

Presented pursuant to Section 2(7) of the Marshall Aid Commemoration Act 1953

Marshall Aid Commemoration Commission Account 2004-2005

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Foreword

Accounting background

Under Section 2(7) of the 1953 Act the Commission is required each financial year to prepare accounts of expenditure in such form as the Secretary of State of Foreign and Commonwealth Affairs may, with the approval of the Treasury, direct.

Statutory background and historical information

The Marshall Scholarships were established by HM Government under the Marshall Aid Commemoration Act 1953¹ 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 40 Scholarships per year to be awarded to American college graduates, for tenure for a degree course at any British university, for periods of two and sometimes three years. Following initial selection in the United States, the Commission arranges placement of the Scholars-elect at British universities. A principal objective of the Commission's work is to make the best arrangements possible to enable Marshall Scholars to carry out their studies and to put the awards to their fullest use. In the academic year 2004-2005, 83 Marshall Scholars were fully funded by the MACC. In addition two Scholars were supported on the Texas Marshall Scholarship funded by the Department of Trade and Industry, one Scholar was funded on the NGT Marshall Scholarship funded by National Grid Transco plc and one was supported by the funds held by the MACC from Cable and Wireless. A further nine Scholars were funded under third year funding agreements with the Universities of Cambridge, Edinburgh, Oxford, St Andrews and the London School of Economics. Finally three Scholars were jointly funded on Imperial Marshall Scholarships, with the MACC paying for the Scholars' maintenance costs and Imperial College London waiving the tuition fees. A total of 99 Marshall Scholars were funded either by the MACC or under funding agreements. In addition two Marshall Sherfield Fellows were supported by private funds from the Marshall Sherfield Fellowship Foundation.

Mission statement

The Marshall Aid Commemoration Commission's (MACC) aim is 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 potential leaders, opinion formers and decision makers in the United States and, by doing so, to express the gratitude of the British people for the Marshall Plan.

Review of activities

A full report of the Marshall Aid Commemoration Commission's activities, including details on Scholar distribution, selections and placements, can be found in their 52nd Annual Report which will be submitted to the Secretary of State on 30 September 2005. The Marshall Aid Commemoration Commission 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 Commission's annual reports are available in hard copy and also electronically on www.marshallscholarship.org

Financial results for the year

Financial support from HM Government in the form of Grant-in-Aid was increased for the year ending 31 March 2005 by £117,284 to £2,083,784. The Scheme has attracted two further third party funders, National Grid Transco plc who donated £20,000 and the Department for Trade and Industry who donated £42,731. Both donations funded additional Marshall Scholarships. Funds remained from the donation made by Cable and Wireless to fund third year extensions in previous years. Overall there was a surplus of £5,831 on the current year's operations with a retained surplus carried forward to future years of £92,448. Of this retained surplus, £63,997 related to third parties.

1 1 & 2 Eliz. 2, c.39

Future developments

- To continue to increase the profile of the Marshall Scholarship programme by arranging public speaking engagements around the UK to enable current Scholars to speak about the issues in the US to a variety of audiences;
- to encourage the Association of Marshall Scholars Inc. (the Alumni Association) in the US to expand and develop its activities; and
- to secure support for third-year funding, additional scholarships and other Marshall activities from additional UK universities/colleges as well as the private sector.

Fixed assets

No fixed assets were brought into use this year.

Charitable donations

No charitable donations have been made by the MACC.

Payments to suppliers

The MACC is committed to the prompt payment of bills for goods and services received. Payments are normally made as specified in the contract: if there is no contractual provision or other understanding, they are due to be paid within 30 days of receipt of the goods or services, or approval of a valid invoice or similar demand, whichever is later. The MACC has adopted the 'Better Payment Practice Code'.

Auditors

The MACC is audited by the Comptroller and Auditor General.

Employment

The Commission continued the arrangement under which its Secretariat is provided by the Association of Commonwealth Universities, whose offices at 36 Gordon Square, London, WC1H 0PF, serve as its headquarters. The Commission itself does not have any employees.

Commission members^{2 3}

Mr Jonathan Taylor (Chairman)	Chair of the Governing Body SOAS, University of London
Mr Abdul Bhanji (reappointed October 2004)	Consultant, PricewaterhouseCoopers
Prof John Caughie (appointed April 2004)	Dean, Faculty of Arts, University of Glasgow
Prof David Eastwood (appointed June 2004)	Vice-Chancellor, University of East Anglia
Mr Michael Freedman (appointed June 2004)	Company Chairman and Director
Ms Lucy Heller	Freelance, Media
Ms Sara Nathan	Freelance Journalist
Prof Richard Perham	Master, St John's College, Cambridge
Mr James Ross (appointed April 2004)	Deputy Chairman, National Grid Transco (retired)
Mr David Thomas	HM Diplomatic Service (retired)
Prof Michael Gibbons (Exec. Sec.)(until July 2004)	Secretary General of the ACU
Dr J S Rowett (Exec. Sec.) (from September 2004 until March 2005)	Secretary General of the ACU
Dr John Kirkland (Exec. Sec.) (from April 2005)	Deputy Secretary General of ACU

On behalf of the Commission

Jonathan Taylor
Chairman
6 July 2005

Dr John Kirkland
Executive Secretary
6 July 2005

2 Further details of Commissioners' responsibilities can be found in Appendix I of the 52nd Annual report.

3 No Commission Member receives remuneration for serving on the MACC. The Association of Commonwealth Universities receives an administration fee for administering the scheme, which covers a proportion of the Executive Secretary's salary.

Statement of Commission's and Chairman's responsibilities with respect to the Financial Statements

The accounts are prepared on an accruals basis and must give a true and fair view of the MACC's state of affairs at the year end, its net operating costs, recognised gains and losses and cash flows for the financial year. The accounts should be read in conjunction with the Annual Reports of the Commission, the 52nd of which, covering the year to 30 September 2005, will be published by The Stationery Office Ltd in early 2006.

The Chairman carries the responsibilities of Chief Accounting Officer for the Commission. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officer Memorandum.

Statement on Internal Control

As Chief Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Marshall Aid Commemoration Commission's (MACC) policies, aims and objectives whilst safeguarding the use of public funds for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

The systems of internal control are designed to manage risk to a reasonable level rather than eliminate the risks 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 the Marshall Aid Commemoration Commission's 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, was in place in the Marshall Aid Commemoration Commission for the year ended 31 March 2005 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance. During the year the MACC also set up an Audit and Risk Management Committee (ARM), to help ensure that the MACC has satisfactory assurance on risk management, control and governance. The first meeting of ARM Committee was in September 2004 and it also met in January 2005.

The Association of Commonwealth Universities (ACU), which provides the Secretariat for the Marshall Aid Commemoration Commission, has an established system of internal controls (subject to statutory audit) which the Commission considers to be appropriate to its functions in ensuring that transactions are properly authorised, recorded and reported.

The Commission receives periodic reports from the Chairman of its Finance Committee concerning the financial position of the Commission, and from the ARM Committee concerning internal control and we require regular reports from the ACU on the steps that it is taking to manage risks in the areas of our responsibility. The new ARM Committee will also consider the findings and conclusions from reports by the ACU auditors that are relevant to the MACC.

During the year ended 31 March 2005, the Commission further developed its risk management policy that forms part of the internal control and corporate governance arrangements. The policy explains the underlying approach to risk management, and documents the role and responsibilities of the Commission and its staff.

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the ACU, who have responsibility for the development and maintenance of the internal control framework, the ACU's auditors and comments made by the NAO in their management letter and other reports. The ACU and the MACC ARM Committee also monitor and review the system of internal control throughout the year, making adjustments where necessary. These will be presented to the Marshall Aid Commemoration Commission each year for endorsement.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the ACU and MACC ARM Committee and a plan to address any weaknesses that may arise and ensure continuous improvement of the system is in place.

Jonathan Taylor
Chairman, MACC
Chief Accounting Officer

6 July 2005

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

I certify that I have audited the financial statements on pages 9 to 15 under the Marshall Aid Commemoration Act 1953. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on page 10.

Respective responsibilities of the Commission, Chairman and Auditor

As described on page 5, the Commission and Chairman are responsible for the preparation of the financial statements in accordance with Section 2(7) of the Marshall Aid Commemoration Act 1953 and in such form as the Secretary of State may with the approval of Treasury direct thereunder and for ensuring the regularity of financial transactions. The Commission and Chairman are also responsible for the preparation of the Foreword. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Marshall Aid Commemoration Act 1953 and in such form as the Secretary of State may with the approval of Treasury direct thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Commission has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the statement on page 6 reflects the Commission's compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Commission's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Commission and Chairman in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Commission's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion

- the financial statements give a true and fair view of the state of affairs of the Marshall Aid Commemoration Commission at 31 March 2005 and of the surplus, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Marshall Aid Commemoration Act 1953 and with the directions made thereunder by the Secretary of State; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General
14 July 2005

National Audit Office
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London SW1W 9SP

Income and Expenditure Account for the year ended 31 March 2005

	Notes	2005 £	2004 £
Income			
HM Government – Grant-in-Aid	2	2,077,326	1,959,706
Grants and donations from 3rd parties	3	62,731	38,218
Bank interest		9,506	678
		2,149,563	1,998,602
Expenditure			
Scholarship costs	4	1,867,718	1,703,172
Selection process		45,958	54,871
Development of the Marshall Scholarship Scheme		28,209	6,179
Administration	6	177,645	194,336
50th Anniversary costs		245	81,478
UK regional government itinerary		23,957	0
		2,143,732	2,040,036
Operating surplus/(deficit) for the financial year	7	5,831	(41,434)
Retained surplus brought forward		86,617	128,051
Retained surplus carried forward	8	92,448	86,617

Statement of Total Recognised Gains and Losses

Other than the surplus for the year there were no recognised gains or losses in the year.

Balance Sheet as at 31 March 2005

	Notes	2005 £	2005 £	2004 £	2004 £
Current assets					
Debtors	9	312,206		309,136	
Cash at bank and in hand	10	154,035		164,163	
		466,241		473,299	
Creditors	11	373,793		386,682	
Net current assets			92,448		86,617
Total assets less liabilities			92,448		86,617
Reserves					
Retained surplus	8		92,448		86,617
			92,448		86,617

These Financial Statements were approved by the Marshall Aid Commemoration Commission on the 6 July 2005 and signed on their behalf by

Jonathan Taylor
Chairman
Marshall Aid Commemoration Commission

John Kirkland
Executive Secretary
Marshall Aid Commemoration Commission

Cash Flow Statement for the year ended 31 March 2005

	2005 £	2004 £
Operating activities		
Net cash (outflow)/inflow from operating activities	(10,128)	9,409
(Decrease)/increase in net cash	(10,128)	9,409

Reconciliation of net incoming resources to net cash (outflow)/inflow from operating activities

Net incoming/(outgoing) resources	5,831	(41,434)
(Increase) in debtors	(3,070)	(14,348)
(Decrease)/increase in creditors	(12,889)	65,191
Net cash (outflow)/inflow from operating activities	(10,128)	9,409

Notes to the Financial Statements

The Marshall Aid Commemoration Commission is a body set up by the British Parliament (Marshall Aid Commemoration Act of 1953 (as amended)) to administer British Marshall Scholarships. The Scholarship programme is funded by HM Government through the Foreign & Commonwealth Office.

1 Accounting policies

a Basis of preparation

The Financial Statements have been prepared in accordance with the Companies Acts and with applicable Accounting Standards. They have been prepared under the historical cost convention modified to account for the revaluation of fixed assets at their value to the business by reference to their current cost.

b Government grants

Funds are received from the Foreign and Commonwealth Office by way of grant-in-aid 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 to July. Under resource accounting, the advance payment of the summer term fees is shown as a prepayment with the grant-in-aid deferred.

c Other income

The Scholarship scheme is now attracting additional funding from other parties which are shown separately as "grants and donations from 3rd parties".

d Fixed assets and depreciation

The minimum level of capitalisation of tangible fixed assets is £2,000. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset evenly over its expected useful life as follows

Furniture and equipment	5 years
Computers and ancillary equipment	3 years

Software developed in-house is expensed as incurred.

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, except that which is capitalised as part of an assets cost.

f Prior year comparatives

Prior year figures are restated where necessary for comparative purposes.

2 HM Government Grant-in-Aid (in respect to the MACC)

That amount of Grant relating to university tuition fees which fall after the end of March has been shown as deferred income.

	2005 £	2004 £
Voted for the year to 31 March	2,083,784	1,966,500
Received for the year to 31 March	2,082,692	1,972,827
Grant credited to income per financial statements	2,077,326	1,959,706
Grant income deferred at 31 March	312,100	306,734

3 Grants and donations from 3rd Parties

	2005 £	2004 £
National Grid Transco plc	20,000	0
Department of Trade & Industry	42,731	0
The Annenberg Foundation	0	38,218
	62,731	38,218

A donation from the Annenberg Foundation of £38,218 was received in the previous year to support the 50th Anniversary costs of The Marshall Scholarships.

4 Scholarship costs

	2005 £	2004 £
Marshall Aid Scholarships	1,798,436	1,703,172
National Grid Transco Marshall Scholarships	17,378	0
Texas Marshall Scholarships (DTI funded)	31,205	0
Cable & Wireless third year extensions	20,699	0
	1,867,718	1,703,172

5 Staff costs

The Marshall Aid Commemoration Commission does not employ any staff. The administration of the Scheme is undertaken by staff of the Association of Commonwealth Universities under service contract to the Commission.

6 Administration

	2005 £	2004 £
Secretariat	159,150	156,112
Commission costs	14,653	33,682
Miscellaneous	3,842	4,542
	177,645	194,336

7 Operating surplus

	2005	2004
	£	£
The operating surplus (deficit: 2004) is stated after charging		
Auditors remuneration	3,500	3,500

8 Retained surplus carried forward

	Opening balance	Grant/ donations	Interest	Expenditure	Closing balance
	£	£	£	£	£
Marshall Aid Scholarships	19,570	2,077,326	6,095	2,074,450	28,541
National Grid Transco	0	20,000	196	17,378	2,818
Department of Trade & Industry	0	42,731	1,207	31,205	12,733
Cable & Wireless	67,047	0	2,008	20,699	48,356
	<u>86,617</u>	<u>2,140,057</u>	<u>9,506</u>	<u>2,143,732</u>	<u>92,448</u>

9 Debtors and prepayments

	2005	2004
	£	£
Sundry debtors	106	0
Prepayments	312,100	309,136
	<u>312,206</u>	<u>309,136</u>

10 Cash at bank and in hand

	2005	2004
	£	£
Cash at bank	150,659	162,346
Cash lodged at colleges	3,376	1,817
	<u>154,035</u>	<u>164,163</u>

11 Creditors and accruals (Payable within one year)

	2005	2004
	£	£
Trade creditors	12,828	2,711
Deferred income	355,404	349,465
Accruals	5,561	34,506
	<u>373,793</u>	<u>386,682</u>

12 Related party transactions

The Marshall Aid Commemoration Commission is an Executive Non Departmental Public Body of the Foreign and Commonwealth Office (FCO).

The FCO is regarded as a Related Party with which the Commission has various material transactions during the year.

None of the Commissioners or key members of the Secretariat, or other related parties has undertaken any other material transactions with the Marshall Aid Commemoration Commission during the year.

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