

Minutes of the Office for Budget Responsibility Oversight Board and Audit Committee
– 19 January 2016, 10.00-12.30

Oversight Board

Attending

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

1. Procedures

The Board reviewed and discussed the risk register, noting minor changes since the last meeting. The risk register was due to be subject to a comprehensive review as part of this meeting following the OBR's SR15 budget settlement (which was being taken forward as part of the Treasury Group budget allocation process). As the settlement had not yet been finalised, the Board agreed to postpone the review of the risk register until the next meeting.

Ahead of that review, the Board agreed to add further detail on the risk of any potential erosion of perceived independence from Government, following the email exchanges published in The Times in September 2015 after a Freedom of Information release by the Treasury. The Board agreed to update the Oversight Board Terms of Reference to include the new process that was put in place ahead of the November 2015 *Economic and fiscal outlook* whereby the non-executive members will systematically review email correspondence between the OBR and Government departments immediately after each forecast.

2. Update on OBR activity

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

1. Our fifth *Forecast evaluation report (FER)*, which looks at the performance of our forecasts relative to the latest outturn data and explains the differences, was published in October 2015. In the latest *FER*, we identified a systematic modelling error in the VAT forecast and pre-announced an estimate of the potential size of the correction that would be incorporated into the next forecast (in November 2015). We also introduced a framework for assessing the performance of our fiscal forecasting models, consistent with the recommendation of the Ramsden Review of the OBR;

2. The November 2015 *Economic and fiscal outlook (EFO)*, our fourth forecast in 12 months, had been delivered successfully. The main focus from external stakeholders was that our forecasting and modelling changes led to a cumulative reduction in the underlying deficit of £27 billion over 5 years, which was interpreted as a significant boost to the Treasury. We have emphasised – for example in the Chairman’s opening statement at a recent hearing at the Scottish Finance Committee – that this was a relatively small revision to the forecast. The Board noted the difficulty in communicating forecast changes when they are perceived as particularly positive or negative for the Treasury. The November 2015 *EFO* contained our assessment of the Government’s performance against its new fiscal rules for the first time, and showed that the Government had breached its welfare cap for the first time;
3. Progress and plans for the delivery of the Ramsden Review recommendations, in light of the uncertainty over our budget in future years;
4. Interactions with departments and external stakeholders, including recent correspondence with the Treasury Select Committee in relation to email exchanges between the OBR and Treasury ahead of Autumn Statement 2014;
5. Staffing, budget and office management issues, including the process for our budget allocation for 2016-17 onwards. The Board also discussed the launch of the new website and agreed that all FOI responses should be published;
6. The new guidelines for the publication of our Annual Report and Accounts, including agreement on the processes to be adopted for gathering assurance from staff and external stakeholders on our performance. The Ramsden Review had undertaken extensive engagement with our main stakeholders, which the Board was content to draw on this year rather than risk over-burdening stakeholders with a further survey of views.

Audit Committee

Attending

Members: Lord Burns, Kate Barker (Chair), Robert Chote, Andy King (Board Secretary), Mark Dembowicz, Kate Ivers (OBR financial adviser), Scott Dore, Tom Hughes (NAO), Neil Chapman (Government Internal Audit Agency).

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

The GIAA presented a progress report for the internal audit – on knowledge and information management – which is currently underway. Conclusions would be presented at the next Audit Committee meeting. All outstanding actions on previous audits had been implemented. The Committee discussed options for internal audit for

2016-17, which we will return to later in the year. Future audit plans will depend on the outcome of the office relocation that will take place this year.

2. NAO Audit Planning Report

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

- Whether the NAO's assessment of the risks of material misstatement to the financial statements is complete;
- The proposed audit plan; and
- Whether the financial statements could be materially misstated due to fraud, and communicate any areas of concern to management and the audit team.

The Committee concluded that the risks of misstatement are minimal and unchanged since last year and agreed the audit plan. The Committee also discussed the potential implications of the timing of the upcoming relocation on our finances and accounts.