



## Minutes of the Office for Budget Responsibility Oversight Board and Audit Committee – 13 May 2013, 12.30 – 15.00.

### Oversight Board

#### Attending

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

Andy King (incoming Head of Staff)

Tom Pybus (Secretary)

### 1. Risk register

1. The Board discussed the latest OBR risk register. The following points were made:
  - the list of key risks set out in the register is broadly unchanged and is likely to remain so for the foreseeable future. Nevertheless the risk register should be reviewed regularly and include a designated review date;
  - the register has been updated to recognise the risks around the use of a shared-drive system to store data, as identified by the internal auditors. Work is currently underway to address these risks by locking down records related to previous forecasts; and
  - it may be worth recording the destination of leaving staff.

### 2. Update on OBR activity

2. The Board discussed a summary of the OBR's recent outputs, stakeholder engagement, management issues and upcoming priorities. The following issues were discussed:
  - the latest *Economic and Fiscal Outlook* was published on the 20<sup>th</sup> March. Presentation of the fiscal forecast was complicated by a number of one-off transactions. The March *EFO* also included an updated assessment and estimate of departmental underspends;
  - alongside the March *EFO* the OBR published an updated forecast of Scottish tax receipts;

- the Chair had delivered presentations to the Oxford Institute for Economic Policy and Institute of Actuaries; and
- over the next few months activities will include the publication of the *2012-13 Annual Report and Accounts* and the third *Fiscal Sustainability Report*. Other ongoing work includes an analysis of the deterioration of the public finances over the financial crisis and production of a full set of explanatory notes for the macroeconomic model.

### 3. Five-year review

3. The Board discussed the review of the OBR's performance that the non-executives are required to commission once in every five years. The following points were made:
  - the legislation stipulates that the non-executives must "appoint a person or body to review and report on such of the Office's reports" as they determine. The scope of the review should cover all matters relating to the preparation of the OBR's reports, including issues of process, resources and interaction with government. However, this review would not be expected to cover wider questions around the OBR's remit; and
  - a possible date for the review is summer 2014. The non-executives will explore options with regards to funding and personnel.

### 4. Pay remit

4. The Board discussed a paper summarising the OBR's proposed 2013-14 pay remit. The following points were made:
  - the proposed strategy involves a similar pay award to 2012-13, such that the increase in total remuneration costs does not exceed the 1 per cent limit for the civil service; and
  - recruitment and retention issues had been partly addressed by the greater flexibility in pay structures. Over the longer term there may still be risks around recruiting and retaining staff with specialist skills, particularly from outside the civil service.
5. In conclusion, the Board endorsed the strategy proposed in the paper.

**5. OBR finances** (Andy Ginever (OBR financial manager) and Liz Corrin (OBR financial adviser) also attended).

6. The Board discussed a paper from staff summarising the OBR's 2012-13 budget and projections for 2013-14 to 2014-15. The following points were discussed:

- there was an underspend of around £45,000 in 2012-13. HMT Group finance have allowed this underspend to be carried forward to 2013-14. This has allowed the OBR to retain an additional temporary staff position for a further year;
- the latest projections suggested a small shortfall against budget in 2014-15. This could be mitigated through further use of carry-forward, further non-pay savings or by not extending the temporary staff position for a further year; and
- discussions have opened with HMT on the budget for 2015-16.

**6. Annual report** (Andy Ginever (OBR financial manager), Liz Corrin (OBR financial adviser) Steven Corbishley (NAO), Tasnim Mustafa (NAO) also attended)

7. The Board discussed the draft annual report and accounts and the business plan prepared by staff. The following points were discussed:

- as agreed, the structure of the 2012-13 annual report was the same as that used for the 2011-12 report; and
- the Board reviewed the OBR's governance arrangements, including the frequency, operation and content of Board meetings. It was agreed that these were effective and that this be reflected in the Governance Statement.

8. In conclusion the Board endorsed the Annual Report and the Business plan subject to the changes above and some smaller drafting suggestions.

## **Audit Committee**

### Attending

Members: Lord Burns, Kate Barker (Chair)  
Robert Chote (Chair of OBR), Andy King (incoming Head of Staff), Tom Pybus (Secretary), Andy Ginever (OBR finance manager), Liz Corrin (OBR financial adviser), Steven Corbishley (NAO), Tasnim Mustafa (NAO), Sarah Thompson (Internal Audit), Pirjo Shaer (Internal Audit)

### **1. Internal audit**

9. The internal auditors presented the conclusions of their progress report. The following points were made:
- this included their 2012/13 'annual opinion' that, overall, the adequacy and effectiveness of OBR's risk management, control and governance processes was positive and that the audits performed since 2011-12 had provided substantial assurance. A number of recommendations relating to risk management or control processes had been made and actions had been taken or were planned to address these;
  - there are two outstanding recommendations from the 2012-13 internal audits. It was noted by OBR management that one of these should now be able to be closed and it was agreed that evidence of action would be supplied to Internal Audit. Regarding the other, which relates to the development of a formal records management policy, work is underway to address this and should be completed by September 2013;
  - the proposed internal audit plan for 2013-14 was discussed, which includes an audit of the OBR's Human Resources systems. The recent cross-departmental review of the quality assurance of analytical models was discussed. Due to other work completed it was felt not to be necessary to include the OBR's macroeconomic model in the audit plan. However, other parts of the forecasting infrastructure, such as the public finances spreadsheets, could be considered for a review. Internal audit will come back to the next Audit Committee with a proposal for discussion; and
  - there was some discussion of the OBR's whistle-blowing policy. It was suggested that this be circulated to staff at regular intervals.

### **2. National Audit Office**

10. The NAO presented their Audit Completion Report and Letter of Management Representation. The following points were made:

- the audit work is substantially complete and the NAO confirmed that they anticipate certifying the 2012-13 financial statements with an unqualified audit opinion;
- the audit did not find any significant risks; and
- the audit made recommendations relating to cash management, royalty income, register of interests and accruals/fixed asset thresholds. OBR staff agreed with the recommendations made.

11. As stipulated in their report, the NAO are required to enquire about the OBR's assessment and response to the risk that the accounts may be misstated as a result of fraud. The following points were made:

- the segregation of payment duties between the OBR finance manager and HMT finance services provided assurance that internal controls were in place to mitigate fraud risks;
- that management had communicated to OBR staff policies and procedures on fraud by means of formal fraud training; and
- the Audit Committee had no knowledge of actual or suspected instances of non-compliance with relevant laws and regulations.

12. In conclusion 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.