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

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By email only

Dear Convener,

The 2021/22 Audit of Scottish Canals

Thank you for your letter of 3 October regarding the audit of Scottish Canals' Annual Report and Accounts 2021/22 and following my and Transport Scotland colleagues' evidence given to the Public Audit Committee on 21 September. You have requested further information regarding the level of direct support that Transport Scotland will be providing to Scottish Canals as it continues to address the issues raised by the auditors and works towards publishing a set of accounts free from a disclaimer opinion.

John Paterson confirmed in his opening remarks on 21 September that "we have full engagement with and support from our board and Transport Scotland" and said later in the session that Transport Scotland continues to play a very supportive role. I would concur with those remarks.

As you are aware, Transport Scotland and Scottish Canals have distinct accountable officer functions. Professional judgements are exercised by the executive team at Scottish Canals, and it is not Transport Scotland's role as sponsors to interfere in operational matters such as the publication of an NDPB's annual accounts or decisions around its accounting policies. Clearly however, we want to be assured that public bodies within Transport Scotland's portfolio of responsibility are adhering to their governance responsibilities in line with Scottish Government policy and protocol. In this case, we know that the executive team at Scottish Canals has had access to appropriate professional support and advice. We have supplemented that with access to professional support and advice from within Transport Scotland and the broader Scottish Government finance and governance functions and will continue to offer Scottish Canals appropriate support to ensure that it moves towards approved accounts. The Chair and the Board of Scottish Canals, which are appointed by Ministers, also ensure that effective governance arrangements are in place and provide additional scrutiny and assurance to Transport Scotland.

Scottish Canals' Framework Document sets out the terms under which funding is granted to the Organisation, its relationship with the Scottish Government and associated obligations and is available at the following link. [Scottish Canals Framework Document \(Revised February 2019\) | Transport Scotland](#) We are in the process of updating this document in collaboration with

Scottish Canals following a recent update to the model framework document provided by the Scottish Government's Public Bodies Unit.

The Framework Document sets out that the Chief Executive as the Accountable Officer of Scottish Canals, is personally answerable to the Scottish Parliament for the exercise of their functions, as set out in the Memorandum to Accountable Officers for Other Public Bodies. These include ensuring compliance with relevant guidance issued by the Scottish Ministers, in particular the Scottish Public Finance Manual, and signing the annual accounts and associated governance statements.

We do however provide appropriate levels of support to the Organisation on this and many other issues. Specifically on the accounts issue we have provided support by reviewing the asset valuation methodology, providing advice on the models used in Transport Scotland asset valuations, responding to questions from Scottish Canals and the auditors and providing ongoing support during our regular meetings with the Organisation. We also previously facilitated discussions with Audit Scotland and stand ready to continue to do so, including with the wider Transport Scotland and Scottish Government Audit Scotland teams.

There is a strong and established positive working relationship between the Sponsor Team in Transport Scotland and Scottish Canals' Executive Team with regular engagement and a mutual desire to see Scottish Canals achieve its objectives. I meet with the CEO and Chair of Scottish Canals on at least an annual basis and met with them last on 9 August.

I hope that this response is helpful in confirming our continuing commitment to assist Scottish Canals in meeting its audited accounts obligations.

I am copying this reply to the Cabinet Secretary for Transport, Net Zero and Just Transition and the Minister for Transport.

Yours Sincerely

Alison Irvine

Interim Chief Executive
Transport Scotland

CC: Cabinet Secretary for Transport, Net Zero and Just Transition
Minister for Transport