

Marshall Aid Commemoration Commission
Accounts 2017-18

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Contents

	Page
Annual Report	
Performance Report	2
Accountability Report	8
a Corporate Governance Report	8
b Remuneration and Staff Report	13
c Parliamentary Accountability and Audit Report	13
The Certificate and Report of the Comptroller and Auditor General	14
Accounts	
Statement of Comprehensive Net Expenditure	17
Statement of Financial Position	18
Statement of Cash Flows	19
Statement of Changes in Taxpayers' Equity	20
Notes to the Accounts	21

Performance Report for the year ended 31 March 2018

Introduction by the Chair of the Commission

In this financial year, I am pleased to be able to report that we have been able to build successfully on the performance achieved in the previous year as the planned growth in the Scholarship Programme takes effect.

In December 2016 HMG made the most welcome decision to increase the funding of the Programme by one third spread over three years in order to allow 40 awards to be made to the incoming Class of September 2017 rather than the 32 which would otherwise be the case. This reversed several years of decline in the number of awards made. With most awards made for two academic years, the increasing cost of 40 awards arises over three financial years, and these accounts reflect the beginning of that step up in costs from September 2017. Compared with a FCO grant-in-aid of £2.0 million in 2016-17, the grant-in-aid for 2017-18 was £2.25 million and for 2018-19 will be £2.55 million.

Third party support has been of growing significance to the scale and sustainability of the Programme and of the 40 awards made to the incoming Class of September 2017 eight were effectively funded in this way. The Commission has been focused on augmenting this support. HMG's decision to increase its funding has been of material benefit in this regard as it sends a powerful message as to the enduring value of the Programme and the merit of being associated with it; moreover, attracting such support is a more compelling proposition when it can be seen to have an incremental rather than substitutional effect.

Our fee waiver partnerships with leading British universities and colleges represent the most significant element of this third party support, and this is only indirectly reflected in these accounts through our reported costs being lower than would otherwise be the case. In 2016-17 the growth of such support was sufficiently strong to eliminate our underlying deficit, to absorb some the inevitable increase in our costs and to provide a modest surplus to carry forward. In 2017-18 we have enjoyed further such growth allowing another surplus to be recognised which will be applied to additional scholarship awards in the near future. The new and continuing support of our academic partners is much appreciated.

The other component of such support is where third parties are directly providing the Commission with funds to make specific awards. Overall this support remains at a similar level this year to last, though as foreshadowed in last year's accounts funding from the US Environmental Protection Agency has now drawn to a close. This decision has not impacted the 2017-18 accounts, but will leave the Commission with some costs to absorb in 2018-19 to fund the remaining duration of EPA related awards previously made. More positively, the Association of Marshall Scholars (our alumni organisation) announced in June 2017 the successful conclusion to an endowment fund raising campaign which will provide funding for a new two year award to be made every other year starting from September 2018. This initiative is a most welcome source of additional and continuing support and was an element of a very successful annual meeting of the Association held at Harvard to mark the 70th Anniversary of George Marshall's Commencement Address, which was effectively to launch the Marshall Plan.

The overall strength of this third party support allowed the Commission in December 2017 to make 43 awards to the incoming class of September 2018, consistent with its policy that 40 awards each year should represent a floor rather than a ceiling on the number of awards it makes.

I would like to thank my fellow Commissioners for their time, thoughtfulness and support over the last 12 months. Following a significant number of changes the previous year, membership of the Commission was relatively stable in 2017-18. We were, however, fortunate to be able to attract Dr Alice Prochaska, the recently retired Principal of Somerville College, Oxford, to join us from October 2017, so that we now have a full complement of ten Commissioners. The Commission would also wish to thank the staff of the Association of Commonwealth Universities who support the Scholarship Programme so effectively.

The essence of the Marshall Scholarship Programme is to support the promise of the future while recognising the generosity of the past. That I was able to welcome in September 2017 a new Class of 40 Scholars symbolised a renewed sense of vitality to the Programme which has boosted morale throughout the Marshall community and has strengthened the strand of Anglo-American relations which the Programme represents and fosters. I am sure these Scholars will, like their predecessors, demonstrate their particular value to us during their period of studies in the UK and, as significantly, in their lives thereafter.

Christopher Fisher
Chair and Accounting Officer

26 June 2018

Aims and Objectives

The aims and objectives of the Marshall Aid Commemoration Commission ('MACC') are set out below:

The MACC's aims are to strengthen US-UK relations and to promote British influence in the United States by providing Marshall Scholarships to US Citizens of high academic achievement, who have the ability to be leaders, opinion formers and decision makers in the United States and, by doing so, to recognise the generosity of the Marshall Plan.

As future leaders of America, with a lasting understanding and appreciation of contemporary British society, Marshall Scholars will add to the enduring ties between the British and American peoples, their governments and their institutions.

The MACC's objectives are to strengthen the cultural, economic, trade, personal and historic ties between the US and the UK by using the Scholarships to:

- Motivate Scholars to act as ambassadors from America to the UK and vice versa throughout their lives thus strengthening British American understanding;
- Raise the profile of the UK in the US, particularly among its young people;
- Enable intellectually distinguished young Americans, their country's future leaders, to study in the UK;
- Help Scholars gain an understanding and appreciation of contemporary Britain; and
- Contribute to the advancement of knowledge in science, technology, the humanities, social sciences and the creative arts at Britain's centres of academic excellence.

The principal objective of the MACC's work is, therefore, to make the best arrangements possible to enable Marshall Scholars to carry out their studies and to put their awards to their fullest use.

Statutory Background and Historical Information

Marshall Scholarships were established by HM Government under the Marshall Aid Commemoration Act 1953 as an expression of gratitude for the benefits received by the United Kingdom under the European Recovery Programme (known as Marshall Aid) after World War II. The Act, as subsequently amended, allows for up to 50 Scholarships per year to be awarded to American college graduates, for tenure on a degree course at any British university, for periods of one, two and sometimes three years.

Since the inception of the scheme the number of Marshall Scholarships has evolved. The number of new awards increased from 12 to 24 in 1960, to 30 in 1973, and to 40 in 1991. From 2004 to 2007 the number awarded was up to 44, an increase accommodated by some scholarships costs being borne by universities and colleges. In the last decade the number of new Scholarships awarded declined to as low as 31 but in the latest admissions round (2018 intake) 43 new Scholarships were awarded.

The Marshall Scholarship Programme has established itself as one of the most prestigious scholarships for young Americans wishing to undertake graduate study at universities in the United Kingdom, most commonly for two years. Indeed the President of the United States recently stated that the Marshall Scholarships are "one of the top academic honors anywhere in the world". In the sixty or so years since the programme began some 1900 American men and women have become Marshall Scholars. Competition for Marshall Scholarship awards is intense: last year there were over 24 endorsed applicants for each award.

Marshall Scholarship alumni occupy senior and influential positions in all walks of American life. They have included two Supreme Court Justices, members of Presidential administrations, members of Congress, a Nobel Prize winner, Pulitzer Prize winners, leaders in journalism, academia, business, entertainment, sports, the military, science, engineering and law.

Going concern basis

The Commissioners consider the use of the going concern basis is appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt over the ability of the MACC to continue as a going concern.

Performance summary

The accounts show the costs of the Programme, net of the benefit of academic partner support. Allowing for this, in 2017-18 the gross direct cost of scholarship awards was £2.7 million (2016-17: £2.5 million) with a total programme cost of £3.1 million (2016-17: £2.8 million). This compares with an FCO grant of £2.25 million (2016-17: £2.0 million). The MACC believes these figures more accurately illuminate the scale and nature of the MACC's financial affairs. It allows the success of academic partner support to be better appreciated, while also highlighting the corresponding dependence.

In 2017-18 there was the full year benefit of additional partner support which had arisen from September 2016, as well as further support arising from September 2017. This growth has arisen in advance of any corresponding increase in awards made, and as a result a further surplus has been recorded. This position informed the decision in December 2017 to make 43 awards to the incoming Class of 2018 (2017: 40).

Last year we enjoyed a currency gain which has effectively been reversed in 2017-18. In other respects our indirect costs were overall at a similar level to last year. Our cash and pre-payment balances have grown broadly in line with the increase in discretionary reserves. Core reserves are unchanged.

Key issues and risks facing the MACC

HMG's decision in December 2016 to increase the MACC's funding by one third over the following three financial years provided a very welcome framework in which to make decisions on the number of awards made in December 2016 and 2017. With decisions on awards unfolding over the three subsequent financial years, gaining an understanding on the scale and visibility of future FCO grants will become increasingly important if material uncertainty is not to arise.

Academic partner support is of growing significance in the MACC's overall funding model. This support is widely based, but there is an inherent degree of exposure associated with this dependence. It could also arise that the pattern of Scholar demand became less well aligned with the availability of partner support, but again this exposure is mitigated by the breadth of academic support.

The discontinuance of funding from the US Environmental Protection Agency means no new related awards have been made, but there will be a shortfall in funding to meet existing awards which the MACC will need to absorb in 2018-19.

Scholarship analysis

In the academic year 2017-18, 69 Marshall Scholars were studying in the UK of which 33 Marshall Scholars were fully funded by the MACC and 36 supported to varying degrees under partnership arrangements as set out below. This support is vital to the scale and sustainability of the Marshall Scholarship Programme.

The 36 partnership funded scholarships consisted of:

- Association of Marshall Scholars (AMS) with British Schools and Universities Foundation (BSUF) - One scholar fully funded
- Annenberg Foundation - One scholar largely funded
- Academic Partnership Scholarships

34 Scholars jointly funded by the following institutions:

Two Scholars each:

- | | |
|----------------------------------------------------|-----------------------------|
| ■ University of Edinburgh | ■ Imperial College London |
| ■ University of Glasgow | ■ King's College London |
| ■ Somerville College, Oxford | ■ University College London |
| ■ London School of Economics and Political Science | |

One Scholar each:

- | | |
|-------------------------------------------------|-----------------------------------------|
| ■ University of Birmingham | ■ University of Durham |
| ■ University of Bristol | ■ Gonville and Caius College, Cambridge |
| ■ University of East Anglia | ■ King's College, Cambridge |
| ■ University of Leeds | ■ Magdalene College, Cambridge* |
| ■ University of Reading | ■ Pembroke College, Cambridge |
| ■ University of Surrey | ■ St John's College, Cambridge |
| ■ University of Sussex* | ■ Oriel College, Oxford |
| ■ Queen's University of Belfast | ■ Nuffield College, Oxford |
| ■ Queen Mary, University of London | ■ New College, Oxford |
| ■ School of Oriental and African Studies (SOAS) | ■ Trinity College, Oxford |

*partially funded by alumni donations.

The MACC remains focused on growing third party support, particularly for the core Scholarships Programme. This enables more awards to be made than would otherwise be the case. In 2017-18 overall third party support grew by £82,000 to £937,000. The funding falls into three categories as outlined in the table below:

	2017-18 £'000	2016-17 £'000	Increase/ (decrease) £'000
Academic partnerships in support of core Scholarship Programme	715	560	155
Other partnership support	62	141	(79)
Total partnership support (see note 2)	<u>777</u>	<u>701</u>	<u>76</u>
Grants and donations (see note 5)	160	154	6
Total third party support	<u>937</u>	<u>855</u>	<u>82</u>

Under an agreement with the EPA, selected Marshall Scholars are funded for up to three years to undertake doctoral studies in environmental subjects beyond the tenure of their original awards. In 2017-18 three Scholars were so funded, studying at Imperial College, London, Green Templeton College, Oxford and Somerville College, Oxford. The EPA has now ended this agreement, and the remaining costs associated with these Scholars completing their studies will fall to the MACC.

In addition the Marshall Sherfield Fellow was supported by private funds from the Marshall Sherfield Fellowship Foundation and the Marshall Sherfield Endowment fund held by the Association of Commonwealth Universities.

A full report of the MACC's activities, including details on Scholar distribution, selections and placements, can be found in its 64th Annual Report for the year to 30 September 2017. The MACC is required by the Foreign and Commonwealth Office to submit an Annual Report on its activities from 1 October until 30 September of each year. Copies of the MACC's annual reports are available in hard copy, and also electronically on <http://www.marshallscholarship.org/about/annualreports>.

Sustainability

The MACC has considered HM Treasury's Guidance on Sustainability Reporting. As the MACC is a small Non Departmental Public Body with no staff or physical assets and does not occupy any office accommodation, the Commissioners consider that there is nothing material to report.

On behalf of the Commission

Christopher Fisher
Chair and Accounting Officer

26 June 2018

Accountability Report for the year ended 31 March 2018

a Corporate Governance Report

i Directors' Report

Organisational Structure

Mr Christopher Fisher (Chair and Accounting Officer)

Dr Joanna Newman MBE (Executive Secretary)

Page 10 lists the membership of the MACC.

Register of Interests

Marshall Commissioners are required to complete a declaration of any interests. A copy of the Register of Interests is kept by the Secretariat.

Diversity and Inclusion

In appointing Marshall Commissioners the FCO seeks to be open and inclusive and seeks to recruit and develop a diverse and talented Commission that is representative of society today.

Personal Data Incidents

There were no personal data incidents in 2017-18.

ii Statement of Commission's and Accounting Officer's responsibilities

Under the Marshall Aid Commemoration Act 1953, the Secretary of State for Foreign and Commonwealth Affairs, has directed the Marshall Aid Commemoration Commission to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the MACC's state of affairs, its net expenditure, cash flow and statement of changes in taxpayers' equity for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and, in particular, to:

- Observe any Accounts Direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgments and estimates on a reasonable basis;
- State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and
- Prepare the accounts on a going concern basis.

The Accounting Officer of the Foreign and Commonwealth Office has designated the Chair as the Accounting Officer of the MACC. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the MACC's assets, are set out in Managing Public Money published by HM Treasury.

The Accounting Officer confirms that the annual report and accounts as a whole is fair, balanced and understandable and that he takes personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

The MACC's accounts are audited by the Comptroller and Auditor General. So far as the Accounting Officer is aware, there is no relevant audit information of which the MACC's auditors are unaware.

The Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the MACC's auditors are aware of that information.

iii Governance Statement

The MACC was set up under the 1953 Act to:

- Administer the Grant-in-Aid;
- Select the persons to receive the Marshall Scholarships;
- Place the holders of Marshall Scholarships in Universities in the UK; and
- Oversee the welfare of the Marshall Scholars throughout their tenure in the UK.

The MACC consists of not less than seven nor more than ten members appointed by the Secretary of State, of whom not less than two shall be chosen as persons of eminence in academic matters and such one of the members as the Secretary of State may designate shall be Chairman of the MACC. In addition two Alumni Observers attend the MACC. Commissioners are appointed initially for three years with the possibility of renewal for a further three years. Commissioners are volunteers and receive no remuneration.

The MACC considers the following matters annually:

- Government policy as it applies to the MACC and the Scholarships
- Financial matters: accounts, partnerships and budgets
- Selection: the mechanisms for selecting scholars, contents of the application, outreach, the selection process, management of selection committees and final outcomes
- Scholars: policies relating to the Scholars and their activities in the UK, including Marshall Plus activities, rules and regulations, placements and the general well-being of Scholars
- University relationships: partnership agreements and promotion of UK higher education in the US
- Annual Report: the production of an Annual Report
- Alumni Relations: the work of the AMS and the MACC's relationship with the alumni
- Other policies that may impact the administration of the Scholarships

Membership of the MACC during 2017-18:

Mr Christopher Fisher (Chair)	A Director of SEGRO and of National Savings
Mr Alan Bookbinder	Director of the Sainsbury Family Charitable Trusts
Prof. Brian Cantor	Vice-Chancellor, University of Bradford
Ms Janet Legrand QC Hon (Deputy Chair)	Partner, DLA Piper
Mrs Suzanne McCarthy	Chairman of Depaul UK
Prof. Simon Newman	Sir Denis Brogan Professor of American History, University of Glasgow
Dr Alice Prochaska	Principal, Somerville College, Oxford (Retired) (from October 2017)
Ms Barbara Ridpath	Director, St Paul's Institute
Ms Xenia Wickett	Head of the US and the Americas Programme, Chatham House
Lord Wood of Anfield	Member of the House of Lords

Dr John Kirkland OBE, Deputy Secretary General of the Association of Commonwealth Universities, was the MACC's Executive Secretary until 30 September 2017 when he was succeeded by Dr Joanna Newman MBE.

In the United States the selection of Marshall Scholars is undertaken by Regional Selection Committees, supported by the British Embassy in Washington DC, and the Consulates-General in Atlanta, Boston, Chicago, Houston, Los Angeles, New York and San Francisco, and overseen by the MACC's Education Committee.

The MACC's Secretariat is provided by the Association of Commonwealth Universities, whose offices at Woburn House, 20-24 Tavistock Square, London, WC1H 9HF serve as the MACC's headquarters.

Governance Framework

The MACC meets at least three times a year. Commissioner attendance was as follows in 2017-18:

Mr Christopher Fisher (Chair)	100%	5/5 meetings
Mr Alan Bookbinder	100%	5/5 meetings
Prof. Brian Cantor	20%	1/5 meetings
Ms Janet Legrand QC Hon Deputy Chair	80%	4/5 meetings
Mrs Suzanne McCarthy	80%	4/5 meetings
Prof. Simon Newman	80%	4/5 meetings
Dr Alice Prochaska	100%	2/2 meetings
Ms Barbara Ridpath	80%	4/5 meetings
Ms Xenia Wickett	80%	4/5 meetings
Lord Wood of Anfield	40%	2/5 meetings

The MACC has been supported by three committees, namely Audit & Risk Management (ARM) Committee, Education and Finance. The MACC may appoint independent members to these committees, marked * below.

In first half of 2017 the Deputy Chair led a review of the MACC's effectiveness. This light touch governance review led to a decision to discontinue the use of a Finance Committee on the basis of the degree of overlap with the work of the ARM Committee and the MACC itself. Other outcomes related to the streamlining of the MACC agenda and the provision of electronic support for all meeting papers.

The ARM Committee advises the MACC and Accounting Officer on:

- the strategic processes for risk, control and governance and the Statement on Internal Control;
- the accounting policies, the accounts, and the annual report of the organisation, including the process for review of the accounts prior to submission for audit, levels of error identified, and management's letter of representation to the external auditors;
- adequacy of management response to issues identified by audit activity, including external audit's management letter.

In 2017-18 membership of the ARM was as follows:

Mr Simon Morris* (Committee Chair)	100%	5/5 meetings
Mr Alan Bookbinder	100%	2/2 meetings
Mr Timothy Hornsby*	100%	5/5 meetings
Ms Laura Lafave*	60%	3/5 meetings
Ms Janet Legrand	50%	1/2 meetings
Ms Barbara Ridpath	40%	2/5 meetings

The Chair of the MACC attended all of these meetings.

The Education Committee advises the MACC on:

- All educational matters relating to the management and administration of the Marshall Scholarships.
- Matters of policy.
- Educational matters for individual Scholars (including disciplinary processes).

Membership of the Education Committee was as follows:

Professor Simon Newman (Committee Chair)	100%	2/2 meetings
Professor Brian Cantor	50%	1/2 meetings
Professor Jon Erichsen*	100%	2/2 meetings
Mr Christopher Fisher	100%	2/2 meetings
Dr Alice Prochaska	100%	1/1 meetings
Lord Wood of Anfield	100%	2/2 meetings
Ms Xenia Wickett	100%	2/2 meetings

Commission Performance

In the first quarter of 2018 the Chair had individual conversations with each Commissioner, reviewing Commission performance and individual contributions. Commissioners also had the opportunity to relay via the Deputy Chair any feedback on the performance of the Chair.

In addition the departing Scholars are surveyed each year on the effectiveness of the Scholarship and the Administration. These results are reviewed by the MACC annually.

Corporate Governance Code

The MACC has considered HM Treasury's Corporate Governance Code. The Code's requirements are most directly applicable to Central Government. MACC is a small Non Departmental Public Body, so many of the detailed requirements are not relevant. However where the Code is materially relevant, the MACC considers that it does conform.

Risk Assessment

The following key principles outline the MACC's approach to risk management and internal control:

The MACC's risk policy is that it:

- has responsibility for overseeing risk management within the organisation as a whole;
- has an open and receptive approach to solving risk problems;
- makes conservative and prudent recognition and disclosure of the financial and non-financial implications of risks; and
- identifies key risk indicators and closely monitor them on a regular basis.

The MACC's Risk Register incorporates this approach to risk management, and the roles and responsibilities of the MACC and its Secretariat and its risk management processes. The MACC and its Secretariat seek guidance where appropriate from the FCO on risk management issues. The MACC and its Secretariat conduct risk assessments of some of its activities, e.g. the annual Easter visit by Scholars to a centre outside of London.

The MACC's Risk Register is reviewed annually by its Audit and Risk Management (ARM) Committee and is determined by the MACC. Risks are reported to the ARM Committee throughout the year, by email if their comments are required before the next scheduled meeting. MACC's key business processes (financial and non-financial) are documented.

MACC's most significant risks and mitigations or controls are:

- loss of funding – as MACC makes long term financial commitments (three or four years into the future), any loss of near term funding must be met with a disproportionate reduction in costs and therefore scholar numbers, which can destabilise the programme and lead to reputational harm. The primary mitigation to this risk is close liaison with the FCO.
- information security – MACC is registered with the Information Commissioner's Office as a data controller and imposes strict requirements on its contracted data processors, the most significant being the ACU. The ACU provides training to all its staff on data security and GDPR, and has invested in improved IT security through its firewall and remote access. There were no significant lapses of data security in 2017-18.
- cost control – tuition fees have in the recent past risen at a higher rate than general inflation. MACC monitors these costs through its budget process, and seeks to mitigate them through agreeing an increased number of fee waivers.

MACC did not face any new significant risks in 2017-18.

Scope of responsibility

As Accounting Officer since 1 March 2016, I have responsibility for maintaining a sound system of internal control that supports the achievement of the MACC's policies, aims and objectives whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of MACC policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place for the year ended 31 March 2018 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

The Secretariat regularly reports to the MACC on expenditure to date, forecast outturn and projections for future years. These projections enable the MACC to assess the potential impact of increased tuition and maintenance fees. The MACC has again considered, together with the FCO representative, the impact of any changes in visa requirements for US students. Relevant administrative staff have obtained accreditation (Level 1) with the Office of the Immigration Services Commissioner (OISC).

The MACC works closely with the FCO's Public Diplomacy department which is represented at meetings of the MACC and its Committees. The MACC also works closely with the British Ambassador to the US and relevant Embassy and Consulate staff.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the MACC, particularly its system of internal control. This review of the effectiveness of the system of internal control is informed by the work of the ACU, which has responsibility for the development and maintenance of the internal control framework and which is separately audited, advice from the FCO, and comments made by the MACC external auditors in their management letter and other reports. I have been advised on the implications of the result of this review of the effectiveness of the system of internal control by the ARM Committee so that the system can remain fit for purpose.

Data Quality

All information presented to the MACC is derived from existing and management information systems. The MACC is content with the quality of the data presented to it and considers it sufficient to properly inform decision making.

b Remuneration and Staff Report (subject to audit)

The MACC continued the arrangement under which its Secretariat is provided by the Association of Commonwealth Universities (ACU). The MACC itself does not have any employees.

c Parliamentary Accountability and Audit Report (subject to audit)

MACC monitors the regularity of its expenditure through its expenditure approval process and by scrutinising expenditure against budget.

MACC levies no fees or charges. It has incurred no losses or special payments above the reporting threshold. It has no remote contingent liabilities.

The Certificate and Report of The Comptroller and Auditor General to the Houses of Parliament

Opinion on financial statements

I certify that I have audited the financial statements of Marshall Aid Commemoration Commission for the year ended 31 March 2018 under the Marshall Aid Commemoration Act 1953. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of Marshall Aid Commemoration Commission's affairs as at 31 March 2018 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Marshall Aid Commemoration Act 1953 and Secretary of State directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Marshall Aid Commemoration Commission in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Commission and Accounting Officer for the financial statements

As explained more fully in the Statement of the Commission's and Accounting Officer's Responsibilities, the Commission and Accounting Officer, are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Marshall Aid Commemoration Act 1953.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Marshall Aid Commemoration Commission's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Marshall Aid Commemoration Commission's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Other Information

The Commission and Accounting Officer are responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Secretary of State directions made under the Marshall Aid Commemoration Act 1953;
- in the light of the knowledge and understanding of the Marshall Aid Commemoration Commission and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or Accountability Report; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General

9 July 2018

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

Statement of Comprehensive Net Expenditure for the year ended 31 March 2018

	Notes	2017-18 £	2016-17 £ Represented*
Expenditure			
Scholarship costs	2	1,911,412	1,775,297
Selection process *		85,732	91,533
Administration	3	278,066	243,219
UK Devolved Government and Regional itinerary		14,749	11,207
Total operating expenditure		<u>2,289,959</u>	<u>2,121,256</u>
Income			
Grants and donations from third parties	5	159,648	154,058
Other income		948	1,050
Total operating income		<u>160,596</u>	<u>155,108</u>
Net operating expenditure before interest		(2,129,363)	(1,966,148)
Interest receivable		1,152	502
Net expenditure for the year		<u>(2,128,211)</u>	<u>(1,965,646)</u>

* Software licence cost of £20,873 (2016-17 £22,611) was previously included under the heading 'Development of the Marshall Scholarship Scheme'. As the cost relates to software for managing the application process, this is now included within the heading 'Selection Process'.

All activities are continuing.

Statement of Financial Position for the year ended 31 March 2018

	Notes	2017-18 £	2016-17 £
Current assets			
Trade and other receivables	7	578,479	532,236
Cash and cash equivalents	9	284,410	211,813
Total current assets		<u>862,889</u>	<u>744,049</u>
Current liabilities			
Trade and other payables	8	(88,766)	(91,715)
Total current liabilities		<u>(88,766)</u>	<u>(91,715)</u>
Assets less total liabilities		<u>774,123</u>	<u>652,334</u>
Taxpayers' equity			
General reserves			
Of which attributable to:			
Core reserves		618,031	618,031
Discretionary reserves		156,092	34,303
Total reserves	10	<u>774,123</u>	<u>652,334</u>

The financial statements on pages 21 to 25 were approved by the Marshall Aid Commemoration Commission on 26 June 2018 and signed on its behalf by:

Christopher Fisher
Chair and Accounting Officer

26 June 2018

Statement of Cash Flows

	Notes	2017-18 £	2016-17 £
Cash Flows from operating activities			
Net expenditure before interest		(2,129,363)	(1,966,148)
Interest receivable		1,152	502
(Increase)/decrease in trade and other receivables	7	(46,243)	(106,590)
Increase/(decrease) in trade and other payables	8	(2,949)	(108,954)
Non cash grant-in-aid		0	46,949
Net cash outflow from operating activities		(2,177,403)	(2,134,241)
Cash Flows from financing activities			
Grant-in Aid received from FCO		2,250,000	1,999,949
Less: non cash grant-in-aid from FCO		0	(46,949)
Net financing		2,250,000	1,953,000
Net increase/(decrease) in net cash and cash equivalents		72,597	(181,241)
Cash and cash equivalents at the beginning of the period	9	211,813	393,054
Cash and cash equivalents at the end of the period		284,410	211,813

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2018

	Notes	General Reserves
	£	£
Balance at 31 March 2016		618,031
Changes in Taxpayers' equity 2016-17		
Grant from FCO		1,999,949
Deficit arising on core reserves before grant from FCO	(1,999,949)	
Surplus arising from value of partnership benefits	34,303	
	<hr/>	
Net expenditure for the year		(1,965,646)
Balance at 31 March 2017		652,334
Changes in Taxpayers' equity 2017-18		
Grant from FCO	2,250,000	
Deficit arising on core reserves before grant from FCO	(2,250,000)	
Surplus arising from value of partnership benefits	121,789	
	<hr/>	
Net expenditure for the year		(2,128,211)
Balance at 31 March 2018		774,123

The notes on pages 21 to 25 form part of these accounts.

Notes to the Accounts

1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2017-18 Government Financial Reporting Manual (FReM) issued by HM Government. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Marshall Aid Commemoration Commission for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Marshall Aid Commemoration Commission are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

a Basis of preparation

The financial statements have been prepared in accordance with the Marshall Aid Commemoration Act 1953 and directions made thereunder by the Secretary of State and with applicable United Kingdom accounting standards. They have been prepared under the historical cost convention.

b Grant-in-Aid

Grant-in-Aid is received from the FCO in support of the Scholarship scheme. The grants are voted and received in respect of the financial year ending 31 March; however, they cover the university tuition fees for the academic year ending 31 July. Under resource accounting, MACC's advance payment of the summer term fees is shown as a prepayment.

Grant-in-Aid is used to finance activities and expenditure which support the statutory and other objectives of the MACC and are treated as financing, credited to the General Reserve, because they are regarded as contributions from a controlling party, which gives rise to a financial interest in the residual interest of NDPBs. Grant-in-Aid is credited to General Reserve on a cash received basis.

c Other income

The Scholarship scheme also attracts additional funding from other parties which is shown separately as 'Grants and donations from Third Parties' and is accounted for on an accruals basis.

d Expenditure

Expenditure is accounted for on an accruals basis. Tuition fees that cover an academic year (autumn to summer) are paid during the current financial year so 1/3rd is prepaid on the basis that the academic year comprises three terms, two of which come before 31 March and one comes after 1 April.

Other costs are subject to prepayment (or accrual) as at 31 March 2018 if greater than £1,000.

e VAT

As the supplies are outside the scope of VAT the scheme is not registered for VAT. Any VAT incurred on inputs is therefore irrecoverable and charged to expenditure in the year in which it is incurred.

f Taxation

As an Executive Non Departmental Public Body the MACC does not pay tax on its results for the year.

g Cash and cash equivalents

Cash and cash equivalents comprise bank balances held by the MACC all translated to GBP, where applicable, at year-end using the prevailing exchange rate. All cash balances are held with commercial banks.

h Reserves

Third party income is treated as deferred income and released to match related expenditure, as over time all third party income will match expenditure.

The MACC's general reserve is apportioned between core and discretionary reserves. The MACC makes more scholarship awards than could be funded by the Grant-in-Aid and third party funding which it receives, reflecting the value it obtains from university and college partnerships, principally through fee-waivers. To the extent this partnership support gives rise to a surplus in any given year this is applied to the discretionary reserve. It is intended that the discretionary reserve will be used to fund future Scholarship awards.

i Upcoming changes to accounting standards

The following changes to IFRS that have been issued but which were not effective in the reporting period:

IFRS 9 'Financial Instruments' is to be effective for financial reporting periods beginning on or after 1 January 2018 and specifies how an entity should classify and measure financial assets, financial liabilities, and some contracts to buy or sell non-financial items. MACC's financial assets and liabilities are not complex and relate to cash, trade debtors and creditors with accruals and prepayments calculated on an accrual basis. MACC does not make use of financial instruments and therefore believe that this new IFRS will have no effect on our financial statements.

IFRS 15 "Revenue from contracts with customers" – The new Standard applies to revenue from contracts with customers and replaces all of the revenue standards and interpretations currently in IFRS. It is effective for financial reporting periods beginning on or after 1 January 2018, but will not be adopted by the public sector until 2018–19. MACC has considered its income stream against this model and does not expect the impact of applying IFRS 15 to MACC's financial statements to be material. This is because MACC's obligations under the grants and donations it receives from 3rd parties are such that the accruals basis remains appropriate for recognising income.

IFRS 16 'Leases' is expected to be effective for financial reporting periods beginning on or after 1 January 2019 and sets out the principles for the recognition, measurement, presentation and disclosure of leases. This is not relevant to MACC as it does not have any leases.

There are no future accounting developments that will have a significant impact on the MACC's accounts.

j Operating Segments

MACC does not have operating segments and therefore no analysis of operating segments has been provided.

2 Scholarship Costs

	2017-18	2016-17
	£	£
Marshall Commission Scholarships (net of partnership benefits)*	1,745,012	1,631,176
Annenberg Marshall Scholarship	35,730	20,932
EPA Scholarships	97,340	103,460
BSUF/AMS Scholarship	27,472	19,729
Alumnus funded Sussex partnership place	5,858	0
	<u>1,911,412</u>	<u>1,775,297</u>

* in addition, partnership benefits in kind total £777K (2017-18) and £701K (2016-17). These partnership benefits are almost entirely tuition fee waivers from higher education institutions in the UK. Under IFRS they are not accounted for so neither income nor corresponding expenditure are shown in these accounts.

3 Administration

	2017-18	2016-17
	£	£
Secretariat	226,129	235,401
Commission and other central costs	21,179	23,758
Auditors' remuneration	6,500	8,000
Currency (gain) / loss	24,258	(23,940)
	<u>278,066</u>	<u>243,219</u>

4 Staff Costs

The MACC does not employ any staff. The administration of the Scheme is undertaken by staff of the Association of Commonwealth Universities under a service contract with the MACC. As MACC has no staff there is no facility time allocated to trade union activity.

5 Grants and Donations from third parties

	2017-18	2016-17
	£	£
Annenberg Endowment (via Association of Commonwealth Universities)	26,336	20,932
US Environmental Protection Agency	97,340	103,460
BSUF/AMS Scholarship	27,472	19,729
Sussex Alumnus Funding	5,858	0
Other	2,642	9,937
	159,648	154,058

6 Financial Instruments

As the cash requirements of the MACC are met through Grant-in-Aid provided by the FCO and third party grants and donations, financial instruments play a more limited role in creating and managing risk than would apply in a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with the MACC's expected purchase and usage requirements and the MACC is therefore exposed to little credit, liquidity or market risk.

7 Trade receivables and other current assets

	2017-18	2016-17
	£	£
Amounts falling due within one year:		
Accommodation deposits	30,308	30,101
Trade receivables	0	7,788
Sundry Debtors	3,231	0
Prepayments and accrued income	544,940	494,347
	<u>578,479</u>	<u>532,236</u>

8 Trade payables and other current liabilities

	2017-18	2016-17		
	£	£		
Amounts falling due within one year:				
Trade payables	3,843	4,705		
Accruals	6,500	14,550		
Deferred income	<u>78,423</u>	<u>72,460</u>		
	<u>88,766</u>	<u>91,715</u>		
	Opening balance £	Donations & Income Receivable £	Released £	Closing balance £
Movements on Deferred income				
Annenberg Endowment	7,533	18,803	(26,336)	0
US Environmental Protection Agency	0	101,775	(97,340)	4,435
BSUF/AMS Scholarship	18,381	38,326	(27,472)	29,235
Sussex Alumnus Funding	0	6,708	(5,858)	850
Other	<u>46,546</u>	<u>0</u>	<u>(2,643)</u>	<u>43,903</u>
	<u>72,460</u>	<u>165,612</u>	<u>(159,649)</u>	<u>78,423</u>

9 Cash and cash equivalents

	2017-18	2016-17
	£	£
Balance at 1 April	211,813	393,054
Net change in cash and cash equivalent balances	72,597	(181,241)
Balance at 31 March	<u>284,410</u>	<u>211,813</u>

Cash is held with NatWest bank in GBP and USD.

10 Movements on general reserves

	Opening balance £	Grant-in-Aid £	Income £	Bank Interest £	Net Expenditure £	Closing balance £
Core Reserves	618,031	2,250,000	948	1,152	(2,252,100)	618,031
Discretionary Reserves	<u>34,303</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>121,789</u>	<u>156,092</u>
Total reserves	<u>652,334</u>	<u>2,250,000</u>	<u>948</u>	<u>1,152</u>	<u>(2,130,311)</u>	<u>774,123</u>

The opening core reserves include £231,090 for the following Summer Term's tuition fees and £212,720 for the first quarter scholar stipends leaving non-committed opening reserves of £174,221. The closing core reserves include £288,890 for the following Summer Term's tuition fees and £234,554 for the first quarter scholar stipends leaving non-committed opening reserves of £94,587.

11 Related party transactions

The MACC is an Executive Non Departmental Public Body of the FCO. The FCO is regarded as a Related Party with which the MACC's only material transaction during the year was Grant-in-Aid. None of the Commissioners or key members of the Secretariat, or other related parties, has undertaken any other material transactions with the MACC during the year.

12 Commitments

In the autumn of each year the MACC offers scholarships for the following academic year, and the academic year following that. The MACC does not account for the future cost of these offers as there is some uncertainty over the university at which the scholar will study, the cost of the study and whether the tuition fee will be covered by a fee waiver. There can also be uncertainty over whether the scholar will accept and take up the offered scholarship.

13 Events after the reporting date

No non-adjusting events after the reporting date have been identified. The Accounting Officer authorised these financial statements for issue on the same date the Comptroller and Auditor General signed his certificate.

For further information about the National Audit Office please contact:

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