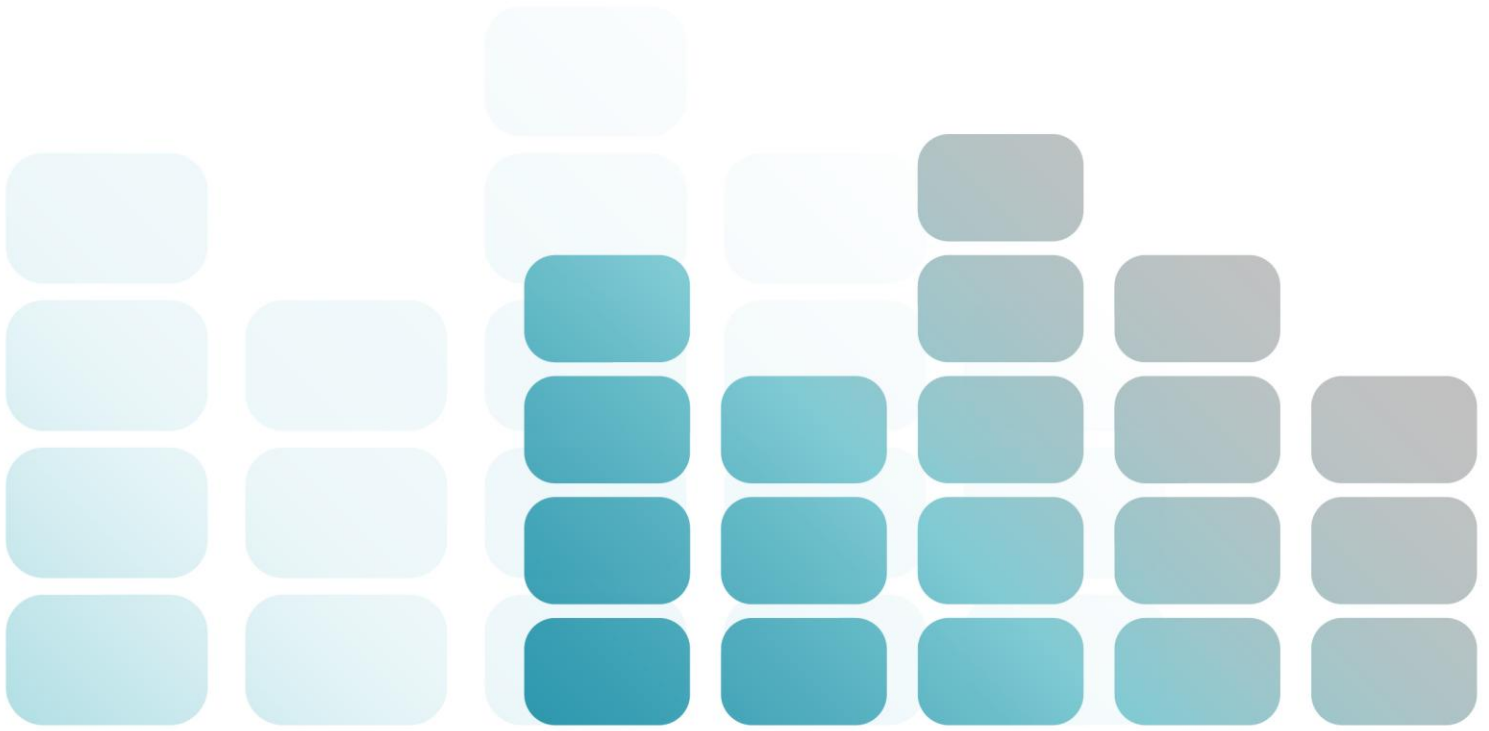


Ferguson Marine (Port Glasgow) Holdings Limited

Annual Audit Plan 2024/25



Prepared for Ferguson Marine (Port Glasgow) Holdings Limited
March 2025

Contents

Introduction	3
Audit scope and responsibilities	4
Audit of the annual report and accounts	6
Wider scope and Best Value	12
Reporting arrangements, timetable and audit fee	15
Other matters	18

Accessibility

You can find out more and read this report using assistive technology on our website www.audit.scot/accessibility.

Introduction

Purpose of the Annual Audit Plan

1. The purpose of this Annual Audit Plan is to provide an overview of the planned scope and timing of the 2024/25 audit of Ferguson Marine (Port Glasgow) Holdings Limited annual report and accounts. It outlines the audit work planned to meet the audit requirements set out in [auditing standards](#) and the [Code of Audit Practice](#), including supplementary guidance.

Appointed auditor and independence

2. John Boyd, of Audit Scotland, has been appointed by the Auditor General for Scotland as external auditor of Ferguson Marine (Port Glasgow) Holdings Limited for the period from 2022/23 until 2026/27. The 2024/25 financial year is therefore the third of the five-year audit appointment.

3. John Boyd and the audit team are independent of Ferguson Marine (Port Glasgow) Holdings Limited in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. This standard imposes stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has robust arrangements in place to ensure compliance with ethical standards. The arrangements are overseen by the Executive Director of Innovation and Quality, who serves as Audit Scotland's Ethics Partner.

4. The Ethical Standard requires auditors to communicate any relationships that may affect the independence and objectivity of the audit team. There are no such relationships pertaining to the audit of Ferguson Marine (Port Glasgow) Holdings Limited to communicate.

Audit scope and responsibilities

Scope of the audit

5. The audit is performed in accordance with the Code of Audit Practice, including supplementary guidance, International Standards on Auditing (UK), and relevant legislation. These set out the requirements for the scope of the audit which includes:

- An audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement, including the regularity of income and expenditure.
- An opinion on statutory other information published with the financial statements in the annual report and accounts, the Performance Report, and the Governance Statement, and an opinion on the audited part of the Remuneration and Staff Report.
- Conclusions on Ferguson Marine (Port Glasgow) Holdings Limited's arrangements in relation to the wider scope areas: Financial Management, Financial Sustainability, Vision, Leadership, and Governance, and Use of Resources to Improve Outcomes.
- Reporting on Ferguson Marine (Port Glasgow) Holdings Limited's arrangements for securing Best Value.
- Provision of an Annual Audit Report setting out significant matters identified from the audit of the annual report and accounts and the wider scope areas specified in the Code of Audit Practice.

Responsibilities

6. The Code of Audit Practice sets out the respective responsibilities of Ferguson Marine (Port Glasgow) Holdings Limited and the auditor. A summary of the key responsibilities is outlined below.

Auditor's responsibilities

7. The responsibilities of auditors in the public sector are established in the Public Finance and Accountability (Scotland) Act 2000. These include providing an independent opinion on the financial statements and other information reported within the annual report and accounts, and concluding on Ferguson Marine (Port Glasgow) Holdings Limited's arrangements in place for the wider scope areas.

Ferguson Marine (Port Glasgow) Holdings Limited responsibilities

8. Ferguson Marine (Port Glasgow) Holdings Limited has primary responsibility for ensuring proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enables it to successfully deliver its objectives. The features of proper financial stewardship include:

- Establishing arrangements to ensure the proper conduct of its affairs.
- Preparation of an annual report and accounts, comprising financial statements and other information that gives a true and fair view.
- Establishing arrangements for the prevention and detection of fraud, error and irregularities, and bribery and corruption.
- Implementing arrangements to ensure its financial position is soundly based.
- Making arrangements to secure Best Value.
- Establishing an internal audit function.

Audit of the annual report and accounts

Introduction

9. The audit of the annual report and accounts is driven by materiality and the risks of material misstatement in the financial statements, with greater attention being given to the significant risks of material misstatement. This chapter outlines materiality, the significant risks of material misstatement that have been identified, and the impact these have on the planned audit procedures.

Materiality

10. The concept of materiality is applied by auditors in planning and performing an audit, and in evaluating the effect of any uncorrected misstatements on the financial statements or other information reported in the annual report and accounts.

11. Broadly, the concept of materiality is to determine whether matters identified during the audit could reasonably be expected to influence the decisions of users of the financial statements. Auditors set a monetary threshold when determining materiality, although some issues may be considered material by their nature. Therefore, materiality is ultimately a matter of the auditor's professional judgement.

12. The materiality levels determined for the audit of Ferguson Marine (Port Glasgow) Holdings Limited and its group are outlined in [Exhibit 1](#).

Exhibit 1

2024/25 Materiality levels for Ferguson Marine (Port Glasgow) Holdings Limited and its group

Materiality	Audited body
Materiality – based on an assessment of the needs of users of the financial statements and the nature of Ferguson Marine (Port Glasgow) Holdings Limited operations, the benchmark used to determine materiality is gross expenditure based on the audited 2023/24 financial statements. Materiality has been set at 1.5 per cent of the benchmark.	£1.000 million

Materiality	Audited body
<p>Performance materiality – this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate that further audit procedures are required. Using professional judgement, performance materiality has been set at 70 per cent of planning materiality.</p>	£700,000
<p>Reporting threshold – all misstatements greater than the reporting threshold will be reported. Set at 5 per cent of planning materiality.</p>	£50,000

Source: Audit Scotland

Significant risks of material misstatement to the financial statements

13. The risk assessment process draws on the audit team's cumulative knowledge of Ferguson Marine (Port Glasgow) Holdings Limited, including the nature of its operations and its significant transaction streams, the system of internal control, governance arrangements and processes, and developments that could impact on its financial reporting.

14. Based on the risk assessment process, significant risks of material misstatement to the financial statements have been identified and these are summarised in [Exhibit 2, page 8](#). These are the risks which have the greatest impact on the planned audit approach, and the planned audit procedures in response to the risks are outlined in Exhibit 2.

15. The risk assessment process is an iterative and dynamic process. The assessment of risks set out in this Annual Audit Plan and Exhibit 2 may change as more information and evidence is obtained over the course of the audit. Where such changes occur, these will be reported to Ferguson Marine (Port Glasgow) Holdings Limited and those charged with governance, where relevant.

Exhibit 2**Significant risks of material misstatement to the financial statements**

Significant Risk of material misstatement	Planned audit response
<p data-bbox="113 474 715 546">Fraud caused by management override of controls</p> <p data-bbox="113 564 715 745">Management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<p data-bbox="721 474 1481 510">The audit team will:</p> <ul data-bbox="721 528 1481 1328" style="list-style-type: none"> <li data-bbox="721 528 1481 607">• Evaluate the design and implementation of controls over journal entry processing. <li data-bbox="721 616 1481 763">• Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries. <li data-bbox="721 772 1481 920">• Test journals entries, focusing on those that are assessed as higher risk, such as those affecting revenue and expenditure recognition around the year-end. <li data-bbox="721 929 1481 1008">• Evaluate significant transactions outside the normal course of business. <li data-bbox="721 1016 1481 1164">• Assess the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements. <li data-bbox="721 1173 1481 1328">• Assess changes to the methods and underlying assumptions used to prepare accounting estimates and assess these for evidence of management bias.

Significant Risk of material misstatement

Planned audit response

Presumed risk of fraud over expenditure recognition under ISA (UK) 240 and PN 10

Staff costs are well-forecast and reconcile to the payroll system and underlying records. Similarly, depreciation charges are well-forecast and applied on a systematic basis. Therefore, we do not consider these expenditure streams of significant risk of material misstatement. Therefore, our audit focus will be on remaining administrative and operating expenditure (cost of sales) in relation to vessel Glen Rosa.

We consider the risk to be most pertinent around the year end where there is greatest incentive and opportunity to misstate expenditure given the level of oversight of expenditure in year and focus on year end outturn results. We consider the main risk to be around the year end and therefore our focus will be on cut-off of non-pay expenditure.

The audit team will:

- Assess the design of controls over expenditure including those in relation to recording transactions around the year end.
- Testing of pre and post year end non pay expenditure to an elevated risk level to confirm expenditure recorded in the correct financial year.
- Testing of post year end bank transactions for expenditure items to identify any potential unrecorded expenditure.

Source: Audit Scotland

Exhibit 3

Risks of material misstatement to the financial statements

Risk of material misstatement	Planned audit response
<p>Valuation of property, plant and equipment</p> <p>The land and buildings subject to valuation relate to office accommodation and the site at Port Glasgow as well as leased property. These have been subject to regular independent expert valuation with limited volatility in valuations and assumptions.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • Evaluate the design and implementation of controls over the valuation process. • Review the information provided to the valuer and assess this for completeness and accuracy. • Evaluate the competence, capabilities, and objectivity of the valuer. • Obtain an understanding of management's involvement in the valuation process to assess if appropriate oversight has occurred. • Review management's assessment that the value in the balance sheet of assets not subject to a valuation process in 2024/25 is not materially different to current value at the year-end, and challenge this where required.

Source: Audit Scotland

16. Going Concern disclosure – The 2022/23 and 2023/24 Annual Report and Accounts have both highlighted the risks and uncertainties over FMPG's ability to continue as a going concern. We will assess ongoing operations of FMPG beyond 12 months from the date of signing, as well as the appropriateness of disclosures around going concern in the annual report and accounts. We will take recognition of the requirements of the FRC Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom [Revised 2020], where applicable.

Key audit matters

17. The Code of Audit Practice requires public sector auditors to communicate key audit matters. Key audit matters are those matters, that in the auditor's professional judgement, are of most significance to the audit of the financial statements and require most attention when performing the audit.

18. In determining key audit matters, auditors consider:

- Areas of higher or significant risk of material misstatement.
- Areas where significant judgement is required, including accounting estimates that are subject to a high degree of estimation uncertainty.

- Significant events or transactions that occurred during the year.

19. The matters determined to be key audit matters will be communicated in the Annual Audit Report. Exhibit 2 outlines the significant risks of material misstatement to the financial statements that have been identified, including those that have greatest impact on the planned audit procedures and require most attention when performing the audit.

Group audit

20. As group auditors, we are required under ISA (UK) 600: Audits of group financial statements (including the work of component auditors) to obtain sufficient appropriate audit evidence on which to base our audit opinion on the group financial statements.

21. FMPG has a group which comprises the holding company and three subsidiaries. Ferguson Marine (Port Glasgow) Holdings Limited is the holding company and holds 100 per cent of the share capital for each of three subsidiary companies, being Ferguson Marine (Port Glasgow) Limited, Ferguson Marine (801-802) Limited, and Ferguson Marine (Commercial) Limited.

22. Ferguson Marine (Port Glasgow) Holdings Limited is itself 100 per cent owned by Scottish Ministers, and in relation to that is classified as a Non-Departmental Public Body (NDPB). As a result, and in accordance with the Scottish Public Finance Manual (SPFM), each of its three subsidiary companies are also deemed to form part of that NDPB status organisation.

23. The Board of directors seeks an annual exemption from audit by parent guarantee of all three subsidiary bodies under s479A-s479C of the Companies Act 2006.

24. All transactions occur through the subsidiary companies. We will audit the core financial transactions which have been processed through the subsidiaries and confirm the allocation is reflected correctly in the consolidated accounts of Ferguson Marine (Port Glasgow) Limited. We will obtain sufficient appropriate audit evidence in relation to the consolidation process and the financial information of the components on which to base our group audit opinion.

Wider scope and Best Value

Introduction

25. Reflecting the fact that public money is involved, the Code of Audit Practice requires that public audit is planned and undertaken from a wider perspective than in the private sector. The wider scope audit set out by the Code of Audit Practice broadens the audit of the annual report and accounts to include consideration of additional aspects or risks in four wider scope areas, which are summarised below:

- **Financial Management** – this means having sound budgetary processes. Factors that can impact on Ferguson Marine (Port Glasgow) Holdings Limited being able to secure sound financial management include the strength of the financial management culture, accountability, and arrangements to prevent and detect fraud, error and other irregularities, bribery and corruption.
- **Financial Sustainability** – this means looking forward over the medium and longer term in planning the services to be delivered and how they will be delivered effectively. This is assessed by considering Ferguson Marine (Port Glasgow) Holdings Limited medium- to longer-term planning for service delivery.
- **Vision, Leadership and Governance** – this means having a clear vision and strategy, with set priorities within the vision and strategy. This is assessed by considering the clarity of plans in place to deliver the vision and strategy and the effectiveness of the governance arrangements to support delivery.
- **Use of Resources to Improve Outcomes** – this means using resources to meet stated outcomes and improvement objectives through effective planning and working with partners and communities. This is assessed by considering Ferguson Marine (Port Glasgow) Holdings Limited arrangements for ensuring resources are deployed to improve strategic outcomes, meet the needs of service users, and deliver continuous improvement.

26. A conclusion on the effectiveness and appropriateness of arrangements Ferguson Marine (Port Glasgow) Holdings Limited has in place for each of the wider scope areas will be reported in the Annual Audit Report.

Duty of Best Value

27. The [Scottish Public Finance Manual](#) (SPFM) explains that Accountable Officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. [Best Value in public services: guidance for Accountable Officers](#) is issued by Scottish Ministers and sets out their duty to ensure that arrangements are in place to secure Best Value in public services.

28. Consideration of the arrangements Ferguson Marine (Port Glasgow) Holdings Limited has in place to secure Best Value will be carried out alongside the wider scope audit, and a conclusion on the arrangements Ferguson Marine (Port Glasgow) Holdings Limited has in place will be reported in the Annual Audit Report.

29. Auditors may also carry out specific audit work covering the seven Best Value characteristics set out in the SPFM. The risk assessment process did not identify a need to carry out specific audit work on any of the characteristics. In addition, auditors are required to carry out a review of the 'fairness and equality' characteristic at least once during the audit appointment, and this will be carried out later in the audit appointment.

Significant wider scope and Best Value risks

30. The risk assessment process has identified significant risks in the wider scope areas and Best Value as outlined in Exhibit 5, and this includes the planned audit procedures in response to the risks.

Exhibit 5

Significant wider scope and Best Value risks

Description of risk	Planned audit response
<p>Short and Long-Term Financial Sustainability</p> <p>FMPG faces significant financial uncertainty. With MV Glen Rosa due for completion on TBC and limited work outwith MV Glen Rosa currently secured, there is significant uncertainty around future revenue. In the short term, Scottish Government has also only contractually committed to annual budgeted funding for 2025/26 and therefore there remains risk and uncertainty over short term finances. In addition, FMPG recognise the need to invest in more efficient yard equipment, competitive employee benefits for yard workers, and implementation of their Digital Strategy to deliver a competitive, financially sustainable operating model.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> Review cash flow forecasts as far ahead as available in order to assess the appropriateness of the annual report and accounts being prepared on a going concern basis. Review FMPG's strategic and financial plans around how it will look to deliver a financially sustainable operating model. Consider the progress made by FMPG in securing additional contracted work beyond the completion of MV Glen Rosa.
<p>Effectiveness of governance arrangements</p> <p>In our 2023/24 Annual Audit Report and section 22 report we highlighted a number of areas where internal control and governance arrangements required to improve. These included,</p> <ul style="list-style-type: none"> Improved engagement with Internal Audit Exit package payments Payroll and IT control environment Segregation of duties Compliance with the duty of Best Value <p>Management accepted the findings and recommendations and have provided assurances around the ongoing improvement in governance arrangements to address these risks.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> Follow up on management progress on implementing the recommendations within the 2023/24 Annual Audit Report. Review the revised arrangement established by management and the extent to how effectively these are operating. Liaise with Internal Audit to discuss progress on the completion of the 2024/25 Internal Audit Plan.

Source: Audit Scotland

Reporting arrangements, timetable and audit fee

Audit outputs

31. The outputs from the 2024/25 audit include:

- This Annual Audit Plan.
- An Independent Auditor's Report to Ferguson Marine (Port Glasgow) Holdings Limited, the Auditor General for Scotland, and the Scottish Parliament setting out opinions on the annual report and accounts.
- An Annual Audit Report to Ferguson Marine (Port Glasgow) Holdings Limited and the Auditor General for Scotland setting out significant matters identified from the audit of the annual report and accounts, conclusions from the wider scope and Best Value audit, and recommendations, where required.

32. The matters to be reported in the outputs will be discussed with Ferguson Marine (Port Glasgow) Holdings Limited for factual accuracy before they are issued. All outputs from the audit will be published on Audit Scotland's website, apart from the Independent Auditor's Report, which is included in the audited annual report and accounts.

33. Target dates for the audit outputs are set by the Auditor General for Scotland. In setting the target dates for the audit outputs, consideration is given to the statutory date for laying the annual report and accounts, which is 31 October 2025 for central government non-departmental public bodies, and other similar bodies.

34. The Independent Auditor's Report and Annual Audit Report are planned to be issued by the target date of 31 October 2025.

Audit timetable

35. Achieving the timetable for production of the annual report and accounts, supported by complete and accurate working papers, is critical to delivery of the audit to agreed target dates. [Exhibit](#) includes a timetable for the audit, which has been agreed with management. Agreed target dates will be kept under review as the audit progresses, and any changes required, and their potential impact, will be discussed with Ferguson

Marine (Port Glasgow) Holdings Limited and reported to those charged with governance, where required.

Exhibit 6

2024/25 audit timetable

Audit activity	Ferguson Marine (Port Glasgow) Holdings Limited target date	Audit team target date	Relevant committee date
Issue of Annual Audit Plan		11 March 2025	18 March 2025
Annual report and accounts:			
• Consideration of unaudited annual report and accounts by those charged with governance	30 June 2025		30 June 2025
• Submission of unaudited annual report and accounts and all working papers to audit team	30 June 2025		
• Latest date for audit clearance meeting	10 October 2025	10 October 2025	
• Issue of draft Letter of Representation, proposed Independent Auditor's Report, and proposed Annual Audit Report		17 October 2025	31 October 2025
• Agreement of audited and unsigned annual report and accounts	17 October 2025	17 October 2025	
• Approval by those charged with governance and signing of audited annual report and accounts	31 October 2025		31 October 2025
• Signing of Independent Auditor's Report and issue of Annual Audit Report		31 October 2025	

Source: Audit Scotland

Audit fee

36. Ferguson Marine (Port Glasgow) Holdings Limited audit fee is determined in line with Audit Scotland's fee setting arrangements. The proposed audit fee for the 2024/25 audit is set out in [Exhibit](#).

37. In setting the audit fee, it is assumed that Ferguson Marine (Port Glasgow) Holdings Limited has effective governance arrangements in place and the complete annual report and accounts will be provided for audit in line with the agreed timetable. The audit fee assumes there will be no significant changes to the planned scope of the audit. Where the audit cannot proceed as planned, for example, due to incomplete or inadequate working papers, the audit fee may need to be increased.

Exhibit 7

Audit fee (including VAT)

Fee component ¹	Fee (£)
External auditor remuneration	42,070
Pooled costs, such as travel and subsistence costs	(410)
Adjustment for average audit price increase	13,270
Total 2024/25 fee	54,890

Source: Audit Scotland

¹ Information on the components that make up the total fee can be found in Audit Scotland's [Audit management and quality guidance](#).

Other matters

Internal audit

38. Ferguson Marine (Port Glasgow) Holdings Limited is responsible for establishing an internal audit function as part of an effective system of internal control. As part of the audit, the audit team will obtain an understanding of internal audit, including its nature, responsibilities, and activities.

39. While internal audit and external audit have differing roles and responsibilities, external auditors may seek to rely on the work of internal audit where it is considered appropriate. A review of internal audit's 2024/25 audit plan was carried out to identify if there were any areas where the audit team could rely on its work. The audit team concluded it will not rely on internal audit's work. However, the audit team will review internal audit's reports and assess if there is any impact on the audit.

Audit quality

40. Audit Scotland is committed to the consistent delivery of high-quality audit. Audit quality requires ongoing attention and improvement to keep pace with external and internal changes. Details of the arrangements in place for the delivery of high-quality audits is available from the [Audit Scotland website](#).

41. The International Standards on Quality Management (ISQM) applicable to Audit Scotland for 2024/25 audits are:

- ISQM (UK) 1, which deals with an audit organisation's responsibilities to design, implement, and operate a system of quality management (SoQM) for audits. Audit Scotland's SoQM consists of a variety of components, such as: governance arrangements and culture to support audit quality, compliance with ethical requirements, ensuring Audit Scotland is dedicated to high-quality audit through engagement performance and resourcing arrangements, and ensuring there are robust quality monitoring arrangements in place. Audit Scotland carries out an annual evaluation of its SoQM and has concluded it complies with this standard.
- ISQM (UK) 2, which sets out arrangements for conducting engagement quality reviews, which are performed by senior management not involved in an audit, to review significant

judgements and conclusions reached by the audit team, and the appropriateness of proposed audit opinions on high-risk audits.

42. To monitor quality at an individual audit level, Audit Scotland carries out internal quality reviews on a sample of audits. Additionally, the Institute of Chartered Accountants of England and Wales (ICAEW) carries out independent quality reviews on a sample of audits.

43. Actions to address deficiencies identified by internal and external quality reviews are included in a rolling Quality Improvement Action Plan, which is used to support continuous improvement. Progress with implementing planned actions is monitored on a regular basis by Audit Scotland's Quality and Ethics Committee.

44. Audit Scotland may periodically seek the views of Ferguson Marine (Port Glasgow) Holdings Limited on the quality of audit services provided. The audit team would also welcome feedback at any time.

Ferguson Marine (Port Glasgow) Holdings Limited

Annual Audit Plan 2024/25



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
Phone: 0131 625 1500 Email: info@audit.scot
www.audit.scot