DEFRA MINISTERIAL DIRECTION

As you will be aware, Defra's Permanent Secretary has sought and received a Ministerial direction to spend £16 million on the Department's EU exit-related programme in advance of Royal Assent of the EU (Withdrawal) Bill. The direction was sought in line with the requirements set out by HM Treasury as the Department does not have statutory cover for the expenditure.

A Written Ministerial Statement was issued on 12 October by the Chief Secretary to the Treasury which detailed the approach that departments should take in respect of EU Exit related expenditure. The statement made clear that departments should be able to spend on EU Exit as required, where not doing so would jeopardise their readiness.

HM Treasury's Managing Public Money (MPM) states that expenditure on new services must rest on specific legislation. However, in order not to put readiness for Exit at risk, the Written Ministerial Statement acknowledged the potential need for ministers to spend outside this framework and in advance of Royal Assent for the EU (Withdrawal) Bill.

The letter from Defra's Permanent Secretary requesting the Ministerial Direction sets out six aspects of Defra's EU Exit programme for which they currently do not have specific statutory authority. I have not yet examined the amounts requested in detail, but I recognise these activities as key components of Defra's EU Exit programme and necessary to ensure that the Department is adequately prepared for EU Exit. I can confirm that the Permanent Secretary and the Secretary of State, in his reply, have followed the appropriate procedures required under MPM.

Expenditure incurred without specific statutory authority would normally be considered irregular. However, my current consideration is that these items are not material by their value or by their context. I am therefore not expecting to modify my opinion in respect of this expenditure at this stage. However, during the course of my audit I will review the nature of the expenditure incurred to ensure that it follows that described in the Permanent Secretary's request. I will provide my formal consideration as part of my audit of Defra's 2017-18 financial statements.

The Department will be required to fully disclose the existence of the Ministerial Direction in the 2017-18 Annual Report and Accounts as per the requirements of MPM. I will also expect the Department to adequately explain the nature of the expenditure to ensure this is clearly understandable to the users of the account.

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