

Minutes of the Office for Budget Responsibility Oversight Board and Audit Committee – 28 May 2012, 10.00 – 13.00.

Oversight Board

Attending

Members: Lord Burns (Chair), Kate Barker, Robert Chote, Graham Parker, Steve Nickell

Tom Josephs (Secretary)

1. Board process

1. The Board agreed to expand the detail of discussions provided in the minutes, generally on a non-attributed basis, and to discuss the risk register at the main Board meeting rather than the Audit Committee as recommended by the internal auditors.

2. Update on OBR activity

2. The Board discussed a summary of the OBR's recent outputs, stakeholder engagement, management issues and upcoming priorities presented by the BRC. The following points were raised:
 - the OBR had produced its first forecasts of Scottish taxes alongside the March *Economic and fiscal outlook* (EFO). This had been successful and working relationships with the Scottish Government were positive. The OBR would continue to monitor the pressure on resources that devolution related work was creating, but it was currently felt to be manageable;
 - the non-executive members asked to attend subsequent meetings of the OBR's advisory panel of experts. The April 2012 meeting had generated a very useful discussion of technical issues relevant to the OBR's work; and
 - the proposed working paper on the deterioration in the public finances as a result of the financial crisis was potentially a very useful piece of analysis. The assessment of the structural component of the deterioration would be particularly interesting.

3. Stakeholder survey

3. The Board discussed a paper summarising the results of the OBR's stakeholder survey. The following points were made:
 - the quality and level of detail in the answers provided by many respondents was high and provided a very useful set of views to reflect on;
 - it was reassuring that all those who responded were confident in the OBR's independence from Government;
 - some respondents had commented that the EFO document was too long, though a number of others valued the detail and transparency provided. Some repetition of material could be removed without losing detail. The profile of the stand alone executive summary document could be raised – for example by increasing its prominence on the website;
 - the feedback on the first Fiscal sustainability report was generally very positive and suggested that the general approach and structure of the report should be continued in this year's edition; and
 - the data charts and tables provided on the website were highly valued by a number of respondents. The formatting of these could be improved and developed to allow for easier use in presentations.

4. Pay remit

4. The Board discussed a paper summarising the OBR's proposed 2012-13 staff pay remit. The following points were raised:
 - the proposed strategy involves introducing greater flexibility to pay structures while remaining within the overall 1% civil service pay increase limit. This should help in providing the OBR with greater flexibility to deal with future recruitment and retention issues.
 - longer term the OBR would want to at least match pay increases in civil service departments such as the Treasury. If this risked putting pressure on the OBR's overall budget then it should be discussed with the Treasury.
5. In conclusion, the Board endorsed the strategy proposed in the paper.

5. OBR finances (Mark Dembowicz (OBR financial manager) and Liz Corrin (OBR financial adviser) attended for remainder of meeting).

6. The Board discussed a paper from staff summarising the OBR's 2011-12 budget and projections for 2012-13 to 2014-15. The following points were raised:
 - the OBR had underspent this year on non-pay costs. As it was the first full year of operation a contingency had been set aside to deal with unexpected non-pay costs which was not all used;
 - projecting this new non-pay baseline forward flat in real terms should allow the OBR to live within its budget to 2014-15 at current staffing levels; and
 - HM Treasury had agreed to cover any additional costs from the upcoming rent review which represented the main risk to the OBR's budget.
7. In conclusion the Board endorsed the budget strategy proposed in the paper.

5. Annual report and business plan

8. The Board discussed the draft annual report and accounts and the business plan prepared by staff. The following points were raised:
 - The report should emphasise that the maintenance of modelling infrastructure and expertise is a risk that OBR management should focus on. It was noted that the OBR and Treasury have agreed to develop an enhanced governance structure and service level agreement to cover the shared macroeconomic model. This would be presented to the Board for review at the next meeting.
 - The OBR had underspent on its staff training budget and should aim to encourage staff to take-up relevant and good quality training opportunities this year.
 - The main issues highlighted in the end-year accounts were the level of cash balances and some small accruals adjustments. Neither was seen as a significant issue but an enhanced process for managing the cash balance had been introduced.
9. In conclusion the Board endorsed the Annual Report and Accounts and the Business plan subject to the changes above and some smaller drafting suggestions. Specifically, the Board endorsed the Governance Statement and agreed with the assessment that the OBR's Corporate Governance structure was consistent with the principles set out in *Corporate governance in central government departments: code of good practice*.

6. Risk register

10. The Board discussed the risk register prepared by staff. The following points were raised:

- The risk register had been amended in line with the recommendations of the internal auditors to provide more detail on timing and links to business objectives.
- Immediate risks around the loss of key staff had been addressed but this would be an ongoing issue given the small size of the organisation. The OBR should engage with the UK macroeconomic forecasting community to consider how to promote the development of economists with the necessary technical skill. It was noted that there are fewer macroeconomic forecasters in the UK than in the past and that therefore the OBR should consider the effect of the potentially limited pool of experience in this technical area of its work.
- Risks around the perception of independence were generally seen to have diminished. However, it was important not to become complacent on this issue.
- The internal auditors would be asked to look at the OBR's forecast data and record-keeping systems in 2012-13.
- The risks around transporting laptops for home-working were seen to be low as they are protected with Government standard security. But it was important to remain vigilant on the risks related to the loss or leak of confidential information, in particular around document handling and emailing outside the secure network.

Audit Committee

Attending

Members: Lord Burns, Kate Barker (Chair)
Robert Chote (Chair of OBR), Tom Josephs (Secretary), Mark Dembowicz (OBR finance manager), Liz Corrin (OBR financial adviser), James Ferris and Steve Corbishley (NAO), Sarah Thompson and Pirjo Shaer (Internal Audit)

1. Internal audit

11. The internal auditors presented the conclusions of their report. Overall the report was positive and had found that the financial management, business continuity and risk management systems that had been created in the OBR's first full year of operation were generally sound. The recommendations were generally focused on formalising these processes.

12. The OBR staff confirmed that they agreed with the recommendations and had started to implement them.
13. Internal audit confirmed that they would not be directly charging the OBR for their services this year as the costs were minimal.
14. The Audit Committee endorsed the report and thanked the internal auditors for their work

2. National Audit Office

15. The NAO ran through their Audit Completion Report and Letter of Management Representation and confirmed that they would be in a position to recommend that the Comptroller and Auditor General give a clear audit opinion. They identified risks around cash management, processing of staff leavers and the process for producing the end of year accounts, and set out recommendations to improve processes in these areas.
16. OBR staff agreed with the recommendations made. The audit process had been more resource intensive than expected for staff. It was agreed that in part this was because it was the OBR's first full year of operation and first audit and the need to understand what was required and necessary for the completion of a set of financial statements. It was agreed that the process should be less intensive in future years.
17. The Audit Committee confirmed that it had signed off the end of year accounts in the Annual Report and given the necessary assurances to the Accounting Officer.
18. In conclusion the Audit Committee endorsed the Report and thanked the NAO for their work.