Food Standards Agency in Scotland

Statement of Account 2011/12

(Year End Accounts up to 31 March)

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Contents

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.

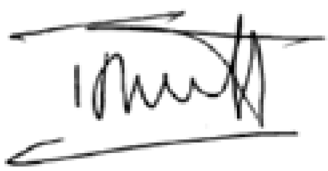
HM Treasury has appointed the Permanent Head of the Department as principal Accounting Officer of the department.

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

Request for resources 1: Tim J Smith, 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.



Tim J Smith

Chief Executive and Accounting Officer
9 July 2012

The Governance Statement

The Food Standards Agency (FSA) is an independent non-ministerial government department and as such does not have the board structure of a conventional ministerial government department. The Food Standards Agency governance structure was created under the Food Standards Act 1999[1] and functions in line with the Corporate Governance Code.

Governance of the Food Standards Agency

The FSA is an independent non-ministerial government department set up by an Act of Parliament in 1999 to protect the public's health and consumer interests in relation to food. The FSA is accountable to Parliament through health ministers, and to the devolved administrations in Scotland, Wales and Northern Ireland for its activities within their areas.

Rather than led directly by ministers, the FSA is led by a non-executive Board, recruited through open competition. Under the Food Standards Act 1999, the FSA Board is responsible for the overall strategic direction of the FSA, ensuring that it fulfils its legal obligations so that its decisions or actions take proper account of scientific advice, the interests of the consumer and other relevant factors. The Chief Executive, as the Accounting Officer, and his Executive Management Board are responsible for the delivery of that strategy and the FSA's resources, both financial and people.

The FSA Board holds its decision-making meetings in public. As part of its policy of openness of decision making, the agendas, papers and minutes of public Board meetings are accessible through the FSA website. The Board takes its decisions in accordance with its *Strategic Plan to 2015*[2]. The six outcomes the FSA aims to deliver are:

- foods produced or sold in the UK are safe to eat;
- imported food is safe to eat;
- food producers and caterers give priority to consumer interests in relation to food;
- consumers have the information and understanding they need to make informed choices about where and what they eat;
- regulation is effective, risk-based and proportionate, is clear about the responsibilities of food business operators, and protects consumers and their interests from fraud and other risks;
- enforcement is effective, consistent, risk-based and proportionate and is focused on improving public health.

Composition of the FSA Board

As directed by the Corporate Governance Code, the FSA Board comprises a Chair, Deputy Chair and between eight and twelve other members, of whom:

- one is appointed by the Minister for Health and Social Services in Wales;
- one is appointed by the Minister for Health, Social Services and Public Safety in Northern Ireland;
- two are appointed by the Minister for Public Health in Scotland;

1 http://www.legislation.gov.uk/ukpga/1999/28/contents
2 http://www.food.gov.uk/aboutus/publications/busreps/strategicplan/

- the remainder are appointed by the Secretary of State for Health in England.

As required by the Corporate Governance Code, Board members are required to 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. The Board is supported by a dedicated Secretariat.

There were six scheduled Board meetings that took place in the financial year 2011/12 (May, July, September, November 2011 and January, March 2012). There was one Board Retreat (October 2011). Attendance at these sessions averaged at 96% over the year. Copies of the Board's attendance records and its register of interests are published on the FSA website http://www.food.gov.uk/aboutus/ourboard/boardmem/.

The standing orders and code of conduct for Board members can be found on the FSA website http://www.food.gov.uk/aboutus/ourboard/wayboardworks/.

Food advisory committees.

The FSA has a food advisory committee (FAC) in each of the devolved countries. 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 the Scotland and Northern Ireland those FACs continue to cover this issue in their advice to the Board. The FACs are committed to acting in an open and transparent way and will publish the advice they provide to the FSA on food policy and its implementation.

Committees of the FSA Board

The Board has three committees.

- **Audit** – 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 the FSA website at http://www.food.gov.uk/aboutus/ourboard/boardcommittees/auditcommittee/
- **Risk** – 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/
- **Succession and Development** – The Succession and Development Committee advises 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/riskcommittee/

Each committee reports to the FSA Board in open session on an annual basis. In May 2012 the report from the Chair of the Audit Committee included a summary of the assurance levels given to various groups after internal audit findings and noted that the Annual Report and Accounts

2010/11 were unqualified by NAO and produced in line with Treasury's faster closing timetable.

The Chair of the Risk Committee reported in May 2012. This included updates on the progress made in year: implementation of a new risk management policy, supporting guidance and regular updates with the Chief Executive and other directors to ensure emerging risks are well managed.

The report from the Succession and Development Committee in January 2012 noted the appointment of new Board members and the implementation of a new Board Member appraisal system, introduced as part of the Agency's cost saving drive.

The latest annual reports of Committees can be found on our website at the following links:

Annual Report from the Chair of the Audit Committee – May 2012http://www.food.gov.uk/multimedia/pdfs/board/fsa120510.pdf

Annual Report from the Chair of the Risk Committee – May 2012 http://www.food.gov.uk/multimedia/pdfs/board/fsa120509.pdf

Annual Report from the Chair of the Succession and Development Committee – January 2012 http://www.food.gov.uk/multimedia/pdfs/board/fsa120109.pdf

The FSA Board's performance

As the FSA Board takes all its policy decisions in the open and the meetings are webcast live with papers published before the meetings, this allows for full scrutiny of the Board's actions. The FSA Board also holds a live question and answer session immediately after each open meeting, where it can be held to account for its decisions by the public. In 2011 an internal review of the Board's working practices was undertaken and its objectives were to:

- ensure that the Board is appropriately supported by the Executive of the FSA to protect public health from risk that may arise in connection with the consumption of food, and otherwise protect the interests of UK consumers in relation to food;
- ensure that effective and clear governance arrangements are in place within the FSA;
- ensure that there is a high level of openness and transparency in internal working relationships between the Board and the Executive of the FSA;
- strengthen the level of trust necessary to ensure good working relationships between the Board and the Executive of the FSA.

Executive Management Board

The Executive Management Board (EMB) supports the Chief Executive, who is the FSA's Accounting Officer, in ensuring the effective corporate governance of the FSA, and in particular:

- to provide a senior forum at official level for discussion of strategic policy issues, especially those that cross-internal organisation boundaries;
- to ensure and oversee the effective implementation of the strategy set by the Board;
- to provide, where necessary, a forum for corporate decision-making at official level within the policies/strategies agreed by the Board;
- to address strategic management issues including:

  - arrangements for managing and reviewing business risks;
  - business planning and review systems;
  - the maintenance of effective financial control;
  - resource allocation;
  - the consideration of internal audit reports where these raise issues of general concern;
  - pay and personnel management strategy;
  - IT strategy;
- to help ensure that the Chief Executive and Directors receive proper feedback on the views of staff.

Membership of the EMB includes a suitably qualified finance director, with separate directors having responsibility for audit and risk respectively.

Executive Management Board's performance

In 2012 the Chief Executive initiated an internal Capability Review of the FSA. The effectiveness of the EMB in delivering the strategic objectives of the FSA and ensuring resources are correctly accounted for and allocated will be considered as part of the review.

In addition to the FSA Annual Report and the Chief Scientist's Annual Report in 2011 EMB agreed the FSA Operations Group should also publish an annual report. This was published in November 2011 and further demonstrates the FSA's commitment to openness, transparency and external scrutiny of its performance.

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

Based on the results of the audit work completed during the year and his understanding of the Agency's control environment, the Head of Internal Audit's opinion was that the FSA had effective systems of governance, management and risk control. This assessment is supported by the following evidence:

- A revised risk management policy and related procedures have been implemented. This has improved the visibility and communication to the Board of risks faced by the agency as a whole and how well they are being managed.
- Implementation of a revised Corporate Strategy and integrated business planning and budgeting process with regular performance reports to EMB and the FSA Board.
- There were regular performance management meetings between the CE and individual directors
- There were no significant control issues arising from internal audit or external assurance reports presented to the Audit Committee during the year.
- An increased proportion of internal audit reports were classified as "substantial", the highest rating for audit purposes. There was also a significant reduction in the number of audit recommendations where management action was reported as overdue.
- Improved controls in relation to the tendering, award of contracts and procurement processes have been reported to the Audit Committee.

- Improved financial forecasting processes brought about by restructuring of the Finance function have also been reported to the Audit Committee. This has improved transparency and management control in relation to spending forecasts.
- New contracts and delivery arrangements for official controls and IT services aimed at improving efficiency and effectiveness of key agency activities have been implemented.

Finance and the Agency's use of resources

At the start of the financial year directors receive a budget delegation from the Accounting Officer. As part of this, directors agree to operate an adequate system of internal controls, 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 division. In completing the assurance statement for their areas of work, directors will look at the scope of responsibility, the capacity to handle risk, review of the effectiveness of the controls in place and whether there are any internal control problems.

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 Board on a monthly basis and are a standing item for discussion and decision.

Directors attend quarterly reviews with me as the Accounting Officer and performance is monitored against budgets, previous forecasts and business plans.

FSA risk management framework and the capacity to manage risk

The FSA Risk Management Policy forms part of the internal control and governance arrangements for the organisation and is based on elements of HMT guidelines (the 'Orange book') and ISO 31000 (the new international standard on risk management). Its purpose is to provide reasonable assurance to the FSA Board and the Executive Management Board that risks to achieving business objectives are being effectively controlled and that all involved are clear as to their roles and responsibilities.

The FSA Executive Management Board has incorporated risk management and internal controls into the organisation's approach to business planning. Risk owners formally review risks at least once a quarter ahead of a Risk Committee meeting which in turn reports to the FSA Board through an annual report.

The responsibility for managing the principal risks on a day-to-day basis is assigned to senior managers and they are required to ensure that adequate attention is given to this task.

The Agency also sits on the Treasury led Risk Improvement Group, which meets once a quarter and shares good practice and lessons learned in other departments. The FSA approach to risk management is being implemented across the organisation. The main processes in place for identifying, evaluating and managing risks are:

- **High level risks**: these are identified and defined in a risk register and are monitored quarterly by the Executive Management Board. Each risk is owned by a Director who is responsible for implementing countermeasures and contingencies to manage the likelihood and/or impact of the risk.
- **Group level risks**: these are identified and defined in a risk register and are monitored regularly by directors and their senior management teams. Directors are accountable for

risk management within their groups and, where appropriate, for escalating risks to the high level risk register.

- **Major project risks**: these are identified and defined in a risk register and are monitored by project teams. The FSA adopts PRINCE 2 project management methodology for IT and other major projects.

Escalation and de-escalation of risk

The FSA's effective risk management process ensures that risks are dealt with at the appropriate level, this being done via escalation and de-escalation of risks between risk registers. Escalation is the mechanism to ensure that more senior colleagues are involved when needed, i.e. the ability to manage the risk in question is effectively beyond your control. Whilst de-escalation simply reverses the process, with a decision being taken that a risk can now be managed at a lower level and that the intervention of more senior colleagues is not required anymore.

Current high level risk register

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 Olympics;
- local authorities;
- public health;
- meat charging;
- meat controls.

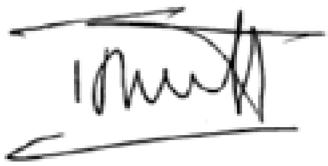
Of these, preparing for the Olympics, potential resource issues for local authorities enforcing food and feed legislation and the creation of Public Health England are the most immediate on our radar and effective contingencies and countermeasures have been put in place to mitigate against the threat escalating.

Summary of major issues relating to data security

The following issues relating to data security have arisen this year.

- There has been a leak investigation into how the Aberdeen Press & Journal obtained information contained in a personal letter written by a senior member of the FSA Board. The paper published details of the letter, which were then subsequently picked up by a number of other papers. A Cabinet Office leak investigator was appointed and despite exhaustive attempts we did not identify the perpetrator of the leak and the investigation has now been officially closed.
- In June 2011, the loss of an individual's personal data was reported to the Information Commissioners Office (ICO). The ICO case worker has reviewed the circumstances surrounding the loss and has decided to take no further action. The ICO caseworker commented that he was impressed with the amount of awareness and training the FSA is carrying out on information security and data protection.
- A leak investigation into unauthorised disclosure of legally privileged information to an independent body has so far failed to identify the source. A number of issues and recommendations are being addressed.

The FSA continues to give importance to data security. A dedicated team is in place to review and implement policies to mitigate the risk of any loss of information.



Tim J Smith

Chief Executive and Accounting Officer
9 July 2012

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 2012 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 give a true and fair view. 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 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 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) net cash requirement, net resource outturn, and the net operating cost for the year ended 31 March 2012; and
- the financial statements have been properly prepared in accordance with Food Standards Act 1999 and Scottish Ministers directions issued thereunder. .

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

11 July 2012

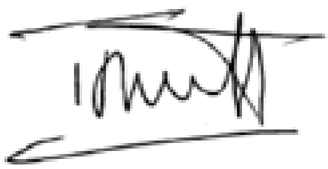
Summary of Resource Outturn

for the year ended 31 March 2012

							2011/12	2010/11
			Estimate			Outturn	Net total outturn compared with Estimate	
	Gross Expenditure	A-in-A	Net Total	Gross Expenditure	A-in-A	Net Total	Saving/ (excess)	Prior year outturn
	1	2	3	4	5	6	7	8
	£000	£000	£000	£000	£000	£000	£000	£000
Resources								
Request for resources	10,050	–	10,050	9,515	–	9,515	535	9,565
Total resources	**10,050**	**–**	**10,050**	**9,515**	**–**	**9,515**	**535**	**9,565**

Expenditure for the year was consistent with the estimate and the variance was 5% below the estimate. The variance between estimate and outturn is due to restrictions on recruitment and procurement delays resulting in lower 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 (FReM) and does not function as an expenditure control mechanism. The specific authority of the Scottish Parliament is not required for overspends against estimate.



Tim J Smith

Chief Executive and Accounting Officer
9 July 2012

The notes on pages 17 to 26 form part of these accounts

Reconciliation of Net Resource Outturn to Funding from the Scottish Parliament

	Note	2011/12 £000	2010/11 £000
Net Resource Outturn		9,515	9,565
Non cash items	3	(79)	(94)
Other accruals adjustments		149	(107)
Capital:			
Capital expenditure		138	51
Net Cash Requirement		**9,723**	**9,415**
Net Cash Requirement		9,723	9,415
Cash brought forward		(3,802)	(3,111)
Cash carried forward		245	3,802
Cash funding provided directly by the Scottish Parliament		**6,166**	**10,106**

FSA in Scotland has a capital budget of £50k 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 £245k (10-11: £3,802k).

The notes on pages 17 to 26 form part of these accounts

Statement of Comprehensive Net Expenditure

For the year ended 31 March 2012

	Note	2011/12 £000	2011/12 £000	2010/11 £000
Administration Costs				
Staff Costs	2	2,589		2,625
Other Administration Costs	3	1,328		1,805
Gross Administration Costs			3,917	4,430
Net Administration Costs			3,917	4,430
Programme Costs	3		5,598	5,135
Net Operating Cost			**9,515**	**9,565**

The notes on pages 17 to 26 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 FSA's activities in Scotland, which are funded separately by sums voted by the Scottish Parliament. The accounts for 2011/12 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 2011/12 under IFRS insofar as it is applicable and apporpriate 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 (PSCPS) is a multi-employer, unfunded, contributory defined beneft 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 2.8% (10-11: 2.9%) 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:

	2011/12 £000	2010/11 £'000
Wages and Salaries	1,987	2,009
Social Security Costs	153	156
Other Pension Costs	364	378
Sub Total	**2,504**	**2,543**
Inward Secondment	0	0
Agency Staff	85	82
Total Net Costs	**2,589**	**2,625**

No salary costs have been capitalised.

2.2 Average Number of persons employed

The average number of whole-time equivalent persons employed during the year 2011/12 and 2010/11 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**	**2011/12 Total**	**2010/11 Total**
Average number of whole-time equivalent persons employed	65	1	66	74

2.3 Management Remuneration

	2011/12			**2010/11**
	Total Remuneration	Of Which Bonuses	Benefits in Kind	Total Remuneration
Bands	£5,000 (£'000)	£5,000 (£'000)	£1,000 (£'000)	£5,000 (£'000)
Charles Milne – Director, FSA in Scotland	90 – 95	–	–	90 – 95

	2011/12					
	Real increase in Pension at age 60	Total accrued Pension at age 60 31 March 2012	Lump sum at age 60 31 March 2012	CETV at 31 March 2012	CETV at 31 March 2011*	Real increase in CETV
Bands	£2,500 (£'000)	£5,000 (£'000)	£5,000 (£'000)	(£'000)	(£'000)	(£'000)
Charles Milne – Director, FSA in Scotland	(0 – 2.5)	30 – 35	95 – 100	556	516	(8)

*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.

2.4 Principal Civil Service Pension Scheme

The Principal Civil Service Pension Schemes (PCSPS) is an unfunded multi-employer defined benefit scheme but the FSA in Scotland 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**.

Pension benefits are provided through the Civil Service pension arrangements. From 30th 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 are increased annually in line with changes in the Retail Prices Index (RPI). 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 set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. 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 from October 2002 calculated as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year 31st March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is updated in line with RPI. 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).

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

2.5 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 2011/12 was £90-£95k (2010/11, £90-£95k). This was 3.39 times (2010/11, 3.32) the median remuneration of the workforce, which was £27k (2010/11, £27k).

Remuneration ranged from £10k to £56k (2010/11, £11k to £57k).

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.

	2011/12	**2010/11**
Band of highest paid Director's Total Remuneration	90–95	90–95
Median Total Remuneration	27	27
Ratio	3.39	3.32

3 Expenditure Analysis

		2011/12		**2010/11**
	£000	**£000**	**£000**	**£000**
Rentals under operating leases:				
Hire of Plant and machinery		–		–
Other operating leases		263		266
Non Cash Items:				
Audit Fees**	6		8	
Recharge of Scotland Share of Capital Costs from the Central FSA	73		86	
Total Non-Cash Items		79		94
Accommodation costs		205		259
Staff overheads		226		577
Administration costs		322		377
IT costs*		158		151
Committee Costs		75		81
Other Administration Costs		1,328		1,805
Programme Costs		5,598		5,135
		6,926		**6,940**

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

**Audit fee for 2011/12 was £8k. This was offset by a credit of £2k from the previous year, reducing the amount disclosed in the note to £6k.

4 Analysis of Net Operating cost by spending body

Spending body:	2011/12 £000	2010/11 £000
FSA – Scotland	9,495	9,541
Grants paid to Local Authorities	20	24
	9,515	**9,565**

5 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	Paid in 2011/12 £000
CEFAS	2,093
Food & Enviornment Research Agency	49
COI	275
The Scottish Government	572
GovNet Communications	1
Department of Health	525
National School of Government	1

6 Operating Leases

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

	2011/12 £000	2010/11 £000
Obligations under operating leases comprise:		
Buildings:		
Not later than one year	260	260
Later than one year and not later than five years	519	778
Later than five years		
	779	**1,038**

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).

7 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:

	2011/12 £000	2010/11 £000
Not later than one year	543	913
Later than one year and not later than five years	–	977
Later than five years	–	–
Less Interest	–	–
Present value of obligations	543	1,890

8 Contingent liabilities

There are no Contingent Liabilities to report.

9 Losses and Special Payments

There were no special payments during the year.

10 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. David Cameron (Resigned from Committee & Chair from 30th August 2011)

Dr. James Wildgoose (Interim Chair from 1st September 2011)

Amanda O'Donoghue (Left 14th March 2012)

Dr. Carrie Ruxton

Christopher Trotter

Dr. Lesley Stanley

Bernard Forteath

Andrew Murphy (From 1st March 2012)

Alison Jones (From 1st March 2012)

Prof William (Bill) McKelvey (From 1st March 2012)

11 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.

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

IAS 8, accounting policies, changes in accounting estimates and errors, require disclosures in respect of new IFRS's, amendments and interpretations that are, or will be applicable after the accounting period. There are a number of IFRSs, amendments and interpretations issued by the International Accounting Standards Board that are effective for financial statements after this accounting period. The following have not been adopted early by the FSA:

- IFRS 7 Financial Instruments: Disclosures Amendment to allow for better comparisons between financial statements. The effective date is for accounting periods beginning on or after 1 January 2013. Also an amendment to improve the disclosure requirements in relation to transferred financial assets which is effective for accounting periods beginning on or after 1 July 2011.
- IFRS 9 Financial Instruments A new standard intended to replace IAS39. The effective date is for accounting periods beginning on, or after 1 January 2015.
- IFRS 13 Fair Value Measurement IFRS 13 applies when other IFRS's require or permit fair value measurements. The new requirements are effective for accounting periods beginning on, or after 1 January 2013.
- IAS 1 Presentation of Financial Statements Amendment to the existing standard to improve disclosures to users of the accounts. The effective date is for accounting periods beginning on, or after 1 June 2012.
- IAS 19 Employee Benefits The amendments will improve the recognition and disclosure requirements for defined benefit plans and modify the accounting for termination benefits. The new requirements are effective for accounting periods beginning on or after 1 January 2013.
- IAS 32 Offsetting Financial Assets and Financial Liabilities Amendments to clarify the application of offsetting requirements. The amendments are effective for accounting periods beginning on or after 1 January 2014.

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

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
Dated
17 January 2006

Food Standards Agency Sustainability Report for the year ended 31 March 2012 – Scotland

Waste					
Non Financial indicators (tonnes)	2007/8	2008/9	2009/10	2010/11	2011/12
Total waste	/	/	/	/	/
Recycled/reused waste	/	/	/	/	/
Landfill	/	/	/	/	/
Waste incinerated	/	/	/	/	/
Confidential waste	/	/	/	/	/
Financial indicators (£)	2007/8	2008/9	2009/10	2010/11	2011/12
Total disposal costs	/	/	/	/	/
Waste to landfill	/	/	/	/	/
Waste recycled/reused	/	/	/	/	/
Waste incinerated	/	/	/	/	/
Confidential waste	/	/	/	/	/
Finite resource consumption: water					
Non-financial indicators (cubic metres)	2007/8	2008/9	2009/10	2010/11	2011/12
Total water consumption supplied (office estate)	/	/	/	/	/
Financial indicators	2007/8	2008/9	2009/10	2010/11	2011/12
Total costs	/	/	/	/	6,410.00
GHG emissions: energy (Scope 2)					
Non-financial indicators (kWh)	2007/8	2008/9	2009/10	2010/11	2011/12
Electricity	/	/	/	/	/
Gas	/	/	/	/	/
Financial indicators (£)	2007/8	2008/9	2009/10	2010/11	2011/12
Energy expenditure	11,976.12	26,791.37	24,845.00	20,102.00	17,912.00
GHG emissions: business travel (Scope 1)*					
Non-financial indicators (Distance travelled)	2007/8	2008/9	2009/10	2010/11	2011/12
FSA Scotland fleet (miles)	/	12837	11183	31623	31232
Financial indicators (£)	2007/8	2008/9	2009/10	2010/11	2011/12
FSA Scotland fleet	14,727.82	11,576.84	11,680.00	10,588.00	10,080.26

The above report has been prepared in accordance with guidelines laid down by HM Treasury in 'Public Sector Sustainability reporting' published at www.financial-reporting.gov.uk

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