

Ferguson Marine (Port Glasgow) Holdings Limited

2024/25 Annual Audit Report



Prepared for the Ferguson Marine (Port Glasgow) Holdings Limited and the Auditor
General for Scotland
December 2025

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Key messages

Audit of the annual report and financial statements

- 1 All audit opinions stated that the annual report and accounts for Ferguson Marine (Port Glasgow) Holdings Limited (FMPG) and its group were free from material misstatement.
- 2 Whilst not modified, we do highlight a material risk and uncertainty over the going concern of FMPG, as reported by Management in the annual report and financial statements.
- 3 We identified a number of misstatements and presentational adjustments that FMPG has reflected within the updated annual report and financial statements. There are opportunities to enhance the Performance Report and Governance Statement to provide greater information to the reader on the strategic performance of the organisation, its strategic plans and governance and control issues and actions taken to address these.

Wider scope and Best Value audit

- 4 The Scottish Government has confirmed continued support for FMPG for at least 12 months from the date of signing of the group's 2024/25 annual report and financial statements, and its present intention that this will include under recoveries.
- 5 FMPG is currently updating their five-year Business Plan which outlines the Board's plan to deliver a sustainable, profitable, efficient, and competitive yard under public ownership. This includes various options for the future of the yard including direct award of future vessel contracts as well as wider commercial opportunities.
- 6 There is material risk and uncertainty around the future financial sustainability of FMPG with no contracted work beyond the completion of vessel 802 (MV Glen Rosa). In addition, there remains considerable risk around the timing of the delivery of MV Glen Rosa with a review on forecasts anticipated to be completed in the coming month. FMPG is exploring options, including working with the Scottish Government, to secure future work beyond MV Glen Rosa and support the long-term sustainability of the yard. FMPG are exploring

options to invest in the yard's infrastructure to enhance productivity and capability to generate more commercial opportunities for the yard. This includes the £14.2 million of potential capital investment which the Scottish Government has committed to provide. FMPG should look to develop its strategic vision and future plans for the yard to shape the future business and investment planning decisions.

- 7** FMPG has undertaken a review the arrangements in place to support the best value characteristics, including a systematic approach to self-evaluation and continuous improvement. A report is due to be published in 2026, following Board approval.
 - 8** FMPG must continue to make improvements to both the control environment and the governance arrangements to ensure compliance with the requirements of the SPFM. While progress has been made in enhancing governance, performance management and internal control arrangements, reflecting the findings of the prior year external audit report and Section 22 report, there remains areas of improvement. Internal audit identified a number of significant control deficiencies in the year, including opportunities to enhance project management, human resources and wider governance arrangements.
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Introduction

Purpose of the Annual Audit Report

1. The purpose of this Annual Audit Report is to report the significant matters identified from the 2024/25 audit of Ferguson Marine (Port Glasgow) Holdings Limited and its group annual report and financial statements and the wider scope areas specified in the [Code of Audit Practice \(2021\)](#).
2. The Annual Audit Report is addressed to Ferguson Marine (Port Glasgow) Holdings Limited (FMPG) and its group, hereafter referred to as 'FMPG', and the Auditor General for Scotland, and will be published on [Audit Scotland's website](#) in due course.

Appointed auditor and independence

3. John Boyd, of Audit Scotland, has been appointed as external auditor of FMPG for the period from 2022/23 until 2026/27. As reported in the Annual Audit Plan, John Boyd and the audit team are independent of FMPG in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. There have been no developments since the issue of the Annual Audit Plan that impact on the continued independence of the engagement lead or the rest of the audit team from FMPG, including no provision of non-audit services.

Acknowledgements

4. We would like to thank FMPG and its staff, particularly those involved in preparation of the annual report and financial statements, for their cooperation and assistance during the audit. We look forward to working together constructively over the remainder of the five-year audit appointment.

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 (ISA) (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 financial statements, namely the Performance Report and Governance Statement.
- An opinion on the audited part of the Remuneration and Staff Report.
- Conclusions on FMPG'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 FMPG's arrangements for securing Best Value.
- Provision of this Annual Audit Report.

Responsibilities and reporting

6. The Code of Audit Practice sets out the respective responsibilities of FMPG 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 financial statements, and concluding on FMPG's arrangements in place for the wider scope areas and Best Value.

8. The matters reported in the Annual Audit Report are only those that have been identified by the audit team during normal audit work and may

not be all that exist. Communicating these does not absolve FMPG from its responsibilities outlined below.

9. The Annual Audit Report includes an agreed action plan at [Appendix 1](#) setting out specific recommendations to address matters identified and includes details of the responsible officer and dates for implementation.

FMPG's responsibilities

10. FMPG 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 financial statements, comprising financial statements for FMPG and its group that gives a true and fair view and other specified information.
- 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.

National and performance audit reporting

11. The Auditor General for Scotland and the Accounts Commission regularly publish national and performance audit reports. These cover a range of matters, many of which may be of interest to FMPG and the Audit and Risk Committee. Details of national and performance audit reports published over the last year can be seen in [Appendix 2](#).

Audit of the annual report and financial statements

Main judgements

All audit opinions stated that the annual report and financial statements for Ferguson Marine (Port Glasgow) Holdings Limited (FMPG) and its group were free from material misstatement.

Whilst not modified, we have included an emphasis of matter in relation to the material risk and uncertainty over the going concern of FMPG, as reported by Management in the annual report and financial statements.

We identified a number of misstatements and presentational adjustments that FMPG has reflected within the updated annual report and financial statements. There are opportunities to enhance the Performance Report and Governance Statement to provide greater information to the reader on the strategic performance of the organisation, its strategic plans and governance and control issues and actions taken to address these.

Audit opinions on the annual report and financial statements

12. FMPG and its group's annual report and financial statements were approved by the Audit and Risk Committee on 10 December and signed by the appointed auditor on 12 December 2025. The Independent Auditor's Report is included in FMPG's annual report and financial statements, and this reports that, in the appointed auditor's opinion, these were free from material misstatement.

13. Whilst not modified, we do highlight a material risk and uncertainty over the going concern of FMPG, as reported by Management in the annual report and financial statements.

Audit timetable

14. The unaudited annual report and financial statements and all working papers were received on 1 August 2025 in accordance with the agreed audit timetable. The working papers and unaudited financial statements were of a good standard, however there were several significant sections of the performance and accountability report within the annual report and



financial statements that required updating, including the going concern assessment and sustainability disclosures.

15. An updated annual report and financial statements containing a revised performance and accountability report were received on 14 November 2025. Management's going concern assessment and supporting cash flow projections were not available until the end of November 2025. The delay in providing these for audit was primarily through delays in receiving required assurances from the Scottish Government to support management's going concern assessment. This had a significant impact on the timetable agreed with management and reported within our Annual Audit Plan. As a result, the accounts were not signed until 12 December 2025.

Recommendation 1

To ensure timely completion of the audit, Management should liaise with the Scottish Government to ensure that required letters of comfort to support FMPG's assessment of going concern and the completion of the annual report and financial statements is undertaken in a timely manner. (Refer [Appendix 1](#), action plan).

Audit Fee

16. The audit fee for the 2024/25 audit was reported in the Annual Audit Plan and was set at £54,890. While there were delays in the audit process, there have been no developments that impact on planned audit work required, therefore the audit fee reported in the Annual Audit Plan remains unchanged.

Materiality

17. 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 financial statements.

18. Broadly, the concept of materiality is to determine whether misstatements identified during the audit could reasonably be expected to influence the decisions of users of the annual report and 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.

19. Materiality levels for the audit of FMPG and its group were determined at the risk assessment phase of the audit and were reported in the Annual Audit Plan, which also reported the judgements made in determining

materiality levels. These were reassessed on receipt of the unaudited annual report and financial statements.

Exhibit 1

2024/25 Materiality levels for FMPG and its group

Materiality	Group
Materiality – has been set at 1.5 per cent of the benchmark.	£0.933 million
Performance materiality – set at 70 per cent of materiality. As outlined in the Annual Audit Plan, this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate further audit procedures are required.	£0.650 million
Reporting threshold – set at 5 per cent of materiality.	£46,600

Source: Audit Scotland

Significant findings and key audit matters

20. ISA (UK) 260 requires auditors to communicate significant findings from the audit to those charged as governance, which for FMPG is the Audit and Risk Committee.

21. The Code of Audit Practice also requires public sector auditors to communicate key audit matters. These are the 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.

22. 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.

23. The significant findings and key audit matters to report are outlined in [Exhibit 2](#).

Exhibit 2

Significant findings and key audit matters

Significant findings and key audit matters	Outcome
<p>1. Consideration of going concern</p> <p>We have considered FMPG's ability to continue as a going concern, for a 12-month period beyond the date of signing the 2024/25 annual report and financial statements (December 2025). Recognising the nature of FMPG as an organisation we have determined in this case we cannot assess FMPG's going concern in accordance with the FRC Statement of Recommended Practice – Practice Note 10 (PN10): Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020).</p> <p>We have concluded under PN10 the continuing service provision does not apply. Whilst FMPG is currently classed as a public sector entity, the Government does not have a statutory responsibility to provide these services, so the continuing service assessment is not appropriate.</p>	<p>The annual report and financial statements set out within the performance report, management's assessment of going concern. Management have highlighted the material risks and uncertainties in the organisation's ability to continue as a going concern, (pages 4 and in the Notes to the accounts). This highlights the uncertainty surrounding the future income and cash flows beyond the contracted sums for completion of vessel 802 (Glen Rosa). While the Scottish Government has reaffirmed the commitment to support a sustainable future for FMPG, there remains uncertainty surrounding the final cost of the completion of 802, the ability to generate future revenue streams and the level of support required by the Group.</p> <p>As a result of this our audit opinion includes reference to a risk of a material uncertainty over FMPG's ability to continue as a going concern, for at least 12 months from the date of signing our opinion.</p> <p>(Refer Appendix 1, follow-up of prior year recommendation 1)</p>
<p>2. Remuneration Report</p> <p>The remuneration report included in the unaudited annual report and financial statements provided to audit required several updates, including the treatment of expenses and fair pay disclosures.</p>	<p>The Remuneration report has been amended to appropriately reflect the remuneration and expenses disclosures as required by the FReM.</p>

Source: Audit Scotland

Qualitative aspects of accounting practices

24. ISA (UK) 260 also requires auditors to communicate their view about qualitative aspects of FMPG's accounting practices, including accounting policies, accounting estimates, and disclosures in the financial statements.

Accounting policies

25. The appropriateness of accounting policies adopted by FMPG was assessed as part of the audit. These were considered to be appropriate to the circumstances of FMPG, and there were no significant departures from

the accounting policies set out in the Government Financial Reporting Manual (FReM).

Accounting estimates

26. Accounting estimates are used in a number of areas in FMPG's financial statements, including the valuation of land and buildings assets. Audit work considered the process management of FMPG has in place around making accounting estimates, including the assumptions and data used in making the estimates, and the use of any management experts. Audit work concluded:

- There were no issues with the selection or application of methods, assumptions, and data used to make the accounting estimates, and these were considered to be reasonable.
- There was no evidence of management bias in making the accounting estimates.

27. Details of the audit work performed and the outcome of the work on accounting estimates that gave rise to significant risks of material misstatement are outlined in [Exhibit , \(page 16\)](#).

Disclosures in the financial statements

28. The adequacy of disclosures in the financial statements was assessed as part of the audit. The quality of disclosures was adequate, with additional levels of detail provided for disclosures around areas of greater sensitivity, such as financial instruments and valuation of assets. However, as noted at paragraph 14. the unaudited annual report and financial statements provided for audit required updates to several sections, including the going concern assessment, sustainability disclosures, and disclosures in the governance statement regarding internal audit's opinion.

Group audit

29. 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.

30. 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.

31. 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.

32. 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.

33. All transactions occur through the subsidiary companies. As part of our year end work we audited the core financial transactions processed through the subsidiaries and confirmed the allocation is reflected correctly in the consolidated accounts of Ferguson Marine (Port Glasgow) Limited. We obtained sufficient and appropriate audit evidence in relation to the consolidation process and the financial information of the components on which to base our group audit opinion.

Other matters to report

34. Auditing standards require auditors to report a number of other matters if they are identified or encountered during an audit. The matters identified or encountered on the audit of FMPG are outlined in [Exhibit](#).

Exhibit 3

Other matters to report

Auditing standard requirement	Matter to report	Outcome
Significant deficiencies in internal control ISA (UK) 265 requires auditors to report any significant deficiencies in internal control identified during the audit.	Payroll controls require improvement As was also the case in the previous year, there is a lack of evidence of review of documentation or secondary checking of payroll information submitted to MoorePay. All changes to payroll go into the MoorePay input form rather than directly into MoorePay system directly. There is a risk that errors could occur due to the manual nature of the review of information, as well as a risk of fraud/error due to the lack of review and approval by management.	FMPG receive a payroll report from MoorePay, including all amendments, and this is reviewed prior to the payment processing which reduces some of the risk. Our audit testing included reviewing reconciliations between the MoorePay records and payroll and substantive analytical procedures to confirm that payroll was free from material misstatement. During the year Internal Audit undertook a review of payroll and identified a number of other opportunities for enhancing payroll controls. Management is implementing an action plan to address these issues. (Refer Appendix 1 , follow-up of prior year recommendation 5)

Significant matters discussed with management

35. All significant matters identified during the audit and discussed with FMPG's management have been reported in the Annual Audit Report.

Audit adjustments

36. Audit adjustments were required to the financial statements to correct misstatements that were identified from the audit. Details of all audit adjustments greater than the reporting threshold of £46,600 are outlined in [Exhibit](#).

Exhibit 4

Audit adjustments

Details	Financial statements lines impacted	Statement of Comprehensive Income		Statement of Financial Position (SoFP)	
Audit adjustments to financial statements		Dr	Cr	Dr	Cr
		£000	£000	£000	£000
1. Being adjustment to remove debit balances included within creditors:					
	Payables			413	
	Receivables				(413)
2. Being adjustment to recognise intercompany balances correctly within group accounts and ensure cash and cash equivalent balances reflects group amounts held.					
	Cash and cash equivalents			2,551	
	Receivables				(2,551)
Being adjustment to reflect corporation tax liabilities in line with tax calculation.					
	Tax on ordinary activities	9			
	Deferred tax on property		(9)		

Details	Financial statements lines impacted	Statement of Comprehensive Income		Statement of Financial Position (SoFP)	
	Deferred tax			2	
	Deferred tax liabilities	9	(9)	2,966	(2,966)
Net impact on financial statements		9	(9)	5,932	(5,932)

Audit adjustments in disclosures

1. The cash flow statement was adjusted to remove the recognition of the £7 million long-term loan receipt in the prior year which had incorrectly been recognised as an in-year transaction.

Source: Audit Scotland

37. Management of FMPG processed audit adjustments for all misstatements identified greater than the reporting threshold. As a result, there are no uncorrected misstatement to report.

Presentational disclosures

38. Alongside the misstatements identified in Exhibit 4, there were a number of presentational adjustments required to the Performance Report and Accountability Report, including remuneration disclosures. The remuneration report included in the unaudited annual report and financial statements provided to audit required several updates, including the treatment of expenses and fair pay disclosures.

39. While we are satisfied that the Performance Report and Accountability Report are materially consistent with the financial statements and auditors knowledge, there are opportunities for FMPG to enhance the content of these reports to provide the reader greater detail on the group's performance in year, strategic plans, developments in governance arrangements and plans to address any deficiencies in internal controls or risk management arrangements. Management has agreed to focus on these areas as part of the 2025/26 accounts.

Significant risks of material misstatement identified in the Annual Audit Plan

40. Audit work has been performed in response to the significant risks of material misstatement and risk of material misstatement identified in the Annual Audit Plan. The outcome of audit work performed is summarised in [Exhibit 5](#) and [Exhibit 6](#) respectively.

Exhibit 5

Significant risks of material misstatement to the financial statements

Significant Risk of material misstatement	Planned audit response	Outcome of audit work
<p>Fraud caused by management override of controls</p> <p>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>The audit team will:</p> <ul style="list-style-type: none"> • Evaluate the design and implementation of controls over journal entry processing. • Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries. • Test journals entries, focusing on those that are assessed as higher risk, such as those affecting revenue and expenditure recognition around the year-end. • Evaluate significant transactions outside the normal course of business. • Assess the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements. • Assess changes to the methods and underlying assumptions used to prepare accounting estimates and assess these for evidence of management bias. 	<p>Audit work performed found:</p> <p>Our testing found that there was an absence of evidence of independent review of journal posted. In previous years, the Head of Finance previously documented their review of journals posted to confirm these were appropriate. However, no such control was evident in the current year. Our testing of journals confirmed only appropriate members of staff have access to process journals and there was no indication of material fraud or error in journals posted. (Refer Appendix 1, Recommendation 2)</p> <ul style="list-style-type: none"> • No inappropriate or unusual activity relating to the processing of journal entries was identified from discussions with individuals involved in financial reporting. • No significant issues were identified from testing of journal entries. • No significant issues were identified from transactions outside the normal course of business. • The controls in place for identifying and disclosing related party relationships and transactions were adequate. • No issues were identified with changes to methods and underlying assumptions used to prepare accounting estimates and there was no evidence of management bias. <p>Conclusion: While we identified opportunities to enhance controls over journal review, our audit procedures did not identify any indication of fraud or error through management override of controls.</p>

Significant Risk of material misstatement	Planned audit response	Outcome of audit work
<p>Presumed risk of fraud over expenditure recognition under ISA (UK) 240 and PN 10</p> <p>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.</p> <p>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.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • 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. 	<p>Audit work performed found:</p> <ul style="list-style-type: none"> • The design of controls over expenditure including those in relation to recording transactions around the year end were appropriate. • Testing of pre and post year end non pay expenditure was recorded in the correct financial year. • Testing of post year end bank transactions for expenditure items to identify any potential unrecorded expenditure was satisfactory. <p>Conclusion: Adequate assurance gained that there was no indication of fraud in expenditure recognised and that expenditure reported is free from material misstatement.</p>

Exhibit 6

Risks of material misstatement to the financial statements

Risk of material misstatement	Planned audit response	Outcome of audit work
<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. 	<p>Audit work performed found:</p> <ul style="list-style-type: none"> • the design and implementation of controls over the valuation were appropriate. • the information provided to the valuer was complete and accurate. • the competence, capabilities, and objectivity of the valuer was found to be satisfactory. • confirmed management's involvement in the valuation process was appropriate. • confirmed management's assessment that the value in the balance sheet of assets not subject to a valuation process in 2024/25 was appropriate. • the valuation of one of FMPG's assets had not been carried out in line with its stated valuation frequency, although it was still within the required frequency from technical guidance. Additional disclosures were added to the financial statements to explain this. <p>Conclusion: the valuation of land and buildings is not materially misstated.</p>

Prior year recommendations

41. FMPG has made limited progress in implementing the agreed prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with FMPG and are outlined in [Appendix 1](#).

Wider scope and Best Value audit

Conclusion

The Scottish Government has confirmed continued support for FMPG for at least 12 months from the date of signing of the Group's 2024/25 annual report and financial statements, and its present intention that this will include under recoveries.

FMPG is currently updating their five-year Business Plan which outlines the Board's plan to deliver a sustainable, profitable, efficient, and competitive yard under public ownership. This includes various options for the future of the yard including direct award of future vessel contracts as well as wider commercial opportunities.

There is material risk and uncertainty around the future financial sustainability of FMPG with no contracted work beyond the completion of vessel 802 (MV Glen Rosa). In addition, there remains considerable risk around the timing of the delivery of MV Glen Rosa with a review on forecasts anticipated to be completed in the coming month. FMPG is exploring options, including working with the Scottish Government to secure future work beyond MV Glen Rosa and support the long-term sustainability of the yard. FMPG are exploring options to invest in the yard's infrastructure to enhance productivity and capability to generate more commercial opportunities for the yard. This includes the £14.2 million of potential capital investment which the Scottish Government has committed to provide. FMPG should look to develop its strategic vision and future plans for the yard to shape the future business and investment planning decisions.

FMPG has undertaken a review the arrangements in place to support the best value characteristics, including a systematic approach to self-evaluation and continuous improvement. A report is due to be published in 2026, following Board approval.

FMPG must continue to make improvements to both the control environment and the governance arrangements to ensure compliance with the requirements of the SPFM. While progress has been made in enhancing governance, performance management and internal control arrangements, reflecting the findings of the prior year external audit report and Section 22 report, there remains significant areas of improvement. Internal audit identified a number of significant control deficiencies in the year, including opportunities to enhance project management, human resources and wider governance arrangements.

Audit approach to wider scope and Best Value

Wider scope

42. As reported in the Annual Audit Plan, the wider scope audit areas are:

- Financial Management.
- Financial Sustainability.
- Vision, Leadership and Governance.
- Use of Resources to Improve Outcomes.

43. Audit work is performed on these four areas and a conclusion on the effectiveness and appropriateness of arrangements FMPG has in place for each of these is reported in this chapter.

Duty of Best Value

44. 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.

45. Consideration of the arrangements FMPG has in place to secure Best Value has been carried out alongside the wider scope audit.

Significant wider scope and Best Value risks

46. Audit work has been performed in response to the significant wider scope and Best Value risks identified in the Annual Audit Plan. The outcome of audit work performed is summarised in [Exhibit 3](#).

Exhibit 3

Significant wider scope and Best Value risks

Significant risk	Planned audit response	Outcome of audit work
<p>Short and Long-Term Financial Sustainability</p> <p>FMPG faces significant financial uncertainty. With MV Glen Rosa due for completion in 2026 and limited work out with 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 funding over the next 12 months. 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 financial statements 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>Audit work performed found:</p> <ul style="list-style-type: none"> • FMPG is the process of developing its Business Plan. This incorporates scenario plans ranging from a package of work covering the next five years including direct award of contracts from SG to no future investment in the yard. • FMPG recognise that there is a risk around forecast delivery of MV Glen Rosa and have included best available information in their financial projections. • FMPG's financial forecasts highlight the continued reliance on SG funding for under recoveries and level of uncertainty around future work. • FMPG continue to explore commercial opportunities including contracted work with BAE Systems as well as further tender opportunities. • FMPG's business plan recognises the need for investment in the yard to deliver operational efficiencies as well as capacity to remain commercially competitive. <p>Conclusion: There remains material risk and uncertainty surrounding the future sustainability of the yard.</p>

Significant risk	Planned audit response	Outcome of audit work
<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. 	<p>Audit work performed found:</p> <ul style="list-style-type: none"> Some of the prior year recommendations are still being implemented. Updates on the recommendations are provided in Appendix 1. Internal Audit completed their 2024/25 Audit Plan and finalised their Annual Opinion in October 2025 which provided overall limited assurance. FMPG continue to revise policies, procedures and systems of internal control. However, further work is required around these. <p>Conclusion: FMPG have made progress in enhancing systems of internal control and governance arrangements. However, significant work is still required on these arrangements. This has been reflected through recommendations arising from our own audit work and that of Internal audit who issued an opinion of limited assurance.</p>

Source: Audit Scotland

Conclusions on wider scope audit

Financial Management

47. FMPG, as an NDPB of the Scottish Government (SG), receives most of its funding directly from the SG. Monthly monitoring is the primary means of in-year budgetary control across the SG.

48. FMPG reported a group pre-tax net deficit of £2.742 million for the financial year 2024/25 (2023/24 net deficit of £1.322 million). The ongoing deficit is primarily a result of the continued cost in investment and turnaround activity in the yard not covered through contracted income.

49. Financial performance and budget monitoring is performed at Board meetings, which occur on a bi-monthly basis. The Board considered the latest finance report in September 2025, which confirmed that the total cost to FMPG to complete as at August 2025 was £185 million (including contingency for risks of £12.5 million) in respect of MV Glen Rosa. The overall projections remain up to date as at October 2025. In addition to the direct costs of the delivery of the vessels, additional investment in the yard from the Scottish Government in the form of capital contributions (which includes under-recovery costs of £34.8 million at March 2025) are detailed below:

Exhibit 8

Costs for completion of work on vessel 802 (MV Glen Rosa) and capital contributions to 31 March 2025

	802 costs £million	Other Investment £million	Total Scottish Government funding £million
Vessel 802 (MV Glen Rosa) costs invoiced to March 2025	117.1		117.1
FMPG total costs to complete vessel 802	55.6		55.6
Contingency / risk factor	12.3		12.3
Capital Contributions to 31 March 2025		34.8	34.8
Total	185.0	34.8	219.8

Source: FMPG Financial Statements, financial forecasts – October 2025, and financial cash projections

50. Financial performance and budget monitoring is performed at Board meetings, which occur on a bi-monthly basis. The budget papers continue to be enhanced with details on operating expenditure, forecasts and financial risks. In addition, there is detailed reporting on staffing costs, including trend analysis and productivity indicators to support management oversight. This supports effective scrutiny of financial performance at the Board and committees.

FMPG continues to improve its control environment but there remains a number of areas of control weakness

51. In our 2023/24 annual audit we reported a number of deficiencies in FMPGs financial control environment including weaknesses within payroll

controls and the wider IT general control environment. As part of our 2024/25 audit work, we reviewed the financial controls in place and identified that weaknesses reported in the prior year were still present during the year.

52. We were able to obtain sufficient evidence to conclude that these did not represent a risk of material misstatement in the financial statements. However, management should continue to work to address the issues identified (See Follow up recommendations provided in [Appendix 1](#)).

53. While enhancements have been made to arrangements, including increasing the capacity within the central finance team, we found that there continues to remain challenges within the overall financial control environment. Policies and procedures should be reviewed to ensure these remain appropriate, up to date, and clarify the roles and responsibilities of the Chief Executive, Accountable Officer and senior management. More specifically we found that for the approval of expenses there was no defined policy around the approval of expenses leading to inconsistent approaches during the year. Our sample testing confirmed all expenses were independently authorised.

Recommendation 3

FMPG should review expenses policy to ensure this clearly defines roles and responsibilities in relation to senior management. In particular, defining the approval process for expenses of senior officers. (Refer [Appendix 1](#), action plan)

Financial Sustainability

The Scottish Government has confirmed continued support, including under recoveries, for the Group. However there remains uncertainty around the longer-term financial sustainability of the yard

54. In November 2025, the Scottish Government wrote to FMPG confirming that for at least a period of 12 months from the date of approval of the 2024/25 annual report and financial statements (Support Period), to continue to provide support to the Group. This provided continued support for the delivery of vessel 802 (MV Glen Rosa) as well as under-recovered expenditure incurred. The letter also states that; *‘This confirmation of continuing support to the Group is intended to confirm only the Scottish Government’s policy regarding the Support Period. It is not to be construed as constituting a promise or warranty as to future conduct in that period or otherwise, or as imposing on Scottish Ministers any obligation beyond the Framework Agreement, or in conflict with, the requirements of the SPFM or any applicable law.*

55. The Scottish Government is working with FMPG to monitor, manage and fund ongoing Under Recoveries. These reflect the costs incurred by FMPG in relation to future developments and tenders that are not incurred

in completing MV Glen Rosa and any commercial contracts. The total cost of under recoveries in 2024/25 was £3.3 million.

56. FMPG have a £7 million working capital loan from Scottish Government to support cash flow where there are timing differences between funding reimbursements from Scottish Government and FMPG paying their suppliers and other expenses. It is anticipated this will be paid back in full on completion of MV Glen Rosa.

57. There is material risk and uncertainty around the future financial sustainability of FMPG with no contracted work beyond the completion of vessel 802 (MV Glen Rosa). In addition, there remains ongoing risk around the timing of the completion of the vessel itself. FMPG is exploring options, including working with the Scottish Government to secure future work beyond MV Glen Rosa and support the long-term sustainability of the yard.

FMPG is working with the Scottish Government to develop a revised Business Plan, including different scenarios for the yard based on levels of investment. FMPG recognise the importance of enhancing productivity, capacity and capability of the yard to be commercially viable

58. FMPG is working with the Scottish Government to refresh its Business Plan which outlines the Board's plan to deliver a sustainable, profitable, efficient, and competitive yard under public ownership. This is due to be approved by the Board on 27 November 2025.

59. FMPG recognise the need to ensure the yard has the productivity and capacity to deliver vessels on time and on budget and operate in a commercially competitive environment. FMPG are exploring options to invest in the yard's infrastructure to enhance productivity and capability to generate more commercial opportunities for the yard. This includes the £14.2 million of potential capital investment which the Scottish Government has committed to provide but is subject to due diligence and formal approval.

Vision, Leadership and Governance

60. FMPG is classed as a Non-Departmental Public Body, which is fully owned by Scottish Government. The framework document sets out the obligations and requirements for FMPG as a public sector organisation including how FMPG should comply with the SPFM.

61. An updated Framework Agreement was approved by Scottish Ministers in July 2024. This Framework Agreement sets out the broad framework within which the relationship will function and defines key roles and responsibilities of and between FMPG and the Strategic Commercial Assets Division of Directorate General Economy in Scottish Government (SCAD). The Framework Agreement describes certain parameters within which:

- FMPG is expected to operate and comply
- certain responsibilities of Scottish Ministers as the Shareholder of FMPG
- the expected interaction between FMPG and SCAD on behalf of Scottish Ministers as the Shareholder of FMPG, all of which articulate FMPG's operational and administrative independence.

62. FMPG's governance arrangements have been set out in the Governance Statement in the annual report and financial statements. We have reviewed these arrangements and concluded that there are areas where FMPG can further improve their governance arrangements.

63. Our review of the governance arrangements of an organisation includes consideration of:

- Board and committee structure and conduct.
- Overall arrangements and standards of conduct including those for the prevention and detection of fraud, error, bribery, and corruption.
- Openness of board and committees.
- Reporting of performance and whether this is fair, balanced, and understandable.

64. The audit work performed on the arrangements FMPG has in place around its Vision, Leadership and Governance found that there was opportunities for improvement in these arrangements. While we have observed enhancements to FMPG's financial and performance reporting to the Board and improvements in risk management arrangements, with regular reporting on project risks, there remains opportunities for improving governance within the organisation.

65. During 2024/25 Internal Audit undertook an independent review of corporate governance. The review provided limited assurance over the design and operational effectiveness of corporate governance controls in place. While there were no significant findings the review identified opportunities to enhance corporate governance arrangements including the timeliness of Board and committee papers; clarity around Board and committee terms of reference; frequency of member training and development; and inadequate arrangements to ensure continued assessment of the effectiveness of committees.

66. FMPG have agreed a management action plan to address these issues and are in the process of making revisions to governance arrangements.

While FMPG is refreshing its business plan, the organisation recognises the need to work towards developing a strategic plan and vision for the organisation

67. Since its inception, FMPG's primary focus has been the delivery of vessels 801 and 802. The organisation developed a five year business plan which shaped the potential scenarios for the organisation over the five year period. However, it does not clearly define the strategic objectives for the organisation and the plan itself is being refreshed to reflect changing market conditions.

68. With the development of a revised business plan and the projected completion of MV Glen Rosa, there is an opportunity for FMPG to define what its longer term strategic vision is. The Board is currently developing the strategic objectives for the business and it is important that these are clearly communicated and cascaded throughout the organisation. This includes various scenarios around the potential future of the yard ranging from no significant investment in the yard to support the delivery of a portfolio of vessels over the next five years.

69. FMPG have not defined their strategic vision of wider strategy for the yard. While management have recognised the need for investment in the yard there should be a clearer defined strategy for the yard on which business plans can be developed and shaped.

Recommendation 4

There remains a significant degree of uncertainty over the future of FMPG. The Scottish Government and FMPG must work together to provide clarity on the future options available and set the future strategic direction of the yard.

(Refer [Appendix 1](#), action plan)

There were changes in executive and non-executive board membership during the year.

70. In March 2024 the previous Chief Executive's contract of employment was terminated by the Board. The new interim Chief Executive Officer (CEO) was originally employed on a six-month appointment. This was subsequently extended, until his resignation in March 2025. The new Chief Executive Officer commenced in May 2025.

71. There were changes in non-executive directors during the year with two new appointments in March 2025 replacing two directors who had departed the organisation during the year. In November 2025, the Chair's appointment to the Board came to an end and Duncan Anderson has been appointed Interim Chair as the Board seek to appoint to the position on a permanent basis.

FMPG received cyber essential plus accreditation demonstrating their commitment to managing cyber security, but the wider IT environment continues to require improvement

72. There continues to be a significant risk of cyber-attacks to public bodies, and it is important that they have appropriate cyber security arrangements in place. A number of recent incidents have demonstrated the significant impact that a cyber-attack can have on both the finances and operation of an organisation.

73. Cyber Essentials is a UK government-backed scheme designed to support bodies protect themselves against common cyber-attacks. It is a certification that demonstrates a baseline of cybersecurity measures are in place, focusing on five key areas: firewalls, secure configuration, user access control, malware protection, and patch management. In July 2025 FMPG were accredited with Cyber Essentials Plus demonstrating their commitment to managing cyber risk. The risk of cyber threat remains a key corporate risk for the organisation.

74. As part of our work during the year, we confirmed that the arrangements in place at FMPG for managing and mitigating cyber security risks required improvement. These included the IT strategy not being linked to corporate plans, regular penetration testing not being carried out, and lack of a cyber incident response plan. Similar issues were noted during last year's audit work, including findings from Internal Audit, and improvement actions are still being implemented. Some of the prior year recommendations are still being implemented. Updates on the recommendations are provided in [Appendix 1](#).

Use of Resources to Improve Outcomes

75. Public sector bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities.

76. FMPG has continued to improve its monitoring and oversight of key performance reports allowing scrutiny of operational delivery. This has included both financial and operational reporting including productivity measures.

77. During 2024/25 FMPGs primary focus has been the delivery of vessels 801 and 802 and performance monitoring and oversight has been predominantly focused on these activities.

Management have recognised the need to enhance project management arrangements and is investing in project management controls. Further work is required to ensure that lessons are learned from the completion of MV Glen Sannox to inform other projects including the completion of MV Glen Rosa

78. In our 2023/24 Annual Audit Report we highlighted the challenges facing FMPG in attracting and retaining project planning expertise. Management appointed external experts to support FMPGs project planning and management arrangements and these provided project management support during the year. However, following the appointment of the new Chief Executive Officer it was concluded that the level of service provided did not represent value for money. Project management is essential for the organisation to support the efficient and effective planning and delivery of projects.

79. In 2024/25, Internal audit undertook an independent audit of FMPG's Project Management arrangements. The audit was unable to provide assurance on the design and implementation of controls as a result of an absence key project management controls including an absence of documented project management methodology to ensure consistent methods and processes are followed across projects. The review also found that there were ineffective change control procedures.

80. Management have agreed an action plan to address the issues raised within the report as part of their ongoing work to develop more robust and effective project management arrangements. This has included recruitment of project planners, co-ordinators and planning control experts to support the organisation as well as establishing standardised project management methodologies and templates. Outstanding actions are expected to be implemented by March 2026.

Conclusions on duty of Best Value

81. The key outcome for FMPG is meeting the key delivery date for MV Glen Rosa. In addition, FMPG needs to meet the objectives in its own business plans and improve productivity and performance targets.

82. [Ministerial guidance to Accountable Officers](#) for public bodies and the [Scottish Public Finance Manual](#) (SPFM) sets out the accountable officer's duty to ensure that arrangements are in place to secure best value. The guidance sets out the key characteristics of best value and states that compliance with the duty of best value requires public bodies to take a systematic approach to self-evaluation and continuous improvement.

83. During 2024/25 management have been working with BDO to develop and implement how it can demonstrate and monitor best value through self-evaluation and continuous improvement. Management anticipate that this work will be completed in 2025/26 (Follow up recommendations, Appendix 1).

84. The audit work performed on the arrangements FMPG has in place for securing Best Value found that there were opportunities for improvement. FMPG has well established and effective governance arrangements in place. As noted above, FMPG has made improvements to its performance monitoring and governance arrangements including enhanced performance reporting of both financial and non-financial information. We have identified opportunities and risks around the four wider scope areas including financial management, financial sustainability, vision, leadership and governance and use of resources to improve outcomes.

Appendix 1

Action plan 2024/25

2024/25 recommendations

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
<p>1. Preparation of the accounts</p> <p>The unaudited annual report and financial statements and all working papers were received on 1 August 2025 in accordance with the agreed audit timetable. The working papers and unaudited financial statements were of a good standard, however there were several significant sections of the performance and accountability report within the annual report and financial statements that required updating, including the going concern assessment and sustainability disclosures. These were not completed until the end of November. These were primarily as a result of delays in receiving assurances from the Scottish Government to support FMPG's going concern assessment.</p> <p>There is a risk that FMPG fail to meet statutory reporting dates through having FReM compliant accounts in a timely manner.</p>	<p>To ensure timely completion of the audit, Management should liaise with the Scottish Government to ensure that required letters of comfort to support FMPG's assessment of going concern and the completion of the annual report and financial statements is undertaken in a timely manner.</p>	<p>Accepted</p> <p>FMPG will continue to work with Scottish Government to review and agree the future plans for FMPG and ensure timely acceptance of Letter of Comfort and going concern review.</p> <p>CFO</p> <p>31 October 2026</p>
<p>2. Journal controls</p> <p>The ledger system does require segregation of duties between preparer and authoriser of journals. In previous years management had implemented an independent review of journals. However, this control was not in place during 2024/25.</p> <p>There is a risk of fraud or error in journals without sufficient review of transactions.</p>	<p>FMPG should ensure that a review process in place over journal entries to ensure these are complete and accurate and that there is no indication of fraud or error. The review should be undertaken by someone independent of journals processing.</p>	<p>Accepted</p> <p>FMPG will implement this review into their journal entries process.</p> <p>CFO</p> <p>31 January 2026</p>

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
<p>3 Policy for approval of expenses</p> <p>While enhancements have been made to arrangements, we found that there continues to remain challenges within the overall financial control environment. Policies and procedures should be reviewed to ensure these remain appropriate, up to date, and clarify the roles and responsibilities of the Chief Executive, Accountable Officer and senior management. More specifically we found that there was no defined policy around the approval of expenses leading to inconsistent approaches during the year.</p>	<p>FMPG should review expenses policy to ensure this clearly defines roles and responsibilities in relation to senior management. In particular, defining the approval process for expenses of senior officers.</p>	<p>Accepted</p> <p>FMPG will update their expenses policy to clearly define the roles and responsibilities.</p> <p>CFO</p> <p>31 January 2026</p>
<p>4. Vision and strategic planning</p> <p>FMPG are working with Scottish Government to develop a revised Business Plan building on the previous business plan from 2024. This includes various scenarios around the potential future of the yard ranging from no significant investment in the yard to support the delivery of a portfolio of vessels over the next five years.</p> <p>FMPG have not defined their strategic vision of wider strategy for the yard. While management have recognised the need for investment in the yard there should be a clearer defined strategy for the yard on which business plans can be developed and shaped.</p>	<p>There remains a significant degree of uncertainty over the future of FMPG. The Scottish Government and FMPG must work together to provide clarity on the future options available and set the future strategic direction of the yard.</p>	<p>Accepted</p> <p>FMPG are in regular discussions with Scottish Government regarding Business Plan refreshes, and will update the Company Core values, vision and strategy, linking this to staff objectives and PDRs and into a strategic business plan.</p> <p>CEO – Vision & Values</p> <p>CFO – Business Plan</p> <p>31 March 2026</p>

Follow-up of prior year recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p>1. Consideration of going concern</p> <p>We have considered FMPG's ability to continue as a going concern, for a 12-month period beyond the date of signing the 2023/24 annual report and financial statements (October 2024). Recognising the nature of FMPG as an organisation we have determined in this case we cannot assess FMPG's going concern in accordance with the FRC Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). Management have highlighted the risks and uncertainties in the organisation's ability to continue as a going concern.</p>	<p>FMPG and Scottish Government must continue to work together to agree the future plans for FMPG as an organisation and to provide the clarity required to support a going concern status.</p> <p>Accepted</p> <p>2024/25 updated management response:</p> <p>FMPG will continue to work together with SG on future plans for the Company, via tendering for future work, Joint Ventures, Commercial Agreements and cost control via rightsizing plans if and when appropriate, relative to the Revenue streams in any Forecast or Business Plan.</p> <p>Responsible officer</p> <p>David Dishon, CFO</p> <p>Agreed date</p> <p>Q1 2026</p>	<p>We have considered FMPG's ability to continue as a going concern, for a 12-month period beyond the date of signing the 2024/25 annual report and financial statements (December 2025). Management have highlighted the material risk and uncertainty in the organisation's ability to continue as a going concern. FMPG and the Scottish Government must continue to work together to agree the future plans for FMPG as an organisation and to provide the clarity required to support a going concern status.</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p>2. Revised five year business plan</p> <p>FMPG has produced a revised five-year Business Plan. The foundation of the business plan is the direct award of the Small Vessel Replacement Programme.</p> <p>Risk – The SVRP contract will go out to tender, so will not be directly awarded to FMPG.</p>	<p>There remains a significant degree of uncertainty over the future of FMPG. The Scottish Government and FMPG must work together to provide clarity on the future options available.</p> <p>Accepted</p> <p>FMPG will continue to work together on future plans for the Company, via tendering for future work, and will look to minimise the risk of SVRP not being awarded to FMPG by tendering for other work.</p> <p>Responsible officer</p> <p>David Dishon, CFO</p> <p>Agreed date</p> <p>31 March 2025</p>	<p>Superseded</p> <p>Recommendation superseded with See recommendation 4 raised in 2024/25 above.</p>
<p>3. Engagement with Internal Audit</p> <p>In September 2024 internal audit presented their Annual Report for 2023/24, which includes the Annual Statement of Assurance, to the Audit and Risk Committee. The report noted that there have been significant delays to the commencement and completion of reviews that were agreed within the 2023/24 internal audit plan.</p> <p>Risk – FMPG do not receive independent assurance around its internal controls, risk management and governance arrangements.</p>	<p>Progress has been made in establishing the provision of internal audit services and the completion of some internal audit reviews. However, Management needs to engage with internal audit to ensure that appropriate support is provided to progress the programme of work outlined within the Internal Audit Plan.</p> <p>Partially accepted</p> <p>2024/25 updated management response:</p> <p>FMPG have continued to have staff turnover at senior level, but the engagement with Internal Audit has improved. Senior Leadership Team discuss Audits at management catch-ups and it is built into Senior Teams PDRs.</p> <p>Responsible officer</p> <p>David Dishon, CFO</p> <p>Agreed date</p> <p>30 June 2026</p>	<p>Implemented</p> <p>Internal Audit have completed sufficient audit procedures in the year to express an opinion on the internal control, risk management and governance arrangements in place at FMPG.</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p>4. Exit package payments</p> <p>During 2023/24 three exit packages were paid with values for each above the £95,000 threshold. Only one of the exit packages received approval from the Scottish Government in advance of the payment being made. The client has not been able to provide any documented process or evidence of who has the delegated authority for decision making around employment termination and exit payments.</p> <p>Risk – FMPG do not have formal policies and limited documentation to support internal decision making.</p>	<p>FMPG should put policies in place to improve governance arrangements in relation to decision making, approval and transparency of reporting.</p> <p>In addition, FMPG should ensure compliance with the Framework Agreement and the Settlement Agreements, Severance, Early Retirement and Redundancy Terms section of the SPFM.</p> <p>Accepted</p> <p>2024/25 updated management response:</p> <p>This is all part of the payroll process to ensure compliance with the Framework Agreement and SPFM and FMPG will put a formal policy in place to document this and demonstrate evidence of compliance.</p> <p>Responsible officer</p> <p>David Dishon, CFO</p> <p>Agreed date</p> <p>31 December 2025.</p>	<p>Work in progress</p> <p>Our audit work identified that exit packages approved during 2024/25 were all in the normal course of business i.e. probationary period or disciplinary process and that these were approved by relevant line manager and HR. However, there is no specific policy outlining the approval and decision-making arrangements for exit packages in place.</p> <p>While this did not have an impact in the year, FMPG must work to ensure these policies and procedures are clearly defined to ensure appropriate governance and oversight.</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p>5. Control and governance arrangements</p> <p>Our review of financial controls identified weaknesses within the payroll control environment. We also found a number of weaknesses within the IT general control environment.</p> <p>Risk – FMPG do not have adequate controls or governance arrangements to detect fraud or error.</p>	<p>FMPG must continue to make improvements to both the control environment and the governance arrangements to ensure compliance with the requirements of the SPFM.</p> <p>FMPG should review the organisational capacity to support improvements to both the control and governance environment.</p> <p>Partially accepted</p> <p>2024/25 updated management response:</p> <p>The points around IT are accepted and we will work to get these in place as soon as possible. The work on the payroll items are underway – some have already been addressed and we need Internal Audit to review these now.</p> <p>Responsible officer</p> <p>David Dishon, CFO</p> <p>Agreed date</p> <p>31 March 2026</p>	<p>Work in progress</p> <p>As part of our work during the year, we confirmed that the arrangements in place at FMPG for managing and mitigating cyber security risks required improvement. These included the IT strategy not being linked to corporate plans, regular penetration testing not being carried out, and lack of a cyber incident response plan.</p> <p>We also identified weaknesses in payroll controls with Internal Audit identifying similar issues during the year. This included a lack of documented review of payroll reports prior to transfer to MoorePay.</p> <p>FMPG must continue to make improvements to both the control environment and the governance arrangements to ensure compliance with the requirements of the SPFM.</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p>6. Segregation of duties</p> <p>During 2023/24 an internal management investigation of contractor payments identified weaknesses in governance arrangements and transparency of reporting to and approval by the Board. FMPG has calculated that an underpayment of £48,000 in respect of PAYE to HMRC.</p> <p>Risk – FMPG do not have adequate controls or governance arrangements to detect fraud or error.</p>	<p>FMPG have recognised that arrangements need to be strengthened to ensure appropriate segregation of duties and improved transparency and reporting to the Board. FMPG should consider whether an independent review of the revised arrangements should be undertaken, including consideration of the investigation process, to provide assurance that the weaknesses in governance arrangements have been addressed.</p> <p>Accepted</p> <p>2024/25 updated management response:</p> <p>FMPG will produce a clearly defined policy.</p> <p>Responsible officer</p> <p>David Dishon, CFO</p> <p>Agreed date</p> <p>31 January 2026</p>	<p>Work in progress</p> <p>FMPG have made progress in relation to implementing changes to processes and procedures to support segregation of duties.</p> <p>FMPG has separated the roles of CEO and Accountable Officer, with the Director of Finance being the Accountable Officer. This has supported greater segregation of responsibilities.</p> <p>Our audit identified that some policies and procedures do not distinguish between these roles. Specifically, we found that there is no clear policy defining the approval process for expenses including those of the CEO and Accountable Officer. While we found these were approved by the Board (and in one instance the CEOs approved by the Accountable Officer) and therefore do not have concerns around the approvals in year, the absence of clearly defined policies creates a risk for the organisation.</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p>7. Compliance with the duty of Best Value</p> <p>The SPFM sets out key characteristics of best value and states that compliance with the duty of best value requires public bodies to take a systematic approach to self-evaluation and continuous improvement.</p>	<p>FMPG should continue to work with Scottish Government to demonstrate how it meets the best value characteristics and consider how this can support the future of the organisation.</p> <p>Accepted</p> <p>2024/25 updated management response:</p> <p>FMPG will continue to work on Best Value Reporting. We have completed the workshops with BDO and are now working on a final report and actions to allow FMPG to deliver Best Value internally in 2025/26</p> <p>Responsible officer</p> <p>David Dishon, CFO</p> <p>Agreed date</p> <p>31 March 2026</p>	<p>Work in progress</p> <p>During 2024/25 management have been working with BDO to develop and implement how it can demonstrate and monitor best value through self-evaluation and continuous improvement. Work is outstanding to complete this work and embed into continuous monitoring in 2025/26.</p>

Appendix 2

Supporting national and performance audit reports

Report name	Date published
The National Fraud Initiative in Scotland 2024	15 August 2024
Fiscal sustainability and reform in Scotland	21 November 2024
Public service reform in Scotland: how do we turn rhetoric into reality?	26 November 2024
Auditing climate change	7 January 2025
Sustainable transport	30 January 2025

Ferguson Marine (Port Glasgow) Holdings Limited

2024/25 Annual Audit Report



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