

Report of the Comptroller and Auditor General to the House of Commons

The Animal Health and Veterinary Laboratories Agency Accounts 2011-12

Introduction

1 The Animal Health and Veterinary Laboratories Agency (the Agency) is an executive agency of the Department for Environment, Food and Rural Affairs (Defra) and was established on 1 April 2011, as a merger of Animal Health (AH) and Veterinary Laboratories Agency (VLA). Defra's Advice Services Team also transferred to the new Agency at the same time. The role of the Agency is to help safeguard animal health and welfare as well as public health, protect the economy and enhance food security through research, surveillance and inspection.

Purpose of Report

2 The financial statements on the following pages represent the results of the Agency for the period from 1 April 2011 to 31 March 2012. I have qualified my opinion on the financial statements as the agency was unable to provide me with sufficient evidence to support the Agency's income transaction streams. This report explains the reasons for the qualification.

Limitation of scope in respect of income

3 Note 3 to the financial statements reports income of £215.58 million (2010-11: £230.43 million). The Agency has been unable to provide evidence to fully support income totaling £17.6 million, which relates to animal health income from Defra and the devolved administrations. I have therefore limited the scope of my audit opinion in respect of the accuracy, occurrence and completeness of this income.

Explanation for limitation of scope

4 The accounting records of Animal Health and VLA have been maintained on separate financial systems throughout 2011-12, and were combined to produce the Agency's financial statements for 2011-12. To consolidate the two organisations on an appropriate and consistent basis, common accounting policies were adopted, and these included a change to the accounting policy for the recognition of income for the former Animal Health.

5 As a consequence, Animal Health was required to raise invoices to support the income earned from services to its sponsor department, DEFRA and the devolved administrations in Wales, Scotland and Northern Ireland. The Agency should have retained sufficient information to support the charges raised and to confirm that they were complete and accurate.

6 Records of the invoices issued by the Agency are held within the Agency's headquarters. The information to support the charges made are held locally by the teams undertaking the work. For two Animal Health related income transaction streams, totaling £17.57 million, the Agency was unable to provide me with sufficient evidence to support the validity and completeness of the invoices raised. My testing of issued invoices found that, in some cases, the supporting spreadsheets or databases had either not been retained or did not agree to the details on the invoice. The Agency was not able

to provide alternative evidence and no other audit procedures were available to me to obtain this assurance. I have therefore limited the scope of my opinion on financial statements in respect of this £17.57 million of income.

Actions to be taken by the Agency

7 The Agency faces a significant challenge to align and harmonise financial systems across Animal Health and VLA. On 1st April 2012, VLA's general and sales ledgers were transferred to Defra's Shared Service Directorate (SSD). During 2012-13 AHVLA will continue to transfer the VLA Human Resources, Non-Current Assets and Finance functions to SSD.

8 In relation to income, the Agency acknowledges that it has been unable to provide sufficient evidence to support the two Animal Health income streams and has begun to put processes in place to ensure that it maintains and retains supporting records for income transactions. Initial steps have been taken to remind staff not to delete transaction information. Where data is stored on spreadsheets and databases a final version must be saved and retained at the point of invoicing. A workshop is planned in the summer of 2012 to review and appraise the transaction related information. The longer term aim is to centralise data and move transaction records onto SAM – the Agency's bespoke IT system for recording Animal Health activity. The AHVLA finance team is also planning to perform a review of transactions for the first quarter of 2012-13 to ensure that sufficient records exist to support amounts invoiced.

9 All government entities have a duty to maintain and retain records to support financial transactions. It is vital that AHVLA remedies the weaknesses in its financial systems following the merger, to ensure adequate records are in place and avoid future qualification.

Amyas C E Morse
Comptroller and Auditor General

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National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP