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AUDITOR GENERAL

11 June 2026

Convener
Public Audit Committee
Scottish Parliament
Edinburgh
EH99 1SP

Dear Convener

The 2024/25 audit of Scottish Canals

I am writing to advise the Public Audit Committee that I have received the independent auditor's report and annual audit report from the external auditor of Scottish Canals following the conclusion of the 2024/25 audit.

I wrote to the predecessor Committee on 18 December 2025 to advise that Scottish Canals' 2024/25 annual report and accounts would not be laid before Parliament by the statutory deadline of 31 December 2025. The external auditor had identified that further work was needed by Scottish Canals to address significant issues with the accounting requirements for non-current assets.

Following completion of this further work by Scottish Canals, and resultant material adjustments to the accounts, the 2024/25 annual report and accounts were certified on 31 March 2026. This was too late to lay the accounts before the Scottish Parliament in advance of the pre-election period. Scottish Canals' 2024/25 annual report and accounts were laid before the Scottish Parliament on 10 June 2026.

The auditor's opinions on the 2024/25 annual report and accounts are unmodified. The additional work on non-current assets resulted in significant adjustments to the annual report and accounts and an unmodified opinion was appropriate once these adjustments had been made.

In their 2024/25 annual audit report the external auditor has reported on the issues with accounting for non-current assets, and on further weaknesses linked to lack of capacity and lack of management review. These are reflected in actions identified by Scottish Canals' management and will be subject to future audit review.

Scottish Canals has recruited to increase its technical accountancy skills: an additional accountant was recruited in October 2025, and a business case is being considered for a further post. A post-audit 'lessons learned' session has set out the actions in train to avoid the issues encountered in the 2024/25 audit being repeated, and to bring the timescale forward for 2025/26 sign off.

Scottish Canals has experienced significant issues with its accounting for non-current assets since becoming a non-departmental public body in April 2020. I reported on this matter to the predecessor Committee in my Section 22 report published in June 2023. I reported that there was a lack of sufficient and appropriate audit evidence, reflecting the ongoing issues around the valuation of assets. I also highlighted the considerable challenges Scottish Canals has faced in adapting to the financial reporting and accounting framework required of a non-departmental public body.

I subsequently wrote to the predecessor Committee on 29 April 2024 to advise that Scottish Canals had since made progress to address the issues detailed in my Section 22 report published in June 2023.

In the 2024/25 annual audit report the external auditor has highlighted that progress has been made to develop the tender for valuation of non-current assets by March 2027, but further work is needed, including work to address the issues identified around valuations.

I have considered the findings from the 2024/25 annual audit carefully. Although progress has been slow, Scottish Canals has fully engaged with the audit process, and there has been incremental improvement across the 3 years of the audit appointment on addressing issues previously identified by the auditors. I have decided not to produce a section 22 report on Scottish Canals at this time.

The auditor has made 6 recommendations in the 2024/25 annual audit report which have all been accepted for implementation by Scottish Canals. The auditor will monitor progress and I will continue to report to the Committee as appropriate.

Yours sincerely

Stephen Boyle
Auditor General for Scotland