



The Scottish Parliament  
Pàrlamaid na h-Alba

Kate Forbes MSP  
Deputy First Minister and Cabinet  
Secretary for Economy and Gaelic  
Scottish Government

**Public Audit Committee**  
Room T3.60  
The Scottish Parliament  
EDINBURGH  
EH99 1SP

Direct Tel: (0131) 348 5186

Email:

[publicaudit.committee@parliament.scot](mailto:publicaudit.committee@parliament.scot)

13 June 2024

Dear Deputy First Minister,

First of all congratulations on your appointment as Deputy First Minister and Cabinet Secretary for Economy and Gaelic.

**Forensic examination of FMEL's financial records**

Secondly can I thank you for your correspondence of 30 May 2024, setting out how the Scottish Government intends to arrange for the financial records of the former company, Ferguson Marine Engineering Limited (FMEL) to be audited.

Establishing how £128.25 million of public money was spent by FMEL to deliver vessels 801 and 802 was one of the Public Audit Committee's key conclusions in its report, [New vessels for the Clyde and Hebrides: Arrangements to deliver vessels 801 and 802](#). The report encouraged the Auditor General for Scotland to undertake a forensic analysis of this information. As you recognise in your letter, while the Auditor General was supportive of this suggestion, he does not have the statutory powers to undertake such a forensic analysis, as FMEL is not a specified body subject to powers under section 23 of the Public Finance and Accountability (Scotland) Act 2000.

The Committee therefore welcomes the decision by the Scottish Government to arrange for FMEL's accounting records, currently held by the publicly owned

company Ferguson Marine Port Glasgow (FMPG), to be passed to independent accountants who will conduct a forensic examination on its behalf. The Committee notes that this approach has been “agreed with Audit Scotland as meeting their request”.

The Committee further notes that you have formally written to the FMPG Board to request that it agrees to provide FMEL’s accounting records to the Scottish Government to enable the forensic examination and the production of a report.

#### **The Committee requests—**

- **A copy of the FMPG Board’s response confirming that it will provide FMEL’s accounting records to the Scottish Government to enable a forensic examination by independent accountants.**
- **The terms under which the forensic examination will take place, and the associated timescales expected for this work, including the publication of the report.**

The Committee has also written to the Auditor General to establish what role, if any, he will have in the forensic examination and how he intends to use the findings to report to the Public Audit Committee.

#### **Shareholder authorisation**

One area of the Committee’s report that remains outstanding is in relation to its conclusion on Shareholder Authorisation. In its report, the Committee stated that it considered there to be equivalence between occasions of Written Authority and where the board of a company wholly owned by Scottish Ministers consider it necessary to seek and receive Shareholder Authorisation.

The Committee therefore recommended in its report that—

“Transport Scotland and Caledonian Maritime Assets Limited (CMAL) clarify in writing the procedure for seeking reassurances from Scottish Ministers, including how and when either written authority, as set out in the Public Finance and Accountability (Scotland) Act 2000 or shareholder authorisation should be sought. Occasions where written authority or shareholder authorisation is sought, either by Transport Scotland or CMAL should be made publicly available and published on the Scottish Government’s website.”

In its response to the Committee’s report, the Scottish Government “welcomed the suggestion on clarifying the procedures” and that it would look to incorporate this in the next revision of the Framework Agreement with CMAL. It is understood that the revised Framework Agreement will be completed by summer 2024. The Committee has therefore written to the Cabinet Secretary for Transport to seek an update on the status of the Framework Agreement, including whether it will include clarification of how Shareholder Authorisation should be sought.

In relation to the wider issue of publishing all occasions of Shareholder Authorisation, the Committee has sought to establish the Scottish Government's position on this matter on a number of occasions. In the most recent correspondence received from the former Cabinet Secretary for Wellbeing Economy, Net Zero and Energy on this issue in April 2024, it was stated that—

“There is currently no timescale for a decision on whether to accept the broad principle of publishing shareholder authorisations. Ministers will update the Committee as this progresses.”

**The Committee asks why Scottish Ministers have been unable to make a final decision on this matter, particularly given the Committee's report was published in March 2023. It also asks for a final decision to be reached and communicated to the Committee as early as possible, recognising that a response to this area of the Committee's report remains outstanding.**

The Committee requests a response by **25 July 2024**.

Yours sincerely

**Richard Leonard MSP**  
**Convener**