

Food Standards Scotland – Audited Annual Report and Accounts for the year ended 31 March 2022

1 Purpose of the paper

1.1 This paper introduces FSS's audited annual report and accounts for 2021/22 (Annex A) so that members of the Board can review and subject to Committee consideration, recommend approval of the annual report and accounts.

1.2 The annual report and accounts have been prepared in accordance with International Finance Reporting Standards (IFRS) as adopted and interpreted by the 2021/22 Government Financial Reporting Manual (FReM)¹. The accounts have also been prepared to meet the requirements of Section 15 of the Food (Scotland) Act 2015 and in accordance with the Accounts Direction given by Scottish Ministers in accordance with Section 19(4) of the Public Finance and Accountability (Scotland) Act 2000.

1.3 Audit Scotland anticipate being able to issue unqualified audit opinions in their independent auditor's report.

1.4 The Board is asked to:

- **Review** the audited 2021/22 annual report and accounts
- **Request** any explanations or assurances where necessary; and
- **Note** the positive outcome of the audit and the recommendations being made by Audit Scotland; and
- **Approve** the annual report and accounts and their issue by the Chief Executive as the Accountable Officer.

2 Background

2.1 As a non-Ministerial Office of the Scottish Administration, FSS prepares accounts that Scottish Ministers lay before Parliament in accordance with section 19(4) of the Public Finance and Accountability (Scotland) Act 2000. The general format of the accounts is covered by an Accounts Direction issued to FSS on behalf of Scottish Ministers. FSS's annual report and accounts comply with the accounting principles and disclosure requirements of the 2021/22 Government Financial Reporting Manual (FReM). The FReM is the technical accounting guide on the preparation of financial statements in the public sector.

2.2 Compared to 2020/21, the main changes to the 2021/22 FReM apply to the Remuneration and Staff report with additional reporting requirements in the remuneration table and revised disclosures for fair pay. Where changes have been made to the FReM, FSS has sought to address these in the document, which has been subject to audit scrutiny by colleagues in Audit Scotland.

2.3 The FReM and the requirements for the structure and format of the annual report and accounts is summarised below for the Committee's information:

¹[2021-22_FReM - Dec 21.pdf \(publishing.service.gov.uk\)](https://publishing.service.gov.uk/2021-22-FReM-Dec-21.pdf)

- Performance Report (section 5.2)
- Accountability Report (section 5.3); and
- Financial Statements (section 5.4)

3 Discussion

3.1 The **Performance Report** seeks to provide information on FSS, its main objectives and strategies and the principal risks that it faces, and is required to provide a fair, balanced and understandable analysis of FSS's performance. The report is split into two sections, the first being an Overview, the purpose of which is to give a short summary that provides the lay user with sufficient information to understand FSS, its purpose, the key risks to achievement of its objectives and how it has performed, against strategic outcomes, during the year. The second section covers Performance Analysis and is where we seek to provide a more detailed report on how we have performed during the year.

3.3 The Performance Report must be signed by the Accountable Officer.

3.4 The **Accountability Report** section of the annual report is to meet key accountability requirements to Scottish Government. The requirements of the Accountability Report are based on the matters required to be dealt within a Directors' Report as set out in the Companies Act 2006. The report is required to have three sections:

- Corporate Governance Report which must include:
 - Directors Report
 - Statement of Accountable Officers Responsibilities
 - Governance Statement
- Remuneration and Staff Report
- Parliamentary Accountability Disclosures and Audit Report

3.5 The Accountability Report must be signed by the Accountable Officer.

3.8 The format and content of the **Financial Statements** and notes remain broadly the same as in previous financial years. There are 4 financial statements included in the annual report and accounts, these are:

- Comprehensive Net Expenditure
- Statement of Financial Position
- Statement of Changes in Taxpayers' Equity; and
- Statement of Cash Flows

3.10 The Statement of Financial Position included in the financial statements must be signed by the Accountable Officer.

3.11 The statements represent the same core data that is used for budget management and reporting to the Board. They are therefore final confirmation of FSS's financial performance for 2021/22. The financial statements present the net cost of FSS's operations, although this is not our sole financial objective. As FSS is funded almost wholly by Scottish Government grant-in-aid, our key financial objective is to operate within agreed budgets.

3.12 The narrative and charts within the Performance Analysis section of the annual report entitled Financial Performance outlines our outturn against budget as well as for Annually Managed Expenditure (AME) and the accounting for pension liabilities. This is also confirmed within the Audit Scotland annual audit report. For the year ended 31 March 2022:

- Total resource expenditure was £20.8m compared to a Departmental Expenditure Limit budget of £21.7, resulting in an underspend of £0.9m.
- Annually Managed Expenditure (AME) was £0.4m compared to a budget of £0.4m.
- FSS drew down £21.2m in cash terms to cover its capital and net operating costs.

3.12 Audit Scotland's report to members and the Auditor General for Scotland includes a section regarding corrected and uncorrected misstatements which exceed the reporting threshold (£26,000) following the audit of FSS's annual report and accounts. There are no material misstatements reported as a result of the audit.

3.13 The report also contains an Action Plan (Appendix 1) to address recommendations for improvement made by Audit Scotland following the audit of the annual report and accounts. The recommendations within the Action Plan have all been agreed and an appropriate management response provided.

4 Conclusion

4.1 FSS has been able to meet the deadlines for the 2021/22 accounts as outlined to ARC at the meeting on 8 June.

4.2 For the 2021/22 annual report, the presentation of the Performance and Accountability Reports have been revised and streamlined in line with previous recommendations. The Board are also asked to note the number of positive statements made by Audit Scotland in their audit report, specifically around financial management and the open and transparent way in which we conduct our business. A number of recommendations made by Audit Scotland from prior years have been completed and updates provided for those that are still in progress.

5 Recommendation

5.1 It is requested that members of the Board approve the 2021/22 annual report and accounts and authorise their issue by the Chief Executive as the FSS Accountable Officer.

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8 September 2022