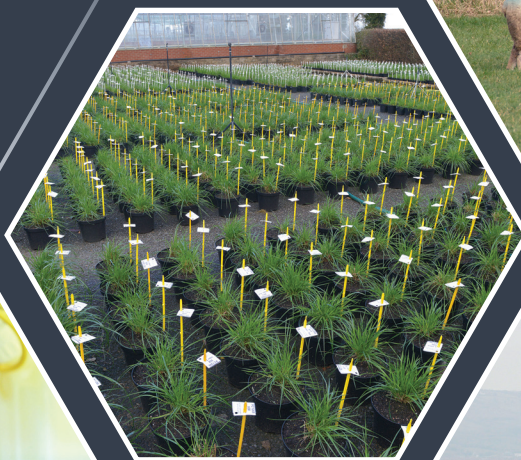


ANNUAL REPORT

& ACCOUNTS

2016

2017



Agri-Food and Biosciences Institute
Annual Report and Accounts
for the year ending 31 March 2017

Laid before the Northern Ireland Assembly
under the Agriculture (Northern Ireland) Order 2004
by the Department of Agriculture, Environment and Rural Affairs
on the 5th November 2018



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Foreword from the Chair

I am delighted to introduce the Annual Report and Statement of Accounts for the Agri- Food and Biosciences Institute (AFBI) for 2016/17.

2016/17 was a year of significant change for the Institute, both in terms of senior staff changes and in composition of the Board. Following Professor Seamus Kennedy's retirement as Chief Executive, Professor Elaine Watson was appointed as Chief Executive from 1 June to 31 October 2016, and was succeeded by Dr Sinclair Mayne on 1 November 2016. Mrs Lesley Hogg resigned as Director of Finance and Corporate Affairs on 26 June 2016. I wish to thank Seamus, Lesley and Elaine for their contributions to AFBI.

AFBI's vision is to 'Advance the Local and Global Agri-Food Sectors through Scientific Excellence'. Following a period of major contraction in staff complement in previous years, as part of the Institute's "shrink to grow" policy, I am pleased to report that 2016/17 saw the Institute entering a strong growth phase. This growth has been driven by significant success in increasing non grant-in-aid (GIA) funding through securing a number of new research contracts

and increased royalty income. Consequently, non-GIA funding accounted for 36.2% of AFBI's income in 2016/17, compared to 13.8% when AFBI was first established in 2006/07. Given the ongoing pressures on Northern Ireland public finances, I and my Board colleagues are determined to ensure the Institute sustains future growth through further increasing non-GIA income. We therefore welcome the Executive's initiative in establishing an internal Income Generation Strategy Group to explore new funding opportunities. This will further enhance AFBI's role as the leading provider of research and scientific support for the Northern Ireland agri-food and biosciences sector. Given the prospect of reductions in subsidy support post Brexit, and a new generation of consumers with much more diverse and conflicting demands, there will be an increased requirement for science-based knowledge and innovation and AFBI is well placed to provide this.

I would like to take this opportunity to thank Mrs Sarah Havlin, Mr David Lindsay, Dr Cecil McMurray, Mr Ken Millar and Professor Patrick Murphy, who retired from the Board on 31 March 2017, for their dedication and support during their time in office.



David served with distinction as Chairman of the Science Strategy Committee since his appointment in 30 April 2013. A number of new Board members were appointed on 1 April 2016 and, following the retirement of the five members highlighted above, I have reorganised membership of the four sub committees: Audit and Risk Assurance; Organisational Development and Human Resources; Science Strategy; and Finance and Business Strategy.

Finally, I would once again like to take this opportunity to thank all staff for their dedication and commitment to the Institute. Our current growth phase will provide exciting opportunities for staff as well as enabling AFBI to recruit new blood into the organisation. I am confident that the high calibre of AFBI's staff will ensure that the Institute continues to develop as the leading provider of research and scientific services to our local agri-food and biosciences sector, whilst supporting an expanding global customer base.



Colm McKenna
Chair

Chief Executive's Review



As Chief Executive, I am delighted to present the Annual Report and Accounts for AFBI for the 2016/17 financial year. At the outset, I am pleased to acknowledge the significant contribution of both Dr Sinclair Mayne and Professor Seamus Kennedy, who retired as Chief Executive 31 August 2018 and on 30 June 2016, respectively. There have been a number of other senior staff changes during the year, including the resignation of Mrs Lesley Hogg as Director of Finance and Corporate Affairs Division and the appointment of two new Directors, Dr Elizabeth Magowan on 1 April 2017 and Mrs Josephine Kelly, who took up her post on 7 August 2017.

I am pleased to report that the Institute is now firmly in the growth phase of its "shrink to grow" policy, with significant increases in non-GIA funding during the year. Non-GIA income in 2016/17 reached a record level for AFBI of £19.1m, representing 36.2% of total revenue in the current year. This compares with a non GIA income of £6.2m in 2006/07 (13.8% of total income), AFBI's first year of establishment. Whilst AFBI has faced unprecedented challenges over the last number of years, including the loss of over 150 experienced staff through the Voluntary Exit Scheme in 2015/16

and 2016/17, the Institute has continued to deliver a very high standard of statutory and diagnostic testing, a world leading research and development programme and maintained a high level of commercial income. This is testament to the commitment of our staff and I wish to take this opportunity to thank all staff for their hard work and commitment to AFBI during the year. I was particularly pleased to note the comments by Mr Noel Lavery (Permanent Secretary of our sponsoring department, DAERA) at our 2017 AFBI Science Outlook conference where he concluded his presentation by acknowledging the "high quality science provision by AFBI, and its crucial role in strengthening the evidence base for policy development, meeting the Department's broad range of statutory-driven analytical testing work requirements, and emergency response needs."

The record level of commercial income achieved in 2016/17 reflects unprecedented success in a very competitive external funding environment, and an increase in royalty income, the latter largely due to favourable changes in exchange rates. During 2016/17, AFBI completed in excess of 100 contracts with a range of commercial customers and other stakeholders. These

contractual arrangements included an INTERREG VA project, which AFBI is leading (with several further INTERREG VA projects in which AFBI will participate in the pipeline), three projects funded by the Agri-Food Quest Competence Centre, two projects funded under the auspices of the Centre for Advanced Sustainable Energy and six projects approved under the DAFM Competitive Research Call 2015. AFBI continues to benefit from Evidence and Innovation funding from DAERA, for several research areas, and has secured additional co-funding support for a number of these projects from AgriSearch, the Agriculture and Horticulture Development Board and NI industry. These new contracts, together with AFBI's leading role in the UK Centre for Innovation Excellence in Livestock (CIEL), have also resulted in a significant increase in projected income for AFBI in 2017/18. The key challenge the Institute faces during the current growth phase is to ensure sufficient staff are in place, with the appropriate scientific skills to deliver on all the planned new work, whilst fulfilling commitments to DAERA under the assigned work programme.

AFBI's overall vision is to 'Advance the Local and Global Agri-Food Sectors through Scientific Excellence'. During the year,



the Executive Management Team met with a wide range of stakeholders to hear their views on how AFBI can best support the local agri-food industry. A consistent message from these discussions is the request for AFBI to communicate research results directly with the industry through conferences, open days, discussion groups and on farm events. This will form a key component of AFBI's enhanced communication strategy in the future. As part of this strategy we hosted our first AFBI Science Outlook conference for stakeholders in 2017 and we plan that this will be an annual event.

One of the flagship events during 2016/17 was the very successful 67th European Federation of Animal Science Conference which AFBI co-hosted, along with the British Society of Animal Science, in Belfast in September 2016. The conference provided an excellent opportunity to showcase AFBI science to 1500 delegates from over 60 countries and resulted in a number of new international networks being established. A further highlight during the year was the very successful Science

Outlook Conference on 28 March, 2017. In addition to an excellent line up of international speakers, the presentations by AFBI staff and a number of our key stakeholders demonstrated that AFBI science is making a major contribution to solving some of the global challenges facing the local agri-food and biosciences sector. The Conference also provided the opportunity to launch our first "AFBI Research Impacts" booklet, which showcases some of the areas where AFBI science has made a real impact over the last ten years.

A key strength of AFBI is the multi- and inter-disciplinary nature of its science base, which provides a broad portfolio of scientific and socioeconomic expertise across the agri-food chain and is unique within the UK. In order to enhance and maximise the benefits of this approach, and to encourage greater cross branch and cross divisional working, a new science programme-based approach is being adopted across AFBI. Initial internal discussions have identified up to six cross cutting science programmes and these will be further developed and refined in

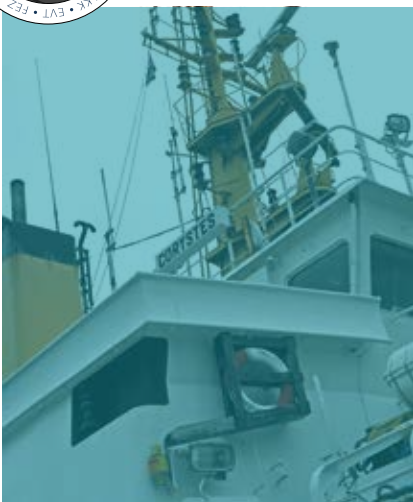
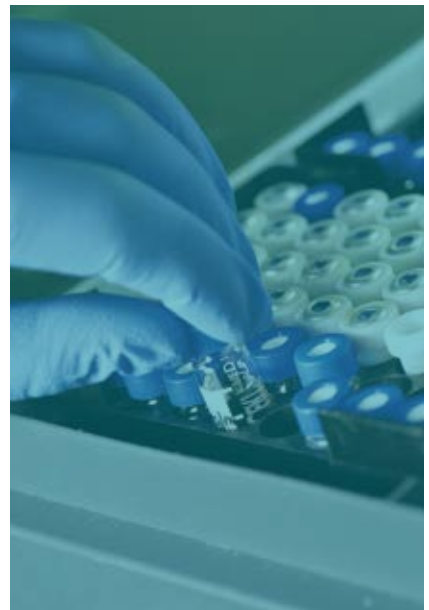
2017/18. A key objective of this new approach will be to achieve better alignment of AFBI's science with stakeholder priorities.

I am pleased to report that in relation to AFBI finances, the budget outturn for 2016/17 shows a net surplus position, reflecting increased commercial income, a significant increase in royalty income during the year and a significant reduction in overall staff costs. Given increased reliance on commercial income, accurate budget monitoring of project income and expenditure is crucial, particularly within the constraints of Managing Public Money and absence of end of year flexibility. In this context, a key priority for 2017/18 is updating of AFBI's project management information system.

Partnerships

The growth in the diversity and complexity of scientific knowledge and technologies means that strategic partnerships with other research organisations and universities are becoming increasingly important.

“ AFBI'S CURRENT GROWTH PHASE WILL BE SUSTAINED IN THE COMING YEARS AS WE SEEK TO ADVANCE THE LOCAL AND GLOBAL AGRI-FOOD SECTORS THROUGH SCIENTIFIC EXCELLENCE. ”





Discussions have taken place between AFBI and both Queen's University Belfast and Ulster University, to explore opportunities for developing closer working arrangements. It is clear that there are opportunities to work together to create truly world class centres of expertise and knowledge to support the development and expansion of the local agri-food and biosciences sector over the next decade.

Development of the AFBI estate

AFBI continues to work closely with DAERA on plans to develop the Institute's estate in order to achieve modern, efficient laboratory and research facilities. In April 2016, DAERA was granted conditional approval by the Department of Finance for the Preferred Option of the Outline Business Case for the proposed AFBI VSD-Stormont Main Building Project.

The Preferred Option proposes a new build at the AFBI-Stormont site housing scientific laboratories to at least Containment Level 2 with associated administrative functions. The building will include a new post-mortem suite and incineration facility.

Proposed plans for the AFBI Estate include consideration of a joint approach to AFBI and CAFRE's farmed estate facilities, to ensure there is no duplication of investment in the Department's farming platforms and other cross-cutting infrastructure. During 2016/17 an AFBI-CAFRE Beef Facilities Working Group was established with the primary objective of developing an outline business case for research, educational and knowledge technology transfer beef facilities at AFBI and CAFRE which are efficient, modern, and flexible/future-proofed. The current beef accommodation platform at the AFBI Hillsborough farm falls far short of modern requirements in terms of industry standards. The business case was submitted to DAERA for review in early 2017/18.

In January 2017, the former DAERA Minister (Ms Michelle McIlveen) announced that following a feasibility study she was endorsing the recommendation that grass and clover Distictiveness Uniform and Stability (DUS) testing should remain at the AFBI Crossnacreevy site. In addition, a draft outline business case for replacement of

the Research Vessel Corystes was submitted to DAERA in January 2017. Work is continuing on the development of a business case for the proposed Grassland and Plant Science Centre at Loughgall. As part of the AFBI-Hillsborough site development, the outline business case for development of a Nutrient Management Centre at Hillsborough was approved by DAERA in July 2016. The associated works were undertaken in 2016/17 and a new build largely completed by the end of March 2017. Commissioning of the Nutrient Management Centre will take place in 2017/18.

Staffing

I am pleased to report that good progress has been made on filling key staff positions. Dr Elizabeth Magowan has been appointed Director of Sustainable Agri-Food Sciences Division with effect from 1st April 2017 and Mrs Josephine Kelly took up post as Director of Finance and Corporate Affairs Division on 7 August 2017. Two new Divisional Business and Administrative Managers have been appointed to strengthen finance and administrative functions within the scientific divisions.



AFBI is fully committed to ensuring that staff and customers are treated fairly and with dignity and respect. The Institute has reviewed internal practices during the reporting period with the Equality Commission to ensure compliance with statutory duties, implementation of best practice and that the ethos of equality is imbedded into everyday practices. During the year AFBI completed actions in line with Equality Scheme commitments, this included an Audit of Inequalities and submission of Annual Monitoring Reports.

AFBI was unsuccessful in achieving the operational objective of an average of 7.5 working days lost per staff member through sickness, with 9.2 (4.1%) working days lost per staff member. Whilst this is an improvement on the previous year's performance, AFBI is committed to achieving further reductions, particularly through addressing issues related to long term sickness absence.

DAERA Science Transformation Programme and AFBI Review

DAERA have indicated proposals for a "DAERA Science

Transformation Programme." This involves a major review of DAERA's science programme and will include: Identification of Science Needs; Review of Science Commissioning Arrangements; Review of Science Providers; and Assessment of Science Platforms required to meet DAERA's Science needs. This is an extensive review programme which it is anticipated will take a number of years to complete. Given AFBI's key role in science provision to the Department, AFBI will be included in all aspects of the transformation programme and AFBI staff will be included in all of the major working groups.

One of the components of the DAERA Science Transformation Programme includes a review of AFBI in line with the requirement for all UK public bodies to be subject to periodic review (normally every 5 years) to ensure that they remain efficient, effective and accountable.

The Future

In order to deal with the major global challenges of increased food demand, climate change and pressure on land use, we need to fundamentally change our food production systems,

with sustainable intensification or producing more from less being just one example of this new approach. The production environment is also changing given the impact of globalization, reductions in subsidy support and a new generation of consumers with very diverse and conflicting demands. Whilst there are undoubtedly opportunities for the local agri-food sector to respond by producing healthy, versatile and safe food, this will require investment in science to generate new knowledge, drive innovation and improve competitiveness.

Furthermore, the local agri-food industry needs world leading science to drive innovation and improve efficiency in order to further enhance Northern Ireland's reputation for safe, healthy and nutritious food produced from sustainable systems.

Within AFBI we have the staff and the expertise to provide that world leading science. We are also extremely well placed to support a number of new industry initiatives, for example, food testing to enable access to new markets; economic analysis of the impacts of the UK exit from the EU for the local and UK agri-food and biosciences



sector; implementation of the recent Sustainable Agricultural Land Management Strategy for NI and the Tuberculosis (TB) Strategic Partnership Bovine TB Eradication Strategy, coupled with increased focus on the environmental impact of farming systems post Brexit. On this basis, I am confident that AFBI's current growth phase will be sustained in the coming years as we seek to advance the local and global agri-food sectors through scientific excellence.

Since the production of the 2016/2017 Annual Report and Accounts, Dr Sinclair Mayne CEO and Accounting Officer has retired and the Annual Report and Accounts have therefore been signed off by his successor Dr Stanley McDowell, who was appointed on 3 September 2018.

Dr Stanley McDowell
BVM&S, MSc, DLSHTM,
PhD, MRCVS

CHIEF EXECUTIVE

Date: 3 October 2018

Performance Report

3.1 Introduction

The Agri-Food and Biosciences Institute presents its annual report and accounts for the financial year ended 31 March 2017. The accounts have been prepared under the accounts direction given by DAERA, with the approval of the Department of Finance (DoF) and in accordance with the Agriculture (Northern Ireland) Order 2004.

3.2 Overview

The Agri-Food and Biosciences Institute (AFBI or the Institute) is a non-departmental public body (NDPB) that was established under the Agriculture (Northern Ireland) Order, 2004. The Institute undertakes an assigned work programme on behalf of the Department of Agriculture, Environment and Rural Affairs (DAERA or the Department) comprising statutory and analytical testing, diagnostic/surveillance and emergency response activity, together with research and development (R&D) and specialist advice in the areas of animal health and welfare, plant, food, environment and freshwater and marine science, and agricultural and rural economics.

AFBI contribute to the achievement of DAERA's strategic goals by successfully delivering this assigned work programme, providing an emergency response facility and supplying specialist advice as needed.

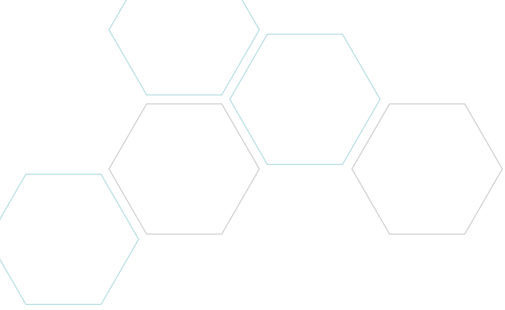
The commissioning of R&D, funded by DAERA, continues to be essential to the maintenance of the Institute's emergency response capability which is regularly tested through AFBI's responses to major threats to animal and plant health, the food chain and environment. AFBI uses this core R&D funding to leverage in additional resource from a range of funders in order to maximise the value of DAERA's R&D spend in the Institute and reduce the overall running costs to the Northern Ireland government.

The Institute also delivers a portfolio of external work for a wide range of local, national and international customers in these areas. A significant proportion of AFBI's income is derived from international customers, representing the equivalent of foreign direct investment in the local economy. AFBI collaborates with AgriSearch and CAFRE in transferring knowledge and technology to the local agri-food industry.

AFBI continued to diversify its customer base over the last corporate strategy period, which has allowed the Institute to progressively reduce its dependence on core government funding. A continuation of this strategy is even more critical in the coming years due to the continuing downward pressure on Northern Ireland public finances.

AFBI's strategic goals are aimed at ensuring the effective and efficient delivery of services to existing customers and continuing the implementation of the most effective organisational structures, systems and processes, to ensure that AFBI is optimally positioned to address the anticipated challenges over coming years.

The provision of world class, locally relevant, science to all our customers will continue to depend on development of leading edge knowledge, expertise, skills and technologies and maintenance of AFBI's position as an influential, internationally relevant, centre for innovation in agri-food and biosciences.



VISION, MISSION & GOALS

AFBI's vision, mission and strategic goals are set out below and are underpinned by AFBI's values and associated behaviours:



Figure 1 – AFBI Vision, AFBI Mission and AFBI Goals

AFBI has an important role in assisting DAERA to achieve its draft goals which are:

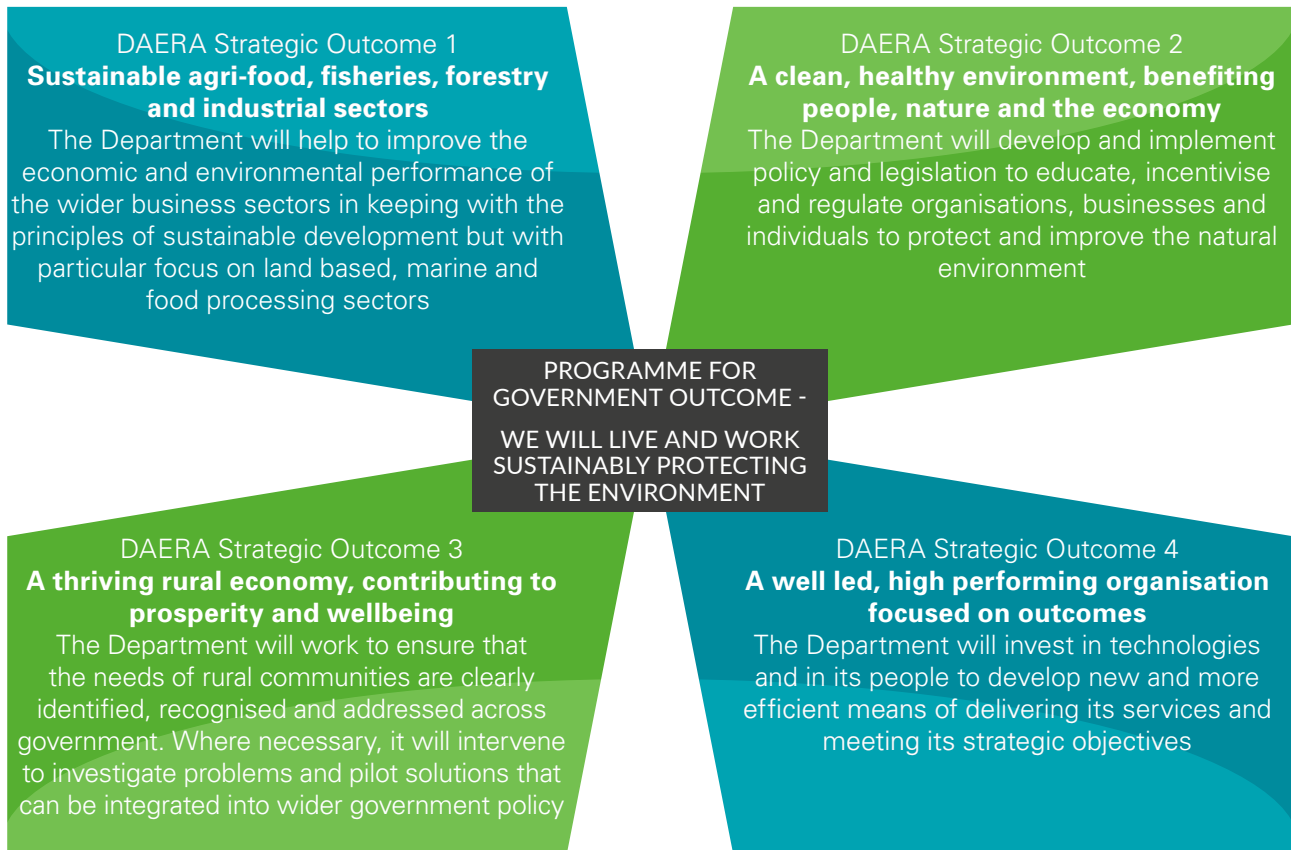


Figure 2 – DAERA Draft Strategic Outcomes

AFBI supports DAERA’s draft objectives by delivering:

- statutory, analytical and diagnostic work;
- research and development;
- specialist scientific advice;
- an emergency response capability in the context of animal and plant disease outbreaks and other emergencies in the food and environment areas.

COLLABORATION & PARTNERSHIPS

AFBI has continued to develop collaborative working arrangements with European and international universities,

other research organisations and commercial partners. Simultaneously AFBI has also continued to collaborate with both local universities, CAFRE, AgriSearch, Invest Northern Ireland and industry, in the design and delivery of research projects of importance to the local agri-food sector. AFBI has focused considerable resources on submitting appropriate high quality applications to the European Union (EU) through the Horizon 2020 (H2020) programme and other EU sources such as INTERREG to grow its income and add value to both the Department and local industry’s R&D expenditure in AFBI.

AFBI continues to initiate and build collaborations across the USA and Canada, strengthening relationships with both government and private sector bodies. The AFBI-led Transatlantic Scientific Forum on Agri-food Research is now an established annual event on both sides of the Atlantic. This provides a cost effective platform for knowledge sharing, agreeing mutual regional priorities and, by means of a series of intensive thematic workshops over two days, agreeing specific topics for international collaborations which attract jurisdictional funding and deliver measurable outputs of genuine benefit to each region.



AFBI also availed of other R&D funding opportunities as they have become available, such as the UK Agricultural Technologies Strategy. AFBI is a member of CIELivestock Limited, a consortium of research institutes and industry organisations which formed a company limited by guarantee to deliver agri-food research and innovation to improve the profitability of the UK livestock sector. The Technology Strategy Board acting through InnovateUK has made substantial capital investment in CIELivestock Limited, and AFBI is using this to enhance its precision agriculture research capability at its Hillsborough research facility. This initiative will provide opportunities for AFBI to increase external income through competitive research grant funding during the period of the Institute's corporate plan for 2017-20 and beyond.

FUNDING

In line with other NDPBs, AFBI's funding allocations in respect of resource, capital and depreciation from DAERA are determined through the NI Executive's budget process and reviewed through the in-year monitoring process. AFBI supplements its departmental

funding with receipts generated in the course of its operating activities and these receipts form part of the Institute's budget.

RELATIONSHIP WITH DAERA

AFBI's main point of contact is the Sponsor Branch (ASB) in the Department. Regular meetings are held with Sponsor Branch where matters relating to corporate governance, performance measurement, budgets, financing and accountability matters are discussed. A wider customer-contractor relationship, underpinned by a memorandum of understanding, also exists between AFBI's science delivery branches and the policy branches in DAERA who specify DAERA's required work programme.

AFBI's responses to DAERA quarterly monitoring rounds and comprehensive spending reviews are all routed through ASB.

RELATIONSHIPS WITH OTHER GOVERNMENT DEPARTMENTS AND AGENCIES

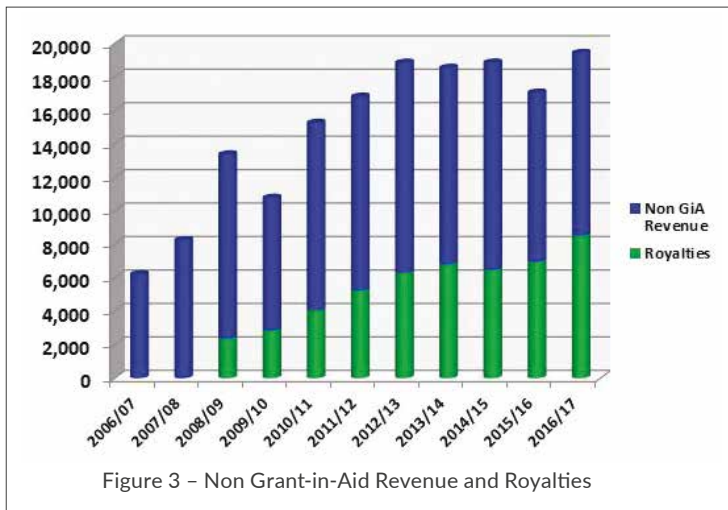
During 2016/17 AFBI had service level agreements (SLA) to provide services to the Department of Culture, Arts and Leisure

(DCAL), the Northern Ireland Environment Agency (NIEA) Water Management Unit, the Department of Environment (DOE) Marine Division and the Food Standards Agency (FSA NI). It also does a significant body of work for the Centre for Environment, Fisheries & Aquaculture Science (CEFAS), Department of Agriculture, Food and the Marine, Republic of Ireland (DAFM) and the Department for Environment, Food and Rural Affairs (DEFRA) and its agencies and NDPBs.

Following the restructuring of NICS departments the work previously carried out under SLA's with DCAL and NIEA will now be managed through the Department.

RELATIONSHIPS WITH EDUCATIONAL ESTABLISHMENTS

AFBI continues to co-operate on projects with both local universities and has also developed close working relationships with universities and institutions in the United Kingdom, Republic of Ireland, India, The People's Republic of China, Canada and The United States of America.



PERFORMANCE IN 2016/17

As an NDPB, AFBI has the opportunity to compete for external income to supplement grant-in-aid (GIA). Since its establishment, AFBI has vigorously pursued all relevant opportunities to grow external income, to the extent that approximately one-third of income is now derived from outside GIA.

In terms of the trend illustrated, AFBI has grown external income from £6.2m in 2006/07 to its highest ever level of over £19.1m in 2016/17. This has been achieved through significant success in securing INTERREG, Horizon 2020 and other competitive funding projects. This is testament to the sterling efforts of AFBI staff.

R&D funding from the European Union (EU) through the Horizon 2020 (H2020) programme and other EU sources such as INTERREG is very important to AFBI's ongoing operations. In 2016/17 AFBI submitted 22 two-stage applications to the EU INTERREG A (cross-border) and B (transitional) programmes and 8 of these projects, representing just over £8m of income and

capital funding over 5 years, have received funding. A further 12 applications were submitted to the EU Horizon 2020 programme with the potential for more than £2m of income to AFBI. The DAERA-funded Northern Ireland Contact Point for agri-food will continue to assist AFBI, and other local research providers and industry in developing Horizon 2020 applications. AFBI's EU-funded R&D will also support DAERA's commitments to the Northern Ireland Executive for drawdown of European funding.

AFBI will continue to focus considerable resources on a number of high quality applications to these programmes in 2017/18 in order to grow its income and increase its staff knowledge and experience of the application process, leading to future success.

KEY RISKS TO THE ACHIEVEMENT OF AFBI'S BUSINESS OBJECTIVES

AFBI has a well embedded and robust risk management and internal control framework in place with direct involvement of the Executive Management Team through the Risk Management and

Business Planning Group. AFBI's Risk Management Strategy clearly sets out the roles, responsibilities, procedures and risk appetite for Risk Management within AFBI. During the year AFBI reviewed and updated its Risk Management Strategy and this was augmented with additional operational guidance and procedures for staff on the management of risks.

Risk Management is a standing agenda item for Board and the Audit & Risk Assurance Committee meetings and AFBI's Risk Register is reviewed by both meetings on a quarterly basis. The Board also reviews one of the risks in detail on a cyclical basis. AFBI's internal and external auditors attend ARAC meetings and therefore provide a further layer of external scrutiny and challenge. There were no new risks added to AFBI's Corporate Risk Register during 2016/17.

In terms of the key risks to the achievement of AFBI's objectives, eight risks were identified on the 2017/18 Corporate Risk Register (CRR). These are summarised on the next page.



REFERENCE

CORPORATE RISK DESCRIPTION



Figure 4 - AFBI Corporate Risks



In addition to the existing controls in place to manage these risks, a number of additional actions have been put in place by AFBI to manage the risks down to the specified target level and progress is subject to oversight by the ARAC and Board.

In response to a number of recommendations from the Public Accounts Committee (PAC) and Northern Ireland Audit Office (NIAO) reports, additional ongoing arrangements to monitor and benchmark scientific testing and corporate costs have been established including membership of CIPFA's benchmarking groups and internal arrangements to benchmark costs longitudinally.

FUTURE FUNDING

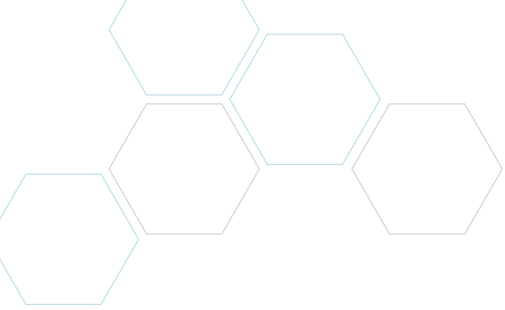
The outcome of each Comprehensive Spending Review determines the amount of funding available to AFBI in the future.

In view of the continuing severe pressures on public finances, further pressure on government funding is anticipated. AFBI continues to face price increases and is actively seeking to improve its overall procurement to mitigate against these cost pressures and reduce its cost base. The impact of these factors requires AFBI to realise increased income from other commercial sources and to increase the efficiency of its operations.

AFBI is committed to widening its funding base and increasing the level of non Grant-in-Aid revenue generated year on year. Particular focus is being placed on increasing collaborations with the local agri-food sector and on winning funding through international collaborations, particularly in the EU, where the Horizon 2020 Programme will fund European research and innovation between 2014 and 2020.

However, the United Kingdom (UK) exit from the European Union (EU), following the outcome of the UK referendum will have a direct impact on potential access to EU collaborations and funding going forward. This risk to sustainability is recognised within AFBI's Corporate Risk Register. The impact of this will only become clear when UK national government policy on potential continued access to the EU Science programmes becomes apparent.

AFBI continues to develop international business with the support of Invest NI, UK Trade and Investment and the Northern Ireland Bureau in Washington DC.



3.3 Performance Analysis

AFBI recognises that good business planning is at the heart of strong governance, effective management and financial viability and requires understanding and ownership of all staff across AFBI. In 2016/17 AFBI updated guidance on business planning to ensure that the AFBI goals are effectively cascaded down through the organisation and are translated into objectives at a Divisional, Branch and Individual Level.

This was also aimed at assisting in the development of a strong performance culture within AFBI, where everyone understands where they fit in helping to achieve AFBI's objectives to ensure that there are clearer links from the Corporate Plan and Objectives through the Divisional and Branch plans to Individual Performance Plans.

It is a structured and cyclical process and throughout takes cognisance of AFBI's Vision, Mission and Values as illustrated in Figure 5 below.



Figure 5 - AFBI Business Planning and Performance Management Process

AFBI recognises that good plans need in turn to be supported by effective monitoring and reporting of performance at each level of the organisation and feed into the Personal Performance Agreements (PPA's) for all AFBI Staff.



Figure 6 – AFBI Strategic Planning

To ensure that these objectives are achieved, it is important that they are cascaded effectively to Divisional and Branch Plans. Cascading represents translating and aligning AFBI's Goals and Key Performance Indicators (KPIs) from the Corporate level down to Divisional and Branch level and finally, to the Individual Level through the Performance Management Process.



Figure 7 – Performance Management Process



To measure progress towards the achievement of the corporate objectives, AFBI developed 25 KPIs for 2016/17. Outturn performance against these were monitored and reported to the Executive Management Team (EMT), the Board and DAERA on a quarterly basis. The table below summarises AFBI's outturn performance against its 2016/2017 business plan KPIs. This outturn performance has been validated by AFBI's Internal Audit providers.

Figure 8 – Business Plan Target Outcomes 2016/17

BUSINESS PLAN TARGET	OUTCOME 31 MARCH 2017	ANALYSIS OF KPI'S NOT ACHIEVED
KPI 1 - At least 95% of the DAERA diagnostic and analytical tests stipulated in the Assigned Work Programme delivered to agreed time and quality standards.	Achieved	
KPI 2 - At least 90% of DAERA Evidence & Innovation R&D projects due for completion in 2016/17 completed within the agreed time and budget	Not Achieved	While this KPI was not achieved, the majority of projects which failed to meet the KPI did so due to an under spend. This arose largely due to lack of clarity around Change Request requirements from the time the process was first initiated in 2014. The process is now well embedded and we anticipate there will be ongoing improvements to this target in future years
KPI 3 - At least 85% of DAERA customers satisfied with delivery of the Assigned Work Programme and Evidence & Innovation R&D projects.	Achieved	
KPI 4 - All emergency response contingency plans reviewed, updated and tested by desktop exercise in-year.	Achieved	
KPI 5 - All emergency response contingency plans reviewed and updated in-year.	Achieved	
KPI 6 - At least 95% of DAERA's analytical results delivered to agreed time following trigger of an emergency outbreak incident. (Appropriate KPI to be agreed following trigger of each incident).	Achieved	
KPI 7 - Emergency response test accreditation and method development requirements agreed with DAERA and progressed in-year.	Achieved	

BUSINESS PLAN TARGET	OUTCOME 31 MARCH 2017	ANALYSIS OF KPI'S NOT ACHIEVED
KPI 8 - Business Continuity Plans for all services identified as critical reviewed and updated in year.	Not Achieved	Business Continuity (BC) plans are in place for all critical services. However, following VES, staff changes and changes in branch structures, all plans are under review as part of an ongoing project to refresh AFBI's BC Management arrangements.
KPI 9 - Generate total non-GIA revenue of £18.8m.	Achieved	
KPI 10- Submit 9 EU funding applications.	Achieved	
KPI 11 - Overall commercial customer satisfaction maintained at satisfactory or higher for 95% of completed customer feedback questionnaires.	Achieved	
KPI 12 - Provisional resource outturn to be between 98.5% and 100% of the final budget allocation.	Achieved	
KPI 13 - Work with DAERA to identify solutions to address AFBI's forecasted deficits to 2020 in the context of extensive budget reductions.	Achieved	
KPI 14 - Review and update AFBI's Science Strategy in light of budget and organisational changes.	Achieved	
KPI 15 - To complete year 3 of a 3-year rolling independent peer group assessment of the quality of AFBI's scientific work programme.	On Hold	Given the significant changes within AFBI, EMT has agreed to delay 3rd year review until 2017/18 and the AFBI Board approved this request at its November 2016 meeting.
KPI 16 - Implement agreed 2016/17 actions from peer review.	Not Achieved	At 31 March, 32 of a total of 36 actions have been implemented with the remaining actions currently being completed.
KPI 17 - Maintain AFBI's international standing by publishing a minimum of 60 peer-reviewed scientific papers.	Achieved	



BUSINESS PLAN TARGET	OUTCOME 31 MARCH 2017	ANALYSIS OF KPI'S NOT ACHIEVED
KPI 18 - Publish 60 articles transferring knowledge, innovation and best practice to the agri-food sector.	Achieved	
KPI 19 - Participate in at least 100 events to transfer knowledge, innovation and best practice to the agri-food industry.	Achieved	
KPI 20 - Provisional capital outturn to be between 98.5% and 100% of final budget allocation.	Not Achieved	Provisional Capital (R&D and Recurrent) outturn of £5.2m against a final budget allocation of £6.4m equates to 81.3%. This level of variance can be explained by royalty income being ahead of budget by £2.8m.
KPI 21 - In conjunction with DAERA establish a strategy and timetable for the development of full business cases for the replacement of the main building at VSD and the relocation of functions undertaken at Newforge and deliver the AFBI actions.	Achieved	
KPI 22 - Develop a middle management Leadership Development Programme and deliver the 2016/17 actions.	Achieved	
KPI 23 - Undertake a review of staff terms and conditions.	On Hold	This KPI was deferred with agreement of the AFBI Board on 1 December 2016.
KPI 24 - Develop a plan to complete a systematic, strategic review of AFBI staffing arrangements and delivery models and deliver the 2016/17 actions.	Not Achieved	AFBI are developing a new Corporate Plan in 2017/18 and it has been agreed that AFBI would align a 3 year HR Strategy and associated action plan and therefore the KPI has not been achieved.
KPI 25 - Achieve combined industrial and non-industrial absenteeism of 7.5 working days or less per Whole Time Equivalent (WTE).	Not Achieved	HR continued to robustly monitor absence and apply attendance management procedures. However, the latest available absence figures provided by NISRA shows working days lost to 31 March 2017 as 9.2 per WTE. This represents an improvement on the outturn for 2015/16 (10.1), and compares favourably with DAERA and the wider NICS, but AFBI wishes to improve further.



FINANCIAL PERFORMANCE FOR THE YEAR

AFBI's Statement of Comprehensive Net Expenditure shows a net expenditure for the year of £34,029k (2015/16: £41,996k).

Income at £19,115k in 2016/17 is up 13% against 2015/16. Royalty income increased in 2016/17 by 22%. Core income from analytical, diagnostic work and research contracts increased 7% in 2016/17 to £10,640k.

Costs were down overall by £6,006k in 2016/17 to £51,958k. Included within the costs for 2015/16 is £4,811k in respect of the costs for the Voluntary Exit Scheme. In 2016/17 the cost for the Voluntary Exit Scheme was £6k. Staff costs decreased by 7% to £24,118k in 2016/17.

LONG-TERM EXPENDITURE TRENDS

The overall cost reductions in 2016/17 reflected the emphasis that the EMT placed on widespread cost reduction and value for money. AFBI is a much leaner organisation which is well placed to meet the challenges of 2017/18 and beyond.

Although expenditure is expected to go up in coming years due to AFBI's lead partner role in a number of EU Interreg funded projects, there are no expectations that the long term expenditure trend will be significantly different in the context of external income generated.

EVENTS SINCE THE END OF THE FINANCIAL YEAR

There have been no significant events since the end of the financial year which would affect the results for the year or the assets and liabilities at the year end.

SUSTAINABILITY

Sustainability continued to be a cross cutting theme of the Executive's draft Programme for Government Outcomes Framework 2016-21. DAERA was the lead department within the NI Sustainable Development Implementation Plan for the strategic objective – Promote Sustainable Land Management. AFBI assisted DAERA in the achievement of this objective through conducting underpinning R&D and provision of specialist advice on production of biomass



and renewable energy, nutrient management, bioremediation of farm and municipal effluents and greenhouse gas production by livestock and soils.

AFBI ESTATE

In all its land-based operations, AFBI ensures it maintains its farmland in good agricultural and environmental condition. It is however recognised that a significant proportion of the buildings on the AFBI occupied estate are energy and carbon inefficient; prime examples being buildings at the AFBI Newforge and Stormont sites which were constructed in the late 1960s/1970s. A carbon management energy efficiency survey of the Newforge site undertaken in 2009 by the Carbon Trust concluded the existing buildings at the site present challenges and barriers in terms of upgrading them to reduce carbon emissions. The current construction of the buildings would require costly refurbishment and enhancement, with lengthy pay back periods. It is therefore recognised under the DAERA

Estate Framework 2013 that modernisation and reorganisation of the AFBI estate is required to allow AFBI to make use of property assets more effectively and efficiently. Thereby an AFBI Estate Strategy is currently being developed by AFBI in conjunction with DAERA and is being taken forward with a view to providing the Institute with an efficient fit-for-purpose and rationalised estate.

In April 2016 DAERA was granted conditional approval by DFP Supply Division for the Preferred Option of the Outline Business Case for the proposed AFBI VSD-Stormont Main Building Project. The Preferred Option proposes a new build at the AFBI-Stormont site housing scientific laboratories to at least Containment Level 2 with associated administrative functions. The building will include a new post-mortem suite and incineration facility. The VSD-Stormont Main Building project is the highest priority project within the overall AFBI estate programme given the pressing issues with the current main building and associated facilities.

Proposed plans for the AFBI Estate include consideration of a joint approach to AFBI and CAFRE's farmed estate facilities, to ensure there is no duplication of investment in the Department's farming platforms and other cross-cutting infrastructure. During 2016/17 an AFBI-CAFRE Beef Facilities Working Group was set up with the primary objective of developing an outline business case for beef facilities for AFBI and CAFRE research, educational and knowledge technology transfer activities which are efficient, modern, and future-proofed. These facilities are required as the current beef accommodation platform, particularly at the AFBI Hillsborough farm, falls far short of modern requirements in terms of industry standards and are no longer fit for purpose. The business case was largely developed with a range of options assessed and was submitted to DAERA for review in early 2017/18.

As part of the AFBI-Hillsborough site development, the outline business case for development of

a Nutrient Management Centre at Hillsborough was approved by DAERA in July 2016, the estimated capital cost of which was approximately £0.86m. During 2016/17 the associated works were undertaken and a new build largely completed by March 2017. Commissioning of the Nutrient Management Centre will take place in 2017/18.

Sustainable technologies will be considered as part of any new developments on the estate in order to achieve energy efficient facilities capable of delivering reduced whole life costs.

ENERGY USAGE AND CARBON REDUCTION

During 2016/17 AFBI has continued to ensure the Institute remains compliant with the Carbon Reduction Commitment Energy Efficiency Scheme (CRCEES). Energy usage across all six sites leased from DAERA is measured on an annual basis and reported as part of CRCEES. Efforts continue to be made to reduce energy consumption in order to achieve efficiency savings and reduce the carbon footprint.

ENVIRONMENT AND RENEWABLE ENERGY CENTRE (EREC), AFBI HILLSBOROUGH

In the agriculture, agri-food and waste water treatment sectors, the need to reduce greenhouse gas emissions, reduce dependence on fossil fuels and improve environmental discharge compliance are of growing importance. As such, activities at the AFBI Hillsborough Environment and Renewable Energy Centre (EREC), have been on-going with a strong focus on research, knowledge transfer, proof of concept and new research

project bidding. The EREC delivers heat and electricity to the Hillsborough site from biomass and solar sources with the main sources of biomass being short rotation coppice willow, forest residues and a small amount of miscanthus grass. Heat, generated from a 320kW biomass boiler, a 120kW experimental biomass boiler, an anaerobic digestion combined heat and power (AD CHP) plant and a dedicated AD gas boiler, is delivered around the site through a 1.4km district heating system.



The majority of the biomass is derived from plantations of short rotation coppice (SRC) willow grown at AFBI Hillsborough and other AFBI research sites. The SRC willow is fertilised by farmyard waste water. The irrigation protocol is environmentally controlled by a programmable logic controller taking account of ambient conditions (environmentally sound and sustainable solution for waste water recycling). This research has led to similar projects being instigated within the waste water treatment and agri-food sectors where drivers to invest in sustainable waste water management include the EU Waste Framework Directive

(WFD) and customer pressure (low Carbon footprint for marketable food products). These include projects to investigate the use of SRC willow to manage diffuse agricultural run-off, manage landfill leachates and improve water quality within catchments as a result of point source irrigation.

An on-site anaerobic digester, supplied with animal manures and silage, produces biogas which generates about 70kW of electricity and 110kW of heat through a combined heat and power (CHP) generator. About 12kW of electricity is also supplied by an array of photovoltaic cells.

WASTE

Under current legislation AFBI must incinerate certain types of waste, i.e. Transmissible Spongiform Encephalopathies (TSE) waste. This waste is transported to mainland GB by licensed contractors where incineration takes place. Other clinical waste which can be autoclaved is treated mainly on-site. Where autoclave facilities are at full capacity, AFBI uses a licensed off-site heat treatment facility.

Recycling measures remain in place for paper, cardboard, plastics, glass, metal, wood, toner cartridges, batteries, waste engine oils and vehicles which are surplus to requirements.

SOCIAL

While AFBI does not have a dedicated policy, the principles of corporate and social responsibility are embedded within its key activities for example through sustainable development, environmental protection etc.



3.4 Scientific Review - 2016/17

SUSTAINABLE AGRI-FOOD SCIENCES DIVISION

The Sustainable Agri-Food Sciences Division (SAFSD) operates across six Branches: Agri- Environment; Grassland and Plant Science; Agriculture; Fisheries and Aquatic Ecosystems; Food Research; Agricultural and Food Economics. In combination, these branches provide a portfolio of scientific and socio-economic expertise across the agri-food chain, from the growing environment, through to plant and animal production systems, aquatic ecosystems, food quality and ultimately the competitiveness and profitability of the agri-food sector.

This integrated approach enables the Division to address the important challenge of sustainable intensification of food production both locally and globally.

The key functions of SAFSD are to:

- Undertake basic, strategic and applied multi-disciplinary research to drive improved industry competitiveness and encourage innovation for DAERA and other government departments and agencies, industry and commercial organisations, and bodies representing the agri-food industry.
- Provide evidence-based scientific advice to government policy makers, regulators and industry, on agriculture, food, fishing and environmental issues.
- Provide a wide range of statutory, regulatory and commercial analytical services such as chemical analyses of food and animal feed and certification and monitoring of pasture, horticultural and agricultural crops and the wider environment. This also includes maintaining specific scientific preparedness for emergency responses in these areas.

SAFSD has a wide range of customers representing government, NGOs and industry. The Department of Agriculture, Environment and Rural Affairs (DAERA) is the main customer and the majority of the Department's Evidence and Innovation research programme (£8.56m) is delivered by SAFSD. SAFSD also delivers a significant programme of fisheries stock assessments for DAERA. The Division also carries out work for other government departments and agencies such as the Food Standards Agency (FSA), Department of Agriculture, Food and the Marine (DAFM) in Ireland, Defra in England and Wales as well as for bodies such as AgriSearch, Agricultural and Horticultural Development Board (AHDB), the European Union, and a wide range of private customers from the agri-food industry. In 2016/17 the Division generated £6.5m of income from these sources. In combination, this funding delivered a broad programme of research and development work and statutory testing in addition to the provision of specialist advice and technical services.





DIVISIONAL PUBLICATIONS

Peer recognition is essential for AFBI's scientific reputation. Staff across the Division published 86 scientific publications in refereed scientific journals during the year with 56% of these being in the top 25% of journal rankings in the area of work. A number of these papers were of particular interest to the scientific community, for example a paper entitled '*Long-Term Changes in Grassland Soil Phosphorus with Fertilizer Application and Withdrawal*', published in the *Journal of Environmental Quality*, was selected by the US Alliance of Crop, Soil, and Environmental Science Societies (ACSESS) for promotion in their *Crops, Soils and Agronomy News Magazine* (CSA News). The paper was also promoted through the ACSESS social media network. The paper examined long term changes in

soil P at the Central Experimental Nitrogen (CENIT) experiment site at AFBI Hillsborough and arose from collaborative research with Agriculture and Agri-Food Canada and Stanford University, California.

Non peer reviewed articles are also important as key channels of knowledge exchange and ways to 'share the science'. During 2016/17 the division produced 202 knowledge exchange articles such as press releases and short papers as well as 123 scientific abstracts and papers presented at conferences around the world. Some key publications here included papers delivered by AFBI to inform the Rural Needs Act (Northern Ireland) 2016; the Northern Ireland Plant Health Register; Models of Key Irish Sea fish stocks and the release of two new grass varieties - Glenarm and Ballintoy.

The Division also supervised and supports the work of over 60 post graduate students who contribute significant value to the work programme.

EVENTS

Throughout the year the Division has engaged actively with stakeholders and academic colleagues from across Europe and further afield. The flagship event for the division was the European Federation of Animal Science (EAAP) conference held in Belfast. Dr Sinclair Mayne (as Director of SAFSD) chaired the organizing committee for the conference which was supported by staff from Agriculture Branch and Corporate Communications in conjunction with the British Society of Animal Science. Staff from across the Division also played an active role in organising scientific sessions and delivering

presentations throughout the conference. Over 1500 delegates from 60 countries around the world attended this highly successful 4 day conference and many stayed for AFBI-hosted tours to round off the week.

During the year, Food Research Branch organized and delivered an important conference in Milan where more than 80 people from the beef industry and research communities across Europe met to discuss "Sustainable Beef Quality for Europe-II". Other key events included a 'Beef Conference' organized in conjunction with the Ulster Farmers Union, Livestock and Meat Commission and CAFRE and a 'Feed and Forage' conference organized through the Centre for Innovation and Excellence in Livestock, which was attended by delegates from across the UK. In total there were over 200 stakeholder events and meetings which ranged from farmers and industry meetings to information seminars. A unique event which took place was a 'Schools Open Day' where GCSE and A Level students visited the livestock and renewable energy research programmes at AFBI Hillsborough. The day was designed to complement students' coursework but also enthuse the next generation of agricultural scientists.

INTERNATIONAL ACTIVITY

AFBI researchers hosted and attended a number of high profile international events. For example, delegations from China and Kurdistan visited AFBI and senior AFBI staff made a number of visits to China to develop collaborative links. Dr Dario Fornara was selected by the Food and Agricultural Organization of the United Nations (FAO) to join the

International Technical Advisory Group (TAG) on Soil Carbon Stock Changes as part of the Livestock Environmental Assessment and Performance (LEAP) Partnership. Dr Donnacha Doody was invited by Arizona State University to attend the Phosphorus Summit in Washington (US) and Dr Suzanne Higgins undertook a UK Precision Agriculture mission to New Zealand. Professor Jim McAdam delivered a public lecture in Port Stanley, Falkland Islands on 'The impact of potential climate change on ecosystem services delivery in the Falkland Islands.' Dr Archie Murchie was an invited expert for the Entomological Society of America's 'Grand Challenges for Entomology' forum held at their international congress in Florida. Fisheries experts in the Division continued to be a key part of the European network, International Council for the Exploration of the Sea (ICES) which discusses fishing stocks and pressures annually.

INVESTMENT AND FUNDING

During the year the funding secured from the Centre of Innovation and Excellence in Livestock (CIEL) was invested in new technology and equipment on the livestock farm platform at AFBI Hillsborough. The other major investment was the erection of the Nutrient Management Centre at AFBI Hillsborough. This will support research to further advance understanding of nutrient recycling practices for farms to manage their nitrogen and phosphorus loading. The year has also been highly successful with regard to winning new bids. Scientists across the Division, often in cross branch collaborations, won over £12m worth of work through Interreg programmes. Following the result of the UK referendum on Brexit,

the Division's Economics Team was commissioned by the four UK administrations to lead the UK analysis for government of the potential economic impacts of Brexit on UK agriculture. There were other notable successes with Agri-Food Quest funding and H2020. The Division was successful in winning the position of 'preferred R&D supplier' to a major UK retailer.

STAFF ACHIEVEMENTS

In addition to the activities above, a number of staff were recognized by external peers for their excellence and contribution to science. Dr Richard O'Hanlon was invited to deliver the prestigious 'Sean McBride Lecture' to the Society of Irish Foresters; Deborah Hynes was one of 12 UK applicants selected to attend a workshop on the environmental impact of cattle in Mexico; Dr Linda Farmer was invited to be a Distinguished Professor and Distinguished International Supervisor for the Chinese Academy of Agricultural Sciences (CAAS) in Beijing; Dr Elizabeth Magowan was awarded the British Society of Animal Sciences' Sir John Hammond Award; Dr Donnacha Doody was awarded a Fulbright Northern Ireland Public Sector Scholar award to work in the USDA-ARS for 4 months; Dr Archie Murchie was Chairman of the Presidium of the European Congress of Entomology and Professor John Davis was nominated to the position of President Elect of the British Agricultural Economics Society.

Overall, the Division has established a reputation for delivering high quality, industry relevant work which has impact locally, nationally and internationally.



VETERINARY SCIENCES DIVISION

Veterinary Sciences Division (VSD) undertakes an integrated programme of work in relation to animal health and welfare, and the protection of public health by ensuring the safety of food of animal origin. The division currently comprises four scientific branches: Bacteriology; Chemical and Immunodiagnostic Sciences; Disease Surveillance and Investigation; and Virology. DAERA remains the primary customer for the work of the division as AFBI assists the department in achieving its strategic goals, particularly those of enhancing animal, fish and plant health and animal welfare, and helping the agri-food industry prepare for future market opportunities and economic challenges.

The major work themes of the division are statutory testing, emergency response and contingency planning, animal disease surveillance, research and development, and commercial services and industry support. An important feature of the work of the division is the interdependency and linkage between these work themes. For example, VSD's emergency

response capability is dependent on the scientific capacity that resides within the statutory and animal disease surveillance work areas. This developed as a result of participation in DAERA-funded R&D programmes and a range of internationally competitive research and development projects. The division has multidisciplinary scientific capability in the areas of microbiology, molecular biology, genetics, immunology, serology, parasitology, pathology and histopathology, chemical surveillance, epidemiology, ecology, veterinary investigation and advice.

KEY ACHIEVEMENTS:

SUPPORTING NI'S AGRI-FOOD EXPORTS

During 2016/17 DAERA submitted an application to the World Organisation for Animal Health (OIE) for the re-categorisation of Northern Ireland as a region with Negligible Risk Status for Bovine Spongiform Encephalopathy (BSE). This is a significant achievement for Northern Ireland which has been many years in the making. VSD has been involved from the outset of the disease epidemic in the late 1980s when

a passive surveillance programme to detect infected cattle was first introduced. In 2001 this testing was supplemented with active surveillance which has continued up until the present day. AFBI staff have been involved in all aspects of the testing programmes, including several years working night shifts, as well as providing valuable assistance and scientific advice to DAERA and industry. In all, over 1.2 million cattle samples have been tested during the 30 years the laboratory has been involved with tackling this disease and the work undertaken by AFBI has been central to Northern Ireland achieving BSE negligible risk status.

During 2016/17, VSD hosted a number of visits from overseas delegations and agriculture departments as part of NI's strategy to increase exports of local meat to global markets. These visits included an audit of the veterinary drug residue testing programme by a team from the United States Department of Agriculture. In November 2016 VSD also underwent a third country audit by the Philippines in relation to controls for BSE, Shiga Toxin-Producing Escherichia Coli (STEC) and bovine TB.



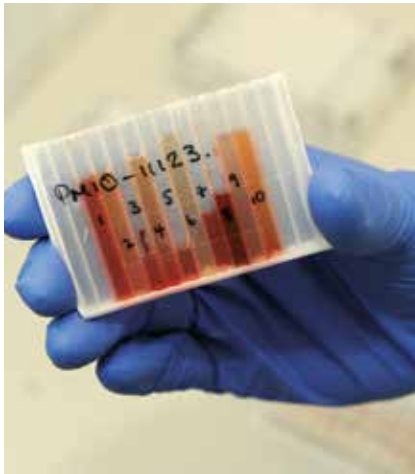
PROTECTING NI ANIMAL HEALTH STATUS

Highly pathogenic avian influenza has the potential to cause widespread mortality in poultry flocks and is the subject of international and EU animal disease controls. During the latter part of the year the H5N8 strain of the virus was detected in four wild birds in Northern Ireland: three swans and one Chinese goose. The detection followed outbreaks in both wild birds and farmed poultry flocks in GB and the detection of this virus in wild birds in the Republic of Ireland. This highly pathogenic subtype first emerged across Europe and Asia in 2014, causing deaths in wild

bird populations and outbreaks in domestic poultry flocks. The division also had an important role in continuing to support the bovine viral diarrhoea (BVD) eradication programme for Northern Ireland by providing scientific and logistic support to the programme through the participation in the BVD Technical Working Group and the BVD Implementation Group. AFBI is also the only designated testing laboratory based in Northern Ireland. Since the start of the compulsory phase of the programme in March 2016 until the end of March 2017, AFBI processed over 390k samples (370k for the 2016/17 year).

KEY ANIMAL DISEASE SURVEILLANCE FINDINGS

The animal disease diagnostic service, operated by AFBI's Stormont and Omagh laboratories, helps to safeguard animal and public health and promote the competitiveness of the agri-food industry by identifying the causes of disease in submitted material. Surveillance for notifiable, zoonotic (transmissible to humans) and emerging diseases forms an important part of this work. The work undertaken includes post-mortem examinations of food producing species and an extensive range of clinical pathology tests.



Schmallenberg virus (SBV) was detected in one aborted lamb with severe abnormalities in its limbs, spinal cord and brain. This is a reoccurrence of this disease which had last been detected in Northern Ireland in 2013. In March 2017, further positive tests for antibodies to SBV were recorded for two calves with skeletal deformities from two different herds and a cow from a herd experiencing abortions and calf abnormalities. Whilst an antibody positive doesn't confirm the involvement of the virus, it provides evidence that this virus is circulating again in Northern Ireland.

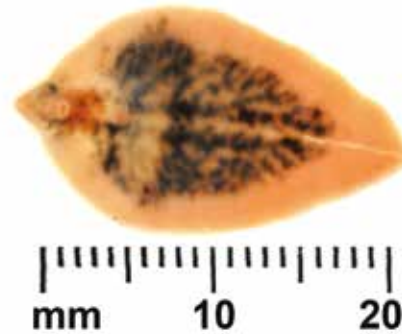
A key aspect of the disease surveillance function is the communication of findings and outputs to stakeholders. During the year VSD jointly published

the All-Island Animal Disease Surveillance Report for 2015, in conjunction with colleagues from Department of Agriculture, Food & the Marine (DAFM) laboratories. Other outputs included the quarterly disease surveillance reports for Northern Ireland which are published in the Veterinary Record as well as the contribution of data to a range of UK and EU surveys and reports. Additionally, two editions of a new Newsletter to veterinary practices were issued. As part of the branch communications plan, staff participated in a wide range of technology transfer events for the industry and private veterinarians, including farm walks, talks on the AFBI Cattle Health Scheme, an annual Open day at AFBI Omagh and the Young Vet Network meeting at AFBI Stormont.

SCIENTIFIC CONFERENCES

AFBI organised and participated in the 2016 UK-ROI TB Genetics Summit in Belfast on 14-15 November, 2016. The conference brought together more than 30 academic and industry specialists representing quantitative and molecular geneticists, epidemiologists and disease ecologists as well as DEFRA, DAFM, DAERA and Innovate UK (KTN) colleagues who reviewed progress since the launch of the Agriculture and Horticulture Development Board (AHDB) Dairy TB Advantage breeding index in 2016, current TB genetics research and future prospects. Of note was the inclusion for the first time of NI TB, pedigree and performance data in future UK Estimated Breeding Values (EBVs) for the TB resistance trait.





RESEARCH FUNDING

Virology Branch with collaborators have been awarded £1.5 million (£700k directly to AFBI) in research funding. These include awards from Biotechnology and Biological Sciences Research Council (BBSRC), Innovate UK, United States Department of Agriculture (USDA,) Invest NI and a grant under the US-Ireland R&D Partnership Programme 'Application of next generation sequencing for the identification of DNA based biomarkers in regulatory regions of the genome for susceptibility to bovine respiratory disease complex. In addition significant funding of £200k from industry was obtained.

Significant industry funding in excess of £200k has been secured by Bacteriology Branch to investigate the role of

antimicrobials in animal production systems and to investigate the effect of prebiotics in preventing infectious diseases in animal production.

The Food Hygiene Unit has been involved in the identification of sources of faecal contamination in environmental waters associated with EU designated shellfish areas. A Microbial Source Tracking (MST) methodology has been introduced that utilises quantitative qPCR technologies to identify the sources of faecal contamination in water – human versus ruminant. This work has enabled AFBI to participate in two Interreg V projects.

STAFF ACHIEVEMENTS

Professor Bob Hanna, a pathologist in VSD's Disease Surveillance and Investigation Branch, received the Doctor of

Science degree from Queens University in December 2016 in recognition of a long standing career researching *Fasciola hepatica*.

Professor Nicolae Corcionivoschi was also awarded an Honorary Research Professorship by the University of Agricultural Sciences and Veterinary Medicine, Cluj-Napoca, Romania.

Dr Stanley McDowell
BVM&S, MSc, DLSTHM,
PhD, MRCVS

**CHIEF EXECUTIVE AND
ACCOUNTING OFFICER**

Date: 3 October 2018

Accountability Report

4.1 Introduction

The Accountability Report is set out in 3 main sections:

1. the Corporate Governance Report;
2. the Remuneration and Staff Report; and
3. the Assembly Accountability and Audit Report.

4.2 Corporate Governance Report

4.2.1 The Directors' Report

AFBI BOARD

AFBI is managed by a non-executive board which has responsibility for providing strategic leadership for the organisation. The main purpose of the Board is to ensure that AFBI is successful in delivering the policies and priorities of DAERA (and the Minister) by providing strategic leadership to AFBI and ensuring effective performance management of AFBI.

To this end and in pursuit of its wider corporate responsibilities, the responsibilities of the Board as set out in the AFBI Board Operating Framework are to:

- establish the overall strategic direction of AFBI within the policy and resources framework determined by the Minister and DAERA;
- ensure that the Board receives, reviews and acts upon regular financial information concerning the management of AFBI; is informed in a timely manner about any concerns relating to the activities of AFBI; and provides positive assurance to DAERA that appropriate action has been taken on such concerns;
- ensure that DAERA is kept informed of any changes which are likely to impact on the strategic direction of AFBI or on the attainability of its targets, and in conjunction with AFBI's Executive Management Team and DAERA, determine the steps needed to deal with such changes;
- ensure that all statutory or administrative requirements for the use of public funds are complied with; that the Board operates within the limits of its statutory authority and any delegated authority agreed with DAERA, and in accordance with all other conditions relating to the use of public funds; and that, in reaching decisions, the Board takes into account all relevant guidance issued by DoF and DAERA;
- ensure high standards of corporate governance at all times, and use the Audit and Risk Assurance Committee (ARAC) to provide the Board with assurance in relation to the management of key financial and other risks facing the organisation; and
- appoint a Chief Executive to AFBI and, in consultation with DAERA, set performance objectives and remuneration terms linked to those objectives for the Chief Executive, which gives due weight to the proper management and use of public monies.



ROLE OF THE CHAIRPERSON OF AFBI

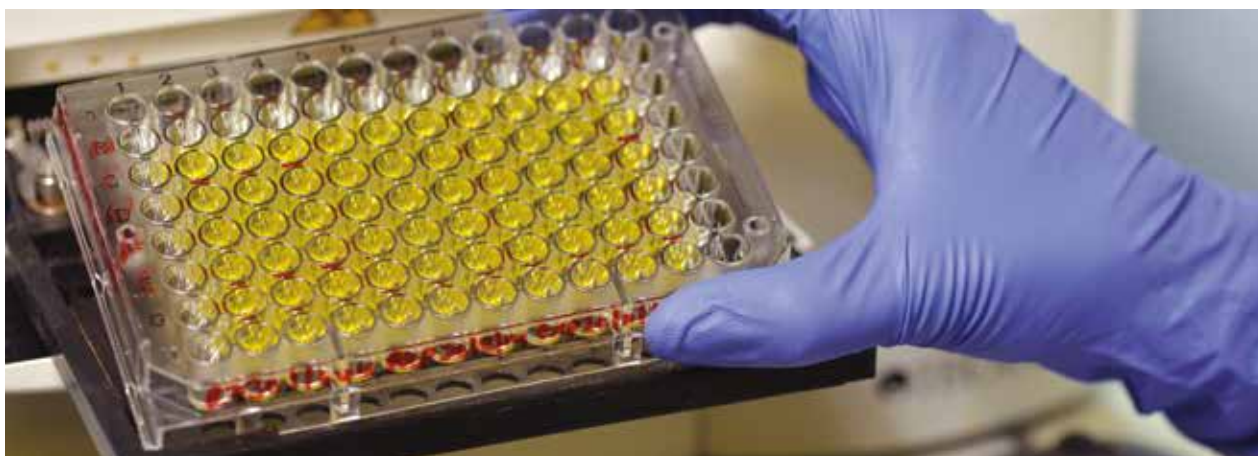
The Chairperson is personally responsible and accountable to the Minister for the performance of AFBI and for the strategic leadership and control of the Board. He or she is responsible for ensuring that AFBI's policies and actions support the Minister's (and DAERA's) wider strategic policies and that its affairs are conducted with probity.

The Chairperson shares with other AFBI Board members the corporate responsibilities set out in the Management Statement and Financial Memorandum (MSFM), and in particular for ensuring that AFBI fulfils the aims and objectives set by DAERA and approved by the Minister. The Chairperson also sets performance measures for the board and individual board members.

BOARD MEMBERS

Members are appointed in accordance with the Office of the Commissioner for Public Appointments (OCPA) NI Code of Practice. The terms of appointment of members are for either three or four year periods, with the Chair appointed for three years with a possibility of an extension. The current Chair completed his Term of Office on 31 March 2017 but was re-appointed for a further year until 31 March 2018. The Chair receives an annual remuneration of £26,248 and is expected to commit approximately 40 days per annum to the post. The Deputy Chair receives £10,941 and has a commitment in the region of 20 days per annum.

Members appointed prior to 1 April 2015 are expected to commit in the region of 15 days per year and receive £3,944. Further remuneration of £313 is received by these Board Members for attendance at each relevant committee meeting. Members appointed from 1 April 2015 are on a per diem rate of £385 which they receive for attendance at each Board and relevant Committee Meeting.



BOARD SUB-COMMITTEES

There are four sub-committees of the Board.

I. Organisational Development and Human Resources Committee

The primary role of this Committee is to overview organisational development and human resources within AFBI and to support the Board's programme of change management.

ORGANISATIONAL DEVELOPMENT AND HUMAN RESOURCES COMMITTEE (OD&HR)

Non-Executive Chair	Professor Bill McKelvey
Non-Executive Director	Professor Patrick Murphy
Non-Executive Director	Ms Maureen McKeague
Non-Executive Director	Ms Theresa Cullen

II. Audit and Risk Assurance Committee

The Audit and Risk Assurance Committee advises the Board and Accounting Officer on issues of risk, internal control, governance and any material items affecting the accounts.

AUDIT AND RISK ASSURANCE COMMITTEE (ARAC)

Non-Executive Chair	Ms Joan Houston
Non-Executive Director	Mrs Sharon Smyth
Non-Executive Director	Mrs Sarah Havlin
Non-Executive Director	Mr Ken Millar

Other attendees include:

- Head of Internal Audit
- DAERA Internal Audit
- NIAO
- AFBI Sponsor Branch
- Chief Executive Officer, AFBI
- Director of Finance and Corporate Affairs, AFBI
- Head of Finance Branch, AFBI
- Head of Governance & Performance, AFBI.



III. Science Strategy Committee

The role of the Science Strategy Committee is to assist the Executive in developing a Science Strategy for AFBI. In particular, to:

- Identify and prioritise areas of existing scientific work which are of strategic importance to AFBI; and
- Identify and prioritise areas of existing scientific work which are of lower strategic importance to AFBI and which could therefore be reduced or ceased in order to transfer resources to work of higher priority.

SCIENCE STRATEGY COMMITTEE

Non-Executive Chair	Mr David Lindsay
Non-Executive Director	Dr Cecil McMurray
Non-Executive Director	Dr Richard Horton
Non-Executive Director	Dr Michelle Costello-Smith
Non-Executive Director	Ms Theresa Cullen*
Non-Executive Director	Mr Ian Buchanan*
Non-Executive Director	Mr Colin Coffey*

**Appointed as Non-Executive Directors to the Science Strategy Committee from 1 April 2017.
Ms Cullen and Mr Coffey attended an induction Science Strategy Committee Meeting on 23 March 2017.*

IV. Finance and Business Strategy Committee

The role of the AFBI Board Finance and Business Strategy Committee is to support the Board in its responsibilities for the oversight of financial management including, in particular, the review of financial plans and budgets as well as financial monitoring.

FINANCE AND BUSINESS STRATEGY COMMITTEE (FBSC)

Non-Executive Chair	Mr Colin Coffey
Non-Executive Director	Mr Ian Buchanan
Non-Executive Director	Mr Richard Solomon
Non-Executive Director	Mrs Fiona Hanna

AFBI maintains a register of interest for Board Members on its website and this can be accessed via www.afbini.gov.uk/content/membership-afbni-board#toc-0

EXECUTIVE MANAGEMENT TEAM

During the year under review, the Executive Management Team (EMT) of the Institute was made up as follows:

- Chief Executive Officer - Prof Seamus Kennedy (until 30 June 2016)
- Chief Executive Officer – Prof Elaine Watson (from 1 June 2016 to 31 October 2016)
- Chief Executive Officer – Dr Sinclair Mayne (from 1 November 2016)
- Director of Sustainable Agri-Food Science Division - Dr Sinclair Mayne (until 31 October 2016)
- Director of Veterinary Science Division - Dr Stanley McDowell
- Director of Finance and Corporate Affairs Division - Mrs Lesley Hogg (until 26 June 2016)
- Director of Finance and Corporate Affairs Division – Mrs Mary Jackson (from 2 June 2016 to 20 January 2017)
- Director of Finance and Corporate Affairs Division (Acting) – Ms Lesley Johnston (from 23 January 2017)

EMT generally meets twice monthly for EMT Finance and EMT General Meetings. These have standing agenda covering finance, resources, operational management, health and safety and business development. The minutes of these monthly meetings are available on AFBI's intranet.

DETAILS OF SIGNIFICANT INTERESTS HELD BY EMT MEMBERS

EMT Members do not hold any other directorships or any other significant interests which may conflict with their management responsibilities.

ROLE OF THE ACCOUNTING OFFICER

AFBI's Chief Executive is designated Accounting Officer for the NDPB by the Departmental Accounting Officer and as such is accountable to the Northern Ireland Assembly for AFBI's use of resources as set out in the Management Statement and Financial Memorandum (MSFM).

In particular, the Accounting Officer shall ensure that:

- AFBI's strategic aims and objectives support DAERA's wider strategic aims and current Public Service Agreement (PSA) objectives and targets;
- the financial and other management controls applied by DAERA to AFBI are appropriate and sufficient to safeguard public funds and for ensuring that AFBI's compliance with those controls is effectively monitored ('public funds' include not only any funds granted to AFBI by the Assembly but also any other funds falling within the stewardship of AFBI);
- the internal controls applied by AFBI conform to the requirements of regularity, propriety and good financial management; and
- any grant-in-aid to AFBI is within the ambit and the amount of the Request for Resources and that NI Assembly authority has been sought and given.

PERSONAL DATA INCIDENTS

There have been no reported significant data losses in the course of the year. While there was one incident of accidental disclosure of personal data during the year 2016/17 this was handled under the AFBI Data Breach Incident Plan and was assessed as a low risk incident. This was dealt with promptly with steps taken to prevent recurrence.

INTERNAL AUDIT

An independent firm of auditors continue to provide Internal Audit services to the AFBI Accounting Officer and provides senior management and the ARAC with assurances of the adequacy of AFBI's systems of internal control and risk management.

COMPLIANCE WITH DoF'S CODE OF GOOD PRACTICE ON CORPORATE GOVERNANCE

AFBI complies with all relevant requirements of the "Corporate governance in central government departments: code of good practice NI" published by DoF in 2013. All members of the AFBI Board and its sub-committees are non-executives.

SUPPLIER PAYMENT POLICY

AFBI is committed to the Better Payments Practice Code as set out in Annex 4.6 of Managing Public Money Northern Ireland and is subject to the Late Payment of Commercial Debt Regulations 2002. AFBI comply with the British Standard for Achieving Good Payment Performance in Commercial Transactions (BS 7890).

Payment is regarded as late if it is made outside the agreed terms, or 30 days after the



receipt of a valid invoice where no terms are agreed. In response to the current economic position, the Department for Business Enterprise and Regulatory Reform (BERR) announced in October 2008 that the Central Government was committed to paying businesses in 10 days.

In 2016/17 AFBI paid 93% (2015/2016 95%) of the invoices in accordance with the agreed terms or within 30 days.

AFBI is also committed to the 10-day prompt payment of supplier invoices. The performance outturn for the 10 day prompt payment was 72% for 2016/17. The performance for the 2015/16 year on this 10 day target was 86%.

CORPORATE COMPLAINTS

AFBI has a corporate complaints policy in place and this is available via the AFBI website. In addition guidance has been provided to ensure staff awareness of the process to follow to ensure that complaints are managed and responded to. Monitoring and reporting arrangements are also in place to ensure that any issues or trends are identified and where appropriate lessons learned are disseminated through the organisation. AFBI received 5 complaints during 2016/17 and each was handled in compliance with policy and to successful resolution.

HEALTH AND SAFETY

AFBI complies with all relevant Health and Safety legislation and where practicable with all Health and Safety best practice. AFBI has dedicated Health and Safety advisers and a system of health and safety committees within the Institute with relevant policies and guidance in place.

QUALITY ASSURANCE

AFBI is committed to delivering a consistently high quality service capable of meeting our customer's specific requirements and expectations. The organisation holds two internationally recognised quality assurance standards providing customers with a formal recognition of the technical competence, impartiality, and performance capability of the laboratory.

ISO 9001:2008 certification covers research and development, and the provision of most of its scientific and diagnostic services.

ISO 17025:2005 accreditation is maintained for statutory testing and in accordance with regulatory and customer requirements in areas such as food safety, disease surveillance and diagnosis, and feed analysis.

Compliance is monitored annually by independent assessment bodies. The ISO 9001 audit was carried out in December 2016 by SGS and certification was maintained. The ISO 17025 laboratory areas were audited during 2015 by the United Kingdom Accreditation Service (UKAS) and our accreditation status was confirmed.

NORTHERN IRELAND AUDIT OFFICE

The financial statements are audited by the Comptroller and Auditor General (C&AG), in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001. He is head of the Northern Ireland Audit Office (NIAO). He and his staff are totally independent of Government, and he reports his findings to the Northern Ireland Assembly.

The annual fee for the audit of financial statements for 2016/17 was £40,000 (2015/16: £35,000).

The external auditors have not been requested to undertake any non-audit work.

Following the 2013 NIAO Value for Money Review of AFBI and the subsequent PAC hearing, the Institute devoted considerable effort during the year to implementing NIAO and PAC recommendations. I am pleased to report that AFBI has completed the commitments outlined in the Memorandum of Reply to the PAC report which was laid in the Assembly by the DFP Minister in May 2014. AFBI has also established ongoing arrangements to benchmark corporate and unit costs to help ensure that further efficiencies are achieved.

DISCLOSURE TO AUDITOR

So far as I am aware, as Accounting Officer, there is no relevant information of which the AFBI's auditors are unaware: and, as Accounting Officer, I have taken all steps that I ought to have taken to make myself aware of any relevant audit information and establish that AFBI's auditors are aware of that information.

Signed

Dr Stanley McDowell
BVM&S, MSc, DLSTHM,
PhD, MRCVS

**CHIEF EXECUTIVE AND
ACCOUNTING OFFICER**

Date: 3 October 2018

4.2.2 Statement of Accounting Officer's Responsibilities

Under the Agriculture (Northern Ireland) Order 2004, the Agri-Food and Biosciences Institute is required to prepare for each financial year, financial statements in the form and on the basis set out in the Accounts Direction.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Institute, its income and expenditure, changes in taxpayers' equity and cash flows for the financial year.

DAERA has appointed the Chief Executive Officer of AFBI as the Accounting Officer of the Institute, with responsibility for preparing the Institute's accounts and for transmitting them to the Comptroller and Auditor General.

In preparing the accounts, the Accounting Officer is required to comply with the Government Financial Reporting Manual and in particular to:

- a) observe the Accounts Direction issued by DoF, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- b) make judgments and estimates on a suitable basis;
- c) state whether applicable accounting standards, as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and
- d) prepare the accounts on a going concern basis.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which he is answerable, for keeping proper records and for guarding the Institute's assets, are set out in the Accounting Officer's memorandum issued by DoF and published in Managing Public Money Northern Ireland.

The Accounting Officer is required to confirm that the annual report and accounts as a whole is fair, balanced and understandable and that he takes personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

So far as the Accounting Officer of the Institute is aware, there is no relevant information of which the Institute's auditors are unaware. The Accounting Officer has taken all the steps that ought to have been taken to be aware of any relevant audit information and to establish that AFBI's auditors are aware of that information.





4.2.3 Governance Statement

INTRODUCTION

I am pleased to introduce the Governance Statement for the year ended 31 March 2017. This has been produced in line with guidance issued by the Department of Finance (DoF) in Dear Accounting Officer letter DAO 10/12 and Annex A.3.1 of Managing Public Money Northern Ireland (MPMNI).

SCOPE AND RESPONSIBILITY

As Accounting Officer I am responsible for managing and controlling the resources used in AFBI, in accordance with the responsibilities assigned to me in Managing Public Money Northern Ireland. The Governance Statement sets out the governance, risk management and internal control arrangements in operation within AFBI during the financial year which have assisted me in discharging this stewardship role.

The governance structures and processes, risk management and internal controls during the year were effective. During the year there was a continued focus on strengthening governance arrangements and internal controls through the implementation of recommendations resulting from internal and external audit recommendations and updating key governance policies in line with established best practice guidance.

GOVERNANCE ARRANGEMENTS

GOVERNANCE FRAMEWORK

AFBI's governance framework sets out the roles, responsibilities and procedures for the effective and efficient conduct of the organisation's business. AFBI is committed to ensuring governance arrangements are in line with established best practice and that AFBI is accountable and transparent for its decisions and activities. Appendix A to the Governance Statement illustrates AFBI's Governance and Risk Assurance Framework.

GOVERNANCE STRUCTURE

The DAERA Minister is responsible and answerable to the Northern Ireland Assembly (the Assembly) for the exercise of the powers on which the administration of the Department depends. The DAERA Minister has a duty to the Assembly to account, and be held to account, for the policies, decisions and actions of the Department including AFBI as one of its NDPBs.

While in practice NDPBs operate with some independence and are not under day-to-day ministerial control, ministers are nevertheless ultimately accountable to the Assembly for NDPBs' activities and performance. This is because they are responsible for the founding legislation of NDPBs; have influence over the strategic direction of NDPBs; appoint the boards of NDPBs; and have the ultimate sanction of abolition or reform subject to the Executive's approval where this requires a change in statute.

DAERA's Permanent Secretary is appointed as DAERA's Departmental Accounting Officer by DoF. AFBI Sponsor Branch is a part of DAERA's Food and Farming Group and is responsible for managing the overall relationship between DAERA and AFBI. DAERA's AFBI Sponsor Branch holds monthly Finance and Governance meetings with AFBI and facilitates quarterly Accountability Meetings between the Senior Sponsor and me as part of its governance oversight. DAERA's Departmental Accounting Officer has designated me as the Accounting Officer for AFBI.

As Accounting Officer I am personally responsible for safeguarding the public funds for which I have charge; for ensuring propriety and regularity in the handling of those public funds; and for the day-to-day operations and management of AFBI.

In fulfilling my duties as AFBI's Accounting Officer I was supported by my Executive Management Team and a non-Executive Board. The Executive Management Team consists of the Directors of Sustainable Agri-Food Sciences, Veterinary Sciences and the Finance and Corporate Affairs Divisions.

THE BOARD

AFBI's Board consists of 17¹ non-executive members appointed by the DAERA Minister. Appointments are made in line with the Code of Practice issued by the Office of the Commissioner for Public Appointments Northern Ireland.

The main responsibilities of the Board are to ensure that AFBI fulfils the aims and objectives set by DAERA and approved by the DAERA Minister; monitoring AFBI's compliance with applicable law and policy; and for promoting the efficient, economic and effective use of staff and other resources by AFBI.

The Board fulfils its responsibilities by establishing the overall strategic direction of AFBI and by challenging the Executive Management Team in business planning, target setting and delivery of performance against agreed targets.

The Board operates within AFBI's Board Operating Framework which sets out the broad governance structures for the Board. It also defines the key roles and responsibilities which underpin the relationship between AFBI and DAERA. The Board governance arrangements were also augmented this year through the adoption of a revised Code of Conduct, Standing Orders, Schedule of Matters Reserved to the Board and Scheme of Delegation.

BOARD SUB-COMMITTEES

While all decision-making powers are reserved to the Board, four sub-committees operated in an advisory capacity in line with their Terms of Reference. Details of these are set out below:

I. The Audit and Risk Assurance Committee (ARAC) advises the Board on issues of governance risk and control. ARAC reviews the draft and final accounts to provide the Board with the assurance that it can authorise me to sign the accounts on its behalf;

II. The Finance and Business Strategy Committee

(FBSC) supports the Board in discharging its responsibilities for oversight of financial management including the review of financial plans and budget monitoring. The FBSC also assists management in developing strategies to maximise income generation opportunities, including commercial exploitation of intellectual property and technology disclosures;

III. The Organisational Development & Human Resources Committee

(OD&HR) advises the Board on organisational development and human resources matters within AFBI, and supports the Board's programme of Change Management; and

IV. The Science Strategy Committee

assists the Executive Management Team in developing and overseeing the implementation of AFBI's Science Strategy. This includes the identification of a range of key scientific skills and technologies which AFBI should maintain and develop.

¹ This was increased to 17 members from April 2016 following the appointment of seven new members and the completion of the terms of office of 2 members.



BOARD/SUB COMMITTEE ATTENDANCE

The attendance of members at Board and Sub-Committee meetings during the year is summarised as follows:

Figure 9 – AFBI Board Members Attendance at Meetings 2016/17

AFBI BOARD MEMBER	BOARD ATTENDANCE	ARAC ATTENDANCE	FINANCE & BUSINESS STRATEGY COMMITTEE ATTENDANCE	ODHR COMMITTEE ATTENDANCE	SCIENCE STRATEGY COMMITTEE ATTENDANCE
Mr Colm McKenna (Chair)	11/11	-	-	-	-
Prof Bill McKelvey (Deputy Chair)	7/11	-	-	3/3	-
Mrs Sarah Havlin	6/11	3/4	-	-	-
Mr David Lindsay	10/11	-	-	-	4/4
Dr Cecil McMurray	10/11	-	-	-	4/4
Mr Ken Millar	10/11	4/4	-	-	-
Prof Patrick Murphy	10/11	-	-	2/3	-
Ms Maureen McKeague	11/11	-	-	3/3	-
Mr Ian Buchanan*	8/11	-	4/4	-	-
Mr Colin Coffey*	11/11	-	4/4	-	1/1
Dr Michelle Costello-Smith	10/11	-	-	-	4/4
Ms Theresa Cullen*	10/11	-	-	3/3	1/1
Mrs Fiona Hanna	10/11	-	4/4	-	-
Dr Richard Horton	10/11	-	-	-	4/4
Ms Joan Houston	9/11	4/4	-	-	-
Mrs Sharon Smyth	10/11	3/4	-	-	-
Mr Richard Solomon	10/11	-	4/4	-	-

**Appointed as Non-Executive Directors to the Science Strategy Committee from 1 April 2017.*

Ms Cullen and Mr Coffey attended an induction Science Strategy Committee Meeting on 23 March 2017.

BOARD PERFORMANCE

AFBI's Board reviewed its performance and undertook a self-assessment effectiveness review for 2016/17. The review focused on 6 key governance principles:

- purpose and outcomes;
- roles and responsibilities;
- values and governance;
- decision making and risk management;
- Board capacity and structure; and
- stakeholder accountability and communication.

The Board reaffirmed that its role was to set the strategic direction of the organisation, provide constructive challenge, ensure robust governance, hold the Executive Management Team to account, set the tone of the organisation, ensure that relations with stakeholders are managed effectively and that it is answerable to the DAERA Minister. The review indicated that the Board considered that it was operating effectively.

The review demonstrated that the Board has a clear understanding of its role and strategic priorities and that it promoted high standards of governance, risk and financial management and a culture of performance and delivery. It did however continue to highlight the need to further develop and improve relationships with the Sponsor Department DAERA.

QUALITY OF INFORMATION USED BY THE BOARD

The quality of information provided to the Board and Executive Management Team is of a high standard with financial, whistleblowing and risk register reports provided on a regular basis. The Board reaffirmed satisfaction with the format, content and quality of the information it receives in the 2016/17 Board Self-Assessment exercise.

COMPLIANCE WITH 'CORPORATE GOVERNANCE CODE'

As the Accounting Officer of a Non-Departmental Public Body of a Northern Ireland department, in line with DAO 06/13, I can confirm that AFBI, as an arm's length body of DAERA, complies with all relevant aspects of the

"Corporate governance in central government departments: Code of good practice NI" published by DoF in 2013.

CONFLICTS OF INTEREST

On appointment, board members are required to provide a list of all interests which might give rise to a conflict of interest. At every board and sub-committee meeting a standing agenda item on declarations of interest is included and brought to the attention of the members by the Chair. Board papers are not circulated to members who have declared or are deemed to have a specific conflict of interest. Where a conflict of interest is declared, it is recorded and the relevant member(s) leave the Board meetings for the specific agenda item.

RISK MANAGEMENT FRAMEWORK & STRUCTURE

AFBI has a well embedded and robust risk management and internal control framework in place with direct involvement of the Executive Management Team through the Risk Management and Business Planning Group. AFBI's Risk Management Strategy clearly sets out the roles, responsibilities, procedures and risk appetite for Risk Management within AFBI. During the year AFBI reviewed and updated its Risk Management Strategy and this was augmented with updated operational guidance and procedures for staff on the management of risks.

Risk Management is a standing agenda item for Board and ARAC meetings and AFBI's Risk Register is reviewed by both meetings on a quarterly basis. The Board also reviews one of the risks in detail on a cyclical basis.

The Board also reviewed and agreed the organisation's risk appetite. While a number of the risks were redefined during the year to encompass issues such as Brexit and currency exchange rates, there were no new risks added to AFBI's Corporate Risk Register during 2016/17.

AFBI's internal and external auditors attend ARAC meetings and therefore provide a further layer of external scrutiny and challenge.

INFORMATION RISK

AFBI's approach to the management of information security risks is proportionate to the nature of the risks and the comparatively limited amount of personal or sensitive information handled by AFBI and its delivery network.

Assurances have been provided by the Senior Responsible Owner (SRO) (AFBI Head of IT) that the information governance policy framework is effective and that adequate controls and measures are in place to enable AFBI's information systems to withstand threats to their confidentiality, integrity and availability, as evidenced by compliance with the NICS Code of Connection which is externally audited.

There have been no reported significant data losses in the course of the year. While there was one incident of accidental disclosure of personal data during the year 2016/17 this was handled under the AFBI Data Breach Incident Plan and was assessed as a low risk incident. This was dealt with promptly with steps taken to prevent recurrence.

The SRO has in turn based his statement on the assurances



received by him from AFBI's IT Security Officer (Head of IT Infrastructure and Support) in relation to IT security accreditation and where IT legislative compliance is concerned, he has relied on AFBI's Data Protection Officer & Freedom of Information Co-ordinator.

SPONSOR BRANCH RISK ASSESSMENT

In line with DAERA's Arm's Length Body Sponsorship Manual, AFBI Sponsor Branch completed a risk assessment of AFBI's activities in 2015/16. This was designed to inform the Department's oversight of the Institute and to strengthen these arrangements if necessary and promote a comprehensive approach to assessing risks and corporate governance between the Department and AFBI.

The Assessment Team considered AFBI's performance across a range of corporate governance areas based on available evidence. The results from this exercise indicated that overall AFBI is performing well and had made significant progress since the previous exercise was completed in 2014. At the time of publication of AFBI's 2016/17 annual report all improvement actions resulting from the exercise had been completed.

INTERNAL CONTROLS

An important element of AFBI's risk management framework is the system of internal control. This is designed to manage AFBI's risks to a reasonable level, rather than to eliminate all risk of failure to achieve aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. A system of internal control was in place throughout

the year and is in accordance with guidance defined in Managing Public Money Northern Ireland.

ASSURANCE STATEMENTS

Additional assurance has been provided through quarterly Assurance Statements provided by AFBI's three Heads of Division. In turn quarterly Assurance Statements were provided to AFBI Sponsor Branch in DAERA. These Assurance Statements confirmed that the necessary internal controls were in place to provide reasonable assurance in the areas of:

- Accountability & Governance;
- Performance against Key Objectives & Targets;
- Risk Management;
- Business Planning;
- Financial Planning & Monitoring;
- Fraud;
- Economic Appraisal, Post Project Evaluation & Consultancy;
- Procurement;
- Policy implementation;
- Human Resources;
- Internal & External Audit Reports; and
- Data Management.

This assurance is subject to outstanding information governance gaps which are currently being addressed. AFBI does not have a corporate records management system however it has continued to explore options for the implementation of a records management system both with Enterprise Shared Services and alternative providers. A series of actions are planned for 2017/18 to strengthen the existing arrangements including completion of an information audit and the development of a fileplan which will underpin the successful

implementation of a records management solution.

FINANCIAL MANAGEMENT

AFBI's system of internal financial control is based on a framework of financial information, financial procedures, segregation of duties and a system of delegation and accountability. These include annual budgeting, in year forecasting, corporate budget monitor reports and divisional and branch reports.

FRAUD & WHISTLEBLOWING

All cases of factual or suspected fraud that came to my attention during the year were reported to DAERA's Principal Accounting Officer, the Comptroller and Auditor General of the NIAO, AFBI's Chair and the Chair of AFBI's ARAC. I can also confirm that there were no whistleblowing cases raised in 2016/17.

KEY ASSURANCE PROVIDERS

AFBI'S INTERNAL AUDIT

AFBI's Internal Audit function is carried out by a professional accounting firm which was appointed in accordance with the Public Sector Internal Audit Standards. Under the terms of the appointment, a Director in the firm acts as AFBI's Head of Internal Audit, who provides me with an independent opinion on AFBI's systems of risk management, control and governance and AFBI received an overall 'Satisfactory' level of assurance in respect of 2016/17.

The Public Sector Internal Audit Standards (PSIAS) require AFBI's internal auditors to bring to my attention those significant control issues which may be relevant to the preparation of my Governance

Statement. I am pleased to report that there were no significant issues which needed to be brought to my attention (i.e. Priority 1 recommendations).

Internal Audit conducted 3 audits and 1 guidance review during the year. In addition, Internal Audit undertook a follow up review of all recommendations made during the 2015/16 year in relation to a number of reviews. This showed good progress in the implementation of recommendations with all either fully or partially implemented with the exception of 1 which could not be tested as the DAERA commissioning process for research and development projects had not commenced. The results of this audit work is summarised in the table below.

In addition and at the request of AFBI management a review of purchasing and procurement practices was undertaken at one of AFBI's sites. This identified some issues of non-compliance with corporate policies and procedures. Relevant staff have been reminded of the procedures and follow up checks have been undertaken and are planned to ensure compliance.

AUDITS CLASSIFIED AS LIMITED - INTERNAL AUDIT REVIEW OF HR

As part of AFBI's 2016/17 Internal Audit Plan, ASM conducted an internal audit in relation to Human Resource (HR) Management systems. While none of the ten recommendations made were classified as 'Priority 1', the Internal Audit provided a 'Limited'

Assurance opinion. In line with AFBI's governance arrangements, progress on the implementation of the recommendations will be monitored quarterly by the ARAC Committee. In addition the Board and OD&HR committee will also be provided with progress updates.

ENTERPRISE SHARED SERVICES AUDITED BY DOF INTERNAL AUDIT

To complete this Governance Statement, I have also drawn on assurances received from the Head of Internal Audit in DoF in respect of the Enterprise Shared Services that AFBI avails of. During 2016/17, DoF conducted a number of audits which are summarised in the table below along with the assurance rating received.

Figure 10 – Internal Audit Reports

AUDIT	ASSURANCE RATING	NO OF RECOMMENDATIONS BY PRIORITY RATING		
		1	2	3
Review of Human Resources	Limited	0	6	4
Review of Business Continuity Planning and Emergency response capability	Satisfactory	0	0	19
Review of Branch Level Controls	Satisfactory	0	1	11
Review of Commercialisation. Project support, business development and marketing	N/A	n/a	n/a	n/a
Follow-up on Recommendations	N/A	n/a	n/a	n/a
Total	-	0	7	34



The Head of Internal Audit in DoF has provided an overall Satisfactory opinion on ESS.

Figure 11 – Head of Internal Audit in DoF Opinion on Enterprise Shared Services

SHARED SERVICE UTILISED	NO OF AUDITS COMPLETED	ASSURANCE RATING
HR Connect	5	5 * Satisfactory
IT Assist	0	-

EXTERNAL ASSURANCE - NIAO

AFBI’s annual accounts are audited by NIAO. In its 2015/16 ‘Report to Those Charged with Governance’, the NIAO issued an unqualified audit opinion. A total of 3 recommendations were made with no priority 1 recommendations received.

As disclosed in AFBI’s previous Governance Statements, NIAO published a Value for Money review of the period covering AFBI’s establishment on 1 April 2006 until 31 March 2011. The report was published on 12 September 2013 and contained 11 recommendations relating to financial management, performance reporting, the management of research and development activities and governance and oversight arrangements within AFBI. The report was examined by the PAC in November 2013 which in turn published a report on 19 March 2014 containing 6 recommendations. A Memorandum of Reply to the PAC report was laid in the Assembly in May 2014.

Implementation of the remaining elements of the recommendations continued to be an area of focus for 2016/17. During the year the DAERA Permanent Secretary commissioned the Department’s Internal Auditors to undertake a review to validate the current reported position on the implementation of the

recommendations by both DAERA and AFBI. The results of this exercise were positive and validated the reported position and the elements of recommendations which remain outstanding. To close out the elements which related to it, AFBI has established ongoing arrangements to benchmark corporate and unit costs, including against units cost information from other elements of DAERA which undertake scientific testing. This will ensure ongoing focus on achieving further efficiencies.

Progress continues to be monitored through quarterly returns to DAERA, the Board and ARAC. Progress is also discussed as a standing agenda item on the Accountability meetings between me as AFBI’s Accounting Officer and the DAERA Senior Sponsor which forms part of the overall governance framework.

MONITORING THE IMPLEMENTATION OF RECOMMENDATIONS

The status of all internal and external audit recommendations along with the PAC and NIAO value for money review recommendations are reported to the Audit & Risk Assurance Committee on a quarterly basis to ensure that these are effectively implemented in line with agreed implementation dates.

During the 2016/17 external audit a number of issues were raised

in relation to transactions with CIEL. This has resulted in a report which is attached to the Annual Report and Accounts. The issues identified are highlighted below. AFBI have provided responses to this report as well as actions going forward to deal with the issues identified.

SIGNIFICANT ISSUES

CIELIVESTOCK LIMITED (CIEL)

During the 2016/17 external audit a number of issues were raised in relation to transactions with CIEL. This has resulted in a report which is attached to the Annual Report and Accounts. AFBI has responded to the Report by putting in place a number of additional measures to deal with the issues identified. It is acknowledged that lessons need to be learned as detailed below:-

BACKGROUND

As reported in the Governance Statement in the 2015/16 Annual Report and Accounts, AFBI obtained Department of Finance approval on 25 November 2015 to become one of the original 12 founding research institutes/ universities of CIELivestock Limited (CIEL), a company limited by guarantee.

This membership has enabled AFBI to be allotted funding up to £3.6m in the period to 31 March 2019 from CIEL to carry out works in developing

or improving infrastructure or purchase equipment. On 18 November 2016, AFBI entered into an Individual Funding Agreement (IFA) with CIEL which documented AFBI's financial relationship with CIEL. Due to the complexity of the documentation, there were a number of iterations before the IFA could be signed by AFBI, following approval by DAERA.

Funding is managed and monitored through Innovate UK (IUK). CIEL distributes funding through to its research members through IFAs. AFBI has issued a number of invoices to allow CIEL to draw down funding from IUK since it became a Category 'A' member:-

- In March 2016 AFBI invoiced CIEL £500,000 plus VAT to allow CIEL to secure funding from IUK. This income was deferred in the 2015/16 Financial Statements as no expenditure had been incurred by the year end. While it is also acknowledged that this invoicing was prior to the signing of the IFA and the purchase of assets, it occurred in the full knowledge and agreement of CIEL.
- In March 2017, AFBI issued a pro-forma invoice totalling £1,266,999 plus VAT to CIEL. The option to use a pro-forma invoice was provided to AFBI by CIEL as an indication of a commitment to make a future financial transaction. Consequently, the pro-forma invoice was issued with the full knowledge and agreement of CIEL. This pro-forma invoice was in advance of the purchase of assets by AFBI, however, funding was not received by AFBI until the supporting claims were submitted during the 2017/18

financial year after the assets had been bought and the invoices had been through the CIEL scrutiny and approval processes.

During 2016/17, £436,460 of assets were purchased and are included within AFBI's non-current assets at 31 March 2017 (2016: NIL). However the remainder of the assets amounting to £1,330,539 (net) were not purchased until the 2017/18 financial year. This was reflected in the supporting claims submitted to CIEL in August and September 2017.

CONTEXT TO THE RELATIONSHIP

The four UK Agri-Tech Centres were a new way of working for all parties concerned. It was clear that the CIEL arrangement was commercial in nature and an important part of the UK's Agri-Tech Strategy, representing a new way for the UK Government to support and provide funding into agri-food research.

There were delays in the set-up period due to the complexity of these new arrangements. As a result of the unique set of circumstances, IUK, CIEL and AFBI worked with the best intent to find a solution that delivered the objectives of Innovate UK, CIEL and its academic partners.

While the initial timescales in this arrangement slipped and the expenditure was not in line with the IFA, AFBI did work in partnership with CIEL and kept all relevant parties informed throughout the process as agreed within the IFA. While accepting that the issue of pro forma invoices are rarely used in public sector finances, these

were allowed by IUK as part of the new commercial way of working. This arrangement applied to all CIEL members and the guidelines confirm that this approach was not unique to AFBI, or CIEL, and applied to all four Agri-Tech Centres. It was for that reason that pro-forma invoices were issued to CIEL.

However corporately, with AFBI, there was not the full understanding of how to handle pro-forma invoices as it was a new way of working internally. The relationship with CIEL also commenced in a period of massive flux especially within the senior finance team and at the CEO level. This resulted in a lack of corporate memory.

LESSONS LEARNED

AFBI accepts that there are lessons to be learnt from the commencement and reporting of this new commercial arrangement. There were a number of issues raised by NIAO through the external audit process. In light of these, AFBI has reviewed its operations and transactions with CIEL and its capabilities within the finance team. Since April 2018 additional internal governance arrangements and resource have already been put into place.

The following actions have been identified:-

I. Governance

It was agreed that an internal governance oversight committee, a subcommittee of the AFBI Board, chaired by a non-executive AFBI Board member should be put in place to ensure that this project had a formal reporting structure established and sound governance in place. This action has already



been put into operation with the first meetings of this Committee having taken place in April and June 2018 with further meetings scheduled throughout the year.

In addition it has been agreed that a similar approach will be established for any future such projects to ensure good governance arrangements are in place.

II. Financial Accounting & Reporting

It is also acknowledged that the first invoice was issued prior to the signing of the IFA and that the expenditure profile was not in line with the IFA. Whilst AFBI and CIEL were in regular communication in that period and were aware of these changes, an invoice should not ordinarily have been issued prior to the IFA being in place or eligible expenditure being incurred. In future the following has been agreed:-

- The production of pro-forma invoices to CIEL has stopped with immediate effect;
- Future VAT invoices will only be issued when accompanied by a supporting claim for assets purchased and will be subject to an approvals process as agreed with DAERA; and

In addition to ensure complete transparency, AFBI has also reviewed the disclosure in these financial statements in order to provide as much clarity of the transactions that have taken place during the period since AFBI became a Category "A" member.

III. Conflicts of Interest

An AFBI employee was appointed as a director of the CIEL interim board on 25 February 2016 to ensure that AFBI was properly represented. While this was known by all parties to the Agreement, and was not unique to AFBI, it should have been formally disclosed and in hindsight additional measures should have been put in place to manage the perception arising from the employee's interim position on the CIEL Board. While it is recognised that there was a conflict of interest during the period of directorship of CIEL, the employee was not a member of the AFBI Executive Management Team.

AFBI implemented a revised Conflicts of Interest policy in line with recognised best practice on 15 September 2016. In line with policy staff will be reminded to complete conflict of interest returns. AFBI is also reviewing the monitoring arrangements to ensure that all registers of interests are maintained and reviewed to ensure any issues are appropriately highlighted.

IV. Resources and Training

We have increased resources in the finance team by the appointment of new posts and additional temporary staff to ensure that AFBI meets the timetable as agreed in the Audit Strategy for 2017/18 having taken into account the issues identified. It is accepted that Finance resources have been significantly stretched with vacant posts being filled where possible on a temporary basis in the short term.

A new head of FCAD has been appointed and a full review of the finance structure has been carried out with changes identified to be implemented during 2018/19.

In relation to training, we will also assess any further governance and financial training that should also be undertaken.

EMBEDDING LESSONS LEARNED - BOARD OVERSIGHT & INTERNAL AUDIT

We have agreed the services of internal audit are engaged to assist in the review of all the issues raised in this Governance Statement to ensure that any changes are made in line with best practice. Any reports from Internal Audit will be reported and monitored by the AFBI Audit & Risk Assurance Committee and reported to the Board. We will continue to work closely with our Sponsor, DAERA and will provide assurance on actions taken and will report through agreed accountability arrangements on the issues raised above.

REVIEW OF THE VALUE OF ASSETS

It has been identified as a result of a review of non-current assets under IAS 16 – Property, Plant and Equipment, that a material proportion of non-current assets were still in use at 31 March 2017 but had been fully depreciated to £nil net book value. Although our estimation method is in line with international financial reporting standards, this has gradually led to a material proportion of assets with nil net book value. However, as AFBI is committed

to ensuring that our financial statements present a true and fair view, we will carry out an exercise in 2017/18 to ensure that an appropriate value is placed on all assets. It is estimated from a preliminary review that the potential impact on the 2017/18 non-current assets and reserves could be in excess of £1 million.

ROYALTY INCOME

As identified in previous years' governance statements, a large component of AFBI's royalty income stream is due to end in the next few years. AFBI have continued to work with the Queen's University of Belfast to clarify and maximise the duration and quantum of this important income stream. The work undertaken in 2016/17 has indicated that the reduction in income will be less imminent and will be graduated, reducing the medium term risk to AFBI.

EXCHANGE RATE RISK

AFBI's royalty income stream, coupled with the increase in number of EU funded projects, increases AFBI's exposure to the risks from significant movements in exchange rates as this may have an adverse impact upon income levels. In 2016/17, this contributed to an unexpected significant increase in royalty income. This trend could be reversed if exchange rates move in the opposite direction. AFBI have taken a number of steps to mitigate the exchange rate risk for example through setting up a Euro bank account and payment in Euro to EU partners and subcontractors where appropriate.

UK EXIT FROM THE EUROPEAN UNION

As raised in the previous year's Governance Statement, given the significant level of EU funding accessed by AFBI, the 'Brexit' decision to leave the European Union following the outcome of the UK referendum could potentially have direct impact on AFBI. Assurances have been issued by the UK government in relation to EU funding and these have been followed up with a series of statements of support for funding applications up to the date of exit from the EU. However beyond this, the extent of the impact of Brexit remains unclear and will only be ultimately determined by future government policy on whether the UK continues to 'buy into' the EU research funding programmes. AFBI is maintaining a watching brief on the implications of the UK exit from the European Union (Brexit) and the potential impact on European grant funding of exchange rate movements. AFBI are also taking appropriate steps to mitigate this risk through the use of a Euro bank account, the review and market scanning of royalty income by an independent external specialist on a contingency basis and the payment of subcontracted partners in EU research projects in Euros.

VOLUNTARY EXIT

AFBI have faced a number of extremely challenging years due to significant reductions in AFBI's cash budget and the requirement to absorb other financial pressures. 2016/17 saw the completion of a series

of cost reduction measures including the suppression of posts, redeployment of staff to priority work areas, and cuts in overtime, travel and subsistence and the use of agency staff. AFBI also completed a substantial staff Voluntary Exit Scheme with 17 staff leaving during the year, in addition to 135 leavers in 2015/16. This inevitably has had implications for the scientific capacity of AFBI and the Institute is continuing to implement its 2020 Strategy and action plan to consolidate the work of the Institute around key scientific pillars.

CONCLUSION

As Accounting Officer, based on assurances provided to me by AFBI's assurance providers, and other than the specific issues referred to above, I consider that the overall systems of governance, risk management and internal control provide satisfactory assurance to me in relation to the ability of AFBI to effectively discharge its governance responsibilities.

Signed



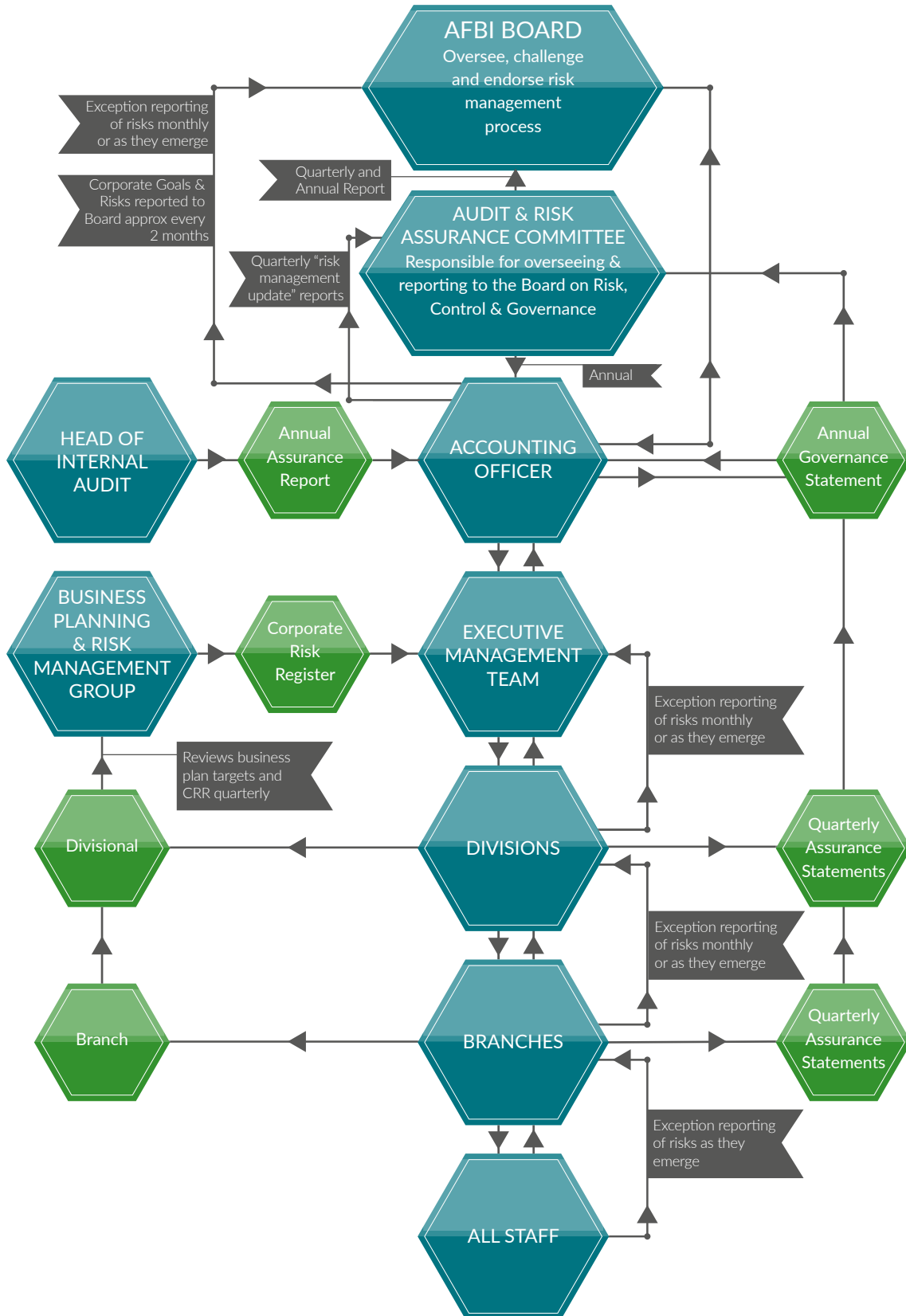
Dr Stanley McDowell

BVM&S, MSc, DLSTHM,
PhD, MRCVS

CHIEF EXECUTIVE AND
ACCOUNTING OFFICER

Date: 3 October 2018

APPENDIX A: AFBI'S GOVERNANCE AND RISK ASSURANCE FRAMEWORK



4.3 Remuneration & Staff Report

CHAIRMAN AND BOARD MEMBERS

The Chairman is appointed for a fixed period of three years, the Deputy Chair for three years and Board members are appointed for a fixed period of three or four years. Thereafter they are re-appointed in accordance with the Code of Practice.

The remuneration of the Board is set by DAERA. Increases are calculated in line with the recommendations of the Senior Salaries Review Body. There are no arrangements in place for the payment of a bonus. Neither the Chairman nor any Board Member receives pension contribution from AFBI or DAERA.

AFBI reimburses the Chairman and Board members for any incidental expenses incurred for carrying out their duties relevant to the organisation.

Details of remuneration of the Chairman and Board Members (Audited)

In 2016/17, the remuneration for members of the Board was –

BOARD MEMBER	2016/17				2015/16			
	SALARY	BENEFITS	PENSION	TOTAL	SALARY	BENEFITS	PENSION	TOTAL
		IN KIND	BENEFITS			IN KIND	BENEFITS	
	(TO	(TO	(TO	(TO	(TO THE	(TO	(TO	
NEAREST	NEAREST	NEAREST	NEAREST	NEAREST	NEAREST	NEAREST		
£100)	£1,000)	£1,000)	£1,000)	£100)	£1,000)	£1,000)		
£'000	£'000	£'000	£'000	£'000	£'000	£'000		
Mr Colm McKenna, Chairman	25-30	-	-	25-30	25-30	-	-	25-30
Prof Bill McKelvey	10-15	-	-	10-15	10-15	-	-	10-15
Mrs Sarah Havlin	0-5	-	-	0-5	5-10	-	-	5-10
Mr David Lindsay	5-10	-	-	5-10	5-10	-	-	5-10
Prof Patrick Murphy	0-5	-	-	0-5	5-10	-	-	5-10
Dr Cecil McMurray	5-10	-	-	5-10	5-10	-	-	5-10
Mr Ken Millar	5-10	-	-	5-10	5-10	-	-	5-10



BOARD MEMBER	2016/17				2015/16			
	SALARY	BENEFITS IN KIND	PENSION BENEFITS	TOTAL	SALARY	BENEFITS IN KIND	PENSION BENEFITS	TOTAL
		(TO NEAREST £100)	(TO NEAREST £1,000)	(TO NEAREST £1,000)		(TO NEAREST £100)	(TO NEAREST £1,000)	(TO NEAREST £1,000)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Mr Colin Coffey	5-10	-	-	5-10	5-10	-	-	5-10
Mr Ian Buchanan	0-5	-	-	0-5	5-10	-	-	5-10
Mrs Maureen McKeague	5-10	-	-	5-10	5-10	-	-	5-10
Dr Michelle Costello-Smith	5-10	-	-	5-10	-	-	-	-
Ms Theresa Cullen	5-10	-	-	5-10	-	-	-	-
Mrs Fiona Hanna	5-10	-	-	5-10	-	-	-	-
Dr Richard Horton	5-10	-	-	5-10	-	-	-	-
Mrs Joan Houston	0-5	-	-	0-5	-	-	-	-
Mrs Sharon Smyth	0-5	-	-	0-5	-	-	-	-
Mr Richard Solomon	5-10	-	-	5-10	-	-	-	-
Mr Bob McCann	-	-	-	-	5-10	-	-	5-10
Mrs Hilary McCartan	-	-	-	-	5-10	-	-	5-10

The figures quoted above relate to payments made in 2015/16 and 2016/17.

Mrs Sarah Havlin, Mr David Lindsay, Dr Cecil McMurray, Mr Ken Millar and Prof Patrick Murphy all completed their term of office on 31 March 2017. Their positions have not been replaced.

SUB-COMMITTEES OF THE BOARD

The following sub-committees continued to operate during the year and members received the noted remuneration for sitting on these committees (included within total remuneration disclosed in the table above):

AUDIT & RISK ASSURANCE COMMITTEE

Ms Joan Houston, Chair	£1,532
Mrs Sharon Smyth	£1,151
Mrs Sarah Havlin	£939
Mr Ken Millar	£ 1,252

The Audit & Risk Assurance Committee advises the Board on the issues of risk, control and governance. The Accounting Officer, Director of Finance & Corporate Affairs, Head of Finance, representatives from internal and external audit and DAERA's AFBI Sponsor Branch were generally in attendance at Audit Committee meetings.

ORGANISATIONAL DEVELOPMENT & HR COMMITTEE

Prof. Bill McKelvey, Chair*	-
Prof. Patrick Murphy	£626
Mrs Theresa Cullen	£1,155
Mrs Maureen McKeague	£1,155

** Prof Bill McKelvey, Deputy Chair of AFBI Board does not receive any remuneration for chairing the meetings of the Organisational Design & HR Committee.*

The Organisational Development & HR Committee advises the Board on the remuneration of Executive Management Team (EMT). The members of EMT are equivalent senior servants for the purpose of remuneration which is set by the Minister for

Finance and Personnel. No bonus scheme was available in 2016/17. Whilst the terms and conditions of employment and remuneration of all AFBI employees are in accordance with the overall terms and conditions of the NICS, any proposed changes to the overall framework are also subject to review and scrutiny by this Committee. The Accounting Officer and the Director of Finance & Corporate Affairs generally attended the Organisational Development & HR Committee meetings.

SCIENCE STRATEGY COMMITTEE

Mr David Lindsay, Chair	£1,252
Dr Cecil McMurray	£1,252
Dr Richard Horton	£1,536
Dr Michelle Costello-Smith	£1,536
Ms Theresa Cullen	£385
Mr Colin Coffey	£385

The Science Strategy Committee guides the Executive in developing a Science Strategy for AFBI. This includes assisting EMT to prioritise existing areas of scientific work and identify strategic scientific areas or technologies in which AFBI should potentially become engaged.

FINANCE AND BUSINESS STRATEGY COMMITTEE

Mr Colin Coffey, Chair	£1,536
Mr Ian Buchanan	£1,536
Mr Richard Solomon	£1,536
Mrs Fiona Hanna	£1,536

The Finance and Business Strategy Committee supports the Board in discharging its responsibilities for the oversight of financial management including, in particular, the review of financial plans and budget monitoring. The Accounting Officer, Director of Finance & Corporate Affairs and Head of Finance were generally in attendance.

CHIEF EXECUTIVE AND EXECUTIVE MANAGEMENT TEAM

REMUNERATION POLICY

The Minister of Finance approves the pay remit for Senior Civil Service (SCS) staff. The SCS remuneration arrangements are based on a system of pay scales for each SCS grade containing a number of pay points from minima to maxima, allowing progression towards the maxima based on performance. In 2012, upon creation, there were 11 points on each scale. This was subsequently reduced to 10 points in 2014 and 9 points in 2015 to allow progression through the pay scales within a reasonable period of time.

SERVICE CONTRACTS

Appointments in AFBI are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commissioners can be found at www.nicscommissioners.org



SALARY AND PENSION ENTITLEMENTS

The following sections provide details of the remuneration and pension interests of the Executive Management Team of AFBI.

Remuneration (including salary) and pension entitlements (Audited):

NAME	2016/17				2015/16			
	SALARY £'000	BENEFITS IN KIND (TO NEAREST £100)	PENSION BENEFITS **(TO NEAREST £1,000)	TOTAL (£1,000)	SALARY £'000	BENEFITS IN KIND (TO THE NEAREST £100)	PENSION BENEFITS **(TO NEAREST £1,000)	TOTAL (£1,000)
Prof S Kennedy, CEO retired 30 June 2016	20-25 (85-90 full time equivalent)	-	-60	(-35-40)	85-90	-	25	110-115
Dr S Mayne CEO from 1 November 2016	80-85	-	98	175-180	70-75	-	23	95-100
Prof E Watson CEO from 1 June 2016 to 31 October 2016	45-50 (110-115 full time equivalent)	-	-	45-50	-	-	-	-
Dr S McDowell DCEO	65-70	-	35	100-105	65-70	-	22	85-90
Ms L Johnston DCEO (Acting) from 23 January 2017	10-15 (65-70 full time equivalent)	-	3	15-20	-	-	-	-
Mrs L Hogg DCEO until 26 June 2016	15-20 (65-70 full time equivalent)	-	12	20-25	65-70	-	26	90-95
Band of Highest Paid Director's Total Remuneration	80-85				85-90			
Median Total Remuneration	27,544				26,991			
Ratio***	3.22				3.24			

**The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation and any increase or decrease due to a transfer of pension rights.

***The banded remuneration of the highest paid director in AFBI in the financial year 2016/17 was £80-85k (2015/16, £85-90k). This was 3.22 times (2015/16, 3.24) the median remuneration of the workforce, which was £27,544 (2015/16, £26,991). In 2016/17, no employees (2015/16, 0), received remuneration in excess of the highest-paid director. Remuneration ranged from £5k to £82k (2015/16, £4k to £88k). Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

OFF-PAYROLL PAYMENTS:

DETAILS OF OFF-PAYROLL PAYMENTS AT A COST OF OVER £58,200 PER ANNUM

Opening number of off-payroll engagements at 1 April 2016	1
Number of new engagements during 2016/17	1
Number of engagements coming onto AFBI payroll during 2016/17	0
Number of engagements that have come to an end during 2016/17	1
Closing number of engagements at 31 March 2017	1

DETAILS OF OFF-PAYROLL ENGAGEMENTS AS OF 31 MARCH 2017, FOR MORE THAN £220 PER DAY AND THAT LAST LONGER THAN SIX MONTHS

Number of existing engagements as of 31 March 2017	1
<i>Of which...</i>	
Number that have existed for less than one year at time of reporting	0
Number that have existed for between one and two years at time of reporting	1

Assurance was obtained in relation to three off-payroll arrangements that the correct income tax and national insurance deductions had been made. However for one off-payroll arrangement assurance was not available that the correct tax obligations had been met as the individual was contracted to the employment agency via a limited company.

DETAILS OF NEW OFF-PAYROLL ENGAGEMENTS BETWEEN 1 APRIL 2016 AND 31 MARCH 2017, FOR MORE THAN £220 PER DAY AND THAT LAST LONGER THAN SIX MONTHS

Number of new engagements between 1 April 2016 and 31 March 2017	1
Number of the above which include contractual clauses giving AFBI the right to request assurance in relation to income tax and National Insurance obligations	0
Number for whom assurance has been requested	1

SALARY:

Salary includes gross salary, overtime and any other allowance to the extent that it is subject to UK taxation and any gratia payments.

BENEFITS IN KIND:

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument.



PENSION ENTITLEMENTS (AUDITED):

NAME	ACCRUED PENSION AT PENSION AGE AS AT 31/3/17 AND RELATED LUMP SUM	REAL INCREASE IN PENSION AND RELATED LUMP SUM AT PENSION AGE	CETV AT 31/3/17	CETV AT 31/3/16	REAL INCREASE IN CETV	EMPLOYER CONTRIBUTION TO PARTNERSHIP PENSION ACCOUNT
	£'000	£'000	£'000	£'000	£'000	NEAREST £100
Prof S Kennedy retired 30 June 2016	30-35 plus lump sum 210-215	5-10 plus lump sum 90-95	843	887	(48)	-
Dr S Mayne	35-40 plus lump sum 115-120	2.5-5 plus lump sum 10-15	922	782	99	-
Dr S McDowell	25-30 plus lump sum 35-40	0-2.5 plus lump sum 0-2.5	517	465	29	-
Ms L Johnston	0-5 plus lump sum 10-15	0-2.5	85	82	2	-
Mrs L Hogg until 26 June 2016	5-10	0-2.5	65	53	11	-

NORTHERN IRELAND CIVIL SERVICE (NICS) PENSION SCHEMES

Pension benefits are provided through the Northern Ireland Civil Service pension schemes which are administered by Civil Service Pensions (CSP). Staff in post prior to 30 July 2007 may be in one of three statutory based 'final salary' defined benefit arrangements (classic, premium and classic plus). These arrangements are unfunded with the cost of benefits met by monies voted by the Assembly each year. From April 2011 pensions payable under classic, premium, and classic plus are reviewed annually in line with changes in the cost of living. Prior to 2011, pensions were reviewed in line with changes in the Retail Prices Index (RPI). New entrants joining on or after 1 October 2002 and before 30 July 2007 could choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account). New entrants joining on or after 30 July 2007 were eligible for membership of the nuvos arrangement or they could have opted for a partnership pension account. Nuvos is a 'Career Average Revalued Earnings' (CARE) arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The current rate is 2.3%. CARE pension benefits are reviewed annually in line with changes in the cost of living.

Scheme Year 1 April 2017 to 31 March 2018

ANNUALISED RATE OF PENSIONABLE EARNINGS (SALARY BANDS)		CONTRIBUTION RATES - CLASSIC MEMBERS OR CLASSIC MEMBERS WHO HAVE MOVED TO ALPHA	CONTRIBUTION RATES - ALL OTHER MEMBERS
FROM	TO	FROM 01 APRIL 2017 TO 31 MARCH 2018	FROM 01 APRIL 2017 TO 31 MARCH 2018
£0	£15,000.99	4.6%	4.6%
£15,001.00	£21,422.99	4.6%	4.6%
£21,423.00	£51,005.99	5.45%	5.45%
£51,006.00	£150,000.99	7.35%	7.35%
£150,001 and above		8.05%	8.05%

A new pension scheme, alpha, was introduced for new entrants from 1 April 2015. The majority of existing members of the NICS pension arrangements have also moved to alpha from that date. Members who on 1 April 2012 were within 10 years of their normal pension age will not move to alpha and those who were within 13.5 years and 10 years of their normal pension age were given a choice between moving to alpha on 1 April 2015 or at a later date determined by their age. Alpha is also a 'Career Average Revalued Earnings' (CARE) arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The rate will be 2.32%. CARE pension benefits are reviewed annually in line with changes in the cost of living.

Increases to public service pensions are the responsibility of HM Treasury. Pensions are reviewed each year in line with the cost of living. Any applicable increases are applied from April and are determined by the Consumer Prices Index (CPI) figure for the preceding September. The CPI in September

2016 was 1% and HM Treasury has announced that public service pensions will be increased accordingly from April 2017.

Employee contribution rates for all members for the period covering 1 April 2017 – 31 March 2018 are as shown in the table above.

Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.


The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does

not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are at or over pension age. Pension age is 60 for members of classic, premium, and classic plus and 65 for members of nuvos. The normal pension age in alpha is linked to the member's State Pension Age but cannot be before age 65. Further details about the NICS pension schemes can be found at the website www.finance-ni.gov.uk/topics/working-northern-ireland-civil-service/civil-service-pensions-ni.

CASH EQUIVALENT TRANSFER VALUES

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a

A red tractor is pulling a large red plow through a green field. The tractor is in the foreground, and the plow is behind it. The field is rolling and green, with some trees in the background. The sky is clear and blue.

member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in

another scheme or arrangement which the individual has transferred to the NICS pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

REAL INCREASE IN CETV

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due

to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period. However, the real increase calculation uses common actuarial factors at the start and end of the period so that it disregards the effect of any changes in factors and focuses only on the increase that is funded by the employer.

COMPENSATION FOR LOSS OF OFFICE

No compensation has been paid to senior officers by AFBI during the year for loss of office.

STAFF REPORT

Staff costs (Audited):

	PERMANENTLY EMPLOYED STAFF	OTHERS	2016/17 £000 TOTAL	2015/16 £000 TOTAL
Wages and salaries	17,548	1,073	18,621	20,169
Social security costs	1,733	-	1,733	1,421
Other pension costs	3,764	-	3,764	4,244
Sub Total	23,045	1,073	24,118	25,834
Less recoveries in respect of outward secondments	(62)	-	(62)	(61)
Total net costs	22,983	1,073	24,056	25,773

PENSION SCHEME DETAILS

The Northern Ireland Civil Service pension arrangements are unfunded multi-employer defined benefit schemes but the Agri-Food and Biosciences Institute is unable to identify its share of the underlying assets and liabilities. The most up to date actuarial valuation was carried out as at 31 March 2012. This valuation is then reviewed by the Scheme Actuary and updated to reflect current conditions and rolled forward to the reporting date of the DoF Superannuation and Other Allowances Resource Accounts as at 31 March 2017.

For 2016/17, employers' contributions of £3,737,354 were payable to the NICS pension arrangements (2015/16 £4,219,074) at one of three rates in the range 20.8% to 26.3% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. A new scheme funding valuation based on data as

at 31 March 2012 was completed by the Actuary during 2014/15.

This valuation was used to determine employer contribution rates for the introduction of alpha from April 2015. For 2017/18, the rates have ranged from 20.8% to 26.3%. The contribution rates are set to meet the cost of the benefits accruing during 2016/17 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £25,666, (2015/16: £24,806) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75% (2015/16 3% to 14.7%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £1,059, 0.5% (2015/16: £118,

0.5%) of pensionable pay, were payable to the NICS Pension Arrangements to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the reporting period date were £0 (2015/16: £0). Contributions prepaid at that date were £0 (2015/16: £0).

1 individual (2015/16: 1) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £2,058 (2015/16: £1,757).

The average number of whole-time equivalent persons employed during the year was as outlined in the table below.

AVERAGE NUMBER OF PERSONS EMPLOYED

Other staff are defined as agency staff employed on a temporary contract.

	PERMANENT STAFF	OTHERS	2016/17 TOTAL	2015/16 TOTAL
Directly Employed	593	23	616	693
Other	0	39	39	14
Total	593	62	655	707



REPORTING OF CIVIL SERVICE AND OTHER COMPENSATION SCHEMES – EXIT PACKAGES (AUDITED):

EXIT PACKAGE COST BAND	NUMBER OF COMPULSORY REDUNDANCIES	NUMBER OF OTHER DEPARTURES AGREED		TOTAL NUMBER OF EXIT PACKAGES BY COST BAND	
		2016/17	2015/16	2016/17	2015/16
<£10,000	-	1	5	1	5
£10,000 - £25,000	-	0	61	0	61
£25,000 - £50,000	-	1	65	1	65
£50,000 - £100,000	-	0	21	0	21
£100,000 - £150,000	-	-	-	-	-
£150,000 - £200,000	-	-	-	-	-
Total number of exit packages	-	2	152	2	152
Total resource cost/£	-	40,274	4,813,829	40,274	4,813,829

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where AFBI has agreed early retirements, the additional costs are met by AFBI and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

AFBI's accounting policy in respect of pensions is at Note 1 to the accounts.

PROVISION OF INFORMATION TO AND CONSULTATION WITH EMPLOYEES

AFBI ensures that all staff are kept informed of plans and developments through meetings, monthly team briefs, staff

newsletters and the publication of business and training plans. Staff have access to welfare services and trade union membership. AFBI use the established Whitley process of staff consultation. The Whitley Council and Committees provide an agreed forum for discussion and they are attended by employer and employee (trade union) representatives.

CAREER DEVELOPMENT

AFBI continues to promote opportunities for career development internally and during the course of this year a total of 29 staff have achieved promotion in a wide range of disciplines and grades.

One of AFBI's strategic goals is to sustain and develop our knowledge base through attracting and investing in talented people.

In support of this objective, AFBI's Learning and Development Unit provide expert advice on learning and development opportunities covering the diverse range of skills required across the organisation.

This Unit also administers AFBI's Assistance to Study programme which has provided support for 21 staff this year in their pursuit of professional qualifications specific to AFBI's business.

RECRUITMENT

AFBI continues to develop its workforce in line with its business aims and has made a total of 17 new appointments this year, covering grades across the scientific, administrative and industrial disciplines. This number reflects both permanent and temporary appointments.

As at 31 March 2017 the number of the staff employed by AFBI was as follows:

	MALES	FEMALES	TOTAL
Board	10	7	17
Executive Management Team	2	1	3
Other staff	368	248	616
Total	380	256	636

WORK EXPERIENCE

AFBI is committed to providing work experience opportunities for students at all levels to assist them in developing the key skills required to be successful in today's working environment.

Forty students in higher education were given the opportunity to develop key work-related skills through a relevant, supervised work placement programme. Work experience was also given to 83 students covering a range of areas within AFBI.

SICKNESS ABSENCE

AFBI had an operational objective of an average of 7.5 working days lost per staff member. Northern Ireland Statistics Research Agency (NISRA) has provided an outturn figure of 9.2 days for 2016/17 (10.1 days in 2015/16).

EQUAL OPPORTUNITIES

AFBI's commitment to equality of opportunity and to creating and sustaining a working environment where everyone is treated with respect and dignity, free from any form of inappropriate behaviour, and one in which all employees can give of their best, is embodied in the AFBI Value 'Respecting People' and its Associated Behaviours, and in the Dignity at Work policy to which AFBI adheres. This policy is available to all staff through the Human Resources Connect (HR Connect) portal and the AFBI intranet. AFBI's commitment to equality of opportunity is embedded in the equality awareness training for all staff.

Information and guidance to staff on a wide range of equal opportunity issues is available on the AFBI Intranet.

EMPLOYMENT OF PEOPLE WITH DISABILITIES

As part of its overall Equal Opportunities policy, AFBI is fully committed to ensuring that all of its policies and working practices meet or exceed the requirements of the Disability Discrimination Act 1995.

AFBI provides disabled staff with an opportunity to discuss disability issues, ensures that reasonable adjustments are made and Personal Emergency Evacuation Plans are in place where necessary.

AFBI engages with Ulster Supported Employment Limited (USEL) and Disability Action in the employment of disabled persons.

Disability awareness is embedded in equality training for all staff and information on disability issues, including articles from Disability Action are made available through the AFBI intranet.

SECURITY OF PERSONAL DATA

AFBI is committed to the safeguarding of personal data and has set in place appropriate measures to ensure its security. Detailed information has been made available to staff on the intranet site on the type of information which is considered to be private data and how it should be handled.

All members of staff have been advised that it is their personal responsibility to ensure that any document with sensitive information, including personal data, is appropriately secured and to ensure that, in the case of data held electronically, appropriate access controls are put in place to prevent unauthorised access,

whether accidental or deliberate, by others. There have been no reported significant data losses in the course of the year other than one incident of accidental disclosure of personal data that was handled under the AFBI Data Breach Incident Plan and was assessed as a low risk incident. This was dealt with promptly with steps taken to prevent recurrence.

Signed:



Dr Stanley McDowell
BVM&S, MSc, DLSTHM,
PhD, MRCVS

CHIEF EXECUTIVE AND
ACCOUNTING OFFICER

Date: 3 October 2018



4.4 Assembly Accountability and Audit Report

REGULARITY OF EXPENDITURE

As AFBI's Accounting Officer I am content that the expenditure and income of the Institute have been applied to the purposes intended by the NI Assembly. Furthermore I am content that the Institute's transactions are within the scope of the authorities that govern them, and that there are no material weaknesses in the

design and implementation of the Institute's internal controls to prevent and detect fraud.

The following sections are subject to audit.

LOSSES

AFBI does not have any losses to report which exceeds £250,000.

SPECIAL PAYMENTS

AFBI does not have any payments

to report which exceeds £250,000.

REMOTE CONTINGENT LIABILITIES (AUDITED)

AFBI does not have any remote contingent liabilities to report.

FEES AND CHARGES (AUDITED)

A detailed analysis of fees and charges information is provided below:

CATEGORY OF INCOME	BASIS OF CHARGES	INCOME RECEIVED 2016/17 £'000	UNIT COST 2016/17 £'000	DIRECT COST 2016/17 £'000
Income from analytical, diagnostic and research work ¹	Not full recovery of cost	9,597	-	10,271
Royalties	Per contract	8,475	-	1,934
Sale of Farm Produce	Market value	648	-	420
Charter of Ship	Market value	303	-	140
Other	Market value	92	-	62
		19,115	-	12,827

Comparative information for 2015/16 is not available but it is intended that this will be included in the Fees and Charges Note in all future years

¹ Income from analytical, diagnostic and research work is made up of multiple projects including Statutory and EU funded research work which are not performed at full cost recovery. Also included are commercial contracts which are individually priced at full cost recovery.

DISCLOSURE TO AUDITOR

So far as I am aware, as Accounting Officer, there is no relevant audit information of which the Institute's auditors are unaware; and, as Accounting Officer, I have taken all steps that I ought to have taken to make myself aware of any relevant audit information and establish that the AFBI's auditors are aware of that information.

Signed

Dr Stanley McDowell

BVM&S, MSc, DLSTHM, PhD, MRCVS

CHIEF EXECUTIVE AND ACCOUNTING OFFICER

Date: 3 October 2018

4.5 Auditors Certificate

Agri-Food and Biosciences Institute 2016-17

THE CERTIFICATE OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY

I certify that I have audited the financial statements of the Agri-Food and Biosciences Institute for the year ended 31 March 2017 under the Agricultural (Northern Ireland) Order 2004. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and Staff Report and the Assembly Accountability and Audit Report that is described in that report as having been audited.

RESPECTIVE RESPONSIBILITIES OF THE ACCOUNTING OFFICER AND AUDITOR

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Agricultural (Northern Ireland) Order 2004. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Agri-Food and Biosciences Institute's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Agri-Food and Biosciences Institute; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

OPINION ON REGULARITY

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.



OPINION ON FINANCIAL STATEMENTS

In my opinion:

- the financial statements give a true and fair view of the state of the Agri-Food and Biosciences Institute's affairs as at 31 March 2017 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Agricultural (Northern Ireland) Order 2004 and Department of Agriculture, Environment and Rural Affairs directions issued thereunder.

OPINION ON OTHER MATTERS

In my opinion:

- the parts of the Remuneration and Staff Report and the Assembly Accountability and Audit Report to be audited have been properly prepared in accordance with Department of Agriculture, Environment and Rural Affairs directions made under the Agricultural (Northern Ireland) Order 2004 ; and
- the information given in Performance Report, Accountability Report and Chief Executives Review for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH I REPORT BY EXCEPTION

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the parts of the Remuneration and Staff Report and the Assembly Accountability and Audit Report to be audited are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with Department of Finance's guidance.

My detailed observations are included in my report attached to the financial statements.

KJ Donnelly

Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU

23 October 2018



Financial Statements

Year ended 31 March 2017



Statement of Comprehensive Net Expenditure

FOR THE YEAR ENDED 31 MARCH 2017

	NOTE	2016/17 £000	2015/16 £000
Income			
Income from sale of goods and services	5	(17,423)	(15,459)
EU Income	5	(1,692)	(1,484)
Total operating income		(19,115)	(16,943)
Expenditure			
Staff costs	3	24,118	25,834
Depreciation and amortisation charges	4	2,090	2,408
Other operating expenditure	4	25,750	29,722
Total operating expenditure		51,958	57,964
Net operating expenditure		32,843	41,021
Finance expense			
Taxation charge	4	1,186	975
Net Expenditure for the year		34,029	41,996
Other comprehensive net expenditure			
Net (gain)/loss on revaluation of property, plant and equipment	10	(282)	(78)
Net (gain) on revaluation of Intangibles	10	(10)	(7)
Comprehensive net expenditure for the year		33,737	41,911

The notes on pages 72 to 90 form part of these accounts.

Statement of Financial Position

AS AT 31 MARCH 2017

	NOTE	2017		2016	
		£000	£000	£000	£000
Non-current assets:					
Property, plant and equipment	6	8,764		8,138	
Intangible assets	7	332		438	
Biological assets	8	1,396		1,160	
Total non-current assets			10,492		9,736
Current assets:					
Inventories	11	477		440	
Trade and other receivables	12	11,131		10,190	
Cash and cash equivalents	13	539		88	
Total current assets			12,147		10,718
Total assets			22,639		20,454
Current liabilities					
Trade and other payables	14	(7,921)		(7,084)	
Provisions	15	(314)		(69)	
Total current liabilities			(8,235)		(7,153)
Total assets less current liabilities			14,404		13,301
Non-current liabilities					
Provisions	15	(291)		(1,014)	
Other payables	14	(500)		-	
Total non-current liabilities			(791)		(1,014)
Total assets less total liabilities			13,613		12,287
Taxpayers' equity and other reserves					
Revaluation Reserve			3,017		2,915
General Fund			10,596		9,372
			13,613		12,287

The financial statements on pages 68 to 71 were approved by the Board on 26 September 2018 and were signed on its behalf by:

Signed:



Dr Stanley McDowell, BVM&S, MSc, DLSTHM, PhD, MRCVS

CHIEF EXECUTIVE AND ACCOUNTING OFFICER

Date: 3 October 2018

The notes on pages 72 to 90 form part of these accounts.



Statement of Cash Flows
FOR THE YEAR ENDED 31 MARCH 2017

	NOTE	2016/17	2015/16
		£000	£000
Cash flows from operating activities			
Net expenditure for the year		(34,029)	(41,996)
Adjustment for non-cash transactions	4	2,392	3,607
Use of bad debt provision		(7)	(1)
(Increase) / Decrease in trade receivables	12	(1,060)	(2,082)
(Increase) / Decrease in inventories	11	(37)	62
Increase/(Decrease) in trade payables	14	908	387
Use of provisions	15	(149)	(58)
		<u>2,047</u>	<u>1,915</u>
Net cash outflow from operating activities		(31,982)	(40,081)
Cash flows from investing activities			
Purchase of plant and equipment	6	(1,844)	(2,452)
Purchase of intangible assets	7	(27)	(134)
Purchase of biological assets	8	(13)	(29)
Proceeds of disposal of property, plant and equipment		6	38
Proceeds of disposal of biological assets		544	585
Net cash outflow from investing activities		<u>(1,334)</u>	<u>(1,992)</u>
Cash flows from financing activities			
Grant from sponsoring entity		33,767	39,126
Net financing		<u>33,767</u>	<u>39,126</u>
Net (decrease)/increase in cash and cash equivalents in the period		451	(2,947)
Cash and cash equivalents at the beginning of the year	13	88	3,035
Cash and cash equivalents at the end of the year	13	<u>539</u>	<u>88</u>

The notes on pages 72 to 90 form part of these accounts.

Statement of Changes in Taxpayers' Equity
FOR THE PERIOD ENDED 31 MARCH 2017

	NOTE	GENERAL FUND £000	REVALUATION RESERVE £000	TAXPAYERS' EQUITY £000
Balance as at 31 March 2015		10,597	3,157	13,754
Changes in Taxpayers Equity 2015/16				
Grant from sponsoring entity		39,126	-	39,126
Net gain/(loss) on revaluation of plant and equipment	6	-	78	78
Net gain/(loss) on revaluation of intangible assets	7	-	7	7
Release of reserves to the SoCNE		(2)	-	(2)
Notional charges - IT Assist	4	1,320	-	1,320
Transfers between reserves		327	(327)	-
Net expenditure for the year		(41,996)	-	(41,996)
Balance at 31 March 2016		9,372	2,915	12,287
Changes in Taxpayers Equity 2016/17				
Grant from sponsoring entity		33,767	-	33,767
Net gain/(loss) on revaluation of plant and equipment	6	-	282	282
Net gain/(loss) on revaluation of intangible assets	7	-	10	10
Relifing adjustment	6 & 7	-	(3)	(3)
Notional charges - IT Assist	4	1,299	-	1,299
Transfers between reserves		187	(187)	-
Net expenditure for the year		(34,029)	-	(34,029)
Balance at 31 March 2017		10,596	3,017	13,613

The notes on pages 72 to 90 form part of these accounts.



Notes to the accounts

FOR THE YEAR ENDED 31
MARCH 2017

1. STATEMENT OF ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the 2016/17 Government Financial Reporting Manual (FReM) issued by DoF. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Agri-Food and Biosciences Institute (AFBI) for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Agri-Food and Biosciences Institute are described below. They have been applied consistently in dealing with items that are considered material to the accounts. These financial statements have been prepared in sterling and are rounded to the nearest £'000.

ACCOUNTING CONVENTION

These accounts have been prepared under the historical cost convention modified to account for the revaluation of plant and equipment, intangible assets, biological assets and inventories.

PROPERTY, PLANT AND EQUIPMENT

AFBI does not own any other land or buildings but leases them from the Department of Agriculture, Environment and Rural Affairs (DAERA).

Other non-property assets are stated at current cost using appropriate indices to account for the effects of inflation. No independent valuer is involved in the valuation of assets. The date of the revaluation is the reporting date of 31 March each year.

The threshold for capitalisation is £5,000 excluding any VAT capitalised.

DONATED FIXED ASSETS

Donated fixed assets are capitalised at their fair value on receipt and this value is credited to the General Fund. Donated fixed assets are valued and depreciated as described below for purchased assets. Gains and losses on revaluations are also taken to the General Fund and, each year, an amount equal to the depreciation charge on the asset is released from the donated asset charged to the Statement of Comprehensive Net Expenditure. Any impairment on donated assets charged to the Statement of Comprehensive Net Expenditure is matched by a transfer from the General Fund.

DEPRECIATION

Depreciation is charged on a straight line basis in order to write off the valuation of assets, less estimated residual value, of each asset over the expected useful life.

Assets are generally depreciated from the period of acquisition and not depreciated in the period of disposal. However, an exception to this practice occurs when AFBI makes a late addition in the financial year. Where the cost of the asset remains unpaid at the date the financial statements are prepared, the depreciation charge for the asset is included in the following year's financial statements.

The useful lives of tangible assets, which are reviewed regularly, are:

Plant	3 to 38 years
Equipment	3 to 35 years
Research Vessels	4 to 18 years
Transport equipment	5 to 24 years
Information technology: computers	4 to 25 years

The useful lives of intangible assets, which are reviewed regularly, are:

Software licences	3 to 12 years
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INTANGIBLE ASSETS

Software licences are stated at current cost using appropriate indices to account for the effects of inflation. Software assets are depreciated from the period of acquisition and not depreciated in the period of disposal.

BIOLOGICAL ASSETS

Biological assets comprise cattle, sheep, pigs and goats which are used for research purposes. They are categorised according to the attributes used in the market to facilitate their valuation at the reporting date. Cattle were further grouped as follows:

- Beef cattle are grouped by gender, breed and age.
- Dairy cattle are grouped by lactation and breed.

Biological assets are valued at fair value less estimated costs at the point of sale at the end of the reporting period. This is further disclosed in accordance with IAS 41 Agriculture, by showing the aggregate value of purchases, sales, changes in value due to changes in physical conditions of the herd and changes in the value of the herd due to changes in market price.

Changes in value due to changes in physical conditions of the herd represent births which took place during the current financial year. The economic value of these transactions is debited or credited to the Statement of Comprehensive Net Expenditure when they occur.

Changes in value of the herd due to changes in market price represent the difference between the purchase cost or the value brought forward of each animal and the market value at the end of the reporting period. The difference is recognised in the Statement of Comprehensive Net Expenditure.

INVENTORIES

Inventories are valued at the lower of cost and net realisable value.

RESEARCH AND DEVELOPMENT EXPENDITURE

Research and development expenditures include all costs relating to the scientific and technical patent work, education and training necessary to ensure the development, start-up and commercialisation of new or improved products or processes.

Research expenditure is recognised as an expense when incurred.

Development expenditure on new or substantially improved products is capitalised as an intangible asset and amortised through cost of sales over the expected useful life of the product concerned. Capitalisation commences from the point at which the technical feasibility and commercial viability of the product can be demonstrated and

AFBI Management is satisfied that it is probable that future economic benefit will result from the product once completed. This is usually at the point of regulatory filing in a major market and approval is highly probable. Capitalisation ceases when the product is ready for launch.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of cash and deposits with commercial banks. At each year end, the carrying value of cash at bank and in hand approximates their fair value due to their short-term nature.

OPERATING INCOME

Revenue is recognised when it is probable that the economic benefits will flow to AFBI and the revenue can be reliably measured. Revenue is recognised as follows:

For sales of services: Revenue is recognised in the accounting period in which the services are rendered by reference to stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

For sales of goods: Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

Royalties, charter of ship and rents receivable: Revenue is recognised on an accruals basis in accordance with the substance of the relevant agreement. In order to estimate royalty income not yet notified, a review is undertaken of sales trends in the past.

GRANT INCOME

Grants for revenue purposes that are received to finance the purchase of specific goods or services are reported as income in the Statement of Comprehensive Net Expenditure. In these cases income is set to match with the related expenditure incurred during the year.

Grants for capital purposes that are received to finance the purchase of tangible non-current assets are reported as deferred income and released to the Statement of Comprehensive Net Expenditure on a systematic and rational basis over the useful lives of the related assets.

EMPLOYEE BENEFITS

Under the requirements of IAS 19 Employee Benefits, staff costs must be recorded as an expense as soon as the organisation is obligated to pay them. This includes the cost of any untaken leave that has been earned at the year end. The figure has been based on a specific report run from the Personnel system which calculates the year end balance using leave balances on the system. It is not anticipated that the level of untaken annual and flexi leave will vary significantly from year to year.

LEASES

Operating lease rentals are charged directly to the Statement of Comprehensive Net Expenditure over the period of the lease. There are no finance leases.

FINANCIAL INSTRUMENTS

AFBI is not allowed to borrow or invest surplus funds as per the Management Statement and Financial Memorandum.



Financial assets and liabilities are generated by operational activities and are not held to handle the risk profile facing AFBI in undertaking its operations.

- *Liquidity risk*
AFBI's net revenue resource requirements are financed by the Grant-in-Aid agreed with DAERA, as is its capital expenditure. It is not, therefore, exposed to significant liquidity risks.
- *Interest rate risk*
All AFBI's financial assets and liabilities carry nil rate of interest and it is not therefore exposed to significant interest rate risk.
- *Foreign currency risk*
The majority of AFBI's operations, assets and liabilities are denominated in sterling. Transactions in foreign currencies are translated into sterling using the rate at the date of the transactions. Balances held in foreign currencies are translated at the rate of exchange ruling at the date of the SoFP. Exchange differences are recognised in the SoCNE in the period in which they arise. See note 9 for additional information.

GRANT-IN-AID RECEIVABLE

Grant-in-aid represents net funding received from DAERA and is credited to the General Fund.

PROVISIONS

AFBI makes provisions for liabilities and charges where, at the Statement of Financial Position date, a legal or constructive liability exists (i.e. a present obligation for past events exists), where the transfer of economic benefits is probable and a reasonable estimate can be made. Where the time value of money is material, AFBI discounts the provision to its present value using a standard government discount rate.

ESTIMATION TECHNIQUES USED AND CHANGES IN ACCOUNTING ESTIMATES

Provision is made for all debts greater than 90 days old which are considered doubtful. The effect of a change in accounting estimate is recognised by including it in the Statement of Comprehensive Net Expenditure in:

- the period of the change, if the change affects that period only;
- the period of the change and future periods, if that change affects both.

VALUE ADDED TAX

Value added tax (VAT) is accounted for in accordance with the Statement of Standard Accounting Practice 5, in the absence of an International Financial Reporting Standard (IFRS). Amounts are shown net of VAT, and irrecoverable VAT is charged to the Statement of Comprehensive Net Expenditure.

THIRD PARTY ASSETS

AFBI does not hold any third party assets.

OPERATING SEGMENTS

IFRS 8 Operating Segments requires the identification of operating segments on the basis of internal reports reviewed by AFBI's Chief Decision Maker in order to allocate resources to each specific segment and assess its performance.

AFBI has completed a review against the criteria set out in IFRS 8 and considers that the disclosure format within the accounts meets IFRS 8 criteria.

CONTINGENT LIABILITIES

In addition to contingent liabilities disclosed in accordance with IAS 37, AFBI discloses for Assembly reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to the Assembly in accordance with the requirements of Managing Public Money Northern Ireland.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to the Assembly separately noted.

Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to the Assembly.

RESERVES

Revaluation Reserve
The Revaluation Reserve reflects the unrealised balance of the cumulative indexation and revaluation adjustments to assets other than donated assets and those funded by grants.

GENERAL FUND

The General Fund represents AFBI's total assets less total liabilities which is not represented by other reserves and financing items.

PENSIONS

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (Northern Ireland) (PCSPS (NI)), which is a defined benefit scheme and is unfunded. AFBI recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS (NI) of amounts calculated on an accruals basis.

All pension contributions are charged to the Statement of Comprehensive Net Expenditure when incurred.

ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS ADOPTED IN THE YEAR ENDED 31 MARCH 2017

The Institute has reviewed the standards, interpretations and amendments to published

standards that became effective during 2016/17 and which are relevant to its operations. The Institute anticipates that the adoption of these standards will have no material impact on AFBI's financial position or results of operations.

The IASB issued new and amended standards (IFRS 10, IFRS 11 & IFRS 12) that affect the consolidation and reporting of subsidiaries, associates and joint ventures. These standards were effective with EU adoption from 1 January 2014. Accounting boundary IFRSs are currently adapted in the FReM so that the Westminster departmental accounting boundary is based on ONS control criteria, as designated by Treasury. A similar review in NI, which will bring NI departments under the same adaptation, has been carried out and the resulting recommendations were agreed by the Executive in December 2016. With effect from 2020/21, the accounting boundary for departments will change and there will also be an impact on departments around the disclosure requirements under IFRS 12. ALBs apply IFRS in full and their consolidation boundary may change as a result of the new standards.

IMPENDING APPLICATION OF NEWLY ISSUED ACCOUNTING STANDARDS NOT YET EFFECTIVE

The Institute has not adopted any standards or interpretations in advance of the required implementation dates. It is not

expected that any standards or interpretations that have been issued by the IASB but have not been adopted will have a material impact on AFBI's financial statements.

2. Statement of Operating Costs by Operating Segment

Segmental selection is based on the organisational structure that AFBI uses to make decisions on resource allocation as well as the availability of financial information based on that structure. AFBI has two operational divisions supported by the Finance and Corporate Affairs Division (FCAD). The operational divisions are:

Sustainable Agri-Food Sciences Division (SAFSD) provides statutory services including certification of monitoring for DAERA of pasture, seeds and plant health, and provides specialist advice on weeds, crop plants, varieties and disease problems. SAFSD provides scientific support for the growth, sustainability and competitiveness of Northern Ireland's farming, fishing and agri-food industries, and assists the industry to maintain high standards of environmental protection and animal welfare. SAFSD's research takes account of environmental needs and sustainable economic growth in Northern Ireland's countryside.

Veterinary Sciences Division (VSD) delivers world class veterinary science to the animal, food and fish based sectors of the agri-food industry.



Analysis of net expenditure by segment

	2016/17				2015/16			
	SAFSD	VSD	FCAD	TOTAL	SAFSD	VSD	FCAD	TOTAL
Gross expenditure	17,597	12,157	18,815	48,569	19,287	10,794	24,155	54,236
Depreciation & Amortisation	1,353	588	149	2,090	1,526	685	197	2,408
Taxation charges	-	-	1,186	1,186	-	-	975	975
Notional charges	-	-	1,299	1,299	-	-	1,320	1,320
	18,950	12,745	21,449	53,144	20,813	11,479	26,647	58,939
Income – Domicile	(5,118)	(3,688)	(8,617)	(17,423)	(5,655)	(2,685)	(7,091)	(15,431)
Income – Non Domicile	(1,379)	(313)	-	(1,692)	(1,274)	(235)	(3)	(1,512)
Income	(6,497)	(4,001)	(8,617)	(19,115)	(6,929)	(2,920)	(7,094)	(16,943)
Net expenditure	12,453	8,744	12,832	34,029	13,884	8,559	19,553	41,996
Total assets	12,067	3,584	6,988	22,639	10,213	3,278	6,963	20,454
Total liabilities	(3,092)	(1,833)	(4,101)	(9,026)	(1,958)	(1,472)	(4,737)	(8,167)
Net assets	8,975	1,751	2,887	13,613	8,255	1,806	2,226	12,287

3. Staff related costs

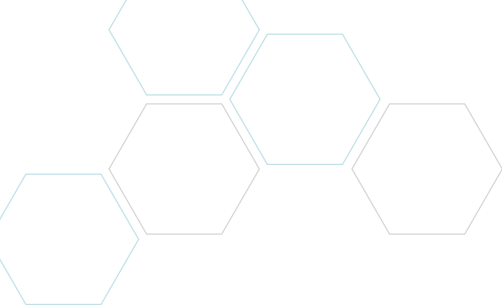
Staff costs comprise:

	PERMANENTLY EMPLOYED STAFF	OTHERS	2016/17 £000 TOTAL	2015/16 £000 TOTAL
Wages and salaries	17,548	1,073	18,621	20,169
Social security costs	1,733	-	1,733	1,421
Other pension costs	3,764	-	3,764	4,244
Sub Total	23,045	1,073	24,118	25,834
Less recoveries in respect of outward secondments	(62)	-	(62)	(61)
Total net costs	22,983	1,073	24,056	25,773

Staff numbers are included in the Remuneration & Staff Report.

4. Other Expenditure

	NOTE	2016/17 £000	2015/16 £000
<i>Other Expenditure</i>			
Lease of land and buildings		6,078	6,188
Laboratory consumables		3,069	2,280
Ship operating costs		2,262	2,289
Other expenses		1,730	1,448
Rates and water		1,529	1,524
Lab equipment maintenance and other expenses		1,418	1,500
Irrecoverable VAT ¹		1,253	1,068
Contracted out services		1,146	1,129
Royalty administration fees		843	709
Electricity		840	1,041
Apparatus, glassware and minor equipment		822	217
Animal feed and veterinary expenses		698	694
Training, conferences and library expenses		608	559
Repairs and maintenance		441	394
Gas		402	444
Travel and subsistence		350	346
Clinical and other waste disposal costs		293	294
Telephone		230	267
Computer support		183	132
Motor and tractor expenses		181	222
Livestock expenses		164	45
Postage, printing and stationery		136	172
Marketing and advertising		122	47
Oil		115	122
Legal and compensation costs		109	155
Plants, shrubs, fertiliser		108	108
Carbon Reduction		106	112
Rent of land and buildings		48	70
Protective clothing		45	24
External Audit fees ³		40	35
Hire of plant and vehicles		28	32
Internal Audit fees		23	36
Hospitality		22	9
Compensation payments for VES		6	4,811
		25,448	28,523



	NOTE	2016/17 £000	2015/16 £000
<i>Non-cash items</i>			
Depreciation	6	1,946	2,274
Amortisation	7	144	134
Notional charges		1,299	1,320
Provisions provided for in year	15	89	207
Provisions not required written back		(418)	-
(Profit) /loss on disposal of non current assets		(4)	8
Decrease in value of livestock due to deaths	8	86	89
Increase in debt provision		121	75
Bad debts written off		5	-
Release from General Fund		-	(2)
Indexation of fixed assets	10	(24)	1
Change in value of livestock due to changes in physical conditions of the herd	8	(168)	(229)
Change in market value of livestock	8	(647)	(145)
Profit on disposal of biological assets		(37)	(125)
		2,392	3,607
Taxation charges ²		1,186	975
		29,026	33,105

¹In Northern Ireland, VAT cannot be reclaimed on research performed for Government Departments or on work which is grant funded. As a proportion of AFBI's work is research for Government Departments and/or is grant funded, it cannot claim back all VAT. The "Irrecoverable VAT" line is the amount of VAT which AFBI cannot claim from HMRC. This VAT expense should ideally be expensed to the various Government / grant funded projects. However, the agreed process with HMRC is complex and AFBI are currently investigating means by which it can accurately allocate the expense to individual projects.

²Corporation tax is charged on AFBI's royalty income, adjusted for a 10% admin fee and rewards to staff payments. The rate of corporation tax for 2016/17 was 20% (2015/16, 20%).

³During the year AFBI did not purchase any non-audit services from its auditor (NIAO).

5. Income

	2016/17 £000	2015/16 £000
Income from analytical, diagnostic work and research contracts	7,905	7,807
EU income	1,692	1,484
Royalties	8,475	6,964
Sale of milk and general produce	648	574
Charter of the ship	303	15
Refunds	20	27
Recoveries in respect of outward secondments	62	61
Rents receivable	10	11
Total	19,115	16,943

Royalty income is received gross of a 10% administration fee. The administration fee is then paid over on receipt of a VAT invoice.



6. Property, Plant and Equipment

2016/17

	INFORMATION TECHNOLOGY £000	PLANT & MACHINERY* £000	RESEARCH VESSELS & TRANSPORT EQUIPMENT £000	TOTAL £000
Cost or valuation				
At 1 April 2016	943	26,809	4,586	32,338
Additions	55	1,597	620	2,272
Disposals	-	(301)	(17)	(318)
Reclassification	-	-	-	-
Revaluations	17	630	106	753
At 31 March 2017	1,015	28,735	5,295	35,045
Depreciation				
At 1 April 2016	839	19,571	3,790	24,200
Charge for the year	28	1,551	367	1,946
Relieving adjustment	-	4	-	4
Disposals	-	(299)	(17)	(316)
Revaluations	10	341	96	447
At 31 March 2017	877	21,168	4,236	26,281
Carrying amount				
At 31 March 2016	104	7,238	796	8,138
Carrying amount				
At 31 March 2017	138	7,567	1,059	8,764
Asset financing:				
Owned	138	7,567	1,059	8,764
Finance leased	-	-	-	-
On-balance sheet PFI contracts	-	-	-	-
Carrying amount at 31 March 2017	138	7,567	1,059	8,764

* Plant & Machinery includes a donated asset of scientific equipment with a carrying value of £0 at 31 March 2017

6. Property, Plant and Equipment

2015/16

	INFORMATION TECHNOLOGY £000	PLANT & MACHINERY* £000	RESEARCH VESSELS & TRANSPORT EQUIPMENT £000	TOTAL £000
Cost or valuation				
At 1 April 2015	1,041	26,952	4,643	32,636
Additions	5	1,121	(4)	1,122
Disposals	(106)	(1,367)	(65)	(1,538)
Reclassification	-	-	-	-
Revaluations	3	103	12	118
At 31 March 2016	943	26,809	4,586	32,338
	INFORMATION TECHNOLOGY £000	PLANT & MACHINERY £000	RESEARCH VESSELS & TRANSPORT EQUIPMENT £000	TOTAL £000
Depreciation				
At 1 April 2015	887	19,027	3,467	23,381
Charge for the year	67	1,811	396	2,274
Relifing adjustment	-	(5)	(1)	(6)
Disposals	(106)	(1,326)	(63)	(1,495)
Revaluations	(9)	64	(9)	46
At 31 March 2016	839	19,571	3,790	24,200
Carrying Amount				
At 31 March 2015	154	7,925	1,176	9,255
Carrying Amount				
At 31 March 2016	104	7,238	796	8,138
Asset financing:				
Owned	104	7,238	796	8,138
Finance leased	-	-	-	-
On-balance sheet PFI contracts	-	-	-	-
Carrying amount 31 March 2016	104	7,238	796	8,138

* Plant & Machinery includes a donated asset of scientific equipment with a carrying value of £264 at 31 March 2016



It has been identified as a result of our review of non-current assets under IAS 16 – Property, Plant and Equipment, that a material proportion of non-current assets were still in use at 31 March 2017 but had been fully depreciated to £nil net book value. Although our estimation method is in line with international financial reporting standards, this has gradually led to a material proportion of assets with nil net book value. However, as AFBI is committed to ensuring that our financial statements present a true and fair view, we will carry out an exercise in 2017/18 to ensure that an appropriate value is placed on all assets. It is estimated from a preliminary review that the potential impact on the 2017/18 non-current assets and reserves could be in excess of £1 million.

7. Intangible assets

Intangible assets comprise of software licences.

	2016/17 £000	2015/16 £000
Cost or valuation		
At 1 April	913	872
Additions	27	134
Disposals	-	(103)
Revaluation	22	10
At 31 March	962	913
	£000	£000
Amortisation		
At 1 April	475	437
Charge for the year	144	134
Relieving	(1)	-
Disposals	-	(99)
Revaluations	12	3
At 31 March	630	475
Carrying amount		
At 31 March	332	438

8. Biological Assets

	2016/17 £000	2015/16 £000
Valuation as at 1 April	1,160	1,306
Purchases	13	29
Decreases due to sales	(506)	(460)
Changes in value due to deaths	(86)	(89)
Changes in value due to changes in physical conditions of the herd (births)	168	229
Changes in value due to changes in market price	647	145
Valuation as at 31 March	1,396	1,160

9. Financial Instruments

As the cash requirements of Agri-Food and Biosciences Institute (AFBI) are met through Grant-in-Aid provided by DAERA and commercial income received, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with AFBI's expected purchase and usage requirements and AFBI is therefore exposed to little credit, liquidity or market risk. However, AFBI's royalty income stream, coupled with the increase in the number of EU funded projects, increases AFBI's exposure to the risks from significant movements in exchange rates as this may have an adverse impact upon income levels. In 2016/17, this contributed to an unexpected significant increase in royalty income. This trend could be reversed if exchange rates move in the opposite direction. In 2016/17, 47.7% or £9.125m of AFBI's external income was originally denominated in foreign currency and converted to sterling by a third party before receipt by AFBI. Also in 2016/17, 5.5% or £1.042m of AFBI's external income was received in Euro and translated into sterling using the rate at the transaction date. These amounts were subject to the risk of exchange rate movements. AFBI has taken a number of steps to mitigate the exchange rate risk for example through setting up a Euro bank account and payment in Euro to EU partners and sub-contractors where appropriate.

10. Indexation

Indexation of non-current assets took place during 2016/17 which resulted in £292k being credited to the Revaluation Reserve and indexation of £24k being charged to the Statement of Comprehensive Net Expenditure. Indexation of non-current assets took place during 2015/16 which resulted in £85k being credited to the Revaluation Reserve and indexation of £1k being charged to the Statement of Comprehensive Net Expenditure.



BREAKDOWN OF INDEXATION BY CATEGORY

	2016/17 £000	2015/16 £000
Charged to statement of comprehensive net expenditure	(24)	1
Charged to revaluation reserve	(292)	(85)
	(316)	(84)

11. Inventories

	2016/17 £000	2015/16 £000
Feedstuffs and sundry stocks at Hillsborough and Stoney Road	352	307
Consumables at Newforge and Stoney Road	125	133
	477	440

12. Trade receivables and other current assets

	2016/17 £000	2015/16 £000
Amounts falling due within one year		
Trade receivables	1,787	2,375
Other receivables	45	49
VAT	11	-
Prepayments and accrued Income	7,873	7,239
EU accrued income	1,415	527
	11,131	10,190

13. Cash and cash equivalents

	2016/17 £000	2015/16 £000
Balance at 1 April	88	3,035
Net change in cash and cash equivalent balances	451	(2,947)
Balance at 31 March	539	88
The following balances at 31 March were held at:		
Cash in hand	3	3
Cash at bank	536	85
Balance at 31 March	539	88

14. Trade payables and other current liabilities

	2016/17 £000	2015/16 £000
Amounts falling due within one year		
VAT	-	111
Other taxation and social security	557	274
Trade payables	488	720
Other payables	40	41
Capital creditors	598	174
Accruals and deferred Income	6,238	5,764
	7,921	7,084
Amounts falling due after more than one year		
Other payables, accruals and deferred income	500	-
	500	-

The £500k relates to funding secured from CIEL for the purchase of capital assets and has been treated as deferred income. The method of income recognition is in line with the depreciation of these assets. During this financial year no depreciation was charged on these assets, therefore there has been no movement on this balance.



15. Provisions for liabilities and charges

2016/17

	LEGAL £'000	DECOMMISSIONING COSTS £'000	EARLY DEPARTURE £'000	INJURY BENEFIT £'000	TOTAL £'000
Balance at 31 March 2016	762	156	-	165	1,083
Provided in the year	89	-	-	-	89
Provisions not required written back	(418)	-	-	-	(418)
Provisions utilised in year	(134)	-	-	(15)	(149)
Balance at 31 March 2017	299	156	-	150	605

Analysis of expected timing of discounted flows

	LEGAL £'000	DECOMMISSIONING COSTS £'000	EARLY DEPARTURE £'000	INJURY BENEFIT £'000	TOTAL £'000
Not later than one year	299	-	-	15	314
Later than one year and not later than five years	-	-	-	60	60
Later than five years	-	156	-	75	231
Balance at 31 March 2017	299	156	-	150	605

2015/16

	LEGAL £'000	DECOMMISSIONING COSTS £'000	EARLY DEPARTURE £'000	INJURY BENEFIT £'000	TOTAL £'000
Balance at 1 April 2015	661	80	13	180	934
Provided in the year	205	76	-	-	281
Provisions not required written back	(73)	-	(1)	-	(74)
Provisions utilised in year	(31)	-	(12)	(15)	(58)
Balance at 31 March 2016	762	156	-	165	1,083

Analysis of expected timing of discounted flows

	LEGAL £'000	DECOMMISSIONING COSTS £'000	EARLY DEPARTURE £'000	INJURY BENEFIT £'000	TOTAL £'000
Not later than one year	54	-	-	15	69
Later than one year and not later than five years	708	-	-	60	768
Later than five years	-	156	-	90	246
Balance at 31 March 2016	762	156	-	165	1,083

Provisions have not been discounted as the time value of money is not material.

LEGAL

This relates to personal injury legal cases and intellectual property claims. Legal claims are assessed by independent solicitors and a provision of 100% of the likely maximum claim value is made. This percentage is to be reviewed on an ongoing basis to ensure it continues to represent a reasonable estimate of the expenditure on such claims.

DECOMMISSIONING COSTS

This relates to a piece of equipment which holds radioactive material and as such falls under the High Activity Sealed Radioactive Sources (HASS) Regulations 2003. The material is used by AFBI in the course of its business. The provision is required to cover the cost of compliance with HASS Regulations when the equipment is disposed of.

EARLY DEPARTURE

This relates to pension payments to staff members who took early retirement. AFBI are required to make the payments until the individuals reach 60 years of age.

INJURY BENEFIT

This relates to payments to staff members who have suffered an impairment to earnings as a result of an injury that has been sustained within the context of one of the qualifying conditions outlined within the legislation governing the scheme, which is known as the Civil Service Injury Benefit Scheme (NI) (CSIBS(NI)). Injury benefit is paid when a qualifying injury impairs the individual's earning capacity.



16. Capital commitments

	2016/17 £000	2015/16 £000
Contracted Capital Commitments at 31 March not otherwise included in these financial statements		
Assets under construction	-	-

17. Commitments under leases

17.1 OPERATING LEASES

AFBI has an operating lease with DAERA for the land and buildings it occupies. Total future minimum lease payments under operating leases are given in the table below for each of the following periods:

	2016/17 £000	2015/16 £000
Obligations under operating leases comprise:		
Land and buildings		
Not later than one year	5,875	6,079
Later than one year and not later than five years	-	6,079
	5,875	12,158

17.2 FINANCE LEASES

AFBI has no finance lease commitments at the year end.

18. Commitments under PFI contracts

AFBI had no PFI contracts during 2016/17.

19. Other financial commitments

AFBI had no other financial commitments at the year end.

20. Contingent liabilities disclosed under IAS 37

AFBI uses fixed term contracts of employment to support its

core base of permanent staff in order to manage peaks and troughs of work. Fixed term contract employees are entitled to redundancy payments on expiry of their fixed term contract if they have 2 or more years' service, the work that they are undertaking is ceasing and there are no suitable redeployment vacancies. AFBI have reviewed its remaining fixed term contracts and considers that it is unlikely that their expiry will attract redundancy payments either because the underlying posts will still be required or

because a suitable redeployment opportunity will become available.

21. Related-party transactions

GOVERNMENT

The Department of Agriculture, Environment and Rural Affairs (DAERA) is the sponsor department of AFBI with which it had various material transactions during the year and is regarded as a related party. DAERA's executive agencies also had transactions with AFBI.

In addition AFBI had some transactions with other government departments and central government bodies. Most of these transactions have been with Northern Ireland departments and their executive agencies such as DoF (including CPD and Pensions Branch), DCAL, DOE, FSA (NI) and Northern Ireland Water.

CIELIVESTOCK LIMITED (CIEL)

Centres for Agricultural Innovation are a new collaborative model between the agri-tech sector and government. These have been set up to help the UK turn agricultural innovation into commercial opportunities for UK businesses, encourage inward investment and improve farming practice. The government's investment in agri-tech through these centres was demonstrated through initial capital asset funding to provide a sound platform upon which innovative technologies could be developed and built.

It is the government's intention that the centres will improve the economic performance of UK farming through the development and uptake of technologies, knowledge, and practices, will recreate UK leadership in this area by joining-up existing excellence, will resolve challenges that no one part of the sector can address alone and will open up opportunities for transformational change in the sector not possible in previous structures.

On 25 February 2016, AFBI became a Category A member of one of these centres, the Centre for Innovation Excellence in Livestock Limited (CIEL). This is a consortium of research institutes and industry organisations which formed a company limited by

guarantee CIELivestock Limited. Although initially funded by Innovate UK, CIEL has been set up to be an independent, business led organisation supported by subscriptions from industry members and income streams resulting from future innovations.

This membership enabled AFBI to be part of a wider group of highly regarded research bodies, and during 2015/16 and 2016/17 it has enabled AFBI to avail of income from CIEL which it has used to purchase equipment to promote, develop and facilitate the advancement of the UK livestock industry.

In order to drive the formation of the company and ensure its establishment, an interim board was appointed in line with CIEL's articles of association. In that context, an AFBI employee was appointed as a director of the CIEL interim board on 25 February 2016. At the end of the centre establishment phase, the interim board was replaced by a full term board. Accordingly, the employee resigned their position on the interim board on 30 September 2016. During the period of this CIEL directorship the employee was not an AFBI director and therefore not a member of the AFBI Executive Management Team. The employee subsequently became an AFBI director in May 2017 and continues to be involved with this contractual arrangement.

The Grant Funding Agreement (GFA) was signed in February 2016 between the Technology Strategy Board (TSB) - now Innovate UK - and CIEL. This led on to the drafting of an Individual Funding Agreement (IFA) with each of the category A members.

On 18 November 2016 AFBI entered into an IFA with CIEL which documented AFBI's formal financial and governance relationship with CIEL. Included within the IFA is a licence agreement detailing CIEL's rights and obligations as licensee, with regard to their right of access to AFBI assets and DAERA property and their obligation to pay AFBI a licence fee without any deduction or set-off. The amount of the licence fee is determined by the cost of assets purchased using the income from CIEL, but the rights of access that this fee purchases are not limited to access to these particular assets.

Below is a summary of the financial transactions between AFBI and CIEL to date.

In 2015/16 AFBI invoiced CIEL for £500,000 plus VAT. As this was prior to the signing of the IFA and before the underlying assets were purchased, this income was deferred in the 2015/16 financial statements and hence is an opening balance within the 2016/17 financial statements. During 2016/17, £436,460 of assets were purchased using the CIEL income and are reported within AFBI's non-current assets at 31 March 2017 (2016: £nil). In 2016/17 AFBI received £211,652 (2016: £nil) from CIEL reducing the amounts owed by CIEL to AFBI at 31 March 2017 to £388,348 (2016: £600,000).

In March 2017, AFBI issued a pro forma invoice to CIEL in the amount of £1,266,999 plus VAT, with the full agreement of CIEL who requested that the invoice was issued subject to expenditure being completed by 30 June 2017. In relation to this transaction, AFBI subsequently issued VAT invoices



totalling £1,266,999 plus VAT during 2017/18, and the income will be reported in AFBI's financial statements in 2017/18.

OTHER

One previous member of the AFBI Board was employed by an organisation to which AFBI provided scientific research services, Warrenpoint Harbour Authority. During 2016/17 AFBI generated £5k income from

Warrenpoint Harbour Authority (2015/16 £20k). There were no balances owing to or from Warrenpoint Harbour Authority at the end of 2016/17 (2015/16 £nil).

There are a number of AFBI Board members that hold Board appointments in other organisations. During 2016/17: one member of AFBI Board was a Board member of the Food Standards Agency;

one member of AFBI Board member was a Board member of the Ulster Farmers Union.

In addition one AFBI Board member has a shareholding in Lakeland Dairies NI and one AFBI Board member used the commercial Grass Silage Analysis services within AFBI. The transactions that occurred within the financial year and any balances at year end are shown below.

	FOOD STANDARD AGENCY		ULSTER FARMERS UNION	
	2016/17 £	2015/16 £	2016/17 £	2015/16 £
Revenue	321,316	200,590	-	-
Expenditure	-	-	-	750
Net value of transactions	321,316	200,590	-	750
Amount owed to AFBI	100,495	44,920	-	-
Amount owed by AFBI	-	-	-	-
Net balance at year end	100,495	44,920	-	-

	LAKELAND DAIRIES NI		AFBI GRASS SILAGE ANALYSIS SERVICES	
	2016/17 £	2015/16 £	2016/17 £	2015/16 £
Revenue	6,366	60	37	19
Expenditure	-	-	-	-
Net value of transactions	6,366	60	37	19
Amount owed to AFBI	-	-	-	19
Amount owed by AFBI	-	-	-	-
Net balance at year end	-	-	-	19

Other than the above, no board member, key manager or other related party has undertaken any transactions with AFBI, material or otherwise, during the year.

Any other compensation payments issued to the AFBI Board in relation to IAS 19 Employee Benefits are disclosed within the Remuneration Report.

22. Third-party assets

AFBI does not hold any third party assets.

23. Events after the Reporting Period

AFBI does not have any events after the reporting period to disclose.

Date of authorisation for issue

The Accounting Officer authorised these financial statements on 3 October 2018

Report by the Comptroller and Auditor General to the Northern Ireland Assembly

Agri-Food and Biosciences Institute 2016-17

INTRODUCTION

1. This report highlights significant matters arising from my audit of the Agri-Food and Biosciences Institute's (AFBI) financial statements for 2016-17. These matters reflect failures in governance and involve funding from the Centre for Innovation and Excellence in Livestock (CIEL).

BACKGROUND

2. The Agri-Tech Strategy was launched in 2013 by the Department of Business, Energy and Industrial Strategy (BEIS) in Westminster. A key component of the strategy involved the establishment of four Agri-Tech Centres whose primary role was to bridge the gap between industry and academia across the different areas of agriculture. Funding is provided by BEIS to each of the Agri-Tech centres through Innovate UK (IUK), an executive non-departmental public body sponsored by BEIS.
3. CIEL was incorporated as one of the four Agri-Tech Centres in December 2015 as a company limited by guarantee. CIEL is a collaboration between industry, academia and government and its role is to promote and deliver industry-led research to make the livestock sector more efficient, resilient and profitable. AFBI was one of the founder members and shareholders of CIEL.
4. As a 'Category A' member, AFBI is allocated a proportion of the funding from CIEL that is provided by BEIS. There are a number of agreements in place that set out the relationship between the various parties and the various conditions under which the agreements operate.
5. The Individual Funding Agreement (IFA) between AFBI and CIEL stipulated that funding was to be provided for the purchase of new state of the art research equipment across AFBI's dairy, beef, sheep and pig research platform at its Hillsborough research facility. AFBI's allocated share of the funding totalled £3.6 million for the financial years ending 31 March 2016 to 31 March 2019.

AFBI CREATED INVOICES IN ADVANCE OF EXPENDITURE IN ORDER TO SECURE FUNDING

6. During 2015-16 and 2016-17 AFBI made several transactions with CIEL that were not in line with accepted practice in financial management. No eligible assets were purchased by AFBI in 2015-16, but in March 2016 AFBI issued three sales invoices totalling £0.5 million to CIEL. In March 2017, AFBI issued a 'pro-forma'¹ invoice to CIEL totalling £1.267 million, again without eligible expenditure having been incurred.
7. Table 1 summarises the transactions between AFBI and CIEL in 2015-16 and 2016-17. By the end of 2016-17, £1.767 million of allocated funding had been invoiced by AFBI, but only £436,460 of eligible expenditure had been incurred.

¹ A pro forma invoice is an estimated invoice sent by a seller to a buyer in advance of an actual financial transaction, for example, delivery of goods or services.



Table 1: Summary of accounting information provided to CIEL

FINANCIAL YEAR	DATE OF INVOICE	INVOICE TOTAL (£) EXC. VAT	AUTHORISED BY	ELIGIBLE ASSETS PURCHASED BY FINANCIAL YEAR (£)
2015-16	30-03-16	260,000	Chief Executive (1)	Nil
2015-16	30-03-16	180,000	Chief Executive (1)	
2015-16	30-03-16	60,000	Chief Executive (1)	
2016-17	16-03-17	1,267,000 *	Chief Executive (2)	436,460
Total	1,767,000**		436,460	

* Pro-forma Invoices issued by AFBI

** All assets purchased by AFBI utilising the £1.767m funding allocation from CIEL were delivered and available for use by December 2017

(1) Chief Executive in place at 30-03-2016

(2) Chief Executive in place at 16-03-2017

8. AFBI told us that this action was taken in the full knowledge and acceptance of CIEL as the carryover of funding to future years is not allowed by BEIS and allocated funding, if not used in a financial year, would effectively be lost. In fact, the invoices issued in 2016 were seven months in advance of the signing of the funding agreement between CIEL and AFBI.
9. The provision of invoices by AFBI facilitated the drawdown of funding by CIEL that was not compliant with the agreements that were in place and to which there was no entitlement at that time. The use of a pro-forma invoice in this context is particularly concerning. Not only are these instruments outside the accepted practice in public sector accounting and financial management, the use was not reflected in the 2016-17 financial statements and AFBI failed to disclose its existence to my staff over several months during the course of the audit.
10. AFBI did not draw funding from CIEL until eligible expenditure was actually incurred. The invoices were intended to ensure that AFBI would be able to draw down the full budget allocation in future years. What is of most concern is that these actions were taken with the full knowledge of senior management and authorised by AFBI's Chief Executive(s).

THE AGREEMENT WITH CIEL GENERATED A SERIOUS CONFLICT OF INTEREST

11. One officer within AFBI who led the CIEL project was also appointed as a Director of CIEL as a temporary measure during the start-up phase. Nevertheless, it is evident that key decisions were being made at this time in relation to funding arrangements and funding allocations to 'Category A' members that included AFBI.

12. While AFBI recognised that an inherent conflict of interest existed that “presented a significant risk to AFBI”, no declaration of a conflict was made formally. Neither is it clear what safeguards, if any, were put in place to mitigate the conflict. When the Directors of CIEL were replaced by a new Board, this officer continued to play a key role within AFBI on CIEL related matters.

ACTIONS TAKEN BY AFBI

13. AFBI told us that the arrangement entered into with CIEL and IUK was a new way of working for AFBI, but that lessons would be learned in relation to areas of governance, accounting, reporting and monitoring in order to ensure that the standards laid out in Managing Public Money NI are fully met as a Non-Departmental Public Body.
14. A number of actions have been identified by AFBI to ensure that similar issues do not arise in the future:-
- Governance - An internal project board has been set up that will be chaired by a non-executive Board member with the relevant skills to ensure adequate oversight of this and similar projects. The first meeting of this new Board took place in April 2018.
 - Financial Accounting & Reporting - AFBI told us that the use of pro-forma invoices has stopped with immediate effect and future VAT invoices will only issue when accompanied by a supporting claim for assets purchased and will be subject to an approvals process agreed with DAERA.
 - Resourcing - Resources in the finance team will be increased as existing resources have been significantly stretched with vacant posts being filled where possible on a temporary basis.
 - Training – AFBI will assess whether any further governance and financial training should be undertaken.

CONFLICT OF INTEREST

15. AFBI told us that the appointment of an AFBI employee as a director of the CIEL board on 25 February 2016 was an interim measure to ensure that AFBI was properly represented. While this conflict was known to all parties to the agreement, AFBI accepts that additional measures should have been established to manage the conflict arising from the employee’s interim position on the CIEL Board.
16. A revised Conflicts of Interest policy was implemented in line with recognised best practice on 15 September 2016. AFBI told us that staff will be reminded to complete conflict of interest returns. A review of monitoring arrangements will be conducted to ensure that all registers of interests are maintained and reviewed to ensure any issues arising are highlighted and additional measures established if necessary.

EMBEDDING LESSONS LEARNED - BOARD OVERSIGHT & INTERNAL AUDIT

17. AFBI will seek the services of internal audit to assist in the review of the issues raised in the Governance Statement and in this Report to ensure that any changes are made in line with best practice. Reports from internal audit are reported to and monitored by the AFBI Audit & Risk Assurance Committee and will also be reported to the Board. AFBI is also working closely with DAERA to provide assurance on the actions taken.




CONCLUSIONS

18. My report raises a number of significant matters involving funding from CIEL. In my view, these matters represent evidence of behaviour and standards that fall far short of those a public sector body should display. In particular, they demonstrate a fundamental disregard for the principles of public sector accounting and financial management within Managing Public Money NI and a lack of understanding of the role and responsibilities of the Accounting Officer.
19. AFBI has identified a number of actions to ensure that the matters raised in this report do not occur again in the future. I will keep this under review in the coming year.

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**Scientific excellence in Northern Ireland...
...serving the world**

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