ARC: **March 2026**
Item: **Annual Report & Accounts (ARA) for 2024/25**
Agenda Item 2(iv)

CORPORATE
ASSURANCE
CONFIDENTIAL

EMT SPONSOR:	Sarah Jane Hannah, Director of Finance & Business Services
AUTHOR:	Sarah Jane Hannah, Director of Finance & Business Services
EMT APPROVED DATE:	23 March 2026

PURPOSE
Presentation of the audited financial statements to the Audit & Risk Committee for the year ended 31 March 2025.

RECOMMENDATION
The Audit & Risk Committee is asked to recommend the ARA for the financial year ending 31 March 2025 (with reference to all the information contained within the papers attached to this Agenda Item) to the Board, at the next planned meeting on 31 March 2026.

BACKGROUND
Following completion of the audit fieldwork by Audit Scotland, the Annual Report & Accounts for the financial year ending 31 March 2025 is presented to the Audit & Risk Committee for full consideration and assessment.

The audit began timeously on 15 September, however issues were raised around the non-current asset valuation and some details on the methodology of the valuation. It has been important to prioritise the rebase-lining of the calculations prior to the 31 March 2026 financial year to ensure that the preparation of the figures and subsequent audit for 2025/26 is much smoother. This will allow the new valuers who will be appointed by the end of September to be fully informed on the valuation details and conduct the full valuation on the assets for 31 March 2027.

This additional work has resulted in an increase in the audit fee during the year as detailed in the external audit report. Audit Scotland have liaised closely with the Scottish Canals' finance team and there is increased confidence that with an increase in staffing since the end of October, there will be additional experience and knowledge in the finance team to ensure there are more robust preparations for audit in the future.

Audit Scotland has, for the third year in a row, issues a clear audit opinion. This is a positive position, however, has come at the cost of the timing of the signing of the ARA document, together with the laying of the ARA in Parliament.

Due to the parliamentary recess and pre-election period preventing the laying of accounts to the Public Audit Committee, there will likely be a report from the Auditor General on the lateness of the ARA.

No matters of significance were identified out-with the audit testing of property, plant, and equipment, however a number of recommendations for management are detailed within Audit Scotland's full report.

ASSESSMENT

The Audit & Risk Committee Members are asked to note the information contained in this report and the additional reports within the pack and recommend the approval Annual Report & Accounts for the financial year ended 31 March 2025 to the Board.

CORPORATE CONSIDERATIONS ANALYSIS

Strategic Priorities	Prioritisation of ensuring the organisation is well-run and fulfils its statutory obligations regarding financial compliance is part of our Corporate Plan 2023/28. Excellent financial governance supports the delivery of all strategic priorities.
Health & Safety	N/A
Financial	There are no new financial implications arising from this report other than those detailed within the report.
Legal	There are no additional legal implications arising from the contents of this report out with those identified therein.
Risk / Risk Appetite	There remains a reputational risk in ensuring the ARA is laid before parliament timeously each year. A report on the late laying of accounts is likely.
Sustainability	N/A
Environment	N/A
People	N/A
Fair Work	Nothing further to note
Communication	This information will be passed to Transport Scotland for laying before Parliament.
Community & Third Sector	N/A
Commercial	Nothing further to note
Asset	Nothing further to this report