



The Scottish Parliament  
Pàrlamaid na h-Alba

Catherine Topley  
Chief Executive  
Scottish Canals

By email only

**Public Audit Committee**  
Room T3.60  
The Scottish Parliament  
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13 April 2022

Dear Catherine,

### **The 2020/21 audit of Scottish Canals**

Thank you for attending the Committee meeting on 24 March 2022, to give evidence on the above report by the Auditor General for Scotland (AGS). Following the evidence session, the Committee agreed to write to you on the following points.

#### **Responsibilities of the Board and Chief Executive of Scottish Canals**

During the evidence session we heard that Scottish Canals sought advice from the external auditor, Transport Scotland and HM Treasury on the new requirements for preparing its financial statements. We also heard that these organisations had reviewed Scottish Canals action plan to undertake a new valuation process of the canal infrastructure, including updating its fixed assets register, in time for the statutory reporting deadline of December 2022, and that they supported the approach being taken.

While the Committee would expect these discussions to have taken place, the Scottish Public Finance Manual (SPFM) is clear that ultimately, it is the responsibility of the Board, under the leadership of the Chair, to determine the steps needed to respond to changes which are likely to impact on—

- the strategic aims and objectives of the Non-Departmental Public Body; or
- the attainability of its operational targets.

The SPFM is also clear that one of the specific responsibilities of the Chief Executive is advising the Board on the discharge of its responsibilities.

**The Committee therefore seeks confirmation that the Board and the Chief Executive accept that the responsibility for ensuring that good governance arrangements are in place to meet the requirements placed upon Scottish Canals, ultimately lies with them.**

### **Action plan**

The Committee notes the December 2022 deadline for the action plan to undertake a new valuation process of the canal infrastructure, including updating the fixed assets register. The AGS states that this will be a substantial piece of work which is necessary to provide sufficient evidence to support future judgements and estimates of any HM Treasury Financial Reporting Manual (FRoM) compliant valuation recorded in the financial statements. During the evidence session you described the delivery date of the plan as ‘ambitious’ and ‘challenging’ and subject to there being no unforeseen issues with procurement, availability of resources or delivery.

**The Committee ask that you provide information on your contingency plan, in the event that Scottish Canals is unable to meet the deadline of December 2022.**

The AGS also reports that it is “vitaly important that Scottish Canals Board is able to reassure itself that the organisation has sufficient skills and capacity to deliver this project and that it provides appropriate support and challenge to ensure that it is delivered to plan.” During the evidence session, the Chair of the Board stated that ‘getting in place the right skills took too long and we ended up with a technical financial issue.’”

**The Committee seeks reassurance that Scottish Canals now has the appropriate skills and capacity in place to undertake the work that is required.**

### **Reclassification by the Office of National Statistics**

During the evidence session you explained that both Scottish Canals and Transport Scotland were taken by surprise by the Office of National Statistics (ONS) decision to reclassify the reporting status of Scottish Canals to that of a Non-Departmental Public Body (NDPB).

**Given reclassification was flagged as a possibility by Audit Scotland in 2012, and that the ONS had also undertaken two assessments of Scottish Canals since then, the Committee seeks confirmation as to what discussion the Board had, if any, to consider and prepare for the prospect of becoming a NDPB?**

### **Additional information**

During the meeting you undertook to provide the Committee with information in relation to allocations made towards the maintenance backlog along with information on the additional opportunities that are available to you to generate income ([Cols 23 and 24 of the Official Report](#)). The Committee looks forward to receiving this information in due course.

I would be grateful if you could respond to this letter by **13 May 2022**.

Yours sincerely,

A handwritten signature in black ink that reads "Richard Leonard". The signature is written in a cursive, slightly slanted style.

**Richard Leonard MSP**  
**Convener**