work includes a review of the whole Hydro Nation Strategy to align it more closely with the sector's Water Sector Vision. We are reviewing the role of WICS's international activity against that backdrop, with a final decision to be made in Spring 2025.

We will continue to support knowledge exchange type activity where such activities are supported by a clear business case. These activities may include engagement with international regulators (with the parties substantially bearing their own costs) in order to share best practice and remain at the forefront of water regulation. This would be for WICS to consider in line with its financial governance processes, subject to any delegated expenditure limits and Scottish Public Finance Manual guidance on Best Value.

In the event there continues to be proven value in revenue generating work, we will not recommence any activity until we are satisfied that it: a) is capable of being resourced without detriment to core regulatory duties; and b) is supported by a governance model that sufficiently separates it from core regulatory work and defines the procedures and management of the activity to remain compliant with the SPFM.

The Committee also requests information on what assessment the Scottish Government has made in relation to the effectiveness of, and outcomes arising from WICS's international activities to support the Hydro Nation Strategy. This includes information on any feedback that has been sought from WICS's international partners.

Scottish Government Hydro Nation Reporting

Activities conducted internationally by WICS were reported through the Scottish Government Hydro Nation annual reports (2014 – 2022). They are publicly available [here](#). Each report provides an overview of the work which has been conducted during that year and the impact resulting therefrom. Updates on the work conducted by WICS were also provided through meetings of the Hydro Nation Forum, presented to both Scottish Government and additional stakeholders. The Hydro Nation Forum was paused following the Covid-19 pandemic and will not be reconvened while the review of the Hydro Nation Strategy is underway. A decision regarding the future of the Forum will be made in line with the outcomes of the review.

Specific review of international work, 2018

In 2018, a review of all international activity conducted under the remit of the Hydro Nation Strategy was conducted by Shepherd and Wedderburn.

This review identified a number of considerations including in relation to the need to formalise project procedures relating to international work. As a result, steps were taken to develop an approach to systematically assess, log and circulate proposed international opportunities to stakeholders for a joint decision. Not all of the considerations were taken forward. However, the considerations serve as a valuable tool for the review of the Hydro Nation Strategy and the framework which could be used to govern international work, should it continue to take place in the future.

Feedback was provided directly to WICS, which I am aware has been positive in nature.

The Committee requests confirmation of the author of the Independent Review of the Water Industry Commission for Scotland – Governance Arrangements.

The independent review was split into two parts. The '*Independent Review of the Water Industry Commission for Scotland – Governance Arrangements*' was carried out by the Scottish Government's Internal Audit Team which provides the independent, internal audit service for the Scottish Government. The second part of the review – '*Independent Review of the Water Industry Commission for Scotland – EY Review of Financial Transactions*' was undertaken by EY as the Scottish Government Internal Audit co-source partner.

Yours sincerely,

Kersti Berge,
Director of Energy and Climate Change

Annex A: Water Sector Vision

Scotland's water sector will be admired by customers and communities, recognised for excellence, leading and inspiring the nation towards a sustainable future.

- Together we will support the health and wellbeing of the nation. We will ensure that all of Scotland gets excellent quality drinking water that people can enjoy all of the time. Scotland's waste water will be collected, treated and recycled in ways that generate value and protect the environment. We will enable the economy to prosper.
- We will transform how we work to live within the means of our planet's resources, enhance the natural environment and maximise our positive contribution to Scotland achieving net zero emissions.
- We will involve and inspire Scotland's people to love their water and only use what they need. We will promote access to the natural environment and encourage communities to enjoy and protect it.
- We will be agile and will collaborate within the sector and with others to be resilient to the challenges that will face us. We will keep services affordable by innovating and delivering the greatest possible value from our resources, helping those who need it most. We will serve all customers and communities in a way that is fair and equitable to present and future generations.
- We are a vital part of a flourishing Scotland.

Annexe E: Correspondence from the Water Industry Commission for Scotland, 19 December 2024

Richard Leonard MSP

19 December 2024

Convener
Public Audit Committee
Room T3.60
The Scottish Parliament
Edinburgh
EH99 1SP

Your Ref:
191224-DSRL

Dear Convener

Update to the Committee on the Water Industry Commission for Scotland (WICS)

As we approach the end of the year, I would like to provide the Committee with an update on recent developments and the progress WICS is making to embed meaningful and transformative change within the organisation.

Independent review of WICS

You will be aware that the Scottish Government has published its independent review of WICS. The findings reflect our own recognition of past weaknesses in governance and financial management, as highlighted in the Auditor General's Section 22 report published in December 2023.

We have accepted the review's recommendations in full and outlined our actions to address them. I attach at **Appendix 1** a response from our Interim Chair to the Cabinet Secretary, detailing how WICS intends to take action on the findings.

Delivering organisational change

Since the publication of the Section 22 report last year, WICS has completed a 21-point work plan agreed with the Scottish Government. We welcome recognition from both the Scottish Government and Audit Scotland of the swift action we have taken to address these issues.

The appointment of an Interim CEO and Chair has strengthened the leadership of the organisation and established the foundation to embed meaningful change. A review of WICS' leadership structure is now complete, with the recruitment of a permanent CEO planned for early 2025. These changes will ensure that WICS' organisational structure is best placed to deliver transformational and cultural change.

WICS, First Floor, Moray House, Forthside Way, Stirling FK8 1QZ

Interim Chair: Ronnie Hinds

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We have already begun a comprehensive organisational change programme designed to effect meaningful change across the organisation and embed a culture of value for money. This programme of 55 planned actions includes clarifying roles and responsibilities, strengthening risk and assurance functions as well as improving communications and hybrid working practices.

As a critical first step, we have initiated a reset within the Leadership Team to ensure that each Director operates with clear roles and responsibilities, fosters a culture of transparency and maintains rigorous oversight of processes. This first phase is now complete following a consultation on a new structure of the leadership team and a competitive selection process.

In light of the Scottish Government's Independent review, we have identified 10 additional actions that will further strengthen our organisational change. These new actions include building greater openness and trust within the organisation and ensuring that the Board receive regular reports on staffing issues and well-being.

The Board has also agreed to establish a dedicated sub-committee to oversee the organisational change programme to ensure that change is delivered effectively, and progress is reported to governance bodies including the sponsor team within the Scottish Government.

These initiatives will continue into 2025, with the leadership team and all staff playing a central role embedding these changes.

2023/24 Audit

The Committee will also be aware that Audit Scotland has published its 2023/24 audit opinion of WICS, accompanied by a further Section 22 report.

Audit Scotland's report acknowledges the progress made by WICS since the Auditor General's 2022/23 audit was published last year. Importantly, the report also confirms that there were no instances of non-compliant expenditure in the period since last year's Section 22 report.

This reflects the significant steps we have taken to strengthen governance and financial controls, and we remain committed to embedding these improvements as part of our broader organisational transformation.

Looking ahead to next year

It has been a challenging year for WICS, and the pressure on our staff has been considerable. However, we remain determined to build on the progress made, reset the organisation, and maintain focus on our critical role as the economic regulator of Scottish Water.

The recent publication of our methodology for the Strategic Review of Charges demonstrates our ongoing commitment to ensuring that our regulation of Scottish Water continues to deliver value for the people of Scotland. We are committed to regaining trust and reaffirming our role as an economic regulator that upholds the highest standards, both in our regulatory approach and in how we manage our resources.

I hope this update proves helpful to the Committee and highlights the progress WICS has made. I look forward to keeping the Committee informed with further updates in the coming year. In the meantime, I wish you a restful and enjoyable festive break.

Yours sincerely

David Satti
Interim Chief Executive

Gillian Martin

28 November 2024

Acting Cabinet Secretary for Net Zero & Energy
Scottish Government

Your Ref:
RH-GM-281124

Emailed to: cabsecfornze@gov.scot

Copied to: DGNetZero@gov.scot

Dear Gillian

RESPONSE TO INDEPENDENT REVIEW OF WICS

Thank you for your letter dated 7 November 2024 following the publication of the Independent Review of the Water Industry Commission for Scotland (WICS).

WICS accepts in full the findings of this review, which highlight weaknesses in critical areas of governance and financial management within the Water Industry Commission for Scotland (WICS) in the past. This review reflects our own recognition of weaknesses within the organisation following the Auditor General for Scotland's Section 22 report which was published in December last year.

As you are aware, management agreed a 21-point work plan with the Scottish Government to respond to the issues reported in the Section 22 report. We welcome the acknowledgement of the swift action WICS has taken to address those issues. Completing this work plan has also been acknowledged by Audit Scotland in its annual audit report for 2023/24.

WICS is now embarking on a comprehensive organisational change programme designed to effect meaningful change across the organisation and embed a culture of value for money. This programme is driven by our commitment to enhancing public trust in our work and aligning our operations with best practices in public service. The planned actions seek to deliver a reset within the organisation and to ensure that WICS operates with clear roles and responsibilities, fosters a culture of transparency and maintains rigorous oversight of its processes.

Our programme includes 55 planned actions, including our annual work plan commitments, structured around the following key themes:

1. Clarifying roles and responsibilities
2. Establishing directorate budget centres

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Interim Chair: Ronnie Hinds

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3. Introducing hybrid working arrangements
4. Strengthening risk and assurance functions
5. Improving internal and external communication
6. Further revising financial policies
7. Revising approval processes
8. Refreshing the governance framework
9. Enhancing compliance reporting

Additional actions

Following our review of the independent review's findings, we have identified 10 additional actions that will further strengthen our organisational change.

These new actions include building greater openness and trust within the organisation and ensuring that the Board receive regular reports on staffing issues and well-being. The Board has also agreed to establish a sub-committee focusing specifically on the delivery of the organisational change programme to ensure that that the change is delivered effectively, and progress is reported to governance bodies including the sponsor team within the Scottish Government.

Full details of these new actions and revisions are provided in an appendix to this letter.

Financial processes and controls including anti-fraud controls

Following your letter, we have received our draft external audit report from Audit Scotland, and we will prepare a management response which will take account of recommendations relating to embedding financial management across the organisation which includes the prevention and detection of fraud.

We have also accelerated our internal audit work programme to ensure that we are providing a further independent check on our financial processes and controls with a particular focus on anti-fraud controls and alignment with the Scottish Public Finance Manual (SPFM). This work is substantially complete, and the organisation has begun initiating emerging recommendations as a sign of the commitment to further improving in this area.

Commitment to comprehensive change

WICS is fully committed to implementing these changes and maintaining an open dialogue with the Scottish Government and stakeholders as we make progress. Our goal is to reset and

strengthen WICS to meet and exceed expectations for public service governance, building an organisation that is effective and accountable.

Thank you for your ongoing support during this transformative period.

Yours sincerely,

Ronnie Hinds

Interim Chair

Appendix – Additional actions arising from the independent review of WICS

	Indicative timescales	Priority	Status
1. Conduct a lessons learned exercise to conclude phase 2 of the organisational change to assess the fitness and direction of the WICS	Sep 2025	High	New action
2. Document an escalation route for Internal Audit if issues arise.	Dec 2024	High	New action
3. Complete a Board self-effectiveness review	Mar 2025	High	New action
4. Schedule periodic staff surveys and document actions taken as a result of findings	Mar 2025	High	New action
5. Produce a Board report on staffing issues and well-being at least twice yearly.	Jun 2025	High	New action
6. Set up a formal mentoring programme for senior leadership to support ongoing development	Dec 2024	Medium	New action
7. Draft and formalise a recruitment policy to ensure true and fair competition for roles	Mar 2025	High	New action
8. Reinforce training on Accountable Officer duties for the Chief Executive	Jun 2025	Medium	New action
9. Ensure that ARC is presented with a list of WICS policies and a plan for when each policy will be reviewed	Jun 2025	Medium	New action
10. Complete a detailed review and update of the Framework Document and Board and committee Terms of References.	Mar 2025	Medium	New action