
Food Standards Agency Wales

Statement of Accounts 2006-07

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(For the year ended 31 March 2007)

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Statement of Accounting Officer's Responsibilities

1. Under the Food Standards Act 1999, the Food Standards Agency is required to prepare resource accounts for each financial year. This is to conform with a Treasury direction detailing the resources acquired, held, or disposed of during the year and the use of resources by the Department during the year.
2. The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department, the net resource outturn, resources applied to objectives, recognised gains and losses, and cash flows for the financial year.
3. HM Treasury has appointed the Chief Executive as Principal Accounting Officer of the Department with overall responsibility for preparing the Department's accounts and for transmitting them to the Comptroller and Auditor General.
4. In preparing the accounts, the Principal Accounting Officer is required to comply with the Financial Reporting Manual (FReM) prepared by HM Treasury, and in particular to;
 - a. observe the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
 - b. make judgements and estimates on a reasonable basis;
 - c. state whether applicable accounting standards, as set out in the FReM, have been followed, and disclose and explain any material departures in the accounts; and
 - d. prepare the accounts on a going-concern basis.
5. In addition, HM Treasury has appointed an Agency Accounting Officer (Steve McGrath) to be accountable for those parts of the Department's accounts that relate to the Meat Hygiene Service resources and the associated assets, liabilities and cash flows. This appointment does not detract from the Chief Executive's overall responsibility as Accounting Officer for the Department's accounts.
6. The responsibilities of an Accounting Officer (including responsibility for the propriety and regularity of the public finances, for keeping proper records and for safeguarding the Department's assets) are set out in the Accounting Officer Memorandum issued by HM Treasury and published in Government Accounting. Under the terms of the Accounting Officer's Memorandum, the relationship between the Department's Principal Accounting Officer and the MHS Agency Accounting Officer, together with their respective responsibilities, is set out in writing.

John Harwood
Chief Executive and Accounting Officer
27 June 2007

Statement on Internal Control

1 Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Food Standards Agency (FSA)'s policies, aims and objectives, whilst safeguarding the public funds and agency assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting. This statement covers the whole of the agency, Westminster-funded FSA (including the Meat Hygiene Service), FSA Scotland, FSA Wales, and FSA Northern Ireland.

The FSA is a non-Ministerial Government Department, operating at arm's length from Ministers, and led by a non-executive Board appointed to act in the public interest. I and members of the FSA Executive Management Board attend meetings of the FSA Board. I also meet with the FSA Board Chair and Deputy Chair each week.

I have been appointed as Accounting Officer for the Westminster funded FSA by Her Majesty's Treasury, and for FSA Northern Ireland by the Department of Finance and Personnel (DFP). I also act in this capacity for FSA Wales and FSA Scotland. Although the activities of these offices are funded through the devolved authorities, they remain part of the United Kingdom FSA. The FSA has a single executive agency, the Meat Hygiene Service operating in Great Britain. The Chief Executive of the MHS has been appointed as Agency Accounting Officer for the MHS. As Agency Accounting Officer, he is responsible to me and to Parliament for the MHS's use of resources in carrying out its functions in accordance with his delegated authorities.

The FSA has in place the key elements of an effective system of internal control including:

- an Executive Management Board, chaired by myself and comprising all UK Directors, which normally meets monthly;
- Internal Audit arrangements, which comply with Government standards, including a risk-based audit programme linked to the strategic risks of the organisation and audit of corporate governance and controls in the devolved offices;
- regular reports by Internal Audit, which include an independent annual opinion of the adequacy and effectiveness of the organisation's system of internal control together with recommendations for improvement;
- an Audit Committee, constituted in line with HM Treasury's draft Audit Committee Handbook issued in July 2006, to advise me as Accounting Officer. The Committee meets four times a year with a non-executive chair who reports annually to the FSA Board on the work of the Committee;
- a strategic plan which sets out the FSA's main aims and objectives for 2005-2010;
- a strategic risk register incorporating risk treatment plans and an independent Risk Committee established during the year;
- business and financial planning processes (corporate and local business plans) which explicitly take into consideration business risk;
- financial performance reports are discussed at the Executive Management Board's monthly meetings;
- regular reports by the executive and by Internal Audit on internal controls are circulated to Audit Committee members;

- signed quarterly reports from budget managers on how they manage their budgets within their delegated authority, to meet their objectives and their compliance with corporate governance responsibilities;
- assurance from the Chief Executive of the Meat Hygiene Service on internal controls and attendance at the MHS Audit Committee. The MHS publishes its own annual accounts including a Statement on Internal Control audited by the Comptroller and Auditor General. The MHS maintains its own Internal Audit service and has established an independent Audit Committee. The FSA is represented at the MHS Audit Committee and has access to all MHS internal and external audit reports; and
- a Corporate Governance page on the FSA Intranet linked to all available guidance and instructions. It is continually reviewed and updated.

2 The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of FSA's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage the risks efficiently, effectively and economically. The system of internal control has been in place in the FSA for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

3 Capacity to handle risk

The FSA management team has incorporated risk management and internal controls into the organisation's business agenda and they are reviewed and reported on regularly throughout the year. Risk owners also formally review each of the risks on the Strategic Risk Register at least once a quarter and produce a written report for the Chief Executive.

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.

Two risk policy statements have been issued; a framework for managing business risk which incorporates Treasury guidance, and a food risk framework which describes, for a general audience, the FSA's approach to managing food risks. A business risk handbook setting out the arrangements in place within the organisation to manage business risk, which includes the process for risk escalation and the responsibilities of individuals throughout the organisation, has been made available to all staff. A programme of training and support for the business planning process has been developed. This includes training on risk management.

The business planning process is formally reviewed each year and amended to reflect lessons learnt and to build in examples of best practice. In addition we have established cross-FSA workshops to discuss business planning issues and learn from and disseminate good practice.

Additionally, during the year, an independent Risk Committee, chaired by Chris Pomfret, was established to help ensure improvements with regard to how the FSA identifies, models and manages risk. The committee is due to report back to the Board towards the end of 2007. At this stage a decision will be made to either retain a separate Risk Committee or for it to merge back with the Audit Committee.

4 The risk and control framework

In the FSA the main processes which we have in place for identifying, evaluating and managing risks are as follows:

- **Strategic risks:** these are identified and monitored by the Executive Management Board and formally reviewed on a quarterly basis. They are also included in the strategic risk register. Ownership of each risk has been allocated to a Director who is responsible for managing the likelihood and impact of the risk;
- **Major project risks:** these are managed to project management standards and are included in a risk register. We use project management techniques based on PRINCE methodology for IT and other applications. In addition there are well defined and documented procedures (and a specific IT system) for the procurement and management of the FSA's £17m research portfolio; and
- **Local risks:** the FSA has decided that lower level risk registers would not be proportionate and local managers have discretion as to how these risks are managed.

The major risks identified which could impinge on the FSA's ability to achieve its aims and objectives include:

- the FSA's reputation;
- achieving effective co-operation of the food industry;
- operating effectively in Europe and other international arenas;
- ensuring the FSA remains an independent organisation;
- developing the staff and skills the FSA needs to carry out its functions;
- effective financial management.

The Food Standards Act 1999 places an obligation on the FSA to protect public health and act in the interest of consumers.

In matters of public health the FSA takes a precautionary approach to risk which means that action may be taken before there is conclusive proof of a hazard. Actions taken will be proportionate to the best judgement of the risk based on the best evidence available and will be reviewed if new evidence emerges.

Our management of risk is embedded in policymaking, planning and delivery by incorporating risk management and internal controls into the organisation's business agenda so they are reviewed and reported on regularly throughout the year.

Heads of Divisions formally review their business plans and business risks each quarter and sign a statement to confirm this has taken place. The planning process has been fully supported through a programme of targeted support and training (including risk management) to meet the needs of different parts of the organisation.

Our risk environment involves managing risks which impact on the public. The Board of the FSA holds all its policy decision-making meetings in public. The venues and agendas are published in advance and the papers are publicly available. There is the opportunity for members of the audience to ask questions at each meeting. Questions may also be submitted in advance of each meeting, by e-mail. Board meetings are webcast live via our website, and the webcasts are also archived on our website as publicly available video-on-demand.

We regard consultation with our stakeholders as an essential part of fulfilling our core values. We are required by statute to consult on our activities with those affected by our decisions. As well as a great deal of informal contact with stakeholders, the FSA carries out formal written public consultations as part of the development of policy. We also conduct stakeholder fora on key issues where we invite key stakeholders to meet and discuss differing points of view.

One of our core values is to put consumers first and we involve consumers in a variety of ways to alert the FSA to key issues of current or emerging consumer concern; comment on the FSA's strategic objectives and forward plan; and provide the FSA with feedback on the effectiveness of our policies in responding to consumer concerns.

5 Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the FSA who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place. During 2006/07 a Management Information System was established for reporting to the Board. This included a "traffic light" reporting system which incorporated green, amber or red summary reporting, with the option of drilling down further to analyse data in more detail. Board Members have commented favourably on this reporting system.

The FSA makes stringent efforts to maintain and review the effectiveness of the system of internal control. Additional measures to strengthen controls will be incorporated if gaps are identified.

The FSA's Internal Audit arrangements include a risk-based audit programme linked to the strategic risks of the organisation. These audit arrangements comply with Government Internal Audit standards. Work undertaken by Internal Audit during the year included a review of human resource management systems, counter fraud testing, security, IT back up and recovery procedures, information management, commissioning research, managing independence, interaction with the MHS and a number of divisional reviews. Controls and procedures were generally found to be effective, but some improvements were proposed to local business objective setting and planning. Recommendations were also made to improve the FSA's commissioning of research work.

Internal Audit work completed during the year highlighted the need for improved risk management, be less cautious in managing change and the need to improve performance management across the agency generally. Financial controls can be applied too mechanistically.

Additional Internal Audit work was also undertaken in the FSA's devolved offices. Arrangements were generally satisfactory, with the following comments:

FSA Northern Ireland

Corporate governance controls were generally effective, but the business continuity plan remains to be fully tested (this was subsequently tested prior to the end of the financial year). Work undertaken in year emphasised the additional financial risks that FSANI will face once charging for meat hygiene inspections and specified risk material controls is charged for on an actual rather than fixed price basis in 2007/08.

FSA Scotland

Internal Audit work undertaken in year identified that further development work is needed in identifying risks unique to FSA Scotland. However, it is anticipated that improved risk management will be fully operational in 2007/08.

FSA Wales

Corporate governance controls were found to be working effectively.

John Harwood
Chief Executive and Accounting Officer

The Certificate and Report of the Comptroller and Auditor General to the National Assembly for Wales

I certify that I have audited the financial statements of the Food Standards Agency (Wales) for the year ended 31 March 2007 under the Food Standards Act 1999. These comprise the Summary of Resource Outturn, the Operating Cost Statement 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

The Accounting Officer is responsible for preparing the financial statements in accordance with the Food Standards Act 1999 and directions issued by the National Assembly for Wales and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements are fairly presented and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the directions issued by the National Assembly for Wales under the Food Standards Act 1999. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Department has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by the Welsh Assembly Government Ministers regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Department's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of the Department's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Department's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the National Assembly for Wales and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinions**Audit Opinion**

In my opinion:

- the financial statements present fairly, in accordance with the Food Standards Act 1999 and directions made thereunder by the National Assembly for Wales, the summary of resource outturn, the net resource cost, and the cash funding requirements of the Food Standards Agency's activities funded by the National Assembly for Wales for the year ended 31 March 2007; and
- the financial statements have been properly prepared in accordance with directions issued by the National Assembly for Wales under the Food Standards Act 1999.

Audit Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

3 July 2007

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

Food Standards Agency – Wales

Summary of Resource Outturn for the year ended 31 March 2007

	2006-07						2005-06	
	Estimate			Outturn			Net Total Outturn compared with Estimate Saving/ (excess)	Prior Year Outturn
	Gross Expenditure	A-in-A	Net Total	Gross Expenditure	A-in-A	Net Total		
	1	2	3	4	5	6	7	8
£000	£000	£000	£000	£000	£000	£000	£000	
Resources								
Request for resources	2,852	–	2,852	2,949	–	2,949	(97)	2,654
Total resources	2,852	–	2,852	2,949	–	2,949	(97)	2,654

Reconciliation of Net Resource Outturn to Net Cash Requirement

	Note	2006-07 £000	2005-06 £000
Net Resource Outturn		2,949	2,654
Accruals Adjustments:			
Depreciation	3	(70)	(73)
Other non-cash items	3	(96)	(154)
Increase/(Decrease) in debtors and prepayments	6	36	(2)
(Increase)/Decrease in creditors	6	(312)	181
Less movements in creditors relating to items not passing through the OCS	8	94	(152)
Capital:			
Capital expenditure		69	8
Net Cash Requirement		2,670	2,462
Net Cash Requirement		2,670	2,462
Cash brought forward		(328)	(480)
Cash carried forward		421	328
		2,763	2,310
* Included as part of other non cash items is 86k. (2005-06 £140k) indirect funding from the National Assembly for Wales			
Indirect Funding		86	140
Direct Funding		2,763	2,310
		2,849	2,450

Operating Cost Statement for the year ended 31 March 2007

		2006-07		2005-06
	Note	<u>£000</u>	<u>£000</u>	<u>£000</u>
Administration Costs				
Staff Costs	2	951		911
Other Administration Costs	3	561		528
Gross Administration Costs			<u>1,512</u>	<u>1,439</u>
Net Administration Costs			1,512	1,439
Programme Costs				
Protecting & Promoting public health in relation to food	4	1,437		
Total			<u>1,437</u>	<u>1,215</u>
Net Operating Cost			<u>2,949</u>	<u>2,654</u>

The Summary of Resource Outturn compares the estimates of net and gross expenditure by FSA Wales 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 Welsh Assembly is not required for overspends against estimate.

John Harwood
Chief Executive and Accounting Officer

Notes to the Accounts

1 Accounting Policies

1.1 Scope of Accounts

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. Its 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 Standards Agency Wales' (FSAW) operations. The financial statements account for the FSAW's activities in Wales, which are funded separately by sums voted by the National Assembly for Wales.

Separate accounts are also produced for the activities of the FSA in Scotland and Northern Ireland, the activities of the Meat Hygiene Service, which is an executive agency of the FSA, 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 the Westminster Funded FSA.

1.2 Basis of Preparation

These financial statements have been prepared in accordance with an Accounts Direction issued by the National Assembly for Wales. 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.

1.3 Accounting Convention

The accounts have been prepared 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 Wales 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 Financial Reporting Manual FReM, insofar as it is applicable and appropriate to the FSA Wales.

1.4 Basis of Funding

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

Reconciliation of net resource outturn to net cash requirement therefore reflects adjustments to account for:

- a) movements on debtors and creditors which remain unpaid as at the 31st March 2007;
- b) the cash costs of the purchase of fixed assets, rather than the charge for depreciation which is reflected in the resource outturn; and
- c) removal of non cash costs 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.

1.5 Administration and Programme Expenditure

The operating cost statement is analysed between administration and programme costs. Administration costs reflect the cost of running the FSAW as identified under the administration cost-control regime.

Programme costs reflect non-administration costs including other disbursements by the FSAW.

1.6 Pensions

FSAW present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which is a defined benefit scheme and is unfunded and non-contributory. FSAW 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.

1.7 Value Added Tax

Expenditure is included net of recoverable VAT. Irrecoverable VAT is charged to the operating cost statement.

1.8 Depreciation and Amortisation

Freehold land and assets in the course of construction are not depreciated. All other assets are depreciated from the month following the date of acquisition. Depreciation and amortisation is at the rates calculated to write-off the valuation of tangible and intangible fixed assets respectively by applying the straight-line method over the following estimated useful lives:

Tangible assets

Computer servers and computer equipment	4 Years
Office machinery	7 Years
Furniture, fixtures and fittings	7 Years
Vehicles	4 Years

Intangible assets:

Computer Software and software licences	2-7 Years
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1.9 Operating Leases

Operating leases are charged to the operating cost statement on a straight-line basis over the term of the lease.

1.10 Audit Costs

A charge reflecting the cost of the audit is included in the operating costs. The FSAW is audited by the Comptroller and Audit General (C&AG) subcontracted out to Pricewaterhouse Coopers LLP. No charge by the C&AG is made for this service, but a non cash charge representing the cost of the audit is included in the accounts.

1.11 Research & Development

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 SSAP 13. Other development expenditure is capitalised if it meets the criteria specified in the FREM which are adapted from the SSAP 13 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. Fixed assets acquired for the use in research and development are depreciated over the life of the associated project, or according to the asset category if the asset is to be used for subsequent production work.

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

1.12 Financial Assets and Liabilities

FSA holds the following financial assets and liabilities:

- 1 Assets
 - cash
 - short-term debtors and accrued income
- 2 Liabilities
 - long-term creditors
 - short-term creditors
 - provisions arising from the contractual arrangements

Cash balances are recorded at current values. Account balances are set-off only where there is a formal agreement with the bank to do so. Interest earned on bank accounts and interest charged on overdrafts are recorded as, respectively, 'Interest receivable' and 'Interest Payable' in the periods to which they relate. Bank charges are recorded as operating expenditure in the periods to which they relate.

All other financial instruments are held for the sole purpose of managing the cash flow of the FSA on a day to day basis or arise from the operating activities of FSA.

2 Costs and number of staff

a) Staff Costs consist of:

	<u>2006-07</u>	<u>2005-06</u>
	£000	£000
Wages and Salaries	674	599
Social Security Costs	55	48
Other Pension Costs	126	110
Sub Total	855	757
Inward Secondment	87	140
Agency Staff	9	14
Total Net Costs	951	911

b) The average number of whole-time equivalent persons employed by the FSA Scotland during the year 2006-07 by aim were as follows:

	<u>2006-07</u>	<u>2005-06</u>
	<u>TOTAL</u>	<u>TOTAL</u>
Aim 1		
Food Safety		
– to continue to reduce foodborne illness	13	14
– to reduce further the risks to consumers from chemical contamination (including radiological) of food.		
Aim 2		
Eating for Health	5	4
– to make it easier for all consumers to choose a healthy diet, and thereby improve quality of life by reducing diet-related disease		
Aim 3		
Choice	5	6
– to enable consumers to make informed choices		
	<u>23</u>	<u>24</u>

c) Staff Costs by aim were as follows:

	<u>2006-07</u>	<u>2005-06</u>
	<u>TOTAL</u>	<u>TOTAL</u>
	£000	£000
Aim 1		
Food Safety	523	510
– to continue to reduce foodborne illness		
– to reduce further the risks to consumers from chemical contamination (including radiological) of food.		
Aim 2		
Eating for Health	200	155
– to make it easier for all consumers to choose a healthy diet, and thereby improve quality of life by reducing diet-related disease		
Aim 3		
Choice	228	246
– to enable consumers to make informed choices		
	<u>951</u>	<u>911</u>

d) Management Remuneration

	2006-07				CETV* at 31-Mar-07	CETV at 31-Mar-06	Real increase in CETV	
	Salaries & other allowances	Benefits in kind	Real increase in Pension at age 60	Total accrued Pension at age 60 31-Mar-07				Lump sum Pension at age 60 31-Mar-07
	(£000)		(£000)	(£000)	(£000)	(£000)	(£000)	
<i>Bands</i>								
Joy Whinney, Director FSA Wales	85 – 90	–	0 – 2.5	15 – 20	45 – 50	216	187	27

	2005-06		Real increase in Pension at age 60	Total accrued Pension at age 60 31-Mar-06	Lump sum Pension at age 60 31-Mar-06	CETV* at 31-Mar-06	CETV at 31-Mar-06	Real increase in CETV
	Salaries & other allowances	Benefits in kind						
<i>Bands</i>	<i>£5,000</i>	<i>£100</i>	<i>£2,500</i>	<i>£5,000</i>	<i>£5,000</i>			
	<i>(£000)</i>		<i>(£000)</i>	<i>(£000)</i>	<i>(£000)</i>	<i>(£000)</i>	<i>(£000)</i>	<i>(£000)</i>
Joy Whinney, Director FSA Wales	60 – 65	700	0 – 2.5	10 – 15	35 – 40	182	113	24

*CETV is Cash Equivalent Transfer Value of pension entitlement.

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. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pension.gov.uk).

Civil Service Pensions (CSP)

Pension benefits are provided through the CSP arrangements. From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium, and classic plus). The Schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5 per cent of pensionable earnings for classic and 3.5 per cent for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefit accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

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

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

Cash Equivalent Transfer Values

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

accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements and for which the CS Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of 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.

3 Other Administration Costs

	2006-07		2005-06	
	£000	£000	£000	£000
Rentals under operating leases:				
Hire of Plant and machinery		3		2
Other operating leases		76		57
Non-cash items:				
Depreciation	70		73	
Cost of Capital	–		4	
Audit fees	10		10	
Total non-cash items		80		87
Accommodation costs		139		111
Staff overheads		84		90
Administration costs		73		103
IT costs*		56		36
Committee Costs		50		42
		561		528

* The Central IT Costs are apportioned between Devolved Offices on the basis of the number of terminals.

4a) Net Programme Costs

	<u>2006-07</u>	<u>2005-06</u>
	£000	£000
Monitoring and Surveillance & Publicity		
Local Authority	754	606
Micro Food Safety and Education	378	438
Nutrition	305	171
	<u>1,437</u>	<u>1,215</u>

4b) Net Programme Costs by Aim

	<u>2006-07</u>	<u>2005-06</u>
	£000	£000
Aim 1		
Food Safety	891	486
– to continue to reduce foodborne illness		
– to reduce further the risks to consumers from chemical contamination (including radiological) of food.		
Aim 2		
Eating for Health	302	389
– to make it easier for all consumers to choose a healthy diet, and thereby improve quality of life by reducing diet-related disease		
Aim 3	244	340
Choice		
– to enable consumers to make informed choices	<u>1,437</u>	<u>1,215</u>

The programme costs have been apportioned according to how much was actually spent on each aim. Costs have been apportioned to individual aims on a divisional basis which best reflects the resources consumed. These costs include staff costs as explained in notes 2 to the accounts.

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 FSAW has had a number of transactions with other government departments and other central government bodies, which are considered to be related parties.

6 Movements in Working Capital

	<u>2006-07</u>	<u>2005-06</u>
	£000	£000
(Decrease)/Increase in debtors and prepayments	36	(2)
Decrease/(Increase) in creditors	(312)	181
(Less)/plus movements in creditors relating to items not passing through the OCS	(516)	(156)
	<u>(792)</u>	<u>23</u>

7 Debtors

	<u>2006-07</u>	<u>2005-06</u>
	£000	£000
Amounts falling due within one year:		
Prepayments	56	20
Trade Debtors	1	–
VAT Debtor	21	23
	<u>78</u>	<u>43</u>

8 Creditors

	<u>2006-07</u>	<u>2005-06</u>
	£000	£000
Amounts falling due within one year		
Other taxation and social security	22	17
Staff Creditors	0	1
Trade Creditors	156	33
Other Creditors	14	11
Accruals	259	172
Amounts issued from the Scottish Consolidated Fund for supply but not spent in year	421	327
	<u>872</u>	<u>559</u>

9 Financial Instruments

The FSAW does not make use of derivatives or other financial instruments. The FSAW is funded primarily through the National Assembly for Wales. The FSAW is not exposed to any foreign exchange risks. The FSAS draws down cash balances as required to fund continuing activities, and has no borrowings.

10 Other Financial Commitments

The FSAW has not entered into any financial commitments which are not operating leases.

11 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:

Wales – Advisory Committee Members

Professor Robert Bell
Dr David Casemore
Professor Margaret Griffiths
Professor James Parry
Mrs Dilwen Phillips
Professor Robert Pickard
Mr Andrew Johnson
Ms Kate Hovers
Mr Alan Gardner (to 31st July 2006)
Dr Louis Fielding
Ms Katie Palmer
Mr Christopher Pomfret

12 Post Balance Sheet Events

There were no reportable post balance sheet events between 31st March and the 4th July, the date the Accounting Officer dispatched the accounts to the National Assembly for Wales. The financial accounts do not reflect events after this date.

**ACCOUNTS DIRECTION GIVEN BY THE NATIONAL ASSEMBLY FOR WALES
IN ACCORDANCE WITH SECTION 39(7) AND SCHEDULE 4 OF THE FOOD
STANDARDS ACT 1999**

The Food Standards Agency shall report its funding and expenditure in relation to sums paid by the National Assembly for Wales in a Statement of Accounts for the year ended 31 March 2001 and subsequent financial years comprising:

- a summary of resource outturn;
- an operating cost statement; and
- a schedule reconciling the net resource outturn to the sums provided by the National Assembly for Wales

The statement of accounts shall present fairly the summary of resource outturn, the net resource cost for the financial year, the capital expenditure of the year and reconcile the net resource outturn to the sums provided by the National Assembly for Wales for the financial year. Subject to this requirement the statement of account shall also be prepared in accordance with the requirements of HM Treasury's Resource Accounting Manual which is in force for that financial year insofar as it is appropriate to the Agency. A separate foreword, statement of the state of affairs at 31 March of the financial year, and a statement of resources applied to objectives, recognised gains and losses and cashflows for the year then ended will not be required.

This direction shall be reproduced as an appendix to the statement of accounts.

Signed by Authority of the National Assembly for Wales
5 September 2001



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