



Minutes of the meeting of the Agri-Food and Biosciences Institute Board
held at
The Agriculture and Food Science Centre, Newforge Lane
on Wednesday 15 November 2006 at 10.00 am

Present:

Board Members

Mr Sean Hogan, Chairperson
Mr Kieran Campbell
Dr Michael Hollywood
Dr Christine Kennedy
Mr Nicholas Mack
Mr John McKinley
Professor Stewart McNulty
Professor Grace Mulcahy
Mr James Noble
Mr John Rankin
Mr Michael Walker

In attendance: Dr George McIlroy, Chief Executive
Dr Michael Camlin, DCEO
Dr Seamus Kennedy, DCEO
Dr Sydney Neill, DCEO
Dr Robin Boyd, Head of Chief Executive's Office
Mr Stephen Dolan, Head of Business Support Unit
Mr Manus McGuinness (Secretary)

Apologies : Professor David McDowell
Mr Jim Stewart

1. Minutes of the meeting held on 18 October 2006

The minutes of the meeting held on 18 October 2006 were agreed subject to the following change:

at 5.1.2 the phrase "*and accepted the position that there could be an end-year deficit of £1.1m if the matter was not resolved*", should be replaced by:

"Despite AFBI's considerable efforts to make savings, a potential deficit of £1.1m may arise. This situation is due to underfunding of AFBI by DARD. AFBI will continue to request the additional funding from DARD."

2. Matters arising

2.1 VAT (5.1.3)

A Board member raised concerns about personal liability arising from the Board's decision that DARD/DFP must find the resources to meet the estimated shortfall in VAT and that it should not be met within the AFBI budget. The Chairman and Chief Executive reassured the member that there was no potential for personal liability to arise. Such liability only applied where recklessness or negligence was involved. The Board's decision on VAT was reached after appropriate consideration of the situation and within the context of DARD having already recognised the Department's liability in this area by already providing additional funding to partly meet the overall shortfall on VAT.

In a general discussion about the VAT issue Mr Hogan said that contact had been made with the DARD Permanent Secretary and a meeting was being arranged. VAT would be one of the issues on the agenda. He hoped to be able to report back on a positive outcome to the meeting. Mr Dolan said that he would be meeting a VAT “*expert*” from Deloitte and Touche that afternoon. Discussions will cover issues such as legality of the DARD/DFP actions, calculation of the VAT liability and clarification of the appropriate AFBI services for charging VAT. Dr McIlroy reminded members that DARD had already allocated £1.2m for VAT on the grounds that we could not find the resources to meet that amount. In conclusion, the Board recognised the ongoing action being taken to seek to resolve the VAT issue.

2.2 REAP Meeting (3.2)

Dr McIlroy reported that he had spoken to the DARD Permanent Secretary who was content that the AFBI Board and REAP should meet. He had then discussed with Dr Alan Lennon who was very pleased at the prospect of the two bodies meeting. The mechanics of a meeting have to be worked out and this will be taken forward in a note to the Sponsor Branch.

3. Report from Chief Executive’s Office (CEO)

3.1 Management Statement and Financial Memorandum (MSFM)

Dr Boyd reported that the MSFM had finally been approved by DFP. His initial scrutiny of the final document revealed only minor changes to the draft considered by the Board in April. These were mainly concerned with approvals and did not appear to be significant or beyond the norm. A copy of the approved document, highlighting the changes, would be sent to members shortly and it will be tabled for Board approval at the December meeting.

3.2 Research & Development Contracts

Dr Boyd reported that AFBI had joined the British Agri-Food Consortium (BAC) which would provide another outlet for generating research business. He had visited the Punjab in India the previous week and he saw this as a region with good prospects for significant contracted work by AFBI, via the BAC. Dr Boyd will give a more detailed report on this visit at a future meeting.

4. Report from Business Support Unit (BSU)

4.1 Finance

Mr Dolan outlined some amendments to the finance table which had been circulated to members prior to the meeting. A bid of £400k had been received for Animal Health work and the surplus on salaries should be £600k. The effect of these changes is an overall projected deficit of £1.1 million as in the previous finance report. VAT remained the key budget issue. If the bid on this was met, AFBI should be on target to balance expenditure and budget. Ongoing work on the VAT figures to clarify the quantum of the problem was likely to reduce the VAT shortfall. Mr Dolan explained that the Board was receiving the financial report at a summary level. A lot of work was going on at ground level to manage the budget deficit. For example, ongoing discussions with Divisional managers, strict controls on expenditure, freeze on recruitment of non-essential posts.

4.2 Risk Management

Mr Dolan alerted the Board to an increased risk to the TSE new build Laboratory project due to uncertainties on the £1.3m capital bid. Although this is an AFBI project, the capital budget is held by DARD. In an effort to make best use of existing DARD capital provision, AFBI has proposed reprofiling of expenditure from another project in the December monitoring round.

4.3 Internal Audit Services

Mr Dolan reported that he had received a number of draft documents from the new Internal Auditors – Terms of Reference for the audit programme and a 3-year Audit Strategy. These included a review of risk management procedures. He was confident of being able to provide the Board with significant assurance on audit matters in January.

4.4 Recruitment

Mr Dolan reported that shortlisting of applications for the essential AFBI posts was taking place. An issue relating to achieving balanced selection panels was being addressed.

4.5 **Pension Matters**

Mr Dolan updated members on developments. He has been in correspondence with DARD, NILGOSC and GAD on various issues and information gathering. Liability is the key issue – while the financial liability is accounted for in the AFBI balance sheet, DARD holds the resources. It is hoped that a positive statement on resolution of the issue can be made in January.

5. **Audit Committee meeting on 24 October 2006**

5.1 Dr Hollywood referred members to his note and draft minutes of the Audit Committee meeting held on 24 October 2004. The issues on risk management and pensions had already been discussed and Dr Hollywood highlighted two other matters raised in his note.

5.1.1 NIAO Report

A Northern Ireland Audit Office report on non compliance with procurement rules by VSD will be published and will be accompanied by a press release. Dr Hollywood was satisfied that this will not be an ongoing issue.

5.1.2 Finance Sub-Committee

Budget management is not part of the Audit Committee terms of reference and there had been some discussion in the Committee about the pros and cons of setting up a Finance Sub-Committee to undertake a more detailed review of budget and finance matters. He had discussed the issue with Mr Hogan and they had agreed to await developments on Internal Audit activity on budget matters before making a decision on a Finance Sub-Committee.

5.2 Mr Hogan welcomed the Audit Committee report and its comprehensive and in-depth consideration of the issues. He was reluctant to set up another level of scrutiny, particularly one which might duplicate the work of the Internal Auditors. He envisaged an arrangement where Internal Audit would challenge the budget figures and proposals and would report on this to the Audit Committee who would, in turn, come to the Board with the appropriate assurances or concerns.

5.3 **CSR 2007-08**

In response to a question about the 48 hours deadline for return of the Comprehensive Spending Review forms (2.1.4 of the Audit Committee minutes), Mr Dolan explained that this had been a DARD internal deadline. The actual timescale for returns was two weeks.

6. Any other business

6.1 Dates for Board Meetings 2007

Mr Hogan asked members to note their diaries for the dates of Board meetings in 2007 which had been circulated prior to the meeting. These were timed for the 3rd Wednesday in the month, as last year. In discussion it was agreed that there could be some flexibility around the dates in light of other events, holiday periods or profile of business. Changes, if needed, would be made nearer the date. It was also recognised that members could have other previous or unavoidable commitments.

6.2 Board Minutes on the Intranet

Mr Hogan advised members that the Board minutes would be placed on the AFBI Intranet. In response to a comment on the need to be careful in writing and agreeing the minutes, Mr Hogan said that the minutes published would be the final version approved by the Board at a subsequent meeting.

7. Date of next meeting

The next meeting will be held at 10.00 am on Wednesday 20 December 2006 at AFBI Hillsborough.

Signed: _____
(Chairperson)

Date: _____