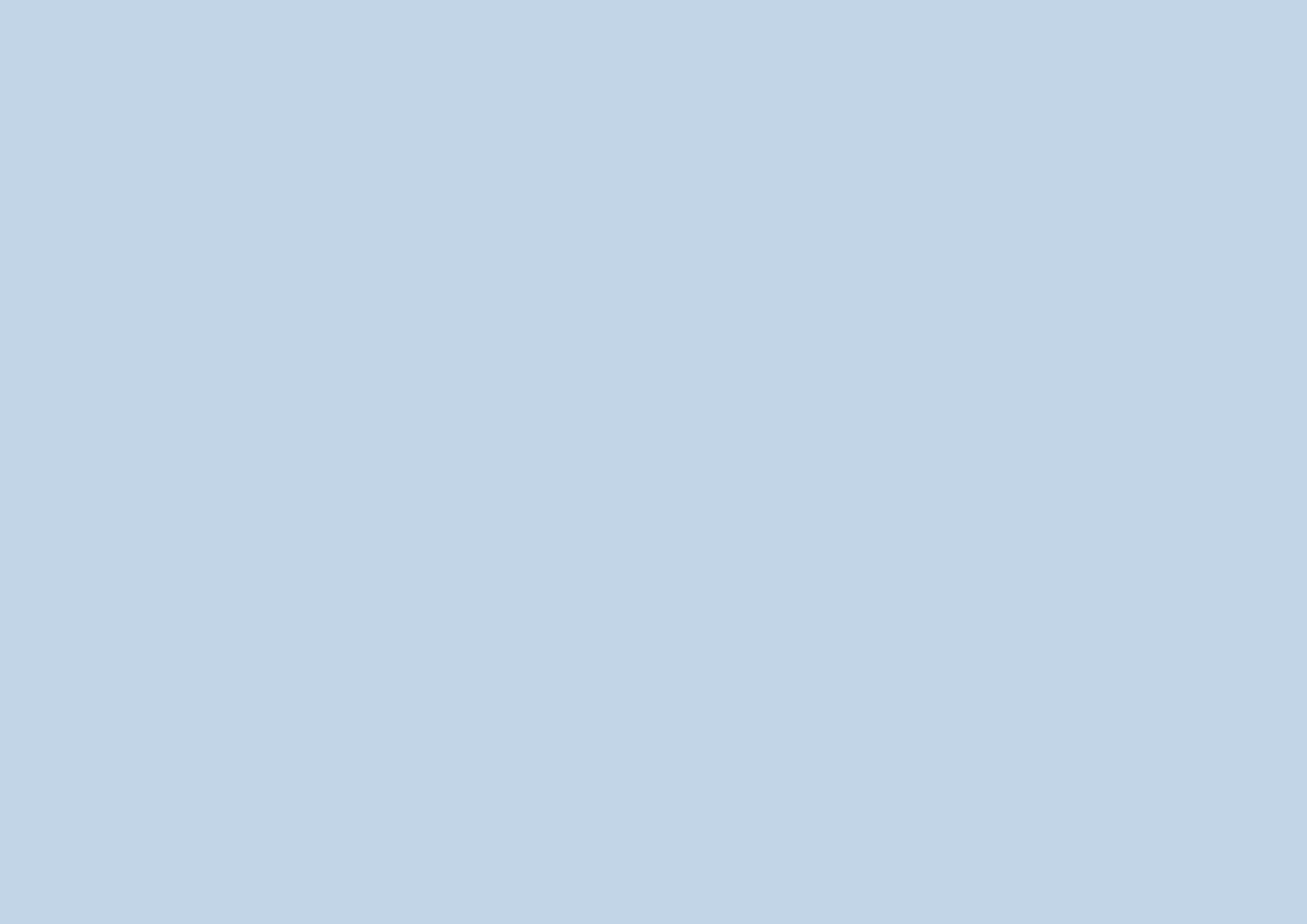


Food Standards Agency  
Annual Report and Accounts  
2002/03

Presented to Parliament under Section 4 of the Food Standards Act 1999  
Ordered by the House of Commons to be printed 25th March 2004



## Annual Report and Accounts 2002/03

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# Chief Executive's foreword



I am pleased to lay before the Westminster Parliament, the Scottish Executive, the National Assembly for Wales and the Northern Ireland Assembly the Food Standards Agency Annual Report and Accounts for 2002/03. This covers the third year of activity for the Food Standards Agency and sets out what we have done to protect the public's health and consumers' interest in relation to food.

We published our Strategic Plan for 2001/06 in May 2001. It set out our key priorities for: food safety; public information, labelling and choice; nutrition and diet; and food law enforcement over a five-year period. 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. Campylobacter is the single biggest cause of foodborne illness in this country and there is strong evidence that chicken is the major source. We therefore developed a strategy for controlling campylobacter in chickens earlier this year and issued it for formal consultation in June. This focuses on improving on-farm hygiene measures and considers options for control at poultry processing plants.

Our five-year Food Hygiene Campaign, launched in 2002, using television, radio and press advertising, continues to be a major activity. Comprehensive evaluation of campaign activity shows that messages are beginning to get through and awareness rise. A training video has been sent to all caterers on our database (over 300,000 businesses). This has won several prestigious awards and has proved very popular with caterers and food hygiene trainers alike.

The Food Standards Agency's third survey of consumer attitudes to food carried out in 2003 highlighted a number of issues. The most noteworthy are a small but steady decline in concerns over the safety of meat and a significant decrease in concern about types of meat such as beef, pork, lamb, and raw meat compared to three years ago.

Confidence in the role played by the Food Standards Agency has also increased significantly, with 60% of consumers now claiming to be very or fairly confident in the Agency's role in protecting health with regard to food safety, generally an increase of 10% since 2000.

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 to enable them to be able to contribute to the development of Agency policy. This year, for example, we 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 to give consumers the opportunity to discuss its draft report on the effect of mixtures of pesticides and veterinary medicines.

The Agency is innovative in the way it reaches consumers. Our website is an increasingly important medium for communicating with our stakeholders. The number of hits on [www.food.gov.uk](http://www.food.gov.uk) in 2002 (monthly average of nearly 664000 visits in May – October 2002) continues to increase in 2003 and is now comparable to other major public service websites such as NHS Direct. For our response to the study on the Policy Commission on Farming and Food, we used a variety of methods to gather people's views including 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 have continued to work to ensure consumers understand what constitutes a healthy balanced diet, and to encourage people to eat accordingly. We have also vigorously pursued an action plan designed to deliver the outcomes set out in the Agency's Nutrition Strategy. We work closely with Health Departments in all four parts of the United Kingdom, other Government departments and local authorities on diet and nutrition. The Agency's Nutrition Forum, the Scottish Diet and Nutrition Forum and Welsh stakeholder workshops are all playing crucial roles in developing individual initiatives across the UK.

Local authorities continue to work in partnership with the Agency to ensure that that public health is not compromised by threats to food safety. For example, this year, local authorities were instrumental in ensuring that emergency EU legislation, on preventing import of products of animal origin from China which might contain dangerous veterinary drug residues, was put into place quickly and 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.

A handwritten signature in black ink, appearing to read 'Jon Bell', with a long horizontal flourish extending to the right.

Dr Jon Bell  
January 2004

Food Standards Agency  
**Structure**

Prof. Sir John Krebs  
Chairman

Dr Jon Bell  
Chief Executive

Julia Unwin  
Deputy Chair

**Board Members**  
Dr Sati Ariyanayagam  
Richard Ayre  
Chrissie Dunn  
Michael Gibson  
Ann Hemingway  
Baroness Valerie Howarth  
Iain MacDonald  
Professor Andrew Miller  
Robert Rees  
Vernon Sankey  
Sandra Walbran  
Michael Walker



**David Statham**  
Director of  
Enforcement and Food Standards

**Chris Lawson**  
Chief Executive  
Meat Hygiene Service

**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**  
Local Authority Enforcement  
Division

**Sarah Appleby**  
(Acting HoD)  
Imported Food Division

**Pat Stewart**  
Deputy Chief Executive  
and Director of Corporate Resources  
and Strategy

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

**Brian Davies**  
Personnel and  
Establishments Division

**Barbara Richards**  
Corporate Secretariat,  
Consumers and  
International Division

**Derrick Jones**  
Economics and Analytical  
Division

**Julie Norman/David Atkins**  
Strategic Development Unit

**Dr Alison Gleadle**  
Private Office

**Dr Andrew Wadge**  
Director of  
Food Safety Policy

**Neil Martinson**  
Director of Communications

**David Dunleavy**  
Director of Legal Services

**Dr George Paterson**  
Director of FSA Scotland

**Steve Wearne**  
Interim Director of FSA Wales

**Morris McAllister**  
Director of FSA Northern Ireland

**Nick Tomlinson**  
(Acting HoD) Chemical Safety  
and Toxicology Division

**Dr Judith Hilton**  
Microbiological Safety  
Division

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

**Tom Murray**  
Nutrition Division

**Bill Knock**  
(Acting HoD) Chemical  
Contaminants and Animal Feed  
Division

**Clair Baynton**  
(Acting HoD)  
Novel Foods Division

**Dr Richard Harding**  
Food Chain Strategy Division

Food Standards Agency

# Board Members

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Sir John Krebs FRS –  
Chairman of the Food Standards Agency



Since 1988 he 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 also 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. Sir John 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. Among the awards, he has received for his scientific work are: 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.

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Julia Unwin OBE –  
Deputy Chair



Julia Unwin has worked in the voluntary sector, as well as in local and central government, and has a long track record in promoting and developing the public interest in social policy. She is a Board member of the National Consumer Council, an Independent Adjudicator for the Audit Commission and a member of the Committee

of Reference of Friends Provident.

She is also an independent Board member of the Department of Trade and Industry. She was a Charity Commissioner from 1998 to April 2003, served on the Board of the Housing Corporation for more than ten years, and was the Chair of its Investment Committee. She was also Chair of the Refugee Council until 1998.

In a freelance capacity she has been an advisor to grant-making trusts and companies and has researched and published on the funding of the voluntary sector. As a consultant she has specialised in issues of governance and organisational strategy.

As a Senior Associate at the independent health and social policy body, the Kings Fund, she chaired the recent inquiry into the role and recruitment of care and support workers.



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## Ann Hemingway

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is Chairman of the Advisory Committee for Wales and is currently Acting Deputy Chair of the Agency. Ann is an experienced businesswoman qualified in Home Economics and Marketing. Her early career experience was in publicity for the milling industry before she moved 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. She 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 DTLR.

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## Michael Gibson

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is the Managing Director of a small family meat firm, Macbeth's Butchers, which employs five full-time and three part-time staff. He runs this in conjunction with Edinvale Farms, which consists of 900 acres of farmland and some 600 head of cattle. Michael Gibson is Chairman of the Agricultural Committee of the Scottish Landowners Federation. Since 1996 he 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 also 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, Mr Gibson 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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## Professor Andrew Miller

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is a biophysicist interested in the structure and arrangement of the molecules in biological fibres particularly collagen, keratin and muscle. He has spent two thirds of his career in universities and one third in publicly funded research laboratories, mainly in the UK but also in Australia, France and the USA. The output from research in molecular biophysics is applicable to problems in medicine, agriculture and the food industry. He helped to develop the application of physical methods, particularly synchrotron radiation and neutron scattering to biology. He was the first Head of the European Molecular Biology Laboratory in France from 1975-80 and was the first Director of Research at the European Synchrotron Radiation Facility in Grenoble, France from 1986-91. From 1994-2001 he was Principal and Vice-Chancellor of the University of Stirling and from 2001-2002 the Interim Chief Executive of Cancer Research UK where he oversaw the merger of ICRF and CRC into the largest cancer charity in the world. At present he is General Secretary of the Royal Society of Edinburgh.

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### Michael Walker – Chairman of the FSA's Food Advisory Committee for Northern Ireland

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As a partner in a private firm of UKAS accredited consulting chemists, he is 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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### Dr Sati Ariyanayagam

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is a Consultant Physician, Chair of the Senior Medical Staff Committee at Oldchurch Hospital in Essex and is a general consultant body representative with the North Thames Advisory Committee on Distinction Awards. A Justice of the Peace with the Lord Chancellor's Department he also serves as a Management Governor at King Edward VI Grammar School in Chelmsford. Dr Ariyanayagam champions the cause of the consumer. As a member of the Consumer Association for many years he takes an active interest in ethical matters pertaining to "Public Interest" issues. He serves in a number of Committees including that of the Professional Conduct and Performance Panels of the General Medical Council. He has been a regular contributor to the Commission for Health Improvement (CHI) as a Clinical Governance Reviewer, to the Community Fund as an External Research Assessor and the Eastern Region Multi Centre Research Ethics Committee as a professional expert. As a member of the Committee on Toxicology and the Advisory Committee on Research, Dr Ariyanayagam has been active in representing the Public Interest agenda within the FSA for the last two years.

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### Richard Ayre

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is a consultant in media ethics and broadcast management. He 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 organizations 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 which works around the world to encourage freedom of expression and to fight censorship.

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### Christine (Chrissie) Dunn

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was a founder and until 2002 Managing Director of Danby's Foods Limited. Danby's Foods are manufacturers of own label and branded, frozen and chilled ready meals for the retail and foodservice sectors in the UK and Northern Europe. Mrs Dunn has comprehensive knowledge of all stages of food production and the supply chain, from primary production, secondary processing and distribution through to consumer sales via retail and foodservice outlets. Her breadth of knowledge is particularly strong with regard to matters of food safety and quality assurance standards. Mrs Dunn was a Director of Business Link York and North Yorkshire from 1996 – 1999 and she is currently a Council Member of Food from Britain.

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## Baroness Howarth of Breckland (Valerie Howarth)

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was until July 2001 the Chief Executive of the charity ChildLine, the free national helpline for children in trouble or danger. Under her leadership, ChildLine counselled over one million children and young people since it opened in 1986 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. She 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 over ten years in consumer protection and standard setting as a committee member of the Independent Committee for the Supervision of Telephone Information Systems (ICSTIS). She is Vice Chair of 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. In February 2000 she was appointed to the Board of the Food Standards Agency and serves on the Meat Hygiene Advisory Committee. In February 2001 she joined the Board of National Care Standards Commission. Awarded the O.B.E 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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## Iain Macdonald

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is currently self-employed as a management consultant and Chartered Surveyor. He is a Fellow of the Royal Institution of Chartered Surveyors and 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. Mr MacDonald has widespread experience of serving on Boards and Committees and of chairing meetings. He has served as national President and national Chairman of a number of professional associations and is currently a member of the Food Standards Agency Meat Hygiene Advisory Committee.

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## Robert Rees

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is a self-employed chef and restaurateur from Bisley, Gloucestershire. He has a strong catering background. He is currently resident chef for Stroud Farmers' Markets, cooking seasonal and local fresh produce. 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; the Egon Ronay Guide; the Ackerman Guide; and Two AA 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 advisor, assessor and lecturer in the Hospitality Department where he is involved with Modern Apprenticeships, National Trainee schemes and work based training. Robert is also a Board member of the Stroud Business Education Partnership, and has worked with Gloucestershire Tourism promoting local foods. Robert does a lot of work with children and persons with various special needs.

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## Vernon Sankey

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is currently a non-executive Director of Pearson plc and Zurich Financial Services AG (Swiss). He is Chairman of the Really Effective Development Company Ltd and Deputy Chairman 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 Chairman of Thomson Travel Group plc. Vernon 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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## Sandra Walbran

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is currently employed as the Food and Health and Safety Manager with South Lakeland District Council. She has extensive experience in the Environmental Health field, particularly linked to the area of food safety and has long-standing operational experience of management. She currently represents the Cumbria region of the LACORS Food Hygiene Focus Group and the LACORS Food Policy Group and is actively involved in the production of national guidance on many food safety matters.

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## Dr Jon Bell – Chief Executive

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Dr Jon Bell is the Agency's Chief Executive and Chief Scientific Adviser. Prior to this appointment he was Deputy Chief Executive and Director of Food Safety Policy and he was the Acting Chief Executive from December 2002. Jon Bell joined the Agency on its formation in 2000

following a 25-year career in MAFF during which time he held a wide variety of posts including a number at senior level overseeing areas which are now the responsibility of the Food Standards Agency.

# 1 About the FSA

- 1.1 The Food Standards Agency (FSA) was set up in April 2000 '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'. The Food Standards Act 1999 established the FSA as an independent non-Ministerial government department, operating at arm's length from Ministers and governed by a Board appointed to act in the public interest. The FSA's independence remains critical to maintaining public confidence in the way food safety decisions are made.
- 1.2 The FSA is a UK-wide body, accountable to the Westminster Parliament through the Secretary of State for Health, and to the Scottish Parliament, the National Assembly for Wales, and the Northern Ireland administration through their Health Ministers or equivalents.
- 1.3 From the beginning the FSA Board defined our three core values as:
  - to put the consumer first
  - to be open and accessible
  - to be an independent voice

*“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 the FSA's overall strategic direction within the framework set by the Food Standards Act. The Board consists of a Chairman, Deputy Chairman and up to 12 other members. The Chairman Sir John Krebs, and the Deputy Chair Julia Unwin, were appointed jointly by the Secretary of State for Health, Scottish Ministers, the National Assembly for Wales and the Department of Health, Social Services and Public Safety in Northern Ireland ("the appropriate authorities"). Of other current Board members, eight were appointed by the Secretary of State for Health, two by Scottish Ministers, and one each by the National Assembly for Wales and DHSS PS in Northern Ireland. The Board is subject to public scrutiny through its open meetings.
- 1.5 The day-to-day operations of the FSA are managed by the Chief Executive, who is also the Principal Accounting Officer of the FSA with overall responsibility for preparing the FSA's accounts and for transmitting them to the Comptroller and Auditor General. The FSA's staff are civil servants, accountable through the Chief Executive to the Board. Food safety and standards are devolved matters; the FSA thus has offices in Scotland, Wales and Northern Ireland, each headed by a Director accountable to the FSA's Chief Executive, in addition to its headquarters in London.

- 1.6 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. The statutory Northern Ireland Food Advisory Committee provides the FSA with independent advice on food safety and standards issues in Northern Ireland. FSA Northern Ireland is funded by the Northern Ireland Assembly. It liaises closely with the Food Safety Promotion Board (FSPB) and the Food Safety Authority of Ireland in relation to food issues having an all-Ireland dimension, such as foodborne illness.
- 1.7 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. The statutory Scottish Food Advisory Committee provides the FSA with independent advice on all food safety and standards issues in Scotland. FSA Scotland is funded by the Scottish Parliament.
- 1.8 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. The FSA is accountable for its activities in Wales to the National Assembly for Wales through the Assembly Minister for Health and Social Services, whom the FSA also advises on food safety and standards policy and legislation. The statutory Welsh Food Advisory Committee (formerly Advisory Committee for Wales), provides the FSA with independent advice on all food safety and standards issues in Wales. FSA Wales is funded by the National Assembly for Wales.
- 1.9 The Meat Hygiene Service (MHS) is an Executive Agency of the FSA operating within Great Britain. 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. The cost of its work are funded partly by charges to industry and to the government departments which are its customers, and partly by direct support from the FSA.
- 1.10 In Northern Ireland the equivalent functions are carried out by the Department of Agriculture and Rural Development (DARD) 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.
- 1.11 The FSA's Strategic Plan 2001/06 was published in May 2001. The full text can be found on the FSA's website at [www.food.gov.uk](http://www.food.gov.uk). The Strategic Plan describes our key priorities for food safety, public information, labelling and choice, nutrition and diet, and food law enforcement. Over the period covered by the 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



- 1.12 Sections 2 to 5 of this Annual Report set out our aims and key priorities, together with an overview of our activities in 2002/03. More detailed information about performance and plans for the future can be found in the FSA's *Departmental Report Spring 2003*<sup>1</sup>. That Report contains a detailed report of performance against its Service Delivery Agreement targets in 2002/03.
- 1.13 More information about what the FSA does can be found on our website at [www.food.gov.uk](http://www.food.gov.uk), which is updated regularly. 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>1</sup> May 2003, Cm. 5905, ISBN 0-10-159052-0, published by The Stationery Office.

# 2 Increased consumer confidence 4 increased

## 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”*



## INCREASED CONSUMER CONFIDENCE

2.1 We believe the most effective way to improve consumer confidence is to deliver real improvements in food safety and standards. The way in which we deliver these improvements is critical to our success: openness and honesty, and a consultative approach to policy making are all embedded in the way we work.

### A consultative approach to policy making

2.2 Early in 2002 the FSA established a new Consumer Committee to help ensure that the FSA's policy making is open to a wide range of consumer interests, and that its decisions are based on a full understanding of consumer needs and views. The Consumer Committee has 12 members, of whom six are nominated by major consumer bodies with a substantial interest in food issues, and six are appointed following open advertising in line with the principles of the Office of the Commissioner for Public Appointments.

2.3 In the Committee's first year the wide range of its members' expertise and experience relevant to consumers resulted in very constructive consideration of issues including: how the FSA might best put into practice "putting consumers first"; the needs and concerns of low income consumers; horizon-scanning; and assurance schemes. The Board specifically invited the Committee's views on those areas of food policy which have a particular impact on, and on getting a better understanding of how best to target messages to, children and young people<sup>2</sup>.

2.4 The FSA's Consumer Branch was established at the heart of the FSA from early in 2002. In addition to providing the secretariat for the Consumer Committee the branch acts as an internal consultancy service to help all FSA staff consider the impact of their policies on different groups of consumers (and on disadvantaged groups in particular). This has increased the profile of consumer work across the Agency.

<sup>2</sup> This formed the basis of the Committee's first open meeting in June 2003; the Committee's Annual report 2003 was also published that month and is available on the FSA website.

- 2.5 All the specialist committees and expert groups established to advise the FSA include lay or consumer representatives among their members. The Agency has developed an induction pack to help support these representatives, and held two workshops in 2002/03 to discuss issues relating to their role. The FSA also piloted a training course for its consumer representatives; this was based on the National Consumer Council's Stronger Voice programme.
- 2.6 The FSA holds regular meetings with the main consumer organisations such as the National Consumer Council, Consumers' Association and Sustain: the alliance for better food and farming. There are also regular meetings with representatives of consumer organisations to discuss specific policy areas. In addition, the FSA funds an independent quarterly working party to help a range of consumer organisations develop common policy and so contribute more effectively to FSA consultations, particularly those with an EU focus. This enables the Agency to obtain regular feedback from consumer organisations on the work it is doing.
- 2.7 The Agency continues to explore different ways of opening up its consultation processes to reach beyond the consumer and other public interest groups who already contribute to FSA consultations. For example, the FSA's response to the Policy Commission on Farming and Food was informed through an opinion poll, focus groups, an interactive website, scenario workshops with low income consumers, a series of regional seminars, and a youth forum.
- 2.8 As part of our policy of widening the consultation process to include all groups of consumers, the FSA has developed an Action Plan on consumers on low incomes. The Plan is designed to help us learn more about the particular needs of groups of disadvantaged consumers and to take their needs into account in developing policy, and has established a research programme on involving consumers in policy making. The first two projects aim to test innovative methods for involving disadvantaged groups in policy making. We also began working to develop partnerships with other organisations working on low-income issues, and with other Government Departments to publicise our work and strengthen cross-Government co-operation, and developed guidance and training for our staff on how to take into account the particular needs of low-income consumers.
- 2.9 Meetings with consumers and other stakeholders have become an integral part of the way the FSA develops policy. For example:
- a Food Labelling Forum has been established to enable the FSA hear the views of, and report progress to, consumers and their representatives, as well as to other stakeholders such as food industry organisations. The forum meets twice a year;
  - the FSA's Nutrition Forum meets three times a year to enable a wide range of organisations working across the UK in this field to share experiences and co-ordinate their work where appropriate. The forum aims to support an effective, co-ordinated nutrition strategy to improve health through improvements in diet and changes in dietary habits. The Scottish Diet and Nutrition Forum, and Welsh stakeholder workshops that informed the Welsh nutrition strategy 'Food and Well Being', also play an important role here. The Agency's Nutrition Action Plan is published on the FSA website, alongside consultations on specific initiatives and reports on their progress. Close consumer stakeholder involvement is a key element of all of the Agency's work on nutrition.
- Providing information for consumers**
- 2.10 We recognise that the majority of consumers will hear first about food issues through the national and local media. The Agency works closely with national, regional and local press, radio and television to get timely information through to the public and works hard to ensure that relevant media are targeted for specific campaigns and advice.
- 2.11 For example this can mean talking directly to local community publications and broadcasters to tell them about particular food safety issues relevant to their community or targeting a healthy eating campaign at a certain section of the population. The Agency also strives to ensure that the media reports correctly what it says and does not exaggerate or distort food health and safety messages; inaccurate reporting is challenged and, if necessary, we work with the journalist concerned to ensure a correction is published or broadcast.

- 2.12 The Agency uses a wide variety of methods to get our message across – as well as talking to specific media we also use leaflets, public meetings, and the FSA website – depending on the target audience. We believe the Internet is both an increasingly important medium for communicating with our stakeholders and a way of demonstrating our commitment to be open and transparent.
- 2.13 A new, easier to use FSA website was launched in 2001. The site was shortlisted for two national awards, coming second (“highly commended”) in the New Statesman e-government award category. The web team has continued to add consumer and stakeholder-facing content and functionality, including a weekly poll, quizzes and games, a live WebCast of the Brussels Board Meeting, microsites on food hygiene and GM, plus the integration of the BSE Review website into our main site. In 2003 we introduced an improved search engine, enhanced the website performance, and in September 2003 launched a portal for food enforcers. More than 100,000 people now use the site every week and page impressions have increased six-fold since the re-launch in 2001. Almost 5,000 subscribers have now also registered to be sent email alerts when items of specific interest to them are published on the site.
- Building public trust**
- 2.14 We aim to build public trust and understanding by being open and transparent. This makes our advice and public information more effective, as well as improving the quality of policy making and decisions. Most fundamentally, where uncertainties exist, we are honest about them, so that consumers can make informed choices.
- 2.15 The FSA’s first consumer attitude survey, published in February 2001, established a baseline level against which consumer confidence in food safety and standards and the credibility of the FSA could be measured. The surveys published in 2002 and 2003 show sustained increases in consumer confidence in current measures to protect health with regards to food safety and an increase in the awareness of the FSA<sup>3</sup>. Detailed survey results are available from our website: <http://www.food.gov.uk/yourviews/surveys/foodsafety-nutrition-diet/>
- 2.16 Results are based on a representative sample of more than 3000 consumers across the UK. The results of the 2002 survey show that people are slowly becoming more confident about food safety and standards. Most noteworthy of the overall trends is a small but steady decline in concern over the safety of meat, with a significant decrease in concern about types of meat such as beef, pork, lamb, and raw meat over the past three years. The 2002 survey also revealed a small but statistically significant increase in the number of people claiming to eat ‘convenience’ food, illustrated by an increase in the amount of people regularly eating ready-meals and buying takeaway food.
- 2.17 Confidence in the role played by the FSA has also increased significantly, with 60% of consumers now claiming to be very or fairly confident in our role in protecting health with regard to food safety, an increase of 10 percentage points since 2000.

<sup>3</sup> The results of the 2003 survey, published in early 2004, confirms these trends.

# 3 Better food safety and standards

## better

### Key priorities for food safety: foodborne illness

- to reduce the incidence of foodborne disease by 20% over the period April 2001 (based on an annual figure for 2000) to April 2006
- to reduce salmonella contamination of UK-produced retail chicken by at least 50% over the four years 2000 to 2003

### 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 European Union 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

### Foodborne illness

- 3.1 The Board agreed the Agency's microbiological foodborne disease strategy in May 2001; this aims to reduce foodborne disease by 20% over the period April 2001 (based on an annual figure for 2000) to April 2006. The number of laboratory reports of the five main foodborne bacteria, which is being used to monitor progress in achieving our foodborne disease target, was largely the same in 2001 as in 2000. In 2002 laboratory reports showed a decrease of just over 13% compared with the baseline figure for 2000.
- 3.2 Key components of the 2002/03 phase of the FSA strategy included:
- campaigns to improve public awareness of critical food safety messages;
  - action to improve hygiene standards in meat production;
  - development of a strategy to control campylobacter in the food chain;
  - action to improve consistency of enforcement (see paragraphs 3.21 to 3.31)

### The Food Hygiene Campaign

- 3.3 Phase 1 of the FSA's Food Hygiene Campaign focused on reducing bacterial contamination of food in catering establishments, and continued into April. Phase 2, which continued with a focus on caterers ran in October-November 2002. As part of Phase 2 activity, a bespoke video for training purposes has been sent to all caterers on our database. The video has won several prestigious awards and has proved very popular with caterers and food hygiene trainers. Comprehensive evaluation of campaign activity shows that messages are beginning to get through and awareness continues to rise. A Food Hygiene Campaign related consumer focused mini-Christmas television campaign ran on the last few days up to Christmas Day and depicted safe cooking and defrosting in a humorous and entertaining way. Evaluation showed that the messages were understood.

- 3.4 A mini-campaign aimed exclusively at new caterers was launched in February 2003 and resulted in over 50,000 copies of the booklet *Starting Up* being requested<sup>4</sup>.
- 3.5 The Bank Holiday and Golden Jubilee weekend saw our first BBQ campaign. As well as television advertising, simple food hygiene tips were printed on 2 million disposable barbecue packs and bags of charcoal, and independent butchers across the country distributed a simple barbecue safety leaflet. In preparation for the launch of the Food Hygiene Campaign to consumers, a pilot television campaign in the Granada television region aimed at mothers of young children ran for 3 weeks in March 2003. Advice to support all advertising activity has been published on our web site [www.food.gov.uk](http://www.food.gov.uk). Evaluation of this activity has helped shape plans for the next phase of the campaign that will focus on consumers as well as caterers. Evaluation of advertising activity showed that it successfully communicated key messages in an innovative and creative way, as well as raising the profile of the FSA's work to protect public health.

#### Improving hygiene standards in meat production

- 3.6 In 2001/02 the FSA consulted on, and then 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. The UK used the flexibility in the legislation to delay the implementation deadline for smaller plants by 12 months to 7 June 2003. A manual, CD-ROM and other guidance was issued to plant operators to assist them in the run up to implementation. 13 HACCP workshops were held in different parts of the UK for operators and MHS vets received HACCP enforcement training. Guidance on frequency of microbiological testing of red meat carcasses has been issued.
- 3.7 The Clean Cattle and Meat Safety Scheme has been developed to reduce foodborne disease through work with farmers, livestock hauliers, vets, abattoir managers, butchers and retailers. Information days were held from January to April 2003, and a set of posters produced, to help promote messages relating to the Meat Hygiene Service's Clean Livestock Policy, HACCP and microbiological testing of animals from farm to slaughter.
- 3.8 *Campylobacter* is the single biggest cause of foodborne illness in this country and there is strong evidence that chicken is the major source. We have therefore developed a strategy for controlling *Campylobacter* in chickens which was issued for formal consultation in June 2003. The strategy focuses on improving on-farm hygiene measures and considers options for control at the poultry processing plant.
- 3.9 We commissioned 4 situation reports reviewing the current status of the UK poultry industry to provide a foundation for the strategy. The reports, which have been reviewed by stakeholders and placed in the public domain, covered *Campylobacter* and *Salmonella* control, washing of transport crates and testing and scheduling of flocks at slaughter. This work, together with Advisory Committee on the Microbiological Safety of Food's advice on on-farm controls for *Campylobacter* and discussions with the poultry industry and other stakeholders, was essential for the development of the strategy.
- 3.10 The FSA also worked with industry, Defra and the British Pig Executive to reduce salmonella in pigs through implementation of the ZAP Salmonella monitoring scheme.

#### BSE

- 3.11 The Over Thirty Months (OTM) Rule, which has been in operation in the UK since 1996, prohibits the sale for human consumption of meat from cattle aged over thirty months at slaughter. It is one of the two main food safety controls in relation to BSE we operate in the UK – the other being Specified Risk Material (SRM) controls.

<sup>4</sup> Information on the FSA's wider strategy to improve hygiene standards in food businesses, including catering businesses, through improving food safety management ("HACCP") can be found on the FSA website.



3.12 The FSA published its first review of BSE controls in 2000. That review recommended that the OTM rule should be reviewed, to see whether a ban on sale for consumption of OTM meat was still appropriate in the light of the decline in the BSE epidemic.

3.13 The FSA therefore commenced a review of the OTM Rule in July 2002. We were assisted in the review by two committees – a joint SEAC/FSA risk assessment group and a core stakeholder group representing a range of stakeholders including the farming and meat industries and consumers<sup>5</sup>.

3.14 BSE has never been found in the UK sheep flock. However, sheep ate the same food that gave cattle BSE and laboratory research has shown that sheep can be artificially infected with BSE. There is, therefore, a possible risk that BSE might be in sheep. The FSA does not advise against the consumption of sheep meat, but will continue to take a precautionary approach and recommend precautionary and proportionate measures to protect the public, were BSE ever to be found in sheep. In 2001, the Agency 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 the FSA website.

3.15 Following recommendations from a core stakeholder group which had been reviewing BSE and sheep questions, the FSA arranged briefings for the Muslim, Asian and African-Caribbean communities about the possible risk of BSE. The first, in November 2002, was held with a cross section of organisations representing all three communities. The second and third, in January 2003, involved presentations to Muslim Scholars and Imams. In all the briefings the possible risk of BSE in sheep and older goats was pointed out. At the same time it was made clear that the FSA was not advising against the consumption of sheep and goat meat. The presentations were well received.

## Chemical safety of food and food products and processes, their licensing or approval

### Food incidents

3.16 Because one of the FSA's key aims is to ensure that consumers are told about potential risks to health arising from consumption of food, the Agency regularly issues advice on a wide range of products both through press releases and through reports on the FSA website. Some examples from 2002/03 included:

- mini fruit gel sweets containing Konjac
- methanol contamination of counterfeit brands of vodka
- high levels of chloropropanols in certain batches of soy sauce

3.17 In total during 2002/03, we investigated 215 incidents that had the potential to affect food safety. As a result, we issued 30 Food Hazard Warnings, raised 208 RASFF notifications with the EC and agreed voluntary restrictions for 46 on-farm incidents. In addition, we implemented emergency European Community legislation concerning aflatoxins in figs, hazelnuts and pistachios from Turkey, and peanuts from China. The FSA also worked with other Government departments to develop and exercise plans for dealing with a wide range of different potential emergencies including major industrial accidents and terrorist attacks.

### Monitoring

3.18 In 2002/03 the Agency continued its programme of surveys to monitor for contaminants in food, and completed and published the results of 10 such surveys. We provide advice to consumers as necessary based on these survey results. For example, in 2003 we issued precautionary advice to pregnant women, women who intended to become pregnant, infants and children to avoid eating shark, swordfish and marlin following findings of relatively high levels of mercury in these fish.

<sup>5</sup> The FSA Board agreed the recommendations of the review at its June 2003 meeting. Details can be found on the FSA website.

3.19 A particularly significant example of our monitoring work concerned acrylamide. In April 2002, scientists in Sweden discovered unexpectedly large amounts of this chemical in foods rich in starch which had been cooked at high temperatures. Acrylamide is known to cause cancer in animals and its presence in some foods may harm people's health. The FSA took this issue very seriously and its prompt research work was the first to confirm the Swedish findings. The Agency continued to take a leading role in contributing to European and other international efforts to discover how acrylamide forms in food and what steps could reasonably be taken to reduce this. Pending significant developments from such research, the FSA's advice in this respect was that consumers should eat a healthy, balanced diet including plenty of fruit and vegetables but otherwise need not change their diet or alter the way they cook their food.

3.20 The Agency is also responsible for the licensing and approval of food products. Following FSA pressure, the European Scientific Committee on Food published its review of the sweetener aspartame in December 2002. In 2002 the FSA was instrumental in securing agreement on international safety assessment guidelines for GM microorganisms used in food to complement the GM plant guidelines agreed in 2001/02. During 2002/2003 we provided opinions on 8 applications under the European system for authorisation of novel foods and food ingredients.

#### Improving food law enforcement

3.21 In order to promote higher quality and more consistent standards, the Agency monitors the delivery of food law enforcement by local authorities (LAs). Under the Framework Agreement, all LAs are required to submit to the Agency both their planned annual inspection programmes, and quarterly returns covering all their enforcement activities. This data is published by the Agency. The data for 2001/02 reported:

- 468 LAs;
- 577,893 food premises;
- 702,023 inspections and visits by LA staff;
- 165,224 food samples were taken, and
- 176,207 enforcement actions were taken. Over 95% of these were written warnings. There were 654 prosecutions.

3.22 Full details of this activity were reported to the Board in February 2003, and were then published in the Annual Local Authority Enforcement Activity Report for 2001. Both the Board paper (FSA 03/02/02) and the Report are available on the Agency's website.

3.23 Based on the information in the monitoring returns for 2001/02, the Agency has taken action, where that is needed, to work with LAs to improve service delivery, for example:

- carrying out a series of focussed audits to probe the causes of the 7% fall in the number of food samples taken. In addition the FSA set up a working party with LACORS to advise on better co-ordination of both LA and Agency food sampling programmes, and is piloting a UK food sampling database, to improve information exchange and the targeting of resources;
- commissioning a second set of focussed audits to enquire into the reasons for a fall in prosecutions taken from 753 in 2000 to 654 in 2001; and
- carrying out full audits of the twenty LAs judged to have achieved unacceptably low levels of service delivery in 2001/02. This assessment was based on the percentage of planned inspection achieved, whether any samples had been taken, or failure to submit any of the returns due.

Audit reports (including summary reports of themed audits) and action plans are published on the FSA website.

3.24 In February 2003, following discussion by the Board, the FSA set up a small working group to explore the scope for developing a broader-based set of performance assessment measures. The aim of this is to ensure that FSA monitoring provides a fuller reflection of the totality of LA food law enforcement actions. The working group includes representatives from LACORS and the professional bodies (CIEH, REHIS and TSI), as well as senior figures from LAs.

3.25 We have continued to work closely with enforcement bodies to tackle other breaches in food safety rules. Examples include:

- providing help, guidance and support to local authorities investigating and aiming to prevent unfit meat entering the food chain;

- seconding local authority officers in England and Wales to assist with complex investigations into illegal meat crime; and
  - setting up the Waste Food Task Force to examine the measures required to ensure the appropriate disposal of food waste and reduce the scope for fraud. The report of the Task Force was issued for a three month public consultation exercise in January 2003.
- 3.26 In order to develop policy on food law enforcement controls and secure greater consistency in these controls we have worked with stakeholders and enforcement bodies on a number of initiatives, including:
- the review of 20 statutory codes of enforcement practice issued under Section 40 of the Food Safety Act 1990. A draft new code was issued for public consultation in March 2003;
  - the provision of update seminars and low-cost training courses for local authority officers on various aspects of food law enforcement including HACCP, food canning, cheese production, food labelling, meat products, and food factory inspection; and,
  - assessment of food safety and standards issues relevant to diverse community groups. In particular, this led to the issue of new enforcement guidance on issues related to halal foods.
- 3.27 At its October meeting the FSA Board agreed a 10 Point Action Plan to improve UK controls on imported food. The FSA has since worked closely with other Government departments on 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.
- 3.28 The Cabinet Office report (*The Organisation of the Government's Controls of Imports of Animals, Fish, Plants and their Products, November 2002*) identified a case for a Step Change in the co-ordination and delivery of local authority inspection of imported foodstuffs. Due to the overlap of this project with the pre-existing 10 point action plan, the two work streams have been merged, and are being taken forward by the FSA's Imported Food Division, in collaboration with port health authorities and local authority representatives.
- 3.29 The Imported Food Division provides a focal point for import issues, and is improving communication with seaports and airports using e-technology, and has developed training and guidance for local authorities and port health authorities.
- 3.30 In 2002 enforcement officers at seaports and airports were given powers to search for illegal food imports in personal luggage. Local authority and port health authority staff working closely with Customs and Excise made a large number of seizures of illegal food imports. Part of the Cabinet Office recommendations (November 2002) led to changes in legislation, and Customs became responsible for anti-smuggling checks of passenger luggage from April 2003.
- 3.31 The MHS, an Agency of the FSA, 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 2003 the FSA obtained convictions in 14 cases. At the end of the year proceedings were under consideration or ongoing in a further 22 cases and another 49 cases were under investigation.

# 4 Improved consumer choice and 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”*



## IMPROVED CONSUMER CHOICE AND DIET

### Public information, labelling, and choice

- 4.1 During the year, we took 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 Our Clear Labelling 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. Our European Union and World Trade Organization responsibilities mean that improvements can only be delivered through international action, 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 GMOs and derived products and a proposal for the authorisation and labelling of GM 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.

## Nutrition and diet

4.5 The FSA's Nutrition Strategic Framework is published on the Agency's website. The aim of this is to help people achieve improvements in their diet. The strategy has four main elements:

- 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

The Nutrition Action Plan, also published on the FSA website, underpins this strategy.

4.6 The Agency will work with and aim to influence other organisations to move the Action Plan forwards. Close joint working arrangements have been developed with UK Health Departments, other government departments (such as education and agriculture) and local authorities in the diet and nutrition area. We also work with the food industry and the scientific community.

4.7 We aim for close consumer stakeholder involvement in all of our work on nutrition, both through informal and formal consultation and by making information available across all of the action plan areas through our website. The Nutrition Forum, the Scottish Diet and Nutrition Forum and Welsh Nutrition Strategy Implementation and Monitoring Working Party also play an important role in this area. These fora also help stakeholder organisations working to improve diet and nutrition to share information and good practice and so maximise effectiveness and avoid duplication of effort. Membership typically includes representatives of central and local government, consumer and voluntary bodies, industry, and health interests.

## Securing a sound evidence base

4.8 The FSA secures expert advice in the nutrition area through the Scientific Advisory Committee on Nutrition (SACN). SACN is an independent advisory body that advises UK Health Departments and the Agency on issues relating to Nutrition. In 2002/03 SACN's work included commencing the reviews of dietary intakes for iron and salt (recommendations made in May 2003).

4.9 The Action Plan includes a continuing commitment to investment in research, surveys and information campaigns. Research is targeted to providing evidence to support policy development and action; current projects include the role of lipids in the development of coronary heart disease and further developing the evidence base for healthy eating advice. In all this, allowance will be made for differences in the circumstances and priorities across the UK. The priority 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.

4.10 In December 2002 the Agency began publishing the results of the latest National Diet and Nutrition Survey of adults. This survey provides cross-sectional information on the dietary habits and nutritional status of a representative sample of the British population. The first volume of data covered types and quantities of foods consumed, and further volumes (to be published in 2003/04) will cover, among other things, nutrient intakes and nutritional status, physical measurements (such as height, weight, blood pressure) and physical activity. We also carried out preparatory work including a feasibility study for a major survey to collect baseline data on diet and nutrition issues affecting consumers on low incomes. This survey will, for the first time, provide detailed information in a single sample on food consumption, nutrient intakes and physical measurements as well as demographic, lifestyle and other social factors affecting food choices by the survey population<sup>6</sup>.

<sup>6</sup> The main fieldwork for the survey began in November 2003, and it will report in spring 2006.

4.11 To ensure that all stakeholders had the opportunity of being heard in advance of consideration by the Board of folic acid and the prevention of disease, the FSA held an open stakeholder meeting together with the 4 UK health departments in March 2002. The Board considered this issue in May 2002 with advice from the Advisory Committees in the devolved countries. Advice was provided to Health Ministers in July 2002. The FSA is continuing to monitor developments in other countries who have fortified flour with folic acid to establish the impact of fortification on rates of neural tube defects, masking of vitamin B12 in vulnerable individuals and other technical issues of relevance. This information from other countries will provide additional data for consideration in the coming year.

#### **Informing the population**

4.12 The Agency has improved and extended the consumer information provided through its website. This information aims to help people achieve a healthy diet in practice. The 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 consumers to make informed choices.

4.13 We have produced two sets of new leaflets. One set covering those issues of most concern to consumers (as indicated by the Consumer Attitudes Survey) and the other demystifying healthy eating messages and targeting them directly at particular audiences, i.e., breastfeeding mothers, men, senior adults, etc. We produce a number of information leaflets in different languages including Welsh, Bengali, Hindi, Gujarati, Punjabi, Urdu, Greek, Turkish and Chinese.

4.14 In Wales, the Welsh Assembly Government Minister for Health and Social Services launched "Food and Well Being – reducing inequalities through a nutrition strategy for Wales" on 13 February 2003. The strategy was developed by FSA Wales in conjunction with the National Assembly for Wales and key stakeholders in recognition of diet related ill health in Wales. It is intended to promote the adoption of a healthier diet by the whole population of Wales, but there is specific emphasis on those in disadvantaged groups, and on children and infants.

4.15 In Scotland, the FSA contributed to the Scottish Executive's 'Healthyliving' campaign, launched in January 2003. This encourages the public to call an information line to receive practical advice and information packs relating to healthy eating. The pack includes a leaflet 'Ten Tips for Food Safety', jointly branded with the FSA Scotland and 'Healthyliving' logo. We worked closely with NHS Health Scotland to help to collate the food safety and healthy eating advice supporting the campaign database.

4.16 In Northern Ireland, the FSA has been working with the Food Safety Promotion Board, the all-Ireland body set up under the Belfast Agreement, and with other partners North and South to establish a Food and Nutrition Forum. It is hoped that the Forum will become a key focal point in relation to nutrition issues throughout Ireland.

#### **Identifying and addressing barriers to changing dietary behaviour**

4.17 Initial priorities here included work in the education sector and action to improve training of people working directly or indirectly with food, ranging from caterers to the voluntary sector.

4.18 In England, the FSA worked closely with DfES, in particular to support DfES's first evaluation of school meals standards since they were introduced in England in 2001. The study, due to report in spring 2004, will provide information on:

- whether the food provided by caterers met the statutory nutritional standards
- whether the food provided met nutritional guidelines for school meals
- the food composition and nutrient intakes of secondary school children from school meals.

4.19 FSA Scotland was a member of the Scottish Executive's Expert Panel on School Meals and the nutritional sub-group. This culminated in the publication of the report 'Hungry for Success' in February 2003. The report makes recommendations for establishing standards for the nutritional content of school meals, improving the general uptake and eliminating any stigma associated with taking free meals.

- 4.20 In Wales, we commissioned a study into the effect of new regulations on the nutritional standards for school lunches. The study involved observation of food availability and selection in both primary and secondary schools in Wales before and after the regulations were made. The draft report, published in October 2003, suggests that although more vegetables and fruits are now available there has been little impact on the foods actually consumed by pupils.
- 4.21 The FSA's *Catering for Health* guide supports both catering lecturers and students by providing practical help on how to apply healthier catering principles to food preparation and presentation. We carried out an evaluation of the publication, which was published on our website on 10 July 2003. The aim of the evaluation was to determine the awareness, usage and views of NVQ chef lecturers who are the principal target audience. Scottish and Welsh versions of the "Catering for Health" publication were launched in May 2002. The Wales Centre for Health has also been commissioned to review nutrition training and education for health professionals in Wales, and to recommend improvements.
- 4.22 In Scotland, the FSA also worked in partnership with the Scottish Executive, NHS Health Scotland, the Scottish Community Diet Project and the Healthy Choices Award Scheme to produce a short training course providing elementary knowledge of the relationship between food and health. This is aimed at all those working directly or indirectly with food in a range of settings such as the voluntary sector, public sector, hospitality and the workplace.
- 4.23 FSA Northern Ireland has been involved in a fundamental Best Value review of the School Catering Service. The report makes a series of recommendations on the need to adopt a strategic approach to promoting a healthier lifestyle for school children. FSA NI will be part of the multi-agency group tasked with identifying and supporting a best practice approach across schools which will be carried out in conjunction with the implementation of the Department of Education for Northern Ireland's Nutritional Standards framework.
- 4.24 FSA NI is committed to working in partnership with other bodies to address food issues such as inequalities in access to healthy and affordable food for all, means of encouraging healthy practices and raising awareness of healthy and safe eating. To that end we have engaged with the Armagh and Dungannon Health Action Zone in a pilot initiative called "Decent Food For All". This multi-agency initiative places the focus particularly on low income households and involves a wide range of partners from the voluntary and statutory sectors. FSA NI has been providing funding for the project in association with the Food Safety Promotion Board. The all-Ireland Public Health Institute has also been engaged to help develop evaluation criteria for the project.



# 5 More effective and efficient ways of working

## Key priorities for our role as a Government Department

- 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

- 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 The FSA's 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. Development of staff – in line with our core values – continues to be a key aim.

### Our role as a Government Department

- 5.2 The FSA remains firmly committed to its three core values: to put the consumer first, to be open and accessible, and to be an independent voice. We work in accordance with both our Code of Practice on Openness and Statement of General Objectives and Practices (both are published on the FSA website). We aim to follow the principles of better regulation, within the context of our main objective of protecting consumers. While 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. We consult on our activities with those affected by our decisions, and regard consultation with our stakeholders as an essential part of fulfilling our core values. All our formal consultations are published on our website so that members of the public can see them and respond if they wish.

- 5.3 The FSA's independent voice is founded on an evidence-based approach to policy making. 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. The Agency has developed a framework for addressing food safety issues which puts into practice the lessons identified in the *Report of the BSE Inquiry*. This framework is published on the FSA website. It was quoted in the Strategy Unit's report on Risk, published in December 2002, and is also used in training FSA staff.

- 5.4 The FSA must co-operate closely with other government departments and agencies if we are to achieve our aims. Our relationships with other Government departments are being 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.
- 5.5 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.
- 5.6 The FSA thus works consistently with the three aims of modernising government: ensuring that policy making is more joined up and strategic; making sure that consumers are the focus of our work; and delivering public services that are high quality and efficient. We are 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: see chapter 2 of this report, and the 'Your Views' page of our website at <http://www.food.gov.uk/yourviews/>.
- 5.7 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 e-mail
  - 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
- 5.8 We are committed to doing everything reasonably possible to make our services available to everyone, including people with disabilities, ethnic groups, disadvantaged groups and those with particular health needs, and in particular to promoting racial equality. We will continue to consult users and potential users regularly about the services we provide and we will report our findings.
- 5.9 The Race Relations Act 1976 as amended by the Race Relations (Amendment) Act 2000, gives public authorities a general duty to promote race equality. Under this duty, when they carry out their functions, public authorities must aim to: eliminate unlawful racial discrimination; promote equality of opportunity; and promote good relations between people of different racial groups. Whilst our core values of putting the consumer first and openness are intrinsically linked to these principles, in accordance with the specific duty placed on public authorities we have published our Race Equality Scheme on our website at <http://www.food.gov.uk/multimedia/pdfs/res.pdf>.
- 5.10 We publish our complaints procedure on our website as part of our service standards, and will make further copies available on request. We aim to try to resolve any problem quickly, and explain what we have done and why. Information about complaints against the FSA is published annually, both on our website and in this Report. Information for 2002/03 can be found in Annex 1.
- Developing our staff and the way we work**
- 5.11 The FSA applied for Investors in People accreditation in November 2002. The assessment took place in March 2003. Whilst not achieving IiP status at this first attempt, the FSA met seven out of the 12 indicators, which was considered a significant achievement for such a new organisation. We now plan to ask for a further assessment towards the end of 2003/04.

- 5.12 We continued to make progress during 2002/03 on our development programme. We increased the training and development opportunities for all staff. This included:
- new modules in our Management Scheme – a development programme for all managers – to help continue to move our culture forward in line with our core values of being open and accessible. The new modules have been designed to improve leadership, communications, and change and project management skills in a diverse environment and in the context of working with devolved administrations and in Europe;
  - a popular and comprehensive seminar programme to increase staff's understanding of our work and its relationship with external stakeholders. Staff in Scotland, Wales, and Northern Ireland are able to participate regularly in these seminars through videoconferencing. Seminars have included both presentations from external stakeholders and from FSA staff about their work.
- 5.13 We continued to develop our intranet site to improve internal communications, and also commissioned MORI to conduct a third survey of staff's attitudes.
- 5.14 In support of our commitment to valuing diversity, equal opportunities are made an integral part of all personnel policies. We have undertaken a range of initiatives within an overall strategy to increase diversity amongst the workforce. To support this strategy, we carried out an initial analysis of our staffing position. This revealed that at 31 March 2002, 49% of our staff were women, 20% were from a minority ethnic group and 8% were people who had a disability. This analysis forms the base against which changes in future years can be measured.
- 5.15 After consultation with the FSA trade unions, we introduced new staff appraisal arrangements. These link with our competency framework, while following the requirements of the civil service reform programme. We also implemented the second part of our first pay agreement with the trade unions.
- 5.16 The November 2002 open meeting of our Board was held in Brussels, the first Board meeting to be held outside the UK. European law now governs much of our work, and the Brussels venue offered an opportunity to demonstrate our desire to help develop a framework of well-founded and effective food law. It supported the FSA's aim to build constructive working relationships with European institutions, and enabled the Board to extend its efforts to ensure that important decisions on food risk, nutrition, and food labelling issues were taken in an open and transparent way. The meeting carried out the normal business of the Board, including on this occasion items on our action plan on food labelling, GM labelling and consumer involvement in policy making, and was followed by a question and answer session with the audience. Attendance was, as with all the Board's open meetings, open to all; a simultaneous WebCast ensured that UK stakeholders were able to watch the proceedings. Over a thousand people, representing a wide range of stakeholders, were able to participate in the meeting, either attending in person or through the Internet broadcast (which included an opportunity to email questions during the meeting). Feedback from those taking part was very positive, with the meeting a clear success and an effective way of demonstrating, in Brussels, an open approach to decision making in practice.

# Annex 1

## Complaints received by the Food Standards Agency in 2002/03

### Introduction

- 1 The FSA is committed to providing a high quality, professional and efficient service to its customers. This contributes to our core objective of putting the consumer first by accepting that sometimes we may get things wrong, and having a mechanism by which we can put things right. As part of our overall Service Level Agreement, as a government department we are required to have a published complaints procedure.
- 2 The FSA's complaints procedure covers any written or oral expression of dissatisfaction with the service provided by the FSA. These do not need to be 'formal' complaints. They will generally cover instances where the FSA has failed administratively or has taken inappropriate action. The complaints process does not cover disagreements about the FSA's policies.
- 3 The FSA's complaints procedure is published on the FSA website ([www.food.gov.uk](http://www.food.gov.uk)). Initially, the relevant FSA Division will try to resolve any complaint against them. If the complainant remains dissatisfied with the response, they may lodge a complaint with the FSA's Complaints Co-ordinator. If the Complaints Co-ordinator fails to satisfy them, the complainant can ask for their complaint to be referred to the Chief Executive. If they are still dissatisfied with the Chief Executive's reply, the complainant may ask any MP to refer the issue to the UK Parliamentary Commissioner for Administration (the Ombudsman).

### Complaints received during the year

- 4 The total number of recorded complaints received by the FSA during the year 2002/03 was 12. This compares with 15 recorded for 2001/02. Of these, 6 were resolved internally by Divisions, 4 were dealt with by the FSA's Complaints Co-ordinator and 2 were referred to the Chief Executive.

- 5 Categorisation of the 12 recorded complaints, on the same basis as last year, gives the following breakdown:

**Category A:** No fault, where complaint turned out to be unfounded. 6 cases in total; all of these were successfully resolved after corresponding with the individual complainants and closed out.

**Category B:** Minor oversights and processing delays. 5 cases in total; all were resolved after full explanations were given.

**Category C:** Complex and novel issues, which caused a delay or other problem. No cases;

**Category D:** Other

1 case; this involved alleged unfair comments made about a company's management by a member of staff. The complaint was upheld by the relevant Division and remedial action was taken.

- 6 The 12 recorded complaints originated from a range of sources. There were 6 from industry/businesses, 3 from non-government organisations (NGOs), 1 from an MP and 2 from members of the public.

# glossary

## Annex 2

Glossary of terms

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AME	Annually Managed Expenditure
BSE	Bovine Spongiform Encephalopathy
CIEH	Chartered Institute for Environmental Health
DARD	Department of Agriculture and Rural Development
Defra	Department for Environment, Food and Rural Affairs
DEL	Departmental Expenditure Limit
DHSS PS	Department of Health, Social Services and Public Safety
FSPB	Food Safety Promotion Board
GM	Genetically Modified
GMO	Genetically Modified Organism
HACCP	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.
LACORS	Local Authorities Co-ordinators of Regulatory Services
MHS	Meat Hygiene Service
NHS	National Health Service
RASFF	Rapid Alert System for Foodstuffs
REHIS	Royal Environmental Health Institute of Scotland
SEAC	Spongiform Encephalopathy Advisory Committee
TSI	Trading Standards Institute

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For questions relating to this Report, please contact John Shepherd by email at [john.shepherd@foodstandards.gsi.gov.uk](mailto:john.shepherd@foodstandards.gsi.gov.uk) or by fax on 020 7276 8289.



*Food Standards Agency*

# Consolidated Resource Accounts

Accounts for the year ended 31 March 2003







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# Annual Report

## Preparation of Accounts

The Food Standards Agency (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 Foods 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 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.

## Aims of the Food Standards Agency

Our Strategic Plan 2001/06 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. 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 easier 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.

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.

## Operating and Financial Review

### a) *The responsibilities of the FSA*

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.

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.

*b) How we are doing*

During the year, the FSA had a number of successes. Examples include:

- we completed the first stage of our review of the Over Thirty Months Scheme, which is a UK BSE protection measure which prevents older cattle from entering the food chain. The review was conducted in an open and participative way through public meetings and through a stakeholder group comprising representatives from consumers, industry specialists, key experts and others. The Group's report was published for consultation in March 2003. The Board will consider the report, and consultation responses, in July 2003;
- we have continued to work with local authorities to improve food standards by increasing the consistency and effectiveness of food law enforcement through a major audit plan. The audit programme is improving the quality of local authority enforcement and raising its profile and priority locally; 73 full audits in England, Wales and Northern Ireland had been completed by the end of March;
- we launched the second phase of our Food Hygiene Campaign in October 2002. In addition to TV advertisements focusing on the importance of hand-washing, we sent a free training video to all catering businesses on our database. There were additional Barbecue and Christmas Turkey Campaigns. The barbecue campaign won a media award – one of five awards presented to the FSA during the year. Comprehensive evaluation of campaign activity shows that messages are beginning to get through and awareness continues to rise;
- a requirement to introduce HACCP-based controls has been introduced in all large red meat and poultry plants. Guidance was issued to plants in the run up to implementation, including six one-day workshops;
- We have developed an Action Plan for consumers on low incomes as part of our policy of widening the consultation process to include all groups of consumers. We have produced a series of new leaflets aimed at particular audiences including breastfeeding mothers, men and senior adults. We have also given specific advice in relation to a number of food safety issues, for example acrylamide in home-cooked and processed food such as crisps, chips and bread.
- we set up a new Consumer Committee in April 2002 which held four formal meetings. The Committee's work has already informed decision making, particularly in respect of putting into practice our core values, engaging with low income consumers, horizon scanning and assessing assurance schemes;
- our Consumer Attitudes Survey showed increases in overall consumer confidence in current measures to protect health with regard to food safety, in levels of confidence in the Food Standards Agency and a significant increase in awareness of the FSA;
- we have made a start in helping people to improve their dietary health. Examples include the promotion of the importance of a balanced diet to school children, reviewing the evidence and advising on salt intake and commissioning a review of the evidence on safe levels of vitamins and minerals;
- we have set up a Waste Food Task Force to develop proposals to reduce the scope for fraud through illegal recycling of waste food.

c) *Resource spend in 2002/03*

The comparison of actual resource expenditure to Estimate is shown below:

	2002/03	
	Estimate £m	Expenditure £m
Westminster FSA HQ	112.3	95.0
Meat Hygiene Service	25.0	25.0
<b>Total Westminster Funded FSA</b>	<b>137.3</b>	<b>120.0</b>
FSA Scotland	5.5	4.5
FSA Wales	2.4	2.1
FSA Northern Ireland	1.5	1.4
<b>Total FSA</b>	<b>146.6</b>	<b>128.0</b>

The comparative figures for 2001/02 are shown below:

	2001/02	
	Estimate £m	Expenditure £m
Westminster FSA HQ	104.6	88.7
Meat Hygiene Service	20.9	18.1
<b>Total Westminster Funded FSA</b>	<b>125.5</b>	<b>106.8</b>
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 £128.0m against available funding of £146.6m to 31/03/03. The FSA as a whole manages its spend over the three year Government Spending Review Period. This surplus will be carried forward, with Treasury agreement, into 2003/04 to help address future funding pressures which have already been identified.

The net cost of the MHS was £25.0m, up from £18.1m in 2001/02. The MHS net cost of operations has increased because the majority of plants are charged inspection fees based on carcass throughput set by the EU which do not relate to the actual cost of the plant inspections. The MHS is also incurring increased non-recoverable costs as a result of full OVS supervision being introduced to smaller plants to meet EU legal requirements. The costs and income relating to the MHS are reported on a programme rather than administration cost basis, following advice from the Treasury.

A full explanation, detailing the spend against Estimate 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.

d) *Performance Reporting*

The FSA Departmental Report Spring 2002 contained the FSA's resource estimate for 2002/03 plus core tables as specified by Treasury. The 2003 FSA Departmental Report gave details of how we are making progress towards meeting our Service Delivery Agreement targets, and meeting Modernising Government requirements. In the interim, we published our Autumn Performance Report which covered the period up to the end of September 2002. Copies of these reports are available from the Stationery Office or from our web-site. The web-site also provides performance data for our devolved offices.

## 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. The Board consists of a Chairman, Deputy Chair and up to 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 (Cabinet Office) 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	FSA Chair
Suzi Leather	FSA Deputy Chair (resigned on 31 December 2002)
Ann Hemingway	Acting FSA Deputy Chair (from 1 January to 13 July 2003) and Chair of the Advisory Committee for Wales. Julia Unwin was appointed to the FSA as Deputy Chair on 14 July 2003

## Other Board members:

Sir John Arbuthnott	Chair of the Scottish Food Advisory Committee, retired on 30 November 2002
Michael Gibson	Chair of the Scottish Food Advisory Committee from 4 November 2002
Michael Walker	Chair of the Advisory Committee for Northern Ireland
Richard Ayre	
Karol Bailey	left the Board on 20 February 2003 at the end of her period of appointment
Baroness Valerie Howarth of Breckland	
Professor Jeya Henry	left the Board on 20 February 2003 at the end of his period of appointment
Robert Rees	
Vernon Sankey	
Sandra Walbran	appointed 1 June 2002
Iain MacDonald	appointed 1 June 2002
Chrissie Dunn	appointed 1 March 2003
Dr Sati Ariyanayagam	appointed 1 March 2003
Professor Andrew Miller	appointed 1 March 2003

## FSA Management Team

Day to day management of the FSA is exercised through the Executive Management Board (EMB). Membership as at 31 March 2003 was as follows:

Dr Jon Bell	Acting Chief Executive and Interim Accounting Officer (Dr Bell was appointed as Chief Executive and Accounting Officer on 2 April 2003 following an open competition)
Pat Stewart	Acting Deputy Chief Executive and Director of Corporate Resources and Strategy (Pat Stewart was appointed Deputy Chief Executive on 9 April 2003)
David Statham	Director of Enforcement and Food Standards
Dr Andrew Wadge	Acting Director of Food Safety Policy Group
Neil Martinson	Director of Communications
David Dunleavy	Director of Legal Services
Dr George Paterson	Director of FSA Scotland
Joy Whinney	Director of FSA Wales
Morris McAllister	Director of FSA Northern Ireland

Geoffrey Podger was Chief Executive and Accounting Officer until he left on 31 January 2003. The Chief Executive of the Meat Hygiene Service as at 31 March 2003 was Chris Lawson. The MHS Chief Executive is also a member of the FSA Executive Management Board.

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

## 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

Michael Gibson (Chairman)	
Professor William Reilly	Anne Campbell
Professor Hugh Pennington	Dr Marnie Somerville
Wilma Odell	Ross MacDonald
Professor Philip Thomas	William Davidson
Professor Andrew Miller	Catherine Brady

### Wales – Advisory Committee Members

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

### Northern Ireland – Advisory Committees 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

## Funding of the FSA

The FSA is a non-Ministerial Government Department. The work of 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.

## 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 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, 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. 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. Staff also receive "FSA News", published every two months. 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, 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 around 97% of invoices were paid on time.

### Environmental Policy

We are fully committed to conserving energy, water and other resources and reducing waste. Our HQ building, Aviation House, follows an active recycling policy. We currently recycle 85% of our waste in this building. We are also able to monitor the energy efficiency of Aviation House through the building management system software.

### Financial Instruments

The Food Standards Agency does not issue or use derivatives or other financial instruments as described in FRS 13.

### Auditors

The accounts have been audited by the Comptroller and Auditor General in accordance with section 5 of the Government Resources and Accounts Act 2000. The audit certificate can be found on pages 51 and 52.

### Important events which have occurred since the end of the financial year

None.

Dr Jon Bell

Accounting Officer

7 November 2003



# Statement of Accounting Officer's responsibilities

1. Under section 5 of the Government Resource 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.
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.

Dr Jon Bell  
Accounting Officer  
7 November 2003

# Statement on internal control for FSA i n t e r n a l consolidated accounts

## 1. Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of The Food Standards Agency's policies, aims and objectives, set by the FSA Board and The Food Standards Act 1999, 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 FSA is a non-Ministerial Government Department, operating at arms length from Ministers, and led by a Board appointed to act in the public interest. I and members of the FSA Executive Management Board attend meetings of the FSA Board. I also meet with the FSA Board Chair and Deputy Chair each week.

I have been appointed as Accounting Officer for Westminster funded FSA by the Treasury, and also act in this capacity for FSA Wales, Scotland and Northern Ireland. The FSA has a single executive agency, the Meat Hygiene Service. The Chief Executive of the MHS has been appointed as Agency Accounting Officer. As Agency Accounting Officer, he is responsible to me and to Parliament for the MHS's use of resources in carrying out its functions as set out in the Framework Document.

The Food Standards Agency has in place the key elements of an effective system of internal control including:

- an Executive Management Board, chaired by myself and comprising all UK Directors, which normally meets monthly;
- internal audit arrangements, 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 Committee, constituted in line with Treasury guidance, to advise me as Accounting Officer. The Committee meets at least three times a year with a non-executive Chair who reports annually to the FSA Board on the work of the Committee;
- a strategic plan which sets out the FSA's main aims and objectives for 2001-2006;
- a strategic risk register incorporating risk treatment plans;
- a linked business and financial planning process (corporate and local business plans) which explicitly takes into consideration business risk;
- regular performance reports to the Executive Management Board's monthly meetings for both business and financial planning;
- regular reports on internal controls, including the risk register, to the Audit Committee;
- Budget Holders sign off expenditure quarterly;
- end of year sign off of compliance with corporate governance responsibilities by Budget Holders;
- targeted support and training to meet the needs of different parts of the organisation including its offices in Scotland, Wales and Northern Ireland;
- formal assurance from the Chief Executive of the Meat Hygiene Service on internal controls and representation on the MHS Audit Committee.

## 2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system has been in place in the Food Standards Agency for the year ended 31 March 2003 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

## 3. Capacity to handle risk

The FSA management team has incorporated risk management and internal controls into the organisation's business agenda and they are reviewed and reported on regularly throughout the year.

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

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

The business planning process is formally reviewed each year and amended to reflect lessons learnt and to build in examples of good practice.

## 4. The risk environment

In the Food Standards Agency the following principal categories of risk are recognised and managed:

- **strategic risks:** these are identified and monitored by the Executive Management Board and formally reviewed on a quarterly basis. They are also included in the strategic risk register. Ownership of each risk has been allocated to a Director who is responsible for managing the likelihood and impact of the risk;
- **major project risks:** these are managed to project management standards and are included in a risk register;
- **local risks:** the FSA has decided that mandatory lower level risk registers would not be proportionate and local managers have discretion as to how these risks are managed.

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

The major risks identified to date include:

- inaccurate assessment of a food risk;
- failure to communicate effectively;
- failure to properly enforce Food Safety Law;
- failure to influence stakeholders to act in consumers interests;
- lack of appropriately skilled staff.

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

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

Our management of strategic risk is being embedded in policymaking, planning and delivery by incorporating risk management and internal controls into the organisation's business agenda so they are reviewed and reported on regularly throughout the year. Risk management has also been incorporated into the business planning process at other levels in a proportionate way. The planning process has been fully supported through a programme of targeted support to meet the needs of different parts of the organisation, and a programme of training and support for the business planning process which includes risk management.

Our risk environment involves managing risks which impact on the public. The Board of the Food Standards Agency holds all its policy decision-making meetings in public. The venues and agendas are published in advance and the papers are publicly available. There is the opportunity for members of the audience to ask questions at each meeting.

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

One of our core values is to put consumers first and we have established a Consumer Committee to, among other things, alert the Agency to key issues of current or emerging consumer concern; comment on the Agency's strategic objectives and forward plan; and provide the Agency with feedback on the effectiveness of our policies in responding to consumer concerns.

## 5. Review of effectiveness

As Accounting Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Department who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Management Board and the Audit Committee and a plan to ensure continuous improvement of the system is in place.

The FSA makes stringent efforts to maintain and review the effectiveness of the system of internal control.

The FSA Strategic Plan 2001/06 sets out the FSA's main aims and objectives for a 5-year period. Targets in the FSA annual corporate business plan, and in local business plans within the organisation, are explicitly linked to the themes set out in the Strategic Plan.

The FSA's internal audit arrangements include a risk-based audit programme linked to the strategic risks of the organisation which complies with Government standards. Reports by internal audit include an independent opinion of the adequacy and effectiveness of the organisation's system of internal control, together with recommendations for improvement.

**Dr Jon Bell**  
**Chief Executive**  
**7 November 2003**

# audit 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 53 to 75 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 58 to 59.

### Respective responsibilities of the Accounting Officer and Auditor

As described on page 47, 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 Food Standards Agency 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 48 to 50 reflects the Food Standards Agency's compliance with Treasury's guidance "Corporate Governance: Statement on 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 Food Standards Agency in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Food Standards 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 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 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 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 2003 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, 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

25 November 2003

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

Food Standards Agency  
**Schedule 1**  
 Consolidated accounts 2002/03  
 Summary of resource outturn for the year ended 31 March 2003

	2002/03						Net Total Outturn compared with Estimated Saving/ (-excess) £000s	2001/02 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	192,569	(55,270)	137,299	157,471	(37,435)	120,036	17,263	106,800
Scottish Parliament	5,498	-	5,498	4,533	-	4,533	965	5,410
National Assembly for Wales	2,351	-	2,351	2,060	-	2,060	291	2,041
Northern Ireland Assembly	1,461	-	1,461	1,376	-	1,376	85	1,245
<b>Total resources</b>	<b>201,879</b>	<b>(55,270)</b>	<b>146,609</b>	<b>165,440</b>	<b>(37,435)</b>	<b>128,005</b>	<b>18,604</b>	<b>115,496</b>
<b>Net Cash Requirement</b>			<b>143,935</b>			<b>121,900</b>	<b>22,035</b>	<b>102,039</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>146,609</b>			<b>128,005</b>	<b>18,604</b>	<b>115,496</b>
<b>Capital:</b>								
Purchase of fixed assets: cash purchase	10		637			835	(198)	1,611
Investments			-			-	-	-
<b>Non-operating A in A</b>			<b>-</b>			<b>-</b>	<b>-</b>	<b>-</b>
<b>Accruals adjustments:</b>								
Non-cash items	4		(3,311)			(2,640)	(671)	(2,983)
Changes in working capital other than cash	11		-			(4,498)	4,498	(12,586)
Use of provision	15		-			198	(198)	501
<b>Net Cash Requirement (Schedule 4)</b>			<b>143,935</b>			<b>121,900</b>	<b>22,035</b>	<b>102,039</b>

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

FSA resource spend for the year was nearly £19m less than Estimate provision. The FSA manages its spend over the 3 year Government Spending Review period. The 2002/03 underspend will, with Treasury approval, be carried into 2003/04 to fund continuing planned FSA activity.

Explanation of the variation between Estimate net cash requirement and out-turn (net cash requirement) see above:

**Prior-period adjustments**

The Meat Hygiene Service costs and income are now reported, with Treasury approval, as programme rather than administration expenditure. The 2001/02 figures have been restated to reflect the 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 £128,005,324.78. Actual amount in savings in resources over Estimate £18,603,675.22.

**Actual outturn – cash:**

Net cash requirement: Outturn net requirement £121,900,526.43 which is £22,034,473.57 less than estimate.

Food Standards Agency  
**Schedule 2**  
 Operating cost statement 2002/03  
 for the year ended 31 March 2003

	Note	£000s	2002/03 £000s	2001/02 (restated) £000s
<b>Administration Costs</b>				
Staff costs	2	24,349		22,157
Other administration costs	4	16,336		16,754
<b>Gross Administration Costs</b>			<b>40,685</b>	<b>38,911</b>
Operating Income	6		(196)	(662)
<b>Net administration Costs</b>			<b>40,489</b>	<b>38,249</b>
<b>Programme Costs</b>				
Staff costs	2	44,841		42,108
Expenditure	5	79,914		76,733
less: Income	6	(37,239)		(41,594)
<b>Net Programme Costs</b>	5		<b>87,516</b>	<b>77,247</b>
<b>Net Operating Cost</b>			<b>128,005</b>	<b>115,496</b>
<b>Net Resource Outturn</b>			<b>128,005</b>	<b>115,496</b>

All activities are continuing activities.

### Statement of Recognised Gains and Losses

For the year ended 31 March 2003

	Note	2002/03 £000s	2001/02 £000s
Net gain/(loss) on revaluation of fixed assets	17	508	40
Prior Year Adjustment		-	(22)
<b>Total recognised gains/(losses) for the year</b>		<b>508</b>	<b>18</b>



Food Standards Agency  
**Schedule 3**  
 Balance sheet  
 as at the year ended 31 March 2003

	Note	£000s	31 March 2003 £000s	31 March 2002 £000s
<b>Fixed Assets</b>				
Intangible assets	9	286		318
Tangible assets	10	6,510		7,156
			6,796	7,474
<b>Current Assets:</b>				
Debtors	12	11,828		12,668
Cash at bank and in hand	13	5,456		8,647
<b>Total current assets</b>		<b>17,284</b>		<b>21,315</b>
Creditors (amounts falling due within one year)	14	(28,395)		(28,714)
<b>Net Current Assets</b>			(11,111)	(7,399)
			(4,315)	75
Creditors (amounts falling due after more than one year)	14		(4,398)	(3,663)
Provision for liabilities and charges	15		(329)	(561)
			(9,042)	(4,149)
<b>Taxpayer's Equity</b>				
General Fund	16		(9,611)	(4,210)
Revaluation Reserve	17		569	61
			(9,042)	(4,149)

Dr Jon Bell  
 Accounting Officer  
 7 November 2003

Food Standards Agency  
**Schedule 4**  
 Cash flow statement  
 for the year ended 31 March 2003

Note	2002/03 £000s	2001/02 £000s
Net cash outflow from operating activities (a)	(121,116)	(100,428)
Capital expenditure and financial investment (b)	(835)	(1,611)
Financing from Consolidated Fund (c)	111,047	96,591
Financing from the Devolved Authorities (c)	7,713	7,029
<b>(Decrease)/Increase in cash in the period</b>	<b>(3,191)</b>	<b>1,581</b>
<b>(a) Reconciliation of operating cost to operating cash flows</b>		
Net Operating Cost (per Schedule 1)	128,005	115,496
Adjustments for non-cash transactions	4	(2,983)
Adjustments for movements in working capital other than cash	11	(12,586)
Use of provisions	198	501
<b>Net cash outflow/(inflow) from operating activities</b>	<b>121,116</b>	<b>100,428</b>
<b>(b) Analysis of capital expenditure and financial investment</b>		
Intangible fixed asset additions	9	160
Tangible fixed asset additions	10	1,523
Proceeds from disposal of fixed assets	(52)	(72)
<b>Net Cash outflow/(inflow) from investing activities</b>	<b>835</b>	<b>1,611</b>
<b>(c) Analysis of financing and reconciliation to net cash requirement</b>		
From the Consolidated Fund (Supply)	111,047	96,591
From the Devolved Authorities	7,713	7,029
Decrease/(increase) in cash	3,191	(1,581)
Adjustments for payments and receipts not related to supply	(51)	-
<b>Net cash requirement (Schedule 1)</b>	<b>121,900</b>	<b>102,039</b>

Food Standards Agency  
**Schedule 5**  
 Resources by Departmental Aims and Objectives  
 for the year ended 31 March 2003

	2002/03			2001/02		
	£000s Gross	£000s Income	£000s Net	£000s Gross	£000s Income	£000s Net
<b>Aim 1</b>						
Measurably improve confidence in the National Food Safety and Standards arrangements	23,272	(63)	23,209	23,897	(177)	23,720
<b>Aim 2</b>						
Reduce Foodborne illness by 20% over the next 5 years including reducing Salmonella in the UK produced chickens on retail sale by at least 50% by the end of 2004/2005	39,140	(1,278)	37,862	31,316	(1,473)	29,843
<b>Aim 3</b>						
To protect consumers through improved Food Safety and Standards	103,028	(36,094)	66,934	102,538	(40,605)	61,933
	<b>165,440</b>	<b>(37,435)</b>	<b>128,005</b>	<b>157,751</b>	<b>(42,255)</b>	<b>115,496</b>

# Notes to the accounts

## 1 Accounting Policies

### 1.1 Basis of Preparation

The financial statements have been prepared in accordance with the 2002-03 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.

The accounts directions for Scotland, Wales and Northern Ireland do not require separate balance sheets to be prepared. Consequently the consolidated accounts include assets and liabilities relating to Scotland, Wales and Northern Ireland that are not separately identified in their financial statements.

### 1.4 Intangible Fixed Assets

Computer software licenses with a purchase cost in excess of £2,000 (including irrecoverable VAT and delivery) are capitalised and 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.

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.

Desktop computers inherited by the FSA from the Department of Health and the Ministry of Agriculture, Fisheries and Food on 1 April 2000, together with a bulk purchase of new computers, were capitalised at fair value on Vesting Day. Replacement desktop computers acquired since that date with a value of less than £2,000 have been expensed.

Fixtures and fittings acquired in connection with refurbishment are capitalised if the total cost is greater than £2,000.

The capitalisation policy of the MHS is set out in the MHS annual report and accounts.

### 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 servers and computer equipment	4 years
Office machinery	7 years
Furniture, fixtures and fittings	7 years
Vehicles	4 years

#### Intangible assets:

Computer and software licences	7 years
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### 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 products or services which are to be supplied on a full cost recovery basis is capitalised if it meets those criteria specified in SSAP13. Other development expenditure is capitalised if it meets the criteria specified in the RAM which are adapted from the SSAP13 to take account of the non-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 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 was 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.

### 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 programme costs for the purposes of resource accounting.

### 1.11 Cost of Capital

A charge reflecting the cost of capital utilised 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

The department provides for legal or constructive obligations which are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk adjusted cash flows are discounted using the Treasury discount rate of 6% in real terms.

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 Contingent Liabilities

In addition to contingent liabilities disclosed in accordance with FRS 12, the Department discloses for parliamentary reporting and accountability purposes certain contingent liabilities where the likelihood of a transfer of economic benefit is remote. These comprise:

Items over £100,000 (or lower, where required by specific statute) that do not arise in the normal course of business and which are reported to Parliament by departmental minute prior to the Department entering into the arrangement;

All items (whether or not they arise in the normal course of business) over £100,000 (or lower, where required by specific statute or where material in the context of resource accounts) which are required by the Resource Accounting Manual to be noted in the resource accounts.

Where the time value of money is material, contingent liabilities which are required to be disclosed under FRS 12 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by FRS 12 are stated at the amounts reported to Parliament.

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

The MHS is an executive agency of the FSA. In the 2001/02 accounts the MHS was included as administration expenditure. This policy has been revised and, with Treasury agreement, the MHS is now consolidated into the FSA accounts on a programme cost basis. The figures for 2001/02 have been restated to take account of this change in accounting policy.

In line with the 2002/03 RAM, inward seconded staff costs have been moved from administration costs to pay costs. The 2001/02 figures have been restated on this basis.

# 2 Staff costs

## a) Food Standards Agency – administration costs

	2002/03				Total £000s	2001/02 (restated)
	FSA (HQ) Westminster			Devolved		FSA Total £000s
	Staff £000s	Board £000s	Sub-tot £000s	Offices £000s		
Wages and Salaries	16,501	284	16,785	276	17,061	15,220
Social Security cost	1,181	21	1,202	22	1,224	1,126
Other Pension costs	2,314	31	2,345	42	2,387	2,104
<b>Sub Total</b>	<b>19,996</b>	<b>336</b>	<b>20,332</b>	<b>340</b>	<b>20,672</b>	<b>18,450</b>
Inward Secondments	413	-	413	2,462	2,875	2,882
Agency Staff	749	-	749	124	873	842
<b>Total</b>	<b>21,158</b>	<b>336</b>	<b>21,494</b>	<b>2,926</b>	<b>24,420</b>	<b>22,174</b>
Less recoveries in respect of outward secondments	(71)	-	(71)	-	(71)	(17)
<b>Total Net Costs</b>	<b>21,087</b>	<b>336</b>	<b>21,423</b>	<b>2,926</b>	<b>24,349</b>	<b>22,157</b>

## b) Meat Hygiene Service – programme costs

	2002/03		2001/02
	MHS Total £000s		MHS Total £000s
Wages and Salaries	37,833		35,906
Social Security cost	2,716		2,798
Other Pension costs	4,292		3,404
<b>Sub Total</b>	<b>44,841</b>		<b>42,108</b>
Inward Secondments	-		-
<b>Total</b>	<b>44,841</b>		<b>42,108</b>
Less recoveries in respect of outward secondments	-		-
<b>Total Net Costs</b>	<b>44,841</b>		<b>42,108</b>

The PCSPS is an unfunded multi-employer defined 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 2000. Details can be found in the separate scheme statement of the PCSPS.

For 2002/2003, normal employer contributions of £3.4 million were paid to the Principal Civil Service Pension Scheme (PCSPS) at rates in the range of 11 to 19.5 per cent of pensionable pay. It has been agreed that contributions will remain at that level for the next two years. Employer contribution rates are reviewed every three years following a scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred; and they reflect past experience of the scheme.

- c) The average number of whole-time equivalent persons employed by the FSA and MHS (including senior management) during the year 2002/03 were as follows:

	2002/03			2001/02 (restated)		
	FSA (HQ) & MHS	Devolved Offices	Total	FSA (HQ) & MHS	Devolved Offices	Total
<b>Aim 1</b> Measurably improve confidence in the National Food Safety and Standards arrangements	169	26	195	172	27	199
<b>Aim 2</b> Reduce Foodborne illness by 20% over the next 5 years including reducing Salmonella in the UK produced chickens on retail sale by at least 50% by the end of 2004/2005	238	37	275	195	21	216
<b>Aim 3 (including MHS staff members)</b> To protect consumers through improved Food Safety and Standards	1,820	45	1,865	1,716	57	1,773
	<b>2,227</b>	<b>108</b>	<b>2,335</b>	<b>2,083</b>	<b>105</b>	<b>2,188</b>

- d) Staff Costs by aim were as follows:

	2002/03			2001/02 (restated)		
	£000s	£000s	£000s	£000s	£000s	£000s
<b>Aim 1</b> Measurably improve confidence in the National Food Safety and Standards arrangements	5,224	657	5,881	5,797	884	6,681
<b>Aim 2</b> Reduce Foodborne illness by 20% over the next 5 years including reducing Salmonella in the UK produced chickens on retail sale by at least 50% by the end of 2004/2005	8,580	1,065	9,645	6,419	438	6,857
<b>Aim 3 (including MHS staff members)</b> To protect consumers through improved Food Safety and Standards	52,460	1,204	53,664	49,275	1,452	50,727
	<b>66,264</b>	<b>2,926</b>	<b>69,190</b>	<b>61,491</b>	<b>2,774</b>	<b>64,265</b>

# 3 Management remuneration

		2002/03			2001/02		
		Salaries and Other Allowances	Increase in Pension Earned	Value of Accrued Personal Pension	Salaries and Other Allowances	Increase in Pension Earned	Value of Accrued Personal Pension
		£5,000	£2,500	£5,000	£5,000	£2,500	£5,000
		£000s	£000s	£000s	£000s	£000s	£000s
a)	<b>FSA</b>						
	Geoffrey Podger Chief Executive (to 31/01/2003)	100-105	2.5-5	40-45	110-115	2.5-5	35-40
	Dr Jon Bell Director, Food Safety Policy (to 01/02/2003) and Acting Chief Executive	90-95	2.5-5	30-35	75-80	5-7.5	20-25
	Pat Stewart Director, Corporate Resources & Strategy and Acting Deputy Chief Executive	90-95	2.5-5	35-40	80-85	2.5-5	30-35
	David Statham Director, Enforcement & Food Standards	85-90	0-2.5	0-5	75-80	0-2.5	0-5
	David Dunleavy Director, Legal Services	90-95	2.5-5	20-25	80-85	0-2.5	15-20
	Andrew Wadge Acting Director, Food Safety Policy (from 01/02/2003)	65-70	0-2.5	10-15	60-65	0-2.5	10-15
	<b>Devolved Offices:</b>						
	George Paterson Director, FSA Scotland	75-80	0-2.5	0-5	60-65	0-2.5	0-5
	Joy Whinney Director, FSA Wales	50-55	0-2.5	5-10	45-50	0-2.5	5-10
	Morris McAllister Director, FSA Northern Ireland	60-65	0-2.5	25-30	55-60	0-2.5	20-25
Neil Martinson (Director, Communications) from the FSA Executive Management Broad has declined to give his consent to the publication of his personal details and such information is not therefore included in these notes.							
b)	<b>MHS</b>	£000s	£000s	£000s	£000s	£000s	£000s
	Chris Lawson Chief Executive	90-95	2.5-5.0	30-35	90-95	10-12.5	30-35

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 2002/03.



	2002/03			2001/02		
	Salaries and Other Allowances	Real increase in Pension at age 60	Total accrued pension at age 60 at 31 March 03	Salaries and Other Allowances	Real increase in Pension at age 60	Total accrued pension at age 60 at 31 March 03
<i>Bands</i>	£5,000	£2,500	£5,000	£5,000	£2,500	£5,000
	£000s	£000s	£000s	£000s	£000s	£000s
c) Food Standards Agency Board						
Prof. Sir John Krebs <sup>##</sup> Chairperson	100-105	0-2.5	0-5	100-105	0-2.5	0-5
Suzi Leather <sup>*#</sup> Deputy Chair (to 31/12/2002)	20-25	0-2.5	0-5	35-40	0-2.5	0-5
Ann Hemingway (Acting Deputy Chair from 01/01/2003)	25-30	0-2.5	0-5	20-25	0-2.5	0-5
Michael Gibson <sup>**</sup>	25-30	0-2.5	0-5	20-25	0-2.5	0-5
Michael Walker	20-25	n/a	n/a	20-25	n/a	n/a
Prof. Sir John Arbutnott (until 30/11/2002)	10-15	0-2.5	0-5	20-25	0-2.5	0-5
Jeya Henry (until 20/02/2003)	5-10	-	-	5-10	-	-
Karol Bailey (until 20/02/2003)	5-10	-	-	10-15	-	-
Richard Ayre	5-10	-	-	5-10	-	-
Robert Rees	10-15	-	-	10-15	-	-
Dame Valerie Howarth of Breckland, OBE	5-10	-	-	5-10	-	-
Vernon Sankey	5-10	-	-	5-10	-	-
Sandra Walbran (from 01/06/2002)	5-10	-	-	-	-	-
Andrew Miller <sup>*#</sup> (from 01/03/2003)	0-5	0-2.5	0-5	-	-	-
Christine Dunn (from 01/03/2003)	0-5	-	-	-	-	-
Sati Ariyanayagam (from 01/03/2003)	0-5	-	-	-	-	-

Iain MacDonald has declined to give his consent to the publication of his personal details and such information is not therefore included in these notes.

\* opted to join premium

\*\* opted to join classic plus

# pension details assume maximum commutation of pension for lump sum.

## not yet made a choice of pension arrangements, from the options set out in note ii below. The figures disclosed in the table have been calculated on the basis of the Classic Scheme, which is the default option should no other choice be selected.

**Notes:**

- i "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.
- ii Pension benefits are provided through the Civil Service pension arrangements. From 1 October 2002, civil servants may be in one of the three statutory based "final salary" defined benefit schemes (classic, premium and classic plus). New entrants after 1 October 2002 may choose between membership of premium or joining a good quality "money purchase" stakeholder based arrangement with a significant employer contribution (partnership pension account).

**(a) Classic Scheme**

Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. Members pay a contribution of 1.5 per cent of pensionable earnings. On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service, the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.

**(b) Premium Scheme**

Automatic lump sum, but members may commute some of their pension to provide a lump sum up to a maximum of 3/80ths of final pensionable earnings for each year of service or 2.25 times pension if greater (the commutation rate is £12 of lump sum for each £1 of pension given up). For the purposes of pension disclosure the tables assume maximum commutation. Members pay contributions of 3.5 per cent of pensionable earnings. On death, pensions are payable to the surviving spouse or eligible partner at a rate of 3/8ths the members pensions (before any commutation). On death in service, the scheme pays a lump-sum benefit of three times pensionable earnings and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction. Where the member's ill health is such that it permanently prevents them undertaking any gainful employment, service is enhanced to what they would have accrued at age 60.

**(c) Classic Plus Scheme**

This is essentially a variation of premium, but with the benefits in respect of service before 1 October 2002 calculated broadly as per classic.

Pensions payable under classic, premium, and classic plus are increased in line with the Retail Prices Index.

**(d) Partnership Pension Account**

This is a stakeholder-type arrangement where the employer pays a basic contribution of between 3 per cent and 12.5 percent (depending on the age of the member) into a stakeholder pension product. The employee does not have to contribute but where they do make contributions, these will be matched by the employer up to a limit of 3 per cent (in addition to the employer's basic contribution). Employers also contribute a further 0.8 per cent of pensionable salary to cover the cost of risk benefit cover (death in service and ill health retirement). The member may retire at any time between the ages of 50 and 75 and use the accumulated fund to purchase a pension. The member may choose to take up to 25 per cent of the fund as a lump sum.

- iii All members of FSA Management Group have declined to give consent to publication of their age.
- iv 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.
- v Geoffrey Podger ceased to receive any remuneration after his resignation on 31 January 2003.
- vi Suzi Leather ceased to receive any remuneration after her resignation on 31 December 2002.
- vii Prof. Sir John Arbuthnott ceased to receive any remuneration after his resignation on 30 November 2002.
- viii Prof. Jeya Henry ceased to receive any remuneration after his period of appointment came to an end on 20 February 2003.
- ix Karol Bailey ceased to receive any remuneration after her period of appointment came to an end on 20 February 2003.

# 4 Other administration costs

	2002/03	2001/02 (restated)
	£000s	£000s
<b>Rentals under operating leases:</b>		
Hire of plant and machinery	133	243
Other operating leases (including rent)	3,848	3,824
<b>Non-cash items:</b>		
Depreciation	1,703	1,266
Cost of capital	(397)	150
Audit fees	100	130
Loss on Asset Disposal	2	-
Operational costs	1	72
Accommodation costs	3,722	4,020
Board and staff overheads	3,037	2,528
Administration costs	2,930	3,154
IT costs	1,027	1,238
Committee costs	169	142
Early departure costs	28	(13)
Bad Debts written off	18	-
Other costs	15	-
	<b>16,336</b>	<b>16,754</b>

Note a) the total of non-cash transactions included in the Reconciliation of Operating Costs to Operating Cashflows in Schedule 4 and Net Cash Requirement in Schedule 1

	2002/03
Other Administration costs - non cash items (as above)	1,408
Other non-cash amounts charged to operating expenditure	1,232
<b>Total non-cash transactions</b>	<b>2,640</b>

# 5 Net programme costs

	2002/03	2001/02
	£000s	(restated) £000s
<b>Research and Development</b>		
Meat Hygiene	4,891	4,108
Nutrition	3,878	3,771
Microbiological Food Safety	3,072	4,294
Novel Food & Chemical Safety Toxicology	2,567	2,811
Chemical Safety	2,547	2,624
Food Labelling & Standards	1,122	715
Chemical Contaminants	1,048	940
Radiological Safety	493	624
Scallop Processing	286	156
Food Chain Safety	245	-
Animal Feedingsuffs	88	-
Miscellaneous	503	454
	<b>20,740</b>	<b>20,497</b>
<b>Monitoring and Surveillance:</b>		
Meat Hygiene Service		
Staff Costs		44,841
Other Expenditure	36,374	35,617
Meat Hygiene	(24)	90
Radiological Safety	2,481	2,588
Food Chain Safety	318	829
Micro Food Safety	9,433	6,504
Committees, Press & Publicity	2,920	2,494
Nutrition	2,689	1,110
Studies & Surveillance	-	332
Chemical Contaminants	1,476	1,725
Animal Feedingstuff	381	1,538
Medical & Legal	149	240
Food Safety & Education	565	-
Enforcement and Audit	480	-
Food Chain Safety	597	-
Novel Food & Chemical Safety Toxicology	687	-
Miscellaneous	648	3,169
Total non-staff programme costs		76,733
		<b>124,755</b>
<b>Less: Programme income</b>		
FSA (HQ)	(2,388)	(2,158)
Meat Hygiene Service	(34,851)	(39,436)
		(37,239)
		<b>87,516</b>

Included in MHS costs above are:

For 2002–03, audit fee of £30,000 and depreciation of £308,000.

For 2001–02, audit fee of £40,000 and depreciation of £372,000.

# 6 Analysis of income

	2002/03 £000s	2001/02 £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	196	662
	196	662
<b>Programme income:</b>		
Milk and Dairy Hygiene - sampling and inspections	33	15
Radioactive Substances Act 1993	2,355	2,143
Meat Hygiene Service activity	34,851	39,436
	37,239	41,594
	<b>37,435</b>	<b>42,256</b>

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

	Income £000s	Full Cost £000s	2002/03 Surplus/ Deficit £000s	Income £000s	Full Cost £000s	2001/02 Surplus/ Deficit £000s
<b>Meat Hygiene Service activity</b>						
Industry	21,517	46,571	(25,054)	20,601	38,736	(18,135)
Government	13,334	13,334	-	18,835	18,835	-
Milk and Dairy Hygiene - sampling and inspections	33	111	(78)	15	107	(92)
Radioactive Substances Act 1993	2,355	2,197	158	2,143	2,786	(643)
	<b>37,239</b>	<b>62,213</b>	<b>(24,974)</b>	<b>41,594</b>	<b>60,464</b>	<b>(18,870)</b>

The MHS does not recover all its costs from industry. Smaller plants are charged inspection fees on a fixed throughput charge rather than hourly rate.

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

	2002/03 £000s	2001/02 £000s
Net Operating Cost	128,005	115,496
Operating Income not classified as A in A	-	-
Consolidated Funding standing services	-	-
Net Resource outturn	<b>128,005</b>	<b>115,496</b>

# 8 Analysis of net operating cost

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

	2002/03 Estimate £000s	2002/03 Actual £000s	2001/02 Estimate £000s	2001/02 Actual £000s
<b>Spending Body:</b>				
Core Department	112,299	94,982	104,594	88,665
MHS	25,000	25,054	20,871	18,135
Scottish Parliament	5,498	4,533	5,805	5,410
Northern Ireland Assembly	1,461	1,376	1,200	1,245
National Assembly for Wales	2,351	2,060	2,029	2,041
<b>Total</b>	<b>146,609</b>	<b>128,005</b>	<b>134,499</b>	<b>115,496</b>

# 9 Intangible fixed assets

	Software Licences £000s
<b>Cost or valuation:</b>	
At 1 April 2002	484
Additions	96
Revaluation and indexation	(31)
<b>At 31 March 2002</b>	<b>549</b>
<b>Depreciation:</b>	
At 1 April 2002	166
Charged in year	103
Revaluation and indexation	(6)
<b>At 31 March 2003</b>	<b>263</b>
<b>Net Book Value at 31 March 2003</b>	<b>286</b>
<b>Net Book Value at 31 March 2002</b>	<b>318</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 2002	6,629	502	1,758	520	9,409
Additions	93	262	350	86	791
Revaluation and indexation	304	29	(92)	(3)	238
Disposals	-	-	(269)	(167)	(436)
<b>At 31 March 2003</b>	<b>7,026</b>	<b>793</b>	<b>1,747</b>	<b>436</b>	<b>10,002</b>
<b>Depreciation:</b>					
At 1 April 2002	1,064	127	859	203	2,253
Charged in year	934	100	425	110	1,569
Revaluation and indexation	44	7	2	(1)	52
Disposals	-	-	(267)	(115)	(382)
<b>At 31 March 2003</b>	<b>2,042</b>	<b>234</b>	<b>1,019</b>	<b>197</b>	<b>3,492</b>
<b>Net Book Value at 31 March 2003</b>	<b>4,984</b>	<b>559</b>	<b>728</b>	<b>239</b>	<b>6,510</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>

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

# 11 Movements in working capital other than cash

	2002/03 £000s	2001/02 £000s
(Decrease)/Increase in debtors	(840)	(2,028)
Decrease/(Increase) in creditors	(3,607)	(10,558)
	(4,447)	(12,586)
Transitional Adjustment	(51)	0
	<b>(4,498)</b>	<b>(12,586)</b>

# 12 Debtors

	2002/03 £000s	2001/02 £000s
<b>Amounts falling due within one year:</b>		
Trade debtors	5,864	6,850
Owed by government	748	1,485
VAT recoverable	2,200	2,440
Other debtors	1,056	1,385
Prepayments and accrued income	1,722	439
	<b>11,590</b>	<b>12,599</b>
<b>Amounts falling due after more than one year:</b>		
Other debtors	238	69
<b>Total Debtors</b>	<b>11,828</b>	<b>12,668</b>

# 13 Cash at bank and in hand

	2002/03 £000s	2001/02 £000s
Balance at 1 April	8,647	7,066
Net cash inflow/(outflow):	(3,191)	1,581
<b>Balance as at 31 March</b>	<b>5,456</b>	<b>8,647</b>
<b>The following balances at 31 March are held at:</b>		
Office of HM Paymaster General	3,193	8,367
Commercial bank accounts	2,263	280
	<b>5,456</b>	<b>8,647</b>



# 14 Creditors

	2002/03 £000s	2001/02 £000s
<b>Amounts falling due within one year</b>		
Trade creditors	9,229	6,749
Other creditors	2,723	550
Accruals and deferred income	10,987	12,768
Amounts issued from the Consolidated Fund for supply but not spent in year	5,456	8,647
	<b>28,395</b>	<b>28,714</b>
<b>Amounts falling due after more than one year</b>		
Long term liabilities (rent)	4,398	3,663
	<b>32,793</b>	<b>32,377</b>

# 15 Provisions for liabilities and charges

	2002/03					2001/02				
	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 2002	398	48	-	115	561	517	178	212	36	943
Arising during the year	14				14	154	48	-	79	281
Utilised during the year	(83)	-	-	(115)	(198)	(111)	(178)	(212)	-	(501)
Reversed unused during the year		(48)			(48)	(162)	-	-	-	(162)
<b>As at 31 March 2003</b>	<b>329</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>329</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 of England for the credit of the Civil Service Superannuation Vote. The balance remaining is treated as a prepayment.

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

	2002/03		2001/02	
	£000s	£000s	£000s	£000s
Net operating cost for the year (Schedule 2)	(128,005)		(115,496)	
Income not appropriated-in-aid to the Consolidated Fund	-		-	
		(128,005)		(115,496)
Net funding		127,407		110,724
Consolidated Fund Creditor for cash unspent		(5,456)		(8,647)
<b>Non cash charges:</b>				
Cost of capital	(183)		150	
Non cash staff costs (devolved)	754		878	
Other costs	(56)		-	
Rent and Management Services	8		10	
Auditor's fees	130		170	
		653		1,208
Prior Year adjustments		-		(22)
<b>Net decrease in general fund</b>		<b>(5,401)</b>		<b>(12,233)</b>
General Fund at 1 April		(4,210)		8,023
<b>Balance at 31 March 2003</b>		<b>(9,611)</b>		<b>(4,210)</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.

'Non-cash charges' above include MHS balances charged against Programme Costs in addition to the Administration Cost Charges disclosed in Note 4.

# 17 Revaluation reserve

	2002/03	2001/02
	£000s	£000s
Balance at 1 April 2002	61	21
Arising on revaluation during the year (net)	501	40
Transferred to General Fund in respect of realised element of revaluation reserve	7	-
<b>Balance at 31 March 2003</b>	<b>569</b>	<b>61</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:

	2002/03 £000s	2001/02 £000s
<b>Aim 1</b>		
Measurably improve public confidence in the National Food Safety and Standards arrangements	12,109	6,006
<b>Aim 2</b>		
Reduce foodborne illness by 20% over the next 5 years including reducing Salmonella in the UK produced chickens on retail sale by at least 50% by the end of 2004/2005.	22,656	9,966
<b>Aim 3</b>		
To protect consumers through improved Food Safety and Standards	52,751	61,275
	<b>87,516</b>	<b>77,247</b>

# 19

Capital

## commitments

	2002/03 £000s	2001/02 £000s
Contracted capital commitments at 31 March 2003 for which no provision has been made.	-	32
	-	32

# 20

Annual commitments under

## operating leases

	2002/03		2001/02	
	Land & Buildings £000s	Other £000s	Land & Buildings £000s	Other £000s
<b>Operating leases which expire:</b>				
Within one year	-	-	-	-
Between one and five years	-	126	-	126
After five years	4,334	84	4,323	84
	<b>4,334</b>	<b>210</b>	<b>4,323</b>	<b>210</b>

## 21 Other commitments

FSA has entered into commitments (which are not operating leases) for various research and development projects totalling £21,843,875.00 as at 31 March 2003.

This includes commitments up to year 2007.

## 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 £198,000. No provision has been made in the accounts this 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 from the FSA for analytical research.

Vernon Sankey has disclosed that he is a director of The Really Effective Development Company Ltd, which received £9k, for providing training to the Food Standards Agency in 2002/03.

The FSA has, in addition, 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.

# 25 Losses and special payments

During the year the FSA made losses or special payments in 5 cases with a total expenditure of £145,000. The majority of this spend related to cases inherited from the former Ministry of Agriculture, Fisheries and Food for inappropriate advice to plants leading to un-necessary work being undertaken at the plant's expense.

Additionally, the Meat Hygiene Service made 23 special payments amounting to £102,000 in total for staff compensation and personal injury claims.

# DIRECTION

ACCOUNTS DIRECTION GIVEN BY THE TREASURY IN ACCORDANCE WITH SECTION 5 (2) OF THE GOVERNMENT RESOURCES AND ACCOUNTS ACT 2000

1. This direction applies to those government departments and pension schemes listed in the attached appendix.
2. These departments and pensions schemes shall prepare resource accounts for the year ended 31 March 2003 in compliance with the accounting principles and disclosure requirements of the edition of the Resource Accounting Manual issued by HM Treasury which is in force for 2002/03.
3. The accounts for **government departments** shall be prepared so as to:
  - (a) give a true and fair view of the state of affairs at 31 March 2003 and of the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year then ended; and
  - (b) provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.
4. The accounts for **pensions schemes** shall be prepared so as to:
  - (a) give a true and fair view of the state of affairs at 31 March 2003 and of the net resource outturn and cash flows for the financial year then ended; and
  - (b) provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.
5. Compliance with the requirements of the Resource Accounting Manual will, in all but the most exceptional circumstances be necessary for the accounts to give a true and fair view. If, in exceptional circumstances, compliance with the requirements of the Resource Accounting Manual is inconsistent with the requirements 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  
19 February 2003

# 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

# DIRECTION

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 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 4(2)  
OF SCHEDULE 4 OF 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 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



*Food Standards Agency*

# Statement of Accounts for Scotland

Statement for the year ended 31 March 2003





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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 90 to 95 under Schedule 4(3) of the Food Standards Act 1999. These statements have been prepared under the accounting policies as set out on page 91.

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

As described on page 86 the Accounting Officer is responsible for the preparation of financial statements in accordance with the Food Standards Act 1999 and directions made thereunder by Scottish Ministers and for ensuring the regularity of financial transactions. 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 Food Standards Agency 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 Executive and the financial transactions conform to the authorities which govern them. I also report if in my opinion the Food Standards Agency 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 87 to 89 reflects the Food Standards 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 Food Standards Agency and Accounting Officer in the preparation of the statement of accounts and of whether the accounting policies are appropriate to the Food Standards 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 2003 and have been properly prepared in accordance with the Food Standards Act 1999 and directions made thereunder by the 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

25 November 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 Scottish Parliament for each financial year. This is to conform with an accounts direction from Scottish Ministers that the statement of account should detail the use of resources provided by the Scottish Parliament for 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 Scottish Ministers, 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.

Dr Jon Bell  
Accounting Officer  
8 October 2003



# Statement on internal control for FSA Scotland

## 1. Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of The Food Standards Agency's policies, aims and objectives, set by the FSA Board and The Food Standards Act 1999, 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 FSA is a non-Ministerial Government Department, operating at arms length from Ministers, and led by a Board appointed to act in the public interest. I and members of the FSA Executive Management Board attend meetings of the FSA Board. I also meet with the FSA Board Chair and Deputy Chair each week.

I have been appointed as Accounting Officer for Westminster funded FSA by the Treasury, and also act in this capacity for FSA Wales, Scotland and Northern Ireland. 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.

The Food Standards Agency has in place the key elements of an effective system of internal control including:

- an Executive Management Board, chaired by myself and comprising all UK Directors, which normally meets monthly;
- internal audit arrangements, 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 Committee, constituted in line with Treasury guidance, to advise me as Accounting Officer. The Committee meets at least three times a year with a non-executive Chair who reports annually to the FSA Board on the work of the Committee;
- a strategic plan which sets out the FSA's main aims and objectives for 2001-2006;
- a strategic risk register incorporating risk treatment plans;
- a linked business and financial planning process (corporate and local business plans) and which explicitly takes into consideration business risk;
- regular performance reports to the Executive Management Board's monthly meetings for both business and financial planning;
- regular reports on internal controls, including the risk register, to the Audit Committee;
- Budget Holders sign off expenditure quarterly;
- end of year sign off of compliance with corporate governance responsibilities by Budget Holders;
- targeted support and training to meet the needs of different parts of the organisation including its offices in Scotland, Wales and Northern Ireland.

## 2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system has been in place in the Food Standards Agency for the year ended 31 March 2003 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

## 3. Capacity to handle risk

The FSA management team has incorporated risk management and internal controls into the organisation's business agenda and they are reviewed and reported on regularly throughout the year.

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

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

The business planning process is formally reviewed each year and amended to reflect lessons learnt and to build in examples of good practice.

## 4. The risk environment

In the Food Standards Agency the following principal categories of risk are recognised and managed:

- **strategic risks:** these are identified and monitored by the Executive Management Board and formally reviewed on a quarterly basis. They are also included in the strategic risk register. Ownership of each risk has been allocated to a Director who is responsible for managing the likelihood and impact of the risk;
- **major project risks:** these are managed to project management standards and are included in a risk register;
- **local risks:** the FSA has decided that mandatory lower level risk registers would not be proportionate and local managers have discretion as to how these risks are managed.

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

The major risks identified to date include:

- inaccurate assessment of a food risk;
- failure to communicate effectively;
- failure to properly enforce Food Safety Law;
- failure to influence stakeholders to act in consumers interests;
- lack of appropriately skilled staff.

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

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

Our management of strategic risk is being embedded in policymaking, planning and delivery by incorporating risk management and internal controls into the organisation's business agenda so they are reviewed and reported on regularly throughout the year. Risk management has also been incorporated into the business planning process at other levels in a proportionate way. The planning process has been fully supported through a programme of targeted support to meet the needs of different parts of the organisation, and a programme of training and support for the business planning process which includes risk management.

Our risk environment involves managing risks which impact on the public. The Board of the Food Standards Agency holds all its policy decision-making meetings in public. The venues and agendas are published in advance and the papers are publicly available. There is the opportunity for members of the audience to ask questions at each meeting.

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

One of our core values is to put consumers first and we have established a Consumer Committee to, among other things, alert the Agency to key issues of current or emerging consumer concern; comment on the Agency's strategic objectives and forward plan; and provide the Agency with feedback on the effectiveness of our policies in responding to consumer concerns.

## 5. Review of effectiveness

As Accounting Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Department who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Management Board and the Audit Committee and a plan to ensure continuous improvement of the system is in place.

The FSA makes stringent efforts to maintain and review the effectiveness of the system of internal control.

The FSA Strategic Plan 2001/06 sets out the FSA's main aims and objectives for a 5-year period. Targets in the FSA annual corporate business plan, and in local business plans within the organisation, are explicitly linked to the themes set out in the Strategic Plan.

The FSA's internal audit arrangements include a risk-based audit programme linked to the strategic risks of the organisation which complies with Government standards. Reports by internal audit include an independent opinion of the adequacy and effectiveness of the organisation's system of internal control, together with recommendations for improvement.

**Dr Jon Bell**  
Chief Executive  
8 October 2003

# Summary of Resource Outturn

for the year ended 31 March 2003

	2002/03						Net Total Outturn compared with Estimated Saving/ (excess)	2001/02  Prior Year Outturn (restated)
	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	5,498	-	5,498	4,533	-	4,533	965	5,410
<b>Total resources</b>	<b>5,498</b>	<b>-</b>	<b>5,498</b>	<b>4,533</b>	<b>-</b>	<b>4,533</b>	<b>965</b>	<b>5,410</b>

## Reconciliation of Net Resource Outturn to net cash requirement

	Note	2002/03 £000s	2001/02 £000s
<b>Net Resource Outturn</b>		<b>4,533</b>	<b>5,410</b>
<b>Accruals adjustments:</b>			
Recharge for fixed asset usage	3	(102)	(65)
Other Non-cash items	3	(10)	(10)
Increase (+)/Decrease (-) in debtors and prepayments	6	39	(257)
Increase (-)/Decrease (+) in creditors	6	1,188	(1,420)
<b>Capital:</b>			
Capital Expenditure		30	95
<b>Net Cash requirement</b>		<b>5,678</b>	<b>3,753</b>

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

<b>Net Cash requirement</b>	<b>(5,678)</b>	<b>(3,753)</b>
Cash brought forward	896	(51)
Cash Funding provided by the Scottish Parliament for 2002/03	4,800	4,649
Cash Funding provided by the Scottish Parliament for 2001/02	-	51
<b>Cash Carried Forward</b>	<b>18</b>	<b>896</b>

## Operating Cost Statement for the year ended 31 March 2003

	Note	£000s	£000s	£000s
<b>Administration Costs</b>				
Staff costs	2	1,666		1,612
Other administration costs	3	1,155		1,112
Gross Administration Costs			2,821	2,724
Operating Income			-	-
<b>Net Administration Costs</b>			<b>2,821</b>	<b>2,724</b>
<b>Programme Costs</b>				
Protecting and promoting public health in relation to food				
Expenditure		1,712		2,686
Less income		-		-
<b>Total</b>	<b>4</b>		<b>1,712</b>	<b>2,686</b>
<b>Net Operating Cost</b>			<b>4,533</b>	<b>5,410</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.

Jon Bell,  
Accounting Officer, 8 October 2003

# 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 2003;
- 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

The majority of staff working for FSA Scotland are seconded to FSA from the Scottish Executive. Recent Treasury guidance requires the costs of all inward secondees to be disclosed separately within staff costs. The costs of inward seconded staff were recorded as "other administration costs" in the 2001/02 accounts. These costs are now recorded as "staff costs" in these financial statements, and prior year comparatives have been restated to ensure consistency in accounting treatment between years. 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

	2002/03	2001/02 (restated)
a) <b>Seconded staff costs consist of:</b>		
	£000s	£000s
Wages and Salaries	1,296	1,198
Social Security Costs	88	92
Other Pension Costs	167	161
<b>Sub Total</b>	<b>1,551</b>	<b>1,451</b>
Agency Staff	115	161
Total	1,666	1,612
Less recoveries in respect of outward secondments	-	-
<b>Total Net Cost</b>	<b>1,666</b>	<b>1,612</b>

	2002/03	2001/02 (restated)
b) <b>The average number of people seconded to FSA Scotland during the year 2002-03 by aim, were as follows:</b>		
<b>Aim 1</b> Measurably improve public confidence in the National Food Safety and standards arrangements	18	14
<b>Aim 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	15	11
<b>Aim 3</b> To protect consumers through improved food safety and standards	34	39
	<b>67</b>	<b>64</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.

	2002/03	2001/02 (restated)
c) <b>Seconded staff Costs by aim were as follows:</b>		
	£000s	£000s
<b>Aim 1</b> Measurably improve public confidence in the National Food Safety and Standards arrangements	440	504
<b>Aim 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	397	214
<b>Aim 3</b> To protect consumers through improved food safety and standards	829	894
	<b>1,666</b>	<b>1,612</b>

## d) Management Remuneration

	2002/03			2001/02		
	Salaries and Other Allowances	Increase in Pension Earned	Value of Accrued Personal Pension	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)	£5,000 (£000)	£2,500 (£000)	£5,000 (£000)
George Patterson Director, FSA Scotland	75-80	0-2.5	0-5	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

	2002/03	2001/02 (restated)
	£000s	£000s
Non-cash items:		
Recharge for fixed asset usage	102	65
Audit fees	10	10
	112	
Accommodation costs	435	478
Staff overheads	325	272
Administration costs	161	157
IT costs	57	85
Committee costs	65	45
	1,155	1,112

## 4 Net programme costs by FSA aim

	2002/03	2001/02
	£000s	£000s
<b>Aim 1</b>		
Measurably improve public confidence in the National Food Safety and Standards arrangements	732	288
<b>Aim 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	482	432
<b>Aim 3</b>		
To protect consumers through improved food safety and standards	498	1,966
	1,712	2,686

## 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 Scotland is staffed predominantly by officers seconded from the Scottish Executive.

# 6 Movements in working capital other than cash

	2002/03 £000s	2001/02 £000s
(Decrease) / Increase in debtors and prepayments	39	(257)
Decrease / (Increase) in creditors	1,188	(1,420)
	1,227	(1,677)

# 7 Debtors

	2002/03 £000s	2001/02 £000s
Amounts falling due within one year:		
Other debtors	-	1
Prepayments and accrued income	114	27
Amounts falling due more than one year:		
Other debtors	-	47
<b>Total Debtors</b>	<b>114</b>	<b>75</b>

# 8 Creditors

	2002/03 £000s	2001/02 £000s
Amounts falling due within one year:		
Trade creditors	44	561
Accruals and deferred income	358	1,030
Amounts issued from the Consolidated Fund for supply but not spent in year	18	896
	420	2,487



# 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) retired on 30/11/2002

Michael Gibson (Chairman) from 04/11/2002

Professor Andrew Miller (Deputy Chairman) from 11/03/2003

Professor William Reilly

Anne Campbell

Professor Hugh Pennington

Dr Marnie Sommerville

Wilma Odell

Ross MacDonald

Professor Phillip Thomas

William Davidson

Alexandra Miller appointment terminated on 14/03/2003

Catherine Brady from 15/03/2003

# 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 2003





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# audit certificate

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

I certify that I have audited the financial statements on pages 106 to 111 under Schedule 4(3) of the Food Standards Act 1999. These statements have been prepared under the accounting policies as set out on page 107.

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

As described on page 102 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. 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 Food Standards Agency funded by Parliament through the Department of Health, Social Service and Public Safety, 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 Food Standards Agency 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 103 to 105 reflects the Food Standards 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 Food Standards Agency and the Accounting Officer in the preparation of the statement of accounts and of whether the accounting policies are appropriate to the Food Standards 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 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 2003 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 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

8 October 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 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 that the statement of account should detail the use of resources provided by the Department for 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.

Dr Jon Bell  
Accounting Officer  
8 October 2003



# Statement on internal control for FSA Northern Ireland

## 1. Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of The Food Standards Agency's policies, aims and objectives, set by the FSA Board and The Food Standards Act 1999, 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 FSA is a non-Ministerial Government Department, operating at arms length from Ministers, and led by a Board appointed to act in the public interest. I and members of the FSA Executive Management Board attend meetings of the FSA Board. I also meet with the FSA Board Chair and Deputy Chair each week.

I have been appointed as Accounting Officer for Westminster funded FSA by the Treasury, and also act in this capacity for FSA Wales, Scotland and Northern Ireland. 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.

The Food Standards Agency has in place the key elements of an effective system of internal control including:

- an Executive Management Board, chaired by myself and comprising all UK Directors, which normally meets monthly;
- internal audit arrangements, 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 Committee, constituted in line with Treasury guidance, to advise me as Accounting Officer. The Committee meets at least three times a year with a non-executive Chair who reports annually to the FSA Board on the work of the Committee;
- a strategic plan which sets out the FSA's main aims and objectives for 2001-2006;
- a strategic risk register incorporating risk treatment plans;
- a linked business and financial planning process (corporate and local business plans) which explicitly takes into consideration business risk;
- regular performance reports to the Executive Management Board's monthly meetings for both business and financial planning;
- regular reports on internal controls, including the risk register, to the Audit Committee;
- Budget Holders sign off expenditure quarterly;
- end of year sign off of compliance with corporate governance responsibilities by Budget Holders;
- targeted support and training to meet the needs of different parts of the organisation including its offices in Scotland, Wales and Northern Ireland.

## 2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system has been in place in the Food Standards Agency for the year ended 31 March 2003 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

## 3. Capacity to handle risk

The FSA management team has incorporated risk management and internal controls into the organisation's business agenda and they are reviewed and reported on regularly throughout the year.

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

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

The business planning process is formally reviewed each year and amended to reflect lessons learnt and to build in examples of good practice.

## 4. The risk environment

In the Food Standards Agency the following principal categories of risk are recognised and managed:

- **strategic risks:** these are identified and monitored by the Executive Management Board and formally reviewed on a quarterly basis. They are also included in the strategic risk register. Ownership of each risk has been allocated to a Director who is responsible for managing the likelihood and impact of the risk;
- **major project risks:** these are managed to project management standards and are included in a risk register;
- **local risks:** the FSA has decided that mandatory lower level risk registers would not be proportionate and local managers have discretion as to how these risks are managed.

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

The major risks identified to date include:

- inaccurate assessment of a food risk;
- failure to communicate effectively;
- failure to properly enforce Food Safety Law;
- failure to influence stakeholders to act in consumers interests;
- lack of appropriately skilled staff.

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

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

Our management of strategic risk is being embedded in policymaking, planning and delivery by incorporating risk management and internal controls into the organisation's business agenda so they are reviewed and reported on regularly throughout the year. Risk management has also been incorporated into the business planning process at other levels in a proportionate way. The planning process has been fully supported through a programme of targeted support to meet the needs of different parts of the organisation, and a programme of training and support for the business planning process which includes risk management.

Our risk environment involves managing risks which impact on the public. The Board of the Food Standards Agency holds all its policy decision-making meetings in public. The venues and agendas are published in advance and the papers are publicly available. There is the opportunity for members of the audience to ask questions at each meeting.

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

One of our core values is to put consumers first and we have established a Consumer Committee to, among other things, alert the Agency to key issues of current or emerging consumer concern; comment on the Agency's strategic objectives and forward plan; and provide the Agency with feedback on the effectiveness of our policies in responding to consumer concerns.

## 5. Review of effectiveness

As Accounting Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Department who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Management Board and the Audit Committee and a plan to ensure continuous improvement of the system is in place.

The FSA makes stringent efforts to maintain and review the effectiveness of the system of internal control.

The FSA Strategic Plan 2001/06 sets out the FSA's main aims and objectives for a 5-year period. Targets in the FSA annual corporate business plan, and in local business plans within the organisation, are explicitly linked to the themes set out in the Strategic Plan.

The FSA's internal audit arrangements include a risk-based audit programme linked to the strategic risks of the organisation which complies with Government standards. Reports by internal audit include an independent opinion of the adequacy and effectiveness of the organisation's system of internal control, together with recommendations for improvement.

**Dr Jon Bell**  
Chief Executive  
8 October 2003

# Summary of Resource Outturn

for the year ended 31 March 2003

	2002/03						Net Total Outturn compared with Estimated Saving/ (excess)	2001/02  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	1,461	-	1,461	1,376	-	1,376	85	1,245
<b>Total resources</b>	<b>1,461</b>	<b>-</b>	<b>1,461</b>	<b>1,376</b>	<b>-</b>	<b>1,376</b>	<b>85</b>	<b>1,245</b>

## Reconciliation of Net Resource Outturn to net cash requirement

	Note	2002/03 £000s	2001/02 £000s
<b>Net Resource Outturn</b>		<b>1,376</b>	<b>1,245</b>
<b>Accruals adjustments:</b>			
Recharge for fixed asset usage	3	(53)	(33)
Other Non-cash items	3	(23)	(39)
Increase (+)/Decrease (-) in debtors and prepayments	6	(5)	(18)
Increase (-)/Decrease (+) in creditors	6	(82)	(4)
<b>Capital:</b>			
Capital Expenditure		11	-
<b>Net Cash requirement</b>		<b>1,224</b>	<b>1,151</b>

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

<b>Net Cash requirement</b>	<b>(1,224)</b>	<b>(1,151)</b>
Cash balance brought forward	23	(10)
Cash Funding provided directly by the Northern Ireland Assembly for 2002/03	1,055	772
Cash Funding provided directly by the Northern Ireland Assembly for 2001/02	-	10
Cash Funding provided indirectly through the Northern Ireland Assembly for 2002/03	251	402
<b>Cash Carried Forward</b>	<b>105</b>	<b>23</b>

## Operating Cost Statement for the year ended 31 March 2003

	Note	£000s	£000s	£000s
<b>Administration Costs</b>				
Staff costs	2	609		611
Other administration costs	3	473		418
<b>Gross Administration Costs</b>			<b>1,082</b>	<b>1,029</b>
Operating Income			-	-
<b>Net Administration Costs</b>			<b>1,082</b>	<b>1,029</b>
<b>Programme Costs</b>				
Protecting and promoting public health in relation to food				
Expenditure		294		216
Less income		-		-
<b>Total</b>	<b>4</b>		<b>294</b>	<b>216</b>
<b>Net Operating Cost</b>			<b>1,376</b>	<b>1,245</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.

Dr Jon Bell, Accounting Officer, 8 October 2003

# Notes to the accounts

## 1 Accounting Policies

### 1.1 Scope of Accounts

The Food Standards Agency (FSA) is a non-Ministerial Government Department established by the Food Standards Act 1999. The FSA has responsibility to protect public health from risks which arise in the consumption of food, and otherwise to protect the interests of consumers in relation to food throughout the UK. Its headquarters are in London and the FSA also operates in Northern Ireland, Wales and Scotland through its three devolved offices.

These financial statements report the net resource outturn, net operating costs and cash funding of the 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 2003;
- 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 (NI CSPA.) 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 NI CSPA, 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 NI CSPA. 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

The majority of staff working for FSA Northern Ireland are seconded to FSA from other employers. Recent Treasury guidance requires the costs of all inward secondees to be disclosed separately within staff costs. The costs of inward seconded staff were recorded as 'other administration costs' in the 2001/02 accounts. These are now recorded as 'staff costs' in these financial statements, and prior year comparatives have been restated to ensure consistency in accounting treatment between years. 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

The majority of staff working in FSA Northern Ireland have been seconded from the Northern Ireland Department of Health, Social Security and Public Safety. The salary costs for these secondees are paid directly out of the direct funding requirement.

	2002/03	2001/02 (restated)
a) <b>Staff costs consist of:</b>		
	£000s	£000s
Wages and Salaries	202	-
Social Security Cost	17	-
Other Pension Costs	32	-
<b>Sub Total</b>	<b>251</b>	<b>-</b>
Inward secondments	354	605
Agency Staff	4	6
Total	358	611
Less recoveries in respect of outward secondments	-	-
<b>Total Net Cost</b>	<b>609</b>	<b>611</b>

	2002/03	2001/02
b) <b>The average number of people employed by FSA Northern Ireland during the year 2002-03 by aim were as follows:</b>		
<b>Aim 1</b>		
Measurably improve public confidence in the National Food Safety and Standards arrangements	2	8
<b>Aim 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	13	2
<b>Aim 3</b>		
To protect consumers through improved food safety and standards	4	8
	<b>19</b>	<b>18</b>

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 seconded's original employer and recovered from the FSA by invoice.

	2002/03	2001/02 (restated)
c) <b>Staff costs by aim were as follows:</b>		
	£000s	£000s
<b>Aim 1</b>		
Measurably improve public confidence in the National Food Safety and Standards arrangements	67	262
<b>Aim 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	450	47
<b>Aim 3</b>		
To protect consumers through improved food safety and standards	92	302
	<b>609</b>	<b>611</b>

(continued next page)

d) Management Remuneration

	2002/03			2001/02		
	Salaries and Other Allowances	Increase in Pension Earned	Value of Accrued Personal Pension	Salaries and Other Allowances	Increase in Pension Earned	Value of Accrued Personal Pension
<i>Bands</i>	£5,000	£2,500	£5,000	£5,000	£2,500	£5,000
	(£000)	(£000)	(£000)	(£000)	(£000)	(£000)
Morris McAllister, FSA Northern Ireland	60-65	0-2.5	25-30	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

	2002/03 £000s	2001/02 (restated) £000s
Rentals under operating leases:		
Hire of plant and machinery	16	7
Other operating leases	71	68
Non-cash items:		
Recharge for fixed asset usage	53	33
Audit fees	10	10
Accommodation costs	72	59
Administration costs	112	68
Staff overheads	68	89
IT costs	16	31
Committee costs	55	53
	<b>473</b>	<b>418</b>

## 4 Net programme costs

	2002/03 £000s	2001/02 £000s
<b>a) Monitoring and Surveillance</b>		
Local Authority	242	181
Micro Food Safety	32	-
Nutrition	10	6
Food Safety and Education	10	29
	<b>294</b>	<b>216</b>
<b>b) Net Programme Costs by Aims</b>		
<b>Aim 1</b>		
Measurably improve public confidence in the National Food Safety and Standards arrangements	-	-
<b>Aim 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	284	190
<b>Aim 3</b>		
To protect consumers through improved food safety and standards	10	26
	<b>294</b>	<b>216</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 has some staff who are 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

	2002/03 £000s	2001/02 £000s
(Decrease) / Increase in debtors and prepayments	(5)	(18)
Decrease / (Increase) in creditors	(82)	(4)
	(87)	(22)

## 7 Debtors

	2002/03 £000s	2001/02 £000s
Amounts falling due within one year:		
Other debtors and prepayments	10	15
<b>Total Debtors</b>	<b>10</b>	<b>15</b>

## 8 Creditors

	2002/03 £000s	2001/02 £000s
Amounts falling due within one year:		
Trade creditors	8	12
Accruals and deferred income	124	38
Amounts issued from the Consolidated Fund (NI) for supply but not spent in year	105	23
	237	73



# 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

# DIRECTION

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 2003





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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 122 to 127 under Schedule 4(3) of the Food Standards Act 1999. These statements have been prepared under the accounting policies as set out on page 123.

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

As described on page 118 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. 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 Food Standards Agency 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 Food Standards Agency 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 119 and 121 reflects the Food Standards 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 Food Standards Agency and Accounting Officer in the preparation of the statement of accounts and of whether the accounting policies are appropriate to the Food Standards 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 2003 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

25 November 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 that the statement of account should detail the use of resources provided by the NAW for 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 NAW, 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.

Dr Jon Bell  
Accounting Officer  
8 October 2003



# Statement on internal control for FSA Wales

## 1. Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of The Food Standards Agency's policies, aims and objectives, set by the FSA Board and The Food Standards Act 1999, 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 FSA is a non-Ministerial Government Department, operating at arms length from Ministers, and led by a Board appointed to act in the public interest. I and members of the FSA Executive Management Board attend meetings of the FSA Board. I also meet with the FSA Board Chair and Deputy Chair each week.

I have been appointed as Accounting Officer for Westminster funded FSA by the Treasury, and also act in this capacity for FSA Wales, Scotland and Northern Ireland. Although the activities of FSA Wales are funded through the National Assembly for Wales, 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.

The Food Standards Agency has in place the key elements of an effective system of internal control including:

- an Executive Management Board, chaired by myself and comprising all UK Directors, which normally meets monthly;
- internal audit arrangements, 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 Committee, constituted in line with Treasury guidance, to advise me as Accounting Officer. The Committee meets at least three times a year with a non-executive Chair who reports annually to the FSA Board on the work of the Committee;
- a strategic plan which sets out the FSA's main aims and objectives for 2001-2006;
- a strategic risk register incorporating risk treatment plans;
- a linked business and financial planning process (corporate and local business plans) which explicitly takes into consideration business risk;
- regular performance reports to the Executive Management Board's monthly meetings for both business and financial planning;
- regular reports on internal controls, including the risk register, to the Audit Committee;
- Budget Holders sign off expenditure quarterly;
- end of year sign off of compliance with corporate governance responsibilities by Budget Holders;
- targeted support and training to meet the needs of different parts of the organisation including its offices in Scotland, Wales and Northern Ireland.

## 2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system has been in place in the Food Standards Agency for the year ended 31 March 2003 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

## 3. Capacity to handle risk

The FSA management team has incorporated risk management and internal controls into the organisation's business agenda and they are reviewed and reported on regularly throughout the year.

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

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

The business planning process is formally reviewed each year and amended to reflect lessons learnt and to build in examples of good practice.

## 4. The risk environment

In the Food Standards Agency the following principal categories of risk are recognised and managed:

- **strategic risks:** these are identified and monitored by the Executive Management Board and formally reviewed on a quarterly basis. They are also included in the strategic risk register. Ownership of each risk has been allocated to a Director who is responsible for managing the likelihood and impact of the risk;
- **major project risks:** these are managed to project management standards and are included in a risk register;
- **local risks:** the FSA has decided that mandatory lower level risk registers would not be proportionate and local managers have discretion as to how these risks are managed.

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

The major risks identified to date include:

- inaccurate assessment of a food risk;
- failure to communicate effectively;
- failure to properly enforce Food Safety Law;
- failure to influence stakeholders to act in consumers interests;
- lack of appropriately skilled staff.

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

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

Our management of strategic risk is being embedded in policymaking, planning and delivery by incorporating risk management and internal controls into the organisation's business agenda so they are reviewed and reported on regularly throughout the year. Risk management has also been incorporated into the business planning process at other levels in a proportionate way. The planning process has been fully supported through a programme of targeted support to meet the needs of different parts of the organisation, and a programme of training and support for the business planning process which includes risk management.

Our risk environment involves managing risks which impact on the public. The Board of the Food Standards Agency holds all its policy decision-making meetings in public. The venues and agendas are published in advance and the papers are publicly available. There is the opportunity for members of the audience to ask questions at each meeting.

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

One of our core values is to put consumers first and we have established a Consumer Committee to, among other things, alert the Agency to key issues of current or emerging consumer concern; comment on the Agency's strategic objectives and forward plan; and provide the Agency with feedback on the effectiveness of our policies in responding to consumer concerns.

## 5. Review of effectiveness

As Accounting Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Department who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Management Board and the Audit Committee and a plan to ensure continuous improvement of the system is in place.

The FSA makes stringent efforts to maintain and review the effectiveness of the system of internal control.

The FSA Strategic Plan 2001/06 sets out the FSA's main aims and objectives for a 5-year period. Targets in the FSA annual corporate business plan, and in local business plans within the organisation, are explicitly linked to the themes set out in the Strategic Plan.

The FSA's internal audit arrangements include a risk-based audit programme linked to the strategic risks of the organisation which complies with Government standards. Reports by internal audit include an independent opinion of the adequacy and effectiveness of the organisation's system of internal control, together with recommendations for improvement.

Dr Jon Bell  
Chief Executive  
8 October 2003

# Summary of Resource Outturn

for the year ended 31 March 2003

	2002/03						Net Total Outturn compared with Estimated Saving/ (excess)	2001/02  Prior Year Outturn (restated)
	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	2,351	-	2,351	2,060	-	2,060	291	2,041
<b>Total resources</b>	<b>2,351</b>	<b>-</b>	<b>2,351</b>	<b>2,060</b>	<b>-</b>	<b>2,060</b>	<b>291</b>	<b>2,041</b>

## Reconciliation of Net Resource Outturn to net cash requirement

	Note	2002/03 £000s	2001/02 £000s
<b>Net Resource Outturn</b>		<b>2,060</b>	<b>2,041</b>
<b>Accruals adjustments:</b>			
Recharge for fixed asset usage	3	(81)	(29)
Other non-cash items	3	(10)	(10)
Increase (+)/Decrease (-) in debtors and prepayments	6	7	16
Increase (-)/Decrease (+) in creditors	6	37	(161)
<b>Capital:</b>			
Capital Expenditure		222	71
<b>Net Cash requirement</b>		<b>2,235</b>	<b>1,928</b>

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

<b>Net Cash requirement</b>	<b>(2,235)</b>	<b>(1,928)</b>
Cash brought forward	70	(28)
Cash Funding provided directly by the National Assembly for Wales for 2002/03	1,859	1,508
Cash Funding provided directly by the National Assembly for Wales for 2001/02	-	28
Cash Funding provided indirectly by the National Assembly for Wales for 2002/03	496	490
<b>Cash Carried Forward</b>	<b>190</b>	<b>70</b>

## Operating Cost Statement for the year ended 31 March 2003

	Note	£000s	£000s	£000s
<b>Administration Costs</b>				
Staff costs	2	652		551
Other administration costs	3	482		452
Gross Administration Costs			1,134	1,003
Operating Income			-	-
<b>Net Administration Costs</b>			<b>1,134</b>	<b>1,003</b>
<b>Programme Costs</b>				
Protecting and promoting public health in relation to food				
Expenditure		926		1,038
Less income		-		-
<b>Total</b>	<b>4</b>		<b>926</b>	<b>1,038</b>
<b>Net Operating Cost</b>			<b>2,060</b>	<b>2,041</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.

Dr Jon Bell, Accounting Officer, 8 October 2003

# Notes to the accounts

## 1 Accounting Policies

### 1.1 Scope of Accounts

The Food Standards Agency (FSA) is a non-Ministerial Government Department established by the Food Standards Act 1999. The FSA has responsibility to protect public health from risks which arise in the consumption of food, and otherwise to protect the interests of consumers in relation to food throughout the UK. Its headquarters are in London and the FSA also operates in Northern Ireland, Wales and Scotland through its three devolved offices.

These financial statements report the net resource outturn, net operating costs and cash funding of the 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 2003;
- 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

The majority of staff working for the FSA Wales are seconded to FSA from other employers. Recent Treasury guidance requires the costs of all inward secondees to be disclosed separately within staff costs. The costs of inward seconded staff were recorded as 'other operating costs' in the 2001/02 accounts. These costs are now recorded as 'staff costs' in these financial statements, and prior year comparatives have been restated to ensure consistency in accounting treatment between years. 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

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.

	2002/03	2001/02
	£000s	(Restated) £000s
a) Staff Costs consist of:		
Wages and Salaries	74	51
Social Security Costs	5	3
Other Pension Costs	10	7
<b>Sub Total</b>	<b>89</b>	<b>61</b>
Inward Secondees	558	490
Agency Staff	5	-
<b>Total</b>	<b>563</b>	<b>490</b>
Less recoveries in respect of outward secondments	-	-
<b>Total Net Costs</b>	<b>652</b>	<b>551</b>

	2002/03	2001/02
		(Restated)
b) The average number of people seconded to FSA Wales during the year by aim were as follows:		
<b>Aim 1</b> Measurably improve public confidence in the National Food Safety and standards arrangements	6	5
<b>Aim 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	8
<b>Aim 3</b> To protect consumers through improved food safety and standards	7	9
	<b>21</b>	<b>22</b>

	2002/03	2001/02
	£000s	(Restated) £000s
c) Staff Costs by aim were as follows:		
<b>Aim 1</b> Measurably improve public confidence in the National Food Safety and standards arrangements	131	119
<b>Aim 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	203	177
<b>Aim 3</b> To protect consumers through improved food safety and standards	318	255
	<b>652</b>	<b>551</b>

#### d) Management Remuneration

	2002/03			2001/02		
	Salaries and Other Allowances	Increase in Pension Earned	Value of Accrued Personal Pension	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)	£5,000 (£000)	£2,500 (£000)	£5,000 (£000)
Joy Whinney Director, FSA Wales	50-55	0-2.5	5-10	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

	2002/03	2001/02 (Restated)
	£000s	£000s
Rentals under operating leases:		
Other operating leases	51	34
Hire of plant and machinery	(18)	51
Non-cash items:		
Recharge for fixed asset usage	81	29
Audit fees	10	10
Operational costs	-	10
Accommodation costs	28	41
Staff overheads	118	74
Administration costs	141	113
IT costs	21	46
Committee costs	50	44
	<b>482</b>	<b>452</b>

# 4 Net programme costs

## a Net Programme Costs

	2002/03	2001/02
	£000s	£000s
<b>Monitoring and Surveillance:</b>		
Enforcement & Audit	323	185
Nutrition	169	439
Programme Review	-	1
Food Safety & Education	430	409
Press & Publicity Expenditure	4	4
	<b>926</b>	<b>1,038</b>

## b Net Programme Costs by Aim

<b>Aim 1</b>		
Measurably improve public confidence in the National Food Safety and standards arrangements	275	142
<b>Aim 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	377	421
<b>Aim 3</b>		
To protect consumers through improved food safety and standards	274	475
	<b>926</b>	<b>1,038</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

	2002/03 £000s	2001/02 £000s
(Decrease) / Increase in debtors and prepayments	7	16
Decrease / (Increase) in creditors	37	(161)
	<b>44</b>	<b>(145)</b>

## 7 Debtors

	2002/03 £000s	2001/02 £000s
Amounts falling due within one year:		
Other debtors and prepayments	23	16
<b>Total Debtors</b>	<b>23</b>	<b>16</b>



# 8 Creditors

	2002/03	2001/02
	£000s	£000s
Amounts falling due within one year		
Trade creditors	1	38
Accruals and deferred income	195	195
Amounts issued from the Consolidated Fund for supply but not spent in year	190	70
	386	303

# 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 2003





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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 the Westminster funded resource accounts but included in a consolidated annual report and accounts published separately.

## Statutory Background

The FSA was established on 1 April 2000 by 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.

## Aims of the Food Standards Agency

Our Strategic Plan 2001/06 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. 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 easier 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.

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.

## Operating and Financial Review

### a) *The responsibilities of the FSA*

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.

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.

### b) *How we are doing*

During the year, the FSA had a number of successes. Examples include:

- we completed the first stage of our review of the Over Thirty Months Scheme, which is a UK BSE protection measure which prevents older cattle from entering the food chain. The review was conducted in an open and participative way through public meetings and through a stakeholder group comprising representatives from consumers, industry specialists, key experts and others. The Group's report was published for consultation in March 2003. The Board will consider the report, and consultation responses, in July 2003;
- we have continued to work with local authorities to improve food standards by increasing the consistency and effectiveness of food law enforcement through a major audit plan. The audit programme is improving the quality of local authority enforcement and raising its profile and priority locally; 73 full audits in England, Wales and Northern Ireland had been completed by the end of March;
- we launched the second phase of our Food Hygiene Campaign in October 2002. In addition to TV advertisements focusing on the importance of hand-washing, we sent a free training video to all catering businesses on our database. There were additional Barbecue and Christmas Turkey Campaigns. The barbecue campaign won a media award – one of five awards presented to the FSA during the year. Comprehensive evaluation of campaign activity shows that messages are beginning to get through and awareness continues to rise;
- a requirement to introduce (HACCP) -based controls has been introduced in all large red meat and poultry plants. Guidance was issued to plants in the run up to implementation, including six one-day workshops;
- We have developed an Action Plan for consumers on low incomes as part of our policy of widening the consultation process to include all groups of consumers. We have produced a series of new leaflets aimed at particular audiences including breastfeeding mothers, men and senior adults. We have also given specific advice in relation to a number of food safety issues, for example acrylamide in home-cooked and processed food such as crisps, chips and bread.
- we set up a new Consumer Committee in April 2002 which held four formal meetings. The Committee's work has already informed decision making, particularly in respect of putting into practice our core values, engaging with low income consumers, horizon scanning and assessing assurance schemes;

- our Consumer Attitudes Survey showed increases in overall consumer confidence in current measures to protect health with regard to food safety, in levels of confidence in the Food Standards Agency and a significant increase in awareness of the FSA;
- we have made a start in helping people to improve their dietary health. Examples include the promotion of the importance of a balanced diet to school children, reviewing the evidence and advising on salt intake and commissioning a review of the evidence on safe levels of vitamins and minerals;
- we have set up a Waste Food Task Force to develop proposals to reduce the scope for fraud through illegal recycling of waste food.

c) *Resource spend in 2002/03*

The comparison of actual resource expenditure to Estimate is shown below:

	2002/03	
	Estimate	Expenditure
	£m	£m
Westminster FSA HQ	112.3	95.0
Meat Hygiene Service	25.0	25.0
<b>Total Westminster Funded FSA</b>	<b>137.3</b>	<b>120.0</b>

The comparative figures for 2001/02 are shown below:

	2001/02	
	Estimate	Expenditure
	£m	£m
Westminster FSA HQ	104.6	88.7
Meat Hygiene Service	20.9	18.1
<b>Total Westminster Funded FSA</b>	<b>125.5</b>	<b>106.8</b>

The net cost of the Westminster funded FSA was £120.0m against a request for resources Estimate of £137.3m to 31 March 2003. The FSA manages its spend over the three year Government Spending Review Period. The 2002/03 surplus of around £17m will be carried forward, with Treasury agreement, into 2003/04 to help address future funding pressures which have already been identified.

The net cost of the MHS was £25.0m, up from £18.1m in 2001/02. The MHS net cost of operations has increased because the majority of plants are charged inspection fees based on carcass throughput set by the EU which do not relate to the actual cost of the plant inspections. The MHS is also incurring increased non-recoverable costs as a result of full OVS supervision being introduced to smaller plants to meet EU legal requirements. The costs and income relating to the MHS are reported on a programme rather than administration cost basis, following advice from the Treasury.

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

d) *Performance Reporting*

The FSA Departmental Report Spring 2002 contained the FSA's resource Estimate for 2002/03 plus core tables as specified by Treasury. The 2003 FSA Departmental Report gave details of how we are making progress towards meeting our Service Delivery Agreement targets, and meeting Modernising Government requirements. In the interim, we published our Autumn Performance Report which covered the period up to the end of September 2002. Copies of these reports are available from the Stationary office or from our web-site.



## 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. The Board consists of a Chairman, Deputy Chair and up to 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 (Cabinet Office) 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	FSA Chair
Suzi Leather	FSA Deputy Chair (resigned on 31 December 2002)
Ann Hemingway	Acting FSA Deputy Chair (from 1 January to 13 July 2003) and Chair of the Advisory Committee for Wales. Julia Unwin was appointed to the FSA as Deputy Chair on 14 July 2003

## Other Board members:

Sir John Arbuthnott	Chair of the Scottish Food Advisory Committee, retired on 30 November 2002
Michael Gibson	Chair of the Scottish Food Advisory Committee from 4 November 2002
Michael Walker	Chair of the Advisory Committee for Northern Ireland
Richard Ayre	
Karol Bailey	left the Board on 20 February 2003 at the end of her period of appointment
Baroness Valerie Howarth of Breckland	
Professor Jeya Henry	left the Board on 20 February 2003 at the end of his period of appointment
Robert Rees	
Vernon Sankey	
Sandra Walbran	appointed 1 June 2002
Iain MacDonald	appointed 1 June 2002
Chrissie Dunn	appointed 1 March 2003
Dr Sati Ariyanayagam	appointed 1 March 2003
Professor Andrew Miller	appointed 1 March 2003

## FSA Management Team

Day to day management of the FSA is exercised through the Executive Management Board (EMB). Membership as at 31 March 2003 was as follows:

Dr Jon Bell	Acting Chief Executive and Interim Accounting Officer (Dr Bell was appointed as Chief Executive and Accounting Officer on 2 April 2003 following an open competition)
Pat Stewart	Acting Deputy Chief Executive and Director of Corporate Resources and Strategy (Pat Stewart was appointed Deputy Chief Executive on 9 April 2003)
David Statham	Director of Enforcement and Food Standards
Dr Andrew Wadge	Acting Director of Food Safety Policy Group
Neil Martinson	Director of Communications
David Dunleavy	Director of Legal Services
Dr George Paterson	Director of FSA Scotland
Joy Whinney	Director of FSA Wales
Morris McAllister	Director of FSA Northern Ireland

Geoffrey Podger was Chief Executive and Accounting Officer until he left on 31 January 2003. The Chief Executive of the Meat Hygiene Service as at 31 March 2003 was Chris Lawson. The MHS Chief Executive is also a member of the FSA Executive Management Board.

All senior officials have been appointed under the rules laid down by the Civil Service Commissioners. Salary and pension details of the Board and the EMB 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 through resource based supply.

## 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 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. 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. Staff also receive copies of "FSA News", published every two months. 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 have been made to provide similar 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 around 97% of invoices were paid on time.

## Environmental Policy

We are fully committed to conserving energy, water and other resources and reducing waste. Our HQ building, Aviation House, follows an active recycling policy. We currently recycle 85% of our waste in this building. We are also able to monitor the energy efficiency of Aviation House through the building management system software.

## Financial Instruments

The Food Standards Agency does not issue or use derivatives or other financial instruments as described in FRS 13.

## Auditors

The accounts have been audited by the Comptroller and Auditor General in accordance with section 5 of the Government Resources and Accounts Act 2000. The audit certificate can be found on pages 142 and 143.

## Important events which have occurred since the end of the financial year

None.

Jon Bell

Accounting Officer

7 November 2003

# Statement of Accounting Officer's responsibilities

1. 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.
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.

Jon Bell  
Accounting Officer  
7 November 2003

# internal

Statement on internal control for  
FSA Westminster

## 1. Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of The Food Standards Agency's policies, aims and objectives, set by the FSA Board and The Food Standards Act 1999, 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 FSA is a non-Ministerial Government Department, operating at arms length from Ministers, and led by a Board appointed to act in the public interest. I and members of the FSA Executive Management Board attend meetings of the FSA Board. I also meet with the FSA Board Chair and Deputy Chair each week.

I have been appointed as Accounting Officer for Westminster funded FSA by the Treasury. The FSA has a single executive agency, the Meat Hygiene Service. The Chief Executive of the MHS has been appointed as Agency Accounting Officer. As Agency Accounting Officer, he is responsible to me and to Parliament for the MHS's use of resources in carrying out its functions as set out in the Framework Document.

The Food Standards Agency has in place the key elements of an effective system of internal control including:

- an Executive Management Board, chaired by myself and comprising all UK Directors, which normally meets monthly;
- internal audit arrangements, 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 Committee, constituted in line with Treasury guidance, to advise me as Accounting Officer. The Committee meets at least three times a year with a non-executive Chair who reports annually to the FSA Board on the work of the Committee;
- a strategic plan which sets out the FSA's main aims and objectives for 2001-2006;
- a strategic risk register incorporating risk treatment plans;
- a linked business and financial planning process (corporate and local business plans) which explicitly takes into consideration business risk;
- regular performance reports to the Executive Management Board's monthly meetings for both business and financial planning;
- regular reports on internal controls, including the risk register, to the Audit Committee;
- Budget Holders sign off expenditure quarterly;
- end of year sign off of compliance with corporate governance responsibilities by Budget Holders;
- targeted support and training to meet the needs of different parts of the organisation including its offices in Scotland, Wales and Northern Ireland;
- formal assurance from the Chief Executive of the Meat Hygiene Service on internal controls and representation on the MHS Audit Committee.

## 2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system has been in place in the Food Standards Agency for the year ended 31 March 2003 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

## 3. Capacity to handle risk

The FSA management team has incorporated risk management and internal controls into the organisation's business agenda and they are reviewed and reported on regularly throughout the year.

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

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

The business planning process is formally reviewed each year and amended to reflect lessons learnt and to build in examples of good practice.

## 4. The risk environment

In the Food Standards Agency the following principal categories of risk are recognised and managed:

- **strategic risks:** these are identified and monitored by the Executive Management Board and formally reviewed on a quarterly basis. They are also included in the strategic risk register. Ownership of each risk has been allocated to a Director who is responsible for managing the likelihood and impact of the risk;
- **major project risks:** these are managed to project management standards and are included in a risk register;
- **local risks:** the FSA has decided that mandatory lower level risk registers would not be proportionate and local managers have discretion as to how these risks are managed.

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

The major risks identified to date include:

- inaccurate assessment of a food risk;
- failure to communicate effectively;
- failure to properly enforce Food Safety Law;
- failure to influence stakeholders to act in consumers interests;
- lack of appropriately skilled staff.

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

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

Our management of strategic risk is being embedded in policymaking, planning and delivery by incorporating risk management and internal controls into the organisation's business agenda so they are reviewed and reported on regularly throughout the year. Risk management has also been incorporated 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, and a programme of training and support for the business planning process which includes risk management.

The business and financial planning process now cascades throughout the organisation (corporate and local business plans), and explicitly links business objectives, resource allocation and the consideration of business risk.

Our risk environment involves managing risks which impact on the public. The Board of the Food Standards Agency holds all its policy decision-making meetings in public. The venues and agendas are published in advance and the papers are publicly available. There is the opportunity for members of the audience to ask questions at each meeting.

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

One of our core values is to put consumers first and we have established a Consumer Committee to, among other things, alert the Agency to key issues of current or emerging consumer concern; comment on the Agency's strategic objectives and forward plan; and provide the Agency with feedback on the effectiveness of our policies in responding to consumer concerns.

## 5. Review of effectiveness

As Accounting Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Department who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Management Board and the Audit Committee and a plan to ensure continuous improvement of the system is in place.

The FSA makes stringent efforts to maintain and review the effectiveness of the system of internal control.

The FSA Strategic Plan 2001-06 sets out the FSA's main aims and objectives for a 5-year period. Targets in the FSA annual corporate business plan, and in local business plans within the organisation, are explicitly linked to the themes set out in the Strategic Plan.

The FSA's internal audit arrangements include a risk-based audit programme linked to the strategic risks of the organisation which complies with Government standards. Reports by internal audit include an independent opinion of the adequacy and effectiveness of the organisation's system of internal control, together with recommendations for improvement.

Dr Jon Bell  
Chief Executive  
7 November 2003

# 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 144 to 167 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 149 to 151.

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

As described on page 138, 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 Food Standards Agency 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 139 to 141 reflects the Food Standards Agency's compliance with Treasury's guidance "Corporate Governance: Statement on 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 Department in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Department's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by 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 2003 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

25 November 2003

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

Food Standards Agency  
**Schedule 1**  
 Westminster Funded Accounts 2002/03  
 Summary of resource outturn for the year ended 31 March 2003

	2002/03						Net Total Outturn compared with Estimated Saving/ (excess)	2001/02  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	192,569	(55,270)	137,299	157,471	(37,435)	120,036	17,263	106,800
<b>Total Resources</b>	<b>192,569</b>	<b>(55,270)</b>	<b>137,299</b>	<b>157,471</b>	<b>(37,435)</b>	<b>120,036</b>	<b>17,263</b>	<b>106,800</b>
<b>Net Cash Requirement</b>			<b>134,625</b>			<b>113,509</b>	<b>21,116</b>	<b>96,090</b>
<b>Reconciliation of Resources to Cash Requirement</b>	<b>Note</b>		<b>£000s</b>			<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b>Net Total Resources</b>			<b>137,299</b>			<b>120,036</b>	<b>17,263</b>	<b>106,800</b>
<b>Capital:</b>								
Purchase of fixed assets:								
cash purchase	11		637			573	64	1,445
Investments			-			-	-	-
<b>Non-operating A-in-A</b>			<b>-</b>			<b>-</b>	<b>-</b>	<b>-</b>
<b>Accruals Adjustments:</b>								
Non-cash items	4		(3,311)			(1,627)	(1,684)	(1,903)
Changes in working capital other than cash	14		-			(5,671)	5,671	(10,753)
Use of provision	18		-			198	(198)	501
<b>Net Cash Requirement (Schedule 4)</b>			<b>134,625</b>			<b>113,509</b>	<b>21,116</b>	<b>96,090</b>

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

FSA HQ resource spend for the year was around £17m less than Estimate provision. The FSA manages its spend over the 3 year Government Spending Review period. The 2002/03 underspend will, with Treasury approval, be carried into 2003/04 to fund continuing planned FSA activity.

**Explanation of the variation between Estimate net cash requirement and out-turn (net cash requirement):**

See above.

**Prior-period adjustments:**

The Meat Hygiene Service costs and income are now reported, with Treasury approval, as programme rather than administration expenditure. The 2001/02 figures have been restated to take account of 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 £120,035,947.07. Actual amount in savings in resources over Estimate £ 17,263,052.93.

**Actual outturn – cash:**

Net cash requirement: Outturn net requirement £113,509,347.33 which is £21,115,652.67 less than estimate.

# Schedule 2

Westminster Funded Operating cost statement 2002/03  
for the year ended 31 March 2003

	Note	2002/03		2001/02
		£000s	£000s	(restated) £000s
<b>Administration Costs:</b>				
Staff costs	2	21,422		19,382
Other administration costs	4	14,225		14,772
<b>Gross administration costs</b>			<b>35,647</b>	<b>34,154</b>
Operating income	6		(196)	(662)
<b>Net Administration Costs</b>			<b>35,451</b>	<b>33,492</b>
<b>Programme Costs:</b>				
Staff costs	2	44,841		42,108
Expenditure	5	76,983		72,794
Less: Income	6	(37,239)		(41,594)
<b>Net Programme Costs</b>	5		<b>84,585</b>	<b>73,308</b>
<b>Net Operating Cost</b>			<b>120,036</b>	<b>106,800</b>
<b>Net Resource Outturn</b>			<b>120,036</b>	<b>106,800</b>

All activities are continuing activities.

## Statement of Recognised Gains and Losses

for the year ended 31 March 2003

	Note	31 March, 2003	31 March, 2002
		£000s	£000s
Net gain (loss) on revaluation of fixed assets	20	507	41
Prior year Adjustment			(22)
<b>Total recognised gains (losses) for the year</b>		<b>507</b>	<b>19</b>

Food Standards Agency  
**Schedule 3**  
 Balance sheet  
 as at the year ended 31 March 2003

	Note	31 March 2003		31 March 2002
		£000s	£000s	£000s
<b>Fixed Assets:</b>				
Intangible assets	12	288		318
Tangible assets	13	5,799		6,437
			6,087	6,755
<b>Current Assets</b>				
Debtors	15	11,681		12,562
Cash at bank and in hand	16	5,143		7,656
<b>Total current assets</b>		<b>16,824</b>		<b>20,218</b>
Creditors (amounts falling due within one year)	17	(27,352)		(25,860)
<b>Net Current Assets</b>			<b>(10,528)</b>	<b>(5,642)</b>
<b>Total Assets less current liabilities</b>			<b>(4,441)</b>	<b>1,113</b>
Creditors (amounts falling due after more than one year)	17		(4,398)	(3,663)
Provision for liabilities and charges	18		(329)	(561)
			(9,168)	(3,111)
<b>Taxpayer's Equity</b>				
General Fund	19		(9,737)	(3,173)
Revaluation Reserve	20		569	62
			(9,168)	(3,111)

Dr Jon Bell  
 Accounting Officer  
 7 November 2003

Food Standards Agency

# Schedule 4

## Westminster funded cash flow statement for the year ended 31 March 2003

Note	2002/03 £000s	2001/02 £000s
Net cash outflow from operating activities (a)	(112,987)	(94,645)
Capital expenditure and financial investment (b)	(573)	(1,445)
Financing from Consolidated Fund (c)	111,047	96,591
<b>(Decrease)/Increase in cash in the period</b>	<b>(2,513)</b>	<b>501</b>
<b>(a) Reconciliation of operating cost to operating cash flows</b>		
Net Operating Cost	120,036	106,800
Adjustments for non-cash transactions	(1,627)	(1,903)
Adjustments for movements in working capital other than cash	14	(10,753)
Use of provisions	198	501
<b>Net cash outflow/(inflow) from operating activities</b>	<b>112,987</b>	<b>94,645</b>
<b>(b) Analysis of capital expenditure and financial investment</b>		
Fixed asset additions	12 + 13	625
Proceeds from disposal of fixed assets	11	(72)
<b>Net Cash outflow/(inflow) from investing activities</b>	<b>573</b>	<b>1,445</b>
<b>(c) Analysis of financing and reconciliation to net cash requirement</b>		
From the Consolidated Fund (Supply)	111,047	96,591
Decrease/(increase) in cash	2,513	(501)
Adjustments for payments and receipts not related to supply	(51)	-
<b>Net cash requirement (Schedule 1)</b>	<b>113,509</b>	<b>96,090</b>

Amount of Grant actually issued to support the net cash requirement = £111,047,106.00

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

Food Standards Agency  
**Schedule 5**  
 resources

Westminster funded resources by departmental aims and objectives  
 for the year ended 31 March 2003

	2002/03			2001/02		
	£000s Gross	£000s Income	£000s Net	£000s Gross	£000s Income	£000s Net
<b>Aim 1</b>						
Measurably improve confidence in the National Food Safety and Standards arrangements	20,877	(63)	20,814	22,070	(177)	21,893
<b>Aim 2</b>						
Reduce Foodborne illness by 20% over the next 5 years including reducing Salmonella in the UK produced chickens on retail sale by at least 50% by the end of 2004/2005	36,265	(1,278)	34,987	29,028	(1,473)	27,555
<b>Aim 3</b>						
To protect consumers through improved Food Safety and Standards	100,329	(36,094)	64,235	97,957	(40,605)	57,352
	<b>157,471</b>	<b>(37,435)</b>	<b>120,036</b>	<b>149,055</b>	<b>(42,255)</b>	<b>106,800</b>

# Notes to the accounts

## 1 Accounting Policies

### 1.1 Basis of Preparation

The financial statements have been prepared in accordance with the 2002-03 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 £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

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.

Desktop computers inherited by the FSA from the Department of Health and the Ministry of Agriculture, Fisheries and Food, together with a bulk purchase of new computers were capitalised at fair value on Vesting Day. Replacement desktop computers acquired since that date with a value of less than £2,000 have been expensed.

Fixtures and fittings acquired in connection with refurbishment are capitalised if the total cost is greater than £2,000.

The capitalisation policy of the MHS is set out in the MHS annual report and accounts.

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

#### Intangible assets:

Computer Software and software licences	7 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 was 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 programme 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

The department provides for legal or constructive obligations which are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk adjusted cash flows are discounted using the Treasury discount rate of 6% in real terms.

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 Contingent Liabilities

In addition to contingent liabilities disclosed in accordance to FRS 12, the department discloses for parliamentary reporting and accountability purposes certain contingent liabilities where the likelihood of a transfer of economic benefit is remote. These comprise:

- items over £100,000 (or lower, where required by specific statute) that do not arise in the normal course of business and which are reported to Parliament by departmental Minute prior to the Department entering into the arrangement;
- all items (whether or not they arise in the normal course of business) over £100,000 (or lower, where required by specific statute or where material in the context of resource accounts) which are required by the Resource Accounting Manual to be noted in the resource accounts.

Where the time value of money is material, contingent liabilities which are required to be disclosed under FRS 12 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by FRS 12 are stated at the amounts reported to Parliament.

### 1.20 Change in accounting policy

The MHS is an executive agency of the FSA. In the 2001/02 accounts the MHS was included as administration expenditure. This policy has been revised, and, on Treasury advice, the MHS is now consolidated into the FSA accounts on a programme cost basis. The figures for 2001/02 have been restated to take account of this change in accounting policy.

In line with the 2002/03 RAM, inward seconded staff costs have been moved from administration costs to pay costs. The 2001/02 figures have been restated on this basis.

# 2 Staff costs

a) Food Standards Agency – administration costs

	2002/03			2001/02 (restated)
	FSA(HQ) Westminster			FSA(HQ)
	Staff	Board	Total	Total
	£	£	£	£
Wages and Salaries	16,501,144	283,610	16,784,754	15,169,161
Social Security cost	1,180,532	21,023	1,201,555	1,122,549
Other Pension costs	2,312,993	32,267	2,345,260	2,097,654
<b>Sub Total</b>	<b>19,994,669</b>	<b>336,900</b>	<b>20,331,569</b>	<b>18,389,364</b>
Inward Secondments	412,896	-	412,896	335,519
Agency Staff	749,179	-	749,179	674,533
<b>Total</b>	<b>21,156,744</b>	<b>336,900</b>	<b>21,493,644</b>	<b>19,399,416</b>
Less recoveries in respect of outward secondments	(71,290)	-	(71,290)	(17,010)
<b>Total Net Costs</b>	<b>21,085,454</b>	<b>336,900</b>	<b>21,422,354</b>	<b>19,382,406</b>

b) Meat Hygiene Service – programme costs

	2002/03	2001/02 (restated)
	MHS	MHS
	Total	Total
	£	£
Wages and Salaries	37,833,000	35,906,000
Social Security cost	2,716,000	2,798,000
Other Pension costs	4,292,000	3,404,000
<b>Sub Total</b>	<b>44,841,000</b>	<b>42,108,000</b>
Inward Secondments	-	-
<b>Total</b>	<b>44,841,000</b>	<b>42,108,000</b>
Less recoveries in respect of outward secondments	-	-
<b>Total Net Costs</b>	<b>44,841,000</b>	<b>42,108,000</b>

The PCSPS is an unfunded mutli-employer defined 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 2000. Details can be found in the separate scheme statement of the PCSPS.

For 2002/2003, normal employer contributions of £3.3 million were paid to the Principal Civil Service Pension Scheme (PCSPS) at rates in the range of 11 to 19.5 per cent of pensionable pay. It has been agreed that contributions will remain at that level for the next two years. Employer contribution rates are reviewed every three years following a scheme valuation by the Government actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred; and they reflect past experience of the scheme.

c) The average number of whole-time equivalent persons employed by the FSA and MHS (including senior management) during the year 2002/03 were as follows:

	2002/03	2001/02 (restated)
	Total	Total
<b>Aim 1</b> Measurably improve confidence in the National Food Safety and Standards arrangements	169	172
<b>Aim 2</b> Reduce Foodborne illness by 20% over the next 5 years including reducing Salmonella in the UK produced chickens on retail sale by at least 50% by the end of 2004/2005.	238	195
<b>Aim 3 (including MHS staff members)</b> To protect consumers through improved Food Safety and Standards	1,820	1,716
	<b>2,227</b>	<b>2,083</b>

d) Staff Costs by aim were as follows:

	2002/03	2001/02
	Total	Total
	£000	£000
<b>Aim 1</b>	5,224	5,797
Measurably improve confidence in the National Food Safety and Standards arrangements		
<b>Aim 2</b>	8,580	6,419
Reduce Foodborne illness by 20% over the next 5 years including reducing Salmonella in the UK produced chickens on retail sale by at least 50% by the end of 2004/2005.		
<b>Aim 3 (including MHS staff members)</b>	52,460	49,274
To protect consumers through improved Food Safety and Standards		
	<b>66,264</b>	<b>61,490</b>

For further details on MHS staff costs and numbers please refer to the 2002/03 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:

		2002/03			2001/02		
		Salaries and Other Allowances	Real Increase in Pension at age 60	Total accrued Pension at age 60 31 Mar 03	Salaries and Other Allowances	Real Increase in Pension at age 60	Total accrued Pension at age 60 31 Mar 02
		£5,000	£2,500	£5,000	£5,000	£2,500	£5,000
		£000s	£000s	£000s	£000s	£000s	£000s
i)	<b>FSA</b>						
	Geoffrey Podger Chief Executive (to 31/01/2003)	100-105	2.5-5	40-45	110-115	2.5-5	35-40
	Dr Jon Bell Director, FS&P and Acting Chief Executive (from 01/02/2003)	90-95	2.5-5	30-35	75-80	5-7.5	20-25
	Andrew Wadge Acting Director, FS&P (from 01/02/2003)	65-70	0-2.5	10-15	60-65	0-2.5	10-15
	Pat Stewart Director, CR&S and Acting Deputy Chief Executive	90-95	2.5-5	35-40	80-85	2.5-5	30-35
	David Statham Director, E&FS	85-90	0-2.5	0-5	75-80	0-2.5	0-5
	David Dunleavy Director, Legal Services	90-95	2.5-5	20-25	80-85	0-2.5	15-20

Neil Martinson (Director, Communications) from the FSA Executive Management Board 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 2002/03.

ii)	<b>MHS</b>	£000s	£000s	£000s	£000s	£000s	£000s
	Chris Lawson Chief Executive	90-95	2.5-5.0	30-35	90-95	10-12.5	30-35

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 2002/03.

		2002/03			2001/02			
		Salaries and Other Allowances	Real increase in Pension at age 60	Total accrued pension at age 60 at 31 March 03	Salaries and Other Allowances	Real increase in Pension at age 60	Total accrued pension at age 60 at 31 March 02	
		<i>Bands</i>	£5,000	£2,500	£5,000	£5,000	£2,500	£5,000
		£000s	£000s	£000s	£000s	£000s	£000s	£000s
iii)	<b>Food Standards Agency Board</b>							
	Prof. Sir John Krebs	Chair <sup>##</sup>	100-105	0-2.5	0-5	100-105	0-2.5	0-5
	Suzi Leather <sup>**</sup>	Deputy Chair (to 31/12/2002)	20-25	0-2.5	0-5	45-50	0-2.5	0-5
	Ann Hemingway	Deputy Chair (from 01/01/2003)	25-30	0-2.5	0-5	25-30	0-2.5	0-5
	Michael Gibson <sup>##</sup>		25-30	0-2.5	0-5	20-25	0-2.5	0-5
	Michael Walker		20-25	n/a	n/a	20-25	n/a	n/a
	Prof. Sir John Arbuthnott	(to 30/11/2002)	10-15	0-2.5	0-5	20-25	0-2.5	0-5
	Jeya Henry	(to 20/02/2003)	5-10	-	-	5-10	-	-
	Karol Bailey	(to 20/02/2003)	5-10	-	-	10-15	-	-
	Richard Ayre		5-10	-	-	5-10	-	-
	Robert Rees		10-15	-	-	10-15	-	-
	Dame Valerie Howarth of Breckland, OBE		5-10	-	-	5-10	-	-
	Vernon Sankey		5-10	-	-	5-10	-	-
	Sandra Walbran	(from 01/06/2002)	5-10	-	-	-	-	-
	Christine Dunn	(from 01/03/2003)	0-5	-	-	-	-	-
	Dr Sati Ariyanayagam	(from 01/03/2003)	0-5	-	-	-	-	-
	Prof. Andrew Miller <sup>**</sup>	(from 01/03/2003)	0-5	0-2.5	0-5	-	-	-

Iain MacDonald has declined to give his consent to the publication of his personal details and such information is not therefore included in these notes.

\* opted to join premium

\*\* opted to join classic plus

# pension details assume maximum commutation of pension for lump sum.

## not yet made a choice of pension arrangements from the options set out in note ii below. The figures disclosed in the table have been calculated on the basis of the Classic Scheme, which is the default option should no other choice be selected.

#### Notes:

- i "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.
- ii Pension benefits are provided through the Civil Service pension arrangements. From 1 October 2002, civil servants may be in one of the three statutory based "final salary" defined benefit schemes (classic, premium and classic plus). New entrants after 1 October 2002 may choose between membership of premium or joining a good quality "money purchase" stakeholder based arrangement with a significant employer contribution (partnership pension account).
  - (a) Classic Scheme  
Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. Members pay a contribution of 1.5 per cent of pensionable earnings. On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service, the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.
  - (b) Premium Scheme  
Benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum, but members may commute some of their pension to provide a lump sum up to a maximum of 3/80ths of final pensionable earnings for each year of service or 2.25 times pension if greater (the commutation rate is £12 of lump sum for each £1 of pension given up). For the purposes of pension disclosure the tables assume maximum commutation. Members pay contributions of 3.5 per cent of pensionable earnings. On death, pensions are payable to the surviving spouse or eligible partner at a rate of 3/8ths the members pensions (before any commutation). On death in service, the scheme pays a lump-sum benefit of three times pensionable earnings and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction. Where the member's ill health is such that it permanently prevents them undertaking any gainful employment, service is enhanced to what they would have accrued at age 60.
  - (c) Classic Plus Scheme  
This is essentially a variation of premium, but with the benefits in respect of service before 1 October 2002 calculated broadly as per classic. Pensions payable under classic, premium, and classic plus are increased in line with the Retail Prices Index.
  - (d) Partnership Pension Account  
This is a stakeholder-type arrangement where the employer pays a basic contribution of between 3 per cent and 12.5 per cent (depending on the age of the member) into a stakeholder pension product. The employee does not have to contribute but where they do make contributions, these will be matched by the employer up to a limit of 3 per cent (in addition to the employer's basic contribution). Employers also contribute a further 0.8 per cent of pensionable salary to cover the cost of risk benefit cover (death in service and ill health retirement). The member may retire at any time between the ages of 50 and 75 and use the accumulated fund to purchase a pension. The member may choose to take up to 25 per cent of the fund as a lump sum.
- iii None of the above received benefits in kind.
- iv All members of FSA Management Group have declined to give consent to publication of their age.
- v 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.
- vi Geoffrey Podger ceased to receive any remuneration after his resignation on 31 January 2003.
- vii Suzi Leather ceased to receive any remuneration after her resignation on 31 December 2002.
- viii Prof. Sir John Arbuthnott ceased to receive any remuneration after his resignation on 30 November 2002.

# 4 Other administration costs

	2002/03		2001/02
	£000s	£000s	(restated) £000s
<b>Rentals Under Operating Leases:</b>			
Hire of plant and machinery		120	200
Other operating leases (including rent of Aviation House)		3,467	3,706
<b>Non-cash Items:</b>			
Depreciation	1,467		1,138
Cost of capital	(397)		150
Audit fees	70		100
Provision for early departure costs	-		119
Loss on disposal of fixed assets	2		-
<b>Total non-cash items</b>		<b>1,142</b>	<b>1,507</b>
Operational costs		-	62
Accommodation costs		3,447	2,732
Board and staff overheads		2,524	2,047
Administration costs		2,543	3,381
IT costs		934	1,150
Early Departure Costs		28	(13)
Bad debts		18	-
Other costs		2	-
		<b>14,225</b>	<b>14,772</b>

The auditors received no remuneration for non audit work.

	2002/03
Note a) the total of non-cash transactions included in the Reconciliation of Operating Costs to Operating Cashflows in Schedule 4 and Net Cash Requirement in Schedule 1 comprises:	
Other Administration costs – non cash items (as above)	1,142
other non-cash amounts charged to operating expenditure	485
<b>Total non-cash transactions</b>	<b>1,627</b>

# 5 Net programme costs

	2002/03		2001/02 (restated)
	£000s	£000s	£000s
<b>Research and Development:</b>			
Nutrition	3,878		3,771
Microbiological Food Safety	3,067		4,001
Meat Hygiene	4,891		4,108
Chemical Safety	2,547		2,624
Novel Food & Chemical Safety Toxicology	2,567		2,811
Chemical Contaminants	1,048		886
Food Labelling & Standards	1,122		715
Radiological Safety	493		567
Animal Feedingstuff	88		
Food Chain Safety	245		
Miscellaneous	504		370
	<b>20,450</b>		<b>19,853</b>
<b>Monitoring and Surveillance</b>			
Meat Hygiene Service			
Staff Costs		44,841	42,108
Other Expenditure	36,375		35,707
Meat Hygiene	(24)		-
Chemical Safety	372		-
Radiological Safety	2,481		2,588
Micro Food Safety	8,474		5,994
Committees, Press & Publicity	2,643		2,107
Nutrition	2,510		1,106
Novel Food & Chemical Safety Toxicology	315		-
Chemical Contaminants	1,476		1,177
Food Labelling & Standards	597		-
Animal Feedingstuff	381		1,538
Food Chain Safety	333		-
Miscellaneous	600		2,724
Total non-staff programme costs		76,983	72,794
		<b>121,824</b>	<b>114,902</b>
<b>Less: Programme income</b>			
Meat Hygiene Service	(34,851)		(39,436)
FSA(HQ)	(2,388)		(2,158)
		(37,239)	(41,594)
		<b>84,585</b>	<b>73,308</b>

Included in the MHS costs above are:

For 2002/03, the audit fee of £30,000 and depreciation of £308,000

For 2001/02, the audit fee of £40,000 and depreciation of £372,000

# 6 Analysis of income

	2002/03 £000s	2001/02 £000s
<b>Operating income, 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	196	662
	196	662
<b>Programme income:</b>		
Milk and Dairy Hygiene – sampling	33	15
Radioactive Substances Act 1993 inspections	2,355	2,143
	2,388	2,158
<b>Meat Hygiene Service activity</b>	<b>34,851</b>	<b>39,436</b>
	<b>37,435</b>	<b>42,256</b>

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

	2002/03			2001/02		
	Income £000s	Full Cost £000s	Surplus/ (Deficit) £000s	Income £000s	Full Cost £000s	Surplus/ (Deficit) £000s
<b>Meat Hygiene Service activity</b>						
Industry	21,517	46,571	(25,054)	20,601	38,736	(18,135)
Government	13,334	13,334	-	18,835	18,835	-
<b>Milk and Dairy Hygiene – sampling and inspections</b>	<b>33</b>	<b>111</b>	<b>(78)</b>	<b>15</b>	<b>107</b>	<b>(92)</b>
<b>Radioactive Substances Act 1993</b>	<b>2,355</b>	<b>2,197</b>	<b>158</b>	<b>2,143</b>	<b>2,786</b>	<b>(643)</b>
	<b>37,239</b>	<b>62,213</b>	<b>(24,974)</b>	<b>41,594</b>	<b>60,464</b>	<b>(18,870)</b>

The MHS does not recover all its costs from industry. Smaller plants are charged inspection fees on a throughput rather than hourly rate basis.

# 7 Administration cost limits

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

	2002/03		2001/02 (restated)	
	Outturn £000s	Limits £000s	Outturn £000s	Limits £000s
Request for resources 1	33,063	35,751	31,255	32,388
	33,063	35,751	31,255	32,388

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

	2002/03 £000s	2001/02 £000s
Net Operating Cost	120,036	106,800
Operating Income not classified as A-in-A	-	-
Consolidated Funding standing services	-	-
Net Resource outturn	120,036	106,800

# 9 Analysis of net operating cost

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

	2002/03	2002/03	2001/02	2001/02
	Estimate £000s	Actual £000s	Estimate £000s	Actual £000s
Spending Body:				
Core Department	112,299	94,982	104,594	88,665
MHS	25,000	25,054	20,871	18,135
Total	137,299	120,036	125,465	106,800



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

2002/03

	Admin £000s	Other Current £000s	Current Costs £000s	A-in-A £000s	Net Total £000s	Estimate £000s	Net total Outturn Compared with Estimate £000s
Request for Resources 1							
Function 1 FSA HQ	35,647	61,919	-	(2,584)	94,982	112,299	17,317
Function 2 MHS	-	81,216	-	(56,162)	25,054	25,000	(54)
<b>Total</b>	<b>35,647</b>	<b>143,135</b>	<b>-</b>	<b>(58,746)</b>	<b>120,036</b>	<b>137,299</b>	<b>17,263</b>

2001/02

	Admin £000s	Other Current £000s	Current Costs £000s	A-in-A £000s	Net Total £000s	Estimate £000s	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>34,154</b>	<b>135,135</b>	<b>-</b>	<b>(62,489)</b>	<b>106,800</b>	<b>125,465</b>	<b>18,665</b>

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

2002/03

	Capital Expenditure £000s	Loans etc. £000s	A-in-A £000s	Net Total £000s
Request for Resources 1	625	-	(52)	573
<b>Total</b>	<b>625</b>	<b>-</b>	<b>(52)</b>	<b>573</b>

2001/02

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

# 12 Intangible fixed assets

Software  
Licences  
£000s

<b>Cost or valuation:</b>	
At 1 April 2002	484
Additions	96
Revaluation and indexation	(29)
Impairment	-
<b>At 31 March 2003</b>	<b>551</b>
<b>Depreciation:</b>	
At 1 April 2002	166
Charged in year	103
Revaluation and indexation	(6)
Impairment	-
<b>At 31 March 2003</b>	<b>263</b>
<b>Net Book Value at 31 March 2003</b>	<b>288</b>
<b>Net Book Value at 31 March 2002</b>	<b>318</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 2002	6,285	277	1,531	457	8,550
Additions	93	12	338	86	529
Revaluation and indexation	305	29	(91)	(5)	238
Disposals	-	-	(269)	(167)	(436)
<b>At 31 March 2003</b>	<b>6,683</b>	<b>318</b>	<b>1,509</b>	<b>371</b>	<b>8,881</b>
<b>Depreciation</b>					
At 1 April 2002	1,015	128	764	205	2,112
Charged in year	884	37	372	95	1,388
Revaluation and indexation	43	7	(84)	(2)	(36)
Disposals	-	-	(267)	(115)	(382)
<b>At 31 March 2003</b>	<b>1,942</b>	<b>172</b>	<b>785</b>	<b>183</b>	<b>3,082</b>
<b>Net Book Value</b>					
<b>At 31 March 2003</b>	<b>4,741</b>	<b>146</b>	<b>724</b>	<b>188</b>	<b>5,799</b>
<b>Net Book Value at 31 March 2002</b>	<b>5,269</b>	<b>149</b>	<b>767</b>	<b>252</b>	<b>6,437</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.

# 14 Movements in working capital other than cash

	2002/03 £000s	2001/02 £000s
(Decrease)/Increase in debtors	(881)	(1,769)
Decrease/(Increase) in creditors	(4,739)	(8,984)
	<b>(5,620)</b>	<b>(10,753)</b>
Transitional Adjustments	(51)	-
	<b>(5,671)</b>	<b>(10,753)</b>

# 15 Debtors

	31 March 2003	31 March 2002
	£000s	£000s
<b>Amounts falling due within one year:</b>		
Trade debtors	5,864	6,851
Owed by other government departments	748	1,485
VAT recoverable	2,201	2,439
Other debtors	996	1,378
Prepayments and accrued income	1,634	387
	<b>11,443</b>	<b>12,540</b>
<b>Amounts falling due after more than one year:</b>		
Other debtors	238	22
<b>Total Debtors</b>	<b>11,681</b>	<b>12,562</b>

# 16 Cash at bank and in hand

	2002/03	2001/02
	£000s	£000s
Balance at 1 April	7,656	7,155
Net cash inflow/(outflow):		
Core department	(2,513)	501
<b>Balance as at 31 March</b>	<b>5,143</b>	<b>7,656</b>
<b>The following balances at 31 March are held at:</b>		
Office of HM Paymaster General	2,880	7,376
Commercial bank accounts	2,263	280
	<b>5,143</b>	<b>7,656</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	5,143	7,656

# 17 Creditors

	31 March 2003 £000s	31 March 2002 £000s
<b>Amounts falling due within one year</b>		
Trade creditors	9,176	6,149
Other creditors	2,722	550
Accruals and deferred income	10,311	11,505
Amounts issued from the Consolidated Fund for supply but not spent in year	5,143	7,656
	<b>27,352</b>	<b>25,860</b>
<b>Amounts falling due after more than one year</b>		
Long term liabilities (rent)	4,398	3,663
	<b>31,750</b>	<b>29,523</b>

# 18 Provisions for Liabilities and charges

	Early Departure Provision £000s	Foot & Mouth Provision £000s	Legal Claims £000s	Total £000s
As at 1 April 2002	398	48	115	561
Arising during the year	14	-	-	14
Utilised during the year	(83)	-	(115)	(198)
Reversed unused during the year	-	(48)	-	(48)
<b>As at 31 March 2003</b>	<b>329</b>	<b>-</b>	<b>-</b>	<b>329</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.

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

	2002/03		2001/02	
	£000s	£000s	£000s	£000s
Net operating cost for the year (schedule 2)	(120,036)		(106,800)	
Income not appropriated-in-aid to the Consolidated Fund	-		-	
		(120,036)		(106,800)
Net Parliamentary funding		118,704		103,695
Consolidated Fund Creditor for cash unspent		(5,143)		(7,656)
<b>Non cash charges:</b>				
Cost of capital	(197)		150	
Rent and Management Services	8		10	
Auditor's fees	100		140	
		(89)		300
Prior Year adjustments		-		(22)
<b>Net decrease in general fund</b>		<b>(6,564)</b>		<b>(10,483)</b>
General Fund at 1 April		(3,173)		7,310
<b>Balance at 31 March 2003</b>		<b>(9,737)</b>		<b>(3,173)</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.

'Non-cash charges' above include MHS balances charged against Programme Costs in addition to the Administration Cost Charges disclosed in Note 4.

# 20 Reserves

	2002/03	2001/02
	£000s	£000s
Balance at 1 April 2002	62	21
Arising on revaluation during the year (net)	500	41
Transferred to general fund in respect of realised element of revaluation reserve	7	-
<b>Balance at 31 March 2003</b>	<b>569</b>	<b>62</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 aims 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:

	2002/03 £000s	2001/02 £000s
Aim 1	11,071	5,576
Measurably improve public confidence in the National Food Safety and standards arrangements		
Aim 2	21,542	8,923
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		
Aim 3	51,972	58,809
To protect consumers through improved food safety and standards		
	<b>84,585</b>	<b>73,308</b>

# 22

Capital

## commitments

	2002/03 £000s	2001/02 £000s
Contracted	-	32

# 23

Annual commitments under

## operating leases

	2002/03		2001/02	
	Land & Buildings £000s	Other £000s	Land & Buildings £000s	Other £000s
Operating leases which expire:				
Within one year	-	-	-	-
Between one and five years	-	126	-	126
After five years	4,334	84	4,323	84
	<b>4,334</b>	<b>210</b>	<b>4,323</b>	<b>210</b>

## 2.4 Other commitments

FSA has entered into commitments (which are not operating leases) for various research and development projects totalling £21,843,875.00 as at 31 March 2003. This includes commitments up to year 2007.

## 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 for unfair dismissal. These cases will be defended and as yet the outcome is not known but could cost approximately £198,000. 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 from the FSA for analytical research.

Vernon Sankey has disclosed that he is a director of The Really Effective Development Company Ltd, which received £9k for providing training to the Food Standards Agency in 2002/03

## 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.



# 28 Losses and special payments

During the year the FSA made losses or special payments in 5 cases with a total expenditure of £145,000. The majority of this spend related to cases inherited from the former Ministry of Agriculture, Fisheries and Food for inappropriate advice to plants leading to un-necessary work being undertaken at the plant's expense. Additionally, the Meat Hygiene Service made 23 special payments amounting to £102,000 in total for staff compensation and personal injury claims.

# DIRECTION

## ACCOUNTS DIRECTION GIVEN BY THE TREASURY IN ACCORDANCE WITH SECTION 5 (2) OF THE GOVERNMENT RESOURCES AND ACCOUNTS ACT 2000

1. This direction applies to those government departments and pension schemes listed in the attached appendix.
2. These departments and pensions schemes shall prepare resource accounts for the year ended 31 March 2003 in compliance with the accounting principles and disclosure requirements of the edition of the Resource Accounting Manual issued by HM Treasury which is in force for 2002-03.
3. The accounts for **government departments** shall be prepared so as to:
  - (a) give a true and fair view of the state of affairs at 31 March 2003 and of the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year then ended; and
  - (b) provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.
4. The accounts for pensions schemes shall be prepared so as to:
  - (a) give a true and fair view of the state of affairs at 31 March 2003 and of the net resource outturn and cash flows for the financial year then ended; and
  - (b) provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.
5. 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 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  
19 February 2003