

Food Standards Scotland

2021/22 Annual Audit Report



 AUDIT SCOTLAND

Prepared for Food Standards Scotland and the Auditor General for Scotland

September 2022

Contents

Key messages	3
Introduction	4
1. Audit of 2021/22 annual report and accounts	7
2. Financial management	12
3. Financial sustainability	14
4. Governance and transparency	16
5. Value for money	19
Appendix 1. Action plan 2021/22	20
Appendix 2. Summary of 2021/22 national performance reports and briefing papers	26

Key messages

2021/22 annual report and accounts

- 1 Our audit opinions on the annual accounts are unmodified.

Financial management

- 2 Food Standards Scotland has appropriate and effective financial management arrangements in place.
- 3 Food Standards Scotland reported an underspend of £0.9 million which is within its revised Departmental Expenditure Limit.
- 4 Appropriate arrangements for preventing fraud and corruption are in place.

Financial sustainability

- 5 The development of medium-and longer-term financial plans remain in progress as management respond to new and ongoing challenges.
- 6 The business case for additional funding to support delivery of new objectives arising from EU withdrawal was not approved by the Scottish Government.
- 7 Food Standards Scotland's budget has been flat lined for the period of the current spending review.

Governance and transparency

- 8 Food Standards Scotland has responded positively to recent challenges and has maintained appropriate arrangements for governance and transparency.
- 9 Food Standards Scotland's plan to align performance indicators to the corporate strategy and three-year corporate plan remains on track.

Value for money

- 10 Food Standards Scotland has developed a strategic framework to demonstrate the organisation's compliance with its duty of Best Value.

Introduction

1. This report summarises the findings from our 2021/22 audit of Food Standards Scotland.
2. The scope of our audit was set out in our Annual Audit Plan presented to the 8th June 2022 meeting of the Audit and Risk Committee. This report comprises the findings from:
 - an audit of Food Standards Scotland's annual report and accounts.
 - our consideration of financial sustainability and governance and transparency in line with the small audited bodies provisions included in the Code of Audit Practice supplementary guidance.
3. The main elements of our audit work in 2021/22 have been:
 - an audit of Food Standards Scotland's 2021/22 annual report and accounts including the issue of an independent auditor's report setting out my audit opinion.
 - a review of Food Standards Scotland's key financial systems.
 - consideration of the two audit dimensions – financial sustainability and governance and transparency.
4. The global coronavirus pandemic continued to have an impact on Food Standards Scotland during 2021/22. These challenges are documented in Food Standards Scotland's Annual Report and Accounts. Risks related to the pandemic were also included in our Annual Audit Plan. We have adapted our planned audit work to address any new emerging risks identified during the audit process.

Adding value through the audit

5. We add value to Food Standards Scotland through the audit by:
 - regular attendance at Audit and Risk Committee and Board meetings.
 - identifying and providing insight on significant risks, and making clear and relevant recommendations.
 - sharing intelligence and good practice through our national reports ([Appendix 2](#)) 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

6. 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. It is also responsible for establishing appropriate and effective arrangements for governance, propriety and regularity.

7. Our responsibilities as independent auditors 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. The Code of Audit Practice 2016 (the Code) includes provisions relating to the audit of small bodies. Where the application of the full wider audit scope is judged by auditors not to be appropriate to an audited body, the annual audit work can focus on the appropriateness of the disclosures in the governance statement and the financial sustainability of the body and its services. As highlighted in our 2021/22 Annual Audit Plan, due to the volume and lack of complexity of the financial transactions we applied the small body provisions of the Code to the 2021/22 audit focusing on financial sustainability and governance and transparency. We also followed up on prior year recommendations relating to financial management and value for money.

9. 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.

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

Auditor's Independence

11. 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.

12. 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 the 2021/22 audit fee of £48,560 as set out in our 2021/22 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

13. This report is addressed to both Food Standards Scotland and the Auditor General for Scotland and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

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

Audit appointment from 2022/23

15. The Auditor General for Scotland is responsible for the appointment of external auditors to central government bodies. External auditors are usually appointed for a five-year term either from Audit Scotland's Audit Services Group or a private firm of accountants. The current appointment round was due to end in 2020/21 but this was extended for a year so that 2021/22 is the last year.

16. The procurement process for the new round of audit appointments was completed in May 2022. From financial year 2022/23 Deloitte will be the appointed auditor for Food Standards Scotland. We are working closely with the new auditors to ensure a well-managed transition.

17. A new [Code of Audit Practice](#) applies to public sector audits for financial years starting on or after 1 April 2022. It replaces the Code issued in May 2016.

18. We would like to thank Board members, Audit and Risk Committee members, Executive Directors, and other staff, particularly those in finance, for their co-operation and assistance over the last six years.

1. Audit of 2021/22 annual report and accounts

The principal means of accounting for the stewardship of resources and performance

Main judgements

The financial statements of Food Standards Scotland give a true and fair view of its financial affairs as at 31 March 2022 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.

Our audit opinions on the annual report and accounts are unmodified

19. The annual report and accounts for the year ended 31 March 2022 were approved by the board on 14th September 2022. As reported in the independent auditor's report:

- 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.

The Covid-19 pandemic had a limited impact on audit evidence

20. The completeness and accuracy of accounting records and the extent of information and explanations that we required for our audit were not affected by the Covid-19 outbreak.

21. The working papers provided to support the accounts 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 annual audit report and accounts were submitted in line with our agreed audit timetable

22. Submission dates for the audited annual report and accounts in 2019/20 and 2020/21 were deferred due to the impact of Covid-19. For 2021/22, the submission deadline for the audited annual report and accounts is 31st October 2022. Although the statutory deadline for laying the accounts is 31 December, an earlier submission date was set to allow for the laying process and any statutory reporting.

23. The unaudited annual report and accounts were received in line with our agreed audit timetable on 20th June 2022. The completeness and accuracy of accounting records, and the extent of information and explanations that we required for our audit, were not affected by the Covid-19 outbreak.

Whole of Government Accounts

24. In accordance with the Whole of Government Accounts (WGA) we plan to complete the required assurance statement in due course after board approval and audit certification of the Food Standards Scotland financial statements.

Overall materiality is £514 thousand

25. Our initial assessment of materiality was carried out during the planning phase of the audit. This was reviewed (and revised) on receipt of the unaudited annual report and accounts and is summarised in [Exhibit 1](#). The revised materiality levels increased from those calculated at planning and did not impact on our planned audit approach.

Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£514 thousand (£424 thousand)
Performance materiality	£360 thousand (£297 thousand)
Reporting threshold	£26 thousand (£21 thousand)

Source: Food Standards Scotland Annual Audit Plan 2021/22 (original figures in brackets)

26. In determining performance materiality, we applied our professional judgement based on cumulative knowledge and understanding of Food Standards Scotland and its control environment. We considered the established nature of the organisation and low risk profile, and set performance materiality at 70% of planning materiality using our professional judgement.

We have significant findings to report on the annual report and accounts

27. 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 2](#).

Exhibit 2 Significant findings from the audit of financial statements

Issue	Resolution
<p>1. Payment to incorrect supplier</p> <p>Our testing identified one instance where the wrong supplier was paid for work undertaken. This was as a result of human error in the administration of purchase orders.</p> <p>The issue was identified and corrected by Food Standards Scotland following receipt of an invoice from the correct supplier advising that payment was outstanding.</p>	<p>While corrective action has been taken, and we are satisfied that the issue is an isolated incident as a result of a human error, it does represent a failure in the control environment.</p> <p>Food Standards Scotland should review its accounts payable processes with a view to strengthening the control environment.</p> <p>Recommendation 1</p> <p>(Refer Appendix 1, action plan)</p>

28. We have obtained audit assurances over the identified significant risks of material misstatement to the financial statements. [Exhibit 3](#) sets out the significant risks of material misstatement to the financial statements that were identified in our 2021/22 Annual Audit Plan. It summarises audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 3**Significant risks of material misstatement in the financial statements**

Audit risk	Assurance procedure	Results and conclusions
<p>1. Risk of material misstatement due to fraud caused by the management override of controls</p> <p>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</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>Review of significant provisions included in the accounts</p> <p>Review of unusual and/or significant transactions that are outside the normal course of business to understand the rationale for these transactions</p> <p>Walkthrough of key controls</p>	<p>We did not identify any issues as a result of our audit work that would indicate management override of controls affecting the year-end position.</p>
<p>2. Presumed risks of fraud over expenditure recognition</p> <p>As set out in Practice Note 10 (revised), issued by the Financial Reporting Council, most public-sector bodies are net expenditure bodies and the risk of fraud is more likely to occur in expenditure.</p> <p>Payroll expenditure is the largest expenditure stream. It is tightly monitored and controlled which limits the potential for manipulation. Therefore, we focused our work on non-pay expenditure.</p>	<p>Analytical review of expenditure streams</p> <p>Review of budget monitoring reports submitted to the Board</p> <p>Review of expenditure cut-off procedures and substantive testing of pre and post year end balances</p> <p>Walkthrough of key expenditure controls in place</p>	<p>We did not identify any issues as a result of our audit work that would indicate fraud over expenditure recognition.</p>

There were no identified misstatements

29. There were no misstatements identified that exceeded our reporting threshold. As a result we did not need to review our audit approach.

Reasonable progress was made on prior year recommendations

30. Food Standards Scotland has made reasonable progress in implementing our prior year audit recommendations, although some actions do remain ongoing. For actions not yet implemented, revised responses and timescales have been agreed with management and are set out in [Appendix 1](#).

2. Financial management

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

Main judgements

Food Standards Scotland has appropriate and effective financial management arrangements in place.

Food Standards Scotland reported an underspend of £0.9 million, which is within its revised Departmental Expenditure Limit.

Food Standards Scotland has appropriate arrangements for preventing fraud and corruption.

Food Standards Scotland operated within its revised budget in 2021/22

31. 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.

32. Food Standards Scotland has reported an outturn of £21.2 million against its overall budget for 2021/22 with an underspend of £0.9 million. The financial performance against fiscal resources is shown in [Exhibit 4](#).

Exhibit 4 Performance against fiscal resource in 2021/22

Performance	Initial budget £m	Final budget £m	Outturn £m	Over/(under) spend £m
Resource	19.5	21.8	21.0	(0.8)
Capital	0.0	0.3	0.2	(0.1)
Total	19.5	22.1	21.2	(0.9)

Source: 2021/22 Budget Bill; 2021/22 Spring Budget Revision; FSS budget monitoring returns and Annual Report and Accounts 2021/22

Food Standards Scotland has an established process for reporting financial performance that enables effective scrutiny and challenge

33. Food Standards Scotland's budget was increased as part of the Spring Budget revision. The additional funding of £2.6 million was allocated to support the organisation in managing increased costs as a result of the United Kingdom's exit from the European Union.

34. We observed that senior management and the board continued to receive regular and accurate financial information on Food Standards Scotland's financial position throughout the year.

Financial systems of internal control are operating effectively

35. As part of our audit we identify and inspect the key internal controls in those accounting systems that we regard as significant to produce the financial statements. Our objective is to gain assurance that the body has systems for recording and processing transactions that provide a sound basis for the preparation of the financial statements. We concluded that these controls were appropriately designed and implemented.

Standards of conduct and arrangements for the prevention and detection of fraud and error are appropriate

36. Food Standards Scotland is responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption. 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. Through our audit work we confirmed that Food Standards Scotland has appropriate arrangements for the prevention and detection of fraud, error and irregularities.

37. We have reviewed the arrangements in place to maintain standards of conduct. We concluded that there are established procedures for preventing and detecting any breaches of these standards including any instances of corruption.

38. We also followed-up on our prior year recommendation (2020/21 Annual Audit Report, Appendix 1, point 3) where we reported that the fraud policy and whistleblowing policy had not been reviewed since April 2015. An updated counter fraud policy was approved by management in July 2022 and was presented to the Audit and Risk Committee for oversight in September 2022.

3. Financial sustainability

Financial Sustainability looks forward to the medium and long term to consider whether a body is planning effectively to continue to deliver its services

Main judgements

The development of medium and longer term financial plans remains in progress as management respond to new and ongoing challenges.

Food Standards Scotland's business case for additional funding to support delivery of new objectives arising from European Union withdrawal was not approved by the Scottish Government.

Food Standards Scotland's budget has been flat lined for the period of the current spending review.

The development of workforce and financial plans remains in progress as management respond to new and ongoing challenges

39. The impact of Covid-19 and European Union (EU) withdrawal has continued to challenge the organisation. While a revised structure was implemented in April 2021, recruitment for posts in the new structure continues to be an issue and there has been further delays in developing the new workforce plan.

40. Food Standards Scotland are required to use Scottish Government Human Resources Shared Services (SG HRSS). We reported issues in our 2020/21 Annual Audit Report regarding significant delays in the recruitment and on-boarding of new staff. Management advised that there were improvements during 2021/22 due to the introduction of a new recruitment system and revised processes, although delays were still experienced.

41. Food Standards Scotland recently developed a business case to support delivery of new objectives arising from EU withdrawal. The business case for additional funding, however, was not approved by the Scottish Government and Food Standards Scotland's budget has been flat lined for the period of the spending review.

42. There is consequently a risk that Food Standards Scotland will not be able to deliver its strategic objectives as planned. An internal review of the key priorities for the organisation is now being undertaken that will consider how services are to be delivered going forward.

43. This internal review, along with the new workforce plan, will inform the Financial Management Plan (FMP) and longer-term financial plan. The development of these plans consequently remains in progress as management respond to new and ongoing challenges.

4. Governance and transparency

The effectiveness of scrutiny and oversight, and transparent reporting of information

Main judgements

Food Standards Scotland has responded positively to recent challenges and has maintained appropriate arrangements for governance and transparency.

The revised Performance and Accountability Report provides increased focus on the most significant and relevant areas.

Food Standards Scotland's plan to align performance indicators to the corporate strategy and three-year corporate plan remains on track.

Appropriate governance arrangements and controls operated throughout the year

44. The impact of Covid-19 has been set out in Food Standards Scotland's Annual Report and Accounts. We reported in our 2020/21 Annual Audit Report on the revised governance arrangements introduced by Food Standards Scotland including:

- 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 office-based staff to work safely from home.
- supporting field staff who were identified as essential workers.
- holding Board, Audit and Risk Committee and Senior Management Team meetings virtually and publishing Board papers on the website per standard procedure.
- Board meetings were held on Zoom and Teams to allow members of the public to attend as normal.
- the Board assigned the Executive Team the guardianship of its corporate governance system, and 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.

45. We confirmed that these arrangements have generally been maintained in 2021/22 and remain appropriate, although steps have been taken in some areas to return to more normalised working.

Good practice

46. Openness and transparency in how a body operates and makes decisions is key to supporting understanding and scrutiny. Transparency means that the public have access to understandable, relevant and timely information about how the Board is taking decisions and how it is using resources such as money, people and assets.

47. Food Standards Scotland's Board meetings continued to be held in public during 2021/22, and minutes and papers are published on its website. We consider these arrangements as an example of good practice.

The Performance and Accountability Report was updated to reflect prior year audit recommendations

48. In addition to the opinion on the performance report covered in Part 1 of this report, we also consider the qualitative aspects of Food Standard Scotland's performance report. The performance 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 to understand the financial statements.

49. In previous years we recommended that Food Standards Scotland should consider streamlining its Performance and Accountability Report to focus on the most significant and relevant areas in line with Audit Scotland's Performance Report Good Practice Guide. Our 2020/21 Annual Audit Report documented the acceptance of our recommendation and management's intention to align the Performance and Accountability Report with the corporate strategy that was introduced in April 2021.

50. The 2021/22 Annual Report and Accounts is the first year of the revised Performance and Accountability Report. The revised format is more streamlined and there is increased focus on the most significant and relevant areas.

Food Standards Scotland's plan to align performance indicators to the new corporate strategy and plan remains on track

51. Our 2020/21 Annual Audit Report documented that, in response to audit recommendations, Food Standards Scotland planned to align performance indicators to the new corporate strategy and three-year corporate plan. It also reported that development of the new strategy had led to a focus on, and identification of, Key Performance Indicators (KPI) and performance thresholds to be measured at executive and Board level. A baseline assessment of the KPIs is planned during 2022/23, with performance targets to be set thereafter.

52. The implementation of KPIs and performance targets will enable enhanced coverage and analysis of Food Standards Scotland's performance in the Performance and Accountability Report.

5. Value for money

Using resources effectively and continually improving services

Main judgement

Food Standards Scotland has developed a strategic framework to demonstrate the organisation's compliance with its duty of Best Value

Food Standards Scotland has developed a strategic Best Value framework

53. In prior years we recommended that Food Standards Scotland should review the ministerial guidance on Best Value and develop arrangements that will enable it to demonstrate how Best Value attributes and practices are embedded through its assurance and self-assessment processes. In 2020/21 we noted that good progress had been made although the framework had not yet been implemented.

54. During the current year Food Standards Scotland reviewed and updated its Best Value Framework. The revised framework was approved by the Directorate Governance Group in May 2022 with a recommendation to adjust the timescales of the high-level action plan to align with other strategic priorities. Management have described the framework as a live document demonstrating the organisation's compliance with the duty of Best Value as set out in the Scottish Public Finance Manual (SPFM).

55. The SPFM Best Value section notes that 'Boards (or equivalent) of relevant public service organisations have corporate responsibility for promoting the efficient and effective use of staff and other resources by the organisation in accordance with the principles of Best Value'. There is guidance on the role of board members at Annex A of the Scottish Government's guidance for accountable officers.

56. The Audit and Risk Committee were presented with the framework at its meeting in September 2022. Members should ensure that they are able to exercise their corporate responsibilities in providing oversight of the Best Value Framework.

National performance audit reports

57. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. In 2021/22 several reports were published which may be of direct interest to the body. These are outlined in [Appendix 2](#).

Appendix 1. Action plan 2021/22

2021/22 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Payment to incorrect supplier</p> <p>Our testing identified one instance where the wrong supplier was paid for work undertaken. This was as a result of human error in the administration of purchase orders.</p> <p>The issue was identified and corrected by Food Standards Scotland following receipt of an invoice from the correct supplier advising that payment was outstanding.</p> <p>While corrective action has been taken there is a risk of further incorrect payments due to weakness in the accounts payable control environment.</p>	<p>Food Standards Scotland should review its accounts payable processes with a view to strengthening the control environment.</p> <p>Exhibit 2</p>	<p>Status: Complete</p> <p>Revised action</p> <p>This error was due to a misunderstanding that two suppliers were collaborating on a project. The error took place at the purchase order (PO) stage when the lower value costs for one supplier were included in the total value of the second supplier's costs and the invoice matched to this PO.</p> <p>The team have been made aware of the issue that has arisen and are reviewing processes to ensure this unusual circumstance doesn't happen again.</p> <p>Responsible officer Elaine McLaughlin</p> <p>Agreed date 30 October 2022</p>

Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>2. Clearance of holding accounts</p> <p>The account code for expenditure items expected to be capitalised should be reviewed and cleared on a regular basis. In the course of this year's audit an immaterial net credit balance was highlighted in this account which required a small number of correcting journals.</p> <p>There is a risk going forward that the financial statements will be misstated if the account code is not regularly reviewed and cleared.</p>	<p>Review of holding account codes should be incorporated in key control processes.</p>	<p>Status: Complete</p> <p>Revised action</p> <p>Review of the account codes was brought forward to the monthly balance sheet reconciliation process.</p> <p>Responsible officer N/A</p> <p>Revised date Implemented</p>
<p>3. Performance and Accountability Report</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</p>	<p>Food Standards plan to align its Performance and Accountability Report with the new corporate strategy that was introduced in April 2021. Our recommendation will therefore be addressed in the 2021/22 Annual Report and Accounts.</p> <p>We would note that while the current year Performance and Accountability Report provides a summary of the key risks faced and how they were mitigated, it does not provide commentary on emerging risks as required by the FReM.</p> <p>Furthermore, the performance appraisal does not provide the reader with detail on whether performance has met</p>	<p>Status: Complete</p> <p>Revised action</p> <p>A new structure for the Performance and Accountability Report was implemented in the 2021/22 Annual Report and Accounts in line with prior year recommendations.</p> <p>Responsible officer N/A</p> <p>Revised date Implemented</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>forward, focussing on the most significant and relevant areas in line with the Audit Scotland's Performance Report Good Practice Guide.</p> <p>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.</p>	<p>expectation, including an explanation if performance is below expectation.</p> <p>We will continue to monitor progress against the agreed recommendation.</p>	
<p>4. Prevention and Detection of Fraud Policies</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. This is despite the fraud policy stating that it would be reviewed on an annual basis, and the whistle-blowing policy stating it was due for review in June 2017.</p> <p>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.</p>	<p>Food Standards Scotland reviewed its policies in 2020-21, however they have not been finalised due to the intention to align them with the recently reviewed Scottish Government fraud policies.</p> <p>It is imperative that policies relating to the prevention and detection of fraud and corruption are reviewed and updated independently on a regular basis to ensure they are fit for purpose.</p>	<p>Status: Complete</p> <p>Revised action</p> <p>The new FSS Counter Fraud Guide was approved by management in July 2022 and was presented to the Audit and Risk Committee for oversight in September 2022.</p> <p>Responsible officer N/A</p> <p>Revised date Implemented</p>
<p>5. Medium and Longer-Term Planning</p> <p>Food Standards Scotland has not updated its 2018/19-2020/21 Financial Management Plan or developed a longer-term financial plan for 2020-2024 as planned. The updated FMP was to be presented to</p>	<p>Management initially agreed a revised date for both the FMP and longer-term financial plan of March 2021. This date was missed due to internal restructuring and delays in the recruitment and onboarding of staff.</p> <p>The FMP and longer-term financial plan also need to be</p>	<p>Status: In progress</p> <p>Revised action</p> <p>Work on developing the medium and long-term financial management plan was put on hold when the new business case for further funding to deal with the impact of leaving the EU was</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>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>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.</p>	<p>aligned to other key corporate documents. This includes the workforce plan that was approved in April 2022 following the advisory work by internal auditors.</p>	<p>not approved by Scottish Government.</p> <p>Significant work is underway to review, and if necessary refresh, the priorities and deliverables for the organisation based on the funding in place during the spending review period.</p> <p>The Executive Leadership Team and the Board met in August to focus on planning for next year and to deal with budget challenges. A prioritisation workshop is taking place at the end of September with the senior leaders in the organisation. Work will continue alongside this to develop the financial management plan and reflect the outcome of these events.</p> <p>Responsible officer Elaine McLaughlin</p> <p>Revised date 31 December 2022</p>
<p>6. Performance Targets</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>There is a risk that performance is not adequately measured or</p>	<p>Development of the new strategy led to a focus on, and development of, Key Performance Indicators (KPIs) and performance thresholds. These will be measured at executive and board level from the 2021/22 reporting year.</p>	<p>Status: In progress</p> <p>Agreed action</p> <p>Food Standards Scotland has implemented a performance reporting dashboard and have agreed a set of key Strategic Priority Indicators (SPIs) with the FSS Board for ongoing monitoring and scrutiny at Executive Leadership Team (ELT) and Finance and Business Committee meetings.</p> <p>A baseline assessment of the SPIs will be undertaken during the final quarter of 2022/23 before performance</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>monitored when there is no set target to assess performance against.</p>		<p>targets are considered between ELT and FSS Board members</p> <p>Responsible officer Natalie Greenland /Garry McEwan</p> <p>Agreed date 31 March 2023</p>
<p>7. Equalities Monitoring</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>There is a risk that equalities issues are not being effectively monitored.</p>	<p>The Board should ensure that adequate and up to date training regarding equalities issues is provided.</p> <p>It should also consider developing key performance indicators relating to equalities issues.</p>	<p>Status: In progress</p> <p>Revised action</p> <p>Training was delivered in the last financial year and there is an ongoing commitment to deliver training as required (e.g. on the appointment of new board members).</p> <p>A new Board Finance and Business Committee has been formed and going forward Equality and Diversity actions, including KPIs, will be part of the People Strategy presented to the committee.</p> <p>Responsible officer Layla Moonie/ Garry McEwan</p> <p>Revised date 31 March 2023</p>
<p>8. Best Value</p> <p>There is no Best Value framework document that sets out how Best Value attributes are embedded in everyday work.</p> <p>There is a risk that Food Standards Scotland are unable to evidence compliance with Ministerial Guidance on Best Value.</p>	<p>Food Standards Scotland should review the ministerial guidance on Best Value and develop arrangements that will enable it to demonstrate how Best Value attributes and practices are embedded within the way it works through its usual assurance and self-assessment processes.</p>	<p>Status: Complete</p> <p>Revised action</p> <p>FSS Best Value Framework was approved by the Directorate Governance Group (DGG) on 25th May 2022. The framework was also presented to the Audit and Risk Committee in September 2022 for oversight.</p> <p>Responsible officer N/A</p> <p>Revised date Implemented</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>9. Shared Services</p> <p>Food Standards Scotland 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 Food Standards Scotland are not obtaining value for money from shared services provided by the Scottish Government.</p>	<p>Food Standards Scotland should review current arrangements and determine whether better value for money could be achieved through a formal Service Level Agreement (SLA) with the Scottish Government, which specifies service standards, or through alternative means of service provision including outsourcing.</p>	<p>Status: In progress</p> <p>Agreed action</p> <p>The Scottish Government has embarked upon a Shared Services Transformation Programme which FSS is engaged in. The HR element of the implementation planning is scheduled to go live in July 2023. The Scottish Government has stated that there will be no review of SLAs until after these services are implemented.</p> <p>FSS has considered the process for escalating issues with SG HRSS and regular engagement now takes place with senior staff in both organisations.</p> <p>Responsible officer Layla Moonie/ Garry McEwan</p> <p>Agreed date 31 March 2024</p>

Appendix 2. Summary of 2021/22 national performance reports and briefing papers

May

[Local government in Scotland Overview 2021](#)

June

[Covid 19: Personal protective equipment](#)

July

[Community justice: Sustainable alternatives to custody](#)

September

[Covid 19: Vaccination programme](#)

January

[Planning for skills](#)

[Social care briefing](#)

February

[NHS in Scotland 2021](#)

March

[Local government in Scotland: Financial Overview 20/21](#)

[Drug and alcohol: An update](#)

[Scotland's economy: Supporting businesses through the Covid 19 pandemic](#)

Food Standards Scotland

2021/22 Annual Audit Report

Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

www.audit-scotland.gov.uk/accessibility



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
T: 0131 625 1500 E: info@audit-scotland.gov.uk
www.audit-scotland.gov.uk