

Audit Committee Annual Report Financial Year 2012–13

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AUDIT COMMITTEE

Amended by Grace 1 of 15 December 2010

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*, 2011, p. 981:
<http://www.admin.cam.ac.uk/univ/so/2011/chapter13-section1.html#heading2-2>

Deloitte LLP - fees for internal audit work 2012 - 13

	Number of Days	Cost (excluding VAT)	Cost (including VAT)
Completion of 2010 - 11	(17)	(£9,605)	(£11,526) Credit note
Completion of 2011 - 12	129	£75,723	£90,868
Audit Work in 2012 - 13	<u>437</u>	<u>£263,397</u>	<u>£316,076</u>
Total	<u><u>549</u></u>	<u><u>£329,515</u></u>	<u><u>£395,418</u></u>

Deloitte LLP - fees for other work relating to 2012 - 13

	Fees (excluding) VAT	Fees (including) VAT
Other Work		
None	<u>£NIL</u>	<u>£NIL</u>
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 2012 – 13

<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	£802,044
Cambridge Assessment – SAP pre-implementation assessment	£26,386
Cambridge University Press - SAP pre-implementation assessment	£27,287
Cambridge University Press – review of accounting policies/revenue recognition	£11,940

(ii) PricewaterhouseCoopers LLP and overseas network firms– fees for non-audit work for services billed after 31 July 2012 and reported in our November 2012 summary

<i>Entity and service</i>	<i>Fees (incl. UK VAT – where applicable)</i>
<i>Other assurance services</i>	
Group – Reporting accountants on project Camelot (Bond issue)	£30,900
Cambridge Assessment – OCR – agreed upon procedures in respect of script checking procedures implemented for the June 2011, January 2012 and June 2012 series of GCSE examinations.	£10,233*
<i>Advisory</i>	
Cambridge University Press – strategic performance management review	£62,270

*In addition £36,000 had been billed prior to 31 July 2012

(iii) PricewaterhouseCoopers LLP and overseas network firms – fees for non audit services 2012 - 13 billed since our November 2012 summary

<i>Entity and service</i>	<i>Fees (incl. UK VAT – where applicable)</i>
<i>Other assurance services</i>	
Little U – Training and Development Agency for Schools (TDA) return	£4,210
Cambridge Investment Management Ltd – FCA client asset work	£2,494
Cambridge Assessment – Review of award qualification process	£80,597
Cambridge Assessment – Review of compliance and regulatory robustness	£104,339
CUP, India – Audit of non-statutory financial statements in relation to purchase of minority stake	£43,000

Tax compliance and advisory

Cambridge Enterprise Ltd – Corporation tax compliance	£4,140
Cambridge University Technical Services Ltd – Corporation tax compliance	£1,632
CUP, Mexico/Panama – Corporation tax compliance and transfer pricing review/review of VAT treatment in Mexico	£33,000

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

<i>Entity and service</i>	<i>Fees (incl. UK VAT – where applicable)</i>
Work in respect of ClimateWise, which is administered by the Programme for Sustainability Leadership	£48,000

AUDIT COMMITTEE

Matter arising

Assurance on the Colleges use of HEFCE funding

The Committee has approved a protocol to be used each year for reporting satisfaction, or otherwise, with the use of funds transferred by the University for educational purposes. Under the new protocol assurance will be retrospective. Each annual College Fee Transfer will be compared with the detail in the previous RCCA.

At its November 2012 meeting the Committee received a summary based on the 2011 Colleges accounts. The Committee noted that there was “headroom” but that the figures for each College did not take into account endowment income restricted for educational purposes and that this sum could exceed the gap between a College’s expenditure on undergraduate education and the amount it received from the college fee transfer. Minute AUD.12.99 refers.

Attached: a schedule based on the 2012 Colleges’ accounts now including the total expenditure supported from restricted endowment income (restricted not necessarily for educational purposes).

The information gives further assurance that the Colleges’ Education accounts in respect of HEFE funding are in deficit.ⁱ

AMR 03.01.13

ⁱ Explanation for the two Colleges in surplus: Darwin is a post-graduate college and receives no College Fee transfer for publicly-funded UG; St Edmund’s restricted fund income is primarily for research purposes

University of Cambridge**College Accounts - Education income and costs**

Source: 2011-12 accounts

Prepared for purpose of assurance on use of HEFCE funds.

£k	Total Fee income	Total Education costs	Total Restricted fund exp.	"NET"	Notes
CHRIST'S	2,172	(3,286)	797	(317)	
CHURCHILL	2,688	(4,247)	514	(1,045)	
CLARE	2,326	(4,390)	776	(1,288)	
CLARE HALL	374	(856)	298	(184)	
CORPUS CHRISTI	1,476	(3,125)	696	(953)	
DARWIN	1,182	(1,148)	130	164	Graduate college
DOWNING	2,381	(3,747)	509	(857)	
EMMANUEL	2,311	(4,315)	837	(1,167)	
FITZWILLIAM	2,470	(3,142)	307	(365)	
GIRTON	2,808	(3,732)	642	(282)	
GONVILLE & CAIUS	2,913	(5,909)	1,965	(1,031)	
HOMERTON	4,337	(4,473)	0	(136)	
HUGHES HALL	1,502	(1,530)	7	(21)	
JESUS	2,442	(4,930)	698	(1,790)	
KING'S	2,111	(4,840)	1,547	(1,182)	
LUCY CAVENDISH	1,093	(1,442)	145	(204)	
MAGDALENE	1,929	(3,057)	482	(646)	
MURRAY EDWARDS	2,001	(2,975)	249	(725)	
NEWNHAM	2,104	(4,113)	828	(1,181)	
PEMBROKE	2,549	(4,427)	968	(910)	
PETERHOUSE	1,409	(2,888)	364	(1,115)	
QUEENS'	2,832	(4,666)	185	(1,649)	
ROBINSON	1,931	(3,848)	154	(1,763)	
ST. CATHARINE'S	2,395	(4,333)	545	(1,393)	
ST. EDMUND'S	1,181	(2,172)	1,162	171	Restricted funds for research institutes.
ST. JOHN'S	3,260	(9,781)	1,624	(4,897)	
SELWYN	1,841	(2,676)	364	(471)	
SIDNEY SUSSEX	1,883	(3,813)	654	(1,276)	
TRINITY	3,532	(21,523)	2,672	(15,319)	
TRINITY HALL	1,995	(4,450)	881	(1,574)	
WOLFSON	2,027	(2,239)	79	(133)	

University of Cambridge Audit Committee

Assurance on Colleges' use of funds

Note of a meeting on Thursday 7 February 2013 in the Registry's office.

Present: Chairman of the Audit Committee, John Shakeshaft
 Chairman of the Colleges' Committee, Professor Robert Lethbridge
 Chairman of the Bursars' Committee, Nick Downer
 Registry and Secretary of the Audit Committee, Dr Jonathan Nicholls

In attendance: Assistant Secretary of the Audit Committee, Dr Rachel Coupe

1. The meetings were convened in response to arrangements set out under Appendix H (3i) of the Audit Committee's annual report 2009-10. A copy was provided for reference.

2. The meeting was part of an established mechanism to provide assurance that the autonomous Colleges applied 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. The mechanism included an annual exercise by the University's Director of Finance to compare Colleges' total fee income and restricted endowment income with expenditure on education. The assessment of the Colleges' 2011-12 accounts had been completed and, at the meeting of the Audit Committee on 17 January 2013, the Director of Finance had reported satisfaction with the application of funds transferred. The table compiled by the Director of Finance was distributed at the meeting 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. Mr Downer took attendees through the draft value for money report, which was to be considered by the Bursars' Committee on 14 February. A final report would be provided in due course but no major changes were expected. Over the course of discussion the following points were made:
 - Colleges were more open to sharing information than had been the case historically. This, together with joint workshops and the establishment of key performance indicators were helping to promote best practice and identify efficiencies;

 - the project to establish key performance indicators in areas such as administration and domestic matters was led by Simon Billington, the Assistant Bursar at King's, and was helping to support benchmarking against peers. The findings were proving helpful, particularly in the area of salary information;

 - savings were being made through purchasing initiatives covering food, insurance and energy;

 - a number of Colleges were considering opportunities for shared services;

- the number of enquiries about conference business had increased and, despite the economic environment, led to an increase in the number of bookings compared to last year;
 - space utilisation needed to be improved. This was a significant task and needed to be tackled by both the University and the Colleges.
4. The Registry suggested that there might be an informal workshop for senior representatives of the Colleges and the University to consider opportunities for collaboration and to ensure that all possibilities for best practice and efficiency were given due consideration. The Registry proposed he would give the matter further thought and consider how best to take it forward. The Chairman of the Bursars' Committee suggested that the Business Sub-Committee of the Bursars' Committee could be a representative group of bursars for the purpose.
5. In conclusion it was agreed that the meeting continued to provide a useful forum to exchange information and explore value for money principles. A copy of the University's annual Value for Money report would be provided to Mr Downer. The University's Audit Committee would receive a copy of this meeting note and the final Colleges' Value for Money report at its meeting in March.

Registry's Office

February 2013

Report by the Chairman to the Bursars' Committee on Value for Money 2011-12

In order to promote economy, efficiency, and effectiveness during the year 2011-12, actions undertaken by the Cambridge Colleges include, but are by no means limited to, those set out below.

1. Energy Purchasing

The Colleges' consortium negotiated a 12 month contract for gas, limiting price rises to 27%. The subsequent gas tender in May 2012 led to a 9% reduction on a 24 month contract effective October 2012, justifying the previous decision to avoid a long term commitment. The smaller, property electricity contract retender in July 2012 led to a 4% reduction, after a 20% increase the year before.

2. Food Purchasing

Colleges appointed ASL as new procurement agent on a fixed annual fee of £147,750 +VAT and negotiated for the fee rebate that had been paid to the previous agent to be rebated as a 2% price reduction. After allowing for VAT the net effect is forecast to be an annual saving of more than £30,000. ASL also helped colleges achieve substantial additional savings by helping to reduce food purchasing costs. In the year to June 2012 food price inflation was only 0.4% for the colleges' representative food basket, whereas nationwide food prices rose by 2%. In addition ASL achieved a 4% saving from the cost of grocery supplies by closer management of the contract pricing, resulting in an off-invoice saving of £70,000 following their appointment as procurement agent

3. Key Performance Indicators

The successful review of Key Performance Indicators has been repeated, allowing colleges to benchmark operating costs against peers. The OIS provides an ongoing service in administering annual and ad hoc surveys on a range of subjects, which assist with benchmarking and dissemination of best practice.

4. Shared Posts and Facilities

Colleges are working hard to share posts, infrastructure and facilities. Selwyn and Robinson have hired a joint Head of IT. A number of colleges, including Girton and Wolfson, have ad hoc arrangements for sharing the cost of CTO posts. Many other colleges share sports facilities and boathouses.

5. Legal Services

The Legal Affairs Sub-Committee is undertaking a comprehensive review of services and charges by local law firms, with a view to optimising value in the Colleges' use of such firms.

6. Insurance

26 colleges and 2 theological colleges have successfully concluded the first stage of an insurance tender exercise. Insurance broking services have been moved to a fixed fee basis with anticipated savings of over 40% in broking charges. Aggregate savings of around 20% on overall insurance costs are considered achievable once the underlying insurance has been re-brokered. The re-broking exercise is due to complete by the end of February.

A number of colleges continue to purchase collectively training from external providers and also to work with the University's Health and Safety team.

8. Conference Cambridge

Conference Cambridge continues to market the University and Colleges' conference and venue capabilities. Despite a challenging environment and key staff illness, the level of enquiries increased to 2,678 (2,496 last year) and 35% were converted to bookings, up from 32% last year. 28 venues took part in an Open Day and the Ambassador Programme was launched, offering assistance to University academic staff in bringing conference business to Cambridge.

9. Investments

The Investment Sub-Committee has organised a series of presentations on topics of interest and has successfully identified a cost-effective route for Colleges to obtain US tax clearance, such clearance being a prerequisite for College investment in the University Endowment Fund.

10. Joint College Action

The colleges continue to support centralised student services such as the Cambridge Admissions Office and the Counselling Service. Administration of various legal and compliance issues such as the Carbon Reduction Scheme and ANUK accommodation regulation is centralised. In addition, the OIS continues to provide advice on legal and other matters to the Colleges. In particular, the advice of the Head of the OIS on responses to the increasing number of FoI requests saves the colleges a considerable amount of time and money.

This list is by no means comprehensive as a number of individual colleges pursue their own initiatives. I am satisfied that there is good evidence across the colleges of continuing adoption and improvement of arrangements for promoting economy, efficiency and effectiveness.

Approved by the Bursars' Committee on 14th February 2013.

NJA Downer
14th February 2013