

# Food Standards Scotland

2019/20 Annual Audit Report



 AUDIT SCOTLAND

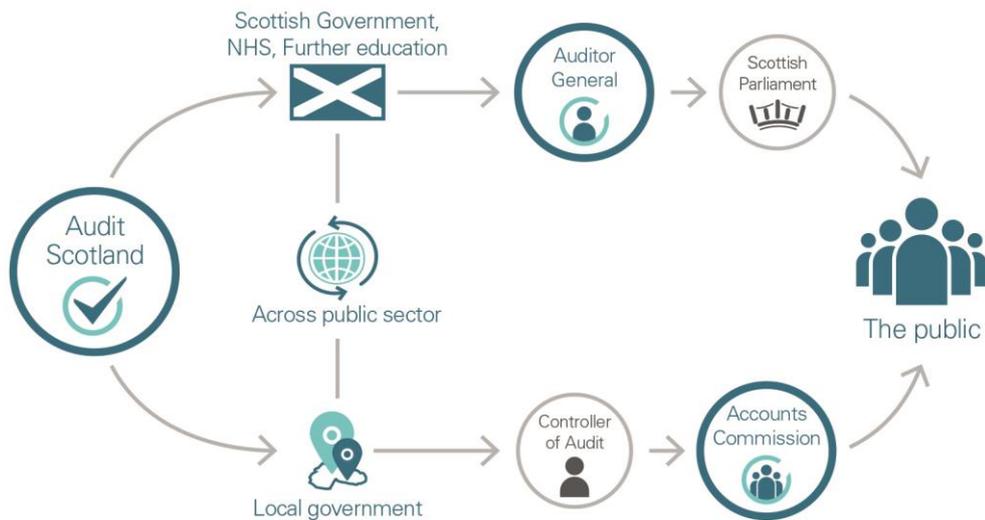
Prepared for Food Standards Scotland and the Auditor General for Scotland

18 November 2020

## Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



## About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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# Key messages

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## 2019/20 annual report and accounts

- 1** The financial statements of Food Standards Scotland give a true and fair view of its financial affairs as at 31 March 2020 and have been properly prepared in accordance with the financial reporting framework.
- 2** Expenditure and income in the financial statements were incurred or applied in accordance with applicable enactments and guidance.
- 3** The audited part of the remuneration and staff report, performance report and governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.
- 4** The original timetable agreed for the preparation and audit of the annual report and accounts was revised due to the impacts of Covid-19.

## Financial management

- 5** Food Standards Scotland has appropriate and effective financial management arrangements in place that allows members to scrutinise and challenge financial performance.
- 6** Food Standards Scotland has monitored the additional costs and savings realised as a result of COVID-19 through monthly returns to the Scottish Government.
- 7** Arrangements for preventing fraud and corruption are appropriate, however, some internal policies have not been reviewed or updated within the timescales set.

## Financial sustainability

- 8** The medium-term Financial Management Plan requires updating and the longer-term financial plan has not been developed.
- 9** Food Standards Scotland has identified the operational and financial risks and implications of EU withdrawal, securing additional EU Exit Funding of just under £28 million over four years from 2020/21.
- 10** Covid-19 has impacted finances, however, at present the net impact can be managed within existing budgets.

## Governance and transparency

- 11** Food Standards Scotland has appropriate and effective governance and transparency arrangements in place.
- 12** Covid-19 has impacted on governance arrangements during the year and the changes made in response to the pandemic were reasonable and appropriate.

## Value for money

- 13** Food Standards Scotland has made some progress in creating a Best Value Framework, however, this is still under development.
- 14** Scrutiny and challenge of performance information could be improved through the inclusion of targets for key performance indicators.
- 15** Food Standards Scotland complies with the Equality Act 2010 and is engaged with Equalities issues, however there is some scope for improvement.

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# Introduction

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**1.** This report summarises the findings from our 2019/20 audit of Food Standards Scotland. The scope of our audit was set out in our Annual Audit Plan presented to the 27 November 2019 meeting of the Audit and Risk Committee. This report comprises the findings from:

- an audit of Food Standards Scotland's annual report and accounts
- consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#) as illustrated in [Exhibit 1](#).

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## Exhibit 1 Audit dimensions



Source: Code of Audit Practice 2016

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**2.** The main elements of our audit work in 2019/20 have been:

- an audit of Food Standards Scotland's 2019/20 annual report and accounts including the issue of an independent auditor's report setting out my audit opinions;
- a review of the financial systems within Food Standards Scotland; and
- consideration of the four audit dimensions.

**3.** Subsequent to the publication of the Annual Audit Plan, in common with all public bodies, Food Standards Scotland has had to respond to the global coronavirus pandemic. This impacted on the final month of the year and will continue to have significant impact into financial year 2020/21. The pandemic has

had implications on the services it delivers and has resulted in the suspension of a number of non-essential projects and activities. Our planned audit work has had to adapt to new emerging risks as they relate to the audit of the financial statements and the wider dimensions of audit.

## Adding value through the audit

4. We add value to the body through the audit by:

- Regular attendance at the Audit and Risk Committee and Board meetings;
- identifying and providing insight on significant risks, and making clear and relevant recommendations;
- supporting Food Standards Scotland in undertaking a Your Business @ Risk survey to help assess procedural, cultural and ethical compliance risks that have the potential to undermine the effectiveness of information governance policies;
- sharing intelligence and good practice through our national reports ([Appendix 3](#)) and good practice guides;
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

## Responsibilities and reporting

5. Food Standards Scotland has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing an annual report and accounts that are in accordance with the accounts direction from the Scottish Ministers.

6. It is also responsible for establishing appropriate and effective arrangements for governance, propriety and regularity that enable the board to successfully deliver its objectives.

7. Our responsibilities as independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the [Code of Audit Practice 2016](#), and supplementary guidance and International Standards on Auditing in the UK. As public sector auditors we give independent opinions on the annual report and accounts. Additionally, we conclude on the appropriateness and effectiveness of the performance management arrangements, the suitability and effectiveness of corporate governance arrangements, the financial position and arrangements for securing financial sustainability. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#) and supplementary guidance.

8. This report raises matters from our audit. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

9. Our annual audit report contains an agreed action plan at [Appendix 1](#). It sets out specific recommendations, the responsible officer(s) and dates for implementation. It also includes any outstanding actions from last year and progress against these.

## Auditor Independence

**10.** Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies.

**11.** We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2019/20 audit fee of £46,000 as set out in our Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

**12.** This report is addressed to both the body and the Auditor General for Scotland and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) in due course.

**13.** We would like to thank the management and staff who have been involved in our work for their cooperation and assistance during the audit.

# Part 1

## Audit of 2019/20 annual report and accounts



### Main judgements

The financial statements of Food Standards Scotland give a true and fair view of its financial affairs as at 31 March 2020 and have been properly prepared in accordance with the financial reporting framework.

Expenditure and income in the financial statements were incurred or applied in accordance with applicable enactments and guidance.

The audited part of the remuneration and staff report, performance report and governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.

The original timetable agreed for the preparation and audit of the annual report and accounts was revised due to the impacts of Covid-19.

The annual report and accounts are the principal means of accounting for the stewardship of resources and performance.

### Our audit opinions on the annual report and accounts are unmodified

**14.** The annual report and accounts for the year ended 31 March 2020 were approved by the Board on the 18 November 2020. We reported within the independent auditor's report that:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework;
- expenditure and income were regular and in accordance with applicable enactments and guidance;
- the audited part of the remuneration and staff report, performance report and governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.

**15.** Whilst Covid-19 impacted upon the publication and availability of certain audit documentation and the speed at which queries and explanations could be addressed, overall, the working papers provided were of a good standard and the audit team received support from finance staff which helped ensure the final accounts audit process ran smoothly.

## The accounting framework was changed due to the Covid-19 pandemic

**16.** An addendum to the 2019/20 Government Financial Reporting Manual (FReM) was issued permitting, but not requiring, bodies to omit the performance analysis section from the Performance Report. In addition, where relevant performance information has already been published elsewhere and unaudited information otherwise required to be included in the Accountability Report is already published elsewhere, bodies were permitted to refer to the relevant publication rather than including the information within the annual report.

**17.** Food Standards Scotland chose not to omit the required information and prepared the annual report and accounts in accordance with the full FReM requirements. The audit opinion therefore covers the full requirements of the FReM.

## The annual report and accounts were signed off in line with the revised audit timetable

**18.** The unaudited annual report and accounts were received on 14 September 2020 in line with the revised audit timetable. Covid-19 added additional challenges to the audit process for both Food Standards Scotland and audit staff resulting in routine audit work and queries taking longer to resolve than normal. Regardless of these challenges we have been able to sign off the annual report and accounts in line with the revised audit timetable.

## Overall materiality

**19.** The assessment of what is material is a matter of professional judgement. It involves considering both the amount and the nature of a misstatement in the financial statements.

**20.** On receipt of the unaudited annual report and accounts we reviewed our materiality calculations. Whilst levels increased slightly due to the updated figures within the accounts, the methodology used remained appropriate.

## Exhibit 2 Materiality values

Materiality level	Amount
Overall materiality	£0.306 million (£0.288 million)
Performance materiality	£0.214 million (£0.202 million)
Reporting threshold	£15 thousand (£14 thousand)

Source: FSS Annual Audit Plan 2019/20 (original figures in brackets)

## Appendix 2 identifies the main risks of material misstatement and our audit work to address these

21. [Appendix 2](#) provides our assessment of risks of material misstatement in the annual report and accounts and any wider audit dimension risks. These risks influence our overall audit strategy, the allocation of staff resources to the audit and indicate how the efforts of the audit team were directed. [Appendix 2](#) also identifies the work we undertook to address these risks and our conclusions from this work.

22. We have reported issues relating to the risk of material misstatement as set out below.

## Significant findings to report on the annual report and accounts

23. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices. Where findings have resulted in a recommendation to management, a cross reference to the Action Plan [in Appendix 1](#) has been included. The significant findings are summarised in [Exhibit 3](#).

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## Exhibit 3 Significant findings from the audit of financial statements

Issue	Resolution
<p><b>1. Performance and Accountability Report</b></p> <p>The Performance and Accountability Report should provide information on a body, its main objectives and the principal risks faced. It should provide a fair, balanced and understandable analysis of a body's performance as well as helping stakeholders understand the financial statements.</p> <p>The 2019-20 Performance and Accountability Report provides a detailed and comprehensive overview of performance in the year. The inclusion of so much detail, however, does make it an extensive report and there is scope to streamline this going forward, focussing on the most significant and relevant areas in line with the Audit Scotland Performance Report Good Practice Guide.</p>	<p>Food Standards Scotland should consider streamlining the Performance Report to focus on the most significant and relevant areas in line with the Audit Scotland Performance Report Good Practice Guide.</p> <p> <a href="#">Recommendation 1</a> (refer <a href="#">Appendix 1</a>, action plan point 1)</p>
<p><b>2. Trade Receivables - Prepayments</b></p> <p>The final quarterly invoice for the Pilgrim House lease covered the period to 27 May 2020. There should have been a prepayment of £67,328 but only £50,165 was recorded as a prepayment resulting in an understatement of £17,163.</p>	<p>The accounts have been adjusted to correct the misstatement.</p>
<p><b>3. Statement of Cashflows</b></p> <p>The 'Use of provisions' line within the Statement of Cashflows contains £189,000 relating to the LPFA McCloud provision. This was included within the balance in error. This is not a current provision and</p>	<p>The amounts have been adjusted to correct the misstatement.</p>

Issue	Resolution
<p>no payment has been made in year. The line should therefore be reduced by £189,000.</p> <p>This change leaves the cash flow out of balance. It was subsequently ascertained that within Intangible Assets the additions are overstated by £187,000 as Intangible Assets under construction were incorrectly included as capital additions rather than shown as a transfer. This line is overstated by £187,000.</p> <p>These changes leave the cash flow out of balance by £2,000. This is due to rounding differences previously identified and reported as part of the minor issues communicated during the audit process.</p>	
<p><b>4. Trade Payables – Accruals</b></p> <p>An audit fee of £46,000 for 2019/20 has been included within accruals. As this is a nominal fee this should not be included within accruals. This issue was brought to our attention by the finance team.</p>	<p>The amount has been removed from year-end accruals to correct the misstatement.</p>

### Identified misstatements of £0.063 million were adjusted in the accounts, these were less than our performance materiality and we did not need to further revise our audit approach

**24.** As above, total misstatements of £63,000 were identified that impacted on the overall financial position of Food Standards Scotland by reducing its net operating expenditure from £16.956 million to £16.893 million. There were a small number of other changes within the notes to the accounts that have been adjusted for.

**25.** It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected although the final decision on making the correction lies with those charged with governance considering advice from senior officers and materiality.

### We report all uncorrected misstatements in the annual report and accounts that are individually greater than our reporting threshold

**26.** Our audit work identified that Food Standards Scotland paid out £340,000 for Employer Contributions however the accounts show a figure of £385,000 in 2019/20. The difference is because the Barnett Waddington report estimates the employer contribution for the last two months of the financial year. Further examination revealed the £45,000 difference is made up of a £25,000 unfunded pension amount and an excess estimate of £19,000. Due to the timing of this finding, and the delays to the annual report and accounts timetable that would arise as a result of changing this and corresponding figures, no adjustment has been made within this year's accounts. This results in an unadjusted error within the accounts of £45,000 that has not been corrected by management. We are satisfied that this error does not have a material impact on the financial statements, however we request that this issue is considered by management going forward.

### Limited progress was made on prior year recommendations

**27.** The body has made some progress in implementing our prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

# Part 2

## Financial management



### Main judgements

Food Standards Scotland has appropriate and effective financial management arrangements in place that allows members to scrutinise and challenge financial performance.

Food Standards Scotland has monitored the additional costs and savings realised as a result of COVID-19 through monthly returns to the Scottish Government.

Arrangements for preventing fraud and corruption are appropriate, however, some internal policies have not been reviewed or updated within the timescales set.

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

### Food Standards Scotland operated within its budget in 2019/20

**28.** The main financial objective for Food Standards Scotland is to ensure that the financial outturn for the year is within the budget allocated by Scottish Ministers.

**29.** Food Standards Scotland has reported an outturn of £17.6 million remaining within its overall budget for 2019/20 with an underspend of £0.8 million. Additionally, Food Standards Scotland also received £0.7 million for Annually Managed Expenditure (AME) to cover its pension liability but this was underspent by £0.3 million. The financial performance against Departmental Expenditure Limits (DEL) is shown in [Exhibit 4](#).

### Exhibit 4 Performance against DEL in 2019/20

Performance	Initial budget £m	Final budget £m	Outturn £m	Over/(under) spend £m
Resource DEL	15.6	17.6	16.9	(0.7)
Capital DEL	0	0.6	0.5	(0.1)
<b>Total DEL</b>	<b>15.6</b>	<b>18.2</b>	<b>17.4</b>	<b>(0.8)</b>

Source: 19/20 Budget Bill, 19/20 Spring Budget Revision, FSS budget monitoring returns and Annual Report and Accounts 2019/20

## Budget process was appropriate

**30.** Food Standards Scotland received an initial resource budget allocation of £16.0 million from the Scottish Government. Revisions to the original budget included £2.3 million additional EU Withdrawal Funding and £0.7 million of Annually Managed Expenditure.

**31.** Monthly returns have been provided to the Scottish Government monitoring the additional costs and savings realised as a result of Covid-19. This is an ongoing process that will continue into 2020/21.

**32.** Board members receive quarterly financial performance reports that monitor the budget position throughout the year. The reports detail any variances against budget and a narrative explaining the variance. The report also forecasts the outturn position and any risks that could impact on achieving financial balance. The detail within the reports helps members to effectively scrutinise and challenge financial performance.

## Financial systems of internal control are operating effectively

**33.** As part of our audit we identify and inspect the key internal controls in those accounting systems which we regard as significant to produce the financial statements. Our objective is to gain assurance that the body has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements.

**34.** Our management letter presented to the Audit and Risk Committee on 12 August 2020 concluded our findings from the review of systems of internal controls. We concluded that the controls tested were operating effectively. No significant internal control weaknesses were identified during the audit which could affect the Food Standards Scotland's ability to record, process, summarise and report financial and other relevant data to result in a material misstatement in the financial statements.

## Standards of conduct and arrangements for the prevention and detection of fraud and error are appropriate but some policies require updating

**35.** Food Standards Scotland is responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities. Furthermore, the board is responsible for ensuring that its affairs are managed in accordance with proper standards of conduct by putting effective arrangements in place.

**36.** We have reviewed the arrangements in place to maintain standards of conduct including Board and Staff Gifts and Hospitality policies, Whistleblowing policy and Members' Codes of Conduct. There are established procedures for preventing and detecting any breaches of these standards including any instances of corruption.

**37.** Appropriate arrangements are in place for the prevention and detection of fraud, error and irregularities; however, it should be noted that some policies have not been reviewed or updated within previously set timetables and this is discussed further below.

## Arrangements for preventing fraud and corruption in the procurement function are appropriate but some policies require updating

**38.** Our consideration of financial management includes evaluating the arrangements in place for preventing and detecting fraud and corruption. Instances of fraud and corruption can be particularly prevalent in the procurement function. We carried out an assessment of the arrangements in place at Food Standards Scotland to prevent fraud and corruption in the procurement function.

**39.** Food Standards Scotland's total regulated procurement spend per annum falls below £5 million meaning it is not legally obliged to produce an annual procurement report in accordance with the Procurement Reform (Scotland) Act 2014. In September 2019 the Central Government Procurement Capability team carried out a Procurement health check on Food Standards Scotland. The assessment covered nine areas which received green RAG status and identified some areas for development which are being taken forward with FSS's Shared Services Business Partner.

**40.** We concluded that Food Standards Scotland has established appropriate financial and procurement procedures in accordance with the SPFM. This includes regular reviews of financial management information reports comparing actual performance against forecast and appropriate administrative procedures, including segregation of duties. Appropriate Counter-Fraud, Whistleblowing and Gifts and Hospitality policies are in place, however, the Fraud Policy and Whistleblowing Policy have not been updated since April 2015, despite the counter-fraud policy stating it would be reviewed on an annual basis and the whistle-blowing policy stating it was due for review in June 2017. Outdated policies may not adequately address the evolving nature of risks relating to fraud and corruption.



### Recommendation 2

**Policies relating to the prevention and detection of fraud and corruption should be reviewed and updated on a regular basis.**

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# Part 3

## Financial sustainability



### Main judgements

The medium-term Financial Management Plan requires updating and the longer-term financial plan has not been developed.

Food Standards Scotland has identified the operational and financial risks and implications of EU withdrawal, securing additional EU Exit Funding of just under £28 million over four years from 2020/21.

Covid-19 has impacted finances, however, at present the net impact can be managed within existing budgets.

Financial sustainability looks forward to the medium and longer term to consider whether a body is planning effectively to continue to deliver its services or the way in which they should be delivered.

### Food Standards Scotland has an outdated medium-term financial plan and is yet to develop a longer-term plan

**41.** Our 2019/20 Annual Audit Plan noted that Food Standards Scotland was revising its 2018/19-2020/21 Financial Management Plan (FMP) and developing longer-term financial planning from 2020-2024. The updated FMP was to be presented to the Senior Management Team for approval in January 2020. Due to the ongoing complexities of Brexit, internal restructuring, delays in other publications, such as the Workforce Plan and Corporate Plan and the impacts of TUPE and Brexit, neither the updated FMP nor longer-term financial plan was delivered.

**42.** It is important that the Financial Management Plan and a longer-term financial plan are produced as soon as possible. This plan should consider the impacts of the changing workforce, EU withdrawal and Covid-19 where applicable. In the absence of longer-term financial plans there is a risk that Food Standards Scotland may not be able to direct and control its finances efficiently.



### Recommendation 3

**Food Standards Scotland should update its Financial Management Plan and produce a longer-term financial plan as soon as possible. The Workforce Plan and Corporate Plan should also be developed and updated incorporating TUPE and Brexit implications.**

## **Food Standards Scotland continues to consider the impacts of EU Withdrawal and has secured additional EU Exit Funding**

**43.** Food Standards Scotland has been fully engaged in dealing with the impacts of EU Withdrawal. Implications on funding with best- and worst-case scenarios were identified, with a 2019/20 Financial Approach and short- term Brexit implications paper being reported to the Board.

**44.** The Financial Approach and Food Standards Scotland Brexit Programme has resulted in Ministers approving its business case for additional EU Exit Funding of just under £28m over four years from 2020/21. The funding will be used to implement the new structure to enable Food Standards Scotland to deal with the implications of the UK exiting the EU and deliver its priorities after the transition has taken place.

**45.** The Brexit programme structure has had the necessary work streams identified and approved. The effects of Covid-19 have delayed the transition to the new structure designed to meet the demands of EU exit. However necessary re-prioritisation of posts has taken place to ensure Food Standards Scotland are prepared for the challenges ahead.

**46.** Food Standards Scotland is taking the necessary steps to deal with the challenges of EU withdrawal and the additional funding secured should help alleviate financial sustainability pressures.

## **Covid-19 has impacted upon Food Standards Scotland's finances**

**47.** Food Standards Scotland provide monthly returns to the Scottish Government detailing Covid-19 costs and savings realised. Whilst Covid-19 has impacted on finances, the additional costs are being mostly offset from savings elsewhere.

**48.** The August 2020 return estimates net expenditure of £0.260 million that will need to be funded within its budget. This is not likely to have a material impact upon Food Standards Scotland who will continue to monitor and consider this through the monthly Scottish Government returns.

# Part 4

## Governance and transparency



### Main judgements

**Food Standards Scotland has appropriate and effective governance and transparency arrangements in place.**

**Covid-19 has impacted on governance arrangements during the year and the changes made in response to the pandemic were reasonable and appropriate.**

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making and transparent reporting of financial and performance information.

### Overall governance and transparency arrangements were appropriate

**49.** Food Standards Scotland has an established governance structure centred around the Board and Audit and Risk Committee (ARC). The committee structure is supported by a governance framework that includes Standing Orders, a Scheme of Delegation, Codes of Conduct and Financial Regulations.

**50.** Board and ARC papers are comprehensive and of sufficient detail and quality to allow for effective understanding and scrutiny by members. Papers are discussed at length during Board and ARC meetings and members frequently ask appropriate and challenging questions.

**51.** Board meetings are open to the public and at each meeting the public are invited to ask questions of members. Board agendas, papers and minutes are readily available to the public on its website. ARC meetings and minutes are not open to the public, but the Chair of the ARC provides the Board with an update of matters discussed. These updates are included within the Board minutes which are accessible to the public on the website.

**52.** In addition to the Board related documentation the website provides public access to a wide range of information that relates to decision-making, operations, accountability, openness and complaints.

**53.** Performance reports considered by the Board are mainly in the form of six-monthly outcomes reports. The reports monitor key performance indicators for the strategic outcomes identified by Food Standards Scotland. The reports provide enough detail and background to be fair, balanced and understandable. Improvements to performance reporting have been discussed in further detail within the Best Value Section of this report.

## The COVID-19 pandemic had a significant impact on governance arrangements from March 2020

**54.** The impact of COVID-19 from March 2020 has been set out in the Governance Statement in Food Standards Scotland's Annual Report and Accounts. Some of the steps taken to allow Food Standards Scotland's staff to prioritise their response to the outbreak and adapt working practises include:

- implementing the business continuity plan to ensure key services remained available and risks were identified to the delivery of core business activity, financial impact and staff availability;
- supporting the move of office-based staff to work safely from home;
- supporting Field staff who were identified as essential workers;
- moving Board, ARC and SMT meetings to virtual meetings and publishing Board papers on the website per standard procedure. Board meetings were held on Zoom to allow for members of the public to attend as normal;
- the Board assigned the Executive Team the guardianship of its corporate governance system. Weekly meetings took place with the Board Chair and Deputy Chair to provide updates on activity relating to Covid-19, business as usual and the organisation's recovery strategy;
- a June 2020 update was provided to the Board on Food Standards Scotland's response to the pandemic.

**55.** The revised governance arrangements are reasonable and appropriate in supporting good governance and accountability.

# Part 5

## Value for money



### Main judgements

**Food Standards Scotland has made some progress in creating a Best Value Framework, however, this is still under development.**

**Scrutiny and challenge of performance information could be improved through the inclusion of targets for key performance indicators.**

**Food Standards Scotland complies with the Equality Act 2010 and is engaged with Equalities issues, however there is some scope for improvement.**

Value for money is concerned with using resources effectively and continually improving services.

### Food Standards Scotland has developed an appropriate Best Value framework

**56.** *Ministerial guidance to Accountable Officers* for public bodies and the *Scottish Public Finance Manual* (SPFM) sets out the accountable officer's duty to ensure that arrangements are in place to secure best value. The guidance sets out the key principles of best value and the requirement to have a systematic approach to self-evaluation and continuous improvement.

**57.** Food Standards Scotland aims to deliver best value in accordance with the principles outlined within the SPFM guidance and specifically the guidance for accountable officers. Managers are encouraged to identify where improved ways of working can be achieved through the scheme of financial delegation, business planning processes, performance management and objective setting for staff and partnership working. Food Standards Scotland also focuses attention on partnership working with stakeholders and other Government departments to deliver shared objectives. It continues to make use of the Scottish Government's corporate shared services where possible and takes advantage of Government procurement frameworks in order to achieve best value.

**58.** A recommendation within our 2018/19 Annual Audit Report was for Food Standards Scotland to review the ministerial guidance on Best Value and develop arrangements to demonstrate best value attributes and practices in the organisation. A best value framework is currently in development which includes a proposal for reporting of efficiencies and any related savings. Further review and update is required, and the framework is currently a work in progress.

**59.** We understand that progress is underway in implementing the previous audit recommendation regarding the best value framework assessment document. We will monitor progress on this going forward and consider the final framework document once available.

## Performance levels are not measured against agreed targets

60. Whilst performance reports provided to the Board are detailed and comprehensive there are no set targets for the key performance indicators identified. Considering and setting targets would allow for more effective scrutiny and challenge of performance in the year. We are aware that Food Standards Scotland is currently reviewing how performance is measured and reported and will consider the inclusion of targets going forward.



### Recommendation 4

**Food Standards Scotland should consider including targets for the key performance indicators identified to allow for more effective scrutiny and challenge.**

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## Food Standards Scotland complies with the Equality Act 2010 and is engaged with Equalities issues with some scope for improvement

61. Public sector bodies should be able to demonstrate how they are fulfilling the general equality duty under the Equality Act 2010. The April 2020 Equalities Mainstreaming Report was published by the April 2020 deadline and is available on the website. In addition, representatives from Food Standards Scotland attend the NDPB Equalities Forum and are involved in a working group examining the public sector Equality Duty.

62. Equality Impact Assessments are performed by a Project Management Officer before beginning each project. The Civil Service Annual People Survey performed by FSS appropriately considers and measures equalities issues, giving staff a voice to raise concerns or issues and allowing appropriate action to be taken at both organisational and directorate level.

63. Induction training includes a mandatory e-learning package on equality and diversity and equality is a topic that is discussed as part of an employee's performance appraisal.

64. There is scope for improved Board engagement regarding Equalities. No training on Equalities issues has been delivered to the Board since 2015.

65. As stated previously within this report, Food Standards Scotland are currently reviewing how performance is measured and reported. As part of this review, it should consider the inclusion of key performance indicators relating to Equalities.

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### Recommendation 5

**The Board should ensure that adequate and up to date training regarding equalities issues is received.**

### Recommendation 6

**Food Standards Scotland should consider including key performance indicators relating to Equalities issues.**

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## The Draft Workforce Plan requires updating and approval

**66.** In our 2017/18 Annual Audit Report we recommended that Food Standards Scotland develop an organisation-wide Workforce Plan which maps its current workforce against the organisation's resourcing requirements over the short, medium and long-term. A draft organisation-wide Workforce Plan has been prepared and was intended to be submitted to the January 2020 Board meeting considering the TUPE and Brexit implications. Due to the impact of Covid-19 this has been delayed.

**67.** The Workforce Plan should be updated as soon as possible as, until it is finalised, the risk remains that Food Standards Scotland may be unable to deliver its corporate objectives due to any emerging skills and capacity gaps. A recommendation for this has already been included earlier within this report.

## National performance audit reports

**68.** Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. In 2019/20 several reports were published which are of direct interest to the body. These are outlined in [Appendix 3](#).

**69.** Food Standards Scotland consider national reports and will submit relevant reports to the Board where applicable.

# Appendix 1

## Action plan 2019/20



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p><b>Performance and Accountability Reports</b></p> <p>The Performance and Accountability Reports should provide information on a body, its main objectives and the principal risks faced. It should provide a fair, balanced and understandable analysis of a body's performance as well as helping stakeholders understand the financial statements.</p> <p>The 2019-20 Performance and Accountability Report provides a detailed and comprehensive overview of performance in the year. The inclusion of so much detail, however, does make it an extensive report and there is scope to streamline this going forward, focussing on the most significant and relevant areas in line with the Audit Scotland's Performance Report Good Practice Guide.</p> <p><b>There is a risk that an overly long Performance Report loses focus and does not direct the attention of the reader to the most significant issues.</b></p>	<p>Food Standards Scotland should consider streamlining the Performance and Accountability Reports to focus on the most significant and relevant areas in line with the Audit Scotland's Performance Report Good Practice Guide.</p> <p><a href="#">Paragraph 23</a></p>	<p>FSS accepts this recommendation whilst noting that the existing Reports have been in place since our inception and align to our existing strategy. We will look to review the Reports with a view to streamline, where possible, for reporting our performance and accountability for the current financial year 20/21. Going forward our Reports will be reporting against our new FSS Strategy. At that time a more comprehensive review will take place to ensure that Reports are more focused and aligned to the Good Practice Guide.</p> <p>Diane Strachan/Elaine McLaughlin.</p> <p>March 2021/September 2021</p>
2	<p><b>Prevention and Detection of Fraud and Corruption Policies</b></p> <p>Appropriate Counter-Fraud, Whistleblowing and Gifts and Hospitality policies are in place, however, the Fraud Policy and Whistleblowing Policy have not been updated since April 2015, despite the counter-fraud policy stating it</p>	<p>Policies relating to the prevention and detection of fraud and corruption should be reviewed and updated on a regular basis.</p> <p><a href="#">Paragraph 35-40</a></p>	<p>FSS accept this recommendation and already has an action to review the current policy.</p> <p>Osa Udoh/Elaine McLaughlin</p> <p>March 2021</p>



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	<p>would be reviewed on an annual basis and the whistle-blowing policy stating it was due for review in June 2017.</p> <p><b>There is a risk that internal policies do not adequately cover the evolving fraud and corruption landscape if they are not regularly reviewed and updated.</b></p>		
3	<p><b>Medium and Longer-Term Planning</b></p> <p>Food Standards Scotland has not updated its 2018/19-2020/21 Financial Management Plan (FMP) or developed a longer-term financial plan for 2020-2024 as planned. The updated FMP was to be presented to the Senior Management Team for approval in January 2020. Due to delays in other publications, such as the Workforce Plan and Corporate Plan and the impacts of TUPE and Brexit, neither the updated FMP nor longer-term financial plan was delivered.</p> <p><b>There is a risk that, in the absence of longer-term financial plans, Food Standards Scotland may not be able to direct and control its finances efficiently.</b></p>	<p>Food Standards Scotland should update its FMP and produce a longer-term financial plan as soon as possible. The Workforce Plan and Corporate Plan should also be developed and updated taking into account TUPE and Brexit implications.</p> <p><a href="#">Paragraph 41-42</a></p>	<p>FSS accept this recommendation and plans are already underway to have a Financial Management Plan that aligns to the new FSS Strategy from 2021-2026.</p> <p>Fiona Bruce/Elaine McLaughlin</p> <p>March 2021</p>
4	<p><b>Performance Targets</b></p> <p>Performance reports provided to the Board do not include targets for the key performance indicators identified. Considering and setting targets would allow for more effective scrutiny and challenge of performance in the year. We are aware that Food Standards Scotland is currently reviewing how performance is measured and reported.</p> <p><b>There is a risk that performance is not adequately measured or monitored when there is no</b></p>	<p>Food Standards Scotland should consider including targets for the key performance indicators identified to allow for more effective scrutiny and challenge.</p> <p><a href="#">Paragraph 60</a></p>	<p>FSS accept this recommendation and plans are already underway to have key performance indications that aligns to the new FSS Strategy from 2021-2026 and three year Corporate Plan.</p> <p>Ruth Dewar/Diane Strachan</p> <p>March 2021</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	set target to assess performance against.		
<b>5 and 6</b>	<p><b>Equalities Monitoring</b></p> <p>No training on Equalities issues has been delivered to the Board since 2015.</p> <p>In addition, Food Standards Scotland does not currently have any key performance indicators to measure equalities issues.</p> <p><b>There is a risk that equalities issues are not being effectively monitored.</b></p>	<p>The Board should ensure that adequate and up to date training regarding equalities issues is received.</p> <p>It should also consider including key performance indicators relating to Equalities issues.</p> <p><a href="#">Paragraph 61-65</a></p>	<p>FSS accept the recommendation to consider training on equality issues for the Board that is suitable and takes into account board members existing experience. Will also consider KPI to measure equalities issues.</p> <p>The Equalities Mainstreaming Report was circulated to the Board via the Chief Executive's Report at the August Board meeting. Review will take place at what more can be done at Board level.</p> <p>Hazel Stead/Diane Strachan March 2021</p>

### Follow up of prior year recommendations

<b>1</b>	<p><b>Provision of veterinarian and meat inspection services in-house</b></p> <p>FSS are moving from an outsourced model to an in-sourced model for Official Veterinarian and Contract Meat Hygiene Inspectors. This is to be achieved by transferring staff from the current external supplier to FSS under TUPE arrangements.</p> <p>There is a risk that not all staff will choose to transfer to FSS leading to staff shortages which in turn could compromise food hygiene and safety standards.</p>	<p>Develop robust contingency plans to ensure that veterinarian and meat inspection services are maintained in the event of lower than expected numbers of staff transferring from HMMH to FSS.</p>	<p><b>Complete</b></p> <p>All staff employed as OV's and MHIs did transfer and so the risk was mitigated. Contingency plans did not require amendment at the time but were updated at the onset of the COVID-19 pandemic.</p>
<b>2</b>	<p><b>Best Value</b></p> <p>There is no Best Value framework document that sets out how BV attributes are embedded in everyday work.</p>	<p>FSS should review the ministerial guidance on Best Value and develop arrangements that will enable it to demonstrate how the Best Value attributes and practices</p>	<p><b>In progress</b></p> <p>An initial outline document was drafted collating the five main themes and two cross cutting themes for review. Further work was started to populate</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>There is a risk that FSS are unable to evidence compliance with Ministerial Guidance on Best Value.</p>	<p>are embedded within the way it works through its usual assurance and self-assessment processes.</p>	<p>requirements, measures, responsibility etc. However this was put on hold due to other priorities and in response to Covid 19.</p> <p><b>Revised action</b></p> <p>Drafting of framework to be finalised and circulated for internal review and comment. Seek approval to put framework in place and agree timelines for reports.</p> <p>Elaine McLaughlin March 2021</p>
3	<p><b>Shared services</b></p> <p>FSS continue to experience problems with the quality of service provided by the Scottish Government for Human Resources and payroll processing.</p> <p>There is a risk that FSS are not obtaining value for money from shared services provided by the Scottish Government.</p>	<p>FSS should review current arrangements and determine whether better value for money could be achieved through a formal Service Level Agreement with the SG, which specifies service standards, or through alternatively means of service provision including outsourcing.</p>	<p><b>In progress</b></p> <p>SG Internal Audit carried out a review of the SG Corporate Shared Service in 2019/20 and the report was issued on 5 June 2020. This was reviewed at the August ARC who noted the poor satisfaction rating of HR and that no action plans to make improvements had been made in the report.</p> <p>Meetings were held between FSS HR and SG HR shared service to discuss and resolve, where possible, ongoing issues. FSS HR initiated the process to start the review of the existing MOU that had not been updated since 2015. Discussions and initial meetings held with Deputy Director of People Services to outline requirements. Further meetings were put on hold due to Covid19.</p> <p><b>Revised action</b></p> <p>To restart discussions with SG HR, which have been on hold due to Covid 19, to review and update the existing MOU with HR shared services.</p> <p>Jennifer England/Elaine McLaughlin March 2021</p>

# Appendix 2

## Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual report and accounts and those relating to our wider responsibility under the [Code of Audit Practice 2016](#).

**Add in any additional audit risks arising from COVID-19 along with any new 'standard risks' identified in the revised 2019/20 Audit Planning Guidance**

Audit Risk	Assurance Procedure	Results and Conclusions
<b>Risks of material misstatement in the financial statements</b>		
<p><b>1 Risk of material misstatement caused by management override of controls</b></p> <p>Auditing Standards require that audits are planned to consider the risk of material misstatement caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of management override of controls that results in fraudulent financial statements.</p>	<p>Detailed testing of journal entries.</p> <p>Understanding key areas of judgement and accounting estimates within the financial statements and the basis for these judgements and the application of accounting policies.</p> <p>Reviewing unusual and/or significant transactions that are outside the normal course of business to understand the rationale for these transactions.</p>	<p>We concluded from the work performed and evidence obtained that there was no management override of controls.</p>
<p><b>2 Risk of material misstatement caused by fraud in income recognition.</b></p> <p>As set out in ISA 240, there is a presumed risk of fraud in the recognition of income. There is a risk that income may be misstated resulting in a material misstatement in the financial statements.</p>	<p>Walkthrough of the controls and procedures around material income streams and validation of key controls where appropriate.</p> <p>Agreeing invoice details to quarterly agreements and timesheets to ensure that charges are correctly calculated and billed.</p> <p>Reviewing income cut-off procedures and substantive testing of over pre- and post-year end balances.</p> <p>Reviewing the year-end debtor's reconciliation.</p>	<p>We did not identify any issues during interim or substantive testing in relation to income recognition. We concluded from our testing that income has been applied in line with applicable accounting standards and regulations and has been recognised appropriately in the financial statements.</p>
<p><b>3 Risk of material misstatement caused by fraud in expenditure</b></p>	<p>Walkthrough of key expenditure controls in place.</p>	<p>We identified one prepayment understatement during final accounts. Overall, we concluded that expenditure tested was</p>

Audit Risk	Assurance Procedure	Results and Conclusions
<p>The Financial Reporting Council's Practice Note 10 (revised) requires auditors of public bodies to consider the risk of fraud over expenditure. As payroll expenditure is tightly monitored and controlled there is less opportunity for the risk of misstatement in this expenditure stream. We therefore focus on non-pay expenditure. We consider the risk to be particularly prevalent around the year-end and therefore we will focus our testing on cut-off of non-pay expenditure.</p> <p>There is a specific risk over the regularity of expenditure in relation to the additional funding for activities related to EU withdrawal (i.e. Brexit). FSS has been allocated up to £3.5 million of non-recurring funding for 2019/20, which is earmarked for Brexit related expenditure. There is a risk that expenditure not related to EU withdrawal activities could be charged to Brexit cost codes to maximise the uptake of available funding.</p>	<p>Review expenditure cut-off procedures and substantive testing of pre and post year end balances.</p> <p>Review expenditure charged to Brexit cost codes and substantive testing of transactions within these codes.</p>	<p>incurred in line with applicable accounting standards and regulations and no issues were identified over the specific Brexit expenditure tested. Expenditure has been appropriately recognised in the financial statements.</p>

### Risks identified from the auditor's wider responsibility under the Code of Audit Practice

<p><b>4 Withdrawal from the EU</b></p> <p>The withdrawal of the United Kingdom from the EU is likely to have a significant impact on the operations of FSS.</p> <p>Planning for Brexit is placing additional pressures on services and is a risk to staff capacity and the continued provision of FSS services.</p>	<p>Monitor the Brexit risk register for any changes or developments.</p> <p>Review the actions taken by FSS to plan for and mitigate the risks of withdrawal from the EU.</p> <p>Review and consider financial performance reports that go to the Board and SMT.</p>	<p>The Brexit risk register has been continually monitored and updated throughout the year and mitigating actions have been identified and enacted.</p> <p>Financial performance reports have provided updates on the additional EU Withdrawal funding obtained from the Scottish Government.</p> <p>FSS has been fully engaged in dealing with the operational and financial risks and implications of EU Withdrawal.</p>
<p><b>5 Longer-term Financial Planning</b></p> <p>FSS' medium term financial plan was last updated in September 2018. A lot has happened since then not least the Scottish Government's commitment to provide</p>	<p>Monitor progress in implementing longer term financial plans.</p> <p>Review longer term financial plans against good practice set out in Scotland's Public Finances – A follow-up audit:</p>	<p>The medium-term financial plan and longer-term financial plan have not been updated and developed. We have raised this within our Action Plan at Appendix 1 and will continue to monitor this going forward. The longer-term financial plan will be</p>

Audit Risk	Assurance Procedure	Results and Conclusions
<p>additional recurring funding post Brexit.</p> <p>In the absence of longer-term financial plans there is a risk that FSS may not be able to direct and control its finances efficiently.</p>	<p>Progress in meeting the challenges (June 2014)</p>	<p>assessed against the good practice guidance once available.</p>
<p><b>6 Workforce Planning</b></p> <p>Following from our 2017/18 Annual Audit Report recommendation, FSS developed an organisation-wide workforce plan.</p> <p>An updated draft workforce plan was prepared in July 2019 but was not progressed due to limited resources and other priorities (e.g. TUPE transfer of staff from Hallmark). It is important that an updated workforce plan is finalised and approved and should reflect recent developments such as the proposed new organisational structure post Brexit.</p> <p>Until the workforce plan is finalised, the risk remains that the FSS may be unable to deliver its corporate objectives due to any emerging skills and capacity gaps.</p>	<p>Monitor progress in developing an updated workforce plan.</p> <p>Review and assessment of the workforce plan once finalised and approved.</p>	<p>The draft workforce plan has not yet been updated or developed. We have raised this within our Action Plan at Appendix 1 and will continue to monitor this going forward.</p>

# Appendix 3

## Summary of national performance reports 2019/20

		 <b>2019/20 Reports</b>	
		Apr	
Social security: Implementing the devolved powers		<b>May</b>	
Scotland's colleges 2019		<b>Jun</b>	 Enabling digital government
		Jul	
NHS workforce planning - part 2		<b>Aug</b>	
Finances of Scottish universities		<b>Sept</b>	
NHS in Scotland 2019		<b>Oct</b>	
		Nov	
Local government in Scotland: Financial overview 2018/19		<b>Dec</b>	
Scotland's City Region and Growth Deals		<b>Jan</b>	 Privately financed infrastructure investment: The Non-Profit Distributing (NPD) and hub models
		Feb	
		<b>Mar</b>	 Early learning and childcare: follow-up

### Central Government relevant reports

[\*Social security: Implementing the devolved powers\*](#) – May 2019

[\*Enabling digital government\*](#) – June 2019

[\*Scotland's City Region and Growth Deals\*](#) – October 2019

[\*Privately financed infrastructure investment: The Non-Profit Distributing \(NPD\) and hub models\*](#) – Jan 2020

[\*Early learning and childcare: follow-up\*](#) – March 2020

# Food Standards Scotland

## 2019/20 Annual Audit Report

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