
Food Standards Agency Wales

Statement of Accounts 2005-06

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(For the year ended 31 March 2006)

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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 accounts direction issued by National Assembly for Wales (NAW) allows for deviation from the Financial Reporting Manual (FrM) in that an annual report, statement of recognised gains and losses, and cash flow statement are not required.
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 FrM 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 FrM, 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 (Chris Lawson) 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

17th July 2006

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 guidance, 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;
- business and financial planning processes (corporate and local business plans) which explicitly take into consideration business risk;
- regular performance reports to the Executive Management Board's monthly meetings for both business and financial planning;
- regular reports by the executive and by Internal Audit on internal controls, including the risk register, to the Audit Committee;

- 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;
- targeted support and training to meet the needs of different parts of the organisation including its offices in Scotland, Wales, and Northern Ireland;
- assurance from the Chief Executive of the Meat Hygiene Service on internal controls and attendance at the MHS Audit and Risk Committee. The MHS publishes its own annual accounts including a statement of internal control audited by the National Audit Office. 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 2006 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 is discussed at each meeting of the Executive Management Board. 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 good practice. In addition we have established cross-FSA workshops to discuss business planning issues and learn from and disseminate good practice.

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 £20m 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 FSA Board and Audit Committee receive regular reports on risk management. The Audit Committee's role is to advise me on whether the processes for identifying, recording, and managing the risks is sound, while the role of the FSA Board is to comment on whether the coverage of strategic risks is comprehensive.

The major risks identified to date include:

- inaccurate interpretation of available scientific evidence;
- failure to communicate effectively with stakeholder organisations and with consumers;
- failure to properly enforce food safety law;
- failure to achieve the effective co-operation of the food industry; and
- failure to develop the staff and skills the FSA needs.

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 and the Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place. This includes development of a "dashboard" management reporting system owned by the Executive Management Board. This reporting system gives an overall indication of how key performance areas are being managed, and is supported with more detailed analysis if required. The system was piloted in April 2006.

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. Reports produced by Internal Audit in year included a review of the replacement of the FSA's payroll system, a review of HR systems, a report on corporate governance, fraud, IT and security and the work of three key divisions – Chemical Safety Division, Meat Hygiene and Veterinary Division and Nutrition Division. The work of Internal Audit did highlight control weaknesses with regard to payroll monitoring in year. These were being addressed towards the end of the financial year.

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

FSA Northern Ireland

The use of Government Procurement Cards was reviewed and certification arrangements were updated. The decision by management to delay audits of local authorities was similarly investigated. A major food fraud investigation was the primary reason for the delay. The conclusions of the fraud investigation will be published once confirmed.

FSA Scotland

Internal Audit work identified that management had recognised local, operational risks, but that they needed to be formally documented in the risk register. The Business Continuity Plan required formal sign off, testing and regular review. Further work was required to verify the accuracy of accruals information prior to posting on to the finance system.

FSA Wales

The need for the Business Continuity Plan to be tested was highlighted by Internal Audit.

John Harwood
Chief Executive and Accounting Officer

17th July 2006

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 2006 under Schedule 4(3) of the Food Standards Act 1999. These comprise the Summary of Resource Outturn, 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 in accordance with the Food Standards Act 1999 and the directions issued by the National Assembly for Wales. 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. I also report to you if, in my opinion, 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 page 2 to 5 reflects the Department's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover 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 judgements 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

In my opinion:

- the financial statements present fairly the summary of resource outturn, the net resource cost for the financial year, 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 2006;
- the financial statements have been properly prepared in accordance with the Food Standards Act 1999 and directions made thereunder by the National Assembly for Wales; and
- 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.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

18 July 2006

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 2006

	2005-06						2004-05	
	Estimate			Outturn			Net Total Outturn compared with Estimate Saving/ (excess)	Prior Year Outturn
	Gross Expenditure 1	A-in-A 2	Net Total 3	Gross Expenditure 4	A-in-A 5	Net Total 6		
£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	
Resources								
Request for resources	2,473	–	2,473	2,654	–	2,654	(181)	2,254
Total resources	2,473	–	2,473	2,654	–	2,654	(181)	2,254

Reconciliation Of Net Resource Outturn to Net Cash Requirement

	Note	2005-06 £000s	2004-05 £000s
Net Resource Outturn		2,654	2,254
Accruals Adjustments:			
Depreciation	3	(73)	(66)
Other non-cash items	3	(154)	(108)
Increase/(Decrease) in debtors and prepayments	6	(2)	(13)
(Increase)/Decrease in creditors	6	181	72
Less movements in creditors relating to items not passing through the OCS	8	(152)	32
Capital:			
Capital expenditure		8	4
Net Cash Requirement		2,462	2,175
Cash brought forward		(480)	(448)
Cash carried forward		328	480
		2,310	2,207
*Included as part of other non cash items is £140k (2004-05 £96k) indirect funding from the National Assembly for Wales			
Indirect Funding		140	96
Direct Funding		2,310	2,207
Sums provided by the National Assembly for Wales		2,450	2,303

Operating Cost Statement for the year ended 31 March 2006

	Note	2005-06		2004-05
		£000s	£000s	£000s
Administration Costs				
Staff Costs	2	911		755
Other Administration Costs	3	528		505
Gross Administration Costs			1,439	1,260
Net Administration Costs			1,439	1,260
Programme Costs				
Protecting & Promoting Public Health in relation to food	4	1,215		994
Total			1,215	994
Net Operating Cost			2,654	2,254

The Summary of Resource Outturn compares the estimates of net and gross expenditure by FSA Wales and 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

17 July 2006

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' 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.

The statements do not include central overheads of the FSA, which are funded by monies voted by the Westminster Parliament and which are accounted for separately in the resource accounts of the FSA.

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 2006;
- 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. FSA Wales 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. Depreciation and amortisation is provided at 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	7 Years

Intangible assets:

Computer software and software licences	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).

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 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>2005-06</u>	<u>2004-05</u>
	<u>£'000</u>	<u>£'000</u>
Wages and Salaries	599	531
Social Security Costs	48	42
Other Pension Costs	110	73
Sub Total	757	646
Inward Secondment	140	96
Agency Staff	14	13
Total	911	755

b) The average number of whole-time equivalent persons employed by the FSA Wales during the year 2005-06 by aim were as follows:

	<u>2005-06</u>
	<u>TOTAL</u>
Aim 1	
Food Safety	14
– 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	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	6
Choice	
– to enable consumers to make informed choices	<u>24</u>

b) The average number of whole-time equivalent persons employed by the FSA Wales during the year 2004/05 by aim were as follows:

	2004-05 Restated
	<u>TOTAL</u>
Aim 1	
– Increased consumer confidence in the national regulatory system for food safety and standards and in the credibility of the FSA	5
Aim 2	
– Better food safety and standards	9
Aim 3	
– Improved consumer choice and diet	<u>8</u>
	<u>22</u>

Staff numbers for 2004-05 have been restated to show Full time Equivalent figures.

c) Staff Costs by aim were as follows:

	2005-06
	<u>TOTAL</u>
	<u>£000</u>
Aim 1	
Food Safety	510
– to continue to reduce foodborne illness	
– to reduce further the risks to consumers from chemical contamination (including radiological) of food.	
Aim 2	155
Eating for Health	
– 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	
– to enable consumers to make informed choices	<u>246</u>
	<u>911</u>

The staff costs by aim have been apportioned according to an estimate of the divisional staff time input to that aim in proportion to the total divisional staff time.

c) Staff Costs by aim were as follows:

	2004-05
	TOTAL
	£000
Aim 1	
– Increased consumer confidence in the national regulatory system for food safety and standards and in the credibility of the FSA	119
Aim 2	
– Better food safety and standards	349
Aim 3	
– Improved consumer choice and diet	287
	<u>755</u>

The staff costs by aim have been apportioned according to an estimate of the divisional staff time input to that aim in proportion to the total divisional staff time.

d) Management Remuneration

2005-06								
Bands	Salaries & Other Allowances	Benefits in kind	Real increase in Pension at age 60	Total accrued Pension at age 60 31 March 2006	Lump sum Pension at age 60 31 March 2006	CETV* at 31 March 2006	CETV 31 March 2005	Real increase in CETV
	£5,000	£100	£2,500	£5,000	£5,000	£000	£000	£000
	£000		£000	£000	£000	£000	£000	£000
Joy Whinney, Director FSA Wales	60 – 65	700	0 – 2.5	10 – 15	35 – 40	182	113	24
2004-05								
Bands	Salaries & Other Allowances	Benefits in kind	Real increase in Pension at age 60	Total accrued Pension at age 60 31 March 2005	Lump sum Pension at age 60 31 March 2005	CETV* at 31 March 2005	CETV 31 March 2004	Real increase in CETV
	£5,000	£2,500	£2,500	£5,000	£5,000	£000	£000	£000
	£000	£000	£000	£000	£000	£000	£000	£000
Joy Whinney, Director FSA Wales	35 – 40	0	0 – 2.5	10 – 15	30 – 35	123	108	6
Steve Wearne, Acting Director FSA Wales	20 – 25	5 – 7.5	0 – 2.5	10 – 15	30 – 35	121	102	10

*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 a 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 contribute 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 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 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

	2005-06		2004-05	
	£000s	£000s	£000s	£000s
Rentals under operating leases:				
Hire of Plant and machinery		2		3
Other operating leases		57		64
Non-cash items:				
Depreciation	73		66	
Loss on disposal	–		2	
Cost of Capital*	4		–	
Audit fees	10		10	
Total non-cash items		87		78
Accommodation costs		110		86
Staff overheads		90		112
Administration costs		103		93
IT costs*		36		27
Committee Costs		42		42
		528		505

*Notes

- (i) The cost of capital charge for 2005-06 includes an adjustment in respect of 2004-05 which has increased the charge in year.
(ii) For 2005-06 IT costs for the FSA have been allocated to the devolved offices on the basis of the number of terminals.

4a) Net Programme Costs

	2005-06	2004-05
	£000s	£000s
Monitoring and Surveillance & Publicity		
Local Authority	606	485
Micro Food Safety and Education	438	336
Nutrition	171	173
	1,215	994

4b) Net Programme Costs by Aim

	<u>2005-06</u>	
	£000s	
Aim 1		
Food Safety	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	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		
Choice	340	
– to enable consumers to make informed choices	<u>1,215</u>	
		<u>2004-05</u>
		£000s
Aim 1		
– Increased consumer confidence in the national regulatory system for food safety and standards and in the credibility of the FSA		157
Aim 2		
– Better food safety and standards		459
Aim 3		
– Improved consumer choice and diet		378
		<u>994</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 note 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>2005-06</u>	<u>2004-05</u>
	£000s	£000s
(Decrease)/Increase in debtors and prepayments	(2)	(13)
Decrease/(Increase) in creditors	181	104
(Less)/plus movements in creditors relating to items not passing through the OCS	(156)	32
	<u>23</u>	<u>123</u>

7 Debtors

	<u>2005-06</u>	<u>2004-05</u>
	£000s	£000s
Amounts falling due within one year		
Prepayments	20	29
VAT Debtor	23	16
	<u>43</u>	<u>45</u>

8 Creditors

	<u>2005-06</u>	<u>2004-05</u>
	£000s	£000s
Amounts falling due within one year		
Other taxation and social security	17	15
Staff Creditors	1	-
Trade Creditors	33	77
Other Creditors	11	8
Accruals	171	160
Amounts issued from the Consolidated Fund for supply but not spent at year end	327	480
	<u>559</u>	<u>740</u>

9 Advisory Committee

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

Wales – Advisory Committee Members

Ann Hemingway (to 24th January 2006)

Professor Robert Bell

Dr David Casemore

Gilli Cliff (to 30th June 2005)

Professor Margaret Griffiths

Professor James Parry

Mrs Dilwen Phillips

Professor Robert Pickard

David Smith (to 30th June 2005)

Mr Andrew Johnson (from 30th June 2005)

Ms Kate Hovers (from 30th June 2005)

Mr Alan Gardner (from 24th January 2006)

10 Financial Instruments

The FSA does not make use of derivatives or other financial instruments. The FSA is funded primarily through resource based supply as an independent Government Department. It retains income from inspections and enforcement activity as appropriations-in-aid. The FSA is not exposed to any foreign exchange risks. The FSA draws down cash balances as required to fund continuing activities, and has no borrowings.

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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