



# THE FOOD STANDARDS AGENCY

Annual Report and Accounts  
2001/02



FOOD  
STANDARDS  
AGENCY



Food Standards Agency  
Annual Report and Accounts  
2001/02

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## Annual Report and Accounts 2001/02

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# Chief Executive's foreword



This *Annual Report and Accounts* covers the second year of activity for the Food Standards Agency. It sets out what we have done to protect the public's health and consumers' interests in relation to food, and I am pleased to lay it before the Westminster Parliament, the Scottish Executive, the National Assembly for Wales and the Northern Ireland Assembly.

In May 2001, we published our Strategic Plan for 2001–06. It sets out our key priorities for: food safety; public information, labelling and choice; nutrition and diet; food law enforcement and consumer confidence over a five-year period. We have made a good start in the period covered by this *Annual Report* towards achieving the targets set by the Agency's Board. A major target, set in 2001, is the reduction of foodborne disease by 20% by 2006. During 2001/02, we achieved one of our major food safety targets – the reduction

by more than 50% of the level of salmonella contamination in retail UK-produced chicken. We are now focusing work on another major cause of foodborne disease – campylobacter. In February 2002, the Food Hygiene Campaign was launched. The first phase focused on reducing contamination of food in catering establishments, especially small businesses. Alongside this, in November 2001, the Board agreed a strategy for the implementation of HACCP (Hazard Analysis Critical Control Point) in small businesses.

The safety of meat remains a top consumer concern. We know this from the findings of our second Consumer Attitudes Survey, published in February 2002. Continuing on from the *Review of BSE Controls*, published in December 2000, which identified a theoretical risk of BSE in sheep in the UK, we held a public stakeholder meeting on this theoretical risk in December 2001. A group of core stakeholders was then convened to advise the Board on whether any further precautionary measures were necessary, and these recommendations were agreed by the Board in June 2002.

The Agency operates under three guiding principles: putting the consumer first, being open and accessible, and being an independent voice. We meet with consumers and other stakeholders regularly so that those affected by the issues can contribute to the development of policy. This year, for example, we have held two GM stakeholder meetings, one in London, the other in Stirling; and the Committee on Toxicity of Chemicals in Food, Consumer Products and the Environment, held an open meeting giving consumers the opportunity to discuss its report on the effect of mixtures of pesticides and veterinary medicines.

The Agency is innovative in the way it reaches consumers. Our website, at [www.food.gov.uk](http://www.food.gov.uk), is an increasingly important medium for communicating with our stakeholders. Since its launch in December 2001, the level of use has gone up by more than 50%. For our response to the Policy Commission on Farming and Food, we used a variety of methods to gather people's views. People were reached through an interactive dedicated website, an opinion poll, focus groups, scenario workshops with low income consumers, regional seminars and a youth forum. Our response to the Commission was submitted in November 2001.

We continue to work hard to make sure consumers know what constitutes a healthy balanced diet, and encourage people to eat accordingly. We have an action plan to deliver the outcomes required by the Nutrition Strategic Framework agreed by the Board. We work closely with Health Departments in all four parts of the United Kingdom, other Government departments and local authorities on diet and nutrition. FSA Wales is leading the development of a nutrition strategy for Wales. The Nutrition Forum, Scottish Diet and Nutrition Forum and Welsh stakeholder workshops are all playing crucial roles in developing individual initiatives. FSA Scotland commissioned research into the barriers to healthy eating in Scotland and the results of this have been shared with other Government departments in Scotland so that we can work together to find new ways to improve Scotland's diet.

We continue to work in partnership with colleagues in local authorities to tackle breaches in food safety rules. We work together to ensure food safety incidents do not pose a risk to the human food chain. This year, our local authority colleagues were instrumental in ensuring that emergency EC legislation, on imports of products of animal origin from China, was put into place effectively. Our Executive Agency the Meat Hygiene Service (MHS) is the enforcement authority in relation to hygiene at licensed slaughterhouses, cutting premises and cold stores. The MHS continues to be vigilant, making sure that unfit or illegal meat does not enter the human food chain.

Overall, we have continued to build on what was an impressive first year for the Food Standards Agency. Our second Consumer Attitudes Survey carried out this year shows that we have made considerable progress in gaining consumers' trust and that we are making good progress towards our goal of being trusted as the UK's most reliable source of information and advice about food.

A handwritten signature in black ink, reading "Geoffrey Podger". The signature is written in a cursive style with a large initial 'G' and 'P'.

**Geoffrey Podger**  
December 2002

Food Standards Agency  
**Structure**  
at December 2002

Prof. Sir John Krebs  
Chair

Geoffrey Podger  
Chief Executive

Suzi Leather  
Deputy Chair

**Board Members**  
Prof. Sir John Arbuthnott  
Richard Ayre  
Karol Bailey  
Michael Gibson  
Ann Hemingway  
Prof. Jeya Henry  
Valerie Howarth  
Iain MacDonald  
Robert Rees  
Vernon Sankey  
Sandra Walbran  
Michael Walker





**David Statham**  
Director  
Enforcement and Food Standards

**Chris Lawson**  
Meat Hygiene Service  
Chief Executive

**Dr Debby Reynolds**  
Veterinary Director

**Alan Harvey**  
BSE Division

**Tim Foster**  
Meat Hygiene  
Division

**Peter Hewson**  
Meat Science and  
Strategy Division

**Anthony Greenleaves**  
Veterinary Public Health  
Operations Division

**Rosemary Hignett**  
Food Labelling and  
Standards Division

**Ann Goodwin**  
LA Enforcement Division

**Dr Jon Bell**  
Deputy Chief Executive  
  
Director  
Food Safety Policy

**Dr Andrew Wadge**  
Chemical Safety and  
Toxicology Division

**Dr Roger Skinner**  
Microbiological Safety Division

**Dr Richard Burt**  
Radiological Protection  
and Research Management  
Division

**Steve Wearne**  
Chemical Contaminants  
and Animal Feed Division

**Nick Tomlinson**  
Novel Foods Division

**Dr Richard Harding**  
Food Chain Strategy  
Division

**Tom Murray**  
Nutrition Division

**Pat Stewart**  
Director  
Corporate Resources and Strategy

**Neil Martinson**  
Director Communications

**David Dunleavy**  
Director Legal Services

**Dr George Paterson**  
Director FSA Scotland

**Joy Whinney**  
Director FSA Wales

**Morris McAllister**  
Director FSA Northern Ireland

**Allan Hutton**  
Finance, Procurement  
and IT Division

**John Orr**  
Personnel and  
Establishments Division

**Barbara Richards**  
Corporate Secretariat and  
Consumer Issues Division

**Derrick Jones**  
Economics and  
Analytical Division

**Dr Alison Gleadle**  
Chair and Deputy  
Chair's Private Office

Food Standards Agency

# Board Members

## Sir John Krebs FRS – Chair



Since 1988 Sir John has held a Royal Society Research Professorship in the Department of Zoology, Oxford University, where he is also a Fellow of Pembroke College. He has held posts at the University of British Columbia and the University of Wales, Bangor. Sir John is an internationally renowned scientist for his research

on the behaviour and ecology of animals.

Between 1994 and 1999, Sir John was Chief Executive of the Natural Environment Research Council. He is a Fellow of the Royal Society, a member of Academia Europaea, Foreign Member of the American Philosophical Society, member of the Max Planck Society, Honorary Member of the British Ecological Society, and Honorary Foreign Member of the American Academy of Arts and Sciences. He has received numerous awards for his scientific work including: Scientific Medal, Zoological Society of London; Frink Medal, Zoological Society of London; Association for the Study of Animal Behaviour Medal; Bicentenary Medal, Linnaean Society of London; Elliot Coues Award, American Ornithologists Union. He has received honorary degrees from the following universities: Birmingham, Cranfield, Exeter, Kent, Plymouth, Sheffield, Stirling, Wales, Warwick.

## Suzi Leather – Deputy Chair



Suzi Leather has strong consumer credentials and wide professional experience. Her academic background is in political science and she has probation and social work qualifications. Suzi Leather has worked in market research, consumer research and university teaching; she has chaired an NHS Trust and was appointed Chair of the Human Fertilisation and

Embryology Authority in March 2002.

Suzi Leather has worked at regional, national and European level on food, health and consumer issues. She has particular interests in regulation and public health, and has been involved in regulation in both the food and water industries. She helped start one of the first bioethics courses in the university sector, and holds honorary lectureships at the London School of Hygiene and Tropical Medicine and at the University of Exeter. She was a member of the Royal Society's Inquiry into Infectious Diseases in Livestock.



***From left to right: (Standing)***

Iain MacDonald, Sandra Walbran, Karol Bailey,  
Prof. Jeya Henry, Suzi Leather, Vernon Sankey,  
Robert Rees, Michael Walker

***From left to right: (Sitting)*** Baroness Valerie Howarth,  
Michael Gibson, Prof. Sir John Krebs, Richard Ayre,  
Ann Hemingway

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## Sir John Arbuthnott

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Chair of the FSA's Scottish Food Advisory Committee, Sir John Arbuthnott became the Principal and Vice Chancellor of the University of Strathclyde in 1991, and stayed in this post until his retirement in December 2000. He was Convenor of the Committee of Scottish Higher Education Principals from 1994–1996 and served as Vice-Chair of the Committee of Vice-Chancellors and Principals from 1997–1999. He was a member of the Dearing Inquiry into UK Higher Education, including its Scottish Standing Committee (The Garrick Committee) and the Working Group on the Economic Role of Higher Education. Sir John is the Secretary and Treasurer of the Carnegie Trust for the Universities of Scotland.

Sir John's academic background is in medical microbiology, with special interest in mechanisms of infectious disease. He has been chair in microbiology twice, at Trinity College Dublin (1976–1988) and Nottingham (1988–1991), and served on the Richmond Committee that examined the integrity of the whole of the food chain, from farm to fork. In 1997, Sir John was appointed Chair of the Steering Group on the National Review into the Allocation of Health Resources within Scotland, publishing the report *Fair Shares for All* in 1999. He served as a member of the MAFF Veterinary Products Committee and the Agriculture and Food Research Council Food Research Committee from 1990–1993. Sir John is a Fellow of the Royal College of Pathologists, the Institute of Biology, the Academy of Medical Sciences and the Royal Society of Edinburgh. He chairs the Executive Committee of the United Kingdom Life Sciences Federation.

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## Michael Gibson

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Managing Director of a small family meat firm, Macbeth's Butchers, that employs five full-time and three part-time staff. Michael Gibson runs this in conjunction with Edinvale Farms, which consists of 900 acres of farmland and some 600 head of cattle. Chair of the Agricultural Committee of the Scottish Landowners Federation, since 1996 Michael Gibson has co-ordinated the Federation's handling of BSE and all red-meat-related matters. He is currently leading a Scottish initiative on Less Favoured Area support in conjunction with the Macauley Land Use Research Institute. He is a member of the Highlands & Islands Agricultural Partnership, a newly formed group consisting of local authorities, enterprise companies, producer organisations, and environmental groups advising politicians and civil servants of local issues. In his role as Senior Fieldsman to the Highland Cattle Society, he provides advice to breeders on feeding, marketing, breeding policy and general husbandry as well as formulating Society policy on breed development.

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## Ann Hemingway

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Chair of the Advisory Committee for Wales, Ann Hemingway is an experienced businesswoman qualified in Home Economics and Marketing. Her early career experience was in publicity for the milling industry before moving to British Gas, initially in a marketing role using her home economics background, but later taking senior management positions in information technology, personnel and general management of customer service operations. Ann Hemingway played a significant role in developing the new direction for British Gas from privatisation through to demerger, leading the management team responsible for customer service in the first phase of gas competition. She is currently involved in a non-executive role with the strategic development of Driver and Vehicle Operator Services with the Department for Local Government, Transport and the Regions and is a non-executive Board Member with the Strategic Rail Authority.

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## Michael Walker

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Chair of the Food Advisory Committee for Northern Ireland, and a partner in a private firm of consulting chemists, Michael Walker is also the resident Public Analyst for Northern Ireland. The Public Analyst provides an official food control laboratory for local authorities, dealing with, among other things, chemical enforcement services relating to food composition, additives, contaminants, labelling and consumer complaints. He was appointed to the General Consumer Council (Northern Ireland) in February 1999, and is convenor of the Council's combined Food and Consumer Education Groups. He is also a member of the Advisory Board of the all-island implementation body, the Food Safety Promotion Board. His academic background is in chemistry and he is a fellow of the Royal Society of Chemistry and a member of the Institute of Food Science and Technology.

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## Richard Ayre

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A consultant in media ethics and broadcast management, Richard Ayre was Deputy Chief Executive of BBC News until 2000 and before that he was the BBC's Controller of Editorial Policy, responsible for the editorial and ethical standards of all BBC programme making. He now advises media organisations in the UK and overseas, and trains young journalists, especially in the new democracies of eastern Europe. He is Freedom of Information Adjudicator for the Law Society, and a trustee and international board member of Article 19, a charity based in London and Johannesburg that works around the world to encourage freedom of expression and to fight censorship.

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## Karol Bailey

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As a small tenant farmer and food producer/retailer, with a farm shop in Knutsford, Cheshire, Karol Bailey has experience of all aspects of food production from initial conception to production preparation, packaging and labelling. She is a trainer in food hygiene. Her farm shop, which opened in 1991, now offers a range of more than 600 fresh and frozen products. Karol Bailey retails all livestock produced on the farm, and is a rare breeds accredited butcher. The farm also has a bakery area for speciality pies, cakes and cooked meats.

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## Professor Jeya Henry

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Professor of Human Nutrition at Oxford Brookes University, and Editor-in-Chief of the *International Journal of Food Sciences and Nutrition*. In September 2000, Professor Jeya Henry was made a Royal Society Visiting Professor at the Chinese University of Hong Kong. He trained initially as a food technologist and subsequently read human nutrition at the London School of Hygiene and Tropical Medicine. Professor Henry has worked extensively on topics related to nutrition ranging from the prevention of obesity in school children, the tracking of energy requirements during growth in adolescence, the impact of food composition on appetite and food intake, to the development of nutritionally enhanced foods. His expertise at the interface of food science and nutrition has led him to be seconded to the United Nations Children's Fund to advise on nutrition in India and China. He is a member of the Department for International Development's Crop Post-Harvest Programme, the Committee on Health and Population Research Awards and of the Scientific Advisory Panel of the British Nutrition Foundation. He has published over 95 papers, and lectured extensively on food and nutrition issues around the world. He continues to be actively involved in bridging the scientific links between nutrition, public health and food science.

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## Baroness Howarth of Breckland

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Until July 2001, Valerie Howarth was Chief Executive of the charity ChildLine, the free national helpline for children in trouble or danger. Under her leadership, and since it opened in 1986, ChildLine counselled over one million children and young people and developed from a small London-based project to a UK-wide children's charity. A social worker by background, she worked in the Family Welfare Association, the London Borough of Lambeth, and then Brent, where she was Director of Social Services. During this time she served on numerous working parties and chaired several child care service groups. Valerie Howarth was the first UK representative of the European Forum for Child Welfare, a founder member and first Chair of the Telephone Helplines Association, founded the King's Cross Homelessness Project and London Homelessness Forum. She has taken a leading role in changing the law concerning child witnesses and serves on the Department

of Health's Quality Protects Steering Group. She has spent more than ten years in consumer protection and standard setting as a committee member of the Independent Committee for the Supervision of Telephone Information Systems. She is Vice Chair of the John Grooms Association for Disabled People, Vice Chair of the Faithfull Foundation, an organisation providing treatment for child abusers, and a Trustee of the Seiff Foundation. She chairs the Stop It Now campaign, a partnership organisation involved in child abuse education. She serves on the Meat Hygiene Advisory Committee and in February 2001, joined the Board of National Care Standards Commission. Awarded an OBE in 1999, she became Baroness Howarth of Breckland in the summer of 2001, one of the first of the new commission-appointed peers.

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## Robert Rees

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A self-employed chef and restaurateur from Bisley, Gloucestershire, Robert Rees has a strong catering background. He is currently resident chef for Stroud Farmers' Markets, cooking seasonal and local produce. In July 2002 he was appointed General Governor of the British Nutrition Foundation. From 1993 until 2000 he ran a restaurant called The Country Elephant in Painswick. He has also worked at restaurants in Bath, in the Grand Cayman Islands (West Indies) and at Le Gavroche, one of London's most fashionable eating houses. He has had entries in many international restaurant guides, including the Michelin guide (Gourmande and Red Meal Award); Taste of West Country; *The Good Food Guide*; Egon Ronay's guide; the Ackerman Guide; and two (Automobile Association) Rosettes in four consecutive years. Robert is a regular contributor on Central Television and BBC Radio Gloucestershire. He is a part-time employee of Gloucestershire College of Arts and Technology where he is a training adviser, assessor and lecturer in the Hospitality Department. In this role he is involved with Modern Apprenticeships, National Trainee schemes and work-based training. Robert Rees is also a Board member of the Stroud Business Education Partnership, and has worked with Gloucestershire Tourism promoting local foods. Robert is also committed to his work with children, and people with special needs.

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## Vernon Sankey

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Currently a non-executive Director of Pearson plc and Zurich Financial Services AG (Swiss), Vernon Sankey is also Chair of Gala Group Holdings plc and the Really Effective Development Company Ltd and Deputy Chair of Photo-Me International plc and Beltpacker plc. He also serves on the Advisory Boards of a number of companies in the UK and abroad. From 1992 to 1999 he was Chief Executive of Reckitt & Colman plc, having spent 28 years with that company in a number of functions and countries and was also Chair of Thomson Travel Group plc. Vernon Sankey is a former member of the London Stock Exchange's Listed Companies Advisory Committee, a former Board member of the Grocery Manufacturers of America and a former Council member of the UK's Food and Drink Federation.

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## Iain MacDonald

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A self-employed management consultant and Chartered Surveyor, Iain MacDonald is a Fellow of the Royal Institution of Chartered Surveyors, a Member of the Institute of Management and a Member of the Institute of Revenues, Rating and Valuation. He is a former Local Authority Chief Executive and a widely experienced senior manager with extensive experience of change and business management in the public, voluntary and private sectors. His most recent assignment was as the United Nations Municipal Administrator for the City of Pristina in Kosovo, combining the role of Mayor, Council Leader and Chief Executive of the City. Iain MacDonald has served as national President and national Chair of a number of professional associations and is currently a member of the Food Standards Agency Meat Hygiene Advisory Committee. He joined the Board in June 2002.

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## Sandra Walbran

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At present employed as an Environmental Health Manager with specialist responsibility for food safety in the city of Bradford, Sandra Walbran has extensive experience in the environmental health field, particularly linked to the area of food safety. She has long-standing operational experience of management. She is currently Chair of her local food liaison group, represents the Yorkshire and Humberside region of the LACORS Food Hygiene Focus Group and is actively involved in the production of national guidance on many food safety matters. Sandra Walbran joined the Board in June 2002.

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## Professor Bhupinder Sandhu

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Consultant Paediatrician and Gastroenterologist at the Bristol Royal Hospital for Sick Children and the Institute for Child Health, Bristol University, Professor Bhupinder Sandhu is also Visiting Professor of Child Health, Gastroenterology and Nutrition at the University of the West of England. She has published extensively in her field and her track record of academic research and teaching at local, national and international level gives her expertise in evaluating statistical data and scientific evidence. She has a commitment to optimising health and nutrition, particularly in children. Professor Sandhu has worked at a number of teaching hospitals in London and Cambridge including Great Ormond Street Hospital for Sick Children where she was a Research Fellow. She was Secretary of the British Society of Paediatric Gastroenterology and Nutrition (1993–1996); Secretary of the South West Paediatrician's Society (1991–1996); Chair of the Division of Paediatrics at Bristol Children's Hospital (1991–1996), and since 1998 has chaired a research group of the European Society of Paediatric Gastroenterology, Hepatology and Nutrition. She is an examiner for Bristol and Birmingham Universities and for the Royal College of Paediatrics and Child Health, where she is a Fellow. She was Chair of the BBC West Regional Advisory Committee (1993–1996) and she is a School Governor, Member of the Governing Board of the UWE and a Trustee and Board member of Voluntary Service Overseas (since 1997) and The Old Vic Theatre School, Bristol. She completed her service on the Board in February 2002.

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## Gurbux Singh

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Chair of the Commission for Racial Equality until August 2002, Gurbux Singh is a former Chief Executive of the London Borough of Haringey, having been appointed to that post in 1989 in the aftermath of the Broadwater Farm riots. From 1983–1985, Gurbux Singh was District Housing Manager at the Greater London Council where he established and managed a new District Housing Office in Tower Hamlets, serving 11,000 tenants with a staff of 150. He was Senior Housing Officer to the Commission for Racial Equality from 1977 to 1983, reporting to the Chief Executive on a major research programme and working with a range of bodies, including the construction industry, estate agencies and mortgage lenders, to promote good practice. He is a member of the Home Secretary's Race Relations Forum, and of the Steering Group Implementation Action Plan on the Lawrence Inquiry. He resigned from the Board in May 2001.

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## The Chief Executive – Geoffrey Podger

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A career civil servant who worked for the Department of Health from 1982, Geoffrey Podger was Under-secretary for Health Promotion before taking up responsibilities in relation to food. He was head of the combined Joint Food Safety and Standards Group of the Department of Health and the Ministry of Agriculture, Fisheries and Food from its inception in 1997. He was appointed Chief Executive of the Food Standards Agency on 1 April 2000.

# 1 About the agency

# agency

- 1.1 The Government set up the FSA in April 2000 to protect public health and to restore public confidence in the way food safety decisions are made. Our main purpose as defined in the Food Standards Act 1999 is: 'to protect public health from risks which may arise in connection with the consumption of food, and otherwise to protect the interests of consumers in relation to food.'
- 1.2 We are committed to three core values that govern all that we do. They are to:
  - put the consumer first
  - be open and accessible
  - be an independent voice
- 1.3 The FSA is an independent, non-ministerial Government department, governed by a Board appointed to act in the public interest. This independence is crucial if we are to succeed in putting the consumer first. We are a UK-wide body, accountable to the Westminster Parliament and to the Scottish Parliament, the National Assembly for Wales, and the Northern Ireland Assembly through their relevant Health Ministers.

*“Our main purpose is to protect public health and the interests of consumers in relation to food”*





## THE FOOD STANDARDS AGENCY

- 1.4 The Board is responsible for our overall strategic direction, and for ensuring that our legal obligations are fulfilled. The Board consists of a Chair, Deputy Chair and up to 12 other members. The Chair and Deputy Chair were appointed jointly by the Secretary of State for Health and Health Ministers in Scotland, Wales and Northern Ireland. Of other current Board members, eight were appointed by the Secretary of State for Health, two by Scottish Health Ministers, and one each by Ministers in Wales and Northern Ireland. Members of the Board each demonstrate substantial achievement in their chosen field, and many have expertise in food matters. The Board is subject to public scrutiny through its open meetings.
- 1.5 The Chief Executive manages the day-to-day operations of the FSA. He was appointed by the Secretary of State for Health with the approval of the Head of the Civil Service under normal Civil Service Commission rules. The Treasury has appointed the Chief Executive as Principal Accounting Officer of the Department with overall responsibility for preparing the FSA's accounts and for transmitting them to the Comptroller and Auditor General.
- 1.6 We employ around 570 staff in total in the London office. Staff are civil servants, accountable through the Chief Executive to the Board. Our headquarters in London comprises three main groups: Food Safety Policy Group, Enforcement and Food Standards Group, and Corporate Resources and Strategy Group, together with our Communications and Legal Directorates. Our high level structure chart can be found near the front of this Report.
- 1.7 We have a wide remit, involving food safety across the whole food chain – 'from farm to fork'. Our job is to protect consumers from health risks, and to look after their interests in all matters connected with food. Our sphere of influence ranges from pesticides and veterinary medicines, to food safety and hygiene standards in shops, restaurants and takeaways, as well as the home kitchen.

- 1.8 We work with the Meat Hygiene Service (an executive agency of the FSA), local authorities, and with other Government departments, to ensure that regulations on food safety and standards are enforced to protect consumers. We provide guidance to the public on healthy eating and carry out surveys on nutrition and diet to monitor changing eating habits. We advise ministers on all issues relating to food safety. We negotiate on behalf of the UK in Europe and other international fora, where much of the legal framework and standards for the food market are set.
- 1.9 FSA Wales carries out those food safety, food standards and nutrition functions formerly discharged by public health and agriculture staff of the National Assembly, together with the new functions of the FSA. Headed by a Director, FSA Wales has a permanent staff complement of 19, with a further three temporary staff supporting the nutrition strategy activities.
- 1.10 The statutory Advisory Committee for Wales, chaired by Ann Hemingway, met in public session on five occasions during 2001/02.
- 1.11 FSA Northern Ireland is responsible for providing advice and draft legislation on issues across the food chain to the Northern Ireland Assembly Minister with responsibility for Health, Social Services and Public Safety.
- 1.12 The FSA's role in Northern Ireland is augmented by advice from the statutory Northern Ireland Advisory Committee. To date, the Advisory Committee has met 14 times, including three open meetings in Belfast, Londonderry and Enniskillen.
- 1.13 FSA Northern Ireland liaises closely with the Food Safety Promotion Board (FSPB) and the Food Safety Authority of Ireland in relation to food issues that have an all-island dimension, such as foodborne illness.
- 1.14 The Department of Agriculture and Rural Development (DARD) performs the same functions as the Meat Hygiene Service in Northern Ireland on behalf of the FSA. There is a need for high levels of vigilance to ensure compliance with the UK's strict controls on BSE, not least because Northern Ireland is the only part of the UK that has a land border with another European Union country.
- 1.15 Food safety and standards are devolved matters and legislation governing Scotland, is determined by the Scottish Parliament. In Scotland, the FSA provides advice on proposed legislation to the Minister for Health and Community Care in the Scottish Executive. This ensures consistency of approach while allowing the specific Scottish circumstances to be fully taken into account in the implementation of food safety and standards policy in Scotland.
- 1.16 FSA Scotland is funded by the Scottish Executive and has a staff complement comprising the Director, two Assistant Directors, and 57 full-time equivalent posts. The Scotland office is based in Aberdeen.
- 1.17 The statutory Scottish Food Advisory Committee is chaired by Sir John Arbuthnott. It provides the FSA with independent information and advice on all food safety and standards issues in Scotland. In line with the FSA's principles of openness and transparency, the Committee has the power to publish its advice and makes the Committee's substantive decisions public through its open meetings.
- 1.18 The annual Consumer Attitude Survey (2000) revealed that awareness of the FSA was highest in Scotland (65%) compared with the rest of the UK. In 2001 awareness had risen to 75% (still the highest in the UK).
- 1.19 The Meat Hygiene Service (MHS) is an Executive Agency of the FSA operating within Great Britain. (DARD provides a similar service in Northern Ireland.) Its main functions are to ensure that the highest standards required by the law for the hygienic production of meat and for the welfare of animals at slaughter are maintained, and to provide a meat inspection service to all licensed meat plants. The MHS has its own Agency Accounting Officer (the MHS Chief Executive) and publishes its own Annual Report and Accounts.
- 1.20 We published our first Service Delivery Agreement (SDA) with the Treasury in autumn 2000. The full text can be found at: [www.food.gov.uk/multimedia/pdfs/sda](http://www.food.gov.uk/multimedia/pdfs/sda). The aims and targets in the SDA were based on an emerging vision for the FSA before the establishment of the Board.

1.21 The Board has further developed this vision and, in May 2001, concluded work on our *Strategic Plan 2001–2006*. You can find the full text on our website at [www.food.gov.uk](http://www.food.gov.uk). The Strategic Plan sets out our key priorities for food safety, public information, labelling and choice, nutrition and diet, and food law enforcement over a five-year period. In it we describe how we will put our core value of openness into practice. Our aim is to be trusted as the UK's most reliable source of advice and information about food. We want to protect and improve the safety of the food people eat, and to make it possible for people to choose a healthy diet.

Over the period covered by our Strategic Plan we aim to:

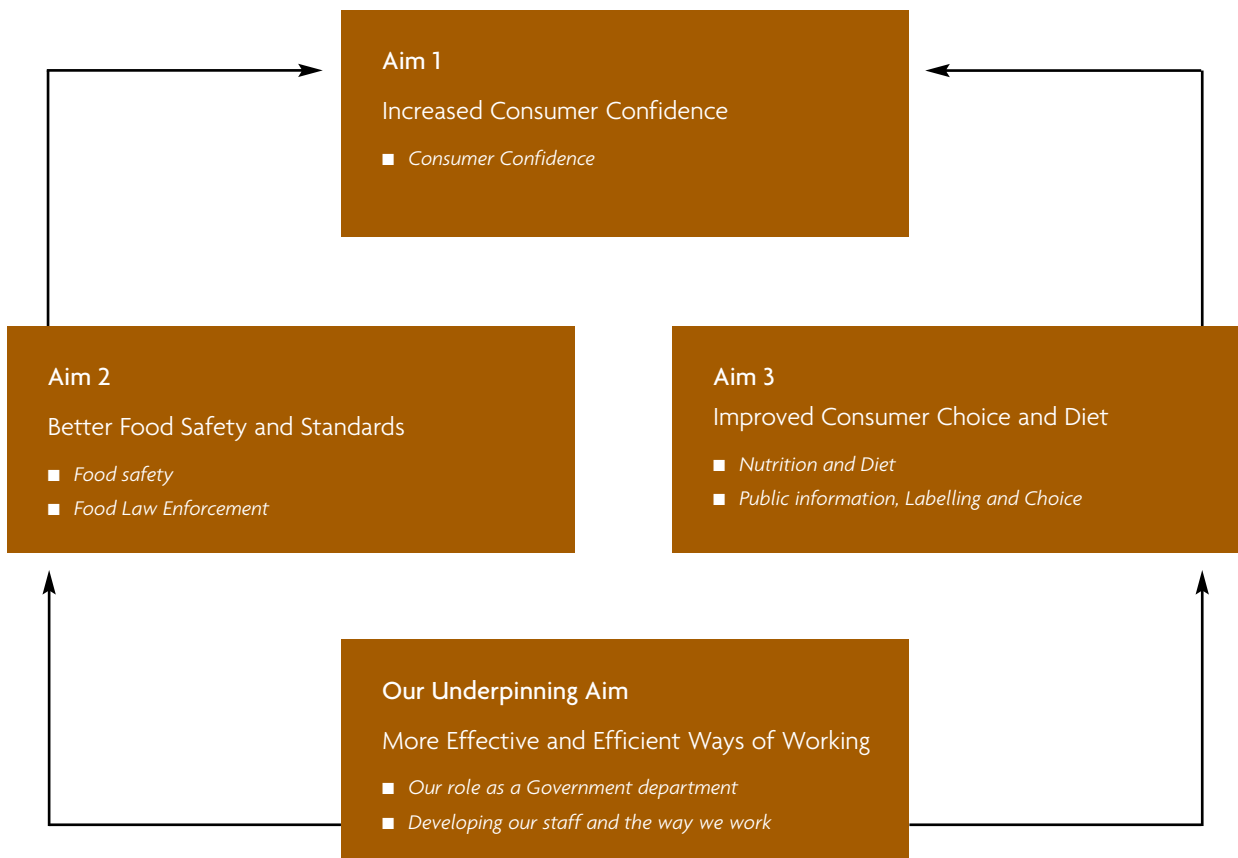
- reduce foodborne illness by 20% by improving food safety right through the food chain
- help people to improve their dietary health
- promote honest and informative labelling to help consumers
- promote best practice within the food industry
- improve the enforcement of food law
- earn people's trust by what we do and how we do it

1.22 Our SDA for the next spending round has been developed to align more closely with the Strategic Plan. Our restructured SDA, based around the diagram below, will be published later this year.

1.23 Sections 2 to 5 of this *Annual Report* set out our aims and key priorities, and will give you a flavour of what we have been doing in 2001/02. You can also find more detailed information about our performance and our plans for the future in our Departmental Report Spring 2002.<sup>†</sup> The Report contains a detailed report of performance against our SDA targets in 2001/02.

1.24 You can find out more about what we do on our website at [www.food.gov.uk](http://www.food.gov.uk). The website is updated on a daily basis. A detailed contact list by subject is available at [www.food.gov.uk/aboutus/contactus1/contactusaz/](http://www.food.gov.uk/aboutus/contactus1/contactusaz/).

<sup>†</sup>June 2002, Cm. 5404, ISBN 0-10-154042-6, published by The Stationery Office



# 2 Increasing consumer confidence

## Key priorities for consumer confidence

- to deliver a measurable improvement in public confidence in the way food safety and standards are managed across the UK
- to be the UK's most trusted source of food advice and information
- to ensure that issues of public concern are debated openly

*“We aim to deliver real improvements in food safety and standards. This is the most effective way to improve consumer confidence”*



- 2.1 We aim to deliver real improvements in food safety and standards. This is the most effective way to improve consumer confidence. The way in which we deliver these improvements is critical to our success. Therefore, openness, accessibility, honesty, and a consultative approach to policy making are all embedded in the way we work.
- 2.2 The Board is open to public scrutiny through public meetings. Eight public Board meetings took place around the country in 2001/02. There have also been seven open meetings of the Scottish Food Advisory Committee, five open meetings of the Advisory Committee for Wales and eight open meetings of the Northern Ireland Advisory Committee. The Board hosted additional stakeholder meetings to promote debate on issues of consumer concern and scientific uncertainty, including:
- labelling of foods produced from GM technology
  - the theoretical risk of BSE in sheep
  - potential controls to reduce consumer exposure to MAP (*Mycobacterium avium* subsp. *paratuberculosis*) from milk
- 2.3 We build public trust and understanding by being open and transparent. This makes our advice and public information more effective, and helps to improve public confidence in our work. Where uncertainties exist, we are open about them. We believe this allows consumers to make informed choices. Additionally, an open approach improves the quality of policy making and decisions. People who have experience of how policies are put into practice are more likely to be able to spot shortcomings or loopholes in new proposals.
- 2.4 We have created a new Consumer Branch to increase the profile of consumer work at the heart of the FSA. The Branch also provides an internal consultancy service to ensure that all staff consider the impact of their policies on different groups of consumers (and on disadvantaged groups in particular).

- 2.5 We have taken the very important step of appointing a Consumer Committee. Membership includes not only individuals appointed following nominations from the main consumer groups, but also individuals recruited through open competition. The Committee will ensure that:
- all our policy making is open to as wide a range of consumer interests as possible
  - our decisions are based on a full understanding of consumer needs and views
- 2.6 We have lay or consumer representatives on all specialist committees and expert groups that advise us. We have developed an induction pack to help support these representatives and we have held two workshops to discuss issues relating to their role and piloted a training course for them based on the National Consumer Council's *Stronger Voice* programme.
- 2.7 We are keen to open up our consultation process to reach beyond the consumer and other public interest groups we already involve in consultations on policy issues. This will help us determine the range of views held by 'ordinary' consumers. A good example of this was the variety of methods used to inform our response to the Policy Commission on Farming and Food announced in August 2001. These methods included: an interactive website, an opinion poll, focus groups, scenario workshops with low income consumers, a series of regional seminars, and a youth forum.
- 2.8 We hold regular meetings with the main consumer organisations such as the National Consumer Council, Consumers' Association and Sustain: the alliance for better food and farming. We also hold regular meetings with representatives of consumer organisations to discuss specific policy areas. We are funding an independent quarterly working party to help a range of consumer organisations to develop common policy and so contribute more effectively to our consultations. In this way we obtain regular feedback from consumer organisations on the work we are doing.
- 2.9 Our new Food Labelling Forum meets every six months. We see this as essential in reporting progress directly to stakeholders, such as consumers and food industry organisations. It also gives us the opportunity to hear at first hand the views of all the parties involved and to answer questions on issues that concern them about food labelling. Consumer participation in these events is essential if we are going to take proper account of their concerns and interests, which we are determined to do.
- 2.10 The Nutrition Forum is another new initiative. Its purpose is to provide a means to share experiences and co-ordinate efforts and actions for those working towards improvements in diet and nutrition. It brings key stakeholders in nutrition together on a regular basis to allow an exchange of views and information and to facilitate communication between the organisations working in this area. The aim is to encourage co-ordination between stakeholders to maximise effectiveness of actions and to avoid duplication. The Forum will support an effective, co-ordinated nutrition strategy. The overall purpose is to improve health through improvements in diet and changes in dietary habits.
- 2.11 We aim for close consumer stakeholder involvement in all of our work on nutrition. We will achieve this through informal and formal consultation at appropriate stages in the progress of individual initiatives and by making information available through our website across all of the Nutrition Action Plan areas. More details of the Nutrition Action Plan can be found on our website under our Nutrition Strategic Framework. The Nutrition Forum, Scottish Diet and Nutrition Forum and Welsh stakeholder workshops will also play an important role in this area.

2.12 We use meetings with consumers and other stakeholders as an integral means of promoting public debate and ensuring that those affected by issues can contribute to development of policy.

Some examples from 2001/02 include:

- two GM stakeholder meetings, the first in London and the second in Stirling, to complement the written consultation on the European Commission's proposals on genetically modified (GM) novel foods
- a meeting of consumers, food organisations and other relevant parties in June 2001 to advise those present about our work in Northern Ireland, and to obtain feedback from attendees on their views on how FSA Northern Ireland was performing
- in January 2002, we hosted a stakeholder meeting on minimising residues of anti-microbial agents used as feed additives for poultry
- in February 2002, we held a well attended open meeting of the Committee on Toxicity of Chemicals in Food, Consumer Products and the Environment (COT) in Norfolk to discuss the draft final report on the effect of mixtures of pesticides and veterinary medicines
- in March 2002 we held a stakeholder meeting to discuss folic acid fortification of flour
- 'A Recipe for Success' – an event specifically designed to attract members of the general public where they can be entertained and educated by a celebrity chef and have the opportunity to fire questions at a panel of food experts. This popular event has been taken to three cities in Scotland

2.13 We use a variety of media to get our message across – leaflets, public meetings, and our website – depending on our target audience. We believe the Internet is both an increasingly important medium for communicating with our stakeholders, and an important way in which we meet our commitment to be open and accessible. Redesign of our website was therefore a high priority. We listened closely to what people wanted. As a result, we believe the site is now more user-friendly, and provides information that better meets people's needs. Our measure of success is that the improvements have increased the level of use of the site by more than 50% since it was launched in December 2001.

2.14 We consider it essential to improve our knowledge and understanding of consumer attitudes to food safety and food standards, and to track changes in public opinion. We do this by conducting an annual Consumer Attitudes Survey. The results of the first survey (2000), published in February 2001, provided a benchmark. The results of the second survey (2001) were published in February 2002.

2.15 The second survey was conducted among a representative sample of 3,120 adults in the UK – 1000 in England, 713 in Wales, 705 in Northern Ireland and 702 in Scotland. Interviews were conducted face-to-face in the home of respondents between August and September 2001. These results give us a clear indication of where we need to focus our resources: food safety, food poisoning, healthy eating and food labelling. Our current work programme reflects these priorities and will continue to reflect consumer concerns.

2.16 In the second survey, the key findings were:

- awareness of the FSA is rising rapidly
  - from 58% in 2000 to 71% in 2001
- confidence in the FSA is also rising
  - from 50% in 2000 to 58% in 2001
- meat remains the top consumer concern with 73% of consumers mentioning it spontaneously, increasing slightly from 71% in 2000
- poor standards of hygiene in food outlets remain a key concern for consumers with over half (51% in 2001, up from 42% in 2000) expressing concern about standards in one or more outlets. Mobile food outlets, takeaways and fast food outlets top the list
- 12% of respondents claimed to have suffered from food poisoning in the past year, down slightly from 13% in 2000
- awareness of the five fruit and vegetables a day message is rising (up to 49% from 43% in 2000), but only 28% of respondents say they actually eat at least five portions a day

# 3 Better food safety and standards

## Key priorities for food safety: Foodborne illness

- to reduce the incidence of foodborne disease by 20% (of 2001 levels) by 2006
- to reduce salmonella contamination of UK-produced retail chicken by at least 50% over the next four years

## Key priorities for food safety:

### BSE (Bovine Spongiform Encephalopathy)

- to ensure the controls are based on the latest scientific knowledge
- to ensure that BSE controls are enforced effectively
- to provide accurate, independent information on BSE issues and the effectiveness of enforcement
- to ensure that imported meat is monitored to check that EU controls have been applied

## Key priorities for food safety: Chemical safety of food

- to ensure that chemicals present in food do not compromise food safety
- to have proper controls in place and ensure they are properly enforced
- to encourage open debate of the issues amongst stakeholders

## Key priorities for food safety:

### Food products and processes, their licensing or approval

- safety assessment processes that protect consumers are robust and are applied rigorously
- safety assessment that is open, transparent and based on the best available science
- publication of assessment criteria and other information to improve consumers' confidence in the procedures
- reductions in the discharges of chemicals and radionuclides at source, or otherwise reduce their potential impact on the food chain

## Key priorities for food law enforcement

- to improve the effectiveness of local authority and MHS enforcement
- to ensure proportionate and more consistent enforcement
- to improve transparency of enforcement arrangements for stakeholders
- to promote the wider implementation of risk-based systems for improving safety standards across the food chain





## BETTER FOOD SAFETY AND STANDARDS

- 3.1 The Board agreed our microbiological foodborne disease strategy in May 2001. The strategy sets out how we will achieve our target of reducing foodborne disease by 20% of 2001 levels by 2006. The strategy is published on our website, as are six-monthly reports of our progress. Ahead of schedule, we achieved one of our major food safety targets – the reduction by more than 50% in the level of salmonella contamination in retail, UK produced, chicken. Achievement of this target has allowed us to shift the focus of our work in this area to another major cause of foodborne disease – campylobacter.
- 3.2 Tackling campylobacter is an essential part of our commitment to cut food poisoning by 20% of 2001 levels by 2006. We have begun work on poultry where we aim to develop a strategy for the reduction of campylobacter in chickens and we are already working with the industry to address the problem.
- 3.3 We launched our Food Hygiene Campaign in February 2002. This five-year campaign is a key measure aimed at reducing foodborne disease. The first phase focuses on reducing bacterial contamination of food in catering establishments, and will be followed by measures targeted at consumers.
- 3.4 In 2001/02 we consulted on and began implementation of the European Commission decision requiring mandatory Hazard Analysis and Critical Control Point (HACCP)-based controls in fresh meat and poultry meat plants and micro-testing rules for fresh meat slaughterhouses and cutting plants.

- 3.5 We have set up a dedicated HACCP Unit to develop and implement a strategy to ensure that HACCP procedures are applied in the food industry. Our strategy for the wider implementation of HACCP was published in November 2001 and is available on our website.
- 3.6 We published *The Review of BSE Controls* in December 2000. The Review identified the theoretical risk of BSE in sheep in the UK. We advised that there was no reason to advise against the consumption of sheep meat. Nevertheless, we recognised the need to reduce the uncertainty around this issue and to look at whether there was a need for further, precautionary, public protection measures.
- 3.7 We held a public stakeholder meeting in December 2001. We then asked a core group of stakeholders to report on the implications of BSE in sheep and make recommendations for the introduction of any further precautionary measures. The core group's report was subsequently published for public consultation in May 2002 and can be found on our website.
- 3.8 A major part of our work in the field of chemical safety during this year related to the outbreak of Foot and Mouth Disease (FMD) which started in February 2001. Following a Government assessment of possible risks to health from FMD disposal options, and in particular exposure from the diet to dioxins from FMD pyres, we commissioned a monitoring programme that looked for dioxins in foods produced in the vicinity of pyres. While we waited for the results from that programme, we issued precautionary advice on 25 May 2001, suggesting that people who consumed whole milk and whole milk products only from animals within 2 kilometres of FMD pyres might wish to decrease their potential exposure to dioxins from this source by varying their diet to include milk and milk products from other sources. The advice was well received.
- 3.9 Monitoring programme results were published in reports issued on 5 July 2001, 8 August 2001 and 20 September 2001, and a final report summarising all results from the programme in January 2002. By the time the third report was published, results were available for 120 samples of food and animal feed, and 39 environmental samples. We considered that these results showed that the pyres had posed no additional risk to health through the food supply. We therefore concluded that the precautionary advice issued on 25 May no longer applied.
- 3.10 Because one of our key aims is to ensure that consumers are told about potential risks to health arising from consumption of food, we regularly issue advice on a wide range of products. We also publish that advice on our website. Just a few examples from 2001/02 include:
- batches of certain helva (also known as halva) products contaminated with salmonella
  - aflatoxin and ochratoxin A (both naturally occurring toxins produced by moulds) contamination in a range of nuts, nut products, and dried vine fruits
  - withdrawing from sale fruit gel sweets containing Konjac (now the subject of a Europe-wide ban)
  - certain soy sauce products containing high levels of chemicals that could potentially cause cancer
  - dioxins in trace element products used in animal feed
  - residues of the veterinary drug chloramphenicol in honey and in Royal Jelly
  - products containing the herbal ingredient kava kava, after the Medicines Control Agency decided to assess its effect on the liver
- 3.11 We deal with a wide range of incidents that may affect the human food chain. These incidents fall into two broad categories:
- environmental pollution incidents (chemical, radiological or microbiological) which may, directly or indirectly, lead to contamination of the food chain. Our Incident Response Team, in conjunction with in-house and external experts, investigates and provides advice to consumers and producers in the wake of such incidents
  - incidents involving contamination of food in the processing and distribution chains. Our Food Incidents Team alerts local enforcement authorities to hazards or contravention of labelling or compositional requirements relating to food products. Such incidents may result in the need to withdraw food from distribution, or to alert the public not to consume certain food

- 3.12 During 2001/02 we investigated 506 incidents that had the potential to affect food safety. As a result, we issued 47 Food Hazard Warnings and agreed voluntary restrictions for 26 on-farm incidents. In addition, we implemented emergency European Union legislation on imports of products of animal origin from China; on star anise; on peanuts from China; and on nuts and figs from Turkey. We published information showing non-permitted residues in Chinese honey and issued advice to consumers.
- 3.13 We are determined to help drive up food standards and consumer confidence by improving the consistency and effectiveness of food law enforcement. Our Framework Agreement on Local Authority Food Law Enforcement, published on our website, laid the groundwork for our plans. The Agreement will ensure that we have more information about local authorities. This will help us to identify trends, good examples of enforcement work, and areas requiring improvement.
- 3.14 We also worked closely with enforcement bodies to tackle breaches in food safety rules throughout the year. Some examples of our action in this past year include:
- adopting a package of control measures, approved by the Board in September 2001, aimed at preventing unfit meat entering the food chain
  - setting up a Waste Food Task Force to look at what further measures are required to ensure the appropriate disposal of food waste in the UK, and to reduce the scope for fraud
  - acting rapidly to protect consumers when baby formula affected by botulism spores, and soy sauce contaminated with a genotoxic carcinogen, were discovered
- 3.15 The Agency is itself the enforcement authority in relation to hygiene at licensed slaughterhouses, cutting premises and cold stores. Requirements are laid down in various Statutory Instruments and breaches can result in the issue of notices requiring compliance, suspension and revocation of licences and, ultimately, prosecution. In the year to 31 March 2001 the Agency obtained convictions in 12 cases. At the end of the year proceedings were under consideration or ongoing in a further 18 cases and another 23 cases were under investigation.
- 3.16 The outbreak of Foot and Mouth Disease, and increased concern about imported foods, led us to carry out a programme of visits in April 2001 to a number of ports, local authorities and import warehouses. These visits helped us assess the effectiveness of current import controls and the scale of illegal imports of food products of animal origin. This information assisted in the development of our policy on food import controls and was fed into wider Whitehall considerations.
- 3.17 We prepared a report on food import controls, including 10 recommendations aimed at improving co-ordination of enforcement action on imports and the effectiveness of inspection of imported food. The Board approved the report at its meeting in October 2001. We have now set up a new Imported Food Unit as part of the process of exploring these proposals further.
- 3.18 We worked actively with other Government departments in the development of the Government Action Plan on illegal imports, which was published by the Department for Environment, Food and Rural Affairs (DEFRA) at the end of March 2002. The purpose of the plan is to improve the UK's ability to prevent and detect illegal imports of animal and plant products.
- 3.19 We continue to hold discussions with the Association of Port Health Authorities (APHA) about imported food controls generally and to be in regular communication with ports and wider stakeholders about specific imported food issues.

# 4 Increasing consumer choice and improving diet

## Key priorities for public information, labelling and choice

- to promote honest and informative labelling, and encourage and support initiatives to improve the clarity and value of information provided to consumers
- to initiate, develop, negotiate internationally and implement rules on food composition, labelling and advertising that protect the interests of consumers
- to protect consumers by controls on foods that make health claims or that require special treatment for other reasons (such as baby foods)

## Key priorities for nutrition and diet

- long-term improvements in the diet and nutrition of the UK population
- reduction in inequalities by enabling and encouraging the disadvantaged and vulnerable to improve their diets

*“We have set up a ‘Clear Labelling Task Force’, which includes representatives of industry, consumer groups, enforcers and the Plain English Campaign”*



## INCREASING CONSUMER CHOICE

- 4.1 During the year, we have taken forward our Action Plan on labelling, which is published on our website ([www.food.gov.uk](http://www.food.gov.uk)). All planned initiatives are now under way. We have started an additional review of food assurance schemes, because the results of our consumer research show that consumers are confused as to what different logos mean. We finalised and published Food Advisory Committee reports on the use of the terms fresh, pure and natural, etc. in food labelling; the *Review of Food Labelling*; and the *Review of Distance Selling*.
- 4.2 We also set up a 'Clear Labelling Task Force'. The Task Force includes representatives of industry, consumer groups, enforcers and the Plain English Campaign. The Task Force has recommended that more of the label should be given over to information required by law, that information should be placed in such a way as to make it easier to find and that colours and typefaces should be chosen to make it easier to read. The Task Force report is published on our website.
- 4.3 We are also pressing the case internationally for more country of origin labelling on foods. This is something that requires action internationally, given our European Union and World Trade Organization responsibilities, but we have, in the meantime, issued new guidance aimed at tightening up the interpretation and application of existing rules within the UK.
- 4.4 In July 2001 the European Commission published its proposal on the traceability and labelling of genetically modified organisms and derived products and a proposal for the authorisation and labelling of genetically modified food and feed. We held two stakeholder meetings before the Board's consideration of the proposals. We will be holding further stakeholder meetings as negotiations on the proposals progress.

- 4.5 One of our key priorities is to help people achieve long-term improvements in their diet. In 2001/02, we agreed a Nutrition Strategic Framework and published it on our website. There are four main elements to this strategy:
- securing a sound evidence base for action to promote a healthy diet
  - developing appropriate means of informing the general population
  - identifying and addressing barriers to changing dietary behaviour
  - evaluating and monitoring the effectiveness of action taken
- 4.6 Our Nutrition Action Plan aims to deliver the outcomes required by the strategy. We will work with and aim to influence other organisations to move the Action Plan forward. This will include the close joint working arrangements we have been developing with UK Health departments, other Government departments (education, agriculture and so on) and local authorities in the diet and nutrition area. It will also include work with the food industry and the scientific community. The Action Plan contains a significant commitment to expenditure on research, surveys and information campaigns. In all this, allowance will be made for differences in the circumstances and priorities across the UK. The priority we have accorded to work across these areas takes account of evidence on the importance of diet in relation to a range of chronic diseases in the population generally, and for some diseases in specific risk categories.
- 4.7 At the request of the Minister for Health and Social Services in the National Assembly for Wales, FSA Wales is leading the development of a nutrition strategy for Wales. A steering group representing Government, the NHS, local authority, and consumer interests has been established to oversee this process.
- 4.8 We have also appointed a Nutrition Forum. The Forum has members representing central and local government, consumer and voluntary bodies, industry, and health interests. We have improved and extended the consumer information provided through our website, which aims to help people achieve a healthy diet in practice. Our interactive site provides expert advice, survey results, such as salt levels in bread, and guidance on how to use label information. All this will help to promote consumer choice.
- 4.9 In line with our commitment to ‘putting consumers first’, we will aim for close consumer stakeholder involvement in all of our work on nutrition. This will be achieved through informal and formal consultation at appropriate stages in the progress of individual initiatives and by making information available across all of the Action Plan areas through our website. The Nutrition Forum, Scottish Diet and Nutrition Forum and Welsh stakeholder workshops will also play an important role in this area.



## IMPROVING DIET

*“One of our key priorities is to help people achieve long-term improvements in their diet. In 2001/02, we developed our Nutrition Action Plan”*

# 5 More effective and efficient ways of working

## Key priorities for our role as a Government department:

### What we want to achieve

- to advise and inform the UK Government, the devolved administrations and international bodies, so they take decisions which reflect our primary objectives of protecting public health and the interests of consumers

## Key priorities for developing our staff and the way we work:

### What we want to achieve

- to continue to develop open, consultative, evidence-based policy making that better protects consumers
- to ensure that our staff have the expertise, knowledge, and skills and develop the internal culture necessary to deliver our strategy in line with our core values
- to continually review our operations to ensure efficiency and value for money
- to continue learning and developing as an organisation

*“We are publicly committed to doing our business in as open and transparent a way as possible”*





## MORE EFFECTIVE AND EFFICIENT WAYS OF WORKING

- 5.1 Our Strategic Plan sets out our priorities in the main policy areas – food safety, labelling and choice, nutrition and diet, and food law enforcement. It also describes how we will put into practice our core value of openness, and our democratic accountability, and what we are doing to improve the way we work.
- 5.2 We are firmly committed to the three aims of the modernising Government agenda: ensuring that policy making is more joined up and strategic; making sure that consumers are the focus of our work; and by delivering public services that are high quality and efficient. We are also committed to delivering policy outcomes that matter: we aim to develop our policy making process to ensure we take account of and promote best practice. We have a full range of initiatives on listening to consumers.
- 5.3 Our decisions are founded upon an assessment of the latest scientific knowledge wherever relevant. Risk assessments are usually, though not exclusively, carried out by independent advisory committees. A few examples of our approach to evidence-based and consultative decision-making during the period of this Report are:
- Research into new formats for nutrition labelling has found a consumer preference for plain language, such as ‘salt’ instead of ‘sodium’. Further research is planned to test the preferred formats with consumers in ‘real life’ situations.
  - In 2001 we published the results of a survey of 100 soy sauces and related products available on the UK retail market. The results showed that 22% of the samples contained high levels of the potentially cancer-causing chemical 3-MCPD and about two-thirds of these also contain the related contaminant 1,3-DCP, which experts advise should not be present at any level in food. The products identified were removed from sale and consumers were advised to avoid them. Leaflets including pictures and details of the affected products were distributed and this information was placed on our website. The presence of 3-MCPD and 1,3-DCP in soy sauce is avoidable. Following the announcement of these and earlier survey results, many manufacturers

have altered their production processes. The results of this survey have helped inform the setting of a European limit for 3-MCPD in soy sauce. They also stimulated a considerable international reaction. A number of food control bodies took action and maximum levels were introduced by many importing and producing countries.

- We asked the independent Committee on Toxicity of Chemicals in Food, Consumer Products and the Environment (COT) for an opinion on the possible effects of caffeine on pregnancy. Previous (Department of Health) advice to pregnant women was to consume caffeine 'in moderation'. Based on the COT opinion, we defined 'in moderation' as no more than 300 milligrams (mg) per day, giving details of how that 300 mg could be obtained from a combination of coffee, tea, cola and chocolate. Our advice was welcomed by all stakeholders, including health professionals and the coffee industry, who considered it helpful to clarify what could be consumed safely.
- We carried out a thorough review of our research portfolio and research management systems. We are seeking ways to ensure that our expenditure on research is spent wisely and in line with our priorities.

- 5.4 We are putting into practice the lessons identified in the *Report of the BSE Inquiry*. The Board has agreed a framework against which our work can be measured. A copy of the framework is on our website with the papers for our February 2002 Board meeting. The framework is used both in training our staff and for external assessments of our policy development in specific areas.
- 5.5 We are publicly committed to doing our business in as open and transparent a way as possible. We work in accordance with both our Code of Practice on Openness and Statement of General Objectives and Practices. Both documents are published on our website.
- 5.6 We are committed to the principles of better regulation, but we do so in a way that does not undermine our main objective of protecting consumers. We put public health first. In seeking to remove unnecessary burdens on industry, we will not put public health at risk as a consequence of removing, relaxing or simplifying existing controls.
- 5.7 In June 2001 we published the report of our review of burdens of regulation on small businesses. The review found that while the overall burden of regulation is significant, food regulations themselves do not impose

a particularly onerous burden. There were, however, a number of problem areas concerned with how small food businesses keep abreast of legal requirements, with the implementation of HACCP, and with enforcement. We undertook a public consultation on the report, and the responses overall endorsed the findings of the Task Force. The review formed the basis of our contribution to the Regulatory Reform Action Plan. The Action Plan, with more than 260 deregulatory measures to benefit business, charities and the public services, was published by the Government on 4 February 2002. The Action Plan brings together reforms from across departments, including the FSA. We will continue to contribute to the process by examining new proposals and their inclusion in future plans where appropriate.

- 5.8 On our website we publish targets for our service standards, which are in accordance with the Six Standards for Central Government for: answering correspondence, seeing callers, answering telephone calls, publishing contact points, publishing our complaints procedure and consulting users. Our key targets are to:
- send users a full reply within 20 working days of receiving their letter, fax or email
  - if we cannot meet this target, we will let correspondents know and explain why and when they will get a full reply
  - see people at our offices within 10 minutes of their appointment
  - see people without appointments within 30 minutes of their arrival
  - answer telephone enquiries within 30 seconds
- 5.9 We are committed to doing everything reasonably possible to make our services available to everyone, including people with disabilities, minority ethnic groups, disadvantaged groups and those with particular health needs. We will continue to consult users and potential users regularly about the services we provide and we will report our findings.
- 5.10 We publish our complaints procedure on our website as part of our service standards, and will make available further copies available on request. We aim to try to resolve any problem quickly, and explain what we have done and why. The Board has requested that information about complaints against the FSA is published annually, both on our website and in this Report. Information for 2001/02 can be found in Annexe 1.

- 5.11 We are required by statute to consult on our activities with those affected by our decisions including, where appropriate, members of the public. We regard consultation with our stakeholders as an essential part of fulfilling our core values.
- 5.12 To operate effectively, we must co-operate closely with other Government departments and agencies if we are to achieve our aims. Our relationships with other Government departments are documented in concordats. Their purpose is to set out agreed arrangements for co-operation in working and exchange of information. They are concerned with issues of principle rather than the detail of day-to-day working relations. They focus on areas of common interest, set down common processes, and identify the main components of an effective working relationship. All our concordats are published on our website.
- 5.13 As a UK body, we advise and work with the devolved administrations as well as the Whitehall departments. We work closely to develop policies and strategies that meet the particular interests and needs of the populations of Scotland, Wales and Northern Ireland. An FSA Board Member is also a member of the cross-border Food Safety Promotion Board (FSPB) in Ireland.
- 5.14 FSA Scotland has worked closely with various parts of the Scottish Executive. In particular, we have worked with the Scottish Executive Health Department and the Health Education Board for Scotland (HEBS) on diet and nutrition issues. FSAS commissioned research into the barriers to healthy eating in Scotland and the results of this have been shared with the Executive and HEBS so that we can work together to find new ways of improving Scotland's diet.
- 5.15 Development of staff is a key factor in ensuring we operate in a forward-looking and effective way. We are committed to the principles of the Reforming the Civil Service programme. In 2001/02 we undertook a second survey of staff's attitudes, using MORI.
- 5.16 We designed and developed a comprehensive set of training and development opportunities (packaged as the Development Programme) for all staff and launched it in October 2001. The opportunities now available include:
- an FSA-specific staff development programme
  - a comprehensive induction programme for all staff
  - an Open Learning Centre of CD-ROM training
  - management, administration, and IT training from Reed Training, run in-house;
  - language tuition
- 5.17 The Management Scheme – a development programme for all our managers – is a key component of moving our culture forward in line with our core values of being open and accessible, putting the consumer first and being an independent voice. We developed the scheme with help from the Cabinet Office's Invest to Modernise fund. The scheme consists of a core module with further optional modules. It addresses issues such as our unique governance, working with devolved administrations, and diversity. Our aim is to deliver the management scheme to all our managers by the end of 2003/04. We have already made significant progress towards this target.
- 5.18 The Race Relations (Amendment) Act 2000 (RR(A)A) requires all public authorities to promote racial equality and eliminate unlawful discrimination both in their policy and operational functions. The specific duties of the RR(A)A require us to publish a Race Equality Scheme (RES) and Action Plan by 31 May 2002. Our Action Plan includes:
- improving consultation with minority ethnic groups by identifying and creating links with 'gateway' organisations, including those organisations on our planned centralised database of stakeholders, as well as developing appropriate staff guidance;
  - building on our existing knowledge of minority ethnic food issues through profiling different ethnic groups, identifying cultural and religious food issues and auditing our in-house resources including staff knowledge, skills and experience in relation to minority ethnic issues;
  - developing systems to assess, monitor and evaluate the impact of our policies on minority ethnic groups by incorporating this into the existing business planning process and, where relevant, highlighting the impact of specific new policies on minority ethnic groups in Board papers and submissions to Ministers;
  - developing a training programme on race relations, by incorporating this into our Management Development programme;
  - utilising our website to promote our work on race relations in both policy operations and personnel functions, as well as generally publicising our progress in these areas.
- 5.19 We are committed to achieving Investors in People accreditation and have established a project to take this forward. Significant planning has taken place and a programme of seminars and publicity began in March 2002. We aim to begin the process of accreditation at the end of 2002.

# Annexe 1

## Complaints received by the Food Standards Agency in 2001/02

### Introduction

- 1 This Annexe records information on complaints received during the year 1 April 2001 to 31 March 2002 inclusive. The Board has requested that this type of information is published annually on our website and in the Annual Report. Details of how to complain about any aspect of our service can be found in our Complaints Procedure, which is published on our website.
- 2 Usually the relevant Division will initially seek to resolve the complaint initially. If the complainant is not satisfied, the complaint is referred to our Complaints Co-ordinator. After that the complaint may be referred to the Chief Executive. A complainant may also ask any MP to refer the issue to the UK Parliamentary Commissioner for Administration (PCA), also known as the 'Ombudsman'.
- 3 The complaints procedure covers incidents where we have failed administratively or have taken inappropriate action. It does not cover disagreements or disputes about our policies.

### Complaints received during the year

- 4 The total recorded number of complaints received during 2001/02 was 15. Of these, ten were resolved internally by Divisions, four had involvement with, or were progressed as far as our Complaints Co-ordinator/Chief Executive, and one was addressed specifically to the Chair. There were no complaints referred to the PCA.
- 5 Categorising the 15 recorded complaints gives the following breakdown:  
**Category A:** No fault, where complaint turned out to be unfounded  
Six cases in total; these were all resolved after corresponding with complainants.

**Category B:** Minor oversights and processing delays  
Seven cases in total; one was dealt with by the Complaints Co-ordinator, all others were resolved after explanations were provided.

**Category C:** Complex and novel issues, which caused a delay or other problem  
One case; the complainant had made a financial claim against the FSA that took some time to resolve. After investigation a letter of explanation was sent rejecting the claim.

**Category D:** Other  
One case; involving accidental unauthorised entry during sampling. This was resolved by the Chief Executive apologising on behalf of the FSA.

- 6 The 15 complaints came from a variety of sources. There were three from industry, four from local authorities, three from non-Government organisations (NGOs), three from members of the general public, and two from MPs.

# Annexe 2

## Glossary of terms

<b>AME</b>	Annually Managed Expenditure
<b>APHA</b>	Association of Port Health Authorities
<b>BMS</b>	Building Management System
<b>BSE</b>	Bovine Spongiform Encephalopathy
<b>COT</b>	Committee on Toxicity of Chemicals in Food, Consumer Products and the Environment
<b>CSR</b>	Comprehensive Spending Review
<b>DARD</b>	Department of Agriculture and Rural Development
<b>DEFRA</b>	Department for Environment, Food and Rural Affairs
<b>DEL</b>	Departmental Expenditure Limit
<b>DH</b>	Department of Health
<b>DLTR</b>	Department for Local Government, Transport and the Regions
<b>EU</b>	European Union
<b>FMD</b>	Foot and Mouth Disease
<b>GM</b>	Genetically Modified
<b>GMO</b>	Genetically Modified Organism
<b>HACCP</b>	Hazard Analysis and Critical Control Point: a documented food safety management system widely regarded as the most effective way of managing and controlling hazards inherent in the food handling and production process. It is a structured approach based on seven principles which may be applied flexibly in food businesses of all sizes to ensure that proportionate risk-based controls are in place and safe food is produced.
<b>HEBS</b>	Health Education Board for Scotland
<b>LACORS</b>	Local Authorities Co-ordinators of Regulatory Services
<b>MAFF</b>	Ministry of Agriculture, Fisheries and Food (now DEFRA)
<b>MHS</b>	Meat Hygiene Service
<b>NHS</b>	National Health Service
<b>PCA</b>	Parliamentary Commissioner for Administration
<b>RR(A)A</b>	Race Relations (Amendment) Act
<b>SDA</b>	Service Delivery Agreement
<b>SEAC</b>	Spongiform Encephalopathy Advisory Committee
<b>SFAC</b>	Scottish Food Advisory Committee
<b>SR</b>	Spending Review
<b>UG</b>	Unified Grade

*Food Standards Agency*

# Consolidated Resource Accounts

Accounts for the year ended 31 March 2002





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# Annual Report

## Preparation of Accounts

The Food Standards Agency's (FSA) consolidated resource accounts have been prepared in accordance with the direction given by the Treasury. The annual report is laid before Parliament under section 4 of the Food Standards Act 1999, and the accounts are laid under the Government Resources and Accounts Act 2000. The FSA is part funded by the devolved authorities in Scotland, Northern Ireland and Wales. The relevant accounts directions from these authorities are attached, and separate statements have been prepared for the FSA Scotland, Wales and Northern Ireland.

## Statutory Background

The FSA was established on 1 April 2000 by an Act of Parliament (Food Standards Act 1999). The main purpose of the agency is:

*'To protect public health from risks which may arise in connection with the consumption of food, and otherwise to protect the interests of consumers in relation to food.'*

On 1 April 2000, the Meat Hygiene Service (MHS) became an executive agency of the FSA. The MHS was originally established on 1 April 1995 as an agency of the Ministry of Agriculture, Fisheries and Food.

Prior to the setting up of the FSA, the Joint Food Safety and Standards Group (JFSSG) within the Ministry of Agriculture, Fisheries and Food (MAFF) and the Department of Health (DH) carried out many of the functions now undertaken by the FSA. The JFSSG was subsumed by the FSA, when it was formed on 1 April 2000.

## Aims of the FSA

The aims of the FSA as set out in its Service Delivery Agreement are to:

- 1) Measurably improve public confidence in the national food safety and standards arrangements.
- 2) Reduce food-borne illness by 20% over the next 5 years, including reducing levels of Salmonella in UK produced chickens on retail sale by at least 50% by the end of 2004/05.
- 3) Protect consumers through improved food safety and standards by:
  - a) improving local authority enforcement;
  - b) promoting the use of Hazard Analysis and Critical Control Points in food businesses; and
  - c) improving the safety of fresh meat through MHS action to ensure the effective enforcement of hygiene controls.

Schedule 5 of the accounts shows a breakdown of the FSA's costs into these three aims.

Example of successes during the year include:

- the Food Hygiene Campaign was launched on 11 February 2002;
- the first report on the surveillance of food-borne disease and current trends was published in August 2001;
- the new, improved website [www.food.gov.uk](http://www.food.gov.uk) was launched in December 2001;
- precautionary advice on exposure via the diet to dioxins from Foot and Mouth disease pyres was issued on 25 May 2001, and was very well received;
- the first E. coli Task Force Report was issued in July 2001; and
- in addition to public Board Meetings held throughout the country, we have hosted stakeholder meetings to promote debate on issues of consumer concern and scientific uncertainty. This has included labelling of foods produced from GM technology and the theoretical risk of BSE in sheep.



## FSA Strategic Plan

In May 2001, we published our Strategic Plan for the years 2001/2006. The Plan sets out our key priorities for food safety, public information, labelling and choice, nutrition and diet, and food law enforcement over a five year period. In it we describe how we will put our core values of openness into practice. We also describe our democratic accountability and explain what we are doing to improve the way we work.

We aim to be trusted as the UK's most reliable source of advice and information about food. We want to protect and improve the safety of the food people eat, and to make it possible for people to choose a healthy diet. Over the period covered by our Strategic Plan we aim to:

- reduce food-borne illness by 20% by improving food safety right through the food chain;
- help people to improve their diet;
- promote honest and informative labelling to help consumers;
- promote best practice within the food industry;
- improve the enforcement of food law; and
- earn people's trust by what we do and how we do it.

## Operating and Financial Review

The breakdown of resource expenditure by funding body was:

	Available Funding £m	Expenditure £m
Westminster Funded FSA (incorporating the MHS)	125.5	106.8
FSA Scotland	5.8	5.4
FSA Wales	2.0	2.1
FSA Northern Ireland	1.2	1.2
<b>Total FSA</b>	<b>134.5</b>	<b>115.5</b>

The net cost of the Consolidated FSA was £115.5m against available funding of £134.5m to 31/03/02. This surplus will be carried forward, with Treasury agreement, into 2002/03 to help address future funding pressures which have already been identified. The FSA as a whole manages its spend over the three year Government Spending Review period.

The net cost of the MHS, incorporated in the above Westminster figure was £18.1m, up from £3.7m in 2000/01. There was a fall off in industry income at the start of the year as a result of the Foot and Mouth disease outbreak. However, income from MAFF and subsequently the Department for Environment, Food and Rural Affairs (DEFRA) for Foot and Mouth Disease control work undertaken to combat the disease covered the potential shortfall. The MHS net cost of operations has increased because smaller plants are now charged on a set headage amount rather than an actual hourly inspection basis. Whilst the MHS costs remain the same, the resultant income is reduced.

A full explanation, detailing the spend against budget can be found in Schedule 1 of these accounts. Schedules 2 to 5 give the operating cost statement, balance sheet, cash flow statement and resource by departmental aim respectively with additional detail being provided in the notes to the accounts that follow the schedules.

## Structure and Organisation

The FSA is a non-Ministerial Government Department. Staff are accountable through a Chief Executive to the Board, rather than directly to Ministers. The Chief Executive was appointed by the Civil Service First Commissioner under Civil Service Commission rules, with the agreement of the Prime Minister. The Board consists of a Chairman, Deputy Chair and 12 members. The Chairman and Deputy Chair were appointed by the Secretary of State for Health, Scottish Ministers, the National Assembly for Wales and Northern Ireland Ministers. Two Board Members were appointed by Scottish Ministers, one by the National Assembly for Wales, and one by Northern Ireland Office Ministers. These members have special responsibility for Scottish, Welsh and Northern Irish issues. The other eight members were appointed by the Secretary of State for Health.

The Board is responsible for the FSA's overall strategic direction, for ensuring that legal obligations are fulfilled, and for ensuring that decisions and actions take proper account of scientific advice as well as the interests of consumers and other stakeholders. The annual increase in Board Members' remuneration is based on that recommended for office holders by the Senior Salaries Review Body. Senior Civil Service (SCS) staff salaries are uplifted in line with the central SCS performance based pay and review system.

The Board is accountable to Parliament through the Secretary of State for Health, to Health Ministers in Scotland and Wales, and to the Minister of Health, Social Services and Public Safety in Northern Ireland.

## The FSA Board

During the year, the following were members of the external FSA Board:

Sir John Krebs FRS	FSA Chair
Suzi Leather	FSA Deputy Chair

## Other Board members:

Sir John Arbuthnott Chair of the Scottish Advisory Committee  
Michael Gibson  
Ann Hemingway Chair of the Advisory Committee for Wales  
Michael Walker Chair of the Advisory Committee for Northern Ireland  
Richard Ayre  
Karol Bailey  
Baroness Valerie Howarth of Breckland, OBE  
Professor Jeya Henry  
Robert Rees  
Professor Bhupinder Sandhu  
Vernon Sankey  
Gurbux Singh

Gurbux Singh resigned from the FSA Board on 8 May 2001.

Professor Bhupinder Sandhu left the FSA Board on 16 February 2002 at the end of her period of appointment.

## FSA Management Team

Day to day management of the FSA is exercised through a team of senior officials. The full management team as at 31 March 2002 was as follows:

Geoffrey Podger	Chief Executive and Principal Accounting Officer
Jon Bell	Deputy Chief Executive and Director of Food Safety Policy
Pat Stewart	Director of Corporate Resources and Strategy Group and Principal Establishment and Finance Officer
David Statham	Director of Enforcement and Food Standards Group
Neil Martinson	Director of Communications
David Dunleavy	Director of Legal Services
George Paterson	Director of FSA Scotland
Joy Whinney	Director of FSA Wales
Morris McAllister	Director of FSA Northern Ireland

The Chief Executive of the Meat Hygiene Service as at 31 March 2002 was Chris Lawson. The MHS Chief Executive is also a member of the FSA management team.

All senior officials have been appointed under the rules laid down by the Civil Service Commissioners. Salary and pension details of the Board and Management Team are disclosed in Note 3 to the accounts.

## FSA Advisory Committees

In addition to the main FSA Board, the FSA has advisory committees to cover Scotland, Wales and Northern Ireland. The Committees act as independent 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 Sir John Arbutnott (Chairman)	Michael Gibson (Deputy Chairman)
Professor William Reilly	Anne Campbell
Professor Hugh Pennington	Dr Marnie Somerville
Wilma Odell	Ross MacDonald
Professor Philip Thomas	William Davidson
Alexandra Miller	

### Wales – Advisory Committee Members

Ann Hemingway (Chairman)	Dr Robert Bell
Dr David Casemore	Gilli Davies
Professor Margaret Griffiths	Professor James Parry
Mrs Dilwen Philips	Professor Robert Pickard
David Smith	

### Northern Ireland – Advisory Committee Members

Michael Walker (Chairman)	Patricia Grace McCusker
Professor David McDowell	Maria McGuinness
David Mark	William Taylor
David Collins	Samuel Miskelly
David Stewart	Vinod Tohani

## Funding of the FSA

The FSA is a non-Ministerial Government Department. The work of the FSA Headquarters and the MHS throughout Great Britain is funded through resource based supply. The costs of the FSA in Scotland, Wales and Northern Ireland are funded through the relevant devolved authority.

## Specific Areas of Responsibility

The FSA has a wide remit that includes protecting public health, providing information and advice, ensuring food law is effective and enforced, co-ordinating research and development and surveillance, developing policy and representing the UK on food matters in Europe.

In undertaking these duties, the FSA seeks to operate under three guiding principles:

- putting the customer first;
- being open and accessible; and
- being an independent voice.

The work of the FSA involves food safety across the whole of the food chain, including:

- food contaminants – defining tolerable levels, risk management and policy;
- food additives, contact materials, and novel foods – including safety assessment and surveillance;
- microbiological safety and food hygiene including providing advice on the management of foodborne outbreaks and prevention of foodborne illness;
- inspection and enforcement action to protect consumers;
- local authority enforcement – developing policy, and auditing and improving enforcement;
- pesticides, veterinary medicines and animal feed – assessing food safety implications;
- food labelling and standards – developing policy, improving consumer choice and representing the UK in the European Union; and
- nutrition – providing advice and guidance on the nutritional composition of food, and providing information on a healthy, balanced diet, so as to promote and protect public health. We work closely with Health Departments, public health and education bodies across the UK to ensure the information on healthy eating is disseminated as widely as possible to all sections of the community.

## The Meat Hygiene Service

The Meat Hygiene Service (MHS) is an executive agency of the FSA. The aim of the MHS is to safeguard public health and animal welfare at slaughter through the effective enforcement of legislation. Its main functions are to provide a meat inspection service to all licensed meat plants, and to ensure that the highest standards required by the law for the hygienic production of meat and for the welfare of animals at slaughter are maintained. The principal activities of the MHS are:

- the enforcement of hygiene rules in licensed fresh meat premises;
- the provision of meat inspection and controls on health marking in licensed red meat and poultry meat and wild game meat premises;
- the enforcement of hygiene controls in meat products, minced meat and meat preparation plants, that are co-located with licensed slaughterhouses; and
- the enforcement, in licensed fresh meat premises, of controls over SRM and other animal by-products, and controls prohibiting the sale of meat from cattle over 30 months of age.

The consolidated resource accounts for the FSA include the results for the MHS. The MHS has prepared its own annual report and accounts which provide additional detail.

## Staff Relations

The FSA attaches considerable importance to securing the full involvement of all staff in its work. During the year, we moved into our new central London headquarters, having previously occupied three separate offices. Senior management meet formally at regular intervals with trade union representatives. The Chief Executive holds regular open meetings to which all staff are invited and encouraged to attend. "FSA Matters", an in-house newsletter, is circulated weekly to all staff, as well as "FSA News" every two months which informs staff in more detail of FSA activities. MHS staff have their own quarterly newsletter "MHS Update".

## Pensions

Employees of the FSA are civil servants and are members of the Principal Civil Service Pension Scheme (PCSPS). This is a Central Government unfunded pension scheme. Pension payments are made through the Superannuation Vote.

The FSA Board are not civil servants and are therefore not members of the PCSPS. However some Board Members have similar pension arrangements independent of the PCSPS.

The MHS has two separate pension schemes. The majority of staff are members of the Local Government Pension Scheme (LGPS), a defined benefit scheme which is governed by the Local Government Pension Scheme Regulations 1995, and administered by the London Pension Fund Authority (LPFA). Other MHS employees are members of the PCSPS.

## Equal Opportunities

The FSA aims to be a modern and equitable employer, and recognises and encourages the potential of a diverse workforce. The FSA is committed to equal opportunities and aims to ensure that everyone who works for or with the FSA should be treated fairly and with respect. Consequently, no employee or job applicant will be discriminated against either directly or indirectly on such grounds as race, gender, marital status, nationality, ethnicity, colour, religion, political beliefs, disability, age, sexual orientation, responsibility for dependants, working pattern or position in the organisation. The FSA operates a guaranteed interview scheme for people with disabilities (as defined by the Disability Discrimination Act 1995) who meet the minimum essential criteria for the appointment.

## Supplier Payment Policy

It is Government policy that all departments and agencies should pay all invoices not in dispute within 30 days of receipt, or the agreed contractual terms if otherwise specified. During the year 94% of invoices were paid on time.

## Departmental Report

The FSA Departmental Report Spring 2002 contained the FSA's resource estimate for 2001/02 plus core tables as specified by Treasury. The text of the Report covered the Agency's structure, organisation, purpose, and specific areas of responsibility. It also gave details of how the FSA was making progress towards meeting its Service Delivery Agreement targets, and meeting Modernising Government requirements.

## Auditors

The accounts have been audited by the Comptroller and Auditor General in accordance with section 5 of the Exchequer and Audit Department Act 1921. The audit certificate can be found on pages 45 and 46.

## Important Events which have occurred since the end of the Financial Year

None.

Geoffrey Podger

Chief Executive

28 November 2002

# Statement of Accounting Officer's responsibilities

1. Under Government Resources and Accounts Act 2000 and the Food Standards Act 1999, the Food Standards Agency is required to prepare resource accounts for each financial year. This is to conform with a Treasury direction detailing the resources acquired, held, or disposed of during the year and the use of resources by the Department during the year.
2. The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department, the net resource outturn, resources applied to objectives, recognised gains and losses, and cash flows for the financial year.
3. HM Treasury has appointed the Chief Executive as Principal Accounting Officer of the Department with overall responsibility for preparing the Department's accounts and for transmitting them to the Comptroller and Auditor General.
4. In preparing the accounts, the Principal Accounting Officer is required to comply with the Resource Accounting Manual 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 Resource Accounting Manual, have been followed, and disclose and explain any material departures in the accounts;
  - 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 Officers' 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.

Geoffrey Podger  
Accounting Officer  
28 November 2002

# Statement of internal control for FSA

# internal consolidated accounts

As Accounting Officer of the Food Standards Agency, I have responsibility for maintaining a sound system of internal control that supports the achievement of organisational policies, aims and objectives as set by the FSA Board and the Food Standards Act, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

The system of internal control is designed to manage rather than eliminate 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 the principal risks to achievement of organisational policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. I expect to have this process in place and to have implemented all Treasury Guidance by March 2003. This takes account of the time needed to fully embed the processes, which the FSA has agreed should be established, and improve their robustness.

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. The Food Standards Agency already has in place many of the key elements of an effective system of internal control including:

- the Chief Executive's monthly meeting with UK Directors which acts as the "Management Board" of the FSA;
- internal audit arrangements, including a risk-based audit programme linked to the strategic risks of the organisation, which complies with Government standards;
- regular reports by internal audit, which include an independent opinion of the adequacy and effectiveness of the organisation's system of internal control together with recommendations for improvement;
- an Audit and Risk Committee, which meets at least three times a year with the Chair reporting to the FSA Board;
- a strategic plan which sets out the FSA's main aims and objectives for the next 5 years;
- a business and financial planning process which cascades throughout the organisation (corporate and local business plans) and which explicitly links business objectives, resource allocation and the consideration of business risk;
- a programme of training and support for the business planning process which includes risk management;
- regular performance reports to the Chief Executive's monthly meetings and to the FSA Board for both business and financial planning;
- a register of strategic risks which includes a comprehensive set of treatment plans with clear ownership of risks and actions, and agreed dates for delivery/review;
- regular (quarterly) formal review of the risk register at the Chief Executive's monthly meeting with UK Directors; and
- regular (6-monthly) progress report on internal controls, including the risk register, to the FSA Board.

The FSA management team has incorporated risk management and internal controls into the organisation's business agenda so they are reviewed and reported on regularly throughout the year. Risk management has also been incorporated more fully into the business planning process as a means of embedding risk awareness within the organisation. The planning process has been fully supported through a programme of targeted support to meet the needs of different parts of the organisation.

In addition to the actions mentioned above, in the coming year the FSA intends to:

- issue a risk policy statement and a risk management handbook setting out the arrangements in place within the organisation to manage business risk, including the process for risk escalation and the responsibilities of individuals throughout the organisation;
- continue to provide targeted support and training to meet the needs of different parts of the organisation including offices in Scotland, Wales and Northern Ireland, and the MHS; and
- obtain formal assurance from the Chief Executive of the Meat Hygiene Service on internal controls and have representation on the MHS Audit Committee.

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.

**Geoffrey Podger**

**Chief Executive**

**28 November 2002**



# Audit certificate

## The Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements on pages 47 to 66 under the Food Standards Act 1999. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 52 to 53.

## Respective responsibilities of the Food Standards Agency, the Accounting Officer and Auditor

As described on page 42, the Accounting Officer is responsible for the preparation of the financial statements in accordance with the Food Standards Act 1999 and Treasury directions made thereunder and for ensuring the regularity of financial transactions. The Accounting Officer is also responsible for the preparation of the other contents of the Accounts. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Government Resources and Accounts Act 2000 and Treasury directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Annual Report is not consistent with the financial statements, if the FSA has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Accounts, and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 43 and 44 reflects the FSA's compliance with Treasury's guidance Corporate Governance and the Statement of Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

## Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An 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 FSA in the preparation of the financial statements, and of whether the accounting policies are appropriate to the FSA'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 error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament, the National Assembly for Wales, the Scottish Parliament and the Northern Ireland Assembly, and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

# Audit certificate

## Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Food Standards Agency (Consolidated) at 31 March 2002 and of the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the year then ended, and have been properly prepared in accordance with the Food Standards Act 1999 and directions made thereunder by Treasury; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament, the National Assembly for Wales, the Scottish Parliament and the Northern Ireland Assembly, 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

15 January 2003

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

Food Standards Agency  
**Schedule 1**  
Consolidated accounts 2001/02  
Summary of resource outturn for the year ended 31 March 2002

	2001/02						Net Total Outturn compared with Estimated Saving/ (-excess) £000s	2000/01  Prior Year Outturn £000s
	Estimate			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>								
House of Commons	180,735	(55,270)	125,465	149,055	(42,255)	106,800	18,665	78,409
Scottish Parliament	5,805	-	5,805	5,410	-	5,410	395	2,978
National Assembly for Wales	2,029	-	2,029	2,041	-	2,041	(12)	1,454
Northern Ireland Assembly	1,200	-	1,200	1,245	-	1,245	(45)	902
<b>Total resources</b>	<b>189,769</b>	<b>(55,270)</b>	<b>134,499</b>	<b>157,751</b>	<b>(42,255)</b>	<b>115,496</b>	<b>19,003</b>	<b>83,743</b>
<b>Net Cash Requirement</b>			<b>132,343</b>			<b>102,039</b>		<b>83,836</b>
<b>Reconciliation of Resources to Cash Requirement</b>	<b>Note</b>				<b>£000s</b>		<b>£000s</b>	<b>£000s</b>
<b>Net Total Resources</b>			<b>134,499</b>			<b>115,496</b>	<b>19,003</b>	<b>83,743</b>
<b>Capital:</b>								
Purchase of fixed assets: cash purchase Investments			1,201			1,611	(410)	6,443
<b>Non-operating A in A</b>			-			-	-	-
<b>Accruals adjustments:</b>								
Non-cash items			(3,357)			(2,983)	374	(2,569)
Changes in working capital other than cash	11					(12,586)	12,586	(3,809)
Use of provision	15		-			501	(501)	28
<b>Net Cash Requirement (Schedule 4)</b>			<b>132,343</b>			<b>102,039</b>	<b>30,304</b>	<b>83,836</b>

Explanation of the variation between Estimate and outturn (net total resources):

- (i) FSA HQ resource spend for the year was around £16m less than the request for resource. The FSA manages its spend over the 3 year Government Spending Review period. The 2001/02 underspend will, with Treasury approval, be carried into 2002/03 to fund continuing planned FSA activity.
- (ii) The MHS net cost of operations was around £2m less than the request for resource. Although the gross spend was more than budget (predominantly due to Foot and Mouth disease control work), the associated income was similarly increased.

Explanation of the variation between Estimate net cash requirement and outturn (net cash requirement):

see (i) and (ii) above

Prior-period adjustments

- (i) The Meat Hygiene Service costs and income are now considered as administration rather than programme expenditure. The 2000/01 figures have been restated to reflect this change in accounting policy.

Analysis of income payable to the Consolidated Fund

There was no surrender of excess appropriations-in-aid or Consolidated Fund extra receipts payable to the Consolidated Fund.

**Actual outturn – resources:**

Request for resources: Actual amount net resources outturn £115,496,293.11. Actual amount in savings in resources over Estimate £19,002,706.89.

**Actual outturn – cash:**

Net cash requirement: Outturn net requirement £102,038,526.95, which is £30,304,473.05 less than Estimate.

# Schedule 2

Operating cost statement 2001/02  
for the year ended 31 March 2002

	Note	£000s	2001/02 £000s	2000/01 (restated) £000s
<b>Administration Costs</b>				
Staff costs	2	60,876		54,560
Other administration costs	4	55,760		41,658
<b>Gross Administration Costs</b>			<b>116,636</b>	<b>96,218</b>
Operating Income	6		<b>(40,098)</b>	<b>(45,376)</b>
<b>Net administration Costs</b>			<b>76,538</b>	<b>50,842</b>
<b>Programme Costs</b>				
Expenditure	5	41,116		35,573
less: Income	6	(2,158)		(2,672)
<b>Net Programme Costs</b>	5		<b>38,958</b>	<b>32,901</b>
<b>Net Operating Cost</b>			<b>115,496</b>	<b>83,743</b>
<b>Net Resource Outturn</b>			<b>115,496</b>	<b>83,743</b>

All activities are continuing activities.

## Statement of Recognised Gains and Losses

For the year ended 31 March 2002

	Note	31 March 2002 £000s	31 March 2001 £000s
Net gain (loss) on revaluation of fixed assets	17	40	5
Prior Year Adjustment		(22)	-
<b>Total recognised gains (losses) for the year</b>		<b>18</b>	<b>5</b>

Food Standards Agency  
**Schedule 3**  
 Balance sheet  
 as at the year ended 31 March 2001

	Note	£000s	31 March 2002 £000s	31 March 2001 (restated) £000s
<b>Fixed Assets</b>				
Intangible assets	9	318		229
Tangible assets	10	7,156		7,222
			<b>7,474</b>	<b>7,451</b>
<b>Current Assets:</b>				
Debtors	12	12,668		14,695
Cash at bank and in hand	13	8,647		7,066
<b>Total current assets</b>		<b>21,315</b>		<b>21,761</b>
Creditors (amounts falling due within one year)	14	(28,714)		(20,225)
<b>Net Current Assets</b>			<b>(7,399)</b>	<b>1,536</b>
			<b>75</b>	<b>8,987</b>
Creditors (amounts falling due after more than one year)			(3,663)	
Provision for liabilities and charges	15		(561)	(943)
			<b>(4,149)</b>	<b>8,044</b>
<b>Taxpayer's Equity</b>				
General Fund	16		(4,210)	8,023
Revaluation Reserve	17		61	21
			<b>(4,149)</b>	<b>8,044</b>

Geoffrey Podger  
 Accounting Officer  
 28 November 2002

Food Standards Agency  
**Schedule 4**  
 Cash flow statement  
 for the year ended 31 March 2002

	Note	2001/02 £000s	2000/01 £000s
Net cash outflow from operating activities (a)		(100,428)	(77,393)
Capital expenditure and financial investment (b)		(1,611)	(6,443)
Financing from Consolidated Fund (c)		96,591	83,303
Financing from the Devolved Authorities		7,029	4,435
<b>(Decrease)/Increase in cash in the period</b>	13	<b>1,581</b>	<b>3,902</b>

**Notes:**

- a See the table below giving a reconciliation of operating cost to operating cash flows.  
 b See the table below giving an analysis of capital expenditure and financial investment.  
 c See the table below giving an analysis of financing and a reconciliation to the net cash requirement

**Reconciliation of operating cost to operating cash flows**

Net Operating Cost		115,496	83,743
Adjustments for non-cash transactions		(2,983)	(2,569)
Adjustments for movements in working capital other than cash	11	(12,586)	(3,809)
Use of provisions		501	28
<b>Net cash outflow/(inflow) from operating activities</b>		<b>100,428</b>	<b>77,393</b>

**Analysis of capital expenditure and financial investment**

Fixed asset additions	9+10	1,683	6,525
Proceeds from disposal of fixed assets		(72)	(82)
<b>Net cash outflow/(inflow) from investing activities</b>		<b>1,611</b>	<b>6,443</b>

**Analysis of financing**

From the Consolidated Fund (Supply)		96,591	83,303
From the Devolved Authorities		7,029	4,435
Decrease/(increase) in cash		(1,581)	(3,902)
<b>Net cash requirement (Schedule 1)</b>		<b>102,039</b>	<b>83,836</b>

Food Standards Agency  
**Schedule 5**  
 Resources by departmental aim and objectives  
 for the year ended 31 March 2002

	2001/02			2000/01		
	£000s	£000s	£000s	£000s	£000s	£000s
	Gross	Income	Net	Gross	Income	Net
<b>Objective 1</b>						
Measurably improve public confidence in the National Food Safety and standards arrangements	23,897	(177)	23,720	23,434	(397)	23,037
<b>Objective 2</b>						
Reduce foodborne illness by 20% over the next 5 years including reducing Salmonella in UK produced chickens on retail sale by at least 50% by the end of 2004/2005	31,316	(1,473)	29,843	38,910	(2,305)	36,605
<b>Objective 3</b>						
To protect consumers through improved food safety and standards	102,538	(40,605)	61,933	69,447	(45,346)	24,101
	<b>157,751</b>	<b>(42,255)</b>	<b>115,496</b>	<b>131,791</b>	<b>(48,048)</b>	<b>83,743</b>

## 1 Accounting Policies

### 1.1 Basis of Preparation

The financial statements have been prepared in accordance with the 2001/02 Resource Accounting Manual (RAM) issued by HM Treasury. The accounting policies contained in the RAM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector. Where the RAM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the department for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Food Standards Agency (FSA) are described below. They have been applied consistently in dealing with items which are considered material to the accounts.

### 1.2 Accounting Convention

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of fixed assets and stocks, where material, at their value to the business by reference to their current costs.

### 1.3 Basis of Consolidation

These accounts comprise the consolidation of the core FSA and its executive agency, the Meat Hygiene Service (MHS). Additionally, the FSA consolidated accounts incorporate results from the FSA devolved offices in Scotland, Wales and Northern Ireland. These are funded directly by the Scottish Parliament, the National Assembly for Wales and the Northern Ireland Assembly respectively. The core FSA and the MHS each produce and publish their own annual report and accounts.

### 1.4 Intangible Fixed Assets

Computer software licences with a purchased cost in excess of £2,000 (including irrecoverable VAT and delivery) are capitalised as intangible fixed assets. All intangible fixed assets are revalued each 1 April using appropriate indices.

### 1.5 Tangible Fixed Assets

Individual or grouped tangible fixed assets with a purchase cost in excess of £2,000 (including irrecoverable VAT and delivery) are capitalised and revalued each 1 April using appropriate indices.

All tangible fixed assets are restated to current value each year. The FSA does not currently own any land or buildings. Non-property operational assets are revalued to open market value where obtainable, or on the basis of depreciated replacement cost where market value is not obtainable. Published indices appropriate to the category of asset are normally used to estimate value.

### 1.6 Depreciation

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		Intangible assets:
Computer equipment	4-6 years	Computer software and software licences
Office machinery	7 years	5 years
Furniture, fixtures and fittings	7 years	
Vehicles	4 years	

### 1.7 Stocks and Work in Progress

Consumables are valued at cost, if held for existing use, otherwise net realisable value.

### 1.8 Research & Development

Expenditure on research is not capitalised. Expenditure on development in connection with a product or services 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 RAM 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.

### 1.9 Operating Income

Operating income is income which relates directly to the operating activities of the FSA. Income represents total accrued income for the year, and is shown net of Value Added Tax. The FSA has income from milk and dairies sampling work and from radiological inspections. It includes both income appropriated-in-aid of the Vote and income to the Consolidated Fund, which HM Treasury has agreed should be treated as operating income. Additionally, the MHS has income from meat hygiene inspections and from government organisations (predominantly from Specified Risk Material controls).



### 1.10 Administration and Programme Expenditure

The operating cost statement is analysed between administration and programme costs. Administration costs reflect the cost of running the Department as identified under the administration cost-control regime, together with associated operating income. Income is analysed in the notes between that which, under the regime, is allowed to be offset against gross administrative costs in determining the outturn against the administration cost limit, and that operating income which is not. Programme costs reflect non-administration costs including other disbursements by the FSA.

It should be noted that all expenditure by the Meat Hygiene Service, including staffing and administrative costs are regarded as administration costs for the purposes of resource accounting.

### 1.11 Cost of Capital

A charge reflecting the cost of capital used by FSA is included in operating costs. The charge is calculated at the Government's standard 6% rate on all assets less liabilities except cash balances with the Office of the Paymaster General (PMG) and liabilities surrendered to the consolidated fund. The charge is calculated on an annual basis.

### 1.12 Foreign Exchange

Income and expenditure items are translated into £ Sterling at the rate of exchange at the date of the transaction. Balance sheet items are translated at the balance sheet date rate of exchange or at a contracted rate if applicable.

Any exchange gains or losses are reported in the operating cost statement.

### 1.13 Pensions

FSA 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. The department 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.

The majority of employees of the MHS are members of the Local Government Pension Scheme, a defined benefit scheme which is governed by the Local Government Pension Scheme Regulations 1995, and administered by the London Pensions Fund Authority. Other MHS employees are members of the PCSPS.

### 1.14 Early Departure Costs

The FSA is required to meet the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early.

The department provides in full for this cost when the early retirement programme and similar schemes have been announced and are binding on the department.

### 1.15 Operating Leases

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

### 1.16 Audit Costs

A charge reflecting the cost of the audit is included in the operating costs. The FSA is audited by the Comptroller and Auditor General. No charge is made for this service but a notional charge representing the cost of the audit is included in the accounts.

### 1.17 Value Added Tax

The net amount of Value Added Tax (VAT) due to or from Customs and Excise is shown as a debtor or creditor on the balance sheet. Irrecoverable VAT is charged to the operating cost statement, or if it is incurred on the purchase of a fixed asset it is capitalised in the cost of the asset.

### 1.18 Provisions and Contingent Liabilities

Provisions are recognised in the accounts where;

- a) there is a present obligation as a result of a past event;
- b) it is probable that a transfer of economic benefits will be required to settle the obligation;
- c) a reliable estimate can be made of the amount.

Contingencies are disclosed in the notes to the accounts unless the possibility of transfer in settlement is remote.

### 1.19 Change in accounting policy and prior year adjustments

The MHS is an executive agency of the FSA. In the 2000/01 accounts the MHS had been previously included as programme expenditure. This policy has been revised, and the MHS is now consolidated into the FSA accounts on an administrative cost basis. The figures for 2000/01 have been restated to take into account the change in accounting policy.

A number of staff working for FSA have been seconded from other employers. In the 2000/01 accounts these costs were included within staff costs. Recent Treasury guidance required the costs of all inward secondees to be recorded as 'other administration costs' within the operating cost statement. The classification has been adopted for these accounts, and prior year comparatives have been restated to ensure consistency. There is no effect on prior year net-operating costs or net cash requirement as a result of this charge.

In order to accord with the accounting policies contained in the Resource Accounting Manual, FSA have included for a liability for amounts drawn down from the Consolidated Fund but not spent at the year end. Prior year comparatives have been restated to ensure consistency of accounting policy between years. There is no net effect on net operating cost as a result of this change in accounting policy.

# 2 Staff costs

a) Staff costs for the first Year 2001/02 Comprised:  
FSA (HQ) and Devolved offices (DOS)

	FSA(HQ) Westminster			Devolved	2001/02	2000/01
	Staff	Board	Sub-tot	Offices	Total	FSA (HQ)
	£000s	£000s	£000s	£000s	£000s	Total
Wages and Salaries	15,119	313	15,432	2,157	17,589	14,710
Social Security cost	1,115	28	1,143	232	1,375	1,147
Other Pension costs	2,099	34	2,133	218	2,351	2,064
	18,333	375	18,708	2,607	21,315	17,921

Meat Hygiene Service

	2001/02	2000/01
	MHS	MHS
	Total	Total
	£000s	£000s
Wages and Salaries	35,906	33,027
Social Security cost	2,798	2,402
Other Pension costs	3,404	3,096
	42,108	38,525

The staff cost information above consist of staff costs for employed staff and staff seconded to FSA from other organisations. Seconded staff are treated as other administration expenditure in these accounts, but are included in the staff cost analysis in note 2.

The PCSPS is an unfunded mutli-employer defined benefit scheme but the FSA is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 1999. Details can be found in the resource accounts of the Cabinet Office; Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2001/2002, employers' contributions of £2.1 million were paid to the Principal Civil Service Pension Scheme (PCSPS) at one of four rates in the range of 12 to 18.5 per cent, subject to revalorisation of the salary bands. Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

The Chief Executive of the MHS is a member of the PCSPS. Contributions were paid by the MHS at the rate of 18.5%. All other members of the MHS Management Group except for Michael McEvoy and Barry Gillman are members of the Local Government Pension Scheme to which the MHS makes contributions at the rate of 12.6%.

The FSA's contribution to pensions are:

Salary Band 1	£14,500	and under	12%
Salary Band 2	£14,501	to £30,000	13.50%
Salary Band 3	£30,001	to £52,000	16.50%
Salary Band 4	£52,001	and over	18.50%

The staff in the Devolved Offices are on secondment from and funded by their respective Devolved Authority. Provisions for early departure costs are in note 15.

- b) The average number of whole-time equivalent persons employed by the FSA and MHS (including senior management) during the year 2001/02 were as follows:

	2001/02			2000/01		
	FSA (HQ) & MHS	Devolved Offices	Total FSA, & DOs	FSA (HQ) & MHS	Devolved Offices	Total FSA, & DOs
Objective 1	164	25	189	137	20	157
Objective 2	185	19	204	224	15	239
Objective 3 (including all MHS staff members)	1,706	54	1,760	1,623	49	1,672
	2,055	98	2,153	1,984	84	2,068

- c) Staff Costs by objective were as follows:

	£000s	£000s	£000s	£000s	£000s	£000s
Objective 1	5,612	829	6,441	4,490	613	5,103
Objective 2	6,174	382	6,556	7,216	268	7,484
Objective 3 (including all MHS staff members)	49,030	1,396	50,426	42,854	1,005	43,859
	60,816	2,607	63,423	54,560	1,886	56,446

# 3 Management remuneration

		2001/02	Increase	Value of	2000/01
		Salaries and Other Allowances	in Pension Earned	Accrued Personal Pension	Salaries and Other Allowances
		£000s	£000s	£000s	£000s
<i>Bands</i>		£5,000	£2,500	£5,000	£5,000
<b>a) FSA</b>					
Geoffrey Podger	Chief Executive	110-115	2.5-5	35-40	100-105
Dr Jon Bell	Director, FSP Group	75-80	5-7.5	20-25	60-65
Pat Stewart	Director, C R & S Group	80-85	2.5-5	30-35	65-70
David Statham	Director, E & FS Group	75-80	0-2.5	0-5	40-45
David Dunleavy	Director, Legal Services	80-85	0-2.5	15-20	10-15
<b>Devolved Offices:</b>					
George Patterson	Director, FSA Scotland	60-65	0-2.5	0-5	60-65
Joy Whinney	Director, FSA Wales	45-50	0-2.5	5-10	40-45
Morris McAllister	Director, FSA Northern Ireland	55-60	0-2.5	20-25	15-20

Neil Martinson (Director, Communications) from the FSA Management Group has declined to give his consent to the publication of his personal details and such information is not therefore included in these notes.

FSA senior managers received no taxable benefits in kind during 2001/02.

		(MHS)	(MHS)	(MHS)	(MHS)
<i>Bands</i>		£000s	£000s	£000s	£000s
<b>b) MHS</b>					
Chris Lawson	Chief Executive (from 2.1.01)	90-95	10-12.5	35-40	15-20
Johnston McNeill	Chief Executive (to 21.12.00)	0	0	0	70-75

Information relating to the salary and pension details of the other senior managers within the MHS are disclosed within its Annual Accounts for the financial year 2001/02.

		Salaries and Other Allowances	Real increase in Pension at age 60	Total accrued Pension at age 60 31 Mar '02	Salaries and Other Allowances
<i>Bands</i>		£5,000	£2,500	£5,000	£5,000
		£000s	£000s	£000s	£000s
<b>c) Food Standards Agency Board</b>					
Prof. Sir John Krebs	Chair	100-105	0-2.5	0-5	95-100
Suzi Leather	Deputy Chair	35-40	0-2.5	0-5	30-35
Ann Hemingway		20-25	0-2.5	0-5	20-25
Michael Gibson		20-25	0-2.5	0-5	20-25
Michael Walker		20-25	na	na	20-25
Prof. Sir John Arbutnott		20-25	0-2.5	0-5	20-25
Bhupinder Sandhu		5-10	-	-	5-10
Jeya Henry		5-10	-	-	5-10
Karol Bailey		10-15	-	-	5-10
Richard Ayre		5-10	-	-	5-10
Robert Rees		10-15	-	-	5-10
Dame Valerie Howarth of Breckland OBE		5-10	-	-	5-10
Vernon Sankey		5-10	-	-	5-10

**Notes:**

- "Salary" includes gross salary, performance pay or bonuses; overtime; reserved rights to London Weighting or London allowances; recruitment and retention allowances, private office allowances and any other allowance to the extent that it is subject to UK taxation.
- All members of FSA Management Group have declined to give consent to publication of their age.
- Five members of the FSA Board are members of a by analogy pension scheme similar to the PCSPS. Michael Walker has a similar contribution paid into his personal pension scheme.
- None of the above received benefits in kind.
- Bhupinder Sandhu ceased to receive any remuneration at the end on her contract on 16 February 2002.

# 4 Other administration costs

	2001/02	2000/01 (restated)
£000s	Group £000s	Group £000s
Seconded Staff Costs (Note 2)	2,517	1,886
<b>Rentals under operating leases:</b>		
Hire of plant and machinery	242	115
Other operating leases	3,871	2,086
<b>Non-cash items :</b>		
Depreciation	1,638	824
Provision for early departure costs	-	132
Rent and management services	10	22
Seconded staff	29	-
Profit on disposal of fixed assets	(26)	(3)
Cost of capital	150	557
Audit fees	170	210
	1,971	
Operational costs	1,520	1,164
OVS and MHI contract costs	25,460	17,221
Accommodation costs	5,016	3,995
Board and staff overheads	6,707	5,265
Administration costs	5,748	4,782
IT costs	1,829	2,268
Committee costs	142	131
Early departure costs	(175)	125
Provision for bad debts	889	870
Bad Debts written off	39	20
Interest received	(16)	(11)
	<b>55,760</b>	<b>41,658</b>

# 5 Net programme costs

	2001/02	2000/01 (restated)
£000s	Group £000s	Group £000s
<b>Research and Development:</b>		
Nutrition	3,771	6,342
Microbiological Food Safety	4,294	4,066
Meat Hygiene	4,108	3,243
Chemical Safety	2,624	2,838
Novel Food & Chemical Safety Toxicology	2,811	2,133
Chemical Contaminants	940	1,535
Food Labelling & Standards	715	1,367
Radiological Safety	624	1,192
Scallop Processing	156	-
Miscellaneous	454	503
	<b>20,497</b>	<b>23,217</b>
<b>Monitoring and Surveillance:</b>		
Meat Hygiene	90	-
Radiological Safety	2,588	2,993
Food Chain Safety	829	-
Micro Food Safety	6,504	2,487
Programme Review	-	-
Committees, Press & Publicity	2,494	1,787
Nutrition	1,110	1,462
Studies & Surveillance	332	-
Chemical Contaminants	1,725	1,282
Animal Feedingstuff	1,538	-
Medical & Legal	240	-
Miscellaneous	3,169	2,344
	<b>20,619</b>	
	<b>41,116</b>	<b>35,573</b>
<b>Less: Programme income</b>		
FSA (HQ)	(2,158)	(2,672)
	<b>38,958</b>	<b>32,901</b>

# 6 Analysis of income

	2001/02 £000s	2000/01 £000s
<b>Operating income, analysed by classification and activity, is as follows:</b>		
<b>Administration income:</b>		
Fees and charges from Government Departments and others	662	277
Meat Hygiene Service activity	39,436	45,099
	40,098	
<b>Programme income:</b>		
Milk and Dairy Hygiene – sampling and inspections	15	134
Radioactive Substances Act 1993	2,143	2,538
	2,158	2,672
	42,256	48,048

An analysis of income from services provided to external and public sector customers is as follows:

	Income £000s	Full Cost £000s	2001/02 Surplus/ Deficit £000s	Income £000s	Full Cost £000s	2000/01 Surplus/ Deficit £000s
<b>Meat Hygiene Service activity</b>						
Industry	20,601	38,736	(18,135)	34,659	38,408	(3,749)
Government	18,835	18,835	-	10,440	10,440	-
<b>Milk and Dairy Hygiene – sampling and inspections</b>						
	15	107	(92)	134	237	(103)
<b>Radioactive Substances Act 1993</b>						
	2,143	2,786	(643)	2,538	2,522	16
	41,594	60,464	(18,870)	47,771	51,607	(3,836)

The MHS does not recover all its costs from industry. During 2001/02 the Maclean report recommendation on charging was introduced. In summary MHS income from industry moved from an hourly rate methodology to one based on headage rates. Additionally some costs (such as debt recovery and write off) cannot be recovered from industry, based on the interpretation of EU law.

# 7 Reconciliation of net operating cost to control total and net resource outturn

	2001/02 £000s	2000/01 £000s
Net Operating Cost	115,496	83,743
Operating Income not classified as A in A	-	-
Consolidated Funding standing services	-	-
Net Resource outturn	115,496	83,743

# 8 Analysis of net operating cost

This note analyses funding by the department to the relevant spending authority.

	2001/02 Budget £000s	2001/02 Actual £000s	2000/01 Budget £000s	2000/01 Actual £000s
<b>Spending Body:</b>				
Core Department	104,594	88,665	81,844	74,660
MHS	20,871	18,135	10,978	3,749
Scottish Parliament	5,805	5,410	5,154	2,997
Northern Ireland Assembly	1,200	1,245	1,111	902
National Assembly for Wales	2,029	2,041	1,457	1,454
<b>Total</b>	<b>134,499</b>	<b>115,496</b>	<b>100,544</b>	<b>83,762</b>

# 9 Intangible fixed assets

	Software Licences £000s
<b>Cost or valuation:</b>	
At 1 April 2001	349
Additions	160
Revaluation and indexation	(25)
<b>At 31 March 2002</b>	<b>484</b>
<b>Depreciation:</b>	
At 1 April 2001	120
Charged in year	64
Revaluation and indexation	(18)
<b>At 31 March 2002</b>	<b>166</b>
<b>Net Book Value at 31 March 2002</b>	<b>318</b>
<b>Net Book Value at 31 March 2001</b>	<b>229</b>



# 10 Tangible fixed assets

	Fixtures and Fittings £000s	Office Equipment £000s	Computer Equipment £000s	Motor Vehicles £000s	Total £000s
<b>Cost or valuation:</b>					
At 1 April 2001	5,804	277	1,840	657	8,578
Additions	796	219	369	141	1,525
Revaluation and indexation	29	6	(122)	2	(85)
Disposals	-	-	(329)	(280)	(609)
<b>At 31 March 2002</b>	<b>6,629</b>	<b>502</b>	<b>1,758</b>	<b>520</b>	<b>9,409</b>
<b>Depreciation:</b>					
At 1 April 2001	154	69	856	277	1,356
Charged in year	905	55	430	133	1,523
Revaluation and indexation	5	3	(98)	2	(88)
Disposals	-	-	(329)	(209)	(538)
<b>At 31 March 2002</b>	<b>1,064</b>	<b>127</b>	<b>859</b>	<b>203</b>	<b>2,253</b>
<b>Net Book Value at 31 March 2002</b>	<b>5,565</b>	<b>375</b>	<b>899</b>	<b>317</b>	<b>7,156</b>
<b>Net Book Value at 31 March 2001</b>	<b>5,650</b>	<b>208</b>	<b>984</b>	<b>380</b>	<b>7,222</b>

The difference arising between the purchase of fixed assets and additions are capital creditors and accruals.

# 11 Movements in working capital other than cash

	2001/02 Group £000s	2000/01 Group £000s
(Decrease)/Increase in debtors	(2,028)	2,474
Decrease/(Increase) in creditors	(10,558)	(6,283)
	<b>(12,586)</b>	<b>(3,809)</b>

# 12 Debtors

	2001/02	2000/01
	Group	Group
	£000s	£000s
<b>Amounts falling due within one year:</b>		
Trade debtors	6,851	10,380
Owed by government	1,485	1,314
VAT recoverable	2,439	2,027
Other debtors	1,385	496
Prepayments and accrued income	439	411
	<b>12,599</b>	<b>14,628</b>
<b>Amounts falling due after more than one year:</b>		
Other debtors	69	67
<b>Total Debtors</b>	<b>12,668</b>	<b>14,695</b>

# 13 Cash at bank and in hand

	2001/02	2000/01
	£000s	£000s
Balance at 1 April	7,066	3,164
Net cash inflow/(outflow):	1,581	3,902
<b>Balance as at 31 March</b>	<b>8,647</b>	<b>7,066</b>
<b>The following balances at 31 March are held at:</b>		
Office of HM Paymaster General	8,367	6,507
Commercial bank accounts	280	559
	<b>8,647</b>	<b>7,066</b>

# 14 Creditors

	2001/02	2000/01 (restated)
	Group £000s	Group £000s
<b>Amounts falling due within one year</b>		
Trade creditors	6,749	5,464
Other creditors	550	607
Accruals and deferred income	12,768	7,088
Amounts issued from the Consolidated Fund for supply but not spent in year	8,647	7,066
	<b>28,714</b>	<b>20,225</b>
<b>Amounts falling due after more than one year</b>		
Long term liabilities	3,663	-
	<b>32,377</b>	<b>20,225</b>

# 15 Provisions for liabilities and charges

	2001/02					2000/01				
	Early Departure Provision £000s	Foot and Mouth Provision £000s	Pension £000s	Legal Claims £000s	Total £000s	Early Departure Provision £000s	Foot and Mouth Provision £000s	Pension £000s	Legal Claims £000s	Total £000s
As at 1 April 2001	517	178	212	36	943	526	-	573	-	1,099
Arising during the year	154	48	-	79	281	76	178	-	36	290
Utilised during the year	(111)	(178)	(212)	-	(501)	(85)	-	-	-	(85)
Reversed unused during the year	(162)	-	-	-	(162)	-	-	(361)	-	(361)
<b>As at 31 March 2002</b>	<b>398</b>	<b>48</b>	<b>-</b>	<b>115</b>	<b>561</b>	<b>517</b>	<b>178</b>	<b>212</b>	<b>36</b>	<b>943</b>

## Early departure and pension costs

Early departure provision and pension provisions refer 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 programme becomes binding on the department by establishing a provision for the estimated payments discounted by the Treasury discount rate of 6% in real terms. In past years the FSA paid in advance some of its liability for early retirement by making a payment to the Paymaster General's Account at the Bank of England for the credit of the Civil Service Superannuation Vote. The balance remaining is treated as a prepayment.

## Foot and Mouth Provision

The Foot and Mouth Provision refers to potential claims from contract official veterinary surgeons for standby availability during February/March 2002.

## Legal Claims

The remaining provision is in relation to two compensations claims made against the former Ministry of Agriculture, Fisheries and Food (MAFF) which the FSA has now taken over responsibility for. The provision reflects all known claims where legal advice indicates that it is more than 50% probable that the claims will be successful and the amounts of the claims can be reliably estimated. The amount provided is on a percentage expected probability basis. Expenditure is likely to be incurred over a period of 5 years. No reimbursement will be received in respect of any of these claims.

Legal claims which may succeed but are less likely to do so or cannot be estimated reliably are disclosed as contingent liabilities in note 22.

# 16 Reconciliation of net operating cost to changes in general fund

	2001/02		2000/01	
	£000s	£000s	£000s	£000s
Net operating cost for the year (Schedule 2)	(115,496)		(83,762)	
Income not appropriated-in-aid to the Consolidated Fund	-		-	
		(115,496)		(83,762)
Net funding		110,724		87,878
Transferred to General Fund of realised element of revaluation reserve (note 17)		-		-
Consolidated Fund Creditor for cash unspent		(8,647)		(7,066)
<b>Non cash charges:</b>				
Cost of capital	150		557	
Non cash staff costs	878		-	
Early Departure	-		1,017	
Rent and Management Services	10		-	
Auditor's fees	170		210	
		1,208		1,784
Prior Year adjustments		(22)		-
<b>Net decrease in general fund</b>		<b>(12,233)</b>		<b>(1,166)</b>
General Fund at 1 April		8,023		9,189
<b>Balance at 31 March 2002</b>		<b>(4,210)</b>		<b>8,023</b>

The General Fund represents the net assets vested in the FSA at 1 April 2000 (stated at historical cost less accumulated depreciation at that date), the surplus or deficit generated from notional charges and trading activities, and the Vote funding arising since that date.

# 17 Revaluation reserve

	2001/02	2000/01
	£000s	£000s
Balance at 1 April 2001	21	16
Arising on revaluation during the year (net)	40	5
Transferred to general fund in respect of realised element of revaluation reserve	-	-
<b>Balance at 31 March 2002</b>	<b>61</b>	<b>21</b>

The Revaluation Reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments.

# 18 Notes to Schedule 5

FSA's capital is employed exclusively for administration purposes. Its distribution amongst objectives is therefore not markedly different from the proportion of the related gross administration cost.

Programme cost and other current expenditure has been allocated as follows:

	2001/02	2000/01
	£000s	£000s
Objective 1	6,006	5,981
Objective 2	9,966	10,565
Objective 3	22,980	16,355
	<b>38,952</b>	<b>32,901</b>

# 19 Capital commitments

	2001/02	2000/01
	£000s	£000s
Contracted	32	1076

# 20 Annual commitments under operating leases

	2001/02		2000/01	
	Land & Buildings £000s	Other £000s	Land & Buildings £000s	Other £000s
<b>Operating leases which expire:</b>				
Within one year	-	-	53	-
Between one and five years	-	126	-	126
After five years	4,322	84	4,323	84
	<b>4,322</b>	<b>210</b>	<b>4,376</b>	<b>210</b>

## 21 Other commitments

FSA has entered into non cancellable contracts (which are not operating leases) for various research and development projects totalling £44,976,433.00 as at 31 March 2002.

This includes commitments up to year 2006.

## 22 Contingent liabilities

There are a number of small claims being made by plant operatives and MHS employees for injuries sustained in the workplace and for unfair dismissal. These cases will be defended and as yet the outcome is not known but could cost approximately £118,000. No provision has been made in the accounts this year. There was no provision at the end of the prior year.

In addition, FSA Scotland is currently in dispute with a supplier over an invoice for £75,000. The case is currently the subject of legal action, and has not been provided for in the accounts. FSA management are of the opinion that the action will be successfully resisted.

## 23 Related Party transactions

The following Board members advised of related party transactions:

Karol Bailey has disclosed that members of her family run a poultry slaughterhouse business, Which receives services from the MHS.

Michael Walker has disclosed that a practice, in which he is a partner, has received fees for Around £720 from the FSA for analytical research.

The FSA has had a number of transactions with other government departments and other central government bodies.

The FSA's devolved offices in Northern Ireland, Scotland and Wales are staffed primarily by officers on loan from the Northern Ireland Department of Health, Social Services and Public Safety, the Northern Ireland Department of Agriculture, the Scottish Executive and from the National Assembly for Wales.

## 24 Financial instruments

The FSA has no borrowings and relies primarily on departmental grants for its cash requirements, and is therefore not exposed to liquidity risks.

It also has no material deposits, and all material assets and liabilities are denominated in sterling, so it is not exposed to interest rate risk or currency risk.

# direction

## Accounts Direction given by the Treasury in accordance with paragraph 4(2) of schedule 4 to the Food Standards Act 1999

1. The Food Standards Agency shall prepare a consolidated account for the year ended 31 March 2002 and subsequent financial years in accordance with the accounting principles and disclosure requirements of the edition of the Treasury Resource Accounting Manual in force for the year for which the account is being prepared.
2. The consolidated account shall be based on the separate accounts prepared in respect of the Estimate approved by the House of Commons under section 5 of the Government Resources and Accounts Act 2000; the sums paid by the National Assembly for Wales under section 39(3)(a) of the Food Standards Act 1999 ("the Act"); the sums paid out of the Scottish Consolidated Fund under section 39(3)(b) of the Act; and the sums appropriated by an act of the Northern Ireland Assembly under section 39(3)(c) of the Act.
3. The consolidated account shall be prepared so as to give a true and fair view of the aggregate state of affairs at 31 March 2002 and of the Food Standards Agency at the appropriate year end, and of the net resource out-turn, resources applied to objectives, recognised gains and losses and cash flows for the appropriate financial year.
4. The consolidated account shall be sent to the Comptroller and Auditor General not later than 30th November of the financial year following that to which the consolidated account relates; and to the Treasury not later than 15th January of that year.

David Loweth  
Head of Central Accountancy Team, Her Majesty's Treasury  
31 January 2002

# direction

## Accounts Direction by the Scottish Ministers 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 out of the Scottish Consolidated Fund 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 out of the Scottish Consolidated Fund

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 paid out of the Scottish Consolidated Fund 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 Scottish Ministers:

1 October 2001



## Accounts Direction given by the Department of Health Social Services and Public Safety with approval of the Department of Finance and Personnel for Northern Ireland in accordance with section 39(7) and schedule 4 of the Food Standards Act 1999

The Food Standards Agency (NI) shall report its funding and expenditure in relation to sums paid by the Department of Health Social Services and Public Safety in a Statement of Accounts for the year ended 31 March 2002 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 paid out of Department of Health Social Services and Public Safety Request for Resource B

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 paid out of the Consolidated Fund of Northern Ireland 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 the Authority of the Department of Health  
Social Services and Public Safety.  
September 2001

# direction

## 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

# direction

## Accounts Direction Given by the Treasury in Accordance with Section 5 (2) of the Government Resources and Accounts Act 2000

The Food Standards Agency shall prepare resource accounts for the year ended 31 March 2002 in compliance with the accounting principles and disclosure requirements of the edition of the Resource Accounting Manual issued by H M Treasury ("the Resource Accounting Manual") which is in force for that financial year.

The accounts shall be prepared so as to give a true and fair view of the state of affairs at 31 March 2002 and of the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year then ended.

Compliance with the requirements of the Resource Accounting Manual will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the Resource Accounting Manual is inconsistent with the requirement to give a true and fair view, the requirements of the Resource Accounting Manual should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the Resource Accounting Manual. Any material departure from the Resource Accounting Manual should be discussed in the first instance with the Treasury.

David Loweth  
Head of Central Accountancy Team, Her Majesty's Treasury  
31 January 2002

*Food Standards Agency*

# Statement of Accounts for Scotland

Statement for the year ended 31 March 2002





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# Audit certificate

## The Certificate and Report of the Comptroller and Auditor General to the Scottish Parliament.

I certify that I have audited the financial statements on pages 79 to 84 under Schedule 4(3) of the Food Standards Act 1999. These statements have been prepared under the accounting policies as set out on page 80.

## Respective responsibilities of the Food Standards Agency, the Accounting Officer and Auditor

As described on page 76 the Accounting Officer is responsible for the preparation of financial statements in accordance with the Food Standards Act 1999 and Scottish Ministers directions made thereunder and for ensuring the regularity of financial transactions. The Accounting Officer is also responsible for the other contents of the accounts.

My responsibilities as independent auditor are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the statement of accounts presents fairly those activities of the FSA funded by the Scottish Parliament, and is properly prepared in accordance with the Food Standards Act and Scottish Ministers directions made thereunder and whether in all material respects the expenditure has been applied to the purposes intended by Parliament and the Scottish Parliament and the financial transactions conform to the authorities which govern them. I also report if in my opinion the FSA has not kept proper accounting records or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Accounts, and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on page 77 and 78 reflects the Agency's compliance with Treasury's guidance Corporate Governance and the Statement of Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

## Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination on a test basis of evidence relevant to the amounts disclosures and regularity of financial transactions included in the statement of accounts. It also includes an assessment of the significant estimates and judgements made by the Accounting Officer in the preparation of the statement of accounts and of whether the accounting policies are appropriate to the Agency'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 statement of accounts is free from material misstatement whether caused by error or by fraud or other irregularity and that in all material respects the expenditure has been applied to the purposes intended by Parliament and the Scottish Executive and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the statement of accounts.

# Audit certificate

## Opinion

In my opinion:

- the statement of accounts presents 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 Scottish Parliament for the year ended 31 March 2002 and have been properly prepared in accordance with the Food Standards Act 1999 and directions made thereunder by Scottish Ministers; and
- in all material respects the expenditure has been applied to the purposes intended by Parliament and the Scottish Parliament 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

15 January 2003

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

# Statement of Accounting Officer's responsibilities's

1. Under section 39(7) and schedule 4 of the Food Standards Act 1999, the Food Standards Agency is required to prepare a statement of account reporting its funding and expenditure in relation to the sums paid by the Scottish Parliament for each financial year. This is to conform with an accounts direction from Scottish Ministers, and the statement of account should detail the use of resources provided by the Scottish Parliament by the Food Standards Agency during the year.
2. The accounts are prepared on an accruals basis and must present fairly the summary of resource outturn, the net resource cost for the financial 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.
3. HM Treasury has appointed the Chief Executive as Principal Accounting Officer of the Food Standards Agency with overall responsibility for preparing the Agency'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 Resource Accounting Manual prepared by HM Treasury, insofar as it is appropriate to the accounts direction issued by the Department, 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 Resource Accounting Manual, have been followed, and disclose and explain any material departures in the accounts.
5. 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 Officers' Memorandum issued by HM Treasury and published in Government Accounting.

**Geoffrey Podger**  
**Accounting Officer**  
28 November 2002



# Statement of internal control for FSA Scotland

As Accounting Officer of the Food Standards Agency, I have responsibility for maintaining a sound system of internal control that supports the achievement of organisational policies, aims and objectives as set by the FSA Board and the Food Standards Act, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

The system of internal control is designed to manage rather than eliminate 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 the principal risks to achievement of organisational policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. I expect to have this process in place and to have implemented all Treasury Guidance by March 2003. This takes account of the time needed to fully embed the processes, which the FSA has agreed should be established, and improve their robustness.

Although the activities of FSA Scotland are funded through the Scottish Parliament, it is part of the United Kingdom Food Standards Agency, and not a separately constituted organisation. The internal controls, and risks, of the devolved offices are the same as for the rest of the FSA. The organisation is managed as a single entity, irrespective of how the component parts are funded.

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. The Food Standards Agency already has in place many of the key elements of an effective system of internal control including:

- the Chief Executive's monthly meeting with UK Directors which acts as the "Management Board" of the FSA;
- internal audit arrangements, including a risk-based audit programme linked to the strategic risks of the organisation, which complies with Government standards;
- regular reports by internal audit, which include an independent opinion of the adequacy and effectiveness of the organisation's system of internal control together with recommendations for improvement;
- an Audit and Risk Committee, which meets at least three times a year with the Chair reporting to the FSA Board;
- a strategic plan which sets out the FSA's main aims and objectives for the next 5 years;
- a business and financial planning process which cascades throughout the organisation (corporate and local business plans) and which explicitly links business objectives, resource allocation and the consideration of business risk;
- a programme of training and support for the business planning process which includes risk management;
- regular performance reports to the Chief Executive's monthly meetings and to the FSA Board for both business and financial planning;
- a register of strategic risks which includes a comprehensive set of treatment plans with clear ownership of risks and actions, and agreed dates for delivery/review;
- regular (quarterly) formal review of the risk register at the Chief Executive's monthly meeting with UK Directors; and
- regular (6-monthly) progress report on internal controls, including the risk register, to the FSA Board.

The FSA management team has incorporated risk management and internal controls into the organisation's business agenda so they are reviewed and reported on regularly throughout the year. Risk management has also been incorporated more fully into the business planning process as a means of embedding risk awareness within the organisation. The planning process has been fully supported through a programme of targeted support to meet the needs of different parts of the organisation.

In addition to the actions mentioned above, in the coming year the FSA intends to:

- issue a risk policy statement and a risk management handbook setting out the arrangements in place within the organisation to manage business risk, including the process for risk escalation and the responsibilities of individuals throughout the organisation;
- continue to provide targeted support and training to meet the needs of different parts of the organisation including offices in Scotland, Wales and Northern Ireland, and the MHS; and
- obtain formal assurance from the Chief Executive of the Meat Hygiene Service on internal controls and have representation on the MHS Audit Committee.

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.

**Geoffrey Podger**

**Chief Executive**

**28 November 2002**

# Summary of Resource Outturn

for the year ended 31 March 2002

	2001/02						Net Total Outturn compared with Estimated Saving/ (excess)	2000/01  Prior Year Outturn
	Estimate			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>Request for Resources</b>								
Protecting and promoting public health in relation to food	5,805	-	5,805	5,410	-	5,410	395	2,978
<b>Total resources</b>	<b>5,805</b>	<b>-</b>	<b>5,805</b>	<b>5,410</b>	<b>-</b>	<b>5,410</b>	<b>395</b>	<b>2,978</b>

## Reconciliation of Net Resource Outturn to net cash requirement

	Note	2001/02 £000s	2000/01 £000s
<b>Net Resource Outturn</b>		<b>5,410</b>	<b>2,978</b>
<b>Accruals adjustments:</b>			
Recharge for fixed asset usage	3	(65)	(53)
Other Non-cash items	3	(10)	(127)
Increase (+)/Decrease (-) in debtors and prepayments	6	(257)	332
Increase (-)/Decrease (+) in creditors	6	(1,420)	(151)
<b>Capital:</b>			
Capital Expenditure		95	69
<b>Net Cash requirement</b>		<b>3,753</b>	<b>3,048</b>

## Reconciliation of net cash requirement to funding provided from the Scottish Parliament

<b>Net Cash requirement</b>	(3,753)	(3,048)
Cash brought forward	(51)	
Cash Funding provided by the Scottish Parliament for 2001/02	4,649	
Cash Funding provided by the Scottish Parliament for 2000/01	51	2,997
Cash Carried Forward	896	(51)

## Operating Cost Statement for the year ended 31 March 2002

	Note	£000s	£000s	£000s
<b>Administration Costs</b>				
Staff costs	2	-	-	-
Other administration costs	3	2,724		2,211
Gross Administration Costs			2,724	2,211
Operating Income		-	-	-
<b>Net Administration Costs</b>			<b>2,724</b>	<b>2,211</b>
<b>Programme Costs</b>				
Protecting and promoting public health in relation to food				
Expenditure		2,686		767
Less income		-		-
<b>Total</b>	<b>4</b>		<b>2,686</b>	<b>767</b>
<b>Net Operating Cost</b>			<b>5,410</b>	<b>2,978</b>

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

Geoffrey Podger,  
Accounting Officer, 28 November 2002

# 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 cost and cash funding costs of the FSA's operations. The financial statements account for the FSA's activities in Scotland, which are funded separately by sums voted by the Scottish Parliament.

The 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 Wales 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.

### 1.2 Basis of Preparation

These financial statements have been prepared in accordance with an Accounts Direction issued by the Scottish Ministers. 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 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 the HM Treasury's Resource Accounting Manual, insofar as it is applicable and appropriate to the agency.

### 1.4 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 Operating Cost Statement at Schedule 1 therefore 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.

Schedule 1 therefore reflects adjustments to account for:

- a) movements on debtors and creditors which remain unpaid as at the 31st March 2002;
- 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 FSA as identified under the administration cost-control regime. Programme costs reflect non-administration costs including other disbursements by the FSA.

### 1.6 Pensions

The majority of staff seconded to the FSA were on loan from the Scottish Executive. As such, they are civil servants and are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). This is a non-contributory scheme and is unfunded. The scheme is a defined benefit scheme and liability for the payments of future benefits is a charge to the PCSPS, for which separate accounts are published. The FSA meets the cost of pension cover for the staff by payment of a charge on an accruing basis to the PCSPS. Where staff have been seconded from other organisations (for example local authorities), a charge has been included that reflects the cost of the contribution to their pension scheme.

### 1.7 Value Added Tax

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

### 1.8 Change in Accounting Policy

Staff working for FSA Scotland are seconded to FSA from the Scottish Executive. In the 2000/2001 accounts, FSA Scotland recorded such costs as "staff costs". Recent Treasury guidance requires the costs of all inward secondees to be recorded as "other administration costs" within the operating cost statement. The costs of inward seconded staff have been recorded as "other operating costs" in these accounts, and prior year comparatives have been restated to ensure consistency. There is no effect on prior year net operating costs or net cash requirement as a result of this change.

# 2 Cost and number of seconded staff

	2001/02	2000/01
a) The average number of people seconded to FSA Scotland during the year 2001/02 by objective, were as follows:		
<b>Objective 1</b> Measurably improve public confidence in the National Food Safety and Standards arrangements	12	10
<b>Objective 2</b> Reduce foodborne illness by 20% over the next 5 years including reducing Salmonella in U.K. produced chickens on retail sale by at least 50% by the end of 2004/2005	9	7
<b>Objective 3</b> To protect consumers through improved food safety and standards	37	33
	<b>58</b>	<b>50</b>

The majority of staff working in FSA Scotland are secondees from the Scottish Executive. The salary costs are paid by the Scottish Executive who recover the cost from the FSA.

b) Seconded staff costs by objective were as follows:	£000s	£000s
<b>Objective 1</b> Measurably improve public confidence in the National Food Safety and standards arrangements	450	348
<b>Objective 2</b> Reduce foodborne illness by 20% over the next 5 years including reducing Salmonella in U.K. produced chickens on retail sale by at least 50% by the end of 2004/2005	160	123
<b>Objective 3</b> To protect consumers through improved food safety and standards	841	650
	<b>1,451</b>	<b>1,121</b>

c) Management Remuneration		Salaries and Other Allowances	Increase in Pension Earned	Value of Accrued Personal Pension
	<i>Bands</i>	£5,000 (£000)	£2,500 (£000)	£5,000 (£000)
George Patterson	Director, FSA Scotland	65-70	0-2.5	0-5

All members of FSA Management Group have declined to give consent to publication of their ages.

## 3 Other administration costs

	2001/02	2000/01
£000s	£000s	£000s
Seconded staff costs (note 2)	1,451	1,121
Rentals under other operating leases	-	69
Non-cash items:		
Recharge for fixed asset usage	65	53
Audit fees	10	20
Rent and management Services	-	107
	75	180
Accommodation costs	478	247
Staff overheads	433	350
Administration costs	157	111
IT costs	85	70
Committee costs	45	63
	<b>2,724</b>	<b>2,211</b>

## 4 Net programme costs by FSA objectives

	2001/02	2000/01
	£000s	£000s
<b>Objective 1</b>		
Measurably improve public confidence in the National Food Safety Standards and arrangements	288	81
<b>Objective 2</b>		
Reduce foodborne illness by 20% over the next 5 years including reducing Salmonella in U.K. produced chickens on retail sale by at least 50% by the end of 2004/2005	432	121
<b>Objective 3</b>		
To protect consumers through improved food safety and standards	1,966	565
	<b>2,686</b>	<b>767</b>

## 5 Related-party transactions

None of the Board Members, key managerial staff or related parties have undertaken any material transactions with the FSA during the year. The FSA has had a number of transactions with other government departments and other central government bodies.

# 6 Movements in working capital other than cash

The FSA's devolved office in Scotland is staffed predominantly by officers seconded from the Scottish Executive.

	2001/02 £000s	2000/01 £000s
(Decrease) / Increase in debtors and prepayments	(257)	332
Decrease / (Increase) in creditors	(1,420)	(151)
	<b>(1,677)</b>	<b>181</b>

# 7 Debtors

	2001/02 £000s	2000/01 £000s
<b>Amounts falling due within one year:</b>		
Other debtors	1	17
Prepayments and accrued income	27	268
<b>Amounts falling due more than one year:</b>		
Other debtors	47	47
<b>Total Debtors</b>	<b>75</b>	<b>332</b>

# 8 Creditors

	2001/02 £000s	2000/01 £000s
<b>Amounts falling due within one year:</b>		
Trade creditors	561	47
Accruals and deferred income	1,030	124
Amounts issued from the Consolidated Fund for supply but not spent in year	896	-
	<b>2,487</b>	<b>171</b>

# 9 Advisory committee

In addition to the main FSA Board, the FSA has advisory committees to cover Scotland, Wales and Northern Ireland. The committees act as independent 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 Sir John Arbuthnott (Chairman)

Michael Gibson (Deputy Chairman)

Professor William Reilly

Anne Campbell

Professor Hugh Pennington

Dr Marnie Sommerville

Wilma Odell

Ross MacDonald

Professor Phillip Thomas

William Davidson

Alexandra Miller

# 10 Contingent liabilities

FSA Scotland is currently in dispute with a supplier over an invoice for £75,000. The case is currently the subject of legal action, and has not been provided for in the accounts. FSA management are of the opinion that the action will be successfully resisted.



# direction

## Accounts Direction by the Scottish Ministers 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 out of the Scottish Consolidated Fund 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 out of the Scottish Consolidated Fund

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 paid out of the Scottish Consolidated Fund 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 Scottish Ministers:

1 October 2001

*Food Standards Agency*

# Statement of Accounts for Northern Ireland

Accounts for the year ended 31 March 2002





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# Audit certificate

## The Certificate and Report of the Comptroller and Auditor General to the Northern Ireland Assembly.

I certify that I have audited the financial statements on pages 93 to 98 under Schedule 4(3) of the Food Standards Act 1999. These statements have been prepared under the accounting policies as set out on page 94.

## Respective responsibilities of the Food Standards Agency, the Accounting Officer and Auditor

As described on page 90 the Accounting Officer is responsible for the preparation of financial statements in accordance with the Food Standards Act 1999 and the Department of Finance and Personnel directions made thereunder and for ensuring the regularity of financial transactions. The Accounting Officer is also responsible for the other contents of the accounts. My responsibilities as independent auditor are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the statement of accounts presents fairly those activities of the FSA funded by the Northern Ireland Assembly, and is properly prepared in accordance with the Food Standards Act and Department of Finance and Personnel directions made thereunder and whether in all material respects the expenditure has been applied to the purposes intended by Parliament and the Northern Ireland Assembly and the financial transactions conform to the authorities which govern them. I also report if in my opinion the FSA has not kept proper accounting records or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Accounts, and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on page 91 and 92 reflects the Agency's compliance with Treasury's guidance Corporate Governance and the Statement of Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

## Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination on a test basis of evidence relevant to the amounts disclosures and regularity of financial transactions included in the statement of accounts. It also includes an assessment of the significant estimates and judgements made by the Accounting Officer in the preparation of the statement of accounts and of whether the accounting policies are appropriate to the Agency'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 statement of accounts is free from material misstatement whether caused by error or by fraud or other irregularity and that in all material respects the expenditure has been applied to the purposes intended by Parliament and the Northern Ireland Assembly and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the statement of accounts.

# Audit certificate

## Opinion

In my opinion:

- the statement of accounts presents 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 Department of Health, Social Services and Public Safety for the year ended 31 March 2002 and have been properly prepared in accordance with the Food Standards Act 1999 and directions made thereunder by the Department of Finance and Personnel for Northern Ireland; and
- in all material respects the expenditure has been applied to the purposes intended by Parliament and the Northern Ireland Assembly 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

15 January 2003

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

# Statement of Accounting Officer's responsibilities

1. Under section 39(7) and schedule 4 of the Food Standards Act 1999, the Food Standards Agency is required to prepare a statement of account reporting its funding and expenditure in relation to the sums paid by the Department of Health Social Services and Public Safety Northern Ireland (the Department) for each financial year. This is to conform with an accounts direction from the Department, and the statement of account should detail the use of resources provided by the Department by the Food Standards Agency during the year.
2. The accounts are prepared on an accruals basis and must present fairly the summary of resource outturn, the net resource cost for the financial year, the capital expenditure for the year and reconcile the net resource outturn to the sums paid out of the Consolidated Fund for Northern Ireland for the year.
3. HM Treasury has appointed the Chief Executive as Principal Accounting Officer of the Food Standards Agency with overall responsibility for preparing the Agency'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 Resource Accounting Manual prepared by HM Treasury, insofar as it is appropriate to the accounts direction issued by the Department, 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 Resource Accounting Manual, have been followed, and disclose and explain any material departures in the accounts.
5. 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 Officers' Memorandum issued by HM Treasury and published in Government Accounting.

Geoffrey Podger  
Accounting Officer  
28 November 2002

# Statement of internal control for FSA Northern Ireland

As Accounting Officer of the Food Standards Agency, I have responsibility for maintaining a sound system of internal control that supports the achievement of organisational policies, aims and objectives as set by the FSA Board and the Food Standards Act, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

The system of internal control is designed to manage rather than eliminate 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 the principal risks to achievement of organisational policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. I expect to have this process in place and to have implemented all Treasury Guidance by March 2003. This takes account of the time needed to fully embed the processes, which the FSA has agreed should be established, and improve their robustness.

Although the activities of FSA Northern Ireland are funded through the Northern Ireland Assembly, it is part of the United Kingdom Food Standards Agency, and not a separately constituted organisation. The internal controls, and risks, of the devolved offices are the same as for the rest of the FSA. The organisation is managed as a single entity, irrespective of how the component parts are funded.

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. The Food Standards Agency already has in place many of the key elements of an effective system of internal control including:

- the Chief Executive's monthly meeting with UK Directors which acts as the "Management Board" of the FSA;
- internal audit arrangements, including a risk-based audit programme linked to the strategic risks of the organisation, which complies with Government standards;
- regular reports by internal audit, which include an independent opinion of the adequacy and effectiveness of the organisation's system of internal control together with recommendations for improvement;
- an Audit and Risk committee, which meets at least three times a year with the Chair reporting to the FSA Board;
- a strategic plan which sets out the FSA's main aims and objectives for the next 5 years;
- a business and financial planning process which cascades throughout the organisation (corporate and local business plans) and which explicitly links business objectives, resource allocation and the consideration of business risk;
- a programme of training and support for the business planning process which includes risk management;
- regular performance reports to the Chief Executive's monthly meetings and to the FSA Board for both business and financial planning;
- a register of strategic risks which includes a comprehensive set of treatment plans with clear ownership of risks and actions, and agreed dates for delivery/review;
- regular (quarterly) formal review of the risk register at the Chief Executive's monthly meeting with UK Directors; and
- regular (6-monthly) progress report on internal controls, including the risk register, to the FSA Board.

The FSA management team has incorporated risk management and internal controls into the organisation's business agenda so they are reviewed and reported on regularly throughout the year. Risk management has also been incorporated more fully into the business planning process as a means of embedding risk awareness within the organisation. The planning process has been fully supported through a programme of targeted support to meet the needs of different parts of the organisation.

In addition to the actions mentioned above, in the coming year the FSA intends to:

- issue a risk policy statement and a risk management handbook setting out the arrangements in place within the organisation to manage business risk, including the process for risk escalation and the responsibilities of individuals throughout the organisation;
- continue to provide targeted support and training to meet the needs of different parts of the organisation including offices in Scotland, Wales and Northern Ireland, and the MHS; and
- obtain formal assurance from the Chief Executive of the Meat Hygiene Service on internal controls and have representation on the MHS Audit Committee.

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.

**Geoffrey Podger**

**Chief Executive**

**28 November 2002**



# Summary of Resource Outturn

for the year ended 31 March 2002

	2001/02						Net Total Outturn compared with Estimated Saving/ (excess)	2000/01  Prior Year Outturn
	Estimate			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>Request for resources</b>								
Protecting and promoting public health in relation to food	1,200	-	1,200	1,245	-	1,245	(45)	902
<b>Total resources</b>	<b>1,200</b>	<b>-</b>	<b>1,200</b>	<b>1,245</b>	<b>-</b>	<b>1,245</b>	<b>(45)</b>	<b>902</b>

## Reconciliation of Net Resource Outturn to net cash requirement

	Note	2001/02 £000s	2000/01 £000s
<b>Net Resource Outturn</b>		<b>1,245</b>	<b>902</b>
<b>Accruals adjustments:</b>			
Recharge for fixed asset usage	3	(33)	(24)
Other Non-cash items	3	(39)	(20)
Increase (+)/Decrease (-) in debtors and prepayments	6	(18)	32
Increase (-)/Decrease (+) in creditors	6	(4)	(21)
<b>Capital:</b>			
Capital Expenditure		-	89
<b>Net Cash requirement</b>		<b>1,151</b>	<b>958</b>

## Reconciliation of net cash requirement to funding from Department of Health, Social Services and Public Safety

<b>Net Cash requirement</b>	<b>(1,151)</b>	<b>(958)</b>
Cash brought forward	(10)	-
Cash Funding provided directly by the Northern Ireland Assembly for 2001/02	772	518
Cash Funding provided directly by the Northern Ireland Assembly for 2000/01	10	-
Cash Funding provided indirectly through the Northern Ireland Assembly for 2001/02	402	430
<b>Cash Carried Forward</b>	<b>23</b>	<b>(10)</b>

## Operating Cost Statement for the year ended 31 March 2002

	Note	£000s	£000s	£000s
<b>Administration Costs</b>				
Staff costs	2	-	-	-
Other administration costs	3	1,029		706
<b>Gross Administration Costs</b>			<b>1,029</b>	<b>706</b>
Operating Income			-	-
<b>Net Administration Costs</b>			<b>1,029</b>	<b>706</b>
<b>Programme Costs</b>				
Protecting and promoting public health in relation to food				
Expenditure		216		196
Less income		-		-
<b>Total</b>	<b>4</b>		<b>216</b>	<b>196</b>
<b>Net Operating Cost</b>			<b>1,245</b>	<b>902</b>

The summary of resource outturn compares the estimates of net and gross expenditure by FSA Northern Ireland with actual expenditure. It does not have the same function as the 'Summary of Resource Outturn', as defined by HM Treasury's Resource Accounting Manual and does not function as an expenditure control mechanism. The specific authority of the Assembly is not required for overspends against estimate.

Geoffrey Podger, Accounting Officer, 28 November 2002

## **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 FSA's operations. The financial statements account for the FSA's activities in Northern Ireland, which are funded separately by sums voted by the Northern Ireland Assembly.

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 Wales, 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.

### **1.2 Basis of Preparation**

These financial statements have been prepared in accordance with an Accounts Direction issued by the Department of Health, Social Services and Public Safety with the approval of the Department of Finance and Personnel for Northern Ireland, and the Food Standards Act 1999.

This Direction is reproduced as an annex to the accounts. In accordance with the provisions of the Government Resources and Accounts Act 2000 and the Food Standards Act 1999, all of the accounts of the FSA are audited by the Comptroller and Auditor General.

### **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 Northern Ireland 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 Resource Accounting Manual, insofar as it is applicable and appropriate to the agency.

### **1.4 Basis of Funding**

Funding from the Northern Ireland Assembly is provided on a basis which is intended to meet the net cash costs for the period. The Operating Cost Statement at Schedule 1 therefore shows the adjustments necessary to the accruals based resource outturn to arrive at the cash amount which is to be funded by the Northern Ireland Assembly.

Schedule 1 therefore reflects adjustments to account for:

- a) movements on debtors and creditors which remain unpaid as at the 31st March 2002;
- 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 FSA as identified under the administration cost-control regime.

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

### **1.6 Pensions**

The majority of staff seconded to the FSA were on loan from Northern Ireland Department of Health, Social Security and Public Safety. As such, they are Northern Ireland civil servants and are covered by the provisions of the Civil Service Pension Scheme (NICSPS.) This is a non-contributory scheme and is unfunded. The scheme is a defined benefit scheme and liability for the payments of future benefits is a charge to the NICSPS, for which separate accounts are published. The FSA reimburses the secondees employer for the costs of pension cover for seconded staff by payment of a charge on an accruing basis to the NICSPS. Where staff have been seconded from other organisations (for example local authorities), a charge has been included that reflects the cost of the contribution to their pension scheme.

### **1.7 Value Added Tax**

Expenditure is included net of recoverable VAT. Irrecoverable VAT is charged to the Operating Cost Statement.

### **1.8 Change in Accounting Policy**

Staff working for FSA Northern Ireland are seconded to FSA from other employers. In the 2000-01 accounts FSA Northern Ireland recorded such costs as 'staff costs'. Recent Treasury guidance requires the costs of all inward secondees to be recorded as 'other administration costs' within the operating cost statement. The costs of inward seconded staff have been recorded as 'other operating costs' in these accounts, and prior year comparatives have been restated to ensure consistency. There is no effect on prior year net operating costs or net cash requirement as a result of this change.

# 2 Staff numbers and costs

All staff working in FSA Northern Ireland have been seconded to the FSA from other employers, and remain on the other employers payroll. In accordance with HM Treasury guidance the costs of their employment have been classified in these accounts as 'other administration costs'. However this note provides disclosures on the staff related other administration costs similar to those required by the resource accounting manual for staff costs.

	2001/02 £000s	2000/01 £000s
a) <b>Staff costs consist of:</b>		
Wages and salaries	497	349
Social security cost	42	29
Other pension costs	66	55
	605	433

	2001/02	2000/01
b) <b>The average number of people employed by FSA Northern Ireland during the year 2001/02 by objective, were as follows:</b>		
<b>Objective 1</b> Measurably improve public confidence in the National Food Safety and Standards arrangements	8	7
<b>Objective 2</b> Reduce foodborne illness by 20% over the next 5 years including reducing Salmonella in U.K. produced chickens on retail sale by at least 50% by the end of 2004/2005	2	2
<b>Objective 3</b> To protect consumers through improved food safety and standards	8	8
	18	17

The majority of staff working in FSA Northern Ireland are secondees from the Northern Ireland Department of Health, Social Services and Public Safety, the Northern Ireland Department of Agriculture and Rural Development or various local councils in Northern Ireland.

The salary costs for secondees from the Northern Ireland Department of Health, Social Services and Public Safety are paid directly by that Department out of the direct funding requirement. The salary costs for other secondees are paid by that secondee's original employer and recovered from the FSA by invoice.

	2001/02 £000s	2000/01 £000s
c) <b>Staff Costs by objective were as follows:</b>		
<b>Objective 1</b> Measurably improve public confidence in the National Food Safety and standards arrangements	260	186
<b>Objective 2</b> Reduce foodborne illness by 20% over the next 5 years including reducing Salmonella in U.K. produced chickens on retail sale by at least 50% by the end of 2004/2005	45	32
<b>Objective 3</b> To protect consumers through improved food safety and standards	300	215
	605	433

#### d) Management Remuneration

	Salaries and Other Allowances	Increase in Pension Earned	Value of Accrued Personal Pension
<i>Bands</i>	£5,000 (£000)	£2,500 (£000)	£5,000 (£000)
Morris McAllister FSA Northern Ireland	55-60	0-2.5	20-25

All members of FSA Management Group have declined to give consent to publication of their ages.

# 3 Other administration costs

	2001/02 £000s	2000/01 £000s
Seconded Staff Costs (Note 2)	576	433
Rentals under operating leases:		
Hire of plant and machinery	7	2
Other operating leases	68	73
Non-cash items:		
Recharge for fixed asset usage	33	24
Audit fees	10	20
Seconded staff	29	
Accommodation costs	59	46
Staff overheads	68	33
Administration costs	95	19
IT costs	31	23
Committee costs	53	33
	<b>1,029</b>	<b>706</b>

# 4 Net programme costs

## a Net Programme Costs

	2001/02 £000s	2000/01 £000s
<b>Monitoring and Surveillance:</b>		
Local Authority	181	180
Food Chain Safety	35	16
	<b>216</b>	<b>196</b>

## b Net Programme Costs by Objectives

<b>Objective 1</b> Measurably improve public confidence in the National Food Safety and Standards arrangements	-	-
<b>Objective 2</b> Reduce foodborne illness by 20% over the next 5 years including reducing Salmonella in U.K. produced chickens on retail sale by at least 50% by the end of 2004/2005	190	179
<b>Objective 3</b> To protect consumers through improved food safety and standards	26	17
	<b>216</b>	<b>196</b>

## 5 Related-party transactions

None of the Board Members, key managerial staff or related parties have undertaken any material transactions with the FSA during the year. The FSA has had a number of transactions with other government departments and other central government bodies. The FSA's devolved office in Northern Ireland is staffed by officers on loan from the Northern Ireland Department of Health, Social Services and Public Safety, the Northern Ireland Department of Agriculture and various local councils in Northern Ireland.

## 6 Movements in working capital other than cash

	2001/02	2000/01
	£000s	£000s
(Decrease)/Increase in debtors and prepayments	(18)	32
Decrease/(Increase) in creditors	(4)	(21)
	(22)	11

## 7 Debtors

	2001/02	2000/01
	£000s	£000s
Amounts falling due within one year:		
Other debtors and prepayments	15	33
<b>Total Debtors</b>	<b>15</b>	<b>33</b>

# 8 Creditors

	2001/02	2000/01
	£000s	£000s
Amounts falling due within one year	12	42
Accruals and deferred income	38	4
Amounts issued from the Consolidated Fund (NI) for supply but not spent in year	23	-
	73	46

# 9 Advisory committee

In addition to the main FSA Board, the FSA has advisory committees to cover Scotland, Wales and Northern Ireland. The Committees act as independent 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:

#### Northern Ireland – Advisory Committee Members

Michael Walker (Chairman)

Patricia Grace McCusker

Professor David McDowell

Maria McGuinness

David Mark

William Taylor

David Collins

Samuel Miskelly

David Stewart

Dr. Vinod Tohani

## Accounts Direction Given by the Department of Health Social Services and Public Safety with approval of the department of Finance and Personnel for Northern Ireland in accordance with section 39(7) and schedule 4 of the food Standards Act 1999.

The Food Standards Agency (NI) shall report its funding and expenditure in relation to sums paid by the Department of Health Social Services and Public Safety 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 paid out of Department of Health Social Services and Public Safety Request for Resource B.

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 paid out of the Consolidated Fund of Northern Ireland 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 the Authority of the Department of Health  
Social Services and Public Safety.  
September 2001

*Food Standards Agency*

# Statement of Accounts for Wales

Statement for the year ended 31 March 2002







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# Audit certificate

## 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 on pages 107 to 112 under Schedule 4(3) of the Food Standards Act 1999. These statements have been prepared under the accounting policies as set out on page 108.

## Respective responsibilities of the Food Standards Agency, the Accounting Officer and Auditor

As described on page 104 the Accounting Officer is responsible for the preparation of financial statements in accordance with the Food Standards Act 1999 and National Assembly for Wales directions made thereunder and for ensuring the regularity of financial transactions. The Accounting Officer is also responsible for the other contents of the accounts. My responsibilities as independent auditor are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the statement of accounts presents fairly those activities of the FSA funded by the National Assembly for Wales, and is properly prepared in accordance with the Food Standards Act and National Assembly for Wales directions made thereunder and whether in all material respects the expenditure has 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 if in my opinion the FSA has not kept proper accounting records or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Accounts, and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on page 105 and 106 reflects the Agency's compliance with Treasury's guidance Corporate Governance and the Statement of Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

## Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination on a test basis of evidence relevant to the amounts disclosures and regularity of financial transactions included in the statement of accounts. It also includes an assessment of the significant estimates and judgements made by the Accounting Officer in the preparation of the statement of accounts and of whether the accounting policies are appropriate to the Agency'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 statement of accounts is free from material misstatement whether caused by error or by fraud or other irregularity and that in all material respects the expenditure has 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 have also evaluated the overall adequacy of the presentation of information in the statement of accounts.

# Audit certificate

## Opinion

In my opinion:

- the statement of accounts presents 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 2002 and have been properly prepared in accordance with the Food Standards Act 1999 and directions made thereunder by National Assembly for Wales; and
- in all material respects the expenditure has 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

15 January 2003

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

# Statement of Accounting Officer's responsibilities

1. Under section 39(7) and schedule 4 of the Food Standards Act 1999, the Food Standards Agency is required to prepare a statement of account reporting its funding and expenditure in relation to the sums paid by the National Assembly for Wales (NAW) for each financial year. This is to conform with an accounts direction from the NAW, and the statement of account should detail the use of resources provided by the NAW by the Food Standards Agency during the year.
2. The accounts are prepared on an accruals basis and must present fairly the summary of resource outturn, the net resource cost for the financial year, the capital expenditure for the year and reconcile the net resource outturn to the sums paid out of the NAW for the year.
3. HM Treasury has appointed the Chief Executive as Principal Accounting Officer of the Food Standards Agency with overall responsibility for preparing the Agency'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 Resource Accounting Manual prepared by HM Treasury, insofar as it is appropriate to the accounts direction issued by the Department, 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 Resource Accounting Manual, have been followed, and disclose and explain any material departures in the accounts.
5. 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 Officers' Memorandum issued by HM Treasury and published in Government Accounting.

Geoffrey Podger  
Accounting Officer  
28 November 2002

# Statement of internal control for FSA Wales

As Accounting Officer of the Food Standards Agency, I have responsibility for maintaining a sound system of internal control that supports the achievement of organisational policies, aims and objectives as set by the FSA Board and the Food Standards Act, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

The system of internal control is designed to manage rather than eliminate 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 the principal risks to achievement of organisational policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. I expect to have this process in place and to have implemented all Treasury Guidance by March 2003. This takes account of the time needed to fully embed the processes, which the FSA has agreed should be established, and improve their robustness.

Although the activities of FSA Wales are funded through the Welsh Assembly, it is part of the United Kingdom Food Standards Agency, and not a separately constituted organisation. The internal controls, and risks, of the devolved offices are the same as for the rest of the FSA. The organisation is managed as a single entity, irrespective of how the component parts are funded.

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. The Food Standards Agency already has in place many of the key elements of an effective system of internal control including:

- the Chief Executive's monthly meeting with UK Directors which acts as the "Management Board" of the FSA;
- internal audit arrangements, including a risk-based audit programme linked to the strategic risks of the organisation, which complies with Government standards;
- regular reports by internal audit, which include an independent opinion of the adequacy and effectiveness of the organisation's system of internal control together with recommendations for improvement;
- an Audit and Risk committee, which meets at least three times a year with the Chair reporting to the FSA Board;
- a strategic plan which sets out the FSA's main aims and objectives for the next 5 years;
- a business and financial planning process which cascades throughout the organisation (corporate and local business plans) and which explicitly links business objectives, resource allocation and the consideration of business risk;
- a programme of training and support for the business planning process which includes risk management;
- regular performance reports to the Chief Executive's monthly meetings and to the FSA Board for both business and financial planning;
- a register of strategic risks which includes a comprehensive set of treatment plans with clear ownership of risks and actions, and agreed dates for delivery/review;
- regular (quarterly) formal review of the risk register at the Chief Executive's monthly meeting with UK Directors; and
- regular (6-monthly) progress report on internal controls, including the risk register, to the FSA Board.

The FSA management team has incorporated risk management and internal controls into the organisation's business agenda so they are reviewed and reported on regularly throughout the year. Risk management has also been incorporated more fully into the business planning process as a means of embedding risk awareness within the organisation. The planning process has been fully supported through a programme of targeted support to meet the needs of different parts of the organisation.

In addition to the actions mentioned above, in the coming year the FSA intends to:

- issue a risk policy statement and a risk management handbook setting out the arrangements in place within the organisation to manage business risk, including the process for risk escalation and the responsibilities of individuals throughout the organisation;
- continue to provide targeted support and training to meet the needs of different parts of the organisation including offices in Scotland, Wales and Northern Ireland, and the MHS; and
- obtain formal assurance from the Chief Executive of the Meat Hygiene Service on internal controls and have representation on the MHS Audit Committee.

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.

**Geoffrey Podger**

**Chief Executive**

**28 November 2002**

# Summary of Resource Outturn

for the year ended 31 March 2002

	2001/02						Net Total Outturn compared with Estimated Saving/ (excess)	2000/01  Prior Year Outturn
	Estimate			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>Request for resources</b>								
Protecting and promoting public health in relation to food	2,029	-	2,029	2,041	-	2,041	(12)	1,454
<b>Total resources</b>	<b>2,029</b>	<b>-</b>	<b>2,029</b>	<b>2,041</b>	<b>-</b>	<b>2,041</b>	<b>(12)</b>	<b>1,454</b>

## Reconciliation of Net Resource Outturn to net cash requirement

	Note	2001/02 £000s	2000/01 £000s
<b>Net Resource Outturn</b>		<b>2,041</b>	<b>1,454</b>
<b>Accruals adjustments:</b>			
Recharge for fixed asset usage	3	(29)	(24)
Other Non-cash items	3	(10)	(20)
Increase (+)/Decrease (-) in debtors and prepayments	6	16	-
Increase (-)/Decrease (+) in creditors	6	(161)	(69)
<b>Capital:</b>			
Capital Expenditure		71	21
<b>Net Cash requirement</b>		<b>1,928</b>	<b>1,362</b>

## Reconciliation of net cash requirement to funding from the National Assembly for Wales

<b>Net Cash requirement</b>	<b>(1,928)</b>	<b>(1,362)</b>
Cash brought forward	(28)	-
Cash Funding provided directly by the National Assembly for Wales for 2001/02	1,508	1,007
Cash Funding provided directly by the National Assembly for Wales for 2000/01	28	327
Cash Funding provided indirectly by the National Assembly for Wales for 2001/02	490	-
<b>Cash Carried Forward</b>	<b>70</b>	<b>(28)</b>

## Operating Cost Statement for the year ended 31 March 2002

	Note	£000s	£000s	£000s
<b>Administration Costs</b>				
Staff costs	2	61		-
Other administration costs	3	942		718
Gross Administration Costs			1,003	718
Operating Income			-	-
<b>Net Administration Costs</b>			<b>1,003</b>	<b>718</b>
<b>Programme Costs</b>				
Protecting and promoting public health in relation to food				
Expenditure		1,038		736
Less income		-		-
<b>Total</b>	<b>4</b>		<b>1,038</b>	<b>736</b>
<b>Net Operating Cost</b>			<b>2,041</b>	<b>1,454</b>

The summary of resource outturn compares the estimates of net and gross expenditure by FSA Wales with actual expenditure. It does not have the same function as the 'Summary of Resource Outturn', as defined by HM Treasury's Resource Accounting Manual and does not function as an expenditure control mechanism. The specific authority of the Assembly is not required for overspends against estimate.

Geoffrey Podger, Accounting Officer, 28 November 2002

## **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 FSA's operations. The financial statements account for the FSA'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.

### **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 Resource Accounting Manual, insofar as it is applicable and appropriate to the agency.

### **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 Operating Cost Statement at Schedule 1, therefore, 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.

Schedule 1 therefore reflects adjustments to account for:

- a) movements on debtors and creditors which remain unpaid as at the 31st March 2002;
- 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 FSA as identified under the administration cost-control regime. Programme costs reflect non-administration costs including other disbursements by the FSA.

### **1.6 Pensions**

The majority of staff seconded to the FSA were on loan from the National Assembly for Wales. As such, they are civil servants and are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). This is a non-contributory scheme and is unfunded. The scheme is a defined benefit scheme and liability for the payments of future benefits is a charge to the PCSPS, for which separate accounts are published. The FSA reimburses the secondees employer for the costs of pension cover for the seconded staff by payment of a charge on an accruing basis to the PCSPS. Where staff have been seconded from other organisations (for example local authorities), a charge has been included that reflects the cost of the contribution to their pension scheme.

### **1.7 Value Added Tax**

Expenditure is included net of recoverable VAT. Irrecoverable VAT is charged to the Operating Cost Statement.

### **1.8 Change in Accounting Policy**

Staff working for the FSA Wales are seconded to FSA from other employers. In the 2000/01 accounts, FSA Wales recorded such costs as "staff costs." Recent Treasury guidance requires the costs of all inward secondees to be recorded as "other administration costs" within the Operating Cost Statement. The costs of inward seconded staff have been recorded as "other operating costs" in these accounts and prior year comparatives have been restated to ensure consistency. There is no effect on prior year net operating costs, or net cash requirement as a result of this change.



# 2 Seconded staff numbers and costs

The majority of staff working in FSA Wales are secondees from the National Assembly for Wales. The salary costs for secondees from the National Assembly for Wales are paid directly by the Assembly out of the direct funding requirement.

	2001/02 £000s	2000/01 £000s
a) <b>Staff Costs consist of:</b>		
<b>Staff Costs</b>	61	-
<b>Inward seconded staff</b>	490	332
	551	332
<b>Wages and Salaries</b>	459	276
<b>Social Security cost</b>	29	20
<b>Other Pension Costs</b>	63	36
	551	332

	2001/02	2000/01
b) <b>The average number of people employed by FSA Wales during the year by objective were as follows:</b>		
<b>Objective 1</b> Measurably improve public confidence in the National Food Safety and Standards arrangements	5	3
<b>Objective 2</b> Reduce foodborne illness by 20% over the next 5 years including reducing Salmonella in U.K. produced chickens on retail sale by at least 50% by the end of 2004/2005	8	6
<b>Objective 3</b> To protect consumers through improved food safety and standards	9	8
	22	17

	2001/02 £000s	2000/01 £000s
c) <b>Staff Costs by objective were as follows:</b>		
<b>Objective 1</b> Measurably improve public confidence in the National Food Safety and standards arrangements	119	79
<b>Objective 2</b> Reduce foodborne illness by 20% over the next 5 years including reducing Salmonella in U.K. produced chickens on retail sale by at least 50% by the end of 2004/2005	177	113
<b>Objective 3</b> To protect consumers through improved food safety and standards	255	140
	551	332

d) <b>Management Remuneration</b>		Salaries and Other Allowances	Increase in Pension Earned	Value of Accrued Personal Pension
		£5,000	£2,500	£5,000
		(£000)	(£000)	(£000)
	<i>Bands</i>			
Joy Whinney	Director, FSA Wales	45-50	0-2.5	5-10

All members of FSA Management Group have declined to give consent to publication of their ages.

# 3 Other administration costs

	2001/02 £000s	2000/01 £000s
Seconded Staff Costs (Note 2)	490	332
Rentals under operating leases:		
Hire of plant and machinery	34	7
Other operating leases	51	49
Non-cash items:		
Recharge for fixed asset usage	29	24
Audit fees	10	20
Operational costs	10	4
Accommodation costs	41	26
Staff overheads	74	41
Administration costs	113	142
IT costs	46	37
Committee costs	44	35
Other	-	1
	<b>942</b>	<b>718</b>

# 4 Net programme costs

## a Net Programme Costs

	2001/02 £000s	2000/01 £000s
<b>Monitoring and Surveillance:</b>		
Radiological Safety	-	4
Microbiological food Safety	-	366
Nutrition	439	21
Programme Review	1	345
Food Safety & Education	409	-
Press & Publicity Expenditure	4	-
Miscellaneous	185	-
	<b>1,038</b>	<b>736</b>

## b Net Programme Costs by Objectives

<b>Objective 1</b>		
Measurably improve public confidence in the National Food Safety and Standards arrangements	142	89
<b>Objective 2</b>		
Reduce foodborne illness by 20% over the next 5 years including reducing Salmonella in U.K. produced chickens on retail sale by at least 50% by the end of 2004/2005	421	320
<b>Objective 3</b>		
To protect consumers through improved food safety and standards	475	327
	<b>1,038</b>	<b>736</b>

## 5 Related-party transactions

None of the Board Members, key managerial staff or related parties have undertaken any material transactions with the FSA during the year. The FSA has had a number of transactions with other government departments and other central government bodies. The FSA's devolved office in Wales is staffed predominately by officers on loan from the National Assembly for Wales.

## 6 Movements in working capital other than cash

	2001/02	2000/01
	£000s	£000s
(Decrease) / Increase in debtors and prepayments	16	-
Decrease / (Increase) in creditors	(161)	(69)
	(145)	(69)

## 7 Debtors

	2001/02	2000/01
	£000s	£000s
Amounts falling due within one year:		
Other debtors and prepayments	16	-
<b>Total Debtors</b>	<b>16</b>	<b>-</b>

# 8 Creditors

	2001/02 £000s	2000/01 £000s
<b>Amounts falling due within one year</b>		
Trade creditors	38	21
Accruals and deferred income	195	51
Amounts issued from the Consolidated Fund for supply but not spent in year	70	-
	<b>303</b>	<b>72</b>

# 9 Advisory committee

In addition to the main FSA Board, the FSA has advisory committees to cover Scotland, Wales and Northern Ireland. The Committees act as independent 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 (Chairman)  
Dr Robert Bell  
Dr David Casemore  
Gilli Davies  
Professor Margaret Griffiths  
Professor James Parry  
Mrs Dilwen Philips  
Professor Robert Pickard  
David Smith

# direction

## 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

*Food Standards Agency*

# Westminster Funded Resource Accounts

Accounts for the year ended 31 March 2002





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# Annual Report

## Preparation of Accounts

The Food Standards Agency (FSA) Westminster funded resource accounts have been prepared in accordance with the direction given by the Treasury. The annual report is laid before Parliament under section 4 of the Foods Standards Act 1999, and the accounts are laid under the Government Resources and Accounts Act 2000. The costs of the FSA offices in Scotland, Wales and Northern Ireland are funded through the relevant devolved authority. This funding is excluded from these accounts but included in a consolidated FSA annual report and accounts published separately.

## Statutory Background

The FSA was established on 1 April 2000 by an Act of Parliament (Food Standards Act 1999). The main purpose of the agency is:

*'To protect public health from risks which may arise in connection with the consumption of food, and otherwise to protect the interests of consumers in relation to food.'*

On 1 April 2000, the Meat Hygiene Service (MHS) became an executive agency of FSA. The MHS was originally established on 1 April 1995 as an executive agency of the Ministry of Agriculture, Fisheries and Food.

Prior to the setting up of the FSA, the Joint Food Safety and Standards Group (JFSSG) within the Ministry of Agriculture, Fisheries and Food (MAFF) and the Department of Health (DH) carried out many of the functions now undertaken by the FSA. The JFSSG was subsumed by the FSA, when it was formed on 1 April 2000.

## Aims of the FSA

The aims of the FSA as set out in its Service Delivery Agreement are to:

- 1) Measurably improve public confidence in the national food safety and standards arrangements.
- 2) Reduce foodborne illness by 20% over the next 5 years, including reducing levels of Salmonella in UK produced chickens on retail sale by at least 50% by the end of 2004/05.
- 3) Protect consumers through improved food safety and standards by:
  - a) improving local authority enforcement;
  - b) promoting the use of Hazard Analysis and Critical Control Points in food businesses; and
  - c) improving the safety of fresh meat through MHS action to ensure the effective enforcement of hygiene controls.

Schedule 5 of the accounts shows a breakdown of the FSA's costs into these three aims.

Example of successes during the year include:

- the Food Hygiene Campaign was launched on 11 February 2002;
- the first report on the surveillance of food-borne disease and current trends was published in August 2001;
- the new, improved website [www.food.gov.uk](http://www.food.gov.uk) was launched in December 2001;
- precautionary advice on exposure via the diet to dioxins from Foot and Mouth disease pyres was issued on 25 May 2001, and was very well received;
- the first E. coli Task Force Report was issued in July 2001; and
- in addition to public Board Meetings held throughout the country, we have hosted stakeholder meetings to promote debate on issues of consumer concern and scientific uncertainty. This has included labelling of foods produced from GM technology and the theoretical risk of BSE in sheep.



## FSA Strategic Plan

In May 2001, we published our Strategic Plan for the years 2001/2006. The Plan sets out our key priorities for food safety, public information, labelling and choice, nutrition and diet, and food law enforcement over a five year period. In it we describe how we will put our core values of openness into practice. We also describe our democratic accountability and explain what we are doing to improve the way we work.

We aim to be trusted as the UK's most reliable source of advice and information about food. We want to protect and improve the safety of the food people eat, and to make it possible for people to choose a healthy diet. Over the period covered by our Strategic Plan we aim to:

- reduce food-borne illness by 20% by improving food safety right through the food chain;
- help people to improve their diet;
- promote honest and informative labelling to help consumers;
- promote best practice within the food industry;
- improve the enforcement of food law; and
- earn people's trust by what we do and how we do it.

## Operating and Financial Review

The breakdown of resource expenditure by funding body was:

	Available Budget £m	Expenditure £m
Westminster Funded FSA	104.6	88.7
Meat Hygiene Service	20.9	18.1
<b>Total FSA</b>	<b>125.5</b>	<b>106.8</b>

The net cost of the Westminster funded FSA was £106.8m against available funding of £125.5m to 31/03/02. This surplus will be carried forward, with Treasury agreement, into 2002/03 to help address future funding pressures which have already been identified. The FSA manages its spend over the three year Government Spending Review Period.

The net cost of the MHS, incorporated in the above Westminster figure was £18.1m, up from £3.7m in 2000/01. There was a fall off in industry income at the start of the year as a result of the Foot and Mouth disease outbreak. However, income from MAFF and subsequently the Department for Environment, Food and Rural Affairs (DEFRA) for Foot and Mouth disease control work undertaken to combat the disease covered the potential shortfall. The MHS net cost of operations has increased because smaller plants are now charged on a set headage amount rather than an actual hourly inspection basis. Whilst MHS costs remain the same, the resultant income is reduced.

A full explanation, detailing the spend against budget can be found in Schedule 1 of these accounts. Schedules 2 to 5 give the operating cost statement, balance sheet, cash flow statement and resource by departmental aim respectively with additional detail being provided in the notes to the accounts that follow the schedules.

## Structure and Organisation

The FSA is a non-Ministerial Government Department. Staff are accountable through a Chief Executive to the Board, rather than directly to Ministers. The Chief Executive was appointed by the Civil Service First Commissioner under Civil Service Commission rules, with the agreement of the Prime Minister. The Board consists of a Chairman, Deputy Chair and 12 members. The Chairman and Deputy Chair were appointed by the Secretary of State for Health, Scottish Ministers, the National Assembly for Wales and Northern Ireland Ministers. Two Board Members were appointed by Scottish Ministers, one by the National Assembly for Wales, and one by Northern Ireland Office Ministers. These members have special responsibility for Scottish, Welsh and Northern Irish issues. The other eight members were appointed by the Secretary of State for Health.

The Board is responsible for the FSA's overall strategic direction, for ensuring that legal obligations are fulfilled, and for ensuring that decisions and actions take proper account of scientific advice as well as the interests of consumers and other stakeholders. The annual increase in Board Members' remuneration is based on that recommended for office holders by the Senior Salaries Review Body. Senior Civil Service (SCS) staff salaries are uplifted in line with the central SCS performance based pay and review system.

The Board is accountable to Parliament through the Secretary of State for Health, to Health Ministers in Scotland and Wales, and to the Minister of Health, Social Services and Public Safety in Northern Ireland.

## The FSA Board

During the year, the following were members of the external FSA Board:

Sir John Krebs FRS	FSA Chair
Suzi Leather	FSA Deputy Chair
Other Board members:	
Sir John Arbuthnott	Chair of the Scottish Advisory Committee
Michael Gibson	
Ann Hemingway	Chair of the Advisory Committee for Wales
Michael Walker	Chair of the Advisory Committee for Northern Ireland
Richard Ayre	
Karol Bailey	
Baroness Valerie Howarth of Breckland, OBE	
Professor Jeya Henry	
Robert Rees	
Professor Bhupinder Sandhu	
Vernon Sankey	
Gurbux Singh	

Gurbux Singh resigned from the FSA Board on 8 May 2001.

Professor Bhupinder Sandhu left the FSA Board on 16 February 2002 at the end of her period of appointment.

## FSA Management Team

Day to day management of the FSA is exercised through a team of senior officials. The full management team as at 31 March 2001 was as follows:

Geoffrey Podger	Chief Executive and Accounting Officer
Jon Bell	Deputy Chief Executive and Director of Food Safety Policy
Pat Stewart	Director of Corporate Resources and Strategy Group and Principal Establishment and Finance Officer
David Statham	Director of Enforcement and Food Standards Group
Neil Martinson	Director of Communications
David Dunleavy	Director of Legal Services
George Paterson	Director of FSA Scotland
Joy Whinney	Director of FSA Wales
Morris McAllister	Director of FSA Northern Ireland

The Chief Executive of the Meat Hygiene Service as at 31 March 2002 was Chris Lawson. The MHS Chief Executive is also a member of the FSA management team.

All senior officials have been appointed under the rules laid down by the Civil Service Commissioners. Salary and pension details of the Board and Management Team are disclosed in Note 3.

In addition to the main FSA Board, we have set up Advisory Committees to cover Scotland, Wales and Northern Ireland. The Committees act as independent 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 membership of the committees is disclosed in the individual statement of account for Scotland, Wales and Northern Ireland.

## Funding of the FSA

The FSA is a non-Ministerial Government Department, funded by resource based supply.

## Specific Areas of Responsibility

The FSA has a wide remit that includes protecting public health, providing information and advice, ensuring food law is effective and enforced, co-ordinating research and development and surveillance, developing policy and representing the UK on food matters in Europe.

In undertaking these duties, the FSA seeks to operate under three guiding principles:

- putting the customer first;
- being open and accessible; and
- being an independent voice.

The work of the FSA involves food safety across the whole of the food chain, including:

- food contaminants – defining tolerable levels, risk management and policy;
- food additives, contact materials, and novel foods – including safety assessment and surveillance;
- microbiological safety and food hygiene including providing advice on the management of foodborne outbreaks and prevention of foodborne illness;
- inspection and enforcement action to protect consumers;
- local authority enforcement – developing policy, and auditing and improving enforcement;
- pesticides, veterinary medicines and animal feed – assessing food safety implications;
- food labelling and standards – developing policy, improving consumer choice and representing the UK in the European Union; and
- nutrition – providing advice and guidance on the nutritional composition of food, and providing information on a healthy, balanced diet, so as to promote and protect public health.

## The Meat Hygiene Service

The Meat Hygiene Service (MHS) is an executive agency of the FSA. The aim of the MHS is to safeguard public health and animal welfare at slaughter through the effective enforcement of legislation. Its main functions are to provide a meat inspection service to all licensed meat plants, and to ensure that the highest standards required by the law for the hygienic production of meat and for the welfare of animals at slaughter are maintained. The principal activities of the MHS are:

- the enforcement of hygiene rules in licensed fresh meat premises;
- the provision of meat inspection and controls on health marking in licensed red meat and poultry meat and wild game meat premises;
- the enforcement of hygiene controls in meat products, minced meat and meat preparation plants, that are co-located with licensed slaughterhouses; and
- the enforcement, in licensed fresh meat premises, of controls over SRM and other animal by-products, and controls prohibiting the sale of meat from cattle over 30 months of age.

The Westminster funded resource accounts for the FSA include the results for the MHS. The MHS has prepared its own annual report and accounts which provide additional detail.

## Staff Relations

The FSA attaches considerable importance to securing the full involvement of all staff in its work. During the year, we moved into our new central London headquarters, having previously occupied three separate offices. Staff are encouraged to use their own initiative to enhance the work of the FSA. Senior management meet formally at regular intervals with trade union representatives. The Chief Executive holds regular open meetings to which all staff are invited and encouraged to attend. "FSA Matters," an in-house newsletter, is circulated weekly to all staff, as well as "FSA News" every two months which informs staff in more detail of FSA activities. MHS staff have their own quarterly newsletter "MHS Update".

## Pensions

Employees of the FSA are civil servants and are members of the Principal Civil Service Pension Scheme (PCSPS). This is a Central Government unfunded pension scheme. Pension payments are made through the PCSPS resource account.

The FSA Board are not civil servants and are therefore not members of the PCSPS. However, arrangements are being made to provide pension benefits for certain Board Members.

The MHS has two separate pension schemes. The majority of staff are members of the Local Government Pension Scheme (LGPS), a defined benefit scheme which is governed by the Local Government Pension Scheme Regulations 1995, and administered by the London Pension Fund Authority (LPFA). Other MHS employees are members of the PCSPS.

## Equal Opportunities

The FSA aims to be a modern and equitable employer, and recognises and encourages the potential of a diverse workforce. The FSA is committed to equal opportunities and aims to ensure that everyone who works for or with the FSA should be treated fairly and with respect. Consequently, no employee or job applicant will be discriminated against either directly or indirectly on such grounds as race, gender, marital status, nationality, ethnicity, colour, religion, political beliefs, disability, age, sexual orientation, responsibility for dependants, working pattern or position in the organisation. The FSA operates a guaranteed interview scheme for people with disabilities (as defined by the Disability Discrimination Act 1995) who meet the minimum essential criteria for the appointment.

## Supplier Payment Policy

It is Government policy that all departments and agencies should pay all invoices not in dispute within 30 days of receipt, or the agreed contractual terms if otherwise specified. During the year 94% of invoices were paid on time.

## Departmental Report

The FSA Departmental Report Spring 2002 contained the FSA's resource estimate for 2001/02 plus core tables as specified by Treasury. The text of the Report covered the Agency's structure, organisation, purpose, and specific areas of responsibility. It also gave details of how the FSA was making progress towards meeting its Service Delivery Agreement targets, and meeting Modernising Government requirements.

## Auditors

The accounts have been audited by the Comptroller and Auditor General in accordance with the Government Resources and Accounts Act 2000. The audit certificate can be found on pages 124 and 125.

## Important Events which have occurred since the end of the Financial Year

None.

Geoffrey Podger  
Accounting Officer  
28 November 2002

# Statement of Accounting Officer's responsibilities

Under the Government Resources and Accounts Act 2000, 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.

The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department, the net resource outturn, resources applied to objectives, recognised gains and losses, and cash flows for the financial year.

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.

In preparing the accounts, the Principal Accounting Officer is required to comply with the Resource Accounting Manual prepared by HM Treasury, and in particular to;

- observe 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 Resource Accounting Manual, have been followed, and disclose and explain any material departures in the accounts;
- prepare the accounts on a going-concern basis.

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.

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 Officers' 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.

Geoffrey Podger  
Accounting Officer  
28 November 2002

# internal

Statement of internal control for  
FSA Westminster

As Accounting Officer of the Food Standards Agency, I have responsibility for maintaining a sound system of internal control that supports the achievement of organisational policies, aims and objectives as set by the FSA Board and the Food Standards Act, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

The system of internal control is designed to manage rather than eliminate 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 the principal risks to achievement of organisational policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. I expect to have this process in place and to have implemented all Treasury Guidance by March 2003. This takes account of the time needed to fully embed the processes, which the FSA has agreed should be established, and improve their robustness.

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. The Food Standards Agency already has in place many of the key elements of an effective system of internal control including:

- the Chief Executive's monthly meeting with UK Directors which acts as the "Management Board" of the FSA;
- internal audit arrangements, including a risk-based audit programme linked to the strategic risks of the organisation, which complies with Government standards;
- regular reports by internal audit, which include an independent opinion of the adequacy and effectiveness of the organisation's system of internal control together with recommendations for improvement;
- an Audit and Risk Committee, which meets at least three times a year with the Chair reporting to the FSA Board;
- a strategic plan which sets out the FSA's main aims and objectives for the next 5 years;
- a business and financial planning process which cascades throughout the organisation (corporate and local business plans) and which explicitly links business objectives, resource allocation and the consideration of business risk;
- a programme of training and support for the business planning process which includes risk management;
- regular performance reports to the Chief Executive's monthly meetings and to the FSA Board for both business and financial planning;
- a register of strategic risks which includes a comprehensive set of treatment plans with clear ownership of risks and actions, and agreed dates for delivery/review;
- regular (quarterly) formal review of the risk register at the Chief Executive's monthly meeting with UK Directors; and
- regular (6-monthly) progress report on internal controls, including the risk register, to the FSA Board.

The FSA management team has incorporated risk management and internal controls into the organisation's business agenda so they are reviewed and reported on regularly throughout the year. Risk management has also been incorporated more fully into the business planning process as a means of embedding risk awareness within the organisation. The planning process has been fully supported through a programme of targeted support to meet the needs of different parts of the organisation.

In addition to the actions mentioned above, in the coming year the FSA intends to:

- issue a risk policy statement and a risk management handbook setting out the arrangements in place within the organisation to manage business risk, including the process for risk escalation and the responsibilities of individuals throughout the organisation;
- continue to provide targeted support and training to meet the needs of different parts of the organisation including offices in Scotland, Wales and Northern Ireland, and the MHS; and
- obtain formal assurance from the Chief Executive of the Meat Hygiene Service on internal controls and have representation on the MHS Audit Committee.

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.

Geoffrey Podger

Chief Executive

28 November 2002

# Audit certificate

## The Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements on pages 126 to 146 under the Government Resources and Accounts Act 2000. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 131 to 132.

## Respective responsibilities of the Food Standards Agency, the Accounting Officer and Auditor

As described on page 121, the Accounting Officer is responsible for the preparation of the financial statements in accordance with the Government Resources and Accounts Act 2000 and Treasury directions made thereunder and for ensuring the regularity of financial transactions. The Accounting Officer is also responsible for the preparation of the other contents of the Accounts. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Government Resources and Accounts Act 2000 and Treasury directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Annual Report is not consistent with the financial statements, if the FSA has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Accounts, and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 122 and 123 reflects the FSA's compliance with Treasury's guidance Corporate Governance and the Statement of Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

## Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An 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 FSA in the preparation of the financial statements, and of whether the accounting policies are appropriate to the FSA'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 error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.



# Audit certificate

## Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Food Standards Agency (Westminster) at 31 March 2002 and of the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the year then ended, and have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by Treasury; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament 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

15 January 2003

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

Food Standards Agency  
**Schedule 1**  
 Westminster Funded Accounts 2001/02  
 Summary of resource outturn for the year ended 31 March 2002

	2001/02						Net Total Outturn compared with Estimated Saving/ (excess)	2000/01  Prior Year Outturn
	Estimate			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	180,735	(55,270)	125,465	149,055	(42,255)	106,800	18,665	78,510
<b>Total Resources</b>	<b>180,735</b>	<b>(55,270)</b>	<b>125,465</b>	<b>149,055</b>	<b>(42,255)</b>	<b>106,800</b>	<b>18,665</b>	<b>78,510</b>
<b>Net Cash Requirement</b>			<b>123,255</b>			<b>96,090</b>	<b>27,165</b>	<b>79,313</b>
Reconciliation of Resources to Cash Requirement	<b>Note</b>		<b>£000s</b>			<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b>Net Total Resources</b>			<b>125,465</b>			<b>106,800</b>	<b>18,665</b>	<b>78,510</b>
<b>Capital:</b>								
Purchase of fixed assets:								
cash purchase	11		1,101			1,445	(344)	6,265
Investments			-			-	-	-
<b>Non-operating A-in-A</b>			<b>-</b>			<b>-</b>	<b>-</b>	<b>-</b>
<b>Accruals Adjustments:</b>								
Non-cash items			(3,311)			(1,903)	(1,408)	(1,557)
Changes in working capital other than cash	14		-			(10,753)	10,753	(3,933)
Use of provision	18		-			501	(501)	28
<b>Net Cash Requirement (Schedule 4)</b>			<b>123,255</b>			<b>96,090</b>	<b>27,165</b>	<b>79,313</b>

**Explanation of the variation between Estimate and outturn (net total resources):**

- (i) FSA HQ resource spend for the year was around £16m less than the request for resource. The FSA manages its spend over the 3 year Government Spending Review period. The 2001/02 underspend will, with Treasury approval, be carried into 2002/03 to fund continuing planned FSA activity.
- (ii) The MHS net cost of operations was around £2m less than the request for resource. Although the gross spend was more than budget (predominantly due to Foot and Mouth disease control work), the associated income was similarly increased.

**Explanation of the variation between Estimate net cash requirement and outturn (net cash requirement):** see (i) and (ii) above

**Prior-period adjustments**

- (i) A change in accounting policy has been incorporated into the 2001/02 accounts. Previously the assets and liabilities relating to the FSA devolved offices were included on the Westminster Funded balance sheet. These assets and liabilities have been removed from the original 2000/01 figures to reflect the new accounting policy.

**Analysis of income payable to the Consolidated Fund**

There was no surrender of excess appropriations-in-aid or Consolidated Fund extra receipts payable to the Consolidated Fund.

**Actual outturn – resources:**

Request for resources: Actual amount net resources outturn £106,800,128.60. Actual amount in savings in resources over Estimate £18,664,872.40

**Actual outturn – cash:**

Net cash requirement: Outturn net requirement £96,089,835.49 which is £27,165,164.51 less than Estimate.

Food Standards Agency

# Operating Schedule 2

Westminster Funded Operating cost statement 2001/02  
for the year ended 31 March 2002

	Note	2001/02		2000/01 (restated)
		£000s	£000s	£000s
<b>Administration Costs:</b>				
Staff costs	2	60,816		54,560
Other administration costs	4	51,063		37,814
<b>Gross administration costs</b>			<b>111,879</b>	<b>92,374</b>
Operating income	6		(40,098)	(45,376)
<b>Net Administration Costs</b>			<b>71,781</b>	<b>46,998</b>
<b>Programme Costs:</b>				
Expenditure	5	37,177		34,184
Less: Income	6	(2,158)		(2,672)
<b>Net Programme Costs</b>	5		<b>35,019</b>	<b>31,512</b>
<b>Net Operating Cost</b>			<b>106,800</b>	<b>78,510</b>
<b>Net Resource Outturn</b>			<b>106,800</b>	<b>78,510</b>

All activities are continuing activities.

## Statement of Recognised Gains and Losses

for the year ended 31 March 2002

	Note	31 March, 2002		31 March, 2001
		£000s	£000s	£000s
Net gain (loss) on revaluation of fixed assets	20	41		5
Prior year Adjustment		(22)		-
<b>Total Recognised Gains (Losses) for the Year</b>		<b>19</b>		<b>5</b>

Food Standards Agency  
**Schedule 3**  
 Balance sheet  
 as at the year ended 31 March 2001

	Note	31 March 2002		31 March 2001 (Restated)
		£000s	£000s	£000s
<b>Fixed Assets:</b>				
Intangible assets	12	318		229
Tangible assets	13	6,437		6,576
			6,755	6,805
<b>Current Assets</b>				
Debtors	15	12,562		14,330
Cash at bank and in hand	16	7,656		7,155
<b>Total current assets</b>		<b>20,218</b>		<b>21,485</b>
Creditors (amounts falling due within one year)	17	(25,860)		(20,016)
<b>Net Current Assets</b>			(5,642)	1,469
<b>Total Assets less current liabilities</b>			1,113	8,274
Creditors (amounts falling due after more than one year)	17		(3,663)	
Provision for liabilities and charges	18		(561)	(943)
			(3,111)	7,331
<b>Taxpayer's Equity</b>				
General Fund	19		(3,173)	7,310
Revaluation Reserve	20		62	21
			(3,111)	7,331

Geoffrey Podger  
 Accounting Officer  
 28 November 2002

# Cash flow

## Schedule 4

Westminster funded cash flow statement  
for the year ended 31 March 2002

	Note	2001/02 £000s	2000/01 £000s
Net cash outflow from operating activities (a)		(94,645)	(73,048)
Capital expenditure and financial investment (b)	13	(1,445)	(6,265)
Financing from Consolidated Fund (c)		96,591	83,303
<b>(Decrease)/Increase in cash in the period</b>	16	<b>501</b>	<b>3,990</b>

**Notes:**

- a See the table below giving a reconciliation of operating cost to operating cash flows.  
b See the table below giving an analysis of capital expenditure and financial investment.  
c See the table below giving an analysis of financing and a reconciliation to the net cash requirement

**Reconciliation of operating cost to operating cash flows**

Net Operating Cost		106,800	78,510
Adjustments for non-cash transactions		(1,903)	(1,557)
Adjustments for movements in working capital other than cash	14	(10,753)	(3,933)
Use of provisions		501	28
<b>Net cash outflow/(inflow) from operating activities</b>		<b>94,645</b>	<b>73,048</b>

**Analysis of capital expenditure and financial investment**

Fixed asset additions	12 + 13	1,517	6,347
Proceeds from disposal of fixed assets		(72)	(82)
<b>Net Cash outflow/(inflow) from investing activities</b>		<b>1,445</b>	<b>6,265</b>

**Analysis of financing**

From the Consolidated Fund (Supply)		96,591	83,303
Decrease/(increase) in cash		(501)	(3,990)
<b>Net cash requirement (Schedule 1)</b>		<b>96,090</b>	<b>79,313</b>

Amount of Grant actually issued to support the net cash requirement = £96,591,239.00

Amount of Grant actually issued to support the prior year net cash requirement = £83,303,039.00

Food Standards Agency  
**Schedule 5**  
 Westminster funded resources by departmental aim and objectives  
 for the year ended 31 March 2002

	2001/02			2000/01		
	£000s Gross	£000s Income	£000s Net	£000s Gross	£000s Income	£000s Net
<b>Objective 1</b>						
Measurably improve public confidence in the National Food Safety and standards arrangements	22,070	(177)	21,893	22,358	(397)	21,961
<b>Objective 2</b>						
Reduce foodborne illness by 20% over the next 5 years including reducing Salmonella in UK produced chickens on retail sale by at least 50% by the end of 2004/2005	29,028	(1,473)	27,555	38,170	(2,305)	35,865
<b>Objective 3</b>						
To protect consumers through improved food safety and standards	97,957	(40,605)	57,352	66,030	(45,346)	20,684
	<b>149,055</b>	<b>(42,255)</b>	<b>106,800</b>	<b>126,558</b>	<b>(48,048)</b>	<b>78,510</b>

See Note 21

# Notes to the accounts

## 1 Accounting Policies

### 1.1 Basis of Preparation

The financial statements have been prepared in accordance with the 2001/02 Resource Accounting Manual (RAM) issued by HM Treasury. The accounting policies contained in the RAM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector. Where the RAM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the department for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Food Standards Agency (FSA) are described below. They have been applied consistently in dealing with items which are considered material to the accounts.

### 1.2 Accounting Convention

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of fixed assets and stocks, where material, at their value to the business by reference to their current costs.

### 1.3 Basis of Consolidation

These accounts comprise the consolidation of the core FSA and its executive agency, the Meat Hygiene Service (MHS). Transactions between entities included in the consolidation are eliminated. The MHS produces and publishes its own annual report and accounts.

### 1.4 Intangible Fixed Assets

Computer software licences with a purchased cost in excess of £2000 (including irrecoverable VAT and delivery) are capitalised as intangible fixed assets. All intangible fixed assets are revalued each 1 April using appropriate indices.

### 1.5 Tangible Fixed Assets

Individual or grouped tangible fixed assets with a purchase cost in excess of £2,000 (including irrecoverable VAT and delivery) are capitalised and revalued each 1 April using appropriate indices.

All tangible fixed assets are restated to current value each year. The FSA does not currently own any land or buildings. Non-property operational assets are revalued to open market value where obtainable, or on the basis of depreciated replacement cost where market value is not obtainable. Published indices appropriate to the category of asset are normally used to estimate value.

### 1.6 Depreciation

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 equipment	4-6 years
Office machinery	7 years
Furniture, fixtures and fittings	7 years
Vehicles	4 years

#### Intangible assets:

Computer software and software licences	5 years
---	---------

### 1.7 Stocks and Work in Progress

Consumables are valued at cost, if held for existing use, otherwise net realisable value.

### 1.8 Research & Development

Expenditure on research is not capitalised. Expenditure on development in connection with a product or services 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 RAM 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.

### 1.9 Operating Income

Operating income is income which relates directly to the operating activities of the FSA. Income represents total accrued income for the year, and is shown net of Value Added Tax. The FSA has income from milk and dairies sampling work and from radiological inspections. It includes both income appropriated-in-aid of the Vote and income to the Consolidated Fund, which HM Treasury has agreed should be treated as operating income. Additionally, the MHS has income from meat hygiene inspections and from government organisations (predominantly from Specified Risk Material controls).

### 1.10 Administration and Programme Expenditure

The operating cost statement is analysed between administration and programme costs. Administration costs reflect the cost of running the Department as identified under the administration cost-control regime, together with associated operating income. Income is analysed in the notes between that which, under the regime, is allowed to be offset against gross administrative costs in determining the outturn against the administration cost limit, and that operating income which is not. Programme costs reflect non-administration costs including other disbursements by the FSA. It should be noted that all expenditure by the Meat Hygiene Service, including staffing and administrative costs are regarded as administration costs for the purposes of resource accounting.

### 1.11 Cost of Capital

A charge reflecting the cost of capital used by FSA is included in operating costs. The charge is calculated at the Government's standard 6% rate on all assets less liabilities except cash balances with the Office of the Paymaster General (PMG) and liabilities surrendered to the Consolidated Fund. The charge is calculated on an annual basis.

### 1.12 Foreign Exchange

Income and expenditure items are translated into £ Sterling at the rate of exchange at the date of the transaction. Balance sheet items are translated at the balance sheet date rate of exchange or at a contracted rate if applicable. Any exchange gains or losses are reported in the operating cost statement.

### 1.13 Pensions

FSA 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. The department 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.

The majority of employees of the MHS are members of the Local Government Pension Scheme, a defined benefit scheme which is governed by the Local Government Pension Scheme Regulations 1995, and administered by the London Pension Fund Authority. Other MHS employees are members of the PCSPS.

### 1.14 Early Departure Costs.

The FSA is required to meet the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early. The department provides in full for this cost when the early retirement programme and similar schemes have been announced and are binding on the department.

### 1.15 Operating Leases

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

### 1.16 Audit Costs

A charge reflecting the cost of the audit is included in the operating costs. The FSA is audited by the Comptroller and Auditor General. No charge is made for this service but a notional charge representing the cost of the audit is included in the accounts.

### 1.17 Value Added Tax

The net amount of Value Added Tax (VAT) due to or from Customs and Excise is shown as a debtor or creditor on the balance sheet. Irrecoverable VAT is charged to the operating cost statement, or if it is incurred on the purchase of a fixed asset it is capitalised in the cost of the asset.

### 1.18 Provisions and Contingent Liabilities

Provisions are recognised in the accounts where;

- a) there is a present obligation as a result of a past event;
- b) it is probable that a transfer of economic benefits will be required to settle the obligation;
- c) a reliable estimate can be made of the amount.

Provisions have not been discounted, as the resulting adjustment is not considered material to these accounts.

Contingencies are disclosed in the notes to the accounts unless the possibility of transfer in settlement is remote.

### 1.19 Change in accounting policy and prior year adjustments

There has been a change in accounting policy incorporated into the 2001/02 accounts. Previously all fixed assets, irrespective of how the original purchase was funded, have been included in both the Westminster and Consolidated FSA balance sheets. Creditor and debtor balances relating to devolved FSA offices were treated in a similar way. Current FSA accounting policy is that all the assets and liabilities relating to the devolved FSA offices are removed from the Westminster resource account (but remain in the Consolidated FSA accounts). The figures for 2000/01 have been restated to reflect this change in accounting policy. There is no effect on the prior year operating cost statement as a result of this change.

The MHS is an executive agency of the FSA. In the 2000/01 accounts the MHS had been previously included as programme expenditure. This policy has been revised, and the MHS is now consolidated into the FSA accounts on an administrative cost basis. The figures for 2000/01 have been restated to take into account the change in accounting policy. There is no net effect on the net operating costs as a result of this change.

In order to accord with the accounting policies contained in the Resource Accounting Manual, FSA have included for a liability for amounts drawn down from the consolidated fund but not spent at year end. Prior year comparatives have been restated to ensure consistency of accounting policy between years. There is no net effect on net operating cost as a result of this change in accounting policy.



# 2 Staff costs

a) Staff Costs for 2001/02 Comprised:

	2001/02			2000/01
	FSA(HQ) Westminster			FSA(HQ)
	Staff	Board	Total	Total
	£	£	£	£
Wages and Salaries	15,118,880	313,030	15,431,910	13,164,096
Social Security cost	1,114,642	27,674	1,142,316	1,030,191
Other Pension costs	2,099,109	34,538	2,133,647	1,840,446
	18,332,631	375,242	18,707,873	16,034,733

Meat Hygiene Service

	2001/02	2000/01
	MHS	MHS
	Total	Total
	£	£
Wages and Salaries	35,906,000	33,027,000
Social Security cost	2,798,000	2,402,000
Other Pension costs	3,404,000	3,096,000
	42,108,000	38,525,000

The PCSPS is an unfunded multi-employer defined benefit scheme but the FSA is unable to identify its share of the underlying assets and liabilities.

A full actuarial valuation was carried out at 31 March 1999. Details can be found in the resource accounts of the Cabinet Office; Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2001/2002, employers' contributions of £2.1 million were paid to the Principal Civil Service Pension Scheme (PCSPPS) at one of four rates in the range of 12 to 18.5 per cent, subject to revaluation of the salary bands. Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

The Chief Executive of the MHS is a member of the PCSPPS. Contributions were paid by the MHS at the rate of 18.5%. All other members of the MHS Management Group except for Michael McEvoy and Barry Gillman are members of the Local Government Pension Scheme to which the MHS makes contributions at the rate of 12.6%.

The FSA's contribution to pensions are:

Salary Band 1	£14,500	and under	12%
Salary Band 2	£14,501	to £30,000	13.50%
Salary Band 3	£30,001	to £52,000	16.50%
Salary Band 4	£52,001	and over	18.50%

Provisions for early departure costs are in Note 18.

b) The average number of whole-time equivalent persons employed by the FSA and MHS (including senior management) during the year 2001/02 were as follows:

	2001/02	2000/01
	Total	Total
Objective 1	164	137
Objective 2	185	224
Objective 3 (including all MHS staff members)	1,706	1,623
	2,055	1,984

Note: total staff numbers for 2000/01 have been corrected to remove committee members previously included in error.

c) Staff Costs by objective were as follows:

	2001/02	2000/01
	Total	Total
	£	£
Objective 1	5,612,475	4,489,725
Objective 2	6,173,723	7,215,630
Objective 3 (including all MHS staff costs)	49,030,053	42,854,378
	<b>60,816,251</b>	<b>54,559,733</b>

For further details on MHS staff costs and numbers please refer to the 2001/02 MHS Annual Report and Accounts.

## 3 Management remuneration

a) The salary and pension entitlements Board Members and senior management of the department were as follows:

		2001/02			2000/01
		Salaries and other allowances	Real increase in Pension at age 60	Total accrued Pension at age 60 31 Mar '02	Salaries and other allowances
<i>Bands</i>		£5,000	£2,500	£5,000	£5,000
		£000s	£000s	£000s	£000s
<b>i) FSA</b>					
Geoffrey Podger	Chief Executive	110-115	2.5-5	35-40	100-105
Dr Jon Bell	Director, FS&P Group	75-80	5-7.5	20-25	60-65
Pat Stewart	Director, C R & S Group	80-85	2.5-5	30-35	65-70
David Statham	Director, E & FS Group	75-80	0-2.5	0-5	40-45
David Dunleavy	Director, Legal Services	80-85	0-2.5	15-20	10-15

Neil Martinson (Director, Communications) from the FSA Management Group has declined to give his consent to the publication of his personal details and such information is not therefore included in these notes.

FSA senior managers received no taxable benefits in kind during 2001/02.

ii) MHS

		(MHS)	(MHS)	(MHS)	(MHS)
<i>Bands</i>		£000s	£000s	£000s	£000s
Chris Lawson	Chief Executive (from 2.1.01)	90-95	10-12.5	35-40	15-20
Johnston McNeill	Chief Executive (to 31.12.00)	-	-	-	70-75

Information relating to the salary and pension details of the other senior managers within the MHS are disclosed within its Annual Accounts for the financial year 2001/02.

iii) Food Standards Agency Board

		Salaries and Other Allw'ces	Real increase in Pension at age 60	Total accrued Pension at age 60 31 Mar '02	Salaries and Other Allw'ces
	<i>Bands</i>	£5,000 £000	£2,500 £000	£5,000 £000	£5,000 £000
Prof. Sir John Krebs	Chair	100-105	0-2.5	0-5	95-100
Suzi Leather	Deputy Chair	45-50	0-2.5	0-5	30-35
Ann Hemingway		25-30	0-2.5	0-5	20-25
Michael Gibson		20-25	0-2.5	0-5	20-25
Michael Walker		20-25	na	na	20-25
Prof. Sir John Arbuthnott		20-25	0-2.5	0-5	20-25
Bhupinder Sandhu		5-10	-	-	5-10
Jeya Henry		5-10	-	-	5-10
Karol Bailey		10-15	-	-	5-10
Richard Ayre		5-10	-	-	5-10
Robert Rees		10-15	-	-	5-10
Dame Valerie Howarth of Breckland, OBE		5-10	-	-	5-10
Vernon Sankey		5-10	-	-	5-10

Notes:

- "Salary" includes gross salary, performance pay or bonuses; overtime; reserved rights to London Weighting or London allowances; recruitment and retention allowances, private office allowances and any other allowance to the extent that it is subject to UK taxation.
- All members of FSA Management Group have declined to give consent to publication of their age.
- Five members of the FSA Board are members of a by analogy pension scheme similar to the PCSPS. Michael Walker has a similar contribution paid into his personal pension scheme.
- None of the above received benefits in kind.
- Bhupinder Sandhu ceased to receive any remuneration at the end of her contract on 16 February 2002.

## 4 Other administration costs

	2001/02		2000/01 (restated)
	£000s	£000s	£000s
<b>Rentals Under Operating Leases:</b>			
Hire of plant and machinery		200	103
Other operating leases		3,753	2,010
<b>Non-cash Items:</b>			
Depreciation	1,510		824
Cost of capital	150		557
Audit fees	140		150
Provision for early departure costs	119		132
Profit on disposal of fixed assets	(26)		(3)
Rent and Management services	10		22
<b>Total non-cash items</b>		<b>1,903</b>	<b>1,682</b>
Operational costs		1510	1,155
OVS and MHI contract costs		25,460	16,916
Accommodation costs		4,439	3,677
Board and staff overheads		6,058	4,621
Administration costs		5,262	4,511
IT costs		1,741	2,137
Early Departure Costs		(175)	125
Provision for bad debts		889	870
Bad Debts written off		39	20
Interest received		(16)	(13)
		<b>51,063</b>	<b>37,814</b>

The auditors received no remuneration for non audit work.

# 5 Net programme costs

	2001/02	2000/01
	£000s	(restated) £000s
<b>Research and Development:</b>		
Nutrition	3,771	6,342
Microbiological Food Safety	4,001	4,340
Meat Hygiene	4,108	3,243
Chemical Safety	2,624	2,838
Novel Food & Chemical Safety Toxicology	2,811	2,133
Chemical Contaminants	886	1,515
Food Labelling & Standards	715	1,367
Radiological Safety	567	1,161
Miscellaneous	370	446
	<b>19,853</b>	<b>23,385</b>
<b>Monitoring and Surveillance:</b>		
Meat Hygiene	90	-
Radiological Safety	2,588	2,937
Micro Food Safety	5,994	2,121
Committees, Press & Publicity	2,107	1,577
Nutrition	1,106	1,441
Chemical Contaminants	1,177	1,282
Animal Feedingstuff	1,538	-
Miscellaneous	2,724	1,441
	<b>17,324</b>	<b>10,799</b>
	<b>37,177</b>	<b>34,184</b>
<b>Less: Programme income</b>		
FSA(HQ)	(2,158)	(2,672)
	<b>35,019</b>	<b>31,512</b>

# 6 Analysis of income

	2001/02 £000s	2000/01 £000s
<b>Operating income is analysed by classification and activity, is as follows:</b>		
All operating income is included within public expenditure		
<b>Administration income:</b>		
From Government Departments and others	662	277
Meat Hygiene sampling Service activity	39,436	45,099
	40,098	45,376
<b>Programme income:</b>		
Milk and Dairy Hygiene sampling and inspections	15	134
Radioactive Substances Act 1993	2,143	2,538
	2,158	
	<b>42,256</b>	<b>48,048</b>

An analysis of income from services provided to external and public sector customers is as follows:

	2001/02			2000/01		
	Income £000s	Full Cost £000s	Surplus/ (Deficit) £000s	Income £000s	Full Cost £000s	Surplus/ (Deficit) £000s
<b>Meat Hygiene Service activity</b>						
Industry	20,601	38,736	( 18,135)	34,659	38,408	( 3,749)
Government	18,835	18,835	-	10,440	10,440	-
<b>Milk and Dairy Hygiene</b>						
– sampling and inspections	15	107	( 92)	134	237	( 103)
Radioactive Substances Act 1993	2,143	2,786	( 643)	2,538	2,522	16
	<b>41,594</b>	<b>60,464</b>	<b>(18,870)</b>	<b>47,771</b>	<b>51,607</b>	<b>(3,836)</b>

The MHS does not recover all its costs from industry. During 2001/02 the Maclean report recommendation on charging was introduced. In summary MHS income from industry moved from an hourly rate methodology to one based on headage rates. Additionally some costs (such as debt recovery and write off) cannot be recovered from industry, based on the interpretation of EU law.

# 7 Administration cost limits

The outturn within the administration costs control regime shown against individual administration cost limits is as follows:

	2001/02		2000/01	
	Outturn £000s	Limits £000s	Outturn £000s	Limits £000s
Request for resources 1	49,934	53,182	30,729	34,377
	<b>49,934</b>	<b>53,182</b>	<b>30,729</b>	<b>34,377</b>

# 8 Reconciliation of net operating cost to control total and net resource outturn

	2001/02 £000s	2000/01 £000s
Net Operating Cost	106,800	78,510
Operating Income not classified as A-in-A	-	-
Consolidated Funding standing services	-	-
Net Resource outturn	<b>106,800</b>	<b>78,510</b>

# 9 Analysis of net operating cost

This note analyses funding by the Department to the relevant spending authority.

Spending Body:	2001/02	2001/02	2000/01	2000/01
	Budget £000s	Actual £000s	Budget £000s	Actual £000s
Core Department	104,594	88,665	81,844	74,761
MHS	20,871	18,135	10,978	3,749
<b>Total</b>	<b>125,465</b>	<b>106,800</b>	<b>92,822</b>	<b>78,510</b>

# 10 Analysis of net resource outturn and net operating cost by function

	Admin £000s	Other Current £000s	Current Costs £000s	A-in-A £000s	Net Total £000s	Estimate £000s	2001/02 Net total Outturn Compared with Estimate £000s
Request for Resources 1							
Function 1 FSA HQ	34,154	57,410	-	(2,899)	88,665	104,594	15,929
Function 2 MHS	77,725	-	-	(59,590)	18,135	20,871	2,736
<b>Total</b>	<b>111,879</b>	<b>57,410</b>	<b>-</b>	<b>(62,489)</b>	<b>106,800</b>	<b>125,465</b>	<b>18,665</b>

	Admin £000s	Other Current £000s	Current Costs £000s	A-in-A £000s	Net Total £000s	Estimate £000s	2000/01 Net total Outturn Compared with Estimate £000s
Request for Resources 1							
Function 1 FSA HQ	27,588	49,845	-	(2,672)	74,761	81,844	7,083
Function 2 MHS	64,634	-	-	(60,885)	3,749	10,978	7,229
<b>Total</b>	<b>92,222</b>	<b>49,845</b>	<b>-</b>	<b>(63,557)</b>	<b>78,510</b>	<b>92,822</b>	<b>14,312</b>

# 11 Analysis of capital expenditure, financial investment and associated A-in-A

	2001/02				2000/01			
	Capital Expenditure £000s	Loans etc. £000s	A-in-A £000s	Net Total £000s	Capital Expenditure £000s	Loans etc. £000s	A-in-A £000s	Net Total £000s
Request for Resources 1	1,517	-	(72)	1,455	6,537	-	-	6,537
<b>Total</b>	<b>1,517</b>	<b>-</b>	<b>(72)</b>	<b>1,455</b>	<b>6,537</b>	<b>-</b>	<b>-</b>	<b>6,537</b>

# 12 Intangible fixed assets

Software  
Licences  
£000s

<b>Cost or valuation:</b>	
At 1 April 2001	349
Additions	160
Revaluation and indexation	(13)
Impairment	(12)
<b>At 31 March 2002</b>	<b>484</b>
<b>Depreciation:</b>	
At 1 April 2001	120
Charged in year	64
Revaluation and indexation	(18)
Impairment	0
<b>At 31 March 2002</b>	<b>166</b>
<b>Net Book Value at 31 March 2002</b>	<b>318</b>
<b>Net Book Value at 31 March 2001</b>	<b>229</b>



# 13 Tangible fixed assets

	Fixtures & Fittings £000s	Office Equipment £000s	Computer Equipment & Software £000s	Motor Vehicles £000s	Total £000s
<b>Cost or valuation</b>					
At 1 April 2001	5,478	179	1,636	594	7,887
Additions	777	93	346	141	1,357
Revaluation and indexation	(33)	3	1	1	(28)
Impairment	62	2	(123)	1	(58)
Disposals	-	-	(329)	(280)	(609)
<b>At 31 March 2002</b>	<b>6,284</b>	<b>277</b>	<b>1,531</b>	<b>457</b>	<b>8,549</b>
<b>Depreciation</b>					
At 1 April 2001	153	69	812	277	1,311
Charged in year	857	55	379	135	1,426
Revaluation and indexation	5	4	(98)	2	(87)
Impairment	-	-	-	-	-
Disposals	-	-	(329)	(209)	(538)
<b>At 31 March 2002</b>	<b>1,015</b>	<b>128</b>	<b>764</b>	<b>205</b>	<b>2,112</b>
<b>Net Book Value</b>					
<b>At 31 March 2002</b>	<b>5,269</b>	<b>149</b>	<b>767</b>	<b>252</b>	<b>6,437</b>
<b>Net Book Value at 31 March 2001</b>	<b>5,325</b>	<b>110</b>	<b>824</b>	<b>317</b>	<b>6,576</b>

The difference arising between the purchase of fixed assets and additions are capital creditors and accruals. Assets purchased for the Devolved Authorities have been excluded from the figures. Last years figures have been restated to reflect this.

# 14 Movements in working capital other than cash

	2001/02 £000s	2000/01 (restated) £000s
(Decrease)/Increase in debtors	(1,769)	2,109
Decrease/(Increase) in creditors	(8,984)	(6,042)
	<b>(10,753)</b>	<b>(3,933)</b>

# 15 Debtors

	31 March 2002	31 March 2001 (restated)
	£000s	£000s
<b>Amounts falling due within one year:</b>		
Trade debtors	6,851	10,380
Owed by other government departments	1,485	1,314
VAT recoverable	2,439	2,027
Other debtors	1,378	446
Prepayments and accrued income	387	143
	<b>12,540</b>	<b>14,310</b>
<b>Amounts falling due after more than one year:</b>		
Other debtors	22	20
<b>Total Debtors</b>	<b>12,562</b>	<b>14,330</b>

# 16 Cash at bank and in hand

	2001/02	2000/01
	£000s	£000s
Balance at 1 April	7,155	3,165
Net cash inflow/(outflow):		
Core department	501	3,990
<b>Balance as at 31 March</b>	<b>7,656</b>	<b>7,155</b>
<b>The following balances at 31 March are held at:</b>		
Office of HM Paymaster General	7,376	6,596
Commercial bank accounts	280	559
	<b>7,656</b>	<b>7,155</b>
<b>The balance at 31 March comprises</b>		
Cash due to the Consolidated Fund:		
Amounts issued from the Consolidated Fund for supply but not spent at year end	7,656	7,155

# 17 Creditors

	31 March 2002	31 March 2001 (restated)
	£000s	£000s
<b>Amounts falling due within one year</b>		
Trade creditors	6,149	5,396
Other creditors	550	717
Accruals and deferred income	11,505	6,799
Amounts issued from the Consolidated Fund for supply but not spent in year	7,656	7,104
	<b>25,860</b>	<b>20,016</b>
<b>Amounts falling due after more than one year</b>		
Long term liabilities	3,663	-
	<b>29,523</b>	<b>20,016</b>

# 18 Provisions for Liabilities and charges

	Early Departure Provision £000s	Foot & Mouth Provision £000s	Pension £000s	Legal Claims £000s	Total £000s
As at 1 April 2001	517	178	212	36	943
Arising during the year	154	48	-	79	281
Utilised during the year	(111)	(178)	(212)	-	(501)
Reversed unused during the year	(162)	-	-	-	(162)
<b>As at 31 March 2002</b>	<b>398</b>	<b>48</b>	<b>-</b>	<b>115</b>	<b>561</b>

#### Early departure and pension costs

Early departure provision and pension provisions refer 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 programme becomes binding on the department by establishing a provision for the estimated payments discounted by the Treasury discount rate of 6% in real terms. In past years the FSA paid in advance some of its liability for early retirement by making a payment to the Paymaster General's Account at the Bank England for the credit of the Civil Service Superannuation Vote. The balance remaining is treated as a prepayment.

#### Foot and Mouth Provision

The Foot and Mouth Provision refers to potential claims from contract official veterinary surgeons for standby availability during February/March 2002.

#### Legal Claims

The remaining provision is in relation to two compensations claims made against the former Ministry of Agriculture, Fisheries and Food (MAFF) which the FSA has now taken over responsibility for. The provision reflects all known claims where legal advice has been sought. Legal claims which may succeed but are less likely to do so or cannot be estimated reliably are disclosed as contingent liabilities in note 25.

# 19

## Reconciliation of net operating cost to changes in general fund

	2001/02		2000/01	
	£000s	£000s	£000s	£000s
Net operating cost for the year (Schedule 2)	(106,800)		(78,510)	
Income not appropriated in aid to Consolidated Fund	-		-	
		(106,800)		(78,510)
Net Parliamentary funding		103,695		83,442
Transferred to general fund of realised element of revaluation reserve (Note 20)		-		-
Consolidated Fund Creditor for cash unspent		(7,656)		(7,104)
<b>Non cash charges:</b>				
Cost of capital	150		557	
Early Departure	-		7	
Rent and Management Services	10		39	
Auditor's fees	140		150	
		300		753
Prior Year adjustments		(22)		-
<b>Net decrease in general fund</b>		<b>(10,483)</b>		<b>(1,419)</b>
General Fund at 1 April		7,310		8,729
<b>Balance at 31 March 2002</b>		<b>(3,173)</b>		<b>7,310</b>

The General Fund represents the net assets vested in the FSA at 1 April 2000 (stated at historical cost less accumulated depreciation at that date), the surplus or deficit generated from notional charges and trading activities, and the Vote funding arising since that date.

# 20

## Reserves

	2001/02		2000/01	
	£000s	£000s	£000s	£000s
Balance at 1 April 2001		21		16
Arising on revaluation during the year (net)		41		5
Transferred to general fund in respect of realised element of revaluation reserve		-		-
<b>Balance at 31 March 2002</b>		<b>62</b>		<b>21</b>

The Revaluation Reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments.

# 21 Notes to schedule 5

FSA's capital is employed exclusively for administration purposes. Its distribution amongst objectives is therefore not markedly different from the proportion of the related gross administration cost.

Programme cost and other current expenditure has been allocated as follows:

	2001/02 £000s	2000/01 £000s
Objective 1	5,576	5,811
Objective 2	8,923	10,255
Objective 3	22,677	18,118
	<b>37,176</b>	<b>34,184</b>

# 22 Capital commitments

	2001-02 £000s	2000-01 £000s
Contracted	32	1,076

At the end of March 2002 the MHS had commitment of capital items to the value of £32,000.

# 23 Annual commitments under operating leases

	2001-02		2000-01	
	Land & Buildings £000s	Other £000s	Land & Buildings £000s	Other £000s
Operating leases which expire:				
Within one year	-	-	-	-
Between one and five years	-	126	-	120
After five years	4,323	84	4,089	82
	<b>4,323</b>	<b>210</b>	<b>4,089</b>	<b>202</b>

## 2.4 Other commitments

FSA has entered into non cancellable contracts (which are not operating leases) for various research and development projects totalling £44,976,433.00 as at 31 March 2002.

This includes commitments up to year 2006.

## 2.5 Contingent liabilities

There are a number of small claims being made by plant operatives and MHS employees for injuries sustained in the workplace or unfair dismissal. These cases will be defended and as yet the outcome is not known but could cost approximately £118,000. No provision has been made in the accounts this year. There was no provision at the end of the prior year.

## 2.6 Related Party transactions

The following Board members advised of related party transactions:

Karol Bailey has disclosed that members of her family run a poultry slaughterhouse business, which receives services from the MHS.

Michael Walker has disclosed that a practice, in which he is a partner, has received fees for around £720 from the FSA for analytical research.

The FSA has had a number of transactions with other government departments and other central government bodies.

## 2.7 Financial instruments

The FSA has no borrowings and relies primarily on departmental grants for its cash requirements, and is therefore not exposed to liquidity risks. It also has no material deposits, and all material assets and liabilities are denominated in sterling, so it is not exposed to interest rate risk or currency risk.

# direction

## Accounts Direction Given by the Treasury in Accordance with Section 5 (2) of the Government Resources and Accounts Act 2000

The Food Standards Agency shall prepare resource accounts for the year ended 31 March 2002 in compliance with the accounting principles and disclosure requirements of the edition of the Resource Accounting Manual issued by H M Treasury ("the Resource Accounting Manual") which is in force for that financial year.

The accounts shall be prepared so as to give a true and fair view of the state of affairs at 31 March 2002 and of the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year then ended.

Compliance with the requirements of the Resource Accounting Manual will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the Resource Accounting Manual is inconsistent with the requirement to give a true and fair view, the requirements of the Resource Accounting Manual should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the Resource Accounting Manual. Any material departure from the Resource Accounting Manual should be discussed in the first instance with the Treasury.

David Loweth  
Head of Central Accountancy Team, Her Majesty's Treasury  
31 January 2002





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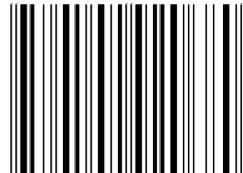
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