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Richard Leonard MSP
Convener
Public Audit Committee
The Scottish Parliament
Edinburgh
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Dear Convener

REPORT ON THE ACCOUNTS OF FMEL

I am writing to update you on the forensic examination of the historic accounting records of the Ferguson Marine Engineering Limited (FMEL) which was commissioned at the request of the Committee and supported by the Auditor General for Scotland.

Following a competitive tender process, the Scottish Government appointed Grant Thornton in December 2024 to conduct the investigation. The work commenced in January 2025.

The investigation is being conducted in two phases:

- Phase 1: to identify and review the available FMEL records and highlight key areas of risk for further analysis; and

- Phase 2: to examine in detail how public funds were spent, the controls and approvals in place at the time, and whether expenditure was justified.

The first phase of the project is now complete. However, this did take longer than anticipated initially, due primarily to the volume of data considered being around 40 % greater than initial estimates and the discovery that key financial records had been archived with a third-party storage company following FMEL's administration process. The legal and logistical steps required to access and transfer those records to Grant Thornton took additional time to complete, but was necessary in order to ensure full legal compliance in accessing company records and to maintain the integrity of the evidence base.

The archived material lacked a coherent filing structure and required extensive digitisation before it could be analysed. Furthermore, data held on two bespoke digital systems used by FMEL required manual extraction and processing, which contributed to some delay in the overall timetable.

This additional work meant that the initial contract for carrying out the investigation had to be modified. This change was undertaken in compliance with Scottish Government's procurement regulations and represents the most efficient and proportionate route to maintain continuity of the investigation with the chosen contractor.

Phase 2 is now underway, and Grant Thornton have advised that, subject to final data processing, they expect to complete their work and provide a draft final report in January 2026. Audit Scotland have been informed of this revised timetable.

I hope this update helps to assure the Committee that the investigation continues to progress under robust governance arrangements. The Scottish Government remains committed to maintaining transparency and keeping Parliament informed as the investigation moves towards completion.

The Scottish Government recognises and values the Committee's ongoing interest in this matter and welcomes the continued scrutiny it provides. Officials will continue to share progress updates as appropriate to ensure the Committee remains informed throughout this process.

Yours sincerely

Colin Cook
Director of Economic Development