

## **PE1693/A**

Audit Scotland's submission of 24 October 2018

The Scottish Canals 2017/18 external audit annual report did not highlight any risks in respect of how Scottish Canals fulfils its statutory functions, and provided an unqualified audit opinion which includes an opinion on regularity.

The petition from the Lowland Canals Association makes reference to Scottish Canals' pricing policy. Scottish Canal's has a published fees and charges framework which is available on its website. This policy is developed through consultation and engagement with a wide range of canal service users and stakeholders. Around 57% of Scottish Canal's income is generated by Scottish Canals through fees and charges, retail activities and income from investment properties. The remainder comes from the Scottish Government in the form of grant-in-aid and an element of capital funding. Income generated is used to fund core Scottish Canal activities including the maintenance of the canal network in accordance with Scottish Canal's asset management planning.

When Scottish Canals was created it inherited a legacy fund of £10 million from the British Waterways Board, which it has invested in various longer term regeneration projects. Scottish Canals works with a number of joint venture partners on its income generation work. Its work in North Glasgow, which covers part of the lowlands canal network, is undertaken through one such joint venture vehicle, BIGG. This activity is funded separately from the core Scottish Canals activity. There are governance arrangements in place over the North Glasgow Project with Scottish Canal's joint venture partner, which include regular reporting to the Scottish Canals Board.

Scottish Canal's wider aims, is set out in its strategy and business plans, include economic regeneration and enhancing the canal network to create greater uses of the canals and assets for community benefit.

Although the 2017/18 audit report did not identify risks in respect of the extent to which Scottish Canals is currently fulfilling its statutory duties, it did highlight areas of future risk around maintenance of the canal infrastructure, longer term investment in the canal assets, and how Scottish Canal's asset planning links to longer term financial planning. The auditor plans to consider these potential risks further in the 2018/19 external audit, alongside how Scottish Canals continues to fulfil its statutory obligations and future plans for Joint Ventures, including the North Glasgow Project.