

## **Food Safety Promotion Board**

### **Report of the Comptrollers and Auditors General**

#### **Introduction**

1. In this report we draw attention to certain matters of internal financial control and management which arose from our audit of the financial statements of the Board for the period ended 31 December 2000. We recognise that, in this initial period of its operation, the Board was starting up and had not had the opportunity to fully establish its control procedures. There are, however, two areas of its activities where there are lessons to be learned.

#### **Advertising Contract**

2. Public relations and advertising expenditure in the period ended 31 December 2000 totalled IR£409,193 (stg£317,417).
3. In September 2000 the Food Safety Promotion Board (FSPB) commissioned Public Relations (PR) consultants to conduct a tender competition for the design and production of material for an advertising campaign. Six companies were invited to tender for the advertising contract, three from Northern Ireland and three from the Republic of Ireland.
4. Three companies submitted proposals and an agency was chosen by a panel made up of the interim Chief Executive of the Board and a representative from the PR consultants.
5. During our audit we found that:
  - It was not possible to confirm that the control and monitoring of the process for the engagement of an advertising agency was adequate as the PR consultants were largely responsible for the process and had retained most of the relevant documentation.
  - In accordance with its Financial Memorandum FSPB must follow best public sector practice in placing any contract. The application of such procedures was not evidenced by supporting documentation. In particular, in view of the size of the FSPB's advertising budget of IR£750,000 (stg£581,786), the tender should have been advertised in the Official Journal of the European Union and this did not happen.
  - No contract or other written agreement with the successful advertising agency was available to our staff. Total payments to the advertising agency to 7 June 2001 amount to IR£499,530 (stg£387,493).

6. In response to our enquiries the Board's interim Chief Executive told us that, given FSPB's promotional remit, it was important that an advertising campaign should be in place to coincide with the formal launch of the body in November 2000. He added that, as the Board did not have an in-house capability to do this, due to the suspension of the institutions earlier in 2000 and the resulting delay in having staffing arrangements approved, the Board appointed PR consultants to, *inter alia*, assist it in the management of the advertising campaign.
7. On the advice of the PR consultants, six advertising agencies were invited to submit proposals. Three did so and one was selected on the basis of presentations to the interim Chief Executive and one of the PR consultants.
8. The Board's interim Chief Executive told us that, given the consultants' expertise in PR and advertising and the public sector experience of their key personnel, it was expected that the PR consultants would observe the appropriate public sector procurement procedures, and the Board relied on the company in this regard.
9. He also told us that to enable monitoring of expenditure, the advertising agency submitted proposed monthly expenditure profiles to the Board and subsequently budget against actual expenditure reports. The company also submits detailed TV scheduling information.
10. The Board began direct employment of contract staff and seconded staff with PR and communications experience from the end of 2000 and terminated the contract with the PR consultants in April 2001. It now has an accountant in place who has been given the task of reviewing all procurement arrangements as a matter of urgency and developing robust procedures.

### Research Contracts

11. The FSPB sought proposals for research projects during 2000. Major contracts totalling IR£1.32m (stg£1.02m) were awarded in late December 2000 for seven projects. In selecting these projects a detailed review process was carried out by the FSPB prior to awarding the contract. The projects are each characterised by north-south partnerships and are typically of three years duration.
12. Our examination of the procedures in selecting the research contracts highlighted the following weaknesses:
  - 80% of the funding was paid on the signing of the contracts in late December 2000. The balance of 20% is payable in 2001 and 2002.
  - The FSPB had not established any mechanism whereby it could satisfy itself that the costs expended on the research contracts are correct.

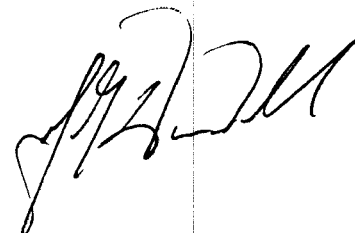
13. We asked the interim Chief Executive:
- (1) how the funding schedule minimises the exposure to a loss of funds in the event that the FSPB decides that it is not satisfied with the progress of the contract; and
  - (2) whether the Board is adequately protected in the event of on non-performance of a contract.
14. He informed us that the early award of research contracts was considered important in order to improve the Board's scientific knowledge base and to establish appropriate scientific research networks. The timing of the Board's request for research projects fell outside the normal academic cycle and this created particular difficulties for the institutions in the sourcing of research staff. He added that in recognition of this, and in order to accelerate the finalisation of contracts, the Board decided to enhance the initial tranche of payments.
15. We were also told that:
- (1) the contracts are all with respected research organisations, with experienced lead researchers with excellent credentials;
  - (2) the conditions contained in the contract provide for the submission of periodic and final reports with associated cost statements;
  - (3) the Board has already appointed a staff member to oversee and report on the conduct of each contract and will appoint an internal auditor to review these statements and to ensure that only eligible costs are charged to the project; and
  - (4) that the format of the contracts was modelled on that used by the EU for research funding.
16. In the absence of a Scientific Committee, the appointment of which requires the approval of the North South Ministerial Council (NSMC), the Board relied on an informal working group, established to assist the Board in the development of the research function, to choose which research projects to fund. The membership of this group was agreed with the sponsoring Departments.
17. We were also informed that in advance of the next round of contracts the systems were further enhanced as follows:
- An interim Scientific Committee was appointed with the agreement of the sponsoring Departments.
  - The new Committee agreed the process of evaluation and a formal process for declaration of interests.

- A panel of external assessors, all based in the UK and none of whom were related parties to project proposers, was appointed.
18. Also, further contracts are under negotiation and these will be funded on a 50%: 30%: 20% basis. The contracts will require that the internal audit function within the contractor institutions provide adequate certification, and that the Board's internal auditor and the Comptrollers and Auditor General will have rights of access. The entire process will be kept under review to optimise transparency and accountability.
19. The interim Chief Executive stated that many of the enhancements referred to by him above were put in hand in advance of our audit taking place. As Interim Chief Executive he had been concerned for some time about accountability issues arising from the difficulties in obtaining formal NSMC decisions on permanent staffing and other issues. This has forced the Board to rely on external contractors to carry out tasks that could otherwise be more efficiently discharged internally. He had expressed these concerns in writing to the sponsoring departments in advance of the audit. He added that the Board remains committed to fully observing the accountability conditions set out in the Financial Memorandum and the governing legislation.
20. We will continue to monitor developments in these areas and report as appropriate.



**John Purcell**  
**Irish Comptroller and Auditor General**

**2 August 2001**



**J. M. Dowdall**  
**Comptroller and Auditor General for**  
**Northern Ireland**

**3 August 2001**