

# Marshall Aid Commemoration Commission Accounts 2018-19

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

Ordered by the House of Commons to be printed on 8 July 2019



ISBN 978-1-5286-1389-7



9 781528 613897

The National Audit Office (NAO) helps Parliament hold government to account for the way it spends public money. It is independent of government and the civil service. The Comptroller and Auditor General (C&AG), Gareth Davies, is an Officer of the House of Commons and leads the NAO. The C&AG certifies the accounts of all government departments and many other public sector bodies. He has statutory authority to examine and report to Parliament on whether government is delivering value for money on behalf of the public, concluding on whether resources have been used efficiently, effectively and with economy. The NAO identifies ways that government can make better use of public money to improve people's lives. It measures this impact annually. In 2018 the NAO's work led to a positive financial impact through reduced costs, improved service delivery, or other benefits to citizens, of £539 million.



© Crown copyright 2019

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated.

To view this licence, visit [nationalarchives.gov.uk/doc/open-government-licence/version/3](http://nationalarchives.gov.uk/doc/open-government-licence/version/3).

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

ISBN: 978-1-5286-1389-7

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK on behalf of the Controller of Her Majesty's Stationery Office



# 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 to the Houses of Parliament	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 2019

## Introduction by the Chair of the Commission

I am pleased to be able to report that we have continued to build successfully on the performance achieved in the previous year as the growth in the Scholarship Programme continues to take 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 continuing 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 has progressed to £2.25 million in 2017-18, to £2.55 million in 2018-19 and will reach £2.65 million in 2019-20.

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. Of the 43 awards made to the Class of 2018 who started in September 2018, 11 were effectively being funded by third parties.

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. The new and continuing support of our academic partners is much appreciated. In 2018-19 there was a significant increase in the value of this support, much of which has arisen in advance of any corresponding increase in costs associated with a further increase in awards made. The surplus this gives rise to has helped inform the decision in December 2018 to make 48 awards to the incoming class of 2019 (2018: 43).

The other component of such support is where third parties are directly providing the Commission with funds to make specific awards. Leaving aside the discontinued EPA grant, whose ending has previously been reported, there was a useful increase in grants and donations from third parties. Within this was the first most welcome funding from the alumni endowment created in 2017 to fund a two year scholarship every other year.

During the second half of 2018-19, the Commission was subject to a periodic Cabinet Office sponsored tailored review. The Commission engaged positively with the review team. Its findings were published in April 2019 and the Commission is now carefully considering its various recommendations.

Looking ahead, our priority for 2019 will be to agree with the FCO the level of our grant from April 2020 awards, consistent with the understanding we reached in December 2016. This outcome will be important for our award decisions this autumn, as will be the up to date position on partnership support.

I would like to thank my fellow Commissioners for their time, thoughtfulness and support over the last 12 months. The only change in membership was that Professor Simon Newman had to stand down in December 2018, rather than the following summer which would otherwise have been the case, following his relocation to the US. We will miss Simon's diligent service as Chair of the Education Committee, and I thank Dr Alice Prochaska for agreeing to succeed him. I would also like to thank Simon Morris, a former Commissioner, for his service as Chair of Audit & Risk Management Committee, and Alan Bookbinder for agreeing to succeed him. The Commission would also wish to record its appreciation to the staff of the Association of Commonwealth Universities who support the Scholarship Programme so effectively.

That I was able to welcome in September 2018 a new Class of 43 scholars, following 40 the year before, underlined 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

25 June 2019

## Aims and Objectives

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

The Commission'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 institutions.

The Commission'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 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.

### 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 programme 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 scholarship costs being borne by universities and colleges. In the last decade the number of new Scholarships awarded declined to 31 but in the latest admissions round (2019 intake) 48 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 2000 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 include two Supreme Court Justices, members of Presidential administrations, members of Congress, a Nobel Prize winner, an astronaut currently on the International Space Station, 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 Commission to continue as a going concern. The Commission has confidence that they will continue to receive funding from HMG for the foreseeable future and is therefore a going concern.

## Performance summary

The accounts show the costs of the Programme, net of the benefit of academic partner and alumni support. Including this support in 2018-19 the gross direct cost of scholarship awards was £3.3 million (2017-18: £2.7million) with a total programme cost of £3.7 million (2017-18: £3.1 million). This compares with an FCO grant of £2.55 million (2017-18: £2.25 million). The Commission believes these figures more accurately illuminate the scale and nature of its financial affairs. It allows the success of academic partner support to be better appreciated, while also highlighting the corresponding dependence.

In 2018-19 there was the full year benefit of additional partner support which had arisen from September 2017, as well as further support arising from September 2018. This growth has arisen in advance of a corresponding increase in awards made, and as a result a further surplus has been recorded. This position informed the decision in December 2018 to make 48 awards to the incoming Class of 2019 (2018: 43).

Leaving aside currency movements, there has been a small increase in our overall administration costs largely relating to IT expenditure. Our cash and pre-payment balances reflect the increase in discretionary reserves and positive working capital movements. Core reserves are unchanged.

## Key issues and risks facing the Commission

HMG's decision in December 2016 to increase the Commission'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, 2017 and 2018. 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 Commission'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.

## Scholarship analysis

In the academic year 2018-19, 83 Marshall Scholars were studying in the UK of which 35 Marshall Scholars were fully funded by the Commission, two were fully funded by external partners and 46 supported to varying degrees under partnership arrangements with UK academic institutions as set out below. This support is vital to the scale and sustainability of the Marshall Scholarship Programme.

Four Scholars:

- Imperial College London

## Three Scholars:

- University of Edinburgh
- King's College London
- University College London

## Two Scholars each:

- London School of Economics and Political Science
- School of Oriental and African Studies (SOAS)
- London School of Hygiene and Tropical Medicine
- University of Oxford (Oxford Marshall Scholarship)
- Queen Mary, University of London
- New College, Oxford
- Somerville College, Oxford

## One Scholar each:

- Balliol College, Oxford
- University of East Anglia
- Emmanuel College, Cambridge
- Gonville and Caius College, Cambridge
- Magdalene College, Cambridge
- University of Manchester
- Pembroke College, Cambridge
- Royal Holloway, University of London
- University of Sussex
- University College, Oxford
- Cardiff University
- Exeter College, Oxford
- Goldsmiths, University of London
- King's College, Cambridge
- Magdalen College, Oxford
- Nuffield College, Oxford
- Peterhouse College, Cambridge
- St John's College, Cambridge
- Trinity College, Oxford

The two fully funded external partner Scholarships were provided by the British Schools and Universities Foundation (BSUF) and the Association of Marshall Scholars (AMS), these awards are included in 'Grants and donations' in the table below.

It should be noted that as part of the 83, five Scholars, who were members of the US Military, only received 50% of the stipend as agreed with the US Military and two Scholars received International Student House Marshall Scholarships in London and accordingly received a reduced stipend (out of London rate). These lower costs to the Commission are reflected in 'Other partnership support' in the table below, which also includes the value of the two Oxford Marshall Scholarships which fund doctoral study beyond the two years for which the Commission is responsible for.

The Commission 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 2018-19 overall third party support grew by £387,000 to £1,226,000. The funding falls into three categories as outlined in the table below:

	2018-19 £'000	2017-18 £'000	Increase/ (decrease) £'000
Academic partnerships in support of core Scholarship Programme	1,089	715	374
Other partnership support	59	62	(3)
Total partnership support	1,148	777	371
Grants and donations excluding EPA	78	62	16
Total third party support	1,226	839	387

The Commission is now meeting the cost of two Scholars on doctoral programmes who were originally to be funded by the EPA. As previously reported, the EPA ended this agreement in 2018. No new awards are being made under this agreement. The associated costs falling to the Commission in 2018-19 were some £54,000 and a final liability of some £10,000 is expected to arise in 2019-20.

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. The funds for the Marshall Sherfield Fellowship are not managed by the Commission and the Commission bank account is not used for these funds. The income and expenditure relating to this scholarship does not pass through the Commission's accounts.

A full report of the Commission's activities, including details on Scholar distribution, selections and placements, can be found in its 65th Annual Report for the year to 30 September 2018. The 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 <http://www.marshallscholarship.org/about/annualreports>.

### **Sustainability**

The Commission has considered HM Treasury's Guidance on Sustainability Reporting. As the Commission 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

25 June 2019

# Accountability Report for the year ended 31 March 2019

## 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 Commission.

#### 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 which is representative of society today.

#### Personal Data Incidents

There were no personal data incidents in 2018-19 (2017-18: NIL).

### ii Statement of the Commission's and the 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 Commission'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 Commission. 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 Commission'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 Commission'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 Commission'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 Commission's auditors are aware of that information.

### **iii Governance Statement**

The Commission 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 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 Chair of the Commission. In addition, two Alumni Observers attend the Commission. 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 Commission considers the following matters annually:

- Government policy as it applies to the Commission 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 Commission's relationship with the alumni
- Other policies that may impact the administration of the Scholarships.

## Membership of the Commission during 2018-19:

Mr Christopher Fisher (Chair)	A Director of SEGRO and of National Savings and Investments
Mr Alan Bookbinder	Master, Downing College
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 (resigned 31/12/18)	Sir Denis Brogan Professor of American History, University of Glasgow
Dr Alice Prochaska	Principal, Somerville College, Oxford (Retired)
Ms Barbara Ridpath	Director, St Paul's Institute
Ms Xenia Wickett	VP Political Analysis, Equinor
Lord Wood of Anfield	Fellow in Practice at the Blavatnik School, University of Oxford

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 Commission's Education Committee.

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

## Governance Framework

The Commission met four times in 2018-19. Commissioner attendance was as follows in 2018-19:

Mr Christopher Fisher (Chair)	100%	4/4 meetings
Mr Alan Bookbinder	100%	4/4 meetings
Prof. Brian Cantor	25%	1/4 meetings
Ms Janet Legrand QC Hon (Deputy Chair)	75%	3/4 meetings
Mrs Suzanne McCarthy	100%	4/4 meetings
Prof. Simon Newman	0%	0/2 meetings
Dr Alice Prochaska	100%	4/4 meetings
Ms Barbara Ridpath	75%	3/4 meetings
Ms Xenia Wickett	50%	2/4 meetings
Lord Wood of Anfield	25%	1/4 meetings

The Commission is supported by two committees, namely Audit & Risk Management (ARM) and Education. The Commission may appoint independent members to these committees, marked \* below.

The ARM Committee advises the Commission 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 2018-19 membership of the ARM Committee was as follows:

Mr Simon Morris* (Chair until June 18)	100%	4/4 meetings
Mr Alan Bookbinder (Chair from June 18)	100%	4/4 meetings
Mr Timothy Hornsby*	75%	3/4 meetings
Ms Laura Lafave*	75%	3/4 meetings
Ms Janet Legrand	100%	4/4 meetings
Ms Barbara Ridpath	50%	2/4 meetings

The Chair of the Commission attended all of these meetings.

The Education Committee advises the Commission on:

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

Membership of the Education Committee was as follows:

Dr Alice Prochaska (Chair from September 2018)	100%	2/2 meetings
Professor Brian Cantor	50%	1/2 meetings
Professor Jon Erichsen*	50%	1/2 meetings
Mr Christopher Fisher	100%	2/2 meetings
Lord Wood of Anfield	100%	2/2 meetings
Ms Xenia Wickett	50%	1/2 meetings

## Commission Performance

In the first quarter of 2019 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. The Commission believes it has been effective during the year.

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

## Corporate Governance Code

The Commission has considered HM Treasury's Corporate Governance in Central Government Departments: Code of Good Practice. The Code's requirements are most directly applicable to central government departments. The Commission is a small Non-Departmental Public Body, so many of the detailed requirements are not relevant. However, where the Code is materially relevant, the Commission considers that it does conform.

## Risk Assessment

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

The Commission'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;
- identifies key risk indicators and closely monitor them on a regular basis.

The Commission's Risk Register incorporates this approach to risk management, and the roles and responsibilities of the Commission and its Secretariat and its risk management processes. The Commission and its Secretariat seek guidance where appropriate from the FCO on risk management issues. The Commission 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 Commission's Risk Register is reviewed annually by its Audit and Risk Management (ARM) Committee and is determined by the Commission. Risks are reported to the ARM Committee throughout the year, by email if their comments are required before the next scheduled meeting. The Commission's key business processes (financial and non-financial) are documented.

The Commission's most significant risks and mitigations or controls are:

- loss of funding – as the Commission 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 could destabilise the programme and lead to reputational harm. The primary mitigation to this risk is close liaison with the FCO.
- Major IT failure or inadequacy (including cyberattack, malware and ransomware) – the Commission seeks assurances from the ACU about the quality of its IT policies and practices. The ACU has sought cyber essential accreditation, ACU is also strengthening their IT disaster recovery process.

The Commission did not face any new significant risks in 2018-19.

## 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 Commission'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 Commission 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 2019 and up to the date of approval of the annual report and accounts, and accords with HM Treasury guidance.

The Secretariat regularly reports to the Commission on expenditure to date, forecast outturn and projections for future years. These projections enable the Commission to assess the potential impact of increased tuition and maintenance fees. The Commission 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 Commission works closely with the FCO's Soft Power and External Affairs department which is represented at meetings of the Commission and its Committees. The Commission 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 Commission, 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 Commission's 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 Commission is derived from existing and management information systems. The Commission 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 Commission continued the arrangement under which its Secretariat is provided by the Association of Commonwealth Universities (ACU). The Commission itself does not have any employees.

### c Parliamentary Accountability and Audit Report (subject to audit)

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

The Commission levies no fees or charges. It has incurred no losses or special payments above the reporting threshold of £300,000. It has no remote contingent liabilities.

*Christopher Fisher*  
Chair and Accounting Officer

25 June 2019

# 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 the Marshall Aid Commemoration Commission for the year ended 31 March 2019 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 the Marshall Aid Commemoration Commission's affairs as at 31 March 2019 and of 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.

### Conclusions relating to going concern

We are required to 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 for a period of at least twelve months from the date of approval of the financial statements. 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. I have nothing to report in these respects.

### Responsibilities of the Commission and the Accounting Officer for the financial statements

As explained more fully in the Statement of the Commission's and the Accounting Officer's Responsibilities, the Commission and the 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.
- 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.

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

### **Other Information**

The Commission and the 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 entity and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the 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.

*Gareth Davies*  
Comptroller and Auditor General

28 June 2019

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

## Statement of Comprehensive Net Expenditure for the year ended 31 March 2019

	Notes	2018-19 £	2017-18 £
<b>Expenditure</b>			
Scholarship costs	2	<b>2,048,540</b>	1,911,412
Selection process		<b>88,353</b>	85,732
Administration	3	<b>268,728</b>	278,066
UK Devolved Government and regional itinerary		<b>7,286</b>	14,749
<b>Total operating expenditure</b>		<b><u>2,412,907</u></b>	<u>2,289,959</u>
<b>Income</b>			
Grants and donations from third parties	5	<b>82,751</b>	159,648
Other income		<b>0</b>	948
<b>Total operating income</b>		<b><u>82,751</u></b>	<u>160,596</u>
<b>Net operating expenditure before interest</b>		<b>(2,330,156)</b>	(2,129,363)
Interest receivable		<b>4,660</b>	1,152
<b>Net operating expenditure for the year</b>		<b><u>(2,325,496)</u></b>	<u>(2,128,211)</u>

All activities are continuing.

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

## Statement of Financial Position for the year ended 31 March 2019

	Notes	2018-19 £	2017-18 £
<b>Current assets</b>			
Trade receivables and other current assets	7	<b>363,322</b>	578,479
Cash and cash equivalents	9	<b>789,648</b>	284,410
<b>Total current assets</b>		<b><u>1,152,970</u></b>	<b><u>862,889</u></b>
<b>Current liabilities</b>			
Trade payables and other current liabilities	8	<b>(154,343)</b>	(88,766)
<b>Total current liabilities</b>		<b><u>(154,343)</u></b>	<b><u>(88,766)</u></b>
<b>Total assets less total liabilities</b>		<b><u>998,627</u></b>	<b><u>774,123</u></b>
<b>Taxpayers' equity</b>			
<b>General reserves</b>			
Of which attributable to:			
Core reserves		<b>618,031</b>	618,031
Discretionary reserves		<b>380,596</b>	156,092
<b>Total reserves</b>	<b>10</b>	<b><u>998,627</u></b>	<b><u>774,123</u></b>

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

The financial statements were approved by the Marshall Aid Commemoration Commission on 25 June 2019 and signed on its behalf by:

*Christopher Fisher*  
Chair and Accounting Officer

25 June 2019

## Statement of Cash Flows

	Notes	2018-19 £	2017-18 £
<b>Cash Flows from operating activities</b>			
Net expenditure before interest		<b>(2,330,156)</b>	(2,129,363)
Interest receivable		<b>4,660</b>	1,152
Decrease/(increase) in trade and other receivables	7	<b>215,157</b>	(46,243)
Increase/(decrease) in trade and other payables	8	<b>65,577</b>	(2,949)
<b>Net cash outflow from operating activities</b>		<b>(2,044,762)</b>	(2,177,403)
<b>Cash Flows from financing activities</b>			
Grant-in Aid received from FCO		<b>2,550,000</b>	2,250,000
<b>Net financing</b>		<b>2,550,000</b>	2,250,000
<b>Increase in net cash and cash equivalents</b>		<b>505,238</b>	72,597
Cash and cash equivalents at the beginning of the period	9	<b>284,410</b>	211,813
<b>Cash and cash equivalents at the end of the period</b>	9	<b>789,648</b>	284,410

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

## Statement of Changes in Taxpayers' Equity for the year ended 31 March 2019

	£	General Reserves £
<b>Balance at 31 March 2017</b>		<b>652,334</b>
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	<u>121,789</u>	
Net expenditure for the year		<u>(2,128,211)</u>
<b>Balance at 31 March 2018</b>		<b>774,123</b>
Grant from FCO		2,550,000
Deficit arising on core reserves before grant from FCO	(2,550,000)	
Surplus arising from value of partnership benefits	<u>224,504</u>	
Net expenditure for the year		<u>(2,325,496)</u>
<b>Balance at 31 March 2019</b>		<b>998,627</b>

*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 2018-19 Government Financial Reporting Manual (FRM) issued by HM Government. The accounting policies contained in the FRM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FRM 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, 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 Commission 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 Income*

HM Treasury has mandated that the public sector retrospectively apply IFRS 15, with the cumulative effect being recognised as an adjustment to the opening general fund within taxpayers' equity. The impact of IFRS 15 upon the Commission's income was not material, as the recognition and measurement criteria have not significantly changed from IAS 18, and so no adjustment has been made to the opening general fund. Contract assets and liabilities have been recognised in replacement for accrued and deferred income.

The Commission receives donations to support the scholarship programme. An MoU sets out the expected terms of the donation and what restrictions the donor may place upon the usage of the funds e.g. it can be used to fund a scholar studying music. Donations received from each donor are accounted for separately under a scheme name reflecting who the donor is. The amounts received from each donor may vary from year to year and are recognised in contract liabilities as the donations become due. The Commission does not select scholars to meet the donation criteria but rather recognises the donation as income if a selected scholar meets the criteria set out in the MoU. Donations are recognised in income throughout the year, at the same time as the scholarship fees, stipends and allowances are incurred. If there are insufficient funds to support a new scholar from the donation, no scholar is assigned to the scheme/donation. Should a donor stop donating, the outstanding cost will be paid for by the Commission from the FCO Grant-in-Aid.

Income recognised in the financial year (Note 5) reflect the full cost in the year associated with the individual scholarship schemes. The current balance of donations received, but not yet used to pay scholarship fees, are disclosed as contract liabilities in Note 8.

*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 recorded as a prepayment (or accrual) as at 31 March 2019 if greater than £1,000.

*e VAT*

As its supplies are outside the scope of VAT the Commission 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 Commission 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 Commission 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 contract liabilities and released to match related expenditure, as over time all third party income will match expenditure.

The Commission's general reserve is apportioned between core and discretionary reserves. The Commission 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 Financial Instruments*

IFRS 9 'Financial Instruments' is applied by HM Treasury in the Government Financial Reporting Manual (FReM) from 2018-19. This standard brings together all three phases of the financial instruments project: Classification and Measurement; Impairment and Hedge Accounting. As the Commission only has simple financial assets such as cash, trade payables and trade receivables, the impact of IFRS 9 is not material to the current or prior financial year.

**Financial assets**

These comprise of receivables that are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are initially recognised at fair value and subsequently held at amortised cost after an appropriate provision for expected credit loss.

**Financial liabilities**

These comprise trade and other payables, and other financial liabilities. They are initially recognised at the fair value of consideration received, less directly attributable transaction costs. They are subsequently measured at amortised cost.

*j Operating Segments*

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

*k Upcoming changes to accounting standards*

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

IFRS 16 'Leases' is expected to be effective for financial reporting periods beginning on or after 1 January 2020 and sets out the principles for the recognition, measurement, presentation and disclosure of leases. This is not relevant to the Commission as it does not have any leases.

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

**2 Scholarship Costs**

	<b>2018-19</b>	2017-18
	<b>£</b>	£
Marshall Commission Scholarships (net of partnership benefits)*	<b>1,965,789</b>	1,745,012
Annenberg Marshall Scholarship	<b>13,653</b>	35,730
US Environmental Protection Agency Scholarships	<b>4,435</b>	97,340
British Schools & Universities Foundation Scholarship	<b>35,621</b>	27,472
Association of Marshall Scholars - Endowed Scholarship	<b>22,613</b>	0
Alumnus funded Sussex partnership place	<b>6,429</b>	5,858
	<b><u>2,048,540</u></b>	<u>1,911,412</u>

\* in addition, partnership benefits in kind total £1,148,000 (2018-19) and £777,000 (2017-18). 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**

	<b>2018-19</b>	2017-18
	<b>£</b>	£
Secretariat	<b>230,044</b>	226,129
Other support costs	<b>41,203</b>	21,179
Auditors' remuneration	<b>7,250</b>	6,500
Currency (gain) / loss	<b>(9,769)</b>	24,258
	<b><u>268,728</u></b>	<u>278,066</u>

**4 Staff Costs**

The Commission 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 Commission. As Commission has no staff there is no facility time allocated to trade union activity.

**5 Grants and Donations from third parties**

	<b>2018-19</b>	2017-18
	<b>£</b>	£
Annenberg Endowment (via Association of Commonwealth Universities)	<b>13,653</b>	26,336
US Environmental Protection Agency*	<b>4,435</b>	97,340
British Schools & Universities Foundation	<b>35,621</b>	27,472
Association of Marshall Scholars - Endowed Scholarship	<b>22,613</b>	0
Sussex Alumnus Funding	<b>6,429</b>	5,858
Other	<b>0</b>	2,642
	<b><u>82,751</u></b>	<u>159,648</u>

\* This is the final part of the donation and no further funds will be received.

## 6 Financial Instruments

As the cash requirements of the Commission 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 main risk is foreign exchange exposure which relates to cash received in USD from third parties (\$226k in FY 2018-19). This risk is mitigated by converting the USD received to GBP shortly after receiving the cash. From 2019-20 this risk is further mitigated by the Alumni Association (the main third party contributor) paying in GBP.

## 7 Trade receivables and other current assets

	2018-19 £	2017-18 £
Amounts falling due within one year:		
Accommodation deposits	41,549	30,308
Trade receivables	2,452	0
Sundry debtors	97	3,231
Prepayments and accrued income	319,224	544,940
Contract assets	<u>0</u>	<u>0</u>
	<b>363,322</b>	<b>578,479</b>

The implementation of IFRS15 in the year has had no impact on accrued income. If the prior year was restated, no contract asset would be recognised. There is also no closing contract asset for 2018-19.

## 8 Trade payables and other current liabilities

	2018-19 £	2017-18 £
Amounts falling due within one year:		
Trade payables	50,050	3,843
Accruals	7,713	6,500
Deferred income	0	78,423
Contract liabilities	<u>96,580</u>	<u>0</u>
	<b>154,343</b>	<b>88,766</b>

The implementation of IFRS15 in the year has resulted in the recognition of £96,580 of deferred income as contract liabilities as at 31 March 2019. If the prior year was restated, £78,423 of deferred income would have been recognised as contract liabilities.

	Opening balance £	Donations Receivable £	& Income Released £	Closing balance £
<b>Movements on deferred income</b>				
Annenberg Endowment	0	19,383	(13,653)	5,730
US Environmental Protection Agency	4,435	0	(4,435)	0
British Schools & Universities Foundation	29,235	36,309	(35,621)	29,923
Association of Marshall Scholars - Endowed Scholarship	0	38,450	(22,613)	15,837
Sussex Alumnus Funding	850	6,765	(6,429)	1,186
Other	<u>43,903</u>	<u>1</u>	<u>0</u>	<u>43,904</u>
	<b>78,423</b>	<b>100,908</b>	<b>(82,751)</b>	<b>96,580</b>

**9 Cash and cash equivalents**

	<b>2018-19</b>	2017-18
	£	£
Balance at 1 April	<b>284,410</b>	211,813
Net change in cash and cash equivalent balances	<b>505,238</b>	72,597
Balance at 31 March	<b><u>789,648</u></b>	<u>284,410</u>

Cash is held with NatWest bank in GBP and USD.

**10 Movements on general reserves**

	Opening balance	Grant-in-Aid	Bank Interest	Net Expenditure	Closing balance
	£	£	£	£	£
Core Reserves	618,031	2,550,000	4,660	(2,554,660)	618,031
Discretionary Reserves	156,092	0	0	224,504	380,596
Total reserves	<u>774,123</u>	<u>2,550,000</u>	<u>4,660</u>	<u>(2,330,156)</u>	<u>998,627</u>

	<b>2018-19</b>	2017-18
	£	£
Core Reserves at 31 March	<b>618,031</b>	618,031
Less tuition fee prepayment	<b>(285,306)</b>	(288,890)
Less stipend payments due in April	<b>(279,087)</b>	(234,554)
Uncommitted Core Reserves	<b><u>53,638</u></b>	<u>94,587</u>

Increase in scholarship numbers has resulted in an increase in stipends due for payment in April. However, there has not been a corresponding increase in tuition fee prepayment due to significant increase in partnership funding.

**11 Related party transactions**

The Commission is an Executive Non-Departmental Public Body of the FCO. The FCO is regarded as a Related Party with which the Commission'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 Commission during the year.

**12 Commitments**

In the autumn of each year the Commission offers Scholarships for the following academic year, and the academic year following that. The Commission 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:

National Audit Office  
Press Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP  
Tel: 020 7798 7400  
Email: Enquiries: [www.nao.org.uk/contact-us](http://www.nao.org.uk/contact-us)

DP Ref: 005789