

Minutes of the Office for Budget Responsibility Oversight Board and Audit Committee
– 25 June 2015, 10.00-13.00

Oversight Board

Attending

Members: Lord Burns (Chair), Dame Kate Barker, Robert Chote, Graham Parker CBE, Sir Stephen Nickell, Andy King (Board Secretary), Mark Dembowicz

1. Procedures

The board reviewed and discussed the risk register. The Board also agreed that Lord Burns should continue as Chair of the Oversight Board, following his re-appointment as a non-executive member of the Office.

2. Update on OBR activity

The Board discussed a summary of the OBR's recent outputs, stakeholder engagement, management issues and upcoming priorities. The following issues were discussed:

- The publication of the March 2015 *Economic and fiscal outlook* was the last forecast of the previous Parliament and the Coalition Government. The process ran smoothly with all the departments we work with to deliver the forecast. Our description of the implied path for real growth in current departmental spending as a 'rollercoaster' had generated considerable media coverage.
- Publication of the second *Welfare trends report* and the fifth *Fiscal sustainability report*. Both reports were published earlier than usual in order to allow time for the additional Budget forecast following the General Election. The *WTR* contained a new chapter on international comparisons. The *FSR* contained big downward revisions to long-term revenue projections for the UK oil and gas industry. The main source of media interest had been the read-across to the Chancellor's Mansion House speech – which committed to running a budget surplus in normal times – from the long-term projection that on unchanged policy demographic pressures on age-related spending would push the budget back into deficit in the mid-2020s.

2. Pay remit

The Board discussed a paper summarising the OBR's proposed 2015-16 pay remit. The following points were made:

- the ongoing strictures of the Cabinet Office guidance limiting average basic pay increases across the civil service to 1 per cent meant that in a small organisation like the OBR it was appropriate to award all staff the same basic pay award; and
- recruitment and retention of specialist staff given the limited overall staff pay budget would remain a continuing challenge.

The Board approved the proposed pay remit.

3. HM Treasury review

The Board discussed the recent announcement that HM Treasury would carry out a review of the OBR, led by Sir Dave Ramsden. The review's terms of reference are to:

- assess the effectiveness of the OBR in enhancing UK fiscal credibility; and
- in light of this assessment and the findings of the External Review of the OBR published in September 2014, consider what further steps should be taken to enhance fiscal credibility.

The Board and OBR staff would be engaging with the review team over the coming weeks, as requested by the reviewers. Its remit is somewhat broader than that of the External Review, covering also the OBR's statutory remit and resources.

4. Finances and accounts

The Board discussed the financial position at the end of 2014-15, which showed an underspend of £88,000. That underspend has been carried forward to 2015-16 via the Budget Exchange process.

Steve Young and Tom Hughes (NAO) attended for item 5.

5. Annual report and accounts

The Board made some amendments to the draft Annual report and Accounts and approved the accounts and report for publication.

Audit Committee

Attending

Members: Lord Burns, Kate Barker (Chair), Robert Chote, Mark Dembowicz (Acting Secretary), Andy Ginever (OBR financial manager) Kate Ivers (OBR financial adviser), Steve Young, Tom Hughes (NAO), Neil Chapman (GIAA).

1. NAO Audit Completion Report

The NAO presented the Audit Report, which was considered and agreed by the Audit Committee. The Audit Committee was invited to:

- Review the findings set out in the report, including the letters of representation and audit certificate;
- Consider whether the unadjusted misstatements should be corrected.

The Committee concluded that the unadjusted misstatements should not be corrected as the value was immaterial to the accounts.

2. Internal audit progress report and plan for 2015-16

The Government Internal Audit Agency presented the Internal Audit Report for 2014-15. The following points were discussed:

- the progress report included the internal audit 2014-15 'annual opinion' providing reasonable assurance on the adequacy and effectiveness of the OBR's framework of governance, risk management, and control;
- the Audit Committee requested extra information on how the audit opinion had been reached; and
- the internal audit of the OBR's key spreadsheets has some outstanding actions, which have been postponed as a result of the extra forecast which has been undertaken alongside the Government's 8 July Summer Budget.

The Committee reviewed the internal audit plan for 2015-16 and agreed to focus on information and knowledge management.