

HM Government

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

# Note of IGD-facilitated Industry Roundtable

**Location:** Broadway House Conference Sector

**Date:** 30 January 2014

**Attendees:** See Annex 1

NB: All comments are unattributed except in the case of Chris Elliott (CE) and Mike Steel (MS)

## 1. Chris Elliott introduction

CE explained that since he started his review he has received over 600 pages of written evidence and held over 105 meetings with stakeholders and was grateful to all of those attendees who had made contributions. He said he had visited the devolved administrations and had also received dozens of emails from people concerned about the issue of food fraud.

He noted that the level of detail in his interim report surprised a lot of people. He explained his plan was that the interim report was, in essence, his final report and it was his intention over the coming months to meet with as many stakeholders as possible to proof his recommendations, achieve consensus on what was right in the report, what was wrong and what, if anything, he had missed. He said it would be important to come up with a workable, accurate final document.

## 2. General feedback from attendees

There was a consensus view expressed by attendees that this was a very helpful report. The following specific comments were made:

- CE had been consistent in the way the report had been positioned.
- He had successfully looked beyond the horsemeat incident and picked up challenges in different areas of the supply chain.
- It was very clear CE had gone out of his way to listen to feedback
- There was learning to be taken for all of those involved in food supply chains.

CE said that one of the reasons why horsemeat adulteration became a scandal was due to the realisation that consumers had lost control over the food they had bought. He stated this was not the fault of the food industry but a gradual process that had taken place over several generations. He posed the question how do we reengage people with where food comes from and food production?

It was noted by IGD that consumer trust levels were heading back up to where they were before the horsemeat incident, however, everyone recognised the opportunity to push trust levels even higher than they were previously.

### **3. Response to recommendations**

CE noted that the response of the food industry to his recommendations had been really positive as, broadly, had been the government response although he noted there was a complexity in that there was not one single department that the report was directed at. He suggested that the FSA had been rather passive since the report was published and he would be expecting them to take a more proactive approach to implementing the recommendations in the coming months. He suggested that some of the recommendations could clearly not be completed before publication of the final report; for instance the setting up of a food crime unit.

Some attendees expressed disappointment that the FSA was not moving forwards more quickly with implementing the recommendations from the interim report, particularly in relation to intelligence gathering, because it was suggested they were the key agency in creating an umbrella approach to try to address the criminal element within the supply chain.

CE said one barrier to government uptake of the recommendations would be the cost of implementation and it would be important for the final report to include cost forecasts where relevant, for example, for the food crime unit. He noted that the FSA was under significant budgetary pressure at the moment and rather than assume extra money would be given to fund a new unit there needed to be some thought within the FSA about reprioritisation. CE said food safety should always be the FSAs number one priority but the agency needed to realign itself to deal with the twin pillars of food safety and authenticity. He said the final report would also need to cost out what the price of inaction would be.

CE said the Cabinet Office had been very clear that they did not want new regulations.

Fears were expressed about the potential further loss of EHOs who are on the front line of the battle against food fraud and provide a vital service. They needed to be encouraged and invested in.

The point was made that at a practical level the FSA was still grappling with the difficulties of how to share information with the food industry. The example was cited of the food fraud bulletin that the FSA circulated to local authorities but not to businesses. It was suggested that if the FSA did not proactively share information fed into it through the industry intelligence hub this information would soon dry up and that there needed to be a loop by which the information came back to businesses.

The point was made that there seemed to be a lack of coordination between the FSA and FSAI during the horsemeat incident and was there anything CE could do to help build bridges between those two agencies?

CE said it was essential European agencies worked closely together and that the European Commission was trying to play a lead role to this end.

## 4. Discussion

### a) Industry intelligence hub

A detailed discussion took place around the recommendation for intelligence sharing and the creation of an industry-driven intelligence hub where information on food fraud could be collated, sanitised, analysed and then redistributed among food businesses. The question was asked whether in the final report recommendations around intelligence sharing would more explicitly state how such a hub might function. Other questions were posed as to how the safe haven would be kept safe, would CE be working with industry bodies to see what role they could play in the creation of the intelligence hub, how the industry hub would interact with the FSA's intelligence hub and how could a hub cover the approximate 600,000 businesses operating in the UK.

CE said he believed the intelligence hub should be market driven. He said his initial idea had been to set up one centralised intelligence hub within the FSA; however he noted that lawyers' advice would be for businesses not to share that information unless they had a legal obligation to do so. The idea was that the industry hub would be for industry alone to both feed in and extract information with all information that was fed in being protected from public disclosure. The responsibility for collecting that data would be the owner of the safe haven and once sanitised that information would be available to the FSA and would also come back to industry. The FSA's intelligence hub would be based on all the information they were getting from other member states and they could use that information along with information from the industry hub to inform their efforts to counter fraud.

The question was asked whether such an arrangement would create competition law concerns. CE said he had met with lawyers who had told him that it wouldn't infringe on competition law.

It was suggested that there was a need to make information gathering more formulaic – to look for existing pockets of knowledge that when connected gave a bigger picture, for example tracking commodity prices and RASSF alerts. What had been missing previously had been the infrastructure that gathered that intelligence together.

The observation was made that for the hub to be effective the information had to be available to all but SMEs may not be willing or able to fund the service so there was a need to work out a funding arrangement. CE said that to gain information from the hub you should have to subscribe in some way, although this could be on a sliding scale depending on the size of the business. He said it was more important that SMEs became part of that network than they contributed towards its funding. The suggestion was made that a hybrid structure for funding could be developed with industry sharing the cost with regulators.

It was noted that the information would need to be digestible for people without the skills to analyse it themselves.

The point was raised about how to avoid fraudsters getting access to that information? CE said he didn't believe this could be avoided but that the more pressure that was applied by UK plc the more chance that fraudsters would go elsewhere. There was also an element of the information acting as a deterrent in so far as partial visibility of the information industry had access to should act as a deterrent to criminals.

CE also floated the idea for some kind of surveillance club whereby companies operating in the same sector took it in turns to do testing of different products and pooled that data thus reducing the cost.

It was noted that different sectors had their own very specific challenges and perhaps sector-specific hubs would be more effective than one all-encompassing hub. In this case the sector bodies might have more of a role to play. CE said sector hubs would need to be industry driven but he added that it should be possible to have filters on the central database based on certain commodities, country of origin etc to enable businesses to subscribe only to a specific data set.

The question was asked where would be the trigger point for information/intelligence being passed on to the FSA without that data being sanitised. CE said his trigger point would be for something that impacted on food safety, in which case it should be automatically passed on. The point was made that in this scenario the business would have a legal obligation to inform the FSA in any case.

The point was made that unless there was a brokering of the industry intelligence hub it would be an opportunity missed and that conversations needed to be had with agencies which could potentially host the hub such as Leatherhead and industry bodies.

The importance of trade associations in helping deliver the industry hub was stressed as between them they represented the lion's share of the UK food industry. They were also cited as being strong at capturing information which could be fed into the hub. It was suggested that businesses already sharing information with bodies such as the BRC and FDF would feel comfortable working within a community that they trusted.

The question was asked what kind of data CE would see as feeding into the hub. He suggested a mixture of hard data and anecdotal information. He said he believed that economic analysis would not need to be done by the industry hub as this was freely available and would be best placed sitting within government where it could be a service that was charged for.

The point was made that feeding in information on macroeconomic trends to the industry hub should not be ruled out as commercial teams had an insight into their markets and could harness that knowledge and intelligence. Horizon scanning would be key to generation of intelligence.

It was suggested it may be useful to invite a consultancy to help identify how the hub should operate and to consider models of information sharing in other industries such as defence and aerospace.

## **b) The role of traders and brokers**

CE suggested one of the main vulnerabilities in the food supply chain was with traders and brokers. He noted that he had met with BRC Global Standards who were currently setting up a standard for traders and brokers. He suggested that if businesses or their suppliers were sourcing product from traders or brokers then the standard should be a condition of contract.

He also noted that BRC planned to include a module on food fraud in the next version of its global food safety standard.

## **c) Audits and risk management**

It was suggested that one point that needed developing in the final report concerned the need to train auditors in identifying signs of food fraud. The point was made that auditing for fraud required a different skill set from auditing for food safety and there would be a need to upskill auditors.

Standard audit measures in place, are designed to identify food safety issues and were very successful at doing so, but were thought to singly fail to protect legitimate businesses from food fraud. The point was made that the number of audits was irrelevant and increasing the number of audits would simply add to the burden on industry rather than reduce the risk of food fraud. It was also suggested that fraud awareness was more about the scope of the audit and the skills of the auditor than whether the audit was announced or unannounced.

There was a need to consider the role forensic auditing could play in detecting fraud. In cases where there was no empirical or analytical test possible you could deploy a forensic style of audit which would take into account other factors such as mass balance and financial documents.

The fact that food fraud had clearly been linked in the report to organised criminal activity raised issues concerning the safety of auditors and it was suggested that consideration needed to be given to how deep into supply chains auditors should be sent given that they could be put at risk.

MS said that the general strategy needed to be a fortress one. He said that criminals would almost always take the easy route and that the focus should be on making it sufficiently difficult for them to operate in the UK that they go elsewhere. If auditors felt under threat they should back off until they felt safe. He also asserted his preference for unannounced audits noting that people would always be prepared for an announced audit.

The point was made that a lot of information on potential fraud could come from procurement teams based on analysis of price and knowing when a deal was too good to be true. This would mean the burden of information gathering wouldn't rest solely on auditors.

It was suggested there was a need to focus effort on at-risk areas of the supply chain. In Britain there are a few big players and many smaller players and it was suggested it would be easier for criminals to infiltrate SMEs which often did not have such rigorous controls as the big players. Given the global nature of the supply chain, it would still be important to have an understanding of where fraud was being squeezed out to in order to make it much harder to stop it coming back in.

It was suggested that the issue of risk was also sector-specific and that risk management was separate from auditing. Resource should be put into identifying that risk and then mitigating against that risk. If that process indicated high risk exposure then businesses should look at mitigating measures. Analytical programmes should be married against that risk. It was also noted that risk analysis was only as good as the quality of information you put into it.

The point was made that many businesses had spent a lot of money on increasing levels of testing in the wake of the horsemeat incident but this was unsustainable and the real value would be in the gathering of intelligence.

Promiscuous buying policies to get the cheapest ingredients were also cited as having the potential to increase the risk of fraud. It was suggested that if you're constantly purchasing from different sources you're going to be much more vulnerable to fraud.

## **5. Other comments**

The point was raised that there were still horsemeat adulteration incidents going on around the world, which had the potential to affect the UK given the global nature of supply chains. It was suggested it would be useful for CE to engage with policy makers at a European level and in particular with DG Sanco which has recently set up a food fraud unit. CE said he had already met with DG Sanco and welcomed the setting up of the new food fraud unit. He was particularly pleased that the unit was to be headed by a lawyer rather than an analytical chemist. He noted that DG Sanco was now forming a network of all competent authorities, with the idea that there would be a system of information sharing set up – essentially a RASFF specifically for the purpose of formal notification of food fraud. He said he had also linked up with food fraud experts in the US where prevention of fraud was being prioritised over reactive measures such as increased testing.

It was suggested that some of the language used in the final report should be broader, for example, talking about 'storage' rather than 'cold stores'.

In relation to analytical data CE made the point that a huge number of tests that were carried out following the horsemeat fraud weren't done to a particularly high standard. He believed that in the UK there was not the infrastructure nor the skills to do this type of work and that as a result some samples were tested by people who were not properly equipped to do the work. He said the UK needed to think about getting in place a national reference laboratory and agreed standards for authenticity work.

A question was asked about why industry needed to acknowledge the risk of fraud in haulage. CE said there was lots of anecdotal evidence that fraud happened during transportation and he was just flagging it up as a risk that should be identified.

## **6. Next steps**

**ACTION** - IGD agreed to facilitate a follow-up meeting for members to discuss governance and objectives of an industry-led intelligence hub and to determine who would host it.

30 January 2014

### **Annex A: List of attendees**

Professor Chris Elliott – Lead – Review into the Integrity and Assurance of Food Supply Networks

Mike Steel – Subject Matter Expert - Review into the Integrity and Assurance of Food Supply Networks

Jon Roe - Head of Trading Standards and Compliance - Wm Morrison Supermarkets

Peter Wright – Regulatory Affairs Manager - M&S

Breda Mitchell – International Trading Law & Technical Director - Tesco

Ian Burgess - Food Technical Manager - The Co-operative

Alec Kyriakides - Head of Product Quality, Safety & Supplier Performance - Sainsbury's

James Williams – SVA (representing Aldi)

Sarah Wood - Quality Manager - Aldi

David Croft - Waitrose

Ann Savage – Group Technical Director - Bakkavor

Helen Sisson – Group Technical Director - Greencore Group plc

Paul Dobson - Central Technical Director - Premier Foods plc

Dr Clare Hazel - Head of Science - Premier Foods plc

Neil Khandke – Technical Director - 2 Sisters Food Group

Mike Mitchell - Group Technical Director - Youngs Seafood

David Webster – Head of Communications - The Jordans & Ryvita Company

Peter Hajjieris - Chief Technical, Sustainability & External Affairs Officer - Birds Eye Iglo

Dean Holroyd – Group Technical Director - ABP Food Group

Gerry Thomas - Technical Director - Brakes

Nicki Crayford - Director of Health, Safety and Environment - Compass Group

Ken Glauch – Head of Quality Assurance - Booker Group Plc

James Northen – Director of Industry Programmes - IGD

Helen Day – Executive Assistant – IGD

Sarah Appleby – Secretary – Review into the Integrity and Assurance of Food Supply Networks

Nick Hughes - Review into the Integrity and Assurance of Food Supply Networks

Apologies for absence:

Mark Johnson - Head of Quality - Nestle UK & Ireland

Chris Brown - Sustainable Business Director - Asda Stores Ltd

Larry McEvoy – Technical Director – Princes Ltd

Joe Dunne – Head of Technical - Kerry Foods

Ron Colwell - European Science & Regulatory Affairs Manager - H J Heinz & Co