

21 August 2023

By email

Richard Leonard MSP  
Convener  
Public Audit Committee  
Scottish Parliament

Dear Convener

**Public Audit Committee report on New Vessels for the Clyde and Hebrides:  
Arrangements to deliver vessels 801 and 802**

I set out my response to the requests outlined in the Committee's report in my letter of 18 May 2023. An update of the current position in each area is set out below. I have also written separately to you today on my draft work programme, referring to this letter in the section on Ferguson Marine.

**Undertaking work to audit the full cost of the project**

I previously said I would keep the Committee updated on my plans for further audit reporting as vessels 801 and 802 are being built.

As I set out in my letter of 24 July, the Scottish Government's external auditors are continuing to monitor the cost of delivering both vessels. This includes consideration of the due diligence work and the process involved in issuing of the Written Authority. That work is progressing as planned and the auditors will report their findings as appropriate in the 2022/23 annual audit report. I would expect this to feature in my section 22 report on the 2022/23 audit of the Scottish Government consolidated accounts, which will be considered by the committee in due course.

I confirmed in my letter of 18 May that I intend to prepare a further report examining the full cost of the project once the vessels have been completed. I note the timescales now anticipated in the update on progress submitted by the Chief Executive of Ferguson Marine Port Glasgow to the Net Zero, Energy and Transport Committee on 30 June. I will continue to monitor progress closely to inform the scope and timing of further audit work in this area.

**Updating PAC on progress with the independent investigation into the procurement process and undertaking a comprehensive audit of the entire procurement process for the vessels**

I previously advised the Committee that once the independent investigation has been completed that I will consider whether further audit work would add value to public understanding and parliamentary scrutiny, and what the scope and timing of any such work would be. I continue to monitor progress with this investigation which continues.

## Undertaking a forensic analysis of FMEL's financial records

I previously outlined the need for me to resolve the legal position on what statutory powers I have to forensically examine and report on FMEL's historical financial records and said I would update the Committee as soon as possible.

Having now clarified the legal position, I consider that I do not currently have the necessary statutory powers to undertake such a forensic analysis. This is because FMEL is not a specified body subject to powers under section 23 of the Public Finance and Accountability (Scotland) Act 2000. Legal advice confirmed that if Scottish Ministers were to make a competent order to specify FMEL as a body on which I could initiate an examination under section 23 this would enable me to undertake the forensic analysis requested. There are no other statutory reporting routes available to me.

Clearly the decision on what bodies to specify lies with Scottish Ministers. I recognise that specifying a body such as FMEL would be unusual given that it was a privately owned body prior to nationalisation, and that it no longer exists in its previous form. Of course, I expect that Scottish Ministers would wish to establish their own view on whether they would be able to make such an order competently before taking any such action.

I remain of the view that there would be value in a forensic analysis of FMEL's records, but regrettably cannot carry out the work requested by the Committee as things stand. Given this, the Scottish Government may wish to consider alternative approaches, such as whether it should commission its own analysis, and what assurance it might provide the Committee in this area.

I hope that Committee members find this information helpful.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Stephen Boyle', with a long horizontal flourish extending to the right.

Stephen Boyle  
Auditor General for Scotland