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# **Food Standards Agency Scotland**

## **Statement of Account**

**2009-10**

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**Statement of Account**  
**2009-10**

**(Accounts for the year ended 31 March 2010)**

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**Statement of Accounting Officer's responsibilities**

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

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

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

make judgements and estimates on a reasonable basis;

state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the accounts; and

prepare the accounts on a going concern basis.

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

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

Request for resources 1: 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

23 June 2010

**Statement on Internal Control 2009/10****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 FSA's assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money. This statement covers the whole of the FSA, encompassing the Westminster funded FSA (including until 31 March 2010 the Meat Hygiene Service, now fully part of the FSA), FSA in Scotland, FSA in Wales, and FSA in 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 meet with the FSA Board Chair each week.

I have been appointed as Accounting Officer for the Westminster-funded FSA by Her Majesty's Treasury and for FSA in Northern Ireland by the Department of Finance and Personnel (DFP). I also act in this capacity for FSA in Wales and FSA in Scotland. Although the activities of these offices are funded through the devolved authorities, they remain part of the United Kingdom FSA. In 2009/10, the FSA had a single executive agency, the Meat Hygiene Service (MHS), which operated in Great Britain. The Chief Executive of the MHS was appointed as Agency Accounting Officer for the MHS. As Agency Accounting Officer, he was 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 MHS formally merged into the FSA on 1 April 2010.

I have gained assurance from the MHS Board which is a sub-committee of the FSA Board which is responsible for good governance of the MHS. The MHS acted as one of the FSA's Business Groups for Risk Management purposes at the FSA.

The FSA system of internal control includes:

- an Executive Management Board, chaired by me, comprising all UK Directors and which normally meets monthly;
- a Strategic Plan which sets out the FSA's main aims and objectives for 2005–2010. A new plan for 2010–2015 was published in December 2009;
- Internal Audit arrangements, which comply with Government standards applicable in 2009/10, including a risk-based audit programme linked to the strategic risks of the organisation and audit of corporate governance and controls across all FSA offices. Regular reports are issued by Internal Audit, and 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 Audit Committee Handbook, to advise me as Accounting Officer. The Committee has a fully non-executive membership and meets four times a year. The chair reports to the FSA Board on the work of the Committee;
- a Risk Committee which provides advice, support and challenge in relation to organisational risks and embedding a risk-aware culture across the FSA;
- a risk management process which aims to provide reasonable assurance that strategic objectives can be achieved reliably. The process promotes local accountability and risk ownership as an essential part of risk management. It prioritises risk based on likelihood and impact, and enables the Executive Management Board to manage effectively the strategic risks to business objectives. Regular discussions about risk occur at corporate and group levels;
- business and financial planning processes which explicitly consider group performance, resources and business risks;
- monthly financial performance reports which are discussed by the Executive Management Board;

- 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;
- clear rules and procedures which are published on the FSA Intranet and are regularly 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 them efficiently, effectively and economically. The system of internal control has been in place in the FSA for the year ended 31 March 2010 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 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 and report back to the FSA Board through the organisation's quarterly Performance Management Reports.

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.

A programme of training and support for the business planning process has been developed, and includes training on risk management. The business planning process is reviewed each year and amended to reflect lessons learnt and to build in examples of best practice.

We also sit on the cross-government Risk Improvement Group, which shares good practice and lessons learned in other departments.

During 2009/10 a programme has been delivered to integrate the corporate services of the MHS and FSA. This has helped ensure consistency of approach across the two organisations. At times the programme has stretched management and staff capacity, however this has been managed without impact on core business. This programme included the integration of FSA and MHS internal audit into a single function.

Work has been undertaken during 2009/10 on the integration of the MHS and FSA risk policies and procedures and a new single approach will be launched during early 2010/11.

## **4. The risk and control framework**

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. We adopt PRINCE 2 project management methodology for IT and other major projects. The procurement and management of the FSA's £17m research portfolio follows well defined and documented procedures;

- Local risks: in 2009/10 lower level risk registers were not required and local managers had discretion as to how these risks were managed. Work has been undertaken during 2009/10 on the integration of the MHS and FSA risk policies and procedures, and a new single approach will be launched during early 2010/11. This will require risks to be formally managed at Head of Division level, with formal management of risks below this being discretionary.

The Food Standards Agency operates within the framework of the Food Standards Act 1999 and EU law.

The Chief Executive and Director of Finance attend all Audit Committee meetings, thereby providing a direct link to the Senior Management Team.

In matters of risk appetite in relation to public health, the FSA takes a precautionary approach meaning 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 risk environment involves managing risks which impact on the public. The FSA Board holds all its policy decision-making meetings in public. The venues and agendas are published in advance and the papers are publicly available. 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, and are required by statute to consult on our activities with those affected by our decisions. We also hold stakeholder meetings 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 us to current or emerging consumer concerns; to comment on our strategic objectives and forward plan; and to provide us with feedback on the effectiveness of our policies in responding to consumer concerns.

We have a clear set of rules and procedures, known as "Rules and Tools", which cover all aspects of finance, procurement and general areas of governance. We have also strengthened our procedures in areas such as data security.

The FSA takes the management of data security seriously. To ensure that risks related to information security are managed effectively, Cabinet Office guidance and industry best practice is followed. In 2009/10, the FSA retained its ISO27001 *Information Security Management Systems* certification for the Information Systems and Facilities Division and is now working to extend the scope of certification across the whole of Aviation House by June 2010. We will aim to extend certification to the offices in Cardiff, Belfast and Aberdeen by March 2011.

In line with Cabinet Office instructions, all laptops and remote working tools are encrypted and all new or re-built equipment fully complies with Cabinet Office guidelines. The FSA fully complies with the HMG Security Policy Framework. All software is legally licensed.

## 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 Executive Management Board, FSA Board, Audit Committee, Risk Committee, Head of Internal Audit, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

As part of my review of the effectiveness of the system of internal control, I require an assurance statement to be prepared by all Executive Management Board Directors covering scope of responsibility; capacity to handle risk; review of effectiveness; and significant control problems.

The joint FSA/MHS Audit Committee advises the FSA Chief Executive and FSA Board, as appropriate, on:

- the strategic processes for risk management, control and governance and the contents of the Statement on Internal Control;

- the accounting policies, the accounts, and the annual report of the FSA, including the process for review of the accounts prior to submission for audit, levels of error identified, and management's letter of representation to the external auditors;
- the planned activity and results of both internal and external audit;  
the adequacy of the management response to issues identified by audit activity, including external audits management letters; and
- assurances relating to corporate governance requirements.

The Audit Committee is constituted in line with HM Treasury's Audit Committee Handbook and has a fully non-executive membership. The Chair of the Committee reports annually to the FSA Board on its work.

The Risk Committee provides advice, support and challenge to the Executive in relation to the introduction and implementation of processes for risk identification and management relating to delivery of the Strategic Plan and fulfilling statutory obligations, and on the high level risks identified. The Committee also provides assurance to the Chief Executive and FSA Board that risk management is effective across the FSA. The Risk Committee is made up of both executive and non-executive members, and includes the Chair of the Audit Committee and the Head of Internal Audit in its membership. The Chair of the Risk Committee reports annually to the FSA Board on the actions taken by the Executive to improve the effectiveness of risk management in the FSA.

A programme of internal audit work, informed by the risk registers, is developed and discussed with the Audit Committee prior to the commencement of each financial year. The Head of Internal Audit's opinion, based on the internal audit work undertaken during the year, is that the general level of controls has been found to be adequate in most areas, which provides reasonable assurance that the FSA's strategic objectives will be achieved. However the central finance, procurement and human resources functions areas have been assessed as requiring significant improvement. In particular, weaknesses in procurement remain a key risk. This is being addressed through the appointment of a new Head of Procurement and a new team who are taking a proactive, enforcement approach to procurement. A new procurement system is also being implemented and is taking account of the risks highlighted in the audits conducted on this area over the last two years. New Heads of Departments have also been appointed for finance and human resources.

The FSA is an accredited Investor in People and subject to rolling review. The next review will occur in April 2010.

Tim J Smith  
Chief Executive and Accounting Officer  
23 June 2010

**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 2010 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 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**

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 the financial statements in accordance with applicable law and 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 Department's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Department; 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 in accordance with the Food Standards Act 1999 and directions made thereunder by Scottish Ministers, the summary of resource outturn, the net operating cost and the reconciliation of net resource outturn to funding from the Scottish Parliament for the year ended 31 March 2010; and
- the financial statements have been properly prepared in accordance with directions issued by Scottish Ministers under the Food Standards Act 1999.

**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 Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

**Report**

I have no observations to make on these financial statements.

*Amyas C E Morse*                      *Date 28 June 2010*  
*Comptroller and Auditor General*  
*National Audit Office*  
*157-197 Buckingham Palace Road*  
*Victoria, London, SW1W 9SP*

**Summary of Resource Outturn**  
for the year ended 31 March 2010

						2009-10	2008-09	
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			
£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	
<b>Resources</b>								
Request for resources	10,400	-	10,400	10,120	-	10,120	280	10,241
<b>Total resources</b>	<b>10,400</b>	<b>-</b>	<b>10,400</b>	<b>10,120</b>	<b>-</b>	<b>10,120</b>	<b>280</b>	<b>10,241</b>

Expenditure for the year was consistent with the estimate and the variance was less than 3% below the estimate.

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

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

Note	2009-10	2008-09
	£000s	£000s
<b>Net Resource Outturn</b>	10,120	10,241
Recharged costs	4 (54)	(33)
Other accruals adjustments	439	340
<b>Capital:</b>		
Capital expenditure	81	95
<b>Net Cash Requirement</b>	<b>10,586</b>	<b>10,643</b>
<b>Net Cash Requirement</b>	10,586	10,643
Cash brought forward	(3,298)	(3,590)
Cash carried forward	3,111	3,298
<b>Cash funding provided directly by the Scottish Parliament</b>	<b>10,399</b>	<b>10,351</b>

FSA in Scotland has a capital budget of £100k 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 £3,111,000 (08-09: £3,298,000)

*Tim J Smith*

Chief Executive and Accounting Officer

23 June 2010

**Operating Cost Statement for the year ended 31 March 2010**

	Note	2009-10		2008-09
		£000s	£000s	£000s
<b>Administration Costs</b>				
Staff Costs	3	2,797		2,887
Other Administration Costs	4	<u>1,626</u>		1,703
<b>Gross Administration Costs</b>			4,423	4,590
<b>Net Administration Costs</b>			<u>4,423</u>	<u>4,590</u>
<b>Programme Costs</b>				
Protecting & Promoting public health in relation to food	5		5,697	5,651
<b>Net Operating Cost</b>			<u><u>10,120</u></u>	<u><u>10,241</u></u>

The notes on pages 12 to 19 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. 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 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.

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. The FSA Consolidated Resource Accounts have been prepared in accordance with the Food Standards Act 1999.

Following the decision of HM Treasury to commit fully to full compliance with International Financial Reporting Standard (IFRS) 1 'First Time Adaption of International Financial Reporting Standards', the Agency, in common with other government departments has prepared the "year-end accounts" for 2009-10 under IFRS insofar as it is applicable and appropriate to the FSA in Scotland.

**1.2 Accounting Convention**

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

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

**1.3 Basis of Funding**

Funding from the Scottish Parliament is provided on a basis which is intended to meet the net cash costs for the period. The reconciliation of net resource outturn to 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 Scottish Parliament.

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

- a) recharge of Scotland's Share of Capital Costs from the Central FSA costs and other accruals adjustments
- b) the cash costs related to capital expenditure; and
- c) 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 4 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 FReM 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 operating cost statement is analysed between administration and programme costs. FSA in Scotland is excluded from the Administration Budget Regime.

**1.6 Pensions**

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

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

**1.7 Early Departure Costs**

Early departure costs refers to liabilities to staff for early retirement. The FSA meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. The FSA provides for this in full when the early retirement becomes binding on the department by establishing a provision for the estimated payments discounted by the Treasury discount rate of 1.8% (08-09: 2.2%) in real terms.

**1.8 Operating Leases**

Operating leases are charged to the operating cost statement 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 operating cost statement, 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 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 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 Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

**2 First time adoption of IFRS**

<b>Reconciliation of UK GAAP reported net operating cost to IFRS for the year ended 31 March 2009</b>	<b>2008-09</b>
Net operating cost for 2008-09 under UK GAAP	(10,236)
Adjustments for:	
IAS 19 Employee Benefits:	
Movement of provision for outstanding holiday pay during 2008-09	(5)
IAS 39 Financial Instruments:	
Movement of Rent adjustment during 2008-09	-
<b>Net operating cost for 2008-09 under IFRS</b>	<b><u>(10,241)</u></b>

In line with HM Treasury advice, Prior Period Adjustments (PPAs) arising from the adoption of IFRS were not included in budget revisions for 2009-10 on the basis that the PPA numbers could have been misleading, particularly where transactions may well have pre-dated the 2001-02 cut off point for reporting PPAs, as only part of an obligation would have been included. PPAs arising from a change in accounting policy related to other than IFRS were included in the Estimates in line with conventional arrangements.

## 3 Costs and number of staff

a) Staff Costs consist of:

	2009-10			2008-09
	Total £'000	Staff £'000	Special Board £'000	Total £'000
Wages and Salaries	2,163	2,163		2,206
Social Security Costs	168	168		170
Other Pension Costs	406	406		423
<b>Sub Total</b>	<b>2,737</b>	<b>2,737</b>		<b>2,799</b>
Inward Secondment	0	0		0
Agency Staff	60	60		88
<b>Total Net Costs</b>	<b>2,797</b>	<b>2,797</b>		<b>2,887</b>

No salary costs have been capitalised.

b) Average Number of persons employed

The average number of whole-time equivalent persons employed during the year 2009-10 and 2008-09 was as follows. These figures include those working in the FSA (including senior management) as included within the consolidated resource account.

	2009-10			2008-09
	Total	Permanently Employed Staff	2009-10 £000 Others	2008-09 £000 Total
Average number of whole-time equivalent persons employed	75	72	3	73

c) Management Remuneration

	2009-10			2008-09
	Total Remuneration	Of Which Bonuses	Benefits in Kind	Total Remuneration
<i>Bands</i>	£5,000 (£'000)	£5,000 (£'000)	£1,000 (£'000)	£5,000 (£'000)
Charles Milne - Director, FSA in Scotland (joined: 01/06/09)	75-80	-	-	-
George Paterson - Director, FSA in Scotland (retired: 30/06/09)	25-30	-	-	100-105

	2009-10					
	Real increase in Pension at age 60	Total accrued Pension at age 60 31 March 2010	Lump sum Pension at age 60 31 March 2010	CETV at 31 March 2010	CETV* at 31 March 2009	Real Increase in CETV
<i>Bands</i>	£2,500 (£'000)	£5,000 (£'000)	£5,000 (£'000)	(£'000)	(£'000)	(£'000)
Charles Milne - Director, FSA in Scotland (joined: 01/06/09)	5-7.5	25-30	85-90	485	366	98
George Paterson - Director, FSA in Scotland (retired: 30/06/09)	0-2.5	10-15	30-35	226	215	7

\*The figure is 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](http://www.civilservice.gov.uk/pensions)

**Cash Equivalent Transfer Values**

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent 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.

**d) 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 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation and at [www.civilservice.gov.uk/pensions](http://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](http://www.civilservice-pensions.gov.uk)

**4 Other Administration Costs**

	2009-10		2008-09	
	£'000s	£'000s	£'000s	£'000s
<b>Rentals under operating leases:</b>				
Hire of Plant and machinery		2		2
Other operating leases		224		259
<b>Non Cash Items:</b>				
Audit Fees	9		10	
Recharge of Scotland Share of Capital Costs from the Central FSA	<u>45</u>		<u>23</u>	
<b>Total Non-Cash Items</b>		54		33
Accommodation costs		310		263
Staff overheads		292		435
Administration costs		359		98
IT costs*		296		556
Committee Costs		<u>89</u>		<u>57</u>
		<b><u>1,626</u></b>		<b><u>1,703</u></b>

\*Central IT costs are recharged to Devolved Offices from FSA Westminster

**5 Net Programme Costs**

	2009-10	2008-09
	£'000s	£'000s
<b>a) Monitoring and Surveillance &amp; Publicity</b>		
Micro Food Safety	2,797	2,491
Medical and Legal	-	264
Research and development	232	426
Other Programmes	-	0
Press and Publicity	2,668	2,417
Miscellaneous	-	53
	<b><u>5,697</u></b>	<b><u>5,651</u></b>

The programme headings were revised this year to better explain the work of the agency.

**6 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:

The Centre for Environment, Fisheries & Aquaculture Science (part of DEFRA): Transactions during the year totalled £2,105k. As at 31 March 2010 £57k was receivable from CEFAS.

The Food and Environment Research Agency (part of DEFRA): Transactions during the year totalled £89k. As at 31 March 2010 £nil was owed to FERA.

**7 Operating Leases**

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

	2009-10 £000	2008-09 £000	2007-08 £000
<b>Obligations under operating leases comprise:</b>			
Buildings:			
Not later than one year	229	229	229
Later than one year and not later than five years	916	916	916
Later than five years	229	229	458
	<u>1,145</u>	<u>1,374</u>	<u>1,603</u>

**8 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:

	2009-10 £'000	2008-09 £'000
Not later than one year	376	323
Later than one year and not later than five years	258	
Later than five years		
Less Interest		
Present value of obligations	<u>634</u>	<u>323</u>

**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

Professor Graeme Millar (Chair)

Dr David Cameron  
Professor Charlotte Maltin  
Dr John Cowden (appointment ended 15 March 2010)  
Moyra Burns  
Amanda O'Donoghue  
Dr. Carrie Ruxton  
Christopher Trotter  
Dr. Lesley Stanley  
Bernard Forteath  
Dr. Jim Wildgoose

**11 Post Balance Sheet Events**

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**

IAS8, accounting policies, changes in accounting estimates and errors, requires disclosure in respect of the new IFRSs, amendments and interpretations that are, or will be applicable after the reporting period. There are a number of IFRSs, amendments and interpretations that have been issued by the International Accounting Standards Board that are effective for financial statements after this reporting period. The following were not adopted early by the Agency.

IFRS9 Financial Instruments

A new standard intended to replace IAS39. The effective date is for accounting periods beginning on, or after 1 January 2013.

**IFRS1 First-time Adoption of International Financial Reporting Standards.**

Three sets of amendments to the existing standard. The effective date of one set of amendments is for accounting periods beginning on, or after 1 July 2009. The effective date of the second set of amendments is for accounting periods beginning on, or after 1 January 2010. The effective date of the third set of amendments is for accounting periods beginning on, or after 1 July 2010.

**IFRS2 Share-based Payment**

Two sets of amendments to the existing standard. The effective date of one set of amendments is for accounting periods beginning on, or after 1 July 2009. The effective date of the second set of amendments is for accounting periods beginning on, or after 1 January 2010.

**IFRS3 Business Combinations**

Amendments to the existing standard. The effective date is for accounting periods beginning on, or after 1 July 2009.

**IFRS5 Non-current Assets Held for Sale and Discontinued Operations**

Two sets of amendments to the existing standard. The effective date of one set of amendments is for accounting periods beginning on, or after 1 July 2009. The effective date for the second set of amendments is for accounting periods beginning on, or after 1 January 2010.

**IFRS8 Operating Segments**

Amendments to the existing standard. The effective date is for accounting periods beginning on, or after 1 January 2010.

**IAS1 Presentation of Financial Statements**

Amendments to the existing standard. The effective date is for accounting periods beginning on, or after 1 January 2010.

**IAS7 Statements of Cash Flow**

Amendments to the existing standard. The effective date is for accounting periods beginning on, or after 1 January 2010.

**IAS17 Leases**

Amendments to the existing standard. The effective date is for accounting periods beginning on, or after 1 January 2010.

**IAS24 Related Party Disclosures**

Amendments to the existing standard. The effective date is for accounting periods beginning on, or after 1 January 2011.

**IAS27 Consolidated and Separate Financial Statements**

Amendments to the existing standard. The effective date is for accounting periods beginning on, or after 1 July 2009.

**IAS32 Financial Instruments: Presentation**

Amendments to the existing standard. The effective date is for accounting periods beginning on, or after 1 February 2010.

**IAS36 Impairment of Assets**

Amendments to the existing standard. The effective date is for accounting periods beginning on, or after 1 January 2010.

**IAS38 Intangible Assets**

Amendments to the existing standard. The effective date is for accounting periods beginning on, or after 1 July 2009.

**IAS39 Financial Instruments: Recognition and Measurement**

Two sets of amendments to the existing standard. The effective date of one set of amendments is for accounting periods beginning on, or after 1 July 2009. The effective date of the second set of amendments is for accounting periods beginning on, or after 1 January 2010.

**IFRIC9 Reassessment of Embedded Instruments**

Amendments to the existing standard. The effective date is for accounting periods beginning on, or after 1 July 2009.

**IFRIC14 Prepayments of a Minimum Funding Requirement**

Amendments to the existing standard. The effective date is for accounting periods beginning on, or after 1 January 2011.

**IFRIC16 Hedges of a Net Investment in a Foreign Operation**

A new interpretation. The effective date is for accounting periods beginning on, or after 1 July 2009.

**IFRIC17 Distributions of Non-cash Assets to Owners**

A new interpretation. The effective date is for accounting periods beginning on, or after 1 July 2009.

**IFRIC19 Extinguishing Financial Liabilities with Equity Instruments**

A new interpretation. The effective date is for accounting periods beginning on, or after 1 January 2011.

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

In addition, the following are changes to the FR&M, which will be applicable for accounting periods beginning on 1 April 2010:

**Chapter 6 Tangible Non-current Assets**

New standard FRS30 accounting for heritage assets

**Chapter 8 Impairments**

Adaption of IAS36 impairment of assets

**Chapter 11 Income and Expenditure**

Removal of cost of capital charging

**Chapter 13 Accounting for Consolidated Fund Revenue**

Introduction of trust statements for revenue, and some associated expenditure

None of these changes to the FR&M are anticipated to have a 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-Jan-06



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