
Food Standards Agency in Scotland

Annual Report and Accounts 2012/13

(For the year ended 31 March 2013)

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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 Treasury, 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.

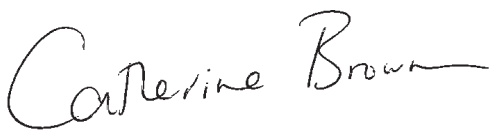
HM Treasury has appointed the Permanent Head of the Department as principal Accounting Officer of the department.

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
26 June 2013

FSA Governance Statement 2012/2013

Background

1. The Food Standards Agency (FSA) is an independent non-Ministerial Government department set up by the Food Standards Act 1999¹ to protect the public's health and consumer interests in relation to food.
2. As an independent non-Ministerial Government Department, its governance structure differs from a conventional Ministerial Government Department, in that it is led by a non-executive Board (the FSA Board). However, it still complies with the requirements of the Corporate Governance Code² where appropriate.
3. The FSA Northern Ireland, Scotland and Wales are funded directly by the relevant Devolved Administrations. I am Accounting Officer for Westminster and the Devolved Authorities and I am accountable to each of the Devolved Administrations for the use of FSA resources.

The FSA Board

4. In line with the requirements of the Corporate Governance Code, Board members must act in the public interest, not to represent particular sectors. All appointments to the Board are overseen by the Office of the Commissioner for Public Appointments (OCPA) and are made via open competition.
5. The FSA Board holds its decision-making meetings in public and as part of its policy of openness, the agendas, papers and minutes of public Board meetings are published in advance of its meetings, which are broadcast live via the FSA's website.
6. Formal self-assessment of Board members performance is in place as agreed by the Succession and Development Committee. Board members who are due for reappointment are subject to 360 degree reviews, two have been undertaken in 2012/13, and all Board members have yearly performance reviews with the Chair.
7. The Board is supported and advised by Food Advisory Committees in each of the devolved countries, and by three formal subcommittees, as detailed below.
8. *Food Advisory Committees (FACs)* were established under the Food Standards Act 1999 to give advice or information to the Board on matters connected with the FSA's functions, particularly such matters affecting or relating to their countries. Each committee is chaired by the Board member for that country and has between six and eight members appointed through open competition. The FSA takes the advice of the advisory committees into account when carrying out its functions or advising Ministers. Since the FSA has responsibility for nutrition as well as food safety in Scotland and Northern Ireland those FACs continue to cover this issue in their advice to the Board. The FACs' meetings are held in open forum as part of their commitment to acting in an open and transparent way and publish the advice they provide to the FSA on food policy and its implementation.
9. *The Audit Committee* – provides assurance that all aspects of the FSA's policies, procedures, internal controls and governance are effective and appropriate to deliver the FSA's statutory responsibilities and strategic objectives. Its terms of reference can be found on

1 <http://www.legislation.gov.uk/ukpga/1999/28/contents>

2 Corporate governance in central government departments: Code of good practice 2011: jointly published by HM Treasury & Cabinet Office

the FSA website. <http://www.food.gov.uk/aboutus/ourboard/boardcommittees/auditcommittee/>

10. *The Risk Committee* – is responsible for assuring the Board that all aspects of the FSA's risk management policies and procedures are effective and appropriate. Its terms of reference can be found on the FSA website. <http://www.food.gov.uk/aboutus/ourboard/boardcommittees/riskcommittee/>
11. *The Succession & Development Committee* – is responsible for advising on all matters relating to the recruitment of the Chair, Deputy Chair and Board Members. It is also responsible for the recruitment and selection procedures for new appointments to the Board and the Food Advisory Committees and the effective induction and development of Board Members. Its terms of reference can be found on the FSA website. <http://www.food.gov.uk/aboutus/ourboard/boardcommittees/successiondevelopmentcommittee/>
12. Each Committee reports to the FSA Board in open session on an annual basis. Details of these reports are referred to later in this statement.

The Executive Management Team

13. The Executive Management Team (EMT) supports me, as the FSA's Accounting Officer, in delivering the FSA strategy and in ensuring effective corporate governance of the FSA. The EMT meets every 2 weeks where possible and its responsibilities include:
 - ensuring effective implementation of the strategy set by the Board;
 - addressing corporate issues such as:
 - arrangements for managing and reviewing business risks;
 - business planning and review systems;
 - the maintenance of effective financial control;
 - monitoring financial performance and resource allocation;
 - Internal Audit reports where these raise issues of general concern;
 - pay and personnel management strategy.
14. Membership of the EMT comprises of ten Directors and myself, including a suitably qualified Finance Director.

Review of 2012/13

15. This has been an exciting and challenging year for the FSA, with the FSA playing a leading role in preparing for and ensuring food safety throughout the Olympics and Paralympics, dealing with a significant number of food safety incidents on a daily basis and most latterly in responding to incidents involving the adulteration of comminuted beef products with horse and pig meat and DNA. It has also seen the FSA's first Capability Review, the publication of a refresh of its strategy to 2015 and the Agency's risk appetite statement, the Scottish Government's decision to establish its own food body for Scotland, and ongoing actions to meet our challenging Comprehensive Spending Review (CSR) targets. These challenges have all provided a test of the FSA's governance, risk and control mechanisms and whilst there is always scope for improvement, they have proved their effectiveness in that we have been able to deal with them alongside our day-to-day

activities whilst keeping consumer protection at the forefront of everything that we do. Looking at some of these in more detail:

The Olympic/Paralympic Games

16. Working alongside Local Authorities, the Chartered Institute of Environmental Health and the Games organising committee (LOCOG) the FSA delivered a significant and highly successful programme of activities to support food safety in the run up to, during and immediately after the Games. An independent evaluation of this programme of work has been undertaken by GFK-NOP.

New Food Body Task Force

17. In June 2012 the Scottish Government announced its intention to create a new Scottish body for food safety, food standards, nutrition, food labelling and meat inspection. The anticipated date for the establishment of the food body for Scotland is early 2015. To support delivery of this, we have established a joint executive/non-executive committee to oversee FSA input into this process.
18. During 2012, the FSA underwent a Capability Review, conducted in a comprehensive and independent way with robust challenge provided by an Evaluation Panel with a largely external membership. The findings of the review were published on 8 January 2013. A copy of the Report and supporting action plan can be found at: www.food.gov.uk/multimedia/pdfs/publication/fsa-capability-review.pdf
19. Linked to the findings of the Capability Review has been a decision to undertake a review of the FSA's governance structure and supporting processes work to ensure that they are fit-for-purpose now and for the next five years. A Governance Review has therefore been commissioned to consider: whether the FSA's governance complies with best practice both within and outside of Government; whether the FSA's governance structure assists the FSA to deliver its strategic objectives and most effectively 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.

Refresh of FSA Strategy and publication of the Agency's risk appetite statement

20. In October 2012, the Board and executive management team met to undertake a scheduled review of the FSA's strategy to 2015. Further details of the changes made as part of the strategy refresh are set out a Board paper at: <http://www.food.gov.uk/multimedia/pdfs/board/fsa130104.pdf>
21. In parallel with this and in order to inform both our engagement with partners and stakeholders, and effective risk management within the FSA, the Board identified the importance of an explicit statement of the organisation's risk appetite. It commissioned its Risk Committee to develop an expanded statement of risk appetite, subsequently agreed by the Board as part of its approval of the refreshed strategy to 2015. This statement is detailed in the paper referred to in the paragraph above and has also been incorporated into the Agency's risk management policy and supporting guidance.

Adulteration of beef products with horse and pig meat and DNA

22. Following a report by the Food Safety Authority of Ireland on 15 January 2013 of the results of its survey of beef burgers and other products for horse and pig DNA, investigations by authorities across Europe (including the FSA) have identified multiple

instances of adulteration of comminuted beef products. Whilst our own investigations with the police and other enforcement authorities continue in relation to implicated products and premises in the UK, the initial phase of this incident has now drawn to a close.

23. This has proved to have been one of the biggest incidents that the FSA has ever had to deal with and whilst there is no evidence to suggest that it is a food safety issue, it is unacceptable for consumers to be misled and for meat products to contain undeclared species of animal. The FSA Board has recently commissioned an independent review of the FSA's response to the incident to identify all lessons learnt and strengthen our incident handling in the future. This is in addition to any broader reviews being commissioned by the four UK administrations.

Changes at Board & Executive level

24. During the year, there have been a number of changes to the membership of the Board, with new members recruited to replace departing members and the appointment of a new Deputy Chair. All new members have undergone a new induction programme which has included appropriate briefing in relation to all aspects of the FSA's governance structure and supporting processes.
25. Additionally, there have been changes within the Executive Management Team. In May 2012, a new Director of Communications was appointed, following the retirement of his predecessor. After the departure of Tim Smith as the FSA's Chief Executive, I was appointed as his successor and joined the Agency in October 2012. Between Tim's departure and my arrival, Charles Milne (FSA Scotland Director) led the agency as acting Chief Executive.

Assurances

26. In putting this statement together I have considered the various management reports considered by the executive management team throughout the year as well as seeking and making use of various sources of assurance relating to governance, risk and control within the FSA. These have included:
- The monthly finance and HR reports considered by Directors on a monthly basis;
 - the assurance statements of my Directors covering the 2012/13 year;
 - Internal audit reports;
 - Discussions held at Board meetings, meetings of the Risk, Audit, and Succession & Development Committees, as well as the annual reports of their respective chairs;
 - The Capability Review Report;
 - The Agency's high level risk register;
 - The Head of Internal Audit's Opinion on the FSA systems of governance, management and risk control (see below)

Looking at some of these areas in greater detail:

Director Assurance Statements

27. 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 within their Group. In putting together this statement, 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.

Financial Controls

28. On a monthly basis, Finance Business Partners work with Groups, Divisions and Branches to monitor expenditure and produce accurate financial forecasts. Detailed financial results are reported to the Executive Management Team on a monthly basis and are a standing item for discussion and decision.
29. Directors attend Quarterly Reviews with me as the Accounting Officer and performance is monitored against budgets, previous forecasts and business plans, in addition to ensuring the appropriate controls have been applied.
30. In line with the Government's 'Fraud: spot it, stop it' campaign all FSA staff have been required to complete a 'counter fraud and corruption' e-learning module. Managers encouraged all staff to complete the module and it was included as a mandatory element to staff personal development plans.

FSA risk management framework and the capacity to manage risk

31. The aim of our risk management framework is to provide reasonable assurance to the FSA Board and the Executive Management Team that risks to achieving business objectives are being effectively controlled, and those involved are clear as to their roles and responsibilities. Directors regularly undertake reviews of the FSA's landscape to ensure the relevance of risks on the high level risk register and have recently reviewed the definition of 'high level' risks to support this.
32. During the course of this year, FSA Internal Audit carried out an audit of the FSA's risk management framework. This highlighted a number of strengths including: the fact that senior managers have established a good "tone at the top" in relation to risk management; that there is an active 'risk champion' role at Director level; and that there is active participation of the FSA Board through its Risk Committee. It also highlighted a number of areas for improvement including: the need to develop and implement a strategy for improving and embedding risk management practices further; adopting a recognised risk management standard; and greater clarity over responsibilities for promoting and assuring the effectiveness of risk management within individual Divisions. All but two of the recommendations contained in the Report have been implemented, and have revised our risk management policy and supporting guidance as a consequence. One of the outstanding recommendations is dependent upon decisions relating to the revision of the Orange Book by HM Treasury, and the other, implementing an improved strategy, is underway.

The Risk Committee

33. During the course of the year the Risk Committee has met four times, providing constructive challenge to myself and members of my executive team in relation to: the FSA's preparedness for the Olympics and Paralympics and subsequent lessons learned; the management of various incidents including the recent horsemeat investigations.
34. In the 2012/13 annual report to the FSA Board (a copy of which is available at <http://www.food.gov.uk/multimedia/pdfs/board/fsa120509.pdf>), the chair of the FSA Risk Committee confirms that, without being complacent, the Organisation has continued to make significant steps to embedding an effective risk management framework and culture across the FSA and that it is given the appropriate level of commitment and priority.

The Audit Committee

35. The Audit Committee also met four times during 2012/13. In all it has considered fourteen internal audit reports, eleven of which (79%) were given assurance levels of 'substantial', and three were given "limited". In these cases action plans are in place to implement the identified recommendations.
36. In October 2012, Audit Committee members undertook a survey on the effectiveness of the Committee, based on the NAOs self-assessment tool. Overall the results were positive and actions have been identified where improvements are required. NAO have arranged training for May 2013 with the Audit Committee to ensure they meet the guidelines set out by HM Treasury in their audit committee handbook.
37. In the 2012/13 annual report to the FSA Board (a copy of which is available at <http://www.food.gov.uk/multimedia/pdfs/board/fsa120510.pdf>), the chair of the Audit Committee confirms that the Agency's risk, control and governance arrangements to be satisfactory and continuing to improve.

The Succession & Development Committee

38. During the course of 2012/13, the Succession & Development Committee has overseen the successful recruitment of the FSA Deputy Chair and five new Board Members to replace those who have stood down (including a new WFAC Chair).

Data Security

39. There have been no significant or critical information security related incidents. We have received one complaint from Information Commissioner's Office during 2012-13 concerning the accidental release of a personal email address. We continue to promote information security through mandatory Cabinet Office Protecting Information Level 1 training for all staff and Levels 2 and 3 depending on roles and responsibilities. We have an ongoing security awareness campaign and compliance audit regime as part of formal ISO 2700 certification.

The Current High Level Risk Register

40. 'High level' risk 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.

41. At the end of the financial year, the principal risks on the FSA's High Level Risk Register based on their RAG status were:

- The risk that there is a reduction in Local Authority resources due to funding pressures, resulting in enforcement of feed legislation being compromised.
- The risk of failing to meet the target for the reduction of campylobacter in chicken in 2015, resulting in the incidence of foodborne illness not decreasing as sought.
- The lack of reform of charging arrangements for delivery of official controls in approved meat establishments, resulting in continued inefficiencies and the taxpayer funding the shortfall.
- The risk that horses medicated with prohibited substances could enter the food chain, resulting in the potential for public health to be compromised.
- The risk of ongoing adulteration of meat products with unlabelled or illegal content, resulting in a risk of detriment to the public.

The FSA have plans in place to manage all of these strategic risks at both a national and devolved level.

Looking ahead to 2013/14 & Beyond

42. Going forward we will continue to seek to improve the effectiveness of our governance, risk and control structures and mechanisms through our everyday work as well as taking account of:

- The findings of the independent review of the FSA's response to the incidents of adulteration of beef products with horse and pig meat and DNA, together with those of any other reviews conducted on behalf of the UK administrations;
- The findings of our Governance Review;
- The findings of a review being undertaken by the NAO into the efficiency of our delivery of official meat controls in the UK

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

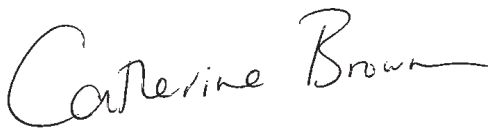
43. Based on the results of the audit work completed during the year and understanding of the Agency's control environment the Head of Internal Audit's opinion is that the FSA's systems of governance, management and risk control are satisfactory and continue to improve. The evidence basis includes:

- A review and refresh of the FSA's Strategy to 2015 to ensure that it remained current and responsive to the changing operating environment and restatement of the Agency's risk appetite following discussions involving Executive Management Team and FSA Board members
- Further work during the year to improve the Agency's risk management policy and related procedures. This has included refreshing the FSA's risk management policy and guidance, to take into account the recommendations contained in the report issued by Internal Audit on the Agency's risk management framework.
- Integrated business planning and budgeting process with regular performance reports to Executive Management Team and FSA Board meetings.

- There were no significant control issues arising from Internal Audit or external assurance reports presented to the Audit Committee during the year.
- An increasing proportion of Internal Audit reports classified as “substantial”, the highest rating for audit reports. There was also continued reduction in the number of audit recommendations where management action was reported as overdue.

44. However, as the recent horse meat scandal has served to demonstrate, there is no room for complacency in the quest to improve the Agency’s risk management capabilities as there is clearly still scope for improving our horizon scanning and intelligence gathering capabilities that are necessary for effective risk management.

45. Subject to the above, the Food Standards Agency has an effective governance structure, operates to a high standard of probity, and has satisfactory internal controls in place.



Catherine Brown

Chief Executive and Accounting Officer
26 June 2013

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 2013 under the Food Standards Act 1999. These 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's (Scotland) circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the 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 Governance Statement to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on Financial Statements

In my opinion:

- the financial statements present fairly the Food Standards Agency's (Scotland) Summary of Resource Outturn and net operating cost for the year ended 31 March 2013; and
- the financial statements have been properly prepared in accordance with 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
- the financial statements are not in agreement with the accounting records or 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

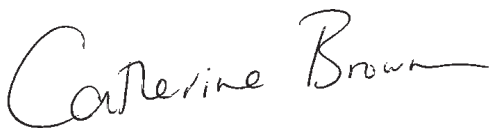
Summary of Resource Outturn

for the year ended 31 March 2013

	Estimate					Outturn Net Total	2012/13 Net Total Outturn compared with Estimate Saving/ (excess)	2011/12 Prior Year Outturn
	Gross Expend- iture 1	A-in-A 2	Net Total 3	Gross Expend- iture 4	A-in-A 5			
	£000	£000	£000	£000	£000	£000	£000	£000
Resources								
Request for Resources	9,900	-	9,900	8,671	-	8,671	1,229	9,515
Total Resources	9,900	-	9,900	8,671	-	8,671	1,229	9,515

Expenditure for the year was consistent with the estimate and the variance was 12.4% below the estimate. The variance between estimate and outturn is attributed to reduced travel and restrictions on recruitment which has impacted on the ability to progress programme activity.

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 (FRM) 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

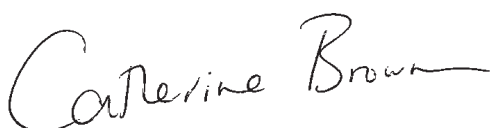
Chief Executive and Accounting Officer
26 June 2013

Reconciliation of Net Resource Outturn to Funding from the Scottish Parliament

	Note	2012/13 £000	2011/12 £000
Net Resource Outturn		8,671	9,515
Non cash items	3	(140)	(79)
Other accruals adjustments		(153)	149
Capital:			
Capital expenditure		361	138
Net Cash Requirement		8,739	9,723
Net Cash Requirement		8,739	9,723
Cash brought forward		(245)	(3,802)
Cash carried forward		835	245
Cash funding provided directly by the Scottish Parliament		9,329	6,166

FSA in Scotland has a capital budget of £192k within the Summary of Resource Outturn included in its Scotland accounts

Amounts issued from the Scottish Consolidated Fund for supply but not spent in year is £835k (11-12: £245k).



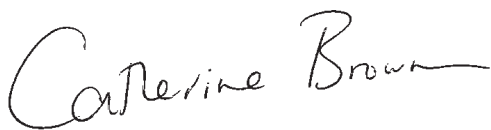
Catherine Brown

Chief Executive and Accounting Officer
26 June 2013

Statement of Comprehensive Net Expenditure

For the year ended 31 March 2013

	Note	<u>£000</u>	<u>2012/13 £000</u>	<u>2011/12 £000</u>
Administration Costs				
Staff Costs	2.1	2,522		2,589
Other Administration Costs	3	<u>1,445</u>		1,328
Gross Administration Costs			<u>3,967</u>	<u>3,917</u>
Net Administration Costs			3,967	3,917
Programme Costs	3		4,704	5,598
Net Operating Cost			<u>8,671</u>	<u>9,515</u>



Catherine Brown

Chief Executive and Accounting Officer
26 June 2013

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 Scotlands 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 2012-13 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 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 2012-13 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.

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 2.35% (11-12: 2.8%) 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 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.

2. Costs and number of staff

2.1 Staff Costs consist of:

	2012/13 £000	2011/12 £'000
Wages and Salaries	1,915	1,987
Social Security Costs	153	153
Other Pension Costs	349	364
Sub Total	2,417	2,504
Inward Secondment	0	0
Agency Staff	105	85
Total Net Costs	2,522	2,589

No salary costs have been capitalised.

2.2 Reporting of Civil Service compensation scheme

Exit Package cost band			2012/13
	Number of compulsory redundancies	Number of other departures agreed	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	-	-	-
Total number of exit packages	-	2	2
Total resource cost £	-	78,883	78,883

Exit Package cost band			2011/12
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
< £10,000	-	-	-
£10,000-£25,000	-	-	-
£25,000-£50,000	-	-	-
£50,000-£100,000	-	-	-
£100,000-£150,000	-	-	-
£150,000-£200,000	-	-	-
£200,000 and above	-	-	-
Total number of exit packages	-	-	-
Total resource cost £	-	-	0

2.3 Average number of persons employed

The average number of whole-time equivalent persons employed during the year 2012-13 and 2011-12 was as follows. These figures include those working in the FSA (including senior management) as included within the consolidated resource account.

	Permanently Employed Staff	Others	2012/13 Total	2011/12 Total
Average number of whole-time equivalent persons employed	64	4	68	66

2.4 Management Remuneration

Bands	2012/13			2011/12
	Total Remuneration	Of Which Bonuses	Benefits in Kind	Total Remuneration
	£5,000 (£'000)	£5,000 (£'000)	£1,000 (£'000)	£5,000 (£'000)
Charles Milne – Director, FSA in Scotland	95–100	–	–	90–95

Bands		2012/13					
		Real increase in Pension at age 60	Total accrued Pension at age 60 31 March 2013	Total accrued lump sum at age 60 31 March 2013	CETV at 31 March 2013	CETV* at 31 March 2012	Real increase in CETV
		£2,500 (£'000)	£5,000 (£'000)	£5,000 (£'000)	(£'000)	(£'000)	(£'000)
Charles Milne	Director, FSA Scotland	2.5–5	35–40	105–110	644	555	57

*The figure may be different from the closing figure in last year's accounts.

This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008

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

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 spouses'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 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 Principal Civil Service Pension Scheme

The Principal Civil Service Pension Schemes (PCSPS) is an unfunded multi-employer defined benefit scheme but the FSA is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2010. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation and at www.civilservice.gov.uk/pensions.

For 2011-12, employer's contributions were payable to the PCSPS at one of four rates in the range of 16.7 to 24.3 per cent of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The salary bands and contribution rates were revised for 2008-09 and remain unchanged in 2012-13. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer contributions were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. The FSA as an employer also matches employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of 0.08 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Further details about the Civil Service pension arrangements can be found at the website www.civilservice-pensions.gov.uk

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 2012/13 was £95-£100k (2011/12, £90-£95k). This was 3.4 times (2011/12, 3.39) the median remuneration of the workforce, which was £28k (2011/12, £27k).

Remuneration ranged from £15k to £60k (2011/12, £10k to £56k).

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

	2012/13	2011/12
Band of highest paid Director's Total Remuneration	95-100	90-95
Median Total Remuneration	27	75
Ratio	3.4	3.39

3. Expenditure Analysis

	<u>2012/13</u> <u>£000</u>	<u>2011/12</u> <u>£000</u>
Rentals under operating leases:		
Hire of Plant and Machinery	–	–
Other operating leases	266	263
Non-cash items:		
Audit Fees	8	6
Provisions	38	–
Depreciation/Amortisation	94	73
Total non-cash items	<u>140</u>	<u>79</u>
Accommodation costs	207	205
Staff overheads	277	266
Administration costs	320	322
IT costs*	147	158
Committee Costs	88	75
Other Administration Costs	<u>1,445</u>	<u>1,328</u>
Programme costs	4,704	5,598
	<u>6,149</u>	<u>6,926</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
 The Scottish Government
 GovNet Communications
 Department of Health
 National School of Government

5. Operating Leases

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

	2012/13	2011/12
	£000	£000
Obligations under operating leases comprise:		
Buildings:		
Not later than one year	260	260
Later than one year and not later than five years	259	519
Later than five years	-	-
	519	779

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

The Food Standards Agency in Scotland has entered into non-cancellable contracts (which are not leases or PFI contracts), for various research and development projects. The payments to which the Food Standards Agency is committed are as follows:

	2012/13	2011/12
	£000	£000
Not later than one year	0	543
Later than one year and not later than five years	-	-
Later than five years	-	-
Less interest	-	-
Present value of obligations	0	543

7. Other Financial Commitments

There are no Contingent Liabilities to report.

8. Losses and Special Payments

There were no reportable losses in the year.

9. 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
Christopher Trotter (to 14 March 2013)
Dr. Lesley Ann Stanley
Bernard Forteach
Andrew Murphy
Alison Jones
Prof William (Bill) McKelvey OBE
Liz Breckenridge (from 1 July 2012)

10. 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.

11. IFRSs, amendments and interpretations in issue but not yet effective, or adopted

- IAS 1 – Presentation of financial statements (Other Comprehensive Income)
- IAS 1 - Presentation of Financial Statements
- IAS 12 - Income Taxes (amendment)
- IAS 16 - Property, Plant and Equipment
- IAS 19 – Post-employment benefits (pensions)
- IAS 32 - Financial Instruments: Presentation
- IAS 34 - Interim Financial Reporting
- IFRS 9 – Financial Instrument
- IFRS 10 - (Consolidated Financial Statements), 11 (Joint Arrangements), 12 (Disclosure of Interests in Other Entities), IAS 27 (Separate Financial Statements), IAS 28 (Investments in Associates and Joint Ventures)
- IFRS 13 – Fair Value Measurement

None of these new or amended standards and interpretations are likely to be applicable or are anticipated to have future material impact on the financial statements of the FSA.

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

