

**Minutes of the Office for Budget Responsibility Oversight Board and Audit Committee – 4 February 2013, 10.00 – 12.00.**

**Oversight Board**

Attending

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

Tom Josephs (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 second *Forecast evaluation report* had been published in October. The format had been changed in response to feedback with more focus on analysing the major factors explaining differences between outturn and forecast, and the key economic and fiscal trends over previous years. The feedback on this had been positive and the report had attracted significant interest from outside analysts;
  - the Autumn *Economic and fiscal forecast (EFO)* had been produced smoothly. This was the first *EFO* in which the OBR had judged it more likely than not that a fiscal target would be missed and the Government had decided not to adjust fiscal policy in response. The BRC confirmed they had come under no pressure from the Government to change any of their conclusions or judgements;
  - the OBR had successfully argued to be exempted from the Government's new single website "Gov.uk" on grounds of independence. Board members welcomed this decision. Suggestions were made for improvements to the current website, including reconsidering the organisational structure and adding more historical data. It was agreed that staff would take forward these suggestions; and
  - looking forward the immediate priority is the March Budget forecast. Following the Budget the Chair intends to deliver two speeches: one revisiting an earlier speech on the role and responsibilities of the OBR;

the second analysing the impact of the financial crisis on the public finances which would be accompanied by a paper.

## **2. Memorandum of understanding with HMT on the macroeconomic model**

2. The Board discussed a draft Memorandum of Understanding (MOU) with HMT on governance of the jointly-owned macroeconomic model, and a plan for publishing updated model documentation. The following points were made:
  - Board members welcomed the MOU which they felt set out an important set of requirements and guidance for the joint governance and development of the model. It was also seen as positive that this had been backed up by extra staffing resources. The Board agreed the MOU should be published on the OBR website; and
  - members felt that publication of updated model documentation in the summer was important for transparency given the last publication was in 2008. It would also be important to use this as an opportunity to emphasise that judgment is the most important aspect of any forecast and that the structure of the model does not constrain these judgements.

## **3. Risk register**

3. The Board discussed the latest OBR risk register. The following points were made:
  - staff had dealt well with the potential risks following the loss of experienced staff members from the macroeconomic forecast team last summer, and the Autumn forecast had been delivered effectively. The potential loss of experienced BRC members in the future was also a risk which could create additional pressures on OBR staff and the OBR should consider its mitigation strategy; and
  - an expansion of the OBR's responsibilities around producing forecasts for the devolved administrations could create additional pressures on staff. Such policies are being considered for Wales and Northern Ireland in addition to those already in place for Scotland. The OBR should continue to closely monitor this.

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

4. 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 likely to be an underspend of around £40-60,000 in 2012-13. HMT Group finance will allow this to be carried forward to 2013-14. This should allow 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 would open with HMT shortly on the budget for 2015-16. Consideration should be given for agreeing another extended budget settlement given this would help to protect the OBR's independent status.

#### **4. Annual report**

5. The Board discussed a paper from staff with proposals for the 2012-13 annual report. The following points were discussed:
  - it was agreed that the structure of the 2011-12 annual report should be retained;
  - as last year, the Non-executive members would consult with staff and BRC members to inform their assessment of the performance of the OBR for the report;
  - the OBR would undertake its external stakeholder survey every other year rather than annually; and
  - there was a preliminary discussion of the review of the OBR's performance that the Non-executive members are required by legislation to commission once in every five-year period. Staff will consider options further for discussion at the next meeting.

## **Audit Committee**

### Attending

Members: Lord Burns, Kate Barker (Chair)  
Robert Chote (Chair of OBR), Tom Josephs (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. NAO Audit Planning Report**

6. Steven Corbishley presented the NAO's Audit Planning Report. The following points were made:

- the overall audit approach was unchanged from last year and the timetable was agreed as presented;
- no material risks had been identified at this time for 2012-13 and Audit Committee members confirmed they were not aware of any material risks;
- the Chair asked the NAO to confirm that the audit fee was proportionate given the small size of the OBR's budget. The NAO explained there were certain audit requirements which had to be met regardless of the size of the budget; and
- the Committee agreed that at the May meeting the NAO would be present for the discussion of the annual accounts.

## **2. Internal Audit**

7. Sarah Thompson gave brief progress report focusing on presenting the findings of internal audit's review of the OBR's information management systems. The following points were discussed:

- overall the review concluded that the OBR generally had good records management systems and processes;
- the main recommendations were as follows:
  1. to develop an overall records management policy consolidating existing documents and including a long-term records retention policy. OBR staff explained that they were taking this recommendation forward and had started to discuss the issue with the National Archives;
  2. recognise the risks around the use of a shared-drive system to store data:
    - It was agreed that this was the most practical system of record-keeping given the heavy use of linked

spreadsheets and the need for all staff to be able to access the OBR's analytical and forecast data;

- OBR staff explained that to reduce the risk of loss of information full records were kept of data and judgements from all past forecasts/analytical projects, and that during peak periods all key records were backed-up manually on a hard drive in addition to the automatic server back-up;
- it was suggested that in addition staff should consider: locking-down records related to previous forecasts and analysis once complete; and retaining the hard-drive back-up after each forecast as an additional record. Staff agreed to take forward these suggestions

8. Sarah also gave a brief update on the implications of the Internal Audit Transformation project for OBR, noting that Treasury Group Internal Audit (TGIA) are joining an internal audit Group with BIS/DCLG/CO/DCMS/DECC/DfE. TGIA HIA will remain as the designated HIA for OBR so there will be continuity of service.