

SECTION A: INTRODUCTION TO THE GOVERNANCE FRAMEWORK

Last reviewed: April 2022

CONTENTS

1. CONTENTS	2
1. INTRODUCTION.....	3
2. FOUNDING LEGISLATION AND STATUS.....	3
3. STATUTORY FUNCTIONS, DUTIES AND POWERS OF WICS	3
4. ESTABLISHING A GOVERNANCE FRAMEWORK.....	4
5. DEFINITIONS	6

1. INTRODUCTION

Governance is the over-arching structure and strategy that provides accountability and direction, and that influences the behaviours and culture within WICS.

Governance impacts everyone in their day-to-day jobs, whether we work as part of a team, purchase goods or services, manage people, or control budgets.

This is not just about what we do but how we do it, creating an environment where governance enables positive change and supports our strategic approach.

Governance is about raising awareness and sharing information; taking responsibility and providing assurance to stakeholders; and improving our approaches, learning lessons for the future.

We all have a part to play in supporting good governance within WICS

2. FOUNDING LEGISLATION AND STATUS

The Water Industry Commission for Scotland (WICS) is established and governed by the Water Industry (Scotland) Act 2002, as amended by the Water Services etc (Scotland) Act 2005 and the Water Resources (Scotland) Act 2013 (the “Act”). WICS is an Executive Non-Departmental Public Body. WICS is not a servant or agent of the Crown.

3. STATUTORY FUNCTIONS, DUTIES AND POWERS OF WICS

WICS’ principal statutory functions are set out in the Act. In summary these are to:

- determine charge caps and, in so doing, promote the interests of customers (both current and future in accordance with the terms of the Act) of Scottish Water both in terms of the quality of services provided and the charges that have to be paid;
- monitor Scottish Water’s performance, encouraging Scottish Water to become more efficient and sustainable;
- facilitate (in a manner which is not detrimental to Scottish Water’s core functions) the entry of retail water and sewerage providers that want to supply non-household customers in Scotland; and
- support the Scottish Government’s vision of ensuring that Scotland is a Hydro Nation and meet our obligations under the Water Resources Act 2013.

WICS exercises these functions independently of the Scottish Ministers, whose power to direct WICS, is confined to matters relating to the WICS’ financial management and administration.

4. ESTABLISHING A GOVERNANCE FRAMEWORK

The Act sets out the legal framework within which WICS must operate. The Act permits the Board to regulate its own procedures (including any quorum) and that of any of its committees.

The broad framework within which WICS operates is set out in the Framework Document, a document agreed between WICS and Scottish Ministers. The Framework Document defines the key roles and responsibilities which underpin the relationship between WICS and the Scottish Government. While this document does not confer any legal powers or responsibilities, it forms a key part of the accountability and governance framework.

This Governance Framework establishes the policies and procedures which WICS will follow in the delivery of its statutory functions. The Governance Framework is set out in this Introduction (section A) and the documents set out below.

Section	Contents
A	Introduction to the Governance Framework
B	Framework Document
C	Board Terms of Reference
D	Scheme of Delegation
E	Audit and Risk Committee Terms of Reference
F	Code of Conduct for Board Members
G	Risk Management Strategy
H	Measuring Success - Key Performance Indicators

The Board

WICS is a corporate body. The board of WICS consists of between 3 and 5 ordinary members and the person holding the position of Chief Executive Officer (informally known as the Board).

The Board is directly responsible for, among other things, producing a corporate plan and an annual report on its activities, both of which are required to be laid before the Scottish Parliament. The purpose and responsibilities of the Board Members are set out in the **Section B: Framework Document** and **Section C: Board Terms of Reference**.

WICS has adopted the Model Code of Conduct for Members of Devolved Public Bodies, produced pursuant to the Ethical Standards in Public Life etc. Act 2000 and overseen by the Standards Commission for Scotland.

Section F: Code of Conduct for Board Members sets out the nine key principles of public life, the general conduct expected of Board Members, the requirements for the registration and declaration of interests, and rules regarding lobbying and access to Board Members. Board Members must also operate in terms of the Scottish Government Guidance applicable to them from time to time.

Section D: Scheme of Delegation of WICS sets out information on those decisions reserved to the Board and those that are delegated or otherwise the responsibility of the Chief Executive Officer.

Monitoring

The Audit and Risk Committee (the “ARC”) is a standing committee of the Board, with delegated responsibility for reviewing the comprehensiveness and reliability of assurances on governance, risk management and the control environment.

It is also responsible for the detailed scrutiny of the annual report and accounts. The purpose and responsibilities of the ARC are set out in the **Section E: Audit and Risk Committee Terms of Reference**.

WICS has a risk management strategy to support the overall goal of having an environment of ‘no surprises’ where we understand the risks we face and eliminate or control them to an acceptable level, by creating a culture founded upon assessment and maximum mitigation of risk. **Section G: Risk Management Strategy** outlines our approach to risk management and sets out the roles and responsibilities in achieving the strategy.

As part of its corporate planning process, WICS should identify the performance indicators it considers appropriate to measure its success over the regulatory period. WICS should report on its performance against these performance indicators at the timescales and frequencies envisaged by the relevant performance indicator. Reporting on the performance indicators will also form part of the annual reporting process.

Section H: Measuring Success: Key Performance Indicators outlines the ways in which the organisation measures performance and contributes to the Scottish Government’s National Performance Framework.

5. DEFINITIONS

The table below provides definitions of the terms used within the document that form the Governance Framework.

Term	Definition
Accountable Officer	means the Chief Executive Officer being the person designated as the Accountable Officer for WICS pursuant to section 15 of the Public Finance and Accountability (Scotland) Act 2000 (the “2000 Act”).
Annual Budget	means the annual budget of WICS approved by the Board.
Annual Work Plan	means the annual plan of work and activity for WICS approved by the Board.
Audit and Risk Committee	means the standing committee established by WICS.
Board	means the administrative body of WICS comprising 3 to 5 members appointed by the Scottish Ministers and the person holding the position of Chief Executive Officer.
Board Member	means a person appointed as a member of the Board by the Scottish Government and/or the Chief Executive Officer.
Chair	means the Board Member appointed to the role of Chair by the Scottish Ministers.
Chief Executive Officer	means the person appointed in the role of Chief Executive Officer.
Code of Conduct	means the document Section F: Code of Conduct for Board Members and forming part of the Governance Framework.
Corporate Plan	means the corporate plan approved by WICS and agreed with Scottish Government from time to time.
Deputy Chair	means the Board Member appointed to the role of Deputy Chair by the Scottish Ministers.
Framework Document	means the Agreement between WICS and the Scottish Government from time to time.
Governance Framework	means the governance framework of WICS comprising the entirety of this document from section A to I.

Measuring Success: Key Performance Indicators	means the document headed Section I: Measuring Success: Key Performance Indicators forming part of the Governance Framework.
Risk Management Strategy	means the document headed Section G: Risk Management Strategy and forming part of the Governance Framework
Scheme of Delegation	means the document headed Section D: Scheme of Delegation and forming part of the Governance Framework.
WICS	means the body corporate known as the Water Industry Commission for Scotland established by the Act.



WICS
Moray House
Forthside Way
Stirling
FK8 1QZ

T: 01786 430 200
E: enquiries@wics.scot

WICS Economic
regulation for
Scotland's water



SECTION B: FRAMEWORK DOCUMENT

Last reviewed: February 2025

Approved by the Board: November 2024

Approved by Scottish Ministers: February 2025

Contents

1. Contents	2
2. Introduction	3
Purpose	3
3. Governance and accountability	4
The Board	4
The Chair	5
The Chief Executive	6
The Accountable Officer	7
The Scottish Ministers	8
SG Portfolio Accountable Officer	8
4. Relationship between Scottish Government and WICS	9
5. WICS staff management responsibilities	11
Broad responsibilities for WICS staff	11
Pay and conditions of service	12
Pensions, redundancy and compensation	12
6. Corporate and business plans	12
7. Annual report and accounts	13
8. External audit	14
9. Internal audit	14
10. Governance and risk	15
Budget management and delegated authority	15
Risk Management	15
Internal control	16
Budget and finance	16
Remuneration	19
Banking and cash management	19
Helpful information	19
11. Appendix A	20

Introduction

1. This framework document is agreed between the Water Industry Commission for Scotland (WICS) and the Scottish Ministers. It summarises how WICS and Scottish Government (SG) will work together, and the key roles and responsibilities of:

- The Board;
- The Chief Executive and Accountable Officer of WICS;
- The Scottish Ministers; and
- The Portfolio Accountable Officer within the SG whose remit includes WICS.

While this document does not confer any legal powers or responsibilities, it forms a key part of the accountability and governance framework and as a live document it should be reviewed by SG and WICS regularly, and at least every 3 years. Any significant changes will be agreed between the Board and the Scottish Ministers.

2. Any question regarding the interpretation of the document will be determined by the SG after consultation with WICS. Legislative provisions shall take precedence over any part of the document.
3. WICS is not permitted to establish any subsidiaries or enter into joint ventures without express approval from Scottish Ministers.
4. Copies of the document will be published on the WICS website.

Purpose

5. WICS is established under the Water Industry (Scotland) Act 2002 (“the 2002 Act”), as amended by the Water Services etc. (Scotland) Act 2005 (“the 2005 Act”) as an Executive Non-Departmental Public Body. WICS does not carry out its functions on behalf of the Crown.
6. WICS has the general function of promoting the interests of Scottish Water’s customers, including persons who might reasonably become connected to the public water supply, having regard to the interests of current and future customers. WICS has the following statutory functions:
 - To advise the Scottish Ministers on any matter relating to the standard of service provided by Scottish Water or the manner in which Scottish Water conducts its relations with its customers or persons who might reasonably become connected to the public water supply; and
 - Oversee and regulate the non-household retail market in Scotland, including by facilitating the entry of retail water and sewerage providers that wish to supply non-household customers.

WICS also has the power to do anything to facilitate or is incidental or conducive to the exercise of WICS' functions.

7. In pursuance of its statutory functions, WICS shall, inter alia:
 - Ensure that customer charges reflect the lowest reasonable overall cost for Scottish Water to deliver the Scottish Ministers' objectives for the water sector; and
 - Comment on Scottish Water's reporting of its performance, challenging Scottish Water to become more efficient and sustainable.
8. WICS is funded by a levy on Scottish Water and the licensed providers that participate in the non-household retail market. The size of these levies is set by the Scottish Ministers in the light of the objectives and key targets for WICS agreed with them through WICS' corporate planning process.
9. WICS is also designated under the [Water Resources \(Scotland\) Act 2013](#) ("the 2013 Act") as a body that may be directed to support Scottish Ministers in ensuring the sustainable development of the value of Scotland's water resources. This does not preclude stakeholder engagement and knowledge exchange activity, including with international stakeholders, that WICS undertakes as part of fulfilling its core functions and statutory duties.

Governance and accountability

10. This section summarises the specific responsibilities and accountabilities of the key people involved in the governance of WICS.

The Board

11. Members of the Board of WICS, including the Chair, are non-executives appointed by the Scottish Ministers, in line with the [Code of Practice for Ministerial Public Appointments in Scotland](#). The Chair and Board Members are accountable to the Scottish Ministers and also to the Scottish Parliament and may be required to give evidence to Parliamentary Committees. In line with the 2005 Act, the Board is to consist of no fewer than three, and no more than five, ordinary members, not including the Chief Executive.
12. The Board has overall responsibility for the delivery of the functions and duties of WICS, in accordance with the aims, policies and priorities of the Scottish Ministers. The Board has corporate responsibility, under the leadership of the chair, to:
 - Set strategic plans to deliver the functions of WICS, having regard to how the work of WICS can most effectively contribute to the achievement of the outcomes in the [National Performance Framework](#), the [Programme for Government](#) and [Scotland's Economic Strategy](#) in collaboration with the SG and other public bodies;

- Regularly scrutinise current and projected performance against aims, objectives and targets set out in plans and take decisions on remedial action where required;
- Ensure that effective governance is established and maintained, including ensuring that decision-taking is open and transparent and, with support from the Accountable Officer and the Audit and Risk Committee, ensure that key risks are identified and managed;
- Approve the annual report and accounts and ensure that these are provided to the Scottish Ministers and laid before the Scottish Parliament;
- Promote the efficient, economic and effective use of resources consistent with the principles of [Best Value](#), and regularly scrutinise financial performance and compliance with financial guidance issued by the SG;
- Promote the wellbeing, learning and development of staff, provide support and challenge to the Chief Executive on staffing matters and ensure that **WICS meets the WICS staff management responsibilities** described in the section below; and
- Appoint the WICS Chief Executive, with the approval of Scottish Ministers, in accordance with the 2002 Act, and following appropriate approval of the Chief Executive's remuneration package in line with SG Pay Policy for Senior Appointments.

The Chair

13. The chair will:

- Lead the Board, ensuring that all Board Members have suitable induction to understand the role and their responsibilities, that the skills and experience of all Board Members are used effectively and that the Board undertakes regular self-assessment of its performance;
- Ensure that the performance of each Board Member is reviewed at least once per year and that the Board and/or individual Board Members undertake development activity when required to ensure the effectiveness of the Board;
- Ensure that the Board reviews its effectiveness annually;
- Ensure that a Code of Conduct (aligned to the [Model Code of Conduct for Board Members](#)) is in place, approved by the Scottish Ministers, that corporate actions are taken to implement it as required and that Members understand their responsibilities, using the guidance provided by the Standards Commission for Scotland;
- Work with the Portfolio Accountable Officer or their delegate(s) and the Public Appointments Team in SG on succession planning for the Board, action necessary to fill vacancies as they arise, skills requirements and promoting diversity by encouraging

applications from less represented groups, including younger people, people from minority ethnic backgrounds and people with disabilities; and

- Undertake an annual appraisal of the performance of the Chief Executive, in consultation with the Board as a whole.

14. Specific guidance on how the Chair and Board Members should discharge their duties will be provided in their appointment letters and in [On Board – A Guide for Members of Statutory Boards](#). Guidance on governance good practice is available in the Scottish Public Finance Manual and from the sponsor team who may consult the SG Governance and Risk Team. A list of key aspects of governance to consider is included in the section on the Governance and Risk below.

The Chief Executive

15. The Chief Executive of WICS is employed and appointed by the Board with the approval of the Scottish Ministers. The Chief Executive is the principal adviser to the Board on the discharge of its functions and is accountable to the Board. The Chief Executive role is to provide operational leadership to staff working for WICS and to ensure that its aims and objectives are met, its functions are delivered, and its targets met through effective and properly controlled executive action.

16. The specific duties of the Chief Executive will be set out in a job description, and annual objectives will be agreed with the Chair and used in appraisal of the Chief Executive's performance.

17. In addition to any other specific duties, the Chief Executive will:

- Advise the Board on the discharge of its responsibilities - as set out in this framework document, in the founding legislation and in any other relevant instructions and guidance issued by or on behalf of the Scottish Ministers;
- Implement or oversee implementation of the decisions of the Board;
- Work with the Board on preparation of the Corporate Plan, including liaising with Senior Sponsor and/or Sponsor Team on key points which need to be addressed and the timetable for preparation and review, and work with the Board to ensure that business plans are put in place to meet the Corporate Plan aims, objectives and performance measures;
- Lead and manage the staff of WICS, ensuring their wellbeing, learning and development are prioritised, and ensuring that the **WICS staff management responsibilities** set out in the section below are addressed;
- Manage the budget for WICS in line with Scottish Government Finance guidance, policies and procedures, including the Scottish Public Finance Manual, and advise the Board on

financial implications of all Board decisions, ensuring that appropriate financial appraisal and evaluation techniques are followed (see the [Appraisal and Evaluation](#) section of the SPFM);

- Agree with the Board and the Portfolio AO or Senior Sponsor what information is required to enable the Board and SG to scrutinise the performance of WICS and progress against overall strategic and business plan aims and objectives, and ensure that the agreed information is provided and that is both accurate and timely; and
- The leadership team – consisting of the WICS Chief Executive and its four Directors - will manage the day-to-day relationship with the Senior Sponsor and/or Sponsor Team and with other SG officials who have an interest in the work of WICS and other key stakeholders, including staff of other public bodies.

18. In advising the Board, the Chief Executive will ensure that the key governance issues highlighted in the section on Governance and Risk below are addressed.

The Accountable Officer

19. The Principal Accountable Officer for the Scottish Administration will designate a senior member of staff in WICS as the Accountable Officer. This will normally be the Chief Executive. The Accountable Officer is personally responsible for the propriety and regularity of the public finances of WICS and ensuring that its resources are used economically, efficiently and effectively, as required by section 15 of the Public Finance and Accountability (Scotland) Act 2000. The Accountable Officer is personally answerable to the Scottish Parliament for the exercise of their functions and may be called to give evidence to the Public Audit Committee. The responsibilities of the Accountable Officer are set out in full in the [Memorandum to Accountable Officers for Other Public Bodies](#) in the Scottish Public Finance Manual.

20. It is important for the Chair and Board Members to recognise that one aspect of these duties is the duty under section 15(8) of the Public Finance and Accountability (Scotland) Act 2000, that where the Accountable Officer considers that any action they are required to take is not consistent with their Accountable Officer responsibilities, they must obtain written authority from the Board and send a copy of the written authority to the Auditor General for Scotland as soon as possible. The Accountable Officer should consult the Portfolio Accountable Officer before seeking written authority from the Board in these circumstances and should always notify the Portfolio Accountable Officer when such a written authority has been issued.

21. Where the duties of the Accountable Officer and the Chief Executive are not held in one person, the Accountable Officer will work closely with the Chief Executive on governance, and in particular to ensure that the key governance issues highlighted in the section on Governance and Risk below are addressed.

The Scottish Ministers

22. The Scottish Ministers appoint the Chair and Board Members and hold the Board to account for the performance of WICS and its use of resources. Ministers are ultimately accountable to the Scottish Parliament for ensuring that the Board is discharging its duties effectively, although the Parliament will scrutinise the performance of WICS directly as it does with all public sector bodies. The Scottish Ministers are not directly responsible for the operation of WICS.

23. The Scottish Ministers will:

- Agree the strategic aims, objectives and key targets of WICS as part of the six-year corporate planning process;
- Within the six-year corporate planning process agree the budget for WICS and the associated levies to be paid to WICS;
- Approve the Code of Conduct of the WICS Board;
- Approve any pay remits or proposals and superannuation arrangements for the staff, Chief Executive, Chair and Board Members;
- Lay the annual report and accounts of WICS (together with the annual audit report) before the Scottish Parliament;
- Appoint one of the ordinary members to chair meetings of WICS; and
- Approve the appointment of the Chief Executive.

SG Portfolio Accountable Officer

24. The Principal Accountable Officer for the Scottish Administration (the Permanent Secretary of the SG) has designated the Director General for Net Zero as the Portfolio Accountable Officer (AO) within SG in relation to WICS.

25. The Portfolio AO's duties are to establish a framework for the relationship between SG and a public body, oversee the operation of that framework, ensure the public appointments to the body are made appropriately and ensure that appropriate assurance is provided on the performance and governance of the body. These activities are known collectively as '**sponsorship**'. In practice, the Portfolio AO is likely to delegate some or all sponsorship duties to a Director or Deputy Director as Senior Sponsor and/or to other SG officials in a 'Sponsor Team'. Delegation of key duties is covered in the relevant sections below. The responsibilities of a Portfolio Accountable Officer are set out in detail in the [Memorandum to Accountable Officers for Parts of the Scottish Administration](#). In the case of WICS, the Senior Sponsor for SG is the Deputy Director for Water Policy and DECC Operations.

26. **The Portfolio AO will:**

- Make sure the framework document is agreed between the Scottish Ministers and the Board of WICS, reviewed regularly and oversee the operation of the roles and responsibilities set out;
- Ensure that the financial and other management controls being applied by WICS are appropriate and sufficient to safeguard public funds and conform to the requirements both of propriety and of good financial management;
- In line with [Code of Practice for Ministerial Appointments](#), ensure that public appointments are made in good time and secure appropriate skills, experience and diversity amongst Board members, working with the Chair on succession planning; that there is effective induction for new appointees; and ensure that there is regular review and a formal annual appraisal of the performance of the Chair;
- Support regular and effective engagement between WICS and the relevant Scottish Minister(s); and
- Make sure there are clear, documented delegation of responsibilities to a Senior Sponsor and/or Sponsor Team, and that the Board and senior officials of WICS are aware of these delegated responsibilities.

27. The Portfolio AO remains personally answerable to the Scottish Parliament for the effectiveness of sponsorship activity.

Relationship between Scottish Government and WICS

28. Strategic engagement between the SG and WICS is essential in order that they work together as effectively as possible to maintain and improve public services and deliver improved outcomes. Specific governance and accountability roles are described in the section above, but more generally, both the SG and WICS will take all necessary steps to ensure that their relationship is developed and supported in line with the jointly agreed principles set out in the statement on [‘Strategic Engagement between the Scottish Government and Scotland’s NDPBs’](#). This emphasises the need for cooperation and good communication, and particularly early warning from either side about any emerging risk or issue with significant implications for the operation or governance of WICS.

29. **The following responsibilities have been delegated by the Portfolio AO to the SG Sponsoring Director (Director of Energy and Climate Change):**

- Work with the Chief Executive and Chair of WICS to ensure that there is an effective working relationship between Scottish Government and WICS, characterised by trust, respect and openness;
- Promote organisational alignment between WICS and the Scottish Government as appropriate, while fully respecting the statutory functions of WICS; and
- Ensure that there is regular review and a formal annual appraisal of the performance of the Chair.
- Provide assurance to the Portfolio Accountable Officer on the effective discharge of all duties delegated to the Director, Senior Sponsor and Sponsor team.

30. The following responsibilities have been delegated by the Portfolio AO to the SG Senior Sponsor:

- Alongside the Sponsoring Director, ensure that there is an effective working relationship between Scottish Government and WICS, characterised by trust, respect and openness;
- Make sure the framework document is agreed between the Scottish Ministers and the Board of WICS, reviewed regularly and oversee the operation of the roles and responsibilities set out;
- Ensure that the financial and other management controls being applied by WICS are appropriate and sufficient to safeguard public funds and conform to the requirements both of propriety and of good financial management;
- Ensure that public appointments are made in good time and secure appropriate skills, experience and diversity amongst Board members, working with the Chair on succession planning and to ensure that there is effective induction for new appointees;
- Ensure that the Chief Executive or, where appropriate, the Chair and Board Members of WICS, are aware of strategic developments and corporate decisions which may affect WICS' functions or operations;
- Be responsible for advising the Scottish Ministers about WICS' operation and performance; and
- Day-to-day responsibility for discharging any other functions delegated by the Director, working with colleagues across the Scottish Government as necessary.

31. The Sponsor Team's primary function is to carry out the responsibilities delegated to it by the Portfolio AO or Sponsoring Director, directly or via the Senior Sponsor, as described above. In addition to ensuring that the arrangements in this framework document operate effectively, managing public appointments and providing assurance to the Portfolio AO and Sponsoring Director, the Sponsor Team will usually be the first point of contact for the body on any issue

with SG. As part of the assurance they provide to the Portfolio AO and Sponsoring Director, they must ensure that key actions and decisions agreed are documented and implemented. This includes ensuring that SG teams implement any agreed actions.

32. SG and WICS have agreed that the following regular meetings should take place as a minimum to support strategic engagement:

- Sponsor Team representatives to meet with the WICS Chief Executive and/or delegates on a monthly basis;
- Senior Sponsor to meet with the WICS Chief Executive on a fortnightly basis;
- Sponsoring Director to meet with the WICS Chief Executive on a biannual basis; and
- SG Portfolio Accountable Officer to meet with the WICS Chair on a biannual basis.

WICS staff management responsibilities

Broad responsibilities for WICS staff

33. The Chief Executive, challenged and supported by the Board, has responsibility for the recruitment, retention and motivation of WICS staff. The broad responsibilities toward its staff are to ensure that:

- HR policies, practices and systems comply with employment and equalities legislation, and standards expected of public sector employers;
- The level and structure of staffing, including grading and staff numbers, are appropriate to its functions and the requirements of economy, efficiency and effectiveness (subject to the SG Pay [Policy for Staff Pay Remits](#));
- The performance of its staff at all levels is regularly appraised and performance management systems are reviewed from time to time;
- Its staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve WICS' objectives, in line with best value principles;
- Proper consultation with staff takes place on key issues affecting them;
- Effective grievance and disciplinary procedures are in place and ensures that staff know where to access and how to use;
- Effective whistle-blowing policy and procedures consistent with the Public Interest Disclosure Act 1998 are in place and ensures that staff know where to access and how to use; and

- A code of conduct for staff is in place.

Pay and conditions of service

34. WICS will comply with SG Pay Policy in relation to staff and the Chief Executive. The Chief Executive will ensure that a pay remit, in line with the SG [Pay Policy for Staff Pay Remits](#), is submitted to the SG for approval in line with the timetable notified and negotiate a pay settlement within the terms of the approved remit. This should normally be done annually, unless a multi-year deal has been agreed. Payment of salaries should also comply with the [Tax Planning and Tax Avoidance section of the SPFM](#). Proposals on non-salary rewards will comply with the guidance in the [Non-Salary Rewards](#) section of the SPFM.
35. WICS will also seek appropriate approval under the SG [Pay Policy for Senior Appointments](#) for the Chief Executive's remuneration package prior to appointment, annually or when a new appointment or change to the remuneration package is being proposed.

Pensions, redundancy and compensation

36. Superannuation arrangements for WICS' staff are subject to the approval of the SG. WICS' staff shall normally be eligible for a pension provided by the Local Government Pension Scheme (LGPS). Staff may opt out of the occupational pension scheme provided by WICS, but the employers' contribution to any personal pension arrangement, including stakeholder pension, shall normally be limited to the national insurance rebate level.
37. Any proposal by WICS to move from existing pension arrangements, or to pay any redundancy or compensation for loss of office, requires the prior approval of the SG. Proposals on compensation payments must comply with the [Settlement Agreements, Severance, Early Retirement and Redundancy Terms](#) section of the SPFM. This includes referral to the Scottish Ministers of any proposed severance scheme (for example, a scheme for voluntary exit), business case for a settlement agreement being considered for an individual, or proposal to make any other compensation payment. In all instances, a body should engage with the Sponsor Team prior to proceeding with proposed severance options, and prior to making any offer either orally or in writing.

Corporate and business plans

38. WICS must prepare a corporate plan, to be agreed with the Scottish Ministers, in line with the timetable for the Strategic Review of Charges. The corporate plan should set out WICS' strategic aims, objectives and targets over that period, for consideration by the Scottish Ministers. When a new plan is to be prepared, the Chief Executive or their delegate will liaise with the Sponsor Team to agree the key points to be addressed and the timetable for preparation and review. The final, agreed version of the corporate plan will be published on the WICS website.
39. The corporate plan will include WICS:

- The purpose and principal aims;
- Will have regard to the national outcomes set out in the National Performance Framework, the Programme for Government and Scotland’s Economic Strategy in collaboration with the SG and other public bodies;
- Analysis of the environment in which it operates;
- Key objectives and associated key performance targets for the period of the plan, the strategy for achieving those objectives;
- Indicators against which performance can be judged;
- Details of planned efficiencies, describing how better value for money will be achieved, including through collaboration and shared services; and
- Other matters as agreed with the Sponsor Team as described above.

40. The WICS Board approves an annual work plan and budget consistent with the agreed 6-year corporate plan. A copy of that annual work plan will be provided to the sponsor unit prior to the start of each financial year.

Annual report and accounts

41. WICS must publish an annual report of its activities together with its audited accounts after the end of each financial year. The annual report will cover the activities of any corporate, subsidiary or joint ventures under the control of WICS. It will comply with the Government [Financial Reporting Manual](#) (FRoM) and outline WICS’s main activities and performance against agreed objectives and targets for the previous financial year. It is the responsibility of the Accountable Officer to sign the accounts.

42. The accounts must be prepared in accordance with relevant statutes and the specific accounts direction and other relevant guidance issued by the Scottish Ministers. Any financial objectives or targets set by the Scottish Ministers should be reported on in the accounts and will therefore be within the scope of the audit.

43. The SG sponsor team should receive a copy of the annual report for comment, and a copy of the draft accounts for information, by no later than 30 September. WICS is responsible for the publication of the annual report and accounts after they have been laid by the Scottish Ministers. Whilst the statutory date for laying and publishing accounts audited by the AGS is by 31 December, following the close of the previous financial year, Scottish Ministers expect that accounts will be laid before the Scottish Parliament and published as early as possible.

External audit

44. The Auditor General for Scotland (AGS) audits, or appoints auditors to audit, WICS' annual accounts and passes them to the Scottish Ministers who shall lay them before the Scottish Parliament, together with the auditor's report and any report prepared by the AGS. The AGS, or examiners appointed by the AGS, may carry out examinations into the economy, efficiency and effectiveness with which WICS has used its resources in discharging its functions and/or carry out examinations into the arrangements made by WICS to secure Best Value.
45. The AGS, or the AGS's appointed auditors or examiners, have a statutory right of access to documents and information held by relevant persons, including any contractors or recipients of grants from WICS. WICS will ensure this right of access to documents and information is made clear in the terms of any contracts issued or conditions of any grants awarded and will also use its best endeavours to secure access to any other information or documents required which are held by other bodies.

Internal audit

46. WICS will:
- Establish and maintain arrangements for internal audit in accordance with the [Public Sector Internal Audit Standards](#) and the [Internal Audit](#) section of the SPFM;
 - Set up an audit and risk committee of its board, in accordance with the [Audit Committees](#) section of the SPFM, to advise both the Board and the Accountable Officer;
 - Ensure that the Sponsor Team and the Portfolio AO, Sponsoring Director or Senior Sponsor receive promptly after they are produced or updated: the audit charter, strategy, periodic audit plans and annual audit assurance report, including WICS' appointed Internal Auditors' opinion on risk management, control and governance – and provide any other relevant audit reports as requested by sponsors; and
 - Keep records of, and prepare and forward promptly to the SG, an annual report on fraud and theft suffered by WICS and notify the Portfolio AO, Sponsoring Director or Senior Sponsor immediately of any unusual or major incidents.
47. The SG's Internal Audit and Assurance Directorate has an expectation of cooperation and access to all relevant material when required, the parameters for which would be set out in an engagement document before information was shared. WICS should make it clear on their own Privacy Notice that material may be shared with SG's Internal Audit and Assurance Directorate in certain circumstances.

Governance and risk

Budget management and delegated authority

48. Under the 2002 Act as amended by the 2005 Act, WICS will be funded by a levy paid by Scottish Water and the licensed providers that participate in the non-household retail market. Following approval by Ministers of the Commission's Corporate Plan, the Sponsor Directorate instructs Scottish Water to pay the amount determined to WICS on a monthly basis. In addition Ministers may approve specific grants and grants in aid to WICS.
49. In addition, Scottish Ministers may approve specific grants and grants in aid to WICS.
50. Receipts from the sale of goods or services and interest earned by WICS on cash balances may be used to provide additional spending power subject to them being included in the approved budget.
51. WICS' specific delegated financial authorities - as agreed in consultation between the Board and the Scottish Ministers - are set out in Annex A. The Board will obtain the prior written approval from sponsors and SG Finance before entering into any undertaking to incur any expenditure that falls outside these delegations, and before incurring expenditure for any purpose that is or might be considered novel, contentious or repercussive or which has or could have significant future cost implications.
52. Guidance on governance requirements is available in several documents referred to earlier in this framework document:
 - The Scottish Public Finance Manual (SPFM)
 - The Audit and Assurance Committee Handbook
 - On Board - A Guide for Members of Statutory Boards
53. If in any doubt about a governance issue, the Chair or Chief Executive should consult the Sponsoring Director, Senior Sponsor or Sponsor Team in the first instance, and sponsors may in turn consult the SG Public Bodies Unit, the SG Governance and Risk Branch and/or other teams with relevant expertise.
54. The Board and Chief Executive are advised to pay particular attention to guidance on the following issues:

Risk Management

55. WICS must develop an approach to risk management consistent with the Risk Management section of the SPFM and establish reporting and escalation arrangements with the Portfolio AO, Sponsoring Director or Senior Sponsor.

56. The Board should have a clear understanding of the key risks, threats and hazards it may face in the personnel, accommodation and cyber domains, and take action to ensure appropriate organisational resilience, in line with the guidance in: Having and Promoting Business Resilience (part of the Preparing Scotland suite of guidance) and the [Public Sector Cyber Resilience Framework](#).

Internal control

57. The Board should establish clear internal [delegated authorities](#) with the Chief Executive, who may in turn delegate responsibilities to other members of staff and establish an assurance framework consistent with the [internal control framework](#) in the SPFM.
58. Counter-fraud policies and practices should be adopted to safeguard against fraud and theft - see the [Fraud](#) section of the SPFM.
59. Any major investment programmes or projects undertaken should be subject to the guidance in the [Major Investment Projects](#) section of the SPFM and in line with delegated authorities. The Sponsor Team must be kept informed of progress on such programmes and projects and Ministers must be alerted to any developments that could undermine their viability. ICT investment plans must be reported to the SG's Office of the Chief Information Officer.
60. WICS must comply with the requirements of the Freedom of Information (Scotland) Act 2002 and ensure that information is provided to members of the public in a spirit of openness and transparency. WICS must also register with [Information Commissioners Office](#) and ensure that it complies with the Data Protection Act 2018 and the General Data Protection Regulations, commonly known as UK GDPR.

Budget and finance

61. Unless covered by a specific delegated authority WICS shall not make any financial investments without the prior approval of the SG. That would include equity shares in ventures which further the objectives of WICS. WICS shall not invest in any venture of a speculative nature.
62. Non-standard tax management arrangements should always be regarded as novel and/or contentious and must therefore be approved in advance by the SG. Relevant guidance is provided in the [Tax Planning and Tax Avoidance](#) section of the SPFM. WICS must comply with all relevant rules on taxation, including VAT, and recover input tax where it is entitled to do so.
63. Optimising income (not including grant-in-aid) from all sources should be a priority, and sponsors should be kept informed about any significant projected changes in income. Novel or contentious proposals for new sources of income or methods of fundraising must be approved by sponsors and SG Finance. Fees or charges for any services supplied must be determined in accordance with the [Fees & Charges](#) section of the SPFM.
64. Gifts, bequests or donations received by WICS score as income and should be provided for in the agreed annual budget, but should not fund activities or assets normally covered by the levy

from Scottish Water and other licensed providers, other SG grant-in-aid trading or fee income, and conflicts of interest must be considered – see the principles in the [Gifts](#) section of the SPFM. Note that this relates to gifts to the body - gifts to individuals are covered in the Model Code of Conduct.

65. Borrowing cannot be used to increase WICS' spending power. All borrowing by WICS - excluding agreed overdrafts - shall be from the Scottish Ministers in accordance with guidance in the [Borrowing, Lending & Investment](#) section of the SPFM.
66. Any lending must be in line with the guidance in the [Borrowing, Lending & Investment](#) section of the SPFM on undertaking due diligence and seeking to establish a security. Unless covered by a specific delegated limit WICS must not, lend money, charge any asset, give any guarantee or indemnity or letter of comfort, or incur any other contingent liability (as defined in the [Contingent Liabilities](#) section of the SPFM), whether or not in a legally binding form, without the prior approval of sponsors and SG Finance. Guarantees, indemnities and letters of comfort of a standard type given in the normal course of business are excluded from this requirement.
67. An accurate and up-to-date record of current and non-current assets should be maintained, consistent with the [Property: Acquisition, Disposal & Management](#) section of the SPFM. WICS is also subject to the [SG Asset Management Policy](#), including the requirement for acquisition of a new lease, continuation of an existing lease, decision not to exercise a break option in a lease or purchase of property for accommodation / operational purposes, to be approved in advance by Scottish Ministers. The Property Controls Team should be consulted as early as possible in this process.
68. Assets should be recorded on the balance sheet at the appropriate valuation basis in accordance with the FReM. When an asset (including any investment) suffers impairment, when there is significant movement in existing provisions and/or where a new provision needs to be created, this should be communicated to sponsors and SG Finance as soon as possible to determine the implications for WICS' budget.
69. Any funding for expenditure on assets by a third party should be subject to appropriate arrangements to ensure that they are not disposed of without prior consent and that a due share of the proceeds can be secured on disposal or when they cease to be used by the third party for the intended purpose, in line with the [clawback](#) guidance in the SPFM.
70. Unless covered by a specific delegated authority, prior approval from sponsors and SG Finance is required before making gifts or special payments or writing off losses. Special payments and losses are subject the guidance in the [Losses and Special Payments](#) section of the SPFM. Gifts by management to staff are subject to the guidance in the [Non-Salary Rewards](#) section of the SPFM.
71. Unless covered by a specific delegated authority, WICS must not enter into any finance, property or accommodation related lease arrangement – including the extension of an existing lease or

the non-exercise of a tenant's lease break - without prior approval from sponsors. Before entering/ continuing such arrangements, WICS must be able to demonstrate that the lease offers better value for money than purchase and that all options of sharing existing public sector space have been explored.

Non-property/ accommodation related operating leases are subject to a specific delegated authority. There must be capital DEL provision in the budget for finance leases and other transactions which are in substance borrowing.

72. Procurement policies should reflect relevant guidance in the [Procurement](#) section of the SPFM and any other relevant guidance issued by the SG's Procurement and Property Directorate. The SG's directory of [SG Framework Agreements](#) is available to support organisations but they should check the Framework Agreement's 'buyer's guide' before proceeding to ensure they are eligible to use the Framework.
73. All matured and properly authorised invoices relating to transactions with suppliers should be paid in accordance with the [Expenditure and Payments](#) section of the SPFM wherever possible and appropriate within the Scottish Ministers' target of payment within 10 working days of their receipt.
74. WICS is subject to the SG policy of self-insurance. Commercial insurance must however be taken out where there is a legal requirement to do so and may also be taken out in the circumstances described in the [Insurance](#) section of the SPFM - where required with the prior approval of sponsors and their finance business partner subject to the level of inherent financial risk. In the event of uninsured losses being incurred the SG shall consider, on a case-by-case basis, whether or not it should make any additional resources available to WICS. The relevant sponsor team will provide WICS with a Certificate of Exemption for Employer's Liability Insurance.
75. Unless covered by a specific delegated authority WICS must not provide grant funding to a third party without prior agreement from sponsors and SG Finance. Guidance on a framework for the control of third-party grants is provided as an annex to the [Grant & Grant in Aid](#) section of the SPFM. Subsidy control requirements for any such funding are discussed below.
76. The EU State aid regime was effectively revoked from UK law from 1 January 2021. Following this, subsidy control provisions were covered by the UK-EU Trade and Cooperation Agreement (TCA) and the UK's international obligations, including various Free Trade Agreements and those arising as a consequence of World Trade Organisation membership. However, a new UK subsidy control regime came into force on 4 January 2023 as a result of UK Government's Subsidy Control Act 2022. Currently, any activity that a public body undertakes itself, or funds other bodies to undertake, that can be offered on a commercial market for goods and services, is subject to the regulations set out in the Subsidy Control Act 2022. A full assessment is required prior to disbursing any funding, subject to the guidance in the subsidy control section of the SPFM.

Remuneration

77. Remuneration, allowances and any expenses paid to the Chair and Board Members must comply with the SG Pay Policy for Senior Appointments and any specific guidance on such matters issued by the Scottish Ministers.
78. Staff pay, pensions and any severance payments must be in line with the requirements of Public Sector Pay Policy and the responsibilities described in the section on WICS Staff Management Responsibilities.
79. All individuals who would qualify as employees for tax purposes should be paid through the payroll system with tax deducted at source.

Banking and cash management

80. Banking arrangements must comply with the [Banking](#) section of the SPFM.
81. Cash management arrangements need to be addressed as well as overall budget management. WICS is primarily funded by a levy on Scottish Water and the licensed providers that participate in the non-household retail market. WICS may also, from time to time, carry out revenue generating activities. WICS will keep its unrestricted cash reserves held during the year to the minimum level needed for efficient operation and any relevant liabilities which have to be met at the year-end.
82. Any [grant in aid](#) received by WICS from SG must be authorised by the Scottish Parliament in the annual Budget Act. Grant in aid not drawn down by the end of the financial year will lapse. WICS will not pay Grant-in-Aid into any restricted reserve it holds.

Helpful information

83. The Public Bodies Support Unit has produced a register of reporting requirements for devolved public bodies which will help in regard to compliance with certain legislative asks. Copies of the register can be obtained from the [PBSU mailbox](#).

Appendix A

Specific delegated financial authorities

Expenditure type	Delegated limit
Gifts	£75 per gift purchased
Special payments	£1,000
Write-off of bad debt and/or losses due to theft or damage to vehicles	£5,000
Write-off of bad debt and/or losses	£1,000
Single-tender contracts	£20,000
Single-tender contracts where contractor has already been awarded contracts by competitive tender	£100,000
Project appraisal - consultancy projects	£100,000
Project appraisal - projects other than consultancies*	£1,000,000

* Projects estimated to cost between £150,000 and £1,000,000 to be referred initially in outline to the SG.



WICS
Moray House
Forthside Way
Stirling
FK8 1QZ

T: 01786 430 200
E: enquiries@wics.scot

WICS Economic
regulation for
Scotland's water





SECTION C: TERMS OF REFERENCE FOR THE BOARD

Governance Framework

Last reviewed: April 2022

Approved by the Board on 7 April 2020



CONTENTS

CONTENTS	2
1. INTRODUCTION	3
2. COMPOSITION OF THE BOARD	3
3. RESPONSIBILITES OF THE BOARD	3
4. MEETINGS	4
5. OTHER COMMITTEES	5
6. RESERVED MATTERS	6
7. REVIEW OF EFFECTIVENESS	6



1. INTRODUCTION

The roles and responsibilities of the Board, the Chair, the Chief Executive and individual Board Members are set out in the Framework Document. The overall role of the Board is to provide leadership, direction, support and guidance to ensure the organisation delivers and is committed to delivering its functions effectively and efficiently and in accordance with the aims, policies and priorities of the Scottish Ministers.

This Terms of Reference sets out in broad terms the decision-making processes for the Board of WICS.

2. COMPOSITION OF THE BOARD

The Board will operate based on collective responsibility and will ensure that the organisation operates in accordance with the guidance issued relevant to non-departmental public bodies. Decisions will be taken, based on consensus where possible, and will be recorded within the minutes of each Board meeting.

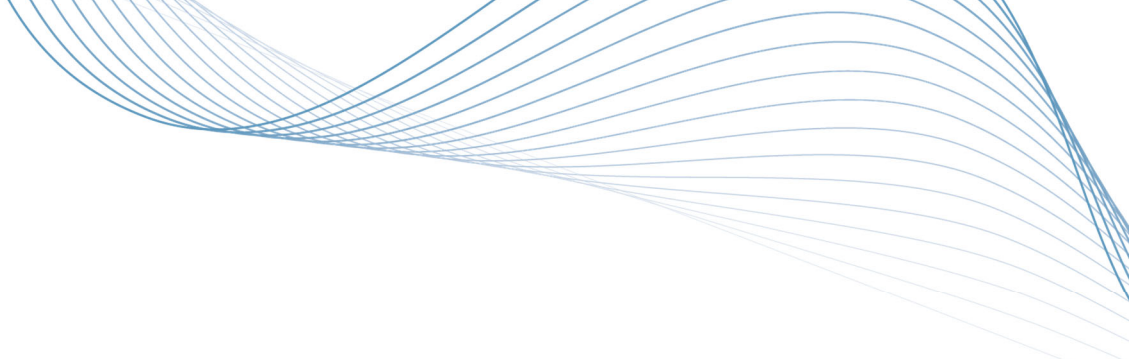
The membership of the Board will consist of not fewer than 3, nor more than 5 ordinary members (including the Chair) and the Chief Executive Officer. The Scottish Ministers appoint the Board Members normally for a period of either 3 or 4 years. The length of appointments may vary to ensure continuity of in the membership of the Board.

3. RESPONSIBILITIES OF THE BOARD

The role of the Board is to provide strategic leadership, direction, support and guidance; to ensure the organisation delivers and is committed to delivering its functions effectively and efficiently and in accordance with the aims, policies and priorities of the Scottish Ministers; to ensure financial stewardship; and to hold the Chief Executive Officer and the senior management team to account.

The Board has corporate responsibility, under the leadership of the Chair, to:

- set the strategic aims and objectives for WICS;
- approve the Corporate Plan;
- approve the Governance Framework;
- receive assurance that WICS has discharged its statutory functions;
- ensure that the Board receives and reviews regular reports monitoring the delivery of WICS's activity;
- determine the steps needed to deal with changes, which are likely to impact on the strategic aims and objectives of WICS or on the attainability of its operational targets;
- promote the efficient, economic and effective use of staff and other resources by the organisation consistent with the principles of Best Value, including, where appropriate, through participation in shared services arrangements;

- 
- ensure that effective arrangements are in place to provide assurance on risk management, governance and internal control;
 - take account of relevant guidance issued by the Scottish Ministers;
 - approve the annual accounts and ensure that Scottish Ministers are provided with the annual report and accounts to be laid before the Scottish Parliament. The Chief Executive Officer, as the Accountable Officer, is responsible for signing the accounts and is ultimately responsible to the Scottish Parliament through the Scottish Ministers;
 - approve the Annual Report;
 - ensure that the Board receives, and reviews regular financial information concerning the management and performance of the organisation and is informed in a timely manner about any concerns regarding the activities of the organisation;
 - establish such Committees as it sees fit. The terms of reference and reporting arrangements of such Committees will be agreed by the Board and reviewed annually;
 - receive regular reports from each Committee and approve recommendations of any Committee (where the powers are not delegated);
 - appoint, with the approval of the Scottish Ministers, the Chief Executive Officer, following appropriate approval of the chief executive's remuneration package in line with Scottish Government Pay Policy for Senior Appointments;
 - in consultation with the Scottish Ministers, the Board will set appropriate performance objectives for the organisation which give due weight to the proper management and use of resources within the stewardship of the organisation and the delivery of outcomes; and
 - demonstrate high standards of corporate governance at all times, including openness and transparency in its decision making.

4. MEETINGS

The Board shall hold formal meetings at least 4 times each year, with meetings held quarterly where practicable or, at such other frequency as the Board may determine. Meetings may take place other than at Moray House, Stirling. Subject to the provisions on notice below, the Chair may convene a meeting of the Board. The Board may invite any person to attend all or part of a Board meeting.

Where there is urgent business of the Board and it is not practical to convene a special meeting, the Chair may under exceptional circumstances deal with the matter(s) by correspondence. In these exceptional circumstances, relevant papers and resolutions will be circulated to Board Members. The actions/decisions arising from such exceptional circumstances will be reported to the subsequent Board meeting.



4.1 Notice of Meetings

Members should receive written notice of a meeting, including the scheduled time and place, at least 10 working days in advance of the meeting. The Chair, or in his absence the Deputy Chair or the Board Member appointed to Chair the meeting in accordance with paragraph 4.3 below, shall have discretion in exceptional circumstances to relax or dispense with the requirements as to the timing of notices and circulation of agendas and papers for meetings. Failure of a Board Member to receive notice of a meeting does not invalidate that meeting or any business transacted at it.

4.2 Agenda and papers

The agenda and papers for any meeting of the Board will be circulated to Board Members 5 working days in advance of a Board meeting. The Board will be provided with appropriate information to allow it to fulfil the requirements of these terms of reference. Non-receipt of the agenda or papers by any Board Member will not invalidate the meeting or any business transacted at that meeting.

Draft minutes of meetings will be distributed to Board Members for approval or amendment at the next scheduled Board meeting.

4.3 Quorum

The quorum for a meeting of the Board shall be three Board Members present. Board Members may attend meetings of the Board by telephone or video conferencing facility or other medium. Board Members participating by telephone or video conferencing, or other medium shall be present at that meeting.

If the Chair is not present at a meeting of the Board, the Deputy Chair shall chair the meeting of the Board. If there is no Deputy Chair, the Board Members present shall appoint one of their number to chair the meeting.

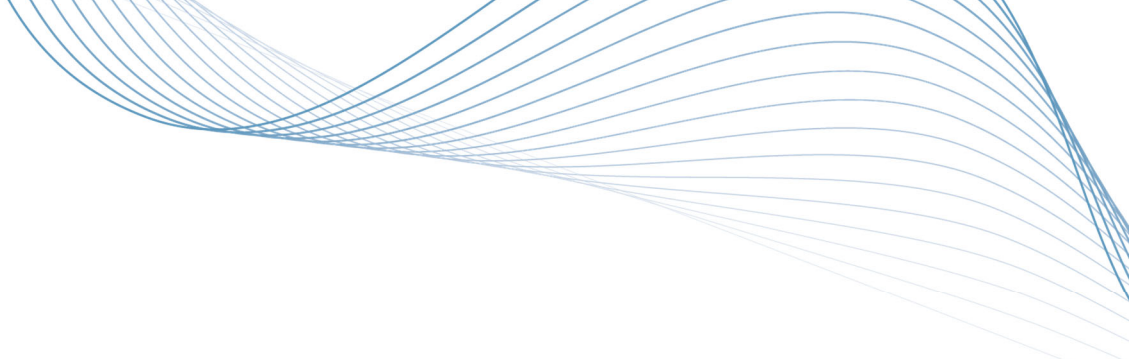
In the event of a matter requiring a vote, only Board Members present will be able to vote. In the case of an equality of votes the chair of the meeting shall have a second or casting vote.

4.4 Attendance

All Board Members are expected to attend all Board meetings. The Chief Executive Officer will ensure that the Board receives appropriate support.

5. OTHER COMMITTEES

The Board may establish such other Committees (either standing or ad-hoc) as it may consider appropriate and may determine the membership, terms of reference and procedures of those Committees.



The Board shall specify the extent, if any, to which any Committee has delegated authority to exercise any function of WICS (whether a reserved matter or otherwise).

6. RESERVED MATTERS

Decisions reserved to the Board are set out in WICS' Scheme of Delegation.

7. REVIEW OF EFFECTIVENESS

The Chair should ensure that the Board and all its committees are subject to regular self-assessment to ensure that they are working effectively.



WICS
Moray House
Forthside Way
Stirling
FK8 1QZ

T: 01786 430 200
E: enquiries@wics.scot

WICS Economic
regulation for
Scotland's water

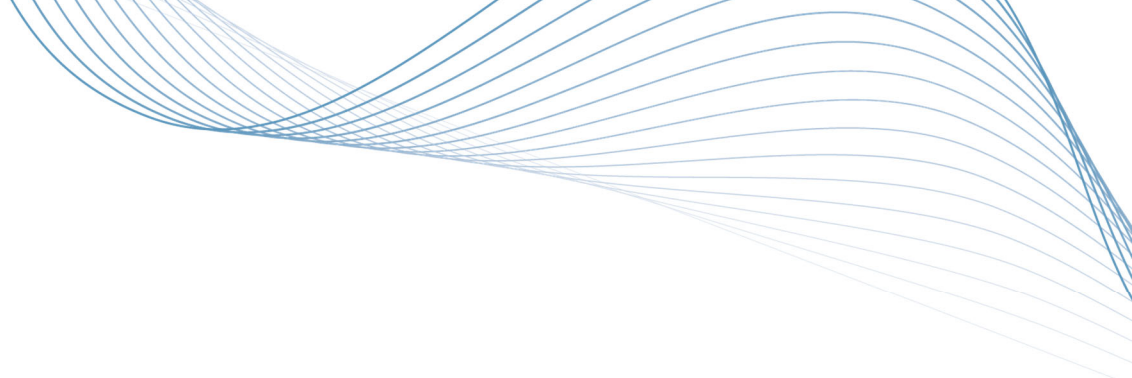


SECTION D: SCHEME OF DELEGATION

Governance Framework

Last reviewed: April 2022

Approved by the Board on 7 April 2020



CONTENTS

CONTENTS	2
1. INTRODUCTION	3
2. MATERS RESERVED FOR THE BOARD	3
3. MATTERS DELEGATED TO THE CHAIR AND CEO	4
4. MATTERS DELEGATED TO THE CEO	4
5. REPORTING FRAMEWORK FOR THE BOARD	6

1. INTRODUCTION

The Scheme of Delegation sets out the matters reserved to the Board (Section 2). All other matters are delegated to either the Chair and the Chief Executive Officer (CEO) together (Section 3) or the CEO (Section 4) who shall exercise such functions on behalf of WICS in accordance with the terms of the Framework Document.

The CEO may delegate this authority to one or more employees.

Section 5 sets out the framework of reporting to the Board.

2. MATERS RESERVED FOR THE BOARD

2.1 Strategic and governance

- Oversight of adherence to the requirements of the Scottish Government's Framework Document.
- Approval of any changes to WICS' Governance Framework.
- Approval of the strategic aims and objectives for WICS.
- Approval, for submission to the Scottish Ministers, the Corporate Plan, which outlines the activities, key performance indicators, reporting and work plans to deliver the strategic objectives of WICS.
- Approval of any material amendments to the Corporate Plan.
- Establishment of any committee of WICS; the specification of its terms of reference; and approval of the appointment of members to serve on any such committee.
- Approval of any formal agreement to delegate (where permitted by law) WICS' functions to any other body.

2.2 Financial and contractual issues

- Approval of WICS' annual work plan.
- Approval of WICS' annual budget.
- Approval of the WICS' annual report and accounts.
- Approval of any significant change in accounting policies and practices requirements which are not in line with the Scottish Government reporting requirements.
- In line with the WICS' risk management strategy:
 - setting the tone and influencing the culture of risk management within WICS;
 - setting appropriate policies on internal control;
 - seeking regular assurance that the system is functioning effectively;
 - approving major decisions affecting the organisation's risk profile or exposure; and
 - annually reviewing the organisation's approach to risk management and appraising any changes or improvements to key elements of its processes and procedures.
- The entering into of any material contracts in the ordinary course of business which involve a liability exceeding £100,000 and/or which were not reflected in the Corporate Plan.
- Exercising the powers, functions and duties expressly conferred and/or imposed upon WICS by the 2005 Order in relation to a Competition Commission reference (Source 2005 Order).

- The oversight of any significant legal or regulatory dispute in which WICS is, or will potentially be, involved in the approval of or commencement of any significant legal or regulatory proceedings or whether to appeal any judgement given against WICS.

2.3 CEO

- Approval of the appointment and removal, with the approval of the Scottish Ministers, the CEO, and the terms and conditions of service including remuneration all in line with SG Pay Policy for Senior Appointments.

2.4 Approval and determinations

- Approval of any draft determination or final determinations of WICS pursuant to section 29B of the 2002 Act (Scottish Water's maximum charges).
- Approval of any methodology proposed by WICS to manage the process of revising prices which will conclude with the issue of a draft determination or a final determination pursuant to Section 29B of the 2002 Act.
- Any decision to pursue enforcement action in the retail market established pursuant to the Water Services etc. (Scotland) Act 2005

3. MATTERS DELEGATED TO THE CHAIR AND CEO

- Approval of press releases containing matters likely to be controversial and of any major external statements or other significant communications including reports or evidence to the Scottish Parliament or any Parliamentary committee.
- Approval of the appointment of other Executive Directors.
- Approval of major changes to WICS's management structure.

4. MATTERS DELEGATED TO THE CEO

4.1 General

The CEO is responsible for all other functions not specified in Sections 2 and 3 above and for the leadership, day-to-day running and performance of WICS and is accountable to the Board for the effective discharge of these duties. Notwithstanding the foregoing general delegation, the following matters are delegated to the CEO.

4.2 Compliance with statutory duties

Save for the statutory provisions referred to in Sections 2.2 and 2.4 above, all actions required to comply with legal or corporate duties placed on WICS or its staff are delegated to the CEO.



4.3 Additional statutory duties of the CEO

The CEO has been designated as the Accountable Officer for WICS pursuant to section 15 of the Public Finance and Accountability (Scotland) Act 2000 (the “2000 Act”). As Accountable Officer the CEO is personally answerable to the Scottish Parliament for propriety and regularity in the management of public funds allocated to WICS and for which the CEO has charge.

The CEO should act in accordance with the terms of this document, within the instructions and guidance in the Scottish Public Finance Manual and the other instructions and guidance issued from time to time by Scottish Government Financial Memorandum to Accountable Officers.

Board Members (including the Chair) must not give the CEO instructions which conflict with the CEO’s duties as WICS’s Accountable Officer. Should instructions be issued in such terms the Accountable Officer is required to send a copy to the Auditor General in accordance with the 2000 Act.



5. REPORTING FRAMEWORK FOR THE BOARD

The Board will receive regular reports from the CEO and WICS staff to provide assurance that the Corporate Plan is being delivered and that WICS has discharged its statutory duties. The reporting framework shall allow the Board Members to:

- receive assurance that WICS has discharged its statutory functions;
- receive and review regular reports monitoring the delivery of WICS' activity as set out in the Corporate Plan and annual work plan;
- determine the steps needed to deal with changes, which are likely to impact on the strategic aims and objectives of WICS; the discharge of its statutory duties or on the attainability of its operational targets;
- promote the efficient, economic and effective use of staff and other resources by WICS consistent with the principles of Best Value, including, where appropriate, participation in shared services arrangements;
- ensure that effective arrangements are in place to provide assurance on risk management, governance and internal control;
- take account of relevant guidance issued by the Scottish Ministers;
- ensure that the Board receives, and reviews regular financial information concerning the management and performance of WICS and is informed in a timely manner about any concerns regarding the activities of WICS;
- review the terms of reference of each Committee established annually;
- receive regular reports from each Committee established and approve recommendations of any Committee (where the powers are not delegated); and
- demonstrate high standards of corporate governance at all times, including openness and transparency in its decision making.




WICS
Moray House
Forthside Way
Stirling
FK8 1QZ

T: 01786 430 200
E: enquiries@wics.scot

WICS Economic
regulation for
Scotland's water



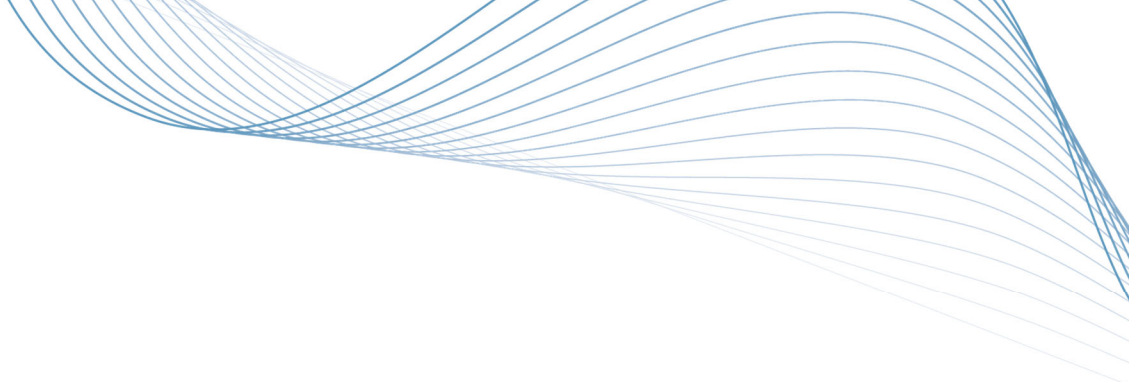


SECTION E: TERMS OF REFERENCE FOR THE AUDIT AND RISK COMMITTEE

Governance Framework

Last reviewed: April 2022

Approved by the Board on 7 April 2020



CONTENTS

CONTENTS	2
1. INTRODUCTION	3
2. MEMBERSHIP	3
3. REPORTING	3
4. RESPONSIBILITIES	3
5. RIGHTS	4
6. ACCESS	4
7. MEETINGS	4
8. INFORMATION REQUIREMENTS	4

1. INTRODUCTION

The Board has established an Audit and Risk Committee (the “ARC”) as a Committee of the Board, to support it in their responsibilities for issues of risk, control and governance and associated assurance through a process of constructive challenge.

2. MEMBERSHIP

The ARC will be chaired by a member of the Board other than the Chair. The Chair of the ARC will be appointed by the Board, on the recommendation of the Chair of the Board. The Board will also appoint the other members of the ARC.

The Chair of the ARC should be involved in the appointment of Committee members, including providing advice on the skills and experience being sought by the ARC.

The ARC will comprise of not less than three and not more than four non-executive members, including the Chair. The members of the ARC will be rotated on an appropriate cycle, usually every four years.

The ARC will have access to secretarial support and to such information as is required to discharge its remit.

3. REPORTING

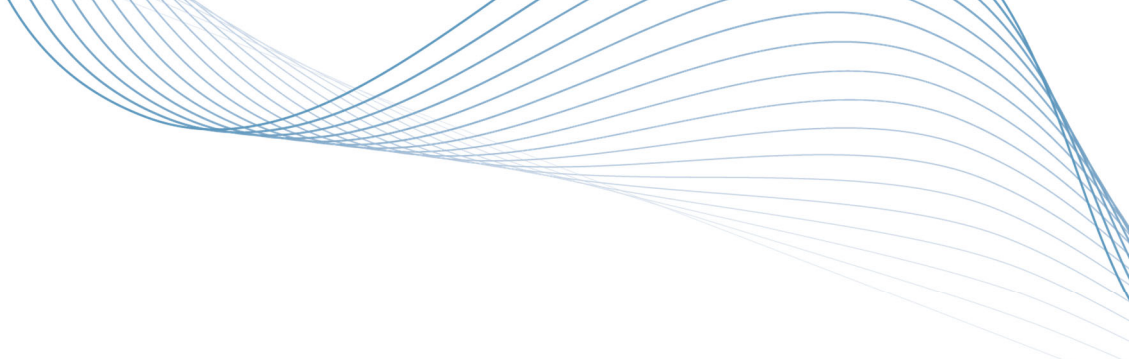
The ARC will formally report in writing to the Board and Accountable Officer after each meeting. A copy of minutes of the meeting may form the basis of the report.

The ARC will provide the Board and Accountable Officer with an annual report, timed to support finalisation of the financial statements and the Governance Statement, summarising its conclusions from the work it has done during the year.

4. RESPONSIBILITIES

The ARC will advise the Board and Accountable Office on:

- the strategic processes for risk, control and governance and the governance statement;
- assurances relating to strategic risks for the organisation;
- the accounting policies, the financial statements, and the annual report of the organisation, including the process for review of the financial statements prior to submission for audit, levels of error identified, and management’s letter of representation to the external auditors;
- the planned activity and results of both internal and external audit;
- the adequacy of management response to issues identified by audit activity, including external audit’s management letter/report;
- the effectiveness of the internal control environment;

- 
- assurances relating to the corporate governance requirements for the organisation;
 - proposals for tendering internal audit services;
 - anti-fraud policies, whistle-blowing processes, arrangements for special investigations; and
 - proposals to amend the operational policies and procedures.

The ARC will also periodically review its own effectiveness and report the results of that review to the Board and Accountable Officer.

5. RIGHTS

The ARC may:

- co-opt additional members for a period not exceeding a year to provide specialist skills, knowledge and experience; and
- procure specialist ad-hoc advice at the expense of the organisation, subject to budgets agreed by the Board.

6. ACCESS

The representatives of Internal and External Audit will have free and confidential access to the Chair of the ARC.

7. MEETINGS

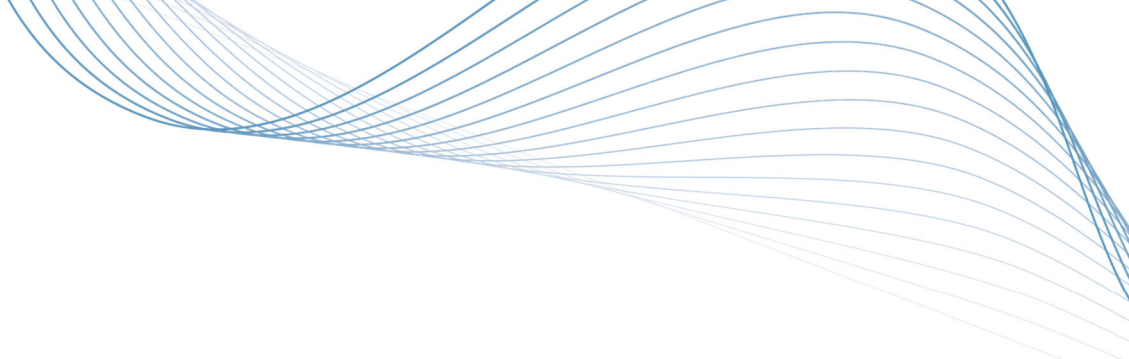
The procedures for meetings are:

- The ARC will normally meet four times a year. The Chair of the ARC may convene additional meetings, as he/she deems necessary;
- A minimum of two members of the ARC will be present for the meeting to be deemed quorate;
- Committee meetings will normally be attended by the Accountable Officer, the Financial Controller, a representative of Internal Audit, and a representative of External Audit;
- The ARC may ask any other employees of the organisation to attend to assist it with its discussions on any matter;
- The ARC may ask any or all of those who normally attend but who are not members to withdraw to facilitate open and frank discussion of any matter; and
- The Board may ask the ARC to convene further meetings to discuss any matter on which they want the ARC's advice.

8. INFORMATION REQUIREMENTS

For each meeting the ARC will be provided with enough information to enable it to fulfil the requirements of these terms of reference, including but not limited to:

- Reports summarising any significant changes to WICS's risk register.

- 
- Update reports from the Accountable Officer.
 - Draft annual financial statements, including the accounting policies and governance statement.
 - Quarterly financial results with explanatory notes.
 - External audit:
 - work plan for the year;
 - Management letter; and
 - final report for the year, including the audit opinion.
 - Internal audit:
 - Strategy;
 - Progress report on work performed, key issues emerging from internal audit work and significant changes to the audit plan;
 - Annual plan;
 - Annual opinion and report; and
 - Quality assurance reports on the internal audit function.
 - Reports on any proposal to tender for internal audit services.
 - Any other information as requested specifically by the ARC.




WICS
Moray House
Forthside Way
Stirling
FK8 1QZ

T: 01786 430 200
E: enquiries@wics.scot

WICS Economic
regulation for
Scotland's water





SECTION F: CODE OF CONDUCT FOR BOARD MEMBERS

Governance Framework
February 2022

Last reviewed: February 2022

Approved by the Board on 7 April 2022



CONTENTS

CONTENTS	2
1. INTRODUCTION	3
1.1 My responsibilities	3
1.2 Enforcement	4
2. KEY PRINCIPLES OF THE CODE OF CONDUCT	5
3. GENERAL CONDUCT	7
3.1 Respect and courtesy	7
3.2 Remuneration, allowances and expenses	9
3.3 Gifts and hospitality	9
3.4 Confidentiality	11
3.5 Use of WICS' resources	11
3.6 Dealing with WICS and preferential treatment	12
3.7 Appointments to outside organisations	12
4. REGISTRATION OF INTERESTS	13
5. DECLARATION OF INTERESTS	17
6. LOBBYING AND ACCESS	20
ANNEX A: BREACHES OF THE CODE OF CONDUCT	22
1. Introduction	22
2. Investigation of Complaints	22
3. Hearings	22
4. Sanctions	23
5. Interim Suspensions	23
ANNEX B: DEFINITIONS	25

1. INTRODUCTION

WICS' Code of Conduct adopts the terms of the Model [Code of Conduct](#) that has been issued by the Scottish Ministers, with the approval of the Scottish Parliament, as required by the [Ethical Standards in Public Life etc. \(Scotland\) Act 2000 \(the "Act"\)](#). That Model Code of Conduct was updated during 2021 and published by the Standards Commission for Scotland on 7 December 2021.

The purpose of the Code of Conduct is to set out the conduct expected of those who serve on the boards of public bodies in Scotland. As Board Members, you are required to follow the Code of Conduct in the discharge of your responsibilities.

The Code of Conduct has been developed in line with the nine key principles of public life in Scotland. The principles are listed in Section 2 and set out how the provisions of the Code of Conduct should be interpreted and applied in practice.

[Guidance](#)¹ on how to use the Code of Conduct has been produced by The Standards Commission for Scotland and contains case illustrations and examples of factors that members may wish to consider when applying the requirements of the Code. Some of this guidance has been included in this document to enhance your understanding of the Code.

1.1 My responsibilities

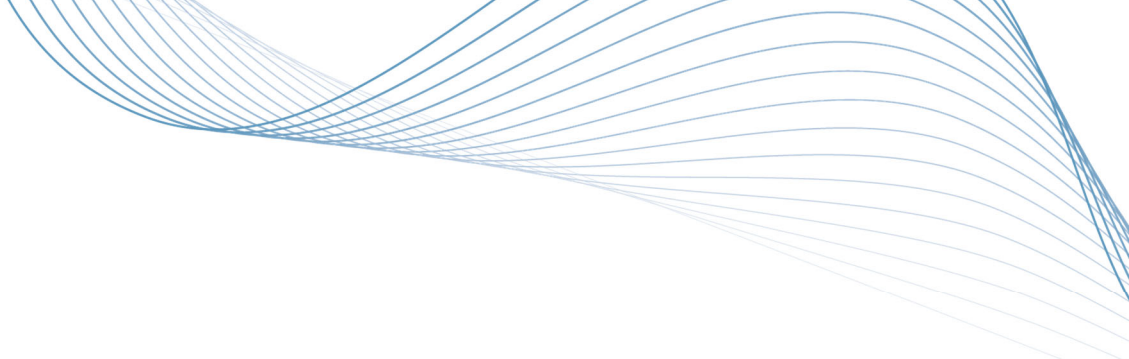
I understand that the public has a high expectation of those who serve on the boards of public bodies and the way in which they should conduct themselves in undertaking their duties. I will always seek to meet those expectations by ensuring that I conduct myself in accordance with the Code of Conduct.

I will comply with the substantive provisions of this Code of Conduct, being sections 3 to 6 inclusive, in all situations and at all times where I am acting as a board member of WICS, have referred to myself as a board member or could objectively be considered to be acting as a board member.

I will comply with the substantive provisions of this Code of Conduct in all my dealings with the public, employees and fellow board members, whether formal or informal.

I understand that it is my personal responsibility to be familiar with the provisions of this Code of Conduct and that I must also comply with the law and WICS' rules, standing orders and regulations. I will also ensure that I am familiar with any guidance or advice notes issued by the Standards Commission for Scotland ("Standards Commission") and WICS, and endeavour to take part in any

¹ Additional guidance notes on specific topics are available here: <https://www.standardscommissionscotland.org.uk/education-and-resources/professional-briefings>.



training offered on the Code of Conduct.

I will not, at any time, advocate or encourage any action contrary to this Code of Conduct.

I understand that no written information, whether in the Code of Conduct itself or the associated Guidance or Advice Notes issued by the Standards Commission, can provide for all circumstances. If I am uncertain about how the Code of Conduct applies, I will seek advice from the Chair or Chief Executive of WICS. I note that I may also choose to seek external legal advice on how to interpret the provisions of the Code of Conduct.

1.2 Enforcement

Part 2 of the Act sets out the provisions for dealing with alleged breaches of the Code of Conduct, including the sanctions that can be applied if the Standards Commission finds that there has been a breach of the Code of Conduct. More information on how complaints are dealt with and the sanctions available can be found at Annex A.



2. KEY PRINCIPLES OF THE CODE OF CONDUCT

The Code of Conduct has been based on the following key principles of public life. I will behave in accordance with these principles and understand that they should be used for guidance and interpreting the provisions in the Code of Conduct.

I note that a breach of one or more of the key principles does not in itself amount to a breach of the Code of Conduct. I note that, for a breach of the Code of Conduct to be found, there must also be a contravention of one or more of the provisions in sections 3 to 6 inclusive of the Code of Conduct. The key principles are:

Duty

I have a duty to uphold the law and act in accordance with the law and the public trust placed in me. I have a duty to act in the interests of the public body of which I am a member and in accordance with the core functions and duties of that body.

Selflessness

I have a duty to take decisions solely in terms of public interest. I must not act in order to gain financial or other material benefit for myself, family, or friends.

Integrity

I must not place myself under any financial, or other, obligation to any individual or organisation that might reasonably be thought to influence me in the performance of my duties.

Objectivity

I must make decisions solely on merit and in a way that is consistent with the functions of WICS when carrying out public business including making appointments, awarding contracts, or recommending individuals for rewards and benefits.

Accountability and stewardship

I am accountable to the public for my decisions and actions. I have a duty to consider issues on their merits, taking account of the views of others and I must ensure that WICS uses its resources prudently and in accordance with the law.

Openness

I have a duty to be as open as possible about my decisions and actions, giving reasons for my decisions and restricting information only when the wider public interest clearly demands.



Honesty

I have a duty to act honestly. I must declare any private interests relating to my public duties and take steps to resolve any conflicts arising in a way that protects the public interest.

Leadership

I have a duty to promote and support these principles by leadership and example, and to maintain and strengthen the public's trust and confidence in the integrity of WICS and its members in conducting public business.

Respect

I must respect all other board members and all employees of WICS and the role they play, treating them with courtesy at all times. Similarly, I must respect members of the public when performing my duties as a board member.

3. GENERAL CONDUCT

3.1 Respect and courtesy

I will treat everyone with courtesy and respect. This includes in person, in writing, at meetings, when I am online and when I am using social media.

I will not discriminate unlawfully on the basis of race, age, sex, sexual orientation, gender reassignment, disability, religion or belief, marital status, or pregnancy/maternity. I will advance equality of opportunity² and seek to foster good relations between different people.

I will not engage in any conduct that could amount to bullying or harassment (which includes sexual harassment). I accept that such conduct is completely unacceptable and will be considered to be a breach of this Code of Conduct.

I accept that disrespect, bullying and harassment can be:

- (i) A one-off incident.
- (ii) Part of a cumulative course of conduct.
- (iii) A pattern of behaviour.

I understand that how, and in what context, I exhibit certain behaviours can be as important as what I communicate, given that disrespect, bullying and harassment can be physical, verbal, and non-verbal conduct.

I accept that it is my responsibility to understand what constitutes bullying and harassment and I will utilise resources, including the Standards Commission's guidance and advice notes, WICS' policies, and training material (where appropriate) to ensure that my knowledge and understanding is up to date.

Except where it is written into my role as Board member, and / or at the invitation of the Chief Executive, I will not become involved in the operational management of WICS³. I

² You should ensure you are familiar with the [Equality Act 2010](#), which provides a legal framework to protect the rights of individuals and advance equality of opportunity for all. The Equality and Human Rights Commission has produced guidance on the Equality Act, which can be found at: <https://www.equalityhumanrights.com/en/advice-and-guidance/equality-act-guidance>.

³ As a member, you are entitled (and indeed required) to scrutinise the effective delivery of services and whether operational targets have been achieved. You should be careful, however, not to make public statements which expressly, or by implication, criticise the actions (or inaction) of an individual employee or identifiable group of employees.

acknowledge and understand that operational management is the responsibility of the Chief Executive and WICS' Executive Team.

I will not undermine any individual employee or group of employees, or raise concerns about their performance, conduct or capability in public. I will raise any concerns I have on such matters in private with senior management as appropriate.

I will not take, or seek to take, unfair advantage of my position in my dealings with employees of WICS or bring any undue influence to bear on employees to take a certain action. I will not ask or direct employees to do something which I know, or should reasonably know, could compromise them, or prevent them from undertaking their duties properly and appropriately.

I will respect and comply with rulings from the Chair during meetings of WICS, any committees of WICS or any outside organisations that I have been appointment or nominated to by WICS or on which I represent WICS.

I will respect the principle of collective decision-making and corporate responsibility. This means that once the Board has decided, I will support that decision, even if I did not agree with it or vote for it.

Examples from the Guidance

In a scenario where you are concerned about the quality of a report before you, you should consider how you raise your concerns. Saying "I note this report does not contain a risk assessment – I would be grateful if a risk assessment could be undertaken" would be respectful, whereas saying "as usual, your report is inadequate and poorly prepared as it does not contain a risk assessment" could be perceived as being personally critical of the report's author.

An example of effective scrutiny could be to say at a public meeting "I have concerns about this service we are providing in respect of X, as it appears there are undue delays. Could a report therefore be prepared on service delivery for X against key performance indicators over the last six months? Where these are not met, could information be provided as to why not and on what steps are being taken to improve matters". However, saying that "the performance of Ms A, as the director, appears to be lacking, as service X is clearly not meeting its key performance indicators" could be seen as being critical of Ms A as an individual.

3.2 Remuneration, allowances and expenses

I will comply with the rules, and the policies of WICS, on the payment of remuneration, allowances, and expenses.

3.3 Gifts and hospitality

I understand that I may be offered gifts (including money raised via crowdfunding or sponsorship), hospitality, material benefits or services (“gift or hospitality”) that may be reasonably regarded by a member of the public with knowledge of the relevant facts as placing me under an improper obligation or being capable of influencing my judgement.

I will never **ask for** or **seek** any gift or hospitality. I will **refuse** any gift or hospitality, unless it is⁴:

- (i) a minor item or token of modest intrinsic value offered on an infrequent basis;
- (ii) a gift being offered to WICS⁵;
- (iii) hospitality which would reasonably be associated with my duties as a Board member; or
- (iv) hospitality which has been approved in advance by WICS.

I will consider whether there could be a reasonable perception that any gift or hospitality received by a person or body connected to me could or would influence my judgement.

I will not allow the promise of money or other financial advantage to induce me to act improperly in my role as a board member. I accept that the money or advantage (including any gift or hospitality) does not have to be given to me directly. The offer of monies or advantages to others, including community groups, may amount to bribery, if the intention is to induce me to improperly perform a function.

I will never accept any gift or hospitality from any individual or applicant who is awaiting a

⁴ Notes from Guidance: “These would be things such as a pen, or a notepad, or hospitality such as tea or coffee at a local event, or a sandwich or buffet lunch included as part of a daily rate charged and provided to all delegates at a training event or conference”. “Similarly, where you are representing the public body in an official role, you will be expected to accept hospitality normally associated with that role, for example, a dinner to commemorate the anniversary of an event. If you are invited to such events, you should always check, in advance, with your public body that you can accept the invitation”.

⁵ The Code also recognises that there may be situations where, as a member, you may be expected to accept gifts on the public body’s behalf. These could be, for example, from representatives of a similar body from another country. In those circumstances, if it would cause embarrassment or offence to refuse the gift, you can accept it. You should, however, pass the gift to the appropriate employee of your public body at the earliest opportunity.

decision from, or seeking to do business with, WICS.

If I consider that declining an offer of a gift would cause offence, I will accept it and hand it over to WICS at the earliest possible opportunity and ask for it to be registered.

I will promptly advise the appropriate officer at WICS if I am offered (but refuse) any gift or hospitality of any significant value and / or if I am offered any gift or hospitality from the same source on a repeated basis, so that WICS can monitor this.

I will familiarise myself with the terms of the [Bribery Act 2010](#), which provides for offences of bribing another person and offences relating to being bribed.

Examples from the Guidance

A complaint alleged that a member accepted and subsequently failed to declare hospitality received from a law firm that was involved in a tender application to provide legal services to the member's public body. The hospitality involved a trip to watch the Scottish Cup Final at Hampden. It could not be said that the hospitality in question was minor, or that it was associated with the members' duties as a member of their board. In addition, it was found that it should have been evident to the member that there was a possibility that the law firm would submit a tender to provide services to the public body. Although the member was not directly involved in the tender decision, the Panel found that it was likely that a member of the public would reasonably consider that the hospitality could have led the board member to influence others involved in making the decision. By accepting the hospitality, the member was found to have breached the Code.

A complaint alleged that a councillor had failed to declare hospitality received during a site visit from a recipient of planning permission who was to make further applications for the same development. However, there was no evidence to suggest that any Council representative, including the councillor in question, received any gift or further hospitality other than being provided with light refreshments mid-morning. Evidence suggested that these had been provided by the developers, following a Council request. This was not regarded as inappropriate for the purposes of the Code

3.4 Confidentiality

I will not disclose confidential information or information which should reasonably be regarded as being of a confidential or private nature, without the express consent of a person or body authorised to give such consent, or unless required to do so by law. I note that if I cannot obtain such express consent, I should assume it is not given.

I accept that confidential information can include discussions, documents and information which is not yet public or never intended to be public, and information deemed confidential by statute.

I will only use confidential information to undertake my duties as a board member. I will not use it in any way for personal advantage or to discredit WICS (even if my personal view is that the information should be publicly available). I note that these confidentiality requirements do not apply to protected whistleblowing disclosures made to the prescribed persons and bodies as identified in statute.

3.5 Use of WICS' resources

I will only use WICS' resources, including employee assistance, facilities, stationery, and IT equipment, for carrying out duties on behalf of WICS, in accordance with its relevant policies. I will not use, or in any way enable others to use, WICS' resources:

- (i) imprudently (without thinking about the implications or consequences);
- (ii) unlawfully;
- (iii) for any political activities or matters relating to these; or
- (iv) improperly.

Examples from the Guidance:

A complaint alleged that a member used his public body's email account and computer to submit a tender application to another public body on behalf of his private consultancy business. It was found that the member had breached the provisions in the Code prohibiting the improper use of public body facilities.

A complaint alleged that a member asked employees in her public body's print room to print a substantial number of posters and flyers advertising a function being held to raise money for an external charity. While it was noted that the print room employees could have declined the request, the fact that it was made by a board member had made it difficult for them to do so. The Panel accepted that while the member had gained no personal benefit, she had nevertheless breached the Code.

A complaint alleged that a councillor had used Council facilities to send an email in relation to an application for planning permission submitted by his own company. He was found to have breached the provision in the Code concerning the improper use of Council facilities.

3.6 Dealing with WICS and preferential treatment

I will not use, or attempt to use, my position or influence as a board member to:

- (i) improperly confer on or secure for me, or others, an advantage;
- (ii) avoid a disadvantage for myself, or create a disadvantage for others or
- (iii) improperly seek preferential treatment or access for me or others.

I will avoid any action which could lead members of the public to believe that preferential treatment or access is being sought.

I will advise employees of any connection, as defined at Section 5, I may have to a matter, when seeking information or advice or responding to a request for information or advice from them.

Examples from the Guidance:

A complaint alleged that a member of an NHS board sought preferential treatment when contacting employees about a close relative's place on a waiting list for hospital treatment. In contacting the employee, the member had sought information which would not normally be available to members of the public. The member had also sought to exert influence in asking that the relative's treatment be expedited. It was found that the member's actions amounted to attempts to seek preferential treatment in breach of the Code.

A member asked an employee for their login details so they could log into a case management system in order to check the progress of a complaint made by a close friend. The employee in question refused to share the login details. However, the member was found to have breached the preferential treatment provision of the Code by virtue of their actions in seeking to gain entry to a case management system that they would not otherwise be allowed to access. While the member would have been entitled to ask for an update on the status of the complaint, the case management system contained personal data and confidential information to which the member was not entitled.

3.7 Appointments to outside organisations

If I am appointed, or nominated by WICS, as a member of another body or organisation, I will abide by the rules of conduct and will act in the best interests of that body or organisation while acting as a member of it. I will also continue to observe the rules of this Code of Conduct when carrying out the duties of that body or organisation.

I accept that if I am a director or trustee (or equivalent) of a company or a charity, I will be responsible for identifying, and taking advice on, any conflicts of interest that may arise between the company or charity and WICS.

4. REGISTRATION OF INTERESTS

The following section set out what I have to register when I am appointed and whenever my circumstances change. The register covers my current term of appointment.⁶

I understand that regulations made by the Scottish Ministers describe the detail and timescale for registering interests; including a requirement that a board member must register their registrable interests within one month of becoming a board member and register any changes to those interests within one month of those changes having occurred.

The interests which I am required to register⁷ are those set out below. Other than any close family member who has transactions WICS or is likely to have transactions or do business with it, I understand it is not necessary to register the interests of my spouse or cohabitee.

Category 1: Remuneration

I will register any work for which I receive, or expect to receive, payment. I have a registrable interest where I receive remuneration by virtue of being:

- (i) employed;
- (ii) self-employed;
- (iii) the holder of an office;
- (iv) a director of an undertaking;
- (v) a partner in a firm;
- (vi) appointed or nominated by WICS to another body; or
- (vii) engaged in a trade, profession or vocation or any other work.

I understand that in relation to any of the payments received in relation to the work above, the amount of remuneration does not require to be registered. I understand that any remuneration received as a board member of WICS does not have to be registered.

I understand that if a position is not remunerated it does not need to be registered under this category. However, unremunerated directorships may need to be registered under Category Two, "Other Roles".

⁶ The Register should cover your whole term of office. Should an interest no longer apply (for example if you cease to receive remuneration through employed work during your term of office), the entry should still be listed in the Register and retained for the whole term of office. However, you should amend the Register to reflect the change of circumstances.

⁷ You are required by the 2021 Regulations to update your entries in the Register of Interests within one month of your circumstances changing. While your public body may issue a reminder annually or even on a more frequent basis, it is nevertheless your personal responsibility to ensure your entry is updated within one month of a new interest arising or of your circumstances changing. You should also ensure that you review all your entries in the Register at least once a year, even if you think nothing has changed.

I must register any allowances I receive in relation to membership of any organisation under Category 1.

When registering employment as an employee, I must give the full name of the employer, the nature of its business, and the nature of the post I hold in the organisation.

When registering any relevant remuneration from the categories listed above, I must provide the full name and give details of the nature of the business, organisation, undertaking, partnership, or other body, as appropriate. I recognise that some other employments may be incompatible with my role as board member of WICS in terms of section 6 of this Code of Conduct, in relation to lobbying.

Where I otherwise undertake a trade, profession or vocation, or any other work, the detail to be given is the nature of the work and how often it is undertaken

When registering a directorship, it is necessary to provide the registered name and registered number of the undertaking in which the directorship is held and provide information about the nature of its business.

I understand that registration of a pension is not required as this falls outside the scope of the category.

Category 2: Other roles

I will register any unremunerated directorships where the body in question is a subsidiary or parent company of an undertaking in which I hold a remunerated directorship.

I will register the registered name and registered number of the subsidiary or parent company or other undertaking and the nature of its business, and its relationship to the company or other undertaking in which I am a director and from which I receive remuneration.

Category 3: Contracts⁸

I have a registerable interest where I (or a firm in which I am a partner, or an undertaking in which I am a director or in which I have shares of a value as described in category 6 below) have made a contract with WICS:

- (i) under which goods or services are to be provided, or works are to be executed; and
 - (ii) which has not been fully discharged.
-

I will register a description of the contract, including its duration, but excluding the value.

⁸ This category may overlap with Category One: Remuneration. If so, you should add an entry under both sections, for transparency. An example of the detail required would be as follows: *Director and shareholder of cleaning company which has a contract with MidScotland College to valet the college's vehicle fleet. Contract start date: 1 February 2010.*

Category 4: Election expenses (not applicable to WICS)

This section relates to registering a description of, and statement of any assistance towards election expenses if I was elected to a public body. However, this is not applicable to WICS as all board members are appointed by Scottish Ministers.

Category 5: Houses, land and buildings

I will register any interest where I own or have any other right or interest in houses, land, and buildings, which may be significant to, of relevance to, or bear upon, the work and operation of WICS.

I accept that, when deciding whether or not I need to register any interest I have in houses, land or buildings, the test to be applied is whether a member of the public, with knowledge of the relevant facts, would reasonably regard the interest as being so significant that it could potentially affect my responsibilities to WICS and to the public, or could influence my actions, speeches, or decision-making.

Category 6: Interest in shares and securities

I have a registerable interest where:

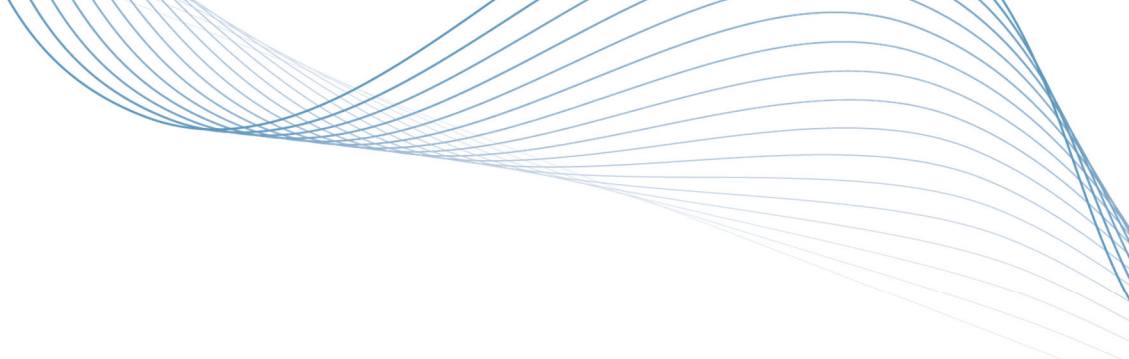
- (i) I own or have an interest in more than 1% of the issued share capital of the company or other body; or
 - (ii) Where, at the relevant date, the market value of any shares and securities (in any one specific company or body) that I own or have an interest in is greater than £25,000.
-

Category 7: Gifts and hospitality

I understand the requirements of section 3.3 regarding gifts and hospitality. As I will not accept any gifts or hospitality, other than under the limited circumstances allowed, I understand there is no longer the need to register any.

Category 8: Non-financial interests

I may also have other interests and I understand it is equally important that relevant interests such as membership or holding office in other public bodies, companies, clubs, societies, and



organisations such as trades unions and voluntary organisations, are registered and described. In this context, I understand non- financial interests are those which members of the public with knowledge of the relevant facts might reasonably think could influence my actions, speeches, votes, or decision-making in WICS (this includes its committees and memberships of other organisations to which I have been appointed or nominated by WICS).

Category 9: Close family members

I will register the interests of any close family member⁹ who has transactions with WICS or is likely to have transactions¹⁰ or do business with it.

⁹ The Code does not define what is meant by ‘close family member’ as this will depend on your individual circumstances, but it is likely that a spouse, cohabitee, partner, parent and child would be considered to fall within this category. You do not need to disclose the family member’s name or any other personal data in the register; it is sufficient for you to identify the relationship and nature of the transaction. For example, *“my son is a partner in a law firm that has a contract to provide legal services to the health board”*.

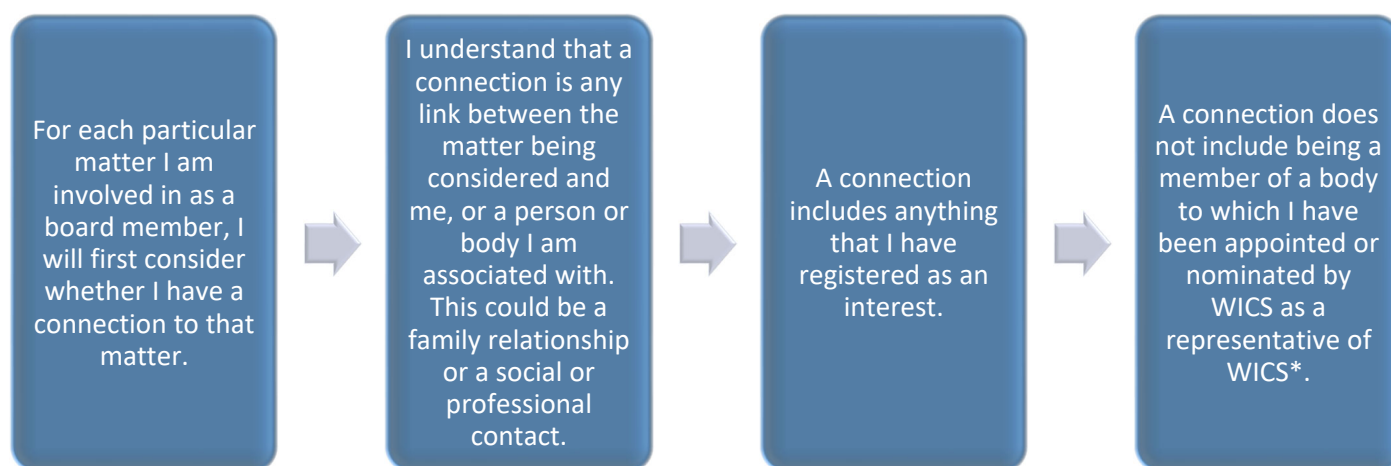
¹⁰ Such transactions include contracts for the supply of goods and services, and the execution of works. The fact that a close family member may be employed by your public body would not be considered a transaction or business for the purposes of Category Nine. Therefore while such a connection could amount to a declarable interest under Section 5 of the Code, it would not require to be registered.

5. DECLARATION OF INTERESTS

The requirement for members to declare certain interests is a fundamental requirement of the Code. A failure to do so removes the opportunity for openness and transparency in a member’s role and denies the public the opportunity to consider whether a member’s interests may or may not influence their discussion and decision-making.

The Code does not restrict the ability of a public body to benefit from the knowledge and experience of its members. Having knowledge or experience of a matter that is to be considered by your public body is not necessarily a connection. For example, if your public body is considering tenders received for the provision of a new IT system, your knowledge and experience as an IT specialist would not be considered a connection.

STAGE 1: CONNECTION

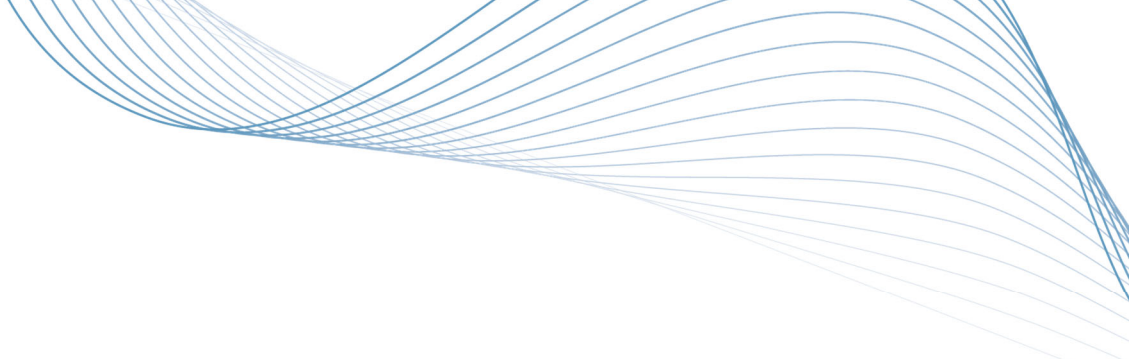


*Unless the matter being considered by WICS is quasi-judicial or regulatory; or I have a personal conflict by reason of my actions, my connections, or my legal obligations.

STAGE 2: INTEREST

I understand my connection is an interest that requires to be declared¹¹ where the objective test is met – that is where a member of the public with knowledge of the relevant facts would reasonably regard my connection to a particular matter as being so significant that it would be considered as being likely to influence the discussion or decision-making.

¹¹ When making a declaration of interest you only need provide enough information for those at the meeting to understand why you are making a declaration. For example, it may be sufficient to say: “I declare an interest as my partner is a member of the organisation making the application”. You might not necessarily need to provide details about how long your partner has been a member and in what capacity.



At all times when applying the objective test, you should be aware that it is just that – objective. The test is not what you yourself know about your own motivations and whether the connection would unduly influence you: it is what others would reasonably think if they were in possession of the relevant facts.

There may be instances where, having applied the objective test, you consider the connection is so remote and insignificant that you do not think it amounts to an interest.

Examples might be where a charity you occasionally donate to is seeking funding from your public body, or when a neighbour you have little social contact with works for a company that has a contract to provide cleaning services for the building where your public body's offices are located.

You should be mindful of the need to protect the confidentiality of another person's business or financial interests when making a declaration of interest. You are only required to provide enough information to make it clear why you consider you have a clear and substantial interest.

Examples from the Guidance:

A complaint alleged that a member of a public body sat on the Appointment Panel for the recruitment of a new Chief Executive, despite being a close friend of one of the candidates. Having reviewed all evidence, including that given by witnesses at the Hearing, the Panel determined that there was no breach of the Code. This was because there was no evidence that the member's association with, or connection to, the candidate in question went beyond a limited professional relationship or that they had engaged in any contact outside a work setting. The Panel concluded that a member of the public, with knowledge of these relevant facts, would not reasonably regard the member's connection as being so significant that it would be considered as being likely to influence their discussion or decision-making. As such, the connection did not amount to an interest that would require to be declared for the purposes of Section 5 of the Code.

A college board was considering a plan for the restructuring of the college's academic faculties. Though the exact details of the restructuring were not yet finalised, it was likely that the plan would result in a number of job losses. A board member, who had a close friend employed as a lecturer in one of the faculties potentially under threat by the restructuring, failed to declare that friendship as an interest. By failing to declare the interest, the Panel found that the member had breached the Code. Although it was not certain that the restructuring would have resulted in the loss of his friend's job, a member of the public, with knowledge of the relevant facts, could reasonably have regarded the member's friendship as being likely to prejudice the discussion and decision-making related to the restructuring.



STAGE 3: PARTICIPATION

I will declare my interest as early as possible in meetings. I will not remain in the meeting nor participate in any way¹² in those parts of meetings where I have declared an interest.

I will consider whether it is appropriate for transparency reasons to state publicly where I have a connection, which I do not consider amounts to an interest.

I note that I can apply to the Standards Commission and ask it to grant a dispensation to allow me to take part in the discussion and decision-making on a matter where I would otherwise have to declare an interest and withdraw (as a result of having a connection to the matter that would fall within the objective test).

I note that such an application must be made in advance of any meetings where the dispensation is sought and that I cannot take part in any discussion or decision-making on the matter in question unless, and until, the application is granted.

I note that public confidence in a public body is damaged by the perception that decisions taken by that body are substantially influenced by factors other than the public interest.

I will not accept a role or appointment if doing so means I will have to declare interests frequently at meetings in respect of my role as a board member. Similarly, if any appointment or nomination to another body would give rise to objective concern because of my existing personal involvement or affiliations, I will not accept the appointment or nomination.

¹² It is not sufficient for you to retire to the back of the room or the public gallery. If the meeting is being held online, you should retire to a separate breakout room or leave and re-join after the discussion on the matter has concluded. It is not sufficient for you to turn off your camera and / or microphone for the duration of the matter.

You should not give anyone reason to doubt that you are no longer in any position to influence the outcome of deliberations on the relevant item either directly or indirectly. This means that you should refrain from contacting your member colleagues remotely (for example by email or text) while they are considering the item.

6. LOBBYING AND ACCESS

I understand that a wide range of people will seek access to me as a board member and will try to lobby me, including individuals, organisations, and companies. I must distinguish between:

- (i) Any role I have in dealing with enquiries from the public.
- (ii) Any community engagement where I am working with individuals and organisations to encourage their participation and involvement.
- (iii) Lobbying, which is where I am approached by any individual or organisation who is seeking to influence me for financial gain or advantage, particularly those who are seeking to do business with WICS (for example contracts/procurement).

In deciding whether, and if so how, to respond to such lobbying, I will always have regard to the objective test, which is whether a member of the public, with knowledge of the relevant facts, would reasonably regard my conduct as being likely to influence my, or WICS', decision-making role.

I will not, in relation to contact with any person or organisation that lobbies, do anything which contravenes this Code of Conduct or any other relevant rule of WICS or any statutory provision.

I will not, in relation to contact with any person or organisation that lobbies, act in any way which could discredit WICS.

If I have concerns about the approach or methods used by any person or organisation in their contacts with me, I will seek the guidance of the Chair or Chief Executive of WICS.

The public must be assured that no person or organisation will gain better access to, or treatment by, me as a result of employing a company or individual to lobby on a fee basis on their behalf. I will not, therefore, offer or accord any preferential access or treatment to those lobbying on a fee basis on behalf of clients compared with that which I accord any other person or organisation who lobbies or approaches me. I will ensure that those lobbying on a fee basis on behalf of clients are not given to understand that preferential access or treatment, compared to that accorded to any other person or organisation, might be forthcoming.

Before taking any action as a result of being lobbied, I will seek to satisfy myself about the identity of the person or organisation that is lobbying and the motive for lobbying. I understand I may choose to act in response to a person or organisation lobbying on a fee basis on behalf of clients but it is important that I understand the basis on which I am being lobbied in order to ensure that any action taken in connection with the lobbyist complies with the standards set out in this Code of Conduct and the Lobbying (Scotland) Act 2016.

I will not accept any paid work:

- (i) Which would involve me lobbying on behalf of any person or organisation or any clients of a person or organisation.
- (ii) To provide services as a strategist, adviser, or consultant, for example, advising on how to influence WICS and its members. This does not prohibit me from being remunerated for activity which may arise because of, or relate to, membership of WICS, such as journalism or broadcasting, or involvement in representative or presentational work, such as participation in delegations, conferences, or other events.

Examples from the Guidance:

A board member introduced a change to her public body's funding application policy, which was subsequently approved by the board. Following board approval, a service user sent the member an email complaining about the policy change. The member referred the service user's email to the Chief Executive for an employee response. The service user complained that the member's failure to respond indicated that she did not want to engage with him and had denied him access. The Panel noted, however, there was no specific obligation under the Code for individual members to respond to all who seek to lobby them. The Panel considered that the member had acted appropriately in referring the email to the Chief Executive so that the appropriate employee could respond. As such, it determined that the complaint did not amount to a breach of the Code.

A complaint alleged that a Health Board member had held an individual meeting with a supplier of medical equipment, despite knowing that the supplier was involved in an ongoing tender process. The member met with the supplier alone, without taking an employee of his public body, and without informing his board in advance that he was meeting the supplier. At the next meeting of the board, the tender applications were discussed and the supplier in question was awarded the contract. The Panel found that by meeting with the supplier alone and by subsequently taking part in the discussions and decision-making over the tender, the member had breached the Code. It was likely that a member of the public, with knowledge of the relevant facts, would perceive that the member had offered preferential treatment to the supplier compared to the other suppliers involved in the tender.

A member of a board involved in the provision of grant funding accepted payment from a lobbying organisation. At a subsequent board meeting, convened to discuss and decide upon a round of funding, the member posed a number of critical questions and made derisive comments regarding the majority of the funding applicants. The member did not, however, criticise or comment upon an application for funding by a body that transpired to be a client of the lobbying organisation. The Panel found that by accepting the payment from the lobbying organisation, the member had breached the Code and, further, that it was clear from his actions in the board meeting that, in return for the payment, he was attempting to accord preferential treatment to the lobbying organisation's client.

ANNEX A: BREACHES OF THE CODE OF CONDUCT

Introduction

[The Ethical Standards in Public Life etc. \(Scotland\) Act 2000](#) (“the Act”) provided for a framework to encourage and, where necessary, enforce high ethical standards in public life.

The Act provided for the introduction of new Code of Conduct for local authority councillors and members of relevant public bodies, imposing on councils and relevant public bodies a duty to help their members comply with the relevant Code of Conduct.

The Act and the subsequent Scottish Parliamentary Commissions and Commissioners etc. Act 2010 established the [Standards Commission for Scotland](#) (“Standards Commission”) and the post of [Commissioner for Ethical Standards in Public Life in Scotland](#) (“ESC”).

The Standards Commission and ESC are separate and independent, each with distinct functions. Complaints of breaches of a public body’s Code of Conduct are investigated by the ESC and adjudicated upon by the Standards Commission.

The first Model Code of Conduct came into force in 2002. The Code of Conduct has since been reviewed and re-issued in 2014. The 2021 Code of Conduct has been issued by the Scottish Ministers following consultation, and with the approval of the Scottish Parliament, as required by the Act.

Investigation of Complaints

The ESC is responsible for investigating complaints about members of devolved public bodies. It is not, however, mandatory to report a complaint about a potential breach of the Code of Conduct to the ESC. It may be more appropriate in some circumstances for attempts to be made to resolve the matter informally at a local level.

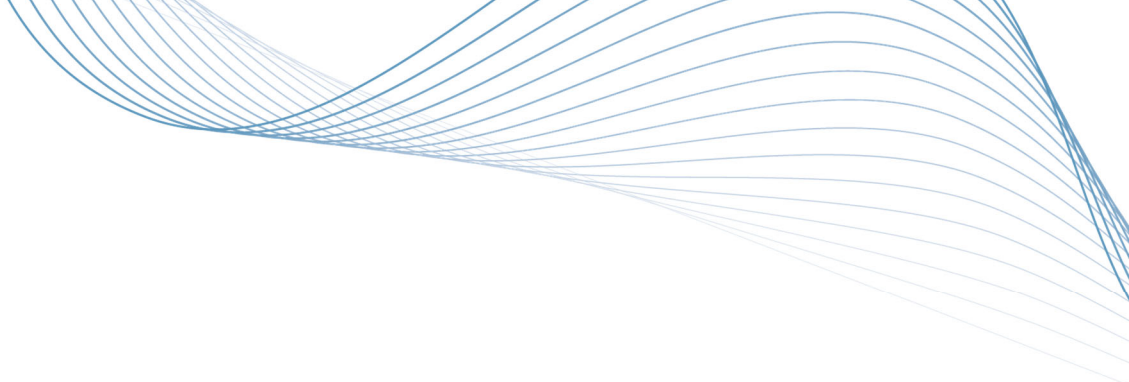
On conclusion of the investigation, the ESC will send a report to the Standards Commission.

Hearings

On receipt of a report from the ESC, the Standards Commission can choose to:

- (i) Do nothing.
- (ii) Direct the ESC to carry out further investigations.
- (iii) Hold a Hearing.

Hearings are held (usually in public) to determine whether the member concerned has breached their public body’s Code of Conduct.



The Hearing Panel comprises of three members of the Standards Commission.

The ESC will present evidence and/or make submissions at the Hearing about the investigation and any conclusions as to whether the member has contravened the Code of Conduct. The member is entitled to attend or be represented at the Hearing and can also present evidence and make submissions. Both parties can call witnesses.

Once it has heard all the evidence and submissions, the Hearing Panel will decide about whether or not it is satisfied, on the balance of probabilities, that there has been a contravention of the Code of Conduct by the member. If the Hearing Panel decides that a member has breached their public body's Code of Conduct, it is obliged to impose a sanction.

Sanctions

The sanctions that can be imposed following a finding of a breach of the Code of Conduct are as follows:

Censure

A censure is a formal record of the Standards Commission's severe and public disapproval of the member concerned.

Suspension

This can be a full or partial suspension (for up to one year). A full suspension means that the member is suspended from attending all meetings of the public body. Partial suspension means that the member is suspended from attending some of the meetings of the public body.

The Commission can direct that any remuneration or allowance the member receives as a result of their membership of the public body be reduced or not paid during a period of suspension.

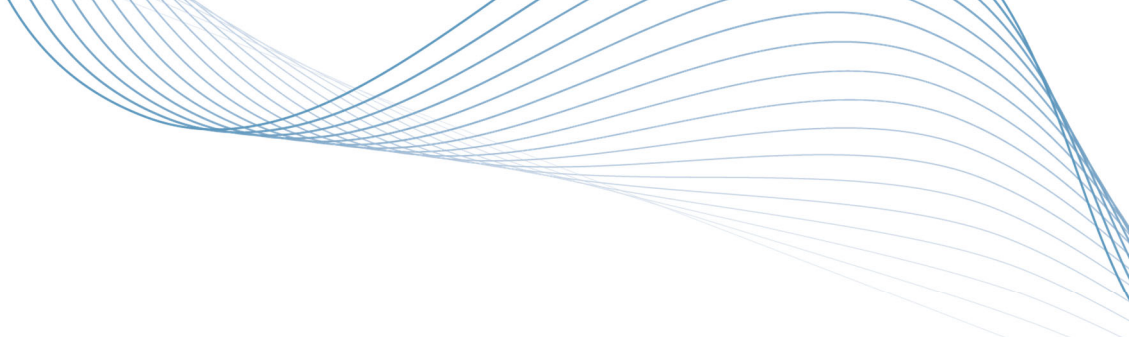
Disqualification

Disqualification means that the member is removed from membership of the body and disqualified (for a period not exceeding five years), from membership of the body. Where a member is also a member of another devolved public body (as defined in the Act), the Commission may also remove or disqualify that person in respect of that membership. Full details of the sanctions are set out in section 19 of the Act.

Interim Suspensions

Section 21 of the Act provides the Standards Commission with the power to impose an interim suspension on a member on receipt of an interim report from the ESC about an ongoing investigation. In deciding about whether or not to impose an interim suspension, a Panel comprising of three Members of the Standards Commission will review the interim report and any representations received from the member and will consider whether it is satisfied:

- That the further conduct of the ESC's investigation is likely to be prejudiced if such an action is not



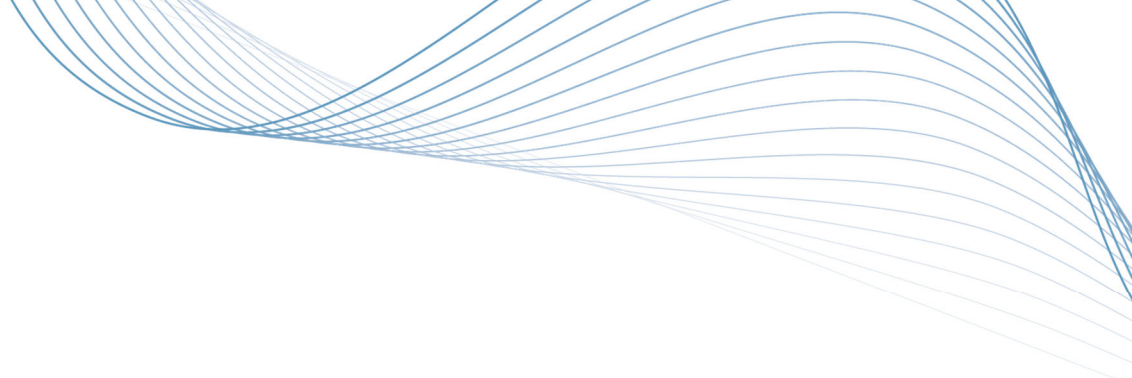
taken (for example if there are concerns that the member may try to interfere with evidence or witnesses); or

- That it is otherwise in the public interest to take such a measure. A policy outlining how the Standards Commission makes any decision under Section 21 and the procedures it will follow in doing so, should any such a report be received from the ESC can be found [here](#).

The decision to impose an interim suspension is not, and should not be seen as, a finding on the merits of any complaint or the validity of any allegations against a member of a devolved public body, nor should it be viewed as a disciplinary measure.

ANNEX B: DEFINITIONS

Term	Definition
“Bullying”	Inappropriate and unwelcome behaviour, which is offensive and intimidating, and which makes an individual or group feel undermined, humiliated, or insulted.
“Chair”	Includes Board Convener or any other individual discharging a similar function to that of a Chair or Convener under alternative decision-making structures.
“Code of Conduct”	The code of conduct for members of WICS, which is based on the Model Code of Conduct for members of devolved public bodies in Scotland.
“Cohabitee”	Includes any person who is living with you in a relationship similar to that of a partner, civil partner, or spouse.
“Confidential information”	Includes: <ul style="list-style-type: none">• Any information passed on to the public body by a government department (even if it is not clearly marked as confidential) which does not allow the disclosure of that information to the public.• Information of which the law prohibits disclosure (under statute or by the order of a Court).• Any legal advice provided to the public body.• Any other information which would reasonably be considered a breach of confidence should it be made public.
“Election expenses”	Expenses incurred, whether before, during or after the election, on account of, or in respect of, the conduct or management of the election.
“Employee”	Includes individuals employed: <ul style="list-style-type: none">• Directly by the public body.• As contractors by the public body.• By a contractor to work on the public body’s premises.
“Gifts”	Can include any item or service received free of charge, or which may be offered or promised at a discounted rate or on terms not available



	to the general public. Gifts include benefits such as relief from indebtedness, loan concessions, or provision of property, services, or facilities at a cost below that generally charged to members of the public. It can also include gifts received directly or gifts received by any company in which the recipient holds a controlling interest in, or by a partnership of which the recipient is a partner.
“Harassment”	Any unwelcome behaviour or conduct which makes someone feel offended, humiliated, intimidated, frightened and / or uncomfortable. Harassment can be experienced directly or indirectly and can occur as an isolated incident or as a course of persistent behaviour.
“Hospitality”	Includes the offer or promise of food, drink, accommodation, entertainment, or the opportunity to attend any cultural or sporting event on terms not available to the general public.
“Relevant date”	Where a board member had an interest in shares at the date on which the member was appointed as a member, the relevant date is – (a) that date; and (b) the 5th April immediately following that date and in each succeeding year, where the interest is retained on that 5th April.
“Public body”	Means a devolved public body listed in Schedule 3 of the Ethical Standards in Public Life etc. (Scotland) Act 2000, as amended.
“Remuneration”	Includes any salary, wage, share of profits, fee, other monetary benefit, or benefit in kind.
“Securities”	A certificate or other financial instrument that has monetary value and can be traded. Securities includes equity and debt securities, such as stocks bonds and debentures.
“Undertaking”	Means: <ul style="list-style-type: none">• A body corporate or partnership.• An unincorporated association carrying on a trade or business, with or without a view to a profit.



WICS
Moray House
Forthside Way
Stirling
FK8 1QZ

T: 01786 430 200
E: enquiries@wics.scot

WICS Economic
regulation for
Scotland's water



SECTION G: RISK MANAGEMENT STRATEGY

Last reviewed: April 2022

Approved by the Board on 3 June 2021
Approved by the ARC on 17 August 2021

Contents

1. INTRODUCTION.....	2
2. ROLES AND RESPONSIBILITIES	3
3. RISK APPROACH	5
APPENDIX A: SCORING GUIDANCE	8

1. INTRODUCTION

Risk can be defined as uncertainty of outcome. We need to make sure we manage risk so that we minimise threats and maximise opportunities.

Risk management involves understanding, analysing and addressing risk to make sure we achieve our statutory duties and our corporate plan objectives.

This strategy affirms our commitment to improve our capability to manage risk. This strategy also formalises risk management responsibilities and sets out how our stakeholders may be assured that our risks are managed effectively. The principles of risk management are that risk management should:

- be an integral part of organisational processes;
- be part of decision making;
- explicitly address uncertainty;
- be systematic and structured;
- be based on the best available information;
- take into account human factors;
- be transparent and inclusive; be dynamic, iterative and responsive to change; and
- be capable of continual improvement and enhancement.

The overall goal of risk management is to have an environment of ‘no surprises’ where we understand the risks we face and eliminate or control them to an acceptable level, by creating a culture founded upon assessment and maximum mitigation of risk.

To realise this goal, this strategy seeks to achieve the following objectives:

- to help ensure the delivery of core objectives within available financial limits;
- to facilitate the timely identification and management of risks; and
- to maintain and enhance our reputation.

2. ROLES AND RESPONSIBILITIES

2.1 Summary

The table below outlines the range of responsibilities for risk management within WICS.

Responsibility	Board	ARC	Executive team	Employees
Set policy and appetite	✓			
Assess risk	✓		✓	✓
Manage risk			✓	✓
Monitor and report	✓	✓	✓	✓

2.2 Role of the Board

The Board has the following responsibilities in relation to risk management:

- setting the tone and influencing the culture of risk management within the organisation;
- setting appropriate policies on internal control;
- seeking regular evidence-based assurance that systems are functioning effectively;
- approving major decisions affecting the organisation's risk profile or exposure; and
- regularly reviewing the organisation's approach to risk management and appraising any changes or improvements to key elements of its processes and procedures.

2.3 Role of the Audit and Risk Committee

The Audit and Risk Committee will oversee, on behalf of the Board, the risk management process within the organisation through the monitoring of the implementation of this Risk Management Strategy. This includes the following activities:

- reviewing risk registers at regular intervals; and
- reviewing the work undertaken on identified high risk areas and the action plans to mitigate the effects of such risks.

2.4 Role of the Chief Executive Officer

As Accountable Officer, the Chief Executive Officer has overall executive responsibility for risk management arrangements within WICS, leading the risk management systems and ensuring that responsibilities delegated to other senior managers and employees at all levels within WICS are discharged in an effective manner.

The Chief Executive Officer is also responsible for signing the Accountability Report in the annual accounts.

2.5 Role of the Senior management team

The key roles of the Senior Management team are to:

- implement policies on risk management and internal control;
- identify and evaluate the significant risks faced by the organisation for consideration by the Board;
- horizon scanning regularly for emerging risks; and
- provide adequate information in a timely manner to the ARC and Board on the status of risks and controls.

2.7 Role of employees

Employees should have the necessary knowledge, skills, information and authority to establish, operate and monitor the system of internal control and be responsible for managing risks as an integral element of their role. They should also escalate any risks that they may identify in carrying out their role.

2.8 Role of Internal Audit

The internal audit programme will be focused on the significant risks faced by the organisation, as identified by management, and auditing the risk management process across the organisation including the design and operating effectiveness of key controls.

2.9 Role of External Audit

External audit provides feedback to the Audit and Risk Committee on the operation of internal controls as part of the annual audit.

3. RISK APPROACH

3.1 Risk universe

The key areas where risks are considered likely to arise in carrying out the work of WICS should be reviewed regularly and assessed as part of planning for each regulatory period. Some probable examples of areas where risk might arise are:

- Political e.g., meeting the expectations of the Scottish Ministers and achieving best outcomes for customers within the governance framework for the water industry in Scotland.
- Operational e.g., efficiently delivering objectives in line with financial guidelines, budgets and required legal and regulatory compliance.
- Reputational e.g., maintaining open and effective dialogue with external stakeholders and providing objective evidence for our approach.

3.2 Risk appetite

Risk appetite is an expression of how much risk the Board of WICS is prepared to take. Risk appetite statements provide the means of articulating and communicating WICS' risk appetite and, importantly, relating this to our strategic and other risks.

The Board is responsible for determining the risk appetite for the organisation and this should be part of the corporate planning process for each regulatory period.

3.3 Risk identification

Risk identification is discovering, defining, describing, documenting and communicating risks before they become problems and adversely affect the organisation. Accurate and complete risk identification is vital for effective risk management.

WICS recognises that risk, as well as posing a threat, also provides opportunities for developing innovative ways of working. There are also risks associated with not looking for, or taking, opportunities when they arise.

We should all be on alert for any risks that may impact the success of WICS.

Our strategy is to maintain an ongoing review of emerging risks as part of the regular updates of our strategic and operational risks registers. We will also formally review our strategic risks at an organisational level at least annually to identify whether the current organisational risks are fully covered.

3.4 Risk assessment

Once risks have been identified, they will then be assessed as to their potential severity of impact and to the likelihood of occurrence. These quantities can either be simple to measure or impossible to know for sure. Therefore, in the assessment process it is critical to make the best

educated guess possible in order properly to assess the priority actions to take forward under the risk management framework.

Consideration should also be given to how much control we have over the outcome of a risk. Some external risks will be outwith our control, and we must assess to what extent we can put in place contingency plans to manage the risk.

All risks should be assessed using a standard classification matrix in terms of the impact and likelihood of occurrence.

Guidance on scoring a risk can be found in Appendix A.

Two types of score will be considered for each identified risk:

- (i) An initial or inherent risk score assessment, taking into consideration the current position and controls that are effective at the time of risk discovery.
- (ii) A target risk score is the level of risk which is considered acceptable as defined by our risk appetite statements and will be achievable following completion of all the identified actions that are within our control to ensure the risk remains within, or is reduced to, the required appetite level.

As time progresses, the score will be reviewed on a regular basis and the “current risk score” will be used to report progress on the management of the risk.

3.5 Controls and risk treatment

A control is any measure or action that modifies risk. Controls include any policy, system, process, training, communication, risk transfer (e.g., insurance), governance and reporting that modifies or manages risk.

For “regular” risks which exist on an ongoing basis the relevant controls are likely to form part of the organisation’s internal controls. For “transient” risks which only exist for a period of time, such as project specific risks, including the Strategic Review of Charges, the controls may be time limited, or form part of a broader management approach to such risks, such as recognised project management techniques which can be applied across a range of similar risks.

Regardless of the lifespan of the control it should be reviewed/tested regularly to ensure it is designed and operating effectively.

3.6 Risk register

Following the identification and assessment of risk, the risk register should be completed. The risk register will be used to record the relevant scores of identified risks and to monitor the agreed mitigating controls. Its purpose is to help the organisation prioritise available resources to minimise risk to best effect and provide assurances that progress is being made.

3.7 Reporting and assurance arrangements

Our risk management framework will be supported through agreed reporting and assurance arrangements. This is to ensure that the key risks and their owners are clearly identified, and specified actions are appropriate and that actions are being carried out. The arrangements include:

- The Board will review and approve risk management policies and strategies. It will take advice from the Audit and Risk Committee on these matters.
- The Audit and Risk Committee will receive updates on the risk management framework and specific risks on a routine basis. In its annual written report to the Board, the Committee will include its review of risk management.
- The Senior leadership team of WICS will review risks and actions in mitigation of risks on a regular basis as an integral part of the business planning process. Regular discussion should take place in relation to new or emerging issues and risks and review of existing risks and mitigating actions and controls.

APPENDIX A: SCORING GUIDANCE

The following tables provide guidance on how a risk should be scored. The judgement of the risk owner should be used when determining the score.

Likelihood

Score	Description	Indicative guidelines
1	Rare	<ul style="list-style-type: none">• Extremely remote.• Not expected to occur but may do so in very exceptional circumstances.• There are no external influences which may reduce effectiveness of controls.
2	Unlikely	<ul style="list-style-type: none">• Unlikely that the event will occur but may in exceptional circumstances.• There are few external influences which may reduce effectiveness of controls.
3	Possible	<ul style="list-style-type: none">• There is low exposure to the risk.• Some likelihood of event occurring.• There is a potential for external influences which may reduce effectiveness of controls.
4	Likely	<ul style="list-style-type: none">• There is moderate chance that the event will occur.• Has occurred in the past and is likely to occur within the Regulatory Cycle.• There are external influences which may reduce effectiveness of controls.
5	Almost certain	<ul style="list-style-type: none">• There is high exposure to the risk.• The event is expected to occur without action being taken.• There have been indications of imminent occurrence.

Impact

Score	Description	Indicative guidelines
1	Insignificant	<ul style="list-style-type: none"> • Minor loss, delay or interruption to activities of the office. • Short-term impact on operational efficiency or performance. • Negligible financial loss/Minimal damage to reputation/low external interest. • Will not substantially impede the achievement of the objective.
2	Minor	<ul style="list-style-type: none"> • Slight loss, delay or interruption to activities of the office. • Minor financial impact with marginal increase costs. • Minor press coverage readily managed. • Accident or illness causing temporary loss of staff. • Will have a minor impact on the achievement of objective.
3	Moderate	<ul style="list-style-type: none"> • Significant loss, delay or interruption to the activities of the office. • Some financial loss, additional costs incurred or loss of assets, but can be dealt with within the current budget. • Potential damage to reputation / attract short-term external interest. • Serious accident/injury (but not life threatening). • Will cause some elements of the objective to be delayed or not achieved.
4	Major	<ul style="list-style-type: none"> • Major interruption to activities of the office. • Significant financial loss which will impact resources available. • Detrimental national press coverage. • Causes external stakeholders to contact WICS. • Would impact on the ability to deliver core objective.
5	Severe	<ul style="list-style-type: none"> • Temporary or permanent cessation of activities of the office. • Financial loss, additional costs or loss of assets which would require additional funding over and above current budget. • Would cause an objective not to be achieved. • Would cause significant damage to our reputation. • Would attract medium or long-term attention of external parties. • Significant adverse media attention. • Death or life-threatening injury.



WICS
Moray House
Forthside Way
Stirling
FK8 1QZ

T: 01786 430 200
E: enquiries@wics.scot

WICS Economic
regulation for
Scotland's water





WICS
Moray House
Forthside Way
Stirling
FK8 1QZ

T: 01786 430 200
E: enquiries@wics.scot

WICS Economic
regulation for
Scotland's water

