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**Professor Sir Ian Diamond** | National Statistician

Richard Leonard MSP,  
Convener, Public Audit Committee  
Room T3.60  
The Scottish Parliament  
Edinburgh  
EH99 1SP

26 April 2022

Dear Mr Leonard,

I write in response to your letter of 13 April 2022, regarding the 2020/21 audit of Scottish Canals and the decision not to grant an extension of the implementation of Scottish Canals' change of reporting status.

The Office for National Statistics (ONS) was requested by the Scottish Government in 2019, to carry out a review of the classification of the Scottish Canals for economic statistics purposes. ONS allocates organisations with similar characteristics to sectors within the national accounts framework. At this time, Scottish Canals were already classified to the central government sector (as a body referenced as an NDPB in your letter) from 1 July 2012, the date the British Waterways Board order came into force.

ONS was asked under a further classification review, to establish whether these public bodies were now acting as market bodies and could be classified as public non-financial corporations. ONS' review confirmed that they remain classified as a central government body.

The requirement for the Scottish Canals to change its reporting status is not as a direct result of the ONS classification review in 2019, as it was already classified as a central government body.

Reporting requirements are agreed via the relevant devolved administration with HM Treasury, and it is HM Treasury which makes arrangements for organisations to come into line with reporting standards set out in their Financial Reporting Manual (FreM). ONS cannot grant derogations on reporting status and the decision to apply an extension to the timeline in which changes in Scottish Canals' reporting status had to be implemented, was not one for ONS.

Therefore, the question you have raised regarding the decision to not grant an extension relating to the implementation of Scottish Canals' change of reporting status, should be addressed to both the Scottish Government and HM Treasury for consideration.

I hope you have found this letter to be helpful. Please let me know if we can be of any further assistance.

Yours sincerely,

**Professor Sir Ian Diamond**