

Minutes of the Office for Budget Responsibility Oversight Board and Audit Committee
– 19 May 2014, 10.00-12.30

Oversight Board

Attending

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

1. Update on OBR activity

1. 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:
 - the March 2014 *Economic and fiscal outlook*. Processes had generally run smoothly, including new processes involved in setting the 'welfare cap'. One exception was the Government's inclusion in the Budget of a policy announcement that had not been submitted to the OBR in time to be taken through the scrutiny and certification process;
 - the implications of the new welfare cap for the OBR's operations, in particular the challenges that might be posed by the Government's request that the OBR distinguish between policy-driven and forecast-driven changes to welfare spending in scope of the cap;
 - publication of *Briefing paper No.6: Policy costings and the forecast*, which detailed the OBR's approach to its scrutiny and certification role with the Government's policy costings and addressed some questions that had been raised by the Government's publication of CGE model results for Corporation Tax reductions and, subsequently, fuel duty measures; and
 - engagement with Kevin Page and the external review team, who had visited London the previous week to meet the OBR's main stakeholders, as well as with the non executive members of the OBR, the BRC and the OBR staff. The review is due to report in September 2014.

2. Pay remit

2. The Board discussed a paper summarising the OBR's proposed 2014-15 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.
3. The Board approved the proposed pay remit.

3. OBR finances for 2013-14 and the OBR's next multi-year budget (Kate Ivers (OBR financial adviser) and Andy Ginever (OBR financial manager) also attended)

4. The Board discussed two papers setting out the final 2013-14 financial position and the agreed multi-year budget settlement for the OBR from 2014-15 to 2017-18, which includes funding for the external review that is being carried out in 2014-15. The following points were made:
 - a combination of extended staff vacancy (now filled) and unanticipated reductions in certain non-staff costs (some of which were one-offs) meant the 2013-14 underspend had been larger-than-expected at £78k; and
 - discussions with the Treasury on setting a multi-year budget for 2014-15 to 2017-18 had been completed and a new budget settlement letter would be published shortly (now available on our website). This included provision for additional staff to help meet the OBR's new responsibilities in respect of the welfare cap and forecasting devolved taxes, plus a one-off provision to pay for this year's external review.

4. 2014 Annual Report & Accounts (Nick Bateson and Steve Young (NAO) also attended)

5. The Board discussed the draft 2014 Annual Report & Accounts and the 2014-15 to 2016-17 corporate and business plan. The following points were made:
 - as agreed at the previous Board meeting, the structure of the Annual Report was in line with last year's report, with the exception of splitting the Management Commentary into a Members' Report and a Strategic Report, as required by updated guidance in the Government Financial Reporting Manual; and

- the Remuneration Report would disclose BRC members' remuneration in unrounded format.

6. The Board approved both reports.

Audit Committee

Attending

Members: Lord Burns, Kate Barker (Chair) Robert Chote (Chair of OBR) Andy King (Secretary), Andy Ginever (OBR financial manager) Kate Ivers (OBR financial adviser), Nick Bateson and Steve Young (NAO), Neil Chapman and Pirjo Shaer (Internal Audit).

1. NAO audit completion report

7. The NAO presented their draft audit completion report, which, as agreed at the previous Board meeting, reflected an audit that had been slightly reduced in scope and fee in light of the OBR's relatively small and stable operations. The following points were discussed:

- the audit work was substantially complete and the NAO confirmed that they anticipated certifying the 2013-14 financial statements with an unqualified audit opinion;
- the NAO were content that the slightly reduced intensity of the audit had been appropriate;
- the Committee confirmed that it was content to leave the £1,000 unadjusted mis-statement in the accounts related to the timing of income from royalties on OBR publications; and
- the 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.

2. Internal audit progress report and plan for 2014-15

8. The internal auditors presented their progress report on the 2013-14 audit and the draft audit plan for 2014-15. The following points were discussed:

- the 2013-14 audit of HR policies and processes had made recommendations in relation to the OBR's fraud, bribery and whistleblowing policies, to bring these into line with the latest best

practice. All recommendations had been accepted and actioned by the OBR. Updated policies were discussed;

- the progress report included the internal audit 2013-14 'annual opinion' providing reasonable assurance on the adequacy and effectiveness of the OBR's framework of governance, risk management, and control;
 - the main focus on the 2014-15 audit would be an assessment of the OBR's management of the main spreadsheets used in the production of its core publications; and
 - the internal audit fee would be reviewed for 2015-16.
9. The Committee approved the internal audit plan and noted it would need to review the OBR's internal audit requirements alongside internal audit's review of the fee to be charged.