Scottish Canals

Board Meeting Minutes

Meeting:	**Scottish Canals Board**
Date and Time:	**Tuesday 31 March 2026, 16:00 to 17:00**
Venue:	**MS Teams**

Members:	Maureen Campbell	Chair
	Carolyn Sawers	Vice Chair
	Robin Strang	Board Member
	Michelle Wailes	Board Member
	Rob McGregor	Board Member
Attendees:	John Paterson	Chief Executive Officer
	Richard Millar	Chief Operating Officer
	SJ Hannah	Director of Finance & Business Services
	Brian Auld	Interim Director of People, Safety & Governance
	Nicola Christie	Head of Governance & Legal Services – Secretary
	Vikki Fleming	Executive Personal Assistant - minutes
	Rachel Browne	Audit Scotland
	Stephen O'Hagan	Audit Scotland
Apologies:	Neil McDonald	Board Member

Item	Topic	Action
1.	**Scottish Canals Annual Report and Accounts (ARA) 2024/25** **Scottish Canals 2024/25 External Audit Report** Audit Scotland presented the Annual Report and Accounts to the Audit and Risk Committee (ARC), outlining the findings of the external audit and the associated recommendations. The external auditors issued an unqualified audit opinion. Assurance was provided that Scottish Canals will address all recommendations. It was noted that delays in the audit process were primarily attributable to complexities surrounding asset valuations. The team is actively progressing the required actions. No issues of concern were raised that would impact Board approval of the accounts. Audit Scotland confirmed that ARC had undertaken detailed scrutiny of the accounts. It was collectively agreed by ARC and Scottish Canals that allowing additional time for audit sign-off, to resolve issues thoroughly, was preferable to risking a modified audit opinion. Significant adjustments were made during the audit process, and achieving an unqualified opinion was considered the optimal outcome. Audit Scotland acknowledged that significant improvements had been made since the prior audit, particularly in clearing the previous disclaimer of opinion. While this impacted the usual timetable, it resolved major historical issues. The valuation of the Scottish Canals estate in this manner was undertaken for the first time, and, given the scale and complexity of the asset base, an iterative approach is expected. Improvements in indexation and enhanced management oversight have been implemented, with continued progress anticipated year-on-year. Scottish Canals is planning for the next full valuation cycle, with support from auditors to simplify processes and build internal capability.	

It was noted that further issues may emerge in future audits, but confidence is growing in the direction of travel. Work is ongoing to improve the quality and reliability of underlying data to support future valuations.

The Board noted the inherent complexity of the valuation process within a relatively small organisation and the associated reliance on key individuals, which presents a potential risk. While acknowledging the team's strong performance, concerns were raised regarding the sustainability and burden of such processes.

Concerns regarding the cost of valuation activities and the need to ensure value for money, particularly in relation to the EY model and its effectiveness in supporting indexation were noted. It was agreed that efforts should be made to make the process more cost and time-efficient while remaining compliant with required standards.

Assurance was provided that the EY work remains valuable, having established the 2022 valuation and indexation approach now in its third year. However, adjustments have led to a hybrid valuation model, incorporating subsequent audit findings. Improvements are being implemented, including stronger oversight from Estates and Engineering, enhancements to the fixed asset register, and better integration of information flows from project management to finance. Additional resources, including a project accountant, are being introduced to strengthen data quality and reporting. These actions form part of a broader improvement plan.

The Board acknowledged the complexity of the issues and recognised the need for continued focus and momentum in implementing improvements.

The Board noted the substantial programme of management actions included in the External Audit report and was assured that Scottish Canals was resourced to deliver. The Board agreed to maintain close oversight of progress, with regular updates from ARC Chair and Scottish Canals. Early notification of any risks to delivery is expected.

The Board formally accepted the external auditors' report, expressing appreciation to Audit Scotland for their support, noting the significant progress achieved.

Management Letter of Representation
On the recommendation of the ARC the Board approved the management letter of representation for signature by the Accountable Officer.

Approval of Annual Report and Accounts 2024/25
The Board reviewed the Annual Report and Accounts, recognising the significant achievement represented within the reporting period and the report fairly reflects organisational performance and success.

It was noted that since the ARC review, minor updates, including adjustments to wording and figures, none of which impacted the overall outturn.

The Board approved the Annual Report and Accounts 2024/25. The signing process will proceed following the meeting, with all required signatures in accordance with requirements.

2.	**Insurance Renewal 2026/27** Insurance renewal terms for 2026/27 were presented and approved. The Board noted the costs represented value for money with the ratings stability programme providing additional cost savings due to maintaining continuity with the current insurer. The Board agreed that stability is desirable and requested that options are explored for securing improved affordability within a longer-term arrangement.	
3.	**Board Membership** The Board Chair advised that Colette Filippi has accepted the Ministerial invitation to be a Member of the Board and, subject to satisfactory pre-employment checks will join the Board commencing on 1 July 2026. An induction programme was planned although she was unable to attend the June Board meeting as an observer.	
4.	**AOB and Acknowledgements** The Board acknowledged the team effort in preparing the Annual Report and Accounts and for the quality and clarity of the report.	
	Meeting Closed	