

HM Government

## Review into the Integrity and Assurance of Food Supply Networks

### Note of telecon with STS

**Date:** 7<sup>th</sup> February 2014

**Attendees:**

Neil Rush (NR) – Managing Director - STS

Chris Elliott (CE) – Reviewer - Review into the Integrity and Assurance of Food Supply Networks

Rebecca Kenner – Secretariat - Review into the Integrity and Assurance of Food Supply Networks

### 1. Introduction

CE gave an overview of the Review and the process of developing the recommendations up until the final report. The interim report made a number of detailed recommendations, which are unlikely to change in the final report. The final report will be more detail about progress and implementation.

NR gave some background about STS – STS has been doing assessments of manufacturer s and suppliers to the public sector for 18 years. STS act for NHS in England, Scotland, Wales and Northern Ireland, along with the Local Authorities from Wales. STS also works for The Universities Catering Organisation (TUCO) and the School Purchasing Organisation ESPO.

STS have a Code of Practice, which is UKAS accredited. It is very similar to BRC accreditation, but is specifically for the public sector.

### 2. Traceability

STS, rather than blanket product testing, required manufacturers and distributors to the public sector to provide traceability information, where appropriate back to the farm, undertaking product testing based on risk assessment. This worked well for manufacturers but distributors tended to rely on statements from manufacturers or quoted legal requirement of traceability as one step back one step forward. Whereas manufacturers can go right back to source; a number say that the legal requirement is that they have to go further than that; I am concerned that people fall back on legal requirements, rather than the security of their supply chain.

### 3. Laboratories

NR explained his views about the laboratory system during the horsemeat incident. He felt that food testing laboratories were overloaded during the crisis and there was a lot of duplication.

NR had a number of reservations about the product testing that took place at that time; he explained that laboratories appeared that he'd never heard of, using methods that were not established. This point is brought out in the report, and STS feel that it is key; there needs to be accredited laboratories that undertake testing to certified methods.

NR also thinks there's a need to adopt formal testing, to make sure enforcement bodies take three samples, one for the regulators, one for the manufacturer and one for reference, if required. NR explained that having three samples is vital to ensure there is a level of confidence in the testing that's going on and for the manufacturer to be able to undertake their own testing.

CE agreed that the quality of some of the analysis during the horsemeat incident was poor, although he does now feel that some of the industry has been taken on board.

NR pointed out that the issues with testing were particularly difficult for some of the smaller companies, as they were "pushed to the back of the queue" behind larger companies and may have felt they had to use less reliable forms of analysis.

CE explained that the Review is pushing at every level on this, even up to the EU to create a EU-RL.

#### **4. Communication**

NR explained that a key problem we came across was communication and getting information. During the horsemeat incident, the public sector was highlighted straight away – in his view, the media wanted to find problems, because it makes good news. However, when STS tried to get information, we hit a barrier at Local Authorities, Laboratories and other sources. STS found that they would see information in the press, but when they went to the source to ask for it, they were refused.

NR explained that STS work very well with some local authorities, but the amount of information sharing that takes place is variable; some aren't interested in the information we have and they don't want to share information. NR feels that this 'information barrier' is a real issue that needs to be considered

CE agreed; we understand that it's a problem and are trying to talk to all the people involved.

#### **5. Audits**

NR asked if, as a contrast to the case study of an ineffective audit in the interim report, it would be possible to have a case study in the final report of a good audit.

CE thought that would be possible, but we'd need an example where auditors go out and systematically look for evidence of fraud. CE explained that having undertaken this Review, we now understand the best way to identify fraud is doing a complete mass balance or doing forensic analysis of accounts. Is this something that STS auditors do?

NR explained that although STS updated their code of practice in May to include measures related to authenticity, STS auditors did not undertake mass balance or forensically look at accounts.

NR felt that there are already so many areas that have to be covered that if they were to include those measures they would have to increase the duration of the audits, which many of our clients are resistant to. NR thinks this is tied in to the level of duplication of audits; this duplication puts pressure on both the auditor and the supplier.

**ACTION:** NR to send current STS Code of Practice to Secretariat.

However, NR agreed that they are good suggestions and something STS should bear in mind. NR also explained that STS do undertake some unannounced audits, but it can be quite difficult: the company might be doing another audit, the appropriate person may not be there, the company might not be in production. As a result, STS now work on the basis of alternating between one announced audit, followed by an unannounced audit.

CE agreed that the 50/50 balance sounds reasonable; in other companies we have heard about 90/10 etc. CE explained that in the interim report we have tried to flag up the weaknesses in the system, but in the future report, want to set out what industry and others are doing to address these issues and highlight the progress that is being made in these areas. .

NR explained that, since the horsemeat incident, STS have concentrated a lot more on traceability, to try and get to the bottom of where supplies are coming from. They have also been looking at how to better understand the distribution chain – that's an area where suppliers seem to change more often, so it is important they develop a better understanding of what is happening there.

CE explained that it would be helpful to have a case study about how have things changed in public sector: how the mind-set has changed, what you are doing to prevent supply chains from being vulnerable to fraud. CE wants to put public sector procurement in a positive light and show what people are doing to secure their supply chains and combat fraud.

**ACTION:** NR to do a case study about public sector procurement (send to Secretariat in 2-3 weeks).

11 February 2014