

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

Marshall Aid Commemoration Commission Accounts 2005-2006

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Scope of these Accounts

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 express the gratitude of the British people for 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 (including its role in Europe); 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 Commission'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.

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.

The basic structure of the Marshall Scholarships scheme, as described in the Act, remains intact. There are now eight regional centres based on the Consulate districts in Atlanta, Boston, Chicago, Houston, Los Angeles, New York, San Francisco and Washington DC. The most dramatic change since the inception of the scheme has been the increase in the number of Marshall Scholarships. The number of new awards was increased from twelve to twenty-four in 1960, to thirty in 1973, up to forty Scholarships in 1991 and since 2004 up to forty three have been awarded.

1 1 and 2 Eliz. 2, c.39

The Marshall Scholarship programme has established itself as one of the most prestigious scholarships for young Americans wishing to undertake graduate study for two or three years at universities throughout the United Kingdom. In the fifty three years since the programme began, some 1400 American men and women have studied in universities throughout the United Kingdom.

Competition for Marshall Scholarship awards has been intense from the start. There are now 43 awards, and in 2004 there were more than 20 applicants for each one.

Marshall Scholarship alumni occupy senior and interesting positions in all walks of American life. They have included a Supreme Court Justice, members of the Cabinet and Congress, Pulitzer Prize winners, leaders in journalism, academia, business, entertainment, sports, the military, science, engineering and law.

Organisational structure

The Marshall Aid Commemoration Commission was set up under the Marshall Aid Commemoration Act 1953 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 Commission 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 Commission', Marshall Aid Commemoration Act 1953. In addition two Alumni Observers sit on the Commission.

The MACC meets formally three times a year. In addition to the Audit and Risk Management Committee the MACC has two sub-committees, the Finance Committee, which meets three times a year, and the Education Committee, which meets once a year. These Committees are accountable to the MACC for financial and educational issues.

The MACC Audit and Risk Management Committee members consisted of three non-Commission members and three Commissioners on 31 March 2006. The Chair is Mr Graham Benson (non-Commission). This Committee meets four times a year.

Membership of the Commission

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

In the United States the Selection of Marshall Scholars is overseen by the British Embassy in Washington DC, and the Consulates-General in Atlanta, Boston, Chicago, Houston, Los Angeles, New York and San Francisco.

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.

Review of activities

In the academic year 2005-2006, 78 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 supported on the NGT Marshall Scholarship funded by National Grid Transco plc and one was supported on the BSUF Marshall Scholarship funded by the British Schools and Universities Fund (BSUF). Six Scholars were jointly funded on Partnership Scholarships, four Scholars on the Imperial Marshall Scholarships, one Scholar on the Oriel Marshall Scholarship, and one Scholar on the Royal Holloway Marshall Scholarship. These agreements include the MACC paying for the Scholars' maintenance costs and the partner university waiving the tuition fees. A further seven Scholars were funded under third year funding agreements with the University of Oxford, the London School of Economics and the Scottish Executive. Two third year Scholars received a contribution towards their tuition fees from the MACC, the rest of their funding came from the National Science Foundation. A total of 97 Marshall Scholars were funded either by the MACC or under funding agreements. In addition one Marshall Sheffield Fellow was supported by private funds from the Marshall Sheffield Fellowship Foundation.

A full report of the Marshall Aid Commemoration Commission's activities, including details on Scholar distribution, selections and placements, can be found in their 53rd Annual Report which will be submitted to the Secretary of State on 30 September 2006. 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

Future developments

Over the coming year the Commission will have to confront two major funding issues. Firstly the government set stipend rates are increasingly insufficient for Scholars to live on. The rates are significantly lower than those given to British graduates by the Research Councils and indeed by the Office of Science and Technology OST for overseas students (on behalf of the DTI). The Commission is concerned over this disparity, and is very concerned that the Scholars are experiencing hardship due to lack of funds. Secondly the Commission is concerned about the significantly increasing tuition fees of the British Universities. Indications are that throughout the university sector the tuition fees will be increasing at a very rapid rate and certainly above the rate of inflation. For example in academic year 2005-2006 the University of Oxford implemented an increase of 18 per cent on their graduate tuition fees. Failure to address these funding issues would mean that the Scholarships would suffer major reputational damage, and would probably no longer attract the best Scholars.

The Commission's objectives in the coming year would, therefore, include endeavouring to secure sufficient funding to

- ensure the continuation of the Marshall Scholarships including the number of Scholarships offered each year;
- raise the maintenance stipend rates to safeguard the competitiveness of the Scholarship; and
- fund additional third-year extensions.

Risk

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

- have responsibility for overseeing risk management within the institution as a whole;
- have 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, whilst recognising them; and
- identify key risk indicators and closely monitor them on a regular basis.

The Commission's Audit and Risk Management Committee undertakes this role on behalf of the MACC.

The MACC maintains a Register of Risks and this is assessed and updated annually.

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 2006 by £94,716 to £2,178,500. The Scheme has attracted four further third party funders, the British Schools and Universities Foundation, the National Grid Transco plc and the Scottish Executive who each donated £20,000 and the Department for Trade and Industry who donated £43,304. These 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 £62,167 on the current year's operations resulting in a retained surplus carried forward to future years of £154,615. Of this retained surplus, £77,657 related to third parties.

Management

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.

Register of interests

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

Diversity and equality

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.

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.

On behalf of the Commission,

J Taylor
Chairman
5 July 2006

J Kirkland
Executive Secretary

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 53rd of which, covering the year to 30 September 2006, will be published by The Stationery Office Ltd in early 2007.

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.

J Taylor
Chairman

5 July 2006

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 2006 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance. The MACC also has an Audit and Risk Management Committee (ARM), to help ensure that the MACC has satisfactory assurance on risk management, control and governance. The ARM Committee met in April, July and October 2005 and January 2006.

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 ARM Committee also considers the findings and conclusions from reports by the ACU auditors that are relevant to the MACC.

During the year ended 31 March 2006, 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

5 July 2006

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

I certify that I have audited the financial statements of the Marshall Aid Commemoration Commission for the year ended 31 March 2006 under the Marshall Aid Commemoration Act 1953. These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Commission, Chairman and Auditor

The Commission and Chairman, acting as Accounting Officer, are responsible for preparing the Annual Report and the financial statements in accordance with the Marshall Aid Commemoration Act 1953 and in such form as the Secretary of State may, with the approval of HM Treasury, direct thereunder, and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Commission's and Chairman's responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Marshall Aid Commemoration Act 1953 and directions made thereunder by the Secretary of State with the approval of HM Treasury. I also report 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 to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the Commission has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities is not disclosed.

I review whether the Statement on Internal Control reflects Commission's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Chairman's statement on internal control covers all risks and controls, or form an opinion on the effectiveness of the Commission's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My 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 judgments made by the Commission and Chairman in the preparation of the financial statements, and of whether the accounting policies are most 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 fraud or error 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 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, in accordance with the Marshall Aid Commemoration Act 1953 and directions made thereunder by the Secretary of State, of the state of the Commission's affairs as at 31 March 2006 and of its surplus for the year then ended;
- the financial statements have been properly prepared in accordance with the Marshall Aid Commemoration Act 1953 and directions made by the Secretary of State thereunder; 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

11 July 2006

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Income and Expenditure Account for the year ended 31 March 2006

	Notes	2006 £	2005 £
Income			
HM Government Grant-in-Aid	2	2,173,347	2,077,326
Grants and Donations from 3rd parties	3	103,304	62,731
Bank interest		7,215	9,506
		2,283,866	2,149,563
Expenditure			
Scholarship costs	4	1,931,655	1,867,718
Selection process		57,340	45,958
Development of the Marshall Scholarship Scheme		25,000	28,209
Administration	6	190,982	177,645
50th Anniversary costs		0	245
UK Regional Government itinerary		16,722	23,957
		2,221,699	2,143,732
Operating surplus for the financial year	7	62,167	5,831
Retained surplus brought forward		92,448	86,617
Retained surplus carried forward	8	154,615	92,448

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 2006

	Notes	2006 £	2006 £	2005 £	2005 £
Current assets					
Debtors	9	338,853		312,206	
Cash at bank and in hand	10	169,830		154,035	
		508,683		466,241	
Creditors	11	354,068		373,793	
Net current assets			154,615		92,448
Total assets less liabilities			154,615		92,448
Reserves					
Retained surplus	8		154,615		92,448
			154,615		92,448

These Financial Statements were approved by the Marshall Aid Commemoration Commission on the 5 July 2006 and signed on their behalf by

J Taylor
Chairman
Marshall Aid Commemoration Commission

J Kirkland
Executive Secretary
Marshall Aid Commemoration Commission

Cash Flow Statement for the year ended 31 March 2006

	2006 £	2005 £
Operating activities		
Net cash inflow/(outflow) from operating activities	<u>15,795</u>	<u>(10,128)</u>
Increase/(decrease) in net cash	<u>15,795</u>	<u>(10,128)</u>
Reconciliation of net incoming resources to net cash (outflow)/inflow from operating activities		
Net incoming resources	62,167	5,831
(Increase) in debtors	(26,647)	(3,070)
(Decrease) in creditors	(19,725)	(12,889)
Net cash inflow/(outflow) from operating activities	<u>15,795</u>	<u>(10,128)</u>

Notes forming part of the Financial Statements for the year ended 31 March 2006

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 31st 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.

	2006 £	2005 £
Voted for the year to 31 March	2,178,500	2,083,784
Received for the year to 31 March	2,176,974	2,082,692
Grant credited to income per financial statements	2,173,347	2,077,326
Grant income deferred at 31 March	315,727	312,100

3 Grants and donations from 3rd parties

	2006 £	2005 £
National Grid Transco plc	20,000	20,000
Department of Trade & Industry	43,304	42,731
British Schools and Universities Foundation (BSUF)	20,000	0
Scottish Executive	20,000	0
	103,304	62,731

4 Scholarship costs

	2006 £	2005 £
Marshall Aid Scholarships	1,838,201	1,798,436
National Grid Transco Marshall Scholarships	23,777	17,378
Texas Marshall Scholarships (D.T.I. funded)	38,818	31,205
Cable and Wireless third year extensions	3,763	20,699
BSUF	17,338	0
Scottish Executive	9,758	0
	1,931,655	1,867,718

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

	2006 £	2005 £
Secretariat	166,922	159,150
Commission costs	17,971	14,653
Miscellaneous	6,089	3,842
	190,982	177,645

7 Operating surplus

	2006	2005
	£	£
The operating surplus is stated after charging Auditor's remuneration	4,000	3,500

8 Retained surplus carried forward

	Opening balance £	Grant/ donations £	Interest £	Expenditure £	Closing balance £
Marshall Scholarships	28,541	2,173,347	3,315	2,128,245	76,958
National Grid Transco	2,818	20,000	1,200	23,777	241
Department of Trade & Industry	12,733	43,304	1,200	38,818	18,419
Cable & Wireless	48,356	0	1,500	3,763	46,093
BSUF	0	20,000	0	17,338	2,662
Scottish Executive	0	20,000	0	9,758	10,242
	<u>92,448</u>	<u>2,276,651</u>	<u>7,215</u>	<u>2,221,699</u>	<u>154,615</u>

9 Debtors and prepayments

	2006	2005
	£	£
Sundry debtors	0	106
Donation receivable	20,000	0
Prepayments	318,853	312,100
	<u>338,853</u>	<u>312,206</u>

10 Cash at bank and in hand

	2006	2005
	£	£
Cash at bank	156,670	150,659
Cash lodged at colleges	13,160	3,376
	<u>169,830</u>	<u>154,035</u>

11 Creditors and accruals

	2006	2005
	£	£
(Payable within one year)		
Trade creditors	980	12,828
Deferred income	335,051	355,404
Accruals	18,037	5,561
	<u>354,068</u>	<u>373,793</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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