

27 February 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

At the Committee's meeting on 8 February 2024, when colleagues and I briefed the Committee on my report The 2022/23 audit of the Water Industry Commission Scotland, I agreed to share the retrospective approval correspondence received by the auditor. The email trail between the Water Industry Commission Scotland and the Scottish Government sponsor team is shown in [Appendix 1](#).

As part of the discussions there were occasions where committee members were looking for specific details, for example who attended the reimbursed dinners and whether there was reimbursement for first class flights for international work. Following the meeting the audit team reviewed the information held on file but, due to the lack of a comprehensive audit trail from the Commission, we are not able to confirm who was in attendance. As I advised during the evidence session it would be best to request this information from the Commission directly.

During the evidence session the auditor advised that it was the Chair who approved the Chief Executive's expense claims. The Commission has clarified that it was actually the Chair of the Audit and Risk Committee who approved those claims rather than the Chair of the Board. Apologies for this inaccuracy in our evidence.

Yours sincerely



Stephen Boyle
Auditor General for Scotland

Appendix 1

From: [REDACTED] <[REDACTED]>
Sent: Friday, November 3, 2023 9:05 AM
To: Richard Smith <[REDACTED]>; [REDACTED] <[REDACTED]>
Cc: [REDACTED] <[REDACTED]>
Subject: FW: [EXT] RE: Approval sought

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Hi Richard [REDACTED]

Following communication with Alan yesterday, we have received retrospective comment from Jon Rathjen (from SG) on the two items of expenditure you highlighted.

Let me know if you need anything else or require further discussion.

Kind regards

[REDACTED]

[REDACTED]

Head of Finance

[REDACTED]

[REDACTED]



From: Donna Very <[REDACTED]>
Sent: Friday, November 3, 2023 8:49 AM
To: [REDACTED] <[REDACTED]>
Subject: Fwd: [EXT] RE: Approval sought

Hi [REDACTED]

We got this back from Jon.

D

Begin forwarded message:

From: [REDACTED]
Date: 3 November 2023 at 08:02:00 GMT
To: Alan Sutherland <[REDACTED]>
Cc: Donna Very <[REDACTED]>
Subject: [EXT] RE: Approval sought

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Alan,

Thank you for bringing these two expenditures to my attention. As you note seeking retrospective approval is not ideal but I am grateful for the opportunity to comment.

On the Christmas gifts I accept this was an oversight and do not think it is proportionate to try and recover the balance but would highlight that any such gift going forward must be contained within then agreed threshold.

On the training costs, I rather agree that this is a unique training offering and can see why single tender was your approach and as such despite board being aware it would have been appropriate to inform the Scottish Government. As I imply had I been informed I would have agreed with the approach as I think this is not something where open tender would have returned better value given the very specific nature of courses in this field. Due diligence had been carried out and the most suitable product selected and as such, given the board was content with the appropriateness of the nature of the spend, I am content to agree retrospectively the procurement approach.

Jon

Jon Rathjen
Deputy Director
Water Policy & DECC Operations
Scottish Government

[REDACTED]
[REDACTED]

From: Donna Very <[REDACTED]> **On Behalf Of** Alan Sutherland
Sent: Thursday, November 2, 2023 6:17 PM
To: Jon Rathjen <[REDACTED]>
Cc: Donna Very <[REDACTED]>
Subject: Approval sought

Hi Jon

Audit Scotland has recently concluded the substantive work on the audit of our accounts. As we discussed, they have highlighted to me two areas where we should have obtained approval from Scottish Government. The first of these was an oversight on our part. The second reflects a different interpretation of appropriate rules – but, on reflection, we should have alerted you to the expenditure. These oversights are, of course, not ideal and I apologise for turning to you for this retrospective approval.

The first relates to a £100 gift voucher that we made to all staff last Christmas in recognition for their hard work given the efforts in delivering the consulting activities (well over £500K of revenue). This should have had SG approval as it exceeded the £75 gift threshold that we can authorise. The total cost of these vouchers was £2,500 (25 x £100 Amazon gift vouchers).

As you know, WICS puts a lot of investment into the training and development of our staff and as an organisation, we want to ensure that our office has the right skillsets and people to carry out their functions to a high standard. We want staff to feel valued and need to future-proof the office. Following a one-to-one with the Chief Operating Officer (COO) in autumn 2022, our COO sought approval to attend a Harvard Business School Advanced Management Programme. The COO researched a number of universities and this course was her preferred option and met the needs identified. The programme builds on leadership skills and business competencies with a strong focus on team building and collaboration. The total cost of this course \$84,000 (approx. £63,000). The programme fee included tuition, books, case materials, accommodation and most meals for Campus modules. Travel – flights from Scotland to Boston for Harvard x 2 - £5,000. The total costs are comparable to other business schools. An internal approvals process was completed and the course was approved. The Board were aware of the COO's training.

Our procurement policy requires expenditure over £100k to be approved by the Scottish Government, and over £20k if it is a single supplier purchase. We did not seek approval for this purchase since it was below £100k and it wasn't the type of purchase that could be competitively tendered. Audit Scotland believe we should have sought approval. I now seek this retrospective approval from you.

I am, of course sorry for these oversights and will endeavour to ensure that going forward we ensure all necessary Scottish Government approvals are obtained in advance of the expenditure being incurred.

I am happy to provide further information or discuss if helpful.

Alan

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