

18 May 2023

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**

Following the publication of the committee's report, I would like to set out my response to the requests outlined in the report that I undertake further work.

Undertaking work to audit the full cost of the project

I will continue to monitor the cost of the vessels over the lifetime of the project and I can confirm that it is my intention to prepare a further report examining the full cost of the project once the vessels have been completed. The scope and timescales for this work will be determined after completion of the vessels. I will take into account the outcome of the King's Counsel review commissioned by CMAL and any developments in relation to plans for the future of FMPG. I note the Cabinet Secretary for Wellbeing Economy, Fair Work and Energy's statement to Parliament on 16 May 2023 that it remains the Scottish Government's intention to complete both vessels at Fergusons. I also note the Cabinet Secretary's written authority to the Scottish Government Portfolio Accountable Officer that proceeding with vessel 802 at Fergusons would not represent value for money. I will keep the committee updated on my plans for further audit reporting as vessels 801 and 802 are being built.

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

As the committee is aware, in February 2023, CMAL appointed a King's Counsel to undertake an independent investigation into the procurement process for vessels 801 and 802. I will of course continue to monitor progress with this investigation.

In previous correspondence on 6 October and 25 November 2022, I advised the committee that I will consider CMAL's and Transport Scotland's own investigations into the BBC allegations when determining the scope and timing of any audit work. I also noted that any action that I ask Audit Scotland to take on this matter should be in addition to, and not in place of, the investigative work that the above bodies plan to do. Once the independent investigation has been completed, I will consider whether further audit work would add value to public understanding and parliamentary scrutiny of the procurement process, and what the scope and timing of any further work should be.

Undertaking a forensic analysis of FMEL's financial records

I agree with the Committee's view that there would be value in a forensic analysis of FMEL's records to identify what further information these may provide about how all the public funding provided to FMEL was spent. Regrettably, there are a number of complex legal and practical challenges that may inhibit my ability to undertake such an analysis. I will need to resolve these before I can take forward the Committee's request.

In my previous evidence to the Committee, I advised that FMEL's spending was outside the scope of my report on vessels 801 and 802 because my remit does not include private companies. FMEL was dissolved in January 2022. As the Committee notes in its report, FMPG has advised that it now holds FMEL's financial records. I have received legal advice on what statutory powers I have to forensically examine and report on FMEL's financial records in these circumstances. However, there are a number of critical issues which remain unresolved for which I am currently seeking clarification on from our lawyers. This is designed to ensure that I have explored all potential statutory examination and reporting routes for me to take further action.

My intention is to resolve the legal questions and update the Committee on progress as soon as possible.

I hope that committee members find this information helpful.

Yours sincerely

Stephen Boyle
Auditor General for Scotland