

News release

For immediate release, 20 December 2023

Unacceptable financial management at water industry watchdog

Auditors have found unacceptable use of public funds by senior officials at the Water Industry Commission for Scotland.

The Commission is the economic regulator of Scottish Water. Its job is to ensure long-term value and excellent levels of service for customers and communities.

Auditors reported that, in 2022/23, the Commission needed retrospective approval from the Scottish Government for around £80,000 of spending. This included:

- £77,350 for the chief operating officer to attend a training course at Harvard Business School
- £2,600 on £100 Christmas gift vouchers for each member of staff.

Expenses claims exceeding set rates were also found to have been submitted and approved without itemised receipts, including by the Chief Executive. One claim was for a dinner where the cost per head exceeded £200 per person. This, and other claims, included the purchase of alcohol.

Stephen Boyle, Auditor General for Scotland, said:

“Value for money should always be central to public bodies’ spending decisions.

“But these findings highlight unacceptable behaviour by senior Commission officials in the use of public funds.

“I expect appropriate action to be taken to address the issues reported by the auditor.”

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Notes to Editor:

1. The Auditor General has prepared the report on the Scottish Water Commission for Scotland’s 2022/23 under Section 22 of the Public Finance and Accountability (Scotland) Act 2000. This allows the Auditor General to bring to the Parliament’s and the public’s attention matters of public interest related to the financial statements of public bodies.

2. Section 22 reports are submitted to Scottish Ministers for laying in the Parliament along with the accounts of the relevant body. While there are statutory deadlines for these reports, the actual timing of publication is determined by when the report is laid in the Scottish Parliament by Scottish Ministers.

3. The Water Industry Commission for Scotland requires Scottish Government approval for any service above £20,000 that has not been awarded via a competitive tender exercise.

4. The Commission's delegated limit for gifts is £75, which is the requirement of the Scottish Public Finance Manual. Gifts over this amount should have been approved by the Scottish Government. The Christmas gift vouchers also represented a non-salary reward and should have been treated as a taxable benefit.

5. Unusually for a public body, the Commission's existing policies do not explicitly prohibit the purchase of alcohol as a business expense.

Audit Scotland has prepared this report for the Auditor General for Scotland. All Audit Scotland reports published since 2000 are available at www.audit-scotland.gov.uk

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