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# **Food Standards Agency in Scotland**

## **Annual Report and Accounts 2013/14**

(For the year ended 31 March 2014)

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## Statement of Accounting Officer's responsibilities

Under the Accounts Directions issued by the Scottish Ministers under the Food Standards Act 1999, the Food Standards Agency is required to prepare, for each financial year accounts detailing the use of resources by the Department during the year. The accounts are prepared on an accruals basis and present fairly the Department's net resource outturn.

In preparing the accounts, the principal Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

observe the Accounts Direction issued by the Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;

- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

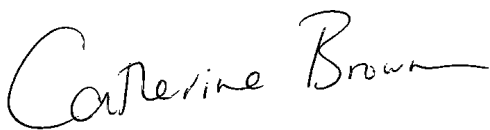
HM Treasury has appointed the Permanent Head of the Department as principal Accounting Officer of the department.

The allocation of Accounting Officer responsibilities in the department is as follows:

Request for resources 1: Catherine Brown, FSA Chief Executive and Accounting Officer

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Food Standards Agency's assets, are set out in the Accounting Officer Memorandum issued by HM Treasury and published in Government Accounting.

I am not aware of any relevant information that has not been made available to the auditors. I have taken all necessary steps to make myself aware of any relevant audit information and to establish that the auditors are aware of that information.



*Catherine Brown*  
Chief Executive and Accounting Officer

11 June 2014

# FSA Governance Statement 2013/2014

## Introduction

### Introduction

1. As Accounting Officer for the Food Standards Agency (FSA) I am responsible for ensuring that the Department has an effective governance framework in place to support the delivery of the FSA's strategy, ensure value for money, manage risks and ensure effective organisational performance. The FSA is a UK-wide non-Ministerial Government Department, and I am accountable to the Westminster Parliament and the relevant Devolved Parliament and Assemblies in Scotland, Wales and Northern Ireland through Health Ministers.

### FSA Board and Committee Assurance

2. As a non-Ministerial Government Department, the FSA is led by a non-Executive Board which complies with the relevant requirements of the Corporate Governance Code<sup>1</sup>. In line with the FSA's culture of openness the Board holds its decision-making meetings in public, and they are broadcast live via the FSA's website, and the agendas, papers and minutes of Board meetings are published.
3. During the course of the year, there has been a significant level of change to the FSA Board and Executive Management team as detailed in the Directors' report. In particular there have been four retirements from the FSA Board, including Lord Rooker as Chair in July 2013. Ministers in all four administrations have appointed Tim Bennett (FSA Deputy Chair) as interim Chair and Henrietta Campbell as interim Deputy Chair whilst the recruitment of a new Chair progresses. One new Board Member has joined during the year with a further three due to join in early 2014/15. All new members are given a comprehensive induction programme which includes briefing in relation to all aspects of the FSA's governance structure and supporting processes.
4. The Board is supported and advised by Food Advisory Committees in each of the devolved countries<sup>2</sup>, and by an Audit Committee, a Risk Committee and a Succession & Development Committee and their terms of reference and attendance records are available on our website.<sup>3</sup>
5. The Chairs of the Food Advisory Committees report formally to each Open Board meeting on issues considered. The Chairs of the Audit, Risk, and Succession & Development Committees report annually to the FSA Board.

### Assurances from the Audit, Risk, and Succession & Development Committees

6. As Accounting Officer, I am invited to attend all meetings of the FSA's Audit, Risk, and Succession & Development Committees. These committees have met regularly throughout the year and have provided valuable and constructive challenge. In compiling this Statement, I have reviewed the annual reports produced by each of their respective Chairs (copies of which are available on the FSA website). From September 2014 the FSA will merge the Audit and Risk Committees in line with best practice.

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1 [www.frc.org.uk/Our-Work/Codes-Standards/Corporate-governance/UK-Corporate-Governance-Code.aspx](http://www.frc.org.uk/Our-Work/Codes-Standards/Corporate-governance/UK-Corporate-Governance-Code.aspx)

2 [www.food.gov.uk/scotland/about-fsa-scotland/advisorycommittee](http://www.food.gov.uk/scotland/about-fsa-scotland/advisorycommittee)  
[www.food.gov.uk/wales/about-fsa-wales/advisorycommitteewales](http://www.food.gov.uk/wales/about-fsa-wales/advisorycommitteewales)  
[www.food.gov.uk/northern-ireland/about-fsa-ni/advisorycommittee](http://www.food.gov.uk/northern-ireland/about-fsa-ni/advisorycommittee)

3 [www.food.gov.uk/about-us/how-we-work/our-board/boardcommittees](http://www.food.gov.uk/about-us/how-we-work/our-board/boardcommittees)

7. During the course of the year, the Risk Committee<sup>4</sup> has considered a range of issues which have included: potential risk issues arising from the horsemeat incident and subsequent reviews and action being undertaken by the FSA to mitigate them; business continuity incidents that have occurred during the course of the year; information security; issues arising from the roll-out of new IT equipment across the FSA estate; and the Agency's review of its corporate level risks as outlined in paragraph 24 of this statement. In their annual report to the Board, the Chair of the Risk Committee has concluded that the FSA continues to give risk a high level of attention and priority, with the work over the year continuing the improvement in Risk Management that has been seen since the Committee was set up.
8. The Audit Committee<sup>5</sup> co-opted an independent finance specialist during the year to ensure the committee had the necessary finance expertise while Board member recruitment was undertaken. It has considered a range of issues including: the FSA's consolidated accounts for 2012/13; the NAO's draft Audit Completion Report; the Head of Internal Audit's 2012/13 Opinion; various key audit reports (details of which are outlined in the Chair's Annual Report); and the Audit Plan for 2014/15. In undertaking its activities, it has also sought to comply with the requirements of HM Treasury's Audit & Risk Assurance Committee Handbook. This has included non-Executive members having a bilateral meeting with representatives of the Agency's external auditors, the NAO and the Head of Internal Audit to ensure a clear understanding of expectations and current issues. It has also included Members completing a survey on the effectiveness of the Committee during February this year which was based on the current self-assessment tool produced by the NAO. Action points arising from this are scheduled to be discussed at the June 2014 meeting. In the annual report to the FSA Board, the Audit Committee Chair concludes that risk, control and governance arrangements in place during the year were satisfactory and will address the areas for improvement identified in the internal audit reports.
9. The Succession & Development Committee<sup>6</sup> advises on all matters relating to the recruitment of Board Members and their induction and development. A recruitment process has been undertaken during the course of the year to recruit new members to replace those that have retired. To inform this, a skills and experience audit of existing Board Members was completed, with the information gathered being used to inform and will address the areas for improvement identified in the internal audit reports..

### **The Executive Management Team**

10. The Executive Management Team (EMT) supports me, as the FSA's Accounting Officer, in delivering the FSA strategy and directing the day-to-day business of the FSA. The EMT meets every two weeks.
11. Membership of the EMT comprises of ten Directors and myself, including a suitably qualified Finance Director. I have made a number of structural changes to my Executive Management Team during the year. One of the most significant changes has been to introduce a full time Director of Science & Evidence post reporting to the Director of Policy. The new Chief Scientific Advisor post reports directly to me and advises the Board on key scientific issues. These changes better integrate our scientific evidence work with

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4 [www.food.gov.uk/about-us/how-we-work/our-board/boardcommittees/riskcommittee](http://www.food.gov.uk/about-us/how-we-work/our-board/boardcommittees/riskcommittee)

5 [www.food.gov.uk/about-us/how-we-work/our-board/boardcommittees/auditcommittee](http://www.food.gov.uk/about-us/how-we-work/our-board/boardcommittees/auditcommittee)

6 [www.food.gov.uk/about-us/how-we-work/our-board/boardcommittees/successiondevelopmentcommittee](http://www.food.gov.uk/about-us/how-we-work/our-board/boardcommittees/successiondevelopmentcommittee)



our policy making. Our Scientific Advisory Committees and General Advisory Committee on Science (GACS)<sup>7</sup> continue to provide an independent challenge and assurance function.

### External Assurance Reviews

12. The FSA has supported a number of external assurance reviews which have contributed to assuring the effectiveness of our governance framework, while also identifying some opportunities for improvement.

### External Review of the FSA's Governance

13. The FSA's Capability Review<sup>8</sup> published in January 2013 identified a need for the FSA Board and Executive to work together more effectively. An external Governance Review was commissioned to consider: whether the FSA's governance was compliant with best practice both within and outside Government; whether the FSA's governance structure assists the FSA to deliver its strategic objectives and most effectively to hold the Executive to account; and whether the FSA's governance structure provides value for money and makes best use of the non-Executive and Executive resources available to it. Following completion of this review, a small joint Board/Executive Governance Steering Group was established to consider its recommendations, the outcomes of which were discussed at the Board's Open Board meeting in January 2014.

14. Key recommendations agreed at this meeting were:

- **Transparency & Openness** will remain a central principle within the FSA's governance arrangements, and will be enhanced by proposed new ways of working and reporting.
- **The creation of a Business Committee** to replace the existing Business Board. This will provide appropriate high level oversight and scrutiny of financial and operational matters at Board level, provide advice to the Chief Executive in the discharge of her Accounting Officer responsibilities, and support the translation of policy into effective results. For the first time, its membership will include Executive members as well as all members of the Board and it will meet in open session where possible.
- **Effectiveness.** The Board will undertake a formal and rigorous annual evaluation of its own performance and that of its Committees and individual Members in line with best practice outlined in the Corporate Governance in Central Government Departments: Code of Good Practice 2011. In addition to this, three minuted closed sessions will be held each year to discuss issues related to governance, the performance of the Chief Executive, and the functioning of the relationship with the Executive from a Board perspective.
- **Reporting.** The Board will approve an annual report of its activities and performance which will be laid before the Westminster Parliament, the Scottish Government, the Welsh Government and the Northern Ireland Assembly.

We have already made progress implementing the recommendations with the first meeting of the Business Committee having taken place in March 2014. A further outcome of the Governance Review was the decision taken by the FSA Board in March 2014 to merge the Audit and Risk Committees into a single Audit and Risk Assurance Committee in line with Cabinet Office guidance. The terms of reference of this merged Committee are to be discussed at the Board's June 2014 meeting, with the first meeting of the new Committee taking place in September 2014.

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<sup>7</sup> [www.food.gov.uk/science/ouradvisors](http://www.food.gov.uk/science/ouradvisors)

<sup>8</sup> [www.food.gov.uk/news-updates/news/2013/jan/capability-review](http://www.food.gov.uk/news-updates/news/2013/jan/capability-review)

## **NAO Review of Efficiency for the FSA**

15. In the latter part of 2012/13, the FSA commissioned the NAO to undertake an Efficiency Review<sup>9</sup> to identify whether the FSA is delivering the official controls required for the UK meat industry under EU and UK legislation as efficiently as possible. The review encompassed both frontline and support functions, and the NAO delivered its report at the end of May 2013 (a copy of which is available on the FSA website). The recommendations are being taken forward, including further work to ensure that the discount system for meat charging incentivises efficiency for Food Business Operators and therefore supports efficiency in terms of FSA resources.

## **Reviews into the incident relating to the adulteration of beef products with horse and pig meat and DNA**

16. In last year's Governance Statement I reported on the above incident and the fact that a number of reviews had been commissioned by the FSA and the UK administrations. These have all concluded (with the exception of the Elliott Review<sup>10</sup>, for which an interim report was published in December 2013 and a final report is due this summer) with key themes for the FSA including:

- The need for improved intelligence sharing and analysis;
- The need for a more coordinated and proactive approach to food crime and the role for central government, local authorities and the food industry in this area;
- The need for the FSA to strengthen its Major Incident Plan.

The FSA has developed an action plan to oversee delivery of those recommendations that either fall directly to us or we have a role in delivering (details of which can be found on our website) in order to ensure that we continuously improve capability to respond to future incidents.

## **Financial Management Review**

17. We strive to improve continually our financial controls and financial capability across the Agency. During the course of the year, and in line with the Civil Service Reform agenda, we commissioned CIPFA to undertake a review of the FSA's approach to Financial Management. Their report was issued in October 2013. It highlighted a number of strengths including: the championing of Financial Management improvement by senior management; strong control and compliance in relation to Financial Management; the existence of a strong core Finance Team, a clear understanding by staff across the Agency of the need to deliver Value for Money (supported by the initiation of a Continuous Improvement programme) and strong financial stewardship and above average finance support to the rest of the Agency. It also highlighted a number of areas for improvement, an action plan for which was approved by EMT in February 2014 which included the following key recommendations;

- greater clarity on accountability and Financial Management capability below senior management level;
- greater integration of business plans and budgets, supported by performance dashboards;

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9 <http://multimedia.food.gov.uk/multimedia/pdfs/board/board-papers-2013/fsa-130708-nao-efficiency-review.pdf>

10 [www.food.gov.uk/news-updates/news/2013/dec/elliott-review](http://www.food.gov.uk/news-updates/news/2013/dec/elliott-review)

- further embedding a 'Value for Money' culture;
- full implementation of Portfolio Management;
- Improving our forecasting of Programme spend.

Improvements seen during the course of the year have included the closer alignment of financial spend by Strategic Outcome and Initiative. The Board agreed the FSA's 2014/15 budget at its Business Committee meeting in March 2014.

## **Financial Control Review**

18. Whilst unqualified opinions were received from the NAO in relation to our Wales, Scotland, Northern Ireland and Consolidated Accounts for 2012/13, a £48k breach of our Capital Expenditure controls was identified on our Westminster Accounts which led to their qualification. This was in relation to a misallocation of Capital Expenditure on IT equipment which resulted in a breach of the Capital Parliamentary Control total. I am satisfied that improved controls and approval processes are now in place to ensure that directly attributable costs of all assets are correctly reported and all other improvement areas identified by the NAO in their management letter are being addressed.

## **NAO government wide review of Whistleblowing**

19. The FSA has strengthened its Whistleblowing policy by making clearer reference to the procedures the FSA has in place for whistle-blowers in line with recommendations made in the cross-department NAO report into Whistleblowing policies. In the report the FSA had only one out of eight criteria found to be less than satisfactory, with six criteria scoring good or excellent. The full report can be found at: <http://www.nao.org.uk/wp-content/uploads/2014/01/Government-whistleblowing-policies.pdf>

## **Macpherson review of Quality Assurance of Government models**

20. In response to the Macpherson Review of Quality Assurance of Government Models<sup>11</sup> we have reviewed our list of business critical models, and we have processes in place to quality assure their inputs, methodology and outputs. We are improving our processes related to communicating any risks or limitations across all sources of evidence, so that they are properly logged, managed and communicated to decision makers and policy makers.

## **Internal Management Controls**

### **FSA Risk Management framework and capacity to manage risk**

21. The FSA has a well-established Risk Management framework that is used to provide reasonable assurance to the FSA Board, Risk Committee and Executive Management Team (EMT) that risks to achieving business objectives are being effectively controlled, and those involved are clear as to their roles and responsibilities.
22. During the course of the year the EMT has undertaken a substantial review of the content of the corporate level risk register which included constructive challenge from the Risk Committee. This resulted in a more strategic and balanced set of risks with improved categorisation of different kinds of risks. This new approach is complementary to the systematic bottom up risk management already in place across the Agency.

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<sup>11</sup> [www.gov.uk/government/publications/review-of-quality-assurance-of-government-models](http://www.gov.uk/government/publications/review-of-quality-assurance-of-government-models)

23. Corporate level risks are defined by the FSA as those which:
- Materially alter our ability to achieve our strategic outcomes;
- and/or
- Fundamentally damage the ability of the FSA to operate (including reputational risks);
- and/or
- Cannot be managed or mitigated at the current level within the organisation.
24. Each of the risks on the register has an executive “owner” and a mitigation plan. At the end of the financial year, the principal risks on the FSA’s corporate level risk register included:
- Complexity and pace of change compromises our ability to identify and respond to new and emerging risks;
  - Failure to influence/inform EU bodies affects our ability to protect consumers;
  - Failure to reduce campylobacter in poultry – and hence related public health impacts – despite it being a top priority for the FSA;
  - Failure to create an environment within the FSA which enables/encourages our people to make the most effective contribution.
25. A Risk Management Strategy outlining our aspirations for further embedding a Risk Management culture across the FSA, together with an implementation plan was approved by the Executive team and Risk Committee earlier in the year. This will raise the FSA’s maturity in Risk Management as set out in HM Treasury’s Risk Management Assurance Framework. We have an established network of Risk Advisors to help consistently embed Risk Management across the FSA and an internal audit review of the FSA’s Risk Management framework in 2014/15 to report on progress.

### **Director Assurance Statements**

26. At the start of the financial year, Directors agree to operate an adequate system of internal controls over a budget delegation received from me as Accounting Officer, including forecasting, managing risk and ensuring adequate segregation of duties. As part of the year end process Directors complete an assurance statement setting out how an effective system of internal controls has been maintained. I have reviewed all of the statements produced by my Directors and can confirm that no serious issues have been reported in relation to the effectiveness of our internal controls.

### **Data Security**

27. We continue to take our responsibilities in relation to data security seriously and comply with Central Government reporting requirements, and I can confirm there have been no serious security incidents within the year.
28. The FSA has updated its Counter Fraud strategy and guidance in the year and Internal Audit have taken lead responsibility for the area in line with Government guidance. The FSA has had no instances of Fraud reported in the year and continues to reinforce its zero tolerance approach through supporting staff in understanding their role in preventing and identifying fraud.

## **Head of Internal Audit's Opinion on the FSA's governance, management and risk control**

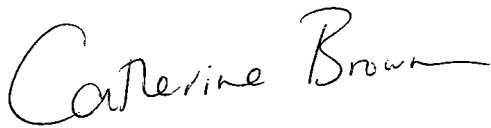
29. Based on the results of the audit work completed during the year and understanding the Agency's control environment, the Head of Internal Audit's opinion is that the FSA has maintained adequate risk control and governance arrangements.
30. The results of the business audits conducted during the year found that the controls and risk management over finance, information retention and management information on homeworkers were good. Two audits were rated as 'requiring improvement'- these were the information security and national co-ordinated food sampling audits. Official Controls were found to be satisfactory, with good or reasonable controls operating with regards to shellfish controls, microbiological criteria and traceability testing. Weaknesses in controls were found and 'requiring improvement' ratings were given for two audits relating to dairy hygiene and cutting establishments. Management have taken appropriate action to address issues identified in all audits rated as 'requiring improvement'.
31. There was a continued reduction in the total number of audit recommendations made, the number outstanding and the number overdue implementation, despite an increase in the number of reports issued in the year. However, in total, four audit reports were issued with a 'requires improvement' rating this year, compared with three in 2012/13.
32. Two recurring themes have been identified in the year, and raised with management. Firstly, both business and official controls audits identified the risks to delivery and control brought about by teams focussing narrowly on their specific work areas. This was particularly noticeable at the start of the financial year. However, the changes in director responsibilities have started to address this. The second theme relates to Risk Management. In the year, the corporate risk register was revised, the Risk Management strategy refreshed and new Risk Advisers appointed. There is, however, scope to improve the consistency of risk management at divisional\branch level in the FSA and Risk Management will be the focus of an audit in 2014/15.
33. In submitting his opinion, the Head of Internal Audit has confirmed that there were no limitations placed on the scope of the Internal Audit activities during 2013/14, and that he considers the breadth of the work conducted in audits performed during the year sufficient to provide me, as the Accounting Officer, with an evaluation and opinion on the effectiveness of governance and risk management processes in those areas audited. He has also confirmed that he is satisfied that the work conducted by the Internal Audit team complies with the standards outlined in the Public Sector Internal Audit Standards.

## **Looking ahead to 2014/15 & Beyond**

34. Looking ahead to 2014/15 we will continue to seek to improve the effectiveness of our governance, risk and control structures and mechanisms. This will include: the move to a combined Audit and Risk Assurance Committee; further enhancement of our horizon scanning and intelligence gathering capabilities to help inform our Risk Management approaches; and the greater integration of our business planning and budgeting processes.

### **Significant internal control weaknesses**

35. I am able to report that there were no significant weaknesses in the FSA's systems of internal controls in 2013/14 which affected the achievement of the FSA's key strategic outcomes, aims, objectives and policies.
36. I can also confirm that there have been no Ministerial Directions given during the course of the year.

A handwritten signature in black ink that reads "Catherine Brown". The signature is written in a cursive style with a long horizontal stroke at the end of the name.

*Catherine Brown*  
Chief Executive and Accounting Officer

11 June 2014

## **THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE SCOTTISH PARLIAMENT**

I certify that I have audited the financial statements of the Food Standards Agency (Scotland) for the year ended 31 March 2014 under the Food Standards Act 1999. The financial statements comprise: the Summary of Resource Outturn, the Reconciliation of Net Resource Outturn to Funding from the Scottish Parliament, the Statement of Comprehensive Net Expenditure; and the related notes. These financial statements have been prepared under the accounting policies set out within them.

### **Respective responsibilities of the Accounting Officer and auditor**

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they present fairly the Summary of Resource Outturn and net operating cost. My responsibility is to audit, certify and report on the financial statements in accordance with the Food Standards Act 1999. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Food Standards Agency (Scotland)'s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Food Standards Agency (Scotland); and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Scottish Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### **Opinion on regularity**

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Scottish Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

## **Opinion on financial statements**

In my opinion:

- the financial statements present fairly the Food Standards Agency (Scotland) summary of Resource Outturn and net operating costs for the year ended 31 March 2014; and
- the financial statements have been properly prepared in accordance with the Food Standards Act 1999 and Scottish Ministers' directions issued thereunder.

## **Opinion on other matters**

In my opinion the information given in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Matters on which I report by exception**

- I have nothing to report in respect of the following matters which I report to you if, in my opinion:
- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

## **Report**

I have no observations to make on these financial statements.

Amyas C E Morse  
Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP  
12 June 2014



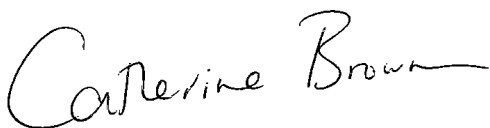
## Summary of Resource Outturn

for the year ended 31 March 2014

	Estimate		Gross Expenditure 4	A-in-A 5	Outturn Net Total 6	2013/14 Net Total Outturn compared with Estimate Saving/ (excess) 7	2012/13 Prior Year Outturn 8
	Gross Expenditure 1	Net Total 3					
	£000	£000	£000	£000	£000	£000	£000
<b>Resources</b>							
Request for Resources	10,200	10,200	9,621	-	9,621	579	8,671
<b>Total Resources</b>	<b>10,200</b>	<b>- 10,200</b>	<b>9,621</b>	<b>-</b>	<b>9,621</b>	<b>579</b>	<b>8,671</b>

Expenditure for the year was consistent with the estimate and the variance was 5.7% below the estimate. The variance between estimate and outturn is attributed to reduced programme activity and reduced accommodation costs due to timing.

The Summary of Resource Outturn compares the estimates of net and gross expenditure by FSA in Scotland with actual expenditure. It does not have the same function as the 'Summary of Resource Outturn', as defined by HM Treasury's Financial Reporting Manual (FRoM) and does not function as an expenditure control mechanism. The specific authority of the Scottish Parliament is not required for overspends against estimate.



*Catherine Brown*  
Chief Executive and Accounting Officer

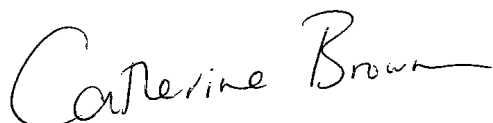
11 June 2014

## Reconciliation of Net Resource Outturn to Funding from the Scottish Parliament

	Note	2013/14 £000	2012/13 £000
<b>Net Resource Outturn</b>		9,621	8,671
Non cash items	3	(234)	(140)
Other accruals adjustments		(144)	(153)
<b>Capital:</b>			
Capital expenditure		666	361
<b>Net Cash Requirement</b>		<b>9,909</b>	<b>8,739</b>
<b>Net Cash Requirement</b>		9,909	8,739
Cash brought forward		(835)	(245)
Cash carried forward		1,445	835
<b>Cash funding provided directly by the Scottish Parliament</b>		<b>10,519</b>	<b>9,329</b>

FSA in Scotland has a capital budget of £700k included in its Scotland accounts.

Amounts issued from the Scottish Consolidated Fund for supply but not spent in year is £1,445k (2012/13: £835k).



*Catherine Brown*  
Chief Executive and Accounting Officer

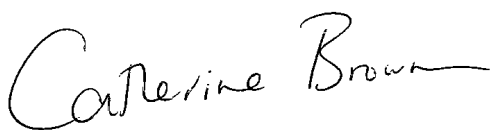
11 June 2014

## Statement of Comprehensive Net Expenditure

For the year ended 31 March 2014

	Note	<u>£000</u>	<u>2013/14</u> <u>£000</u>	<u>2012/13</u> <u>£000</u>
<b>Administration Costs</b>				
Staff Costs	2.1	2,691		2,522
Other Administration Costs	3	<u>1,539</u>		1,445
<b>Gross Administration Costs</b>			<u>4,230</u>	<u>3,967</u>
<b>Net Administration Costs</b>			4,230	3,967
<b>Programme Costs</b>	3		5,391	4,704
<b>Net Operating Cost</b>			<u>9,621</u>	<u>8,671</u>

There was no Other Comprehensive Expenditure in 2013/14 (2012/13 – £Nil).



*Catherine Brown*  
Chief Executive and Accounting Officer

11 June 2014

The notes on pages 18 to 28 form part of these accounts

## Notes to the Accounts

### 1 Statement of Accounting Policies

#### 1.1 Basis of Preparation

The Food Standards Agency (FSA) is a non-Ministerial Government Department established by the Food Standards Act 1999. The FSA has responsibility to protect public health from risks which arise in the consumption of food, and otherwise to protect the interests of consumers in relation to food throughout the UK. It's headquarters are in London and the FSA also operates in Northern Ireland, Wales and Scotland through its three devolved offices.

These financial statements report the net resource outturn, net operating costs and cash funding of the Food Standard Agency in Scotland's operations. The financial statements account for the FSAs activities in Scotland, which are funded separately by sums voted by the Scottish Parliament. The accounts for 2013/14 have been prepared in accordance with the FReM insofar as is applicable to the FSA Scotland.

Separate accounts are also produced for the activities of the FSA in Wales and Northern Ireland and a consolidated account is also produced reporting on the activities of the FSA as a whole. A set of accounts is also prepared for Westminster funded FSA.

These financial statements have been prepared in accordance with an Accounts Direction issued by the Scottish Ministers under the Food Standards Act 1999. This Direction is reproduced as an annex to the accounts. In accordance with the provisions of the Government Resources and Accounts Act 2000 and the Food Standards Act 1999, all of the accounts of the FSA are audited by the UK Comptroller and Auditor General.

Following the decision of HM Treasury to commit fully to full compliance with International Financial Reporting Standard (IFRS) the Agency has prepared the accounts for 2013/14 under IFRS insofar as it is applicable and appropriate to the FSA in Scotland.

#### 1.2 Accounting Convention

The accounts have been prepared under the historic cost convention to fairly present the summary of resource outturn, the net resource cost for the financial year, the capital expenditure for the year and to reconcile the net resource outturn to the sums paid out of the Consolidated Fund for Scotland for the financial year.

Subject to this requirement the accounts have been prepared on an accruals basis and in accordance with the requirements of HM Treasury's iFReM insofar as it is applicable and appropriate to the FSA in Scotland.

#### 1.3 Basis of Funding

Funding from the Scottish Parliament is provided on a basis which is intended to meet the net cash costs for the period. The reconciliation of net resource outturn to funding from the Scottish Parliament shows the adjustments necessary to the accruals based resource outturn to arrive at the cash amount which is to be funded by the Scottish Parliament.

Reconciliation of net resource outturn to funding from the Scottish Parliament therefore reflects adjustments to account for:

- a) the cash costs related to capital expenditure; and

- b) removal of non cash items such as the audit fee, which although accounted for in the resource outturn does not require a cash payment. Further details are provided at note 3 to these accounts.

#### **1.4 Research & Development Expenditure**

Expenditure on research is not capitalised. Expenditure on development in connection with a product or service which is to be supplied on a full cost recovery basis is capitalised if it meets those criteria specified in IAS 38. Other development expenditure is capitalised if it meets the criteria specified in the iFReM which are adapted from the IAS 38 to take account of the not-for-profit context. Expenditure which does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred.

Expenditure on research and development has been treated as an operating cost in the year in which it was incurred.

Most research projects have a retention clause to ensure the satisfactory delivery of the final report. The FSA's policy is to accrue for the final retention amount, if the work had been completed at the year end.

#### **1.5 Administration and Programme Expenditure**

The statement of net comprehensive expenditure is analysed between administration and programme costs. FSA in Scotland is excluded from the Administration Budget Regime.

#### **1.6 Pensions**

Principal Civil Service Pension Scheme (PCSPS) is a multi-employer, unfunded, contributory defined benefit scheme accounted for under the Civil Service Superannuation Estimate. It is not possible to separately identify the FSA's share of assets and liabilities in the scheme. FSA in Scotland present and past employees are covered by the provisions of PCSPS. FSA in Scotland recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the scheme, FSA in Scotland recognises the contributions payable for the year.

Further details can be found in the resource accounts of the Cabinet Office: Civil Superannuation and at [www.Civilservice-pensions.gov.uk](http://www.Civilservice-pensions.gov.uk).

#### **1.7 Early Departure Costs**

Early departure costs refers to liabilities to staff for early retirement. The FSA meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. The FSA provides for this in full when the early retirement becomes binding on the department by establishing a provision for the estimated payments discounted by the Treasury discount rate of 1.8% (2012/13: 2.35%) in real terms.

#### **1.8 Operating Leases**

Operating leases are charged to the statement of net comprehensive expenditure on a straight-line basis over the term of the lease.

## **1.9 Audit Costs**

A charge reflecting the cost of the audit is included in the operating costs. The FSA in Scotland is audited by the UK Comptroller and Audit General (C&AG). No charge is made by the C&AG for this service, but a non cash charge representing the cost of the audit is included in the accounts.

## **1.10 Value Added Tax**

Irrecoverable VAT is charged to the statement of net comprehensive expenditure, or if it is incurred on the purchase of a non-current asset it is capitalised in the cost of the asset.

## **1.11 Contingent Liabilities**

In addition to contingent liabilities disclosed in accordance with IAS 37, the Department discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote. These comprise:

- i) Items over £100,000 (or lower, where required by specific statute) that do not arise in the normal course of business and which are reported to the Scottish Parliament by Departmental minute prior to the Department entering into the arrangement;
- ii) All items (whether or not they arise in the normal course of business) over £100,000 (or lower, where required by specific statute or where material in the context of resource accounts) which are required by the Financial Reporting Manual to be noted in the resource accounts.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to the Scottish Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

## **1.12 Going Concern**

A new food body for Scotland is being established that will be responsible for food safety, food standards, nutrition, food labelling, and meat inspection policy and operational delivery.

New primary legislation is required to establish the new food body. The Scottish Government has begun work on planning the new body, with the full support and co-operation of the FSA.

In September 2013, Scotland's First Minister unveiled the Scottish Government's forthcoming legislative programme, which included the Bill to establish the new body. The First Minister pledged that the new food body would remain independent from government and would work in the interests of consumers; the Food (Scotland) Bill was introduced to the Scottish Parliament on 14 March 2014.

Subject to the legislative process, it is likely that from April 2015 the functions of FSA Scotland will transfer to the Scottish Government's new food body in line with Machinery of Government Principles.

## 2. Costs and number of staff

### 2.1 Staff Costs consist of:

	2013/14 £000	2012/13 £000
Wages and Salaries	2,044	1,915
Social Security Costs	157	153
Other Pension Costs	378	349
<b>Sub Total</b>	<b>2,579</b>	<b>2,417</b>
Inward Secondment	-	-
Agency Staff	112	105
<b>Total Net Costs</b>	<b>2,691</b>	<b>2,522</b>

No salary costs have been capitalised.

### 2.2 Reporting of Civil Service compensation scheme

Exit Package cost band	Number of compulsory redundancies	Number of other departures agreed	2013/14 Total number of exit packages by cost band
< £10,000	-	-	-
£10,000–£25,000	-	-	-
£25,000–£50,000	-	1	1
£50,000–£100,000	-	-	-
£100,000–£150,000	-	-	-
£150,000–£200,000	-	-	-
£200,000 and above	-	-	-
<b>Total number of exit packages</b>	<b>-</b>	<b>1</b>	<b>1</b>
<b>Total resource cost £</b>	<b>-</b>	<b>29,221</b>	<b>29,221</b>

Exit Package cost band	Number of compulsory redundancies	Number of other departures agreed	2012/13 Total number of exit packages by cost band
< £10,000	-	1	1
£10,000–£25,000	-	-	-
£25,000–£50,000	-	-	-
£50,000–£100,000	-	1	1
£100,000–£150,000	-	-	-
£150,000–£200,000	-	-	-
£200,000 and above	-	-	-
<b>Total number of exit packages</b>	<b>-</b>	<b>2</b>	<b>2</b>
<b>Total resource cost £</b>	<b>-</b>	<b>78,883</b>	<b>78,883</b>

### 2.3 Average number of persons employed

The average number of whole-time equivalent persons employed during the year 2013/14 and 2012/13 was as follows. These figures include those working in the FSA (including senior management) as included within the consolidated resource account.

Average number of whole-time equivalent persons employed	Permanently Employed Staff	Others	2013/14 Total	2012/13 Total
	66	3	69	68



## 2.4 Management Remuneration

The following notes have been prepared in accordance with guidance EPN 380.

Single total figure of remuneration										
	Salary (£'000)		Bonus Payments (£'000)		Benefits in kind (to nearest £100)		Pensions benefits (£'000) <sup>1</sup>		Total (£'000)	
	13/14	12/13	13/14	12/13	13/14	12/13	13/14	12/13	13/14	12/13
Charles Milne – Director, FSA in Scotland	90-95	95-100	-	-	-	-	5-10	70-75	95-100	165-170

1. The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

		2013/14				
Bands		Accrued pension at pension age as at 31/3/14 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2014	CETV at 31 March 2013	Real increase in CETV
		<i>£5,000 (£'000)</i>	<i>£2,500 (£'000)</i>	<i>(£'000)</i>	<i>(£'000)</i>	<i>(£'000)</i>
Charles Milne	Director, FSA Scotland	35-40 plus lump sum of 110-115	0-2.5 plus lump sum of 0-2.5	692	644	6

		2012/13				
Bands		Accrued Pension at pension age as at 31/3/13 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2013	CETV at 31 March 2012	Real increase in CETV
		<i>£5,000 (£'000)</i>	<i>£2,500 (£'000)</i>	<i>(£'000)</i>	<i>(£'000)</i>	<i>(£'000)</i>
Charles Milne	Director, FSA Scotland	35-40 plus lump sum of 105-110	2.5-5	644	555	57

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.

Further details about the Civil Service pension arrangements can be found at the website [www.civilservice.gov.uk/pensions](http://www.civilservice.gov.uk/pensions)

## **Cash Equivalent Transfer Values**

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme.

The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost.

CETVs are calculated in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

## **Real Increase in CETV**

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

## **2.5 Principle Civil Service Pension Scheme**

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a "final salary" scheme (classic, premium, or classic plus); or a "whole career" scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos have been increased annually in line with changes in Pensions Increase legislation.

Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a good quality "money purchase" stakeholder pension with a significant employer contribution (partnership pension account).

Employee contributions are salary related and range between 1.5% and 6.25% of pensionable earnings for classic and 3.5% and 8.25% for premium, classic plus and nuvos. Increase to employee contributions will apply from 1 April 2014. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement.

For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 calculated as in premium.

In nuvos a member builds up a pension based on pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension was uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.

Further details about the Civil Service pension arrangements can be found at the website [www.Civilservice.gov.uk/pensions](http://www.Civilservice.gov.uk/pensions)

## 2.6 Pay Multiples

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in the Food Standards Agency in Scotland in the financial year 2013/14 was £90k-95k (2012/13 was £95k-100k).

This was 3.45 times (2012/13, 3.4) the median remuneration of the workforce, which was £27k (2012/13, £28k).

Remuneration ranged from £16k to £56k (2012/13 was £15k-£60k).

Total remuneration includes salary, non-consolidated performance-related pay, and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

This is different to the total remuneration reported for Executive Management Team members which includes a pension benefit valuation. This is to allow like for like comparison of average staff and highest paid director remuneration.

	<u>2013/14</u>	<u>2012/13</u>
Band of highest paid Director's Total Remuneration	90-95	95-100
Median Total Remuneration	27	28
Ratio	3.45	3.4

### 3. Expenditure Analysis

	<u>2013/14</u> <u>£000</u>	<u>2012/13</u> <u>£000</u>
<b>Rentals under operating leases:</b>		
Other operating leases	259	266
<b>Non-cash items:</b>		
Audit Fees	7	8
Provisions	149	38
Depreciation/Amortisation	78	94
<b>Total non-cash items</b>	<u>234</u>	<u>140</u>
Accommodation costs	259	207
Staff overheads	229	277
Administration costs	333	320
IT costs*	149	147
Committee Costs	76	88
<b>Other Administration Costs</b>	<u>1,539</u>	<u>1,445</u>
<b>Programme costs</b>	5,391	4,704
	<u><b>6,930</b></u>	<u><b>6,149</b></u>

\*An element of some Central IT costs are recharged to Devolved Offices from FSA Westminster.

### 4. Related-Party Transactions

None of the Board Members, key managerial staff or related parties have undertaken any material transactions with the FSA during the year.

The FSA has had a number of transactions with other government departments and other central government bodies which are considered to be related parties, namely:

#### **Government Department**

CEFAS

Food & Environment Research Agency

Animal Health & Veterinary Laboratories Agency

The Scottish Government

Public Health England

## 5 Operating Leases

Total future minimum lease payments under operating leases are given below for each of the following periods.

	2013/14 £000	2012/13 £000
<b>Obligations under operating leases comprise:</b>		
Buildings:		
Not later than one year	259	260
Later than one year and not later than five years	–	259
Later than five years	–	–
	<b>259</b>	<b>519</b>

The FSA lease arrangements do not contain any contingent rents payable, terms of renewal or purchase options, escalation clauses or any imposed restrictions (such as those concerning dividends, additional debt or further leasing).

## 6 Other Financial Commitments

There were no other financial commitments as at 31 March 2014 (31 March 2013 – £Nil).

## 7 Contingent liabilities

There are no Contingent Liabilities to report.

## 8 Advisory Committee

In addition to the main FSA Board, the FSA has separate advisory committees to cover Scotland, Wales and Northern Ireland. The Committees act as advisory bodies to the FSA. They are chaired by Board Members and the FSA Board is required by statute to take account of their advice in its work. The Committee Members are listed below:

Scotland – Advisory Committee Members

Dr. James Wildgoose  
Dr. Carrie Ruxton  
Dr. Lesley Ann Stanley  
Bernard Forteath  
Andrew Murphy (until 1 March 2014)  
Alison Jones  
Prof William (Bill) McKelvey OBE (until 1 March 2014)  
Liz Breckenridge

## 9 Events after the reporting period

In accordance with the requirements of IAS 10 Events after the Reporting Period, post balance sheet events are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General. There are no post balance sheet events.

## **10 IFRSs, amendments and interpretations in issue but not yet effective, or adopted**

The IASB have issued new and amended standards (IFRS 10, IFRS 11 & IFRS 12) that affect the consolidation and reporting of subsidiaries, associates and joint ventures. These standards are effective from January 2013, with EU adoption from 1 January 2014. None of these new or amended standards are likely to be applicable or are anticipated to have future material impact on the financial statements of the FSA.

## **11 Authorisation for issue**

The Accounting Officer authorised these financial statements for issue on 12 June 2014.

## FOOD STANDARDS AGENCY SCOTLAND

### **DIRECTION BY THE SCOTTISH MINISTERS IN ACCORDANCE WITH SECTION 39(7) AND SCHEDULE 4 OF THE FOOD STANDARDS ACT 1999**

1. The Food Standards Agency shall report its funding and expenditure in relation to sums paid out of the Scottish Consolidated Fund in a statement of accounts for the financial year ended 31 March 2006 and subsequent years. The statement shall comprise:
  - a summary of resource outturn;
  - an operating cost statement; and
  - a schedule reconciling the net resource outturn to the sums paid out of the Scottish Consolidated Fund.
2. The statement of accounts shall present fairly the summary of resource outturn, the net resource cost for the year, the capital expenditure for the year and reconcile the net resource outturn to the sums paid out of the Scottish Consolidated Fund for the year. Subject to these requirements the statement shall also be prepared in accordance with the requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared. A separate foreword, statement of the state of affairs at 31 March, and a statement of resources applied to objectives, recognised gains and losses, and cashflows for the year will not be required.
3. This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 1 October 2001 is hereby revoked.



Signed by the authority of the Scottish Ministers  
17 January 2006

