



The Scottish Parliament
Pàrlamaid na h-Alba

Sir Ian Diamond
National Statistician and Permanent
Secretary
Office of National Statistics

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

By email only

Email:

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13 April 2022

Dear Sir Ian,

The 2020/21 audit of Scottish Canals

As you may be aware, the Auditor General for Scotland (AGS) recently published a [section 22 report on the 2020/21 audit of Scottish Canals](#). The report explains that following a review by the Office of National Statistics (ONS), Scottish Canals' reporting status changed from a public corporation to a non-departmental public body (NDPB) in April 2020. The change in status required Scottish Canals to follow HM Treasury's Financial Reporting Manual (FRoM) when preparing its financial statements for 2020/21.

The report goes on to explain that Scottish Canals faced challenges in adopting the FRoM, which had a significant effect on its accounting policies, financial statements and balances. In particular, the challenges faced in meeting the requirement to value assets under FRoM led to the auditor being unable to gain sufficient evidence to support the current value of specialist operational assets. This subsequently led to the auditor issuing a disclaimer on the audit opinion on Scottish Canals' financial statements for 2020/21.

We took evidence from Scottish Canals on 24 March 2022 on the AGS's report, [the Official Report of the meeting is available here](#). During the evidence session we heard that Scottish Canals were notified of ONS's decision on its reporting status in November 2019, with a transition date of April 2020. We also heard that Scottish Canals, supported by Transport Scotland and the Scottish Government, pursued an extension to delay the implementation of the decision by a year, to prepare for the

transition to NDPB status. We also understand from Scottish Canals that this extension was not granted, due to the relatively small size of the organisation.

While we acknowledge that Scottish Canals is a small organisation, we also note that it is also a complex one. We would therefore be grateful if you could provide us with further clarification as to why ONS did not to grant an extension to delay the implementation of Scottish Canals' change of reporting status to the following year.

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 script is cursive and somewhat informal.

**Richard Leonard MSP,
Convener**