

AUDIT COMMITTEE

1. There shall be a standing committee of the Council, called the Audit Committee, which shall consist of:
 - (a) a member of the Council in class (e) appointed by the Council to serve as Chairman of the Committee,
 - (b) two members of the Council appointed by the Council from among its members who are members of the Regent House, provided that neither the Vice-Chancellor, a Pro-Vice-Chancellor, nor the Chairman of a Council of a School shall be eligible to serve,
 - (c) four persons, not being members of the Regent House or employees of the University, appointed by the Council with regard to their professional expertise and experience in comparable roles in corporate life, including at least two members with experience of finance, accounting, or auditing,
 - (d) not more than three persons co-opted by the Committee, of whom
 - (i) the first person co-opted shall be a member of the Regent House, such person not being a member of the Council,
 - (ii) not more than two co-opted persons shall be members of the Regent House, such persons not being members of the Council,
 - (iii) not more than two co-opted persons shall be external members, one but not more than one of whom may be a member of the Council in class (e), provided that it shall not be obligatory for the Committee to co-opt any person or persons.

For the purpose of these regulations, external members are defined as the following members of the Audit Committee:

- (i) persons who are members of the Council in class (e);
 - (ii) persons who are not employees of the University or any of its companies or of a College, and who do not hold College Fellowships which qualify them for membership of the Regent House.

2. Members in classes (a), (b), and (c) shall be appointed in the Michaelmas Term to serve for three years from 1 January next following their appointment. No member in class (a), (b), and (c) may serve for more than eight consecutive years. Co-opted members shall serve until 31 December of the year in which they are co-opted or of the following year, as the Committee shall decide at the time of their co-optation.

3. No person may be a member of the Audit Committee who is a member of the Finance Committee of the Council. If a member of the Audit Committee becomes a member of the Finance Committee, his or her place shall thereupon become vacant.

4. The Audit Committee shall meet at least twice in each financial year. It shall be the duty of the Committee:
 - (a) to keep under review the effectiveness of the University's internal systems of financial and other control;
 - (b) to advise the Council on matters relating to the external and internal auditors, including their appointment, the provision by the auditors of any additional services outside the scope of their regular responsibilities, the remuneration of the auditors, and any questions relating to the resignation or dismissal of auditors;
 - (c) to ensure that sufficient resources are made available for internal audit;
 - (d) to approve proposals for internal audit put forward by the internal auditors;
 - (e) to review annually with the external auditors the nature and scope of the external audit;
 - (f) to consider any reports submitted by the auditors, both external and internal;
 - (g) to monitor the implementation of any recommendations made by the internal auditors;
 - (h) to satisfy themselves that satisfactory arrangements are adopted throughout the University for promoting economy, efficiency, effectiveness, and risk management;
 - (i) to establish appropriate performance measures and to monitor annually the performance and effectiveness of the external and internal auditors;
 - (j) to consider, in consultation with the external auditors, (i) any financial statements annexed to the abstract of accounts, including the auditors' report, and (ii) any statement provided by the Council on the governance of the University;

- (k) to ensure that all significant losses are properly investigated and that the internal and external auditors, and where appropriate the Higher Education Funding Council for England, are informed;
 - (l) to oversee the University's policy on fraud and irregularity, and to ensure that they are informed of any action taken under that policy;
 - (m) to make an annual report to the Council, the Vice-Chancellor, and the Higher Education Funding Council for England;
 - (n) to receive reports from the National Audit Office and the Higher Education Funding Council for England, and to advise the Council thereon;
 - (o) to forward minutes of their meetings to the Council.
5. No decision of the Audit Committee shall have any binding effect unless there are at least five members, three at least of these being external members, present at a meeting of the Audit Committee. If a decision is the subject of a vote and there is an equality of votes cast, the Chairman, or Acting Chairman, as the case may be, shall be entitled to give a second or casting vote.
6. In the absence of the Chairman of the Committee, the Audit Committee shall elect an acting Chairman from the external members present.

Reproduced from the Statutes and Ordinances of the University of Cambridge:
<http://www.admin.cam.ac.uk/univ/so/2013/chapter13-section1.html#heading2-3>

Deloitte LLP - fees for internal audit work 2013 - 14

Appendix C

	<u>Number of Days</u>	<u>Cost (excluding VAT)</u>	<u>Cost (including VAT)</u>
Completion of 2012 - 13	71	£43,026	£52,631
Audit Work in 2013 - 14	<u>447</u>	<u>£275,370</u>	<u>£330,444</u>
Total	<u><u>518</u></u>	<u><u>£318,396</u></u>	<u><u>£383,075</u></u>

Deloitte LLP - fees for other work relating to 2013 - 14

	Fees (excluding) VAT	Fees (including) VAT
Other Work		
None	£NIL	£NIL
Total	<u><u>£NIL</u></u>	<u><u>£NIL</u></u>

External audit**(i) PricewaterhouseCoopers LLP and overseas network firms – fees for audit work in relation to 2013 – 14**

<i>Entity and service</i>	<i>Fees (incl. UK VAT – where applicable)</i>
External audit work for the University, Cambridge Assessment, Cambridge University Press, Associated Trusts and subsidiaries	£779,740
Cambridge University Press – review of accounting policies for foreign exchange accounting/FX impact of profit in stock	£24,000

(ii) PricewaterhouseCoopers LLP and overseas network firms – fees for non audit services 2013 - 14 billed since our November 2013 summary

<i>Entity and service</i>	<i>Fees (incl. UK VAT – where applicable)</i>
<i>Other assurance services</i>	
Little U – National College for Teaching and Leadership (NCTL) return	£4,327
Cambridge Assessment – Agreed upon procedures – financial statement submission for an EU funded project in Malta	£2,400
<i>Tax compliance and advisory</i>	
Cambridge Enterprise Ltd – Corporation tax compliance	£6,750
Cambridge University Technical Services Ltd – Corporation tax compliance	£4,440
Cambridge University Press – discussion re permanent establishment risks and transfer pricing model	£12,000
Cambridge University Press – Mexico tax audit	£8,471
Cambridge University Press – South Africa – provision of template IFRS set of financial statements	£1,000
<i>Other</i>	
Little U – review carried out by Mokum of the Oracle upgrade (the work performed was prior to PwC's acquisition of Mokum)	£42,824

In addition, we have been engaged to perform company secretarial consulting services and a members voluntary liquidation of a Cambridge Assessment subsidiary, Sandonian Properties Limited, for fees totalling £27,600 incl VAT, although this has yet to be invoiced.

(iii) PricewaterhouseCoopers LLP – fees in respect of participation in external projects/events administered by departments

Entity and service

Fees (incl. UK VAT – where applicable)

Work in respect of ClimateWise, which is administered by the Programme for Sustainability Leadership

£45,180

Representatives from our sustainability group have also attended sustainability workshops run by the University during the year at no cost.

AUDIT COMMITTEEAssurance on the Colleges use of HEFCE funding

The Committee has approved a protocol for reporting satisfaction, or otherwise, with the use of funds transferred by the University for educational purposes to the Colleges. Assurance is retrospective.

The exercise compares the College Fee Transfer from the University with the Education income and costs, as disclosed in each College's audited accounts.

A College's endowment income might be restricted for educational purposes and exceed the gap between a College's expenditure on undergraduate education and the amount it receives from the College Fee Transfer. Therefore *total* expenditure made from restricted funds is also noted.

The exercise shows the "headroom" for each College, and invites further investigation if headroom is limited.

Attached: a schedule based on the 2013 Colleges' accounts including the total expenditure supported from restricted endowment income (restricted not necessarily for educational purposes).

The information provides assurance that College Fee Transfers are properly applied for educational purposes.

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	<i>College Fee Transfer £000</i>	Total Education Income £000	Total Education costs £000	Total Restricted Fund costs £000	Net £000	Comment
CHRIST'S	1,569	2,307	(3,103)	880	84	College Fee Transfer is 50.6% of total Education costs
CHURCHILL	1,624	2,779	(4,375)	333	(1,263)	
CLARE	1,879	2,737	(4,162)	1,157	(268)	
CLARE HALL	-	414	(899)	287	(198)	
CORPUS CHRISTI	1,027	1,598	(3,130)	629	(903)	
DARWIN	18	1,233	(1,414)	172	(9)	
DOWNING	1,569	2,596	(4,025)	463	(966)	
EMMANUEL	1,894	2,437	(4,448)	1,080	(931)	
FITZWILLIAM	1,486	2,567	(3,233)	396	(270)	
GIRTON	1,838	2,815	(3,798)	842	(141)	
GONVILLE & CAIUS	2,073	3,327	(5,679)	1,528	(824)	
HOMERTON	2,820	4,210	(4,002)	-	208	College Fee Transfer is 70.5% of total Education costs
HUGHES HALL	304	1,390	(1,614)	67	(157)	
JESUS	1,993	2,659	(4,966)	675	(1,632)	
KING'S	1,492	2,546	(5,221)	1,675	(1,000)	
LUCY CAVENDISH	550	1,109	(1,522)	273	(140)	
MAGDALENE	1,175	2,280	(3,368)	509	(579)	
MURRAY EDWARDS	1,389	2,064	(3,118)	210	(844)	
NEWNHAM	1,370	2,431	(4,418)	349	(1,638)	
PEMBROKE	1,589	2,500	(4,626)	959	(1,167)	
PETERHOUSE	891	1,392	(3,212)	402	(1,418)	
QUEENS'	1,928	3,196	(4,884)	139	(1,549)	
ROBINSON	1,464	2,235	(3,501)	80	(1,186)	
ST. CATHARINE'S	1,740	2,796	(4,297)	542	(959)	
ST. EDMUND'S	414	1,403	(2,750)	1,692	345	Restricted funds expenditure for research institutes
ST. JOHN'S	2,074	3,445	(9,742)	2,027	(4,270)	
SELWYN	1,443	1,908	(2,803)	371	(524)	
SIDNEY SUSSEX	1,343	2,158	(4,141)	70	(1,913)	
TRINITY	2,278	3,439	(32,293)	1,987	(26,867)	
TRINITY HALL	1,453	2,246	(4,408)	1,106	(1,056)	
WOLFSON	571	2,096	(2,335)	96	(143)	
Total	43,258	72,313	(145,487)	20,996	(52,178)	

University of Cambridge Audit Committee**Assurance on Colleges' use of funds**

Note of a meeting on Wednesday 30 April 2014 in the Registry's office.

Present: Chair of the Audit Committee, Mr John Shakeshaft
Chair of the Colleges' Committee, Professor David Yates
Chair of the Bursars' Committee, Ms Deborah Lowther
Registry and Secretary of the Audit Committee, Dr Jonathan Nicholls

In attendance: Assistant Secretary of the Audit Committee, Dr Clara East

1. The meeting was part of an established mechanism to provide assurance that the autonomous Colleges applied HEFCE funding that passed to them via the College Fee for appropriate educational purposes and that due attention was paid to efficiency and value-for-money considerations.
2. The mechanism included an annual exercise by the University's Director of Finance to compare Colleges' total fee income and restricted funds income with expenditure on education. The assessment of the Colleges' 2012-13 audited accounts had been completed and, at the next meeting of the Audit Committee on 8 May 2014, the Director of Finance would report satisfaction with the application of funds transferred. The table compiled by the Director of Finance had been circulated to the attendees for information. Additional assurance in this regard was provided via this annual meeting, which provided a forum to explore matters and exchange information, particularly in the area of value for money.
3. With regard to the table of accounts Mr Shakeshaft explained that the column showing Total Restricted Fund costs was needed to give a fuller picture of the spend on education by Colleges (given that the College fee alone would not cover all costs). Three Colleges had a net surplus. It was noted that spend was not always smooth, for example graduate scholarships may only be fundable every three years, and this was one reason for such surplus. Mr Shakeshaft commented that the Audit Committee would not view the annual figures in isolation but look for patterns across years. Ms Lowther queried how Restricted Funds that had not been spent on education were taken into account and would raise this with the Director of Finance. It was acknowledged that the table of figures would need a different representation once the new fee regime was fully in place.
3. Ms Lowther took attendees through the draft value for money report, which was to be considered by the Bursars' Committee on 22 May. A final report would be provided in due course but no major changes were expected. It was noted that the format of the report would change in future years on the establishment of a Colleges' Value for Money Committee (which would take over authorship of the report). Over the course of discussion the following points were made:

- Key Performance Indicators were now embedded as an annual exercise and a lot of information was available, for example about College staffing in different areas. The benchmarking of costs was useful for internal College discussions;
 - Conference Cambridge, a joint marketing vehicle for the Colleges, was working well by saving Colleges the front-end work of marketing and giving rise to more opportunities for events than Colleges may otherwise have received;
 - the Office of Intercollegiate Services (OIS) was currently under review and succession planning under consideration. Whilst succession of the OIS's leadership was a risk for the University it was not considered a high risk;
 - new procurement agents had been appointed for energy and food purchasing leading to a more sophisticated approach to purchasing in both areas;
 - a new insurance broking arrangement had been signed up to by most Colleges resulting in significant savings; self-insurance was also to be investigated and UMAL, the specialist Higher and Further Education mutual organisation, was mentioned as a useful reference;
 - the Colleges had undertaken a review of services and charges by local law firms; it was noted that the periodic tender by all or some Colleges for legal services should ensure, even within the limited market within Cambridge, optimal rates including some free advisory services typical of such procurements elsewhere (including from the University's periodic tenders for external legal services);
 - the Colleges' Investment Sub-Committee continued its work to raise awareness amongst Bursars of investment opportunities and strategies;
 - centralised student services now included the new Sports Centre;
 - more workshops had taken place between College Bursars and University officers specifically to identify further joint ventures to achieve better value for money.
4. On the subject of the workshops to promote greater collaboration between the Colleges and University, the Registry noted that these had been very constructive and that participants would continue to seek sensible areas on which to join forces. One such area might be IT, once the University Information Service was fully established. The increase in the level, experience and professionalism of collaboration between the Colleges and University was commended.
5. The University's Audit Committee would receive a copy of this meeting note and the draft Colleges' Value for Money report at its meeting in May.

Registry's Office

May 2014