

## SPECIAL ORDINANCES UNDER STATUTE A

## THE CHANCELLOR AND THE GOVERNMENT OF THE UNIVERSITY

## SPECIAL ORDINANCE A (iv):

*Audit Committee of the Council (Special Ordinance under Statute A IV 10)*

**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) (as referred to in Statute A IV 2(e)) appointed by the Council to serve as Chair 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 Chair 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) (as referred to in Statute A IV 2(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:

- (a) persons who are members of the Council in class (e) (as referred to in Statute A IV 2(e));
  - (b) 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. If a member of the Audit Committee becomes a member of the Finance Committee, her or his place shall thereupon become vacant.
- 4.** 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 Chair, or Acting Chair, as the case may be, shall be entitled to give a second or casting vote.
- 5.** In the absence of the Chair of the Committee, the Audit Committee shall elect an acting Chair from the external members present.

## ORDINANCES

## CHAPTER XIII FINANCE AND PROPERTY

## AUDIT COMMITTEE

1. 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.

**Deloitte LLP - fees for internal audit work 2016 - 17**

	<b><u>Number of Days</u></b>	<b><u>Cost (excluding VAT)</u></b>	<b><u>Cost (including VAT)</u></b>
Completion of 2015 - 16	33	£31,352	£37,622
Audit Work in 2016 - 17	<u>325</u>	<u>£288,053</u>	<u>£345,664</u>
Total	<u><u>358</u></u>	<u><u>£319,405</u></u>	<u><u>£383,286</u></u>

**Deloitte LLP - fees for other work relating to 2016 - 17**

	Fees (excluding) VAT	Fees (including) VAT
Other Work		
Estates Fact-Finding Investigation	£ 55,500.00	£ 66,600.00
Total	<u><u>£ 55,500.00</u></u>	<u><u>£ 66,600.00</u></u>

**External audit****(i) PricewaterhouseCoopers LLP and overseas network firms – fees for audit work in relation to 2016 – 17**

<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, subsidiaries and the standalone CUEF financial statements	£905,811

**(ii) PricewaterhouseCoopers LLP and overseas network firms – fees for non audit services 2016 - 17 billed since our November 2015 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	£4,432
Cambridge Investment Management Ltd – FCA client asset work	£3,600
UTS Cambridge – Teachers pension scheme return	1,800
UTS Cambridge – EFA accounts return	1,200
CUP SA – Trademark Assurance	519
Cambridge Assessment India Private Limited – tax audit	1,190
<i>Tax compliance and advisory</i>	
ELT Trading, S.A. de C.V. – Transfer pricing documentation	13,410
Mr Pieter Knook – US and UK tax advice*	25,000

\*For completeness we have included personal tax advice provided to Mr Pieter Knook, a visiting Professor (£25k), although this is not a service provided to the University

*Advisory*

Cambridge Assessment – advice in respect of liquidation of 3 subsidiaries	13,830
CUP pension schemes – advice in respect of actuarial valuation	12,000

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

None

## University of Cambridge Audit Committee

### Assurance on Colleges' use of funds

Note of a meeting on Thursday 21 June 2017 in the Registry's office.

Present: Chair of the Audit Committee, Mr Mark Lewisohn (Chair of meeting)  
 Chair of the Colleges' Committee, Professor Ian White  
 Chair of the Bursars' Committee, Mr Paul Warren  
 Chair of the General Purchasing Sub-committee to the Bursars' Committee,  
 Mr Andrew Powell  
 Acting Registry and Secretary of the Audit Committee, Ms Emma Rampton  
 Director of Finance, Mr Andrew Reid

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

1. The Director of Finance explained the background to this annual meeting. HEFCE required assurance that the expenditure of income received by the University from the Student Loans Company and transferred to Colleges for educational purposes (which HEFCE regarded as a use of public funds), was applied for the proper purposes. Assurance in the past had been achieved through certification from the Colleges; more recently this had been replaced with an analysis of College accounts.
2. Mr Warren described the analysis of the accounts in Appendix A. This was based on data from the new version of the RCCA accounts (the accounting standard for the Colleges which had been revised following FRS102). For each College the data showed the total amount of income received for education, including the HEFCE undergraduate fee through the University, and the resultant deficit once total expenditure on education had been deducted. Across all Colleges the deficit was over £79m. When education expenditure supported by Restricted Funds was added in there was an overall net deficit for all but two Colleges, Christ's and St Edmund's.  
  
 Christ's charged 0% or a lower than average percentage on depreciation and other costs to Education (it was noted that Christ's was unusual in recording its assets in its accounts at original cost, i.e. with zero charge for depreciation). Using the Colleges' average would place them in deficit. St Edmund's was in a similar position and in addition its undergraduate fee was a relatively small proportion of its overall income.
3. The Director of Finance noted that there was sufficient headroom to be able to conclude that the HEFCE funds transferred to the Colleges were less than the Colleges' expenditure on education. Where there were areas for specific Colleges requiring further investigation, these could be satisfactorily explained. The Chair of the Audit Committee agreed with this conclusion and, on behalf of the attendees, confirmed that adequate assurance had been received on the Colleges' use of HEFCE funds.
4. The University also wished to be assured that the income transferred to Colleges was spent with economy, efficiency and effectiveness. Mr Powell took the attendees through the value for money report in Appendix B. The report was prepared by the General Purchasing sub-Committee to the Bursars' Committee which looked after

value for money activities across the Colleges. Mr Powell highlighted the following points:

- The new version of RCCA had led to clear distinctions between restricted and unrestricted income and expenditure. Only unrestricted expenditure was considered in the report, the total amount of which was £365m. Of this figure, an amount of £312m was identified as 'controllable spending', i.e. excluding depreciation, investment and interest costs (although the latter was moderated as a result of a collective bond);
- 52% of controllable spending related to staff costs and 11% to other academic costs. Colleges set staff costs independently although decisions were informed by historic benchmarking information derived from surveys;
- The remaining 37% of controllable spending was on discretionary spending categories, amounting to c. £116m in 2015-16, 21% of which was through collectively managed purchasing arrangements for catering, utilities, insurance and business rates. The collective purchasing represented 71% of the total spend in these areas. Substantial savings had been made.
- Once the water market had become established this would be a new area for collective purchasing.

Since the report had been written, a new Colleges' IT committee had been established to support joined up IT governance between Colleges and the UIS. This was work in progress. It was also noted that the Colleges looked forward to a University Head of Procurement being in post in July.

5. The Chair thanked Mr Powell for the report and asked about future areas of collective activity. Mr Powell noted waste management under the new University waste contract, maintenance and computing expenditure. In regard to IT, there was an appetite to use UIS services and have a single infrastructure but only if these proved to be operationally robust. The Acting Registry would seek the views of Professor Leslie, as incoming Acting Director of UIS, about this. Sharing more alumni events, particularly in the Far East, was another potential area of collective activity.
6. The Value for Money report had been approved by the Bursars Committee and it was agreed that it should also be submitted to the Colleges Committee because it was useful for Heads of Houses to be aware of the extent of collective activity and the savings that could be made.
7. A note of this meeting and the Colleges' Value for Money report would be included in the Audit Committee's Annual Report to HEFCE at the end of the calendar year as normal. As was customary, the Annual Report would be published in the Reporter early in 2018.

*Report by the General Purchasing sub-Committee to the Bursars Committee***Value for Money (VfM) for the financial year 2015-16****(including updates on initiatives in 2016-17)****Introduction**

The Colleges of Cambridge are independent self-governing institutions working in close partnership with the University to deliver their charitable objectives. Collectively this partnership is referred to as 'Collegiate Cambridge'. The Bursars' Committee represents the Bursars of all the Colleges acting in collaboration where it is appropriate to do so.

The Bursars' Committee seeks to enable the Colleges to take maximum possible advantage of opportunities for efficiency through information sharing and through collective purchasing initiatives. It also recognises the imperative to demonstrate value for money achievements across the collegiate University and is committed to supporting the University in meeting its obligations to external funding bodies in this regard.

The remit of the Bursars' General Purchasing sub Committee (GPSC) is to provide leadership and oversight of VfM and collaborative initiatives across the Colleges, working in close association with the University. The definition of 'Value for Money' covers the key areas of 'Economy, Efficiency and Effectiveness<sup>1</sup>'.

Within this context the sub Committee has been specifically requested by the Bursars' Committee:

1. To prepare on behalf of the Colleges an annual VfM report for the Bursars' Committee.
2. To formulate and disseminate best practice in purchasing among the Colleges.
3. To identify areas of purchasing that could benefit from joint initiatives and initiate co-operative purchasing ventures where feasible.
4. To oversee those collaborative purchasing activities which are not separately reported to the Bursars' Committee.
5. To provide a forum in which the Colleges can, in conjunction with the University Purchasing Office, maximise opportunities for co-operation on VfM between the Colleges and the University.

In 2015/16 the Colleges switched to a new version of RCCA (the accounting standard for the Colleges) which was introduced as a consequence of FRS102. The consequence of this has been a clear distinction in the income and expense account between Restricted income and Expenditure and Unrestricted Income and Expenditure. The analysis in this report is based upon the unrestricted element only, which is considered appropriate, given the purpose of the report in relation to HEFCE. As a result a number of figures for 2014/15 have been restated in this report.

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<sup>1</sup> Economy – careful use of resources to save expense, time or effort

Efficiency – delivering the same level of service for less cost, time or effort

Effectiveness – delivering a better service or getting a better return for the same amount of expense, time or effort.

Total unrestricted expenditure across the Colleges in 2015/16 at £365m was very close to that of the previous year (£368m). Of this £312m has been identified as 'controllable spending', defined as total expenditure less depreciation, interest and investment costs.

This definition excludes interest costs; however, in 2013-14 two rounds of funding were issued totalling £149m under a new long term collective bond, representing some 29% of the total borrowings of Colleges at the financial year end.

### **Benchmarking**

The Bursars Committee undertakes regular benchmarking studies on behalf of the Colleges in order to provide useful information. In particular comparative information is produced from College accounts as well as additional key performance indicators comparing key staff and non-staff expenditure items across all of the main operating departments within the Colleges. This information is made available to the participants to inform management strategies within the Colleges.

52% of 'controllable' spending relates to staff costs – wages, salaries and stipends. A further 11% of costs falls into the category of 'Other academic' costs which includes the costs of student support, widening participation and other facilities to support learning and student life in Cambridge.

Annual surveys are undertaken across each of these areas to provide historic benchmarking information to inform decisions taken by the Colleges independently:

- i. The Assistant Staff salary survey covers the Assistant staff
- ii. The Stipends survey provides information about academic stipends, for full time and part time posts.
- iii. The annual Cost of Education return completed by each College provides further information on academic staff and non-staff costs

### **Inter-College purchasing agreements**

Discretionary spending categories make up the remainder of 'controllable spending'. This totalled approximately £116m in 2015-16.

Some 21% (£24.5m) of this discretionary spending<sup>2</sup> was through collectively managed purchasing arrangements, representing 70% of the total College spending in the four expenditure categories covered by these agreements. These are summarised in Table 1 below:

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<sup>2</sup> Discretionary spending is defined as 'Controllable spending' less Salaries, Stipends, and 'Other academic'



**Table 1: Summary of collective purchasing 2014-15 and 2015-16**

Spending category	Catering supplies	Energy + CRC	Insurance	Business rates	Total
Total spend 2015-16	£21.6m	£9.7m	£2.1m	£1.1m	£34.5m (29.7%)
Collective purchasing 2015-16	£12.2m	£9.7m	£1.5m	£1.1m	£24.5m (71.0%)
Total spend 2014-15	£20.6m	£9.5m	£2.0m	£1.1m	£33.2m
Collective purchasing 2014-15	£11.2m	£9.5m	£1.2m	£1.1m	£23.0m (69.3%)

Expenditure through the catering framework has increased by almost £1m, largely as a result of the incorporation of the Frozen contract in November 2015.

In Insurance, one College which had previously been outside the buying Group joined from 1<sup>st</sup> January 2016. The broker framework agreement has been renewed for a further three-year period from January 2016. The Property and Property Owners' programme with Ecclesiastical has been renewed at existing terms for a period of three years following agreement by all colleges in the buying group.

In addition Meet Cambridge (formerly known as Conference Cambridge) placed £6m of business in 2015-16 from 4,700 enquiries, of which £2.5m was placed direct with the Colleges. This represents 6.6% of the total income of the Colleges; this figure greatly understates the true contribution of Meet Cambridge as much repeat business originally placed through this organisation is transacted directly with the Colleges.

#### 2016-17 Developments

##### *Catering:*

Food inflation has been challenging throughout 2016, especially within the Fish and Fruit and Vegetable categories due to exchange rate changes following the "Brexit" decision, and adverse weather conditions.

Over the ten months to April 2017 the benefit of the purchasing arrangement has totalled £964,905, and varied between 9% and 20% of market prices. The Frozen Food contract, which had previously been managed separately, was brought within the scope of the collective purchasing agreement from 1st November 2015. Efforts continue to improve utilisation of the shared contract structures.

In addition a non-contracted supply base (including coffee, alcohol, chilled to go offerings, specialist food supplies, catering equipment, workwear etc.) has been introduced via ASL (Foodbuy) core supply deals,

Preparations have commenced for the re-tendering of the purchasing agent's contract, which expires in March 2019.

*Insurance:*

Price benchmarking is currently being undertaken in preparation for the next tender for general insurances for the College buying group.

*Utilities:*

The Energy Management sub Committee is planning to:

- tender non-half-hourly electricity for 3+1+1 years from October 2017
- tender half-hourly (HH) electricity and gas for 3+1+1 years from October 2018

The flexible purchasing strategy has produced benefits for colleges with trading marginal amounts of energy producing savings of £140k as at March 2017. In addition, the ability to place substantial volumes for forward purchase has allowed potential savings at current market values of £700k across all Colleges for 2017/18, as at the current date. Such savings could, of course, reverse depending upon the movement of wholesale markets in relation to trading positions taken on those contracts between now and consumption in 2017/18.

Data is being collected in preparation for a collective approach to the purchasing of Water, following the introduction of a market for Water in 2017. Our purchasing agents for Energy will also manage Water purchasing for the Colleges, but current advice is to let the market settle down before launching a tender. The aggregate spend on Water across the Colleges is just over £2m per annum.

*Business rates*

Messrs Gerald Eve (GE) have worked with Universities UK to agree a methodology for valuing university premises for the purpose of setting rateable values for non-domestic rates. This is supplemented by specific methodologies for Oxbridge Colleges. The Colleges have commissioned GE to negotiate revised methodologies for new rating valuations having effect from April 2017. They negotiate appeals on individual Colleges behalf, where, notwithstanding the agreed methodologies, there are grounds for appeal.

*Meet Cambridge:*

The Company has completed two major projects in the last two years:

- Re-branding exercise undertaken by MOBAS
- New website creation linking in the above (MOBAS also).

The replacement of the enquiry management system and its underlying database – EVENT is ongoing.

The company is also now providing the business services for Visit Cambridge which will provide increasing revenues to re-invest in marketing.

### **Other Intercollegiate Initiatives**

Messrs Gerald Eve have offered a valuation indexation service for College property.

The Pensions Working Group has given advice and co-ordinated College inputs to the USS 2017 Valuation exercise, working closely with the University Pensions office.

The Environment and Planning sub-Committee has given advice and co-ordinated College inputs to the local plan-survey on student housing demand and supply for Cambridge City Council, and the City Deal consultation on congestion measures.

The Taxation sub-committee has provided representations in the call for evidence in HMRC's review of the taxation of accommodation provided as a benefit.

#### *Development*

Joint training events (5 or 6 per year) for college development staff (sometimes also in conjunction with CUDAR) are held, so saving costs compared with separately organised training

Colleges have co-operated in procuring services from common telethon consultants;

Some Colleges are jointly organising and hosting of overseas events for alumni e.g. in Hong Kong and Singapore;

Colleges share a joint membership of CASE.

#### *IT*

CASC (Colleges' Administrative Software Consortium) develops and maintains software specifically for Cambridge Colleges. Discussions are under way with a view to CASC providing support for conference systems for Meet Cambridge and providing helpdesk services for CamCORS. It has recently been agreed that all Colleges will now become members of CASC with core funding provided through the intercollegiate levy system.

A number of groups of Colleges are seeking to develop joint initiatives to deliver more effective management of IT services in the face of rising costs and technical complexity. These range from sharing of personnel to more widespread collaboration initiatives. These are already delivering benefits in terms of improved resiliency.

### **Collaboration between the University and the Colleges**

All Colleges are able to access University purchasing contracts via Unibuy, through which access to wider buying groups such as TUCO is achieved. It has not yet proved possible to quantify the College spend going through these contracts, although this expenditure will have been counted in the University's value for Money submission. Colleges also have access to the training in procurement services offered by University Procurement. We look forward to the appointment of a new Head of Procurement within the University, which will enable us to develop these initiatives.

The University has changed its waste management contract from the City Council to a private supplier. This contract is available to Colleges, and one College has agreed switch to the new contract as a pilot for others. The Colleges had previously considered a proposal for the collective

purchasing of Waste Management Services but concluded that it was not feasible to progress a collective initiative.

21 Colleges are using the University Occupational Health and Safety Service (OHSS) for training, support, advice and an annual Health and Safety External Audit. This has resulted in significant cost savings for Colleges with the added advantage of consistency of standards being applied across the Colleges.

Almost all Colleges jointly utilise Cambridge in America as a tax efficient giving organisation for the US.

The University Catering Service participates in the Colleges' joint purchasing arrangement for catering supplies.

The Bursars Committee is working closely with the University Library Syndicate and UIS in the replacement of the Voyager Library Management System across the Collegiate University.

#### *IT infrastructure and services*

The University and Colleges already co-operate over IT services in various ways and thereby reduce costs. The most significant of these, from a College perspective, are CAMCORS (where a new version is being completed to allow supervisions to be accounted for coherently) and the Cambridge University Data Network (where Colleges and the University operate a dedicated fibre network across Cambridge).

The University Information Services (UIS) has begun working with Departments and Colleges to share computing expertise and to share services where possible. This is still at an early stage and will require several years to reach a conclusion. Nonetheless, co-operation is developing. This is particularly apparent in access to University library and IT resources, connection to JANET, networking, shared security concerns, and purchasing of software and hardware. The first of these are well-established but more is possible with the latter items.

The Bursars' IT Committee is discussing with UIS reforming the committee to provide a better forum for sharing ideas. UIS is negotiating University-wide agreements with software and hardware suppliers.

#### **Office of Intercollegiate services (OIS) and the Legal Affairs and Employment sub-Committee**

OIS provides a range of value added services to the Colleges collectively, saving expense and improving efficiency especially enabling the Colleges to make and implement collective arrangements with the University. Among the services provided by OIS are:

- Collection and payment of contributions by the Colleges to various functions which are jointly financed by the University and the Colleges. These include:
  - Central Admissions Office
  - CAMSIS (student information system)
  - University Counselling Service
  - Cambridge in America
  - University Communications Office
  - Sports syndicate
  - CamCORS

- Redistribution of fee income and bursary support between the Colleges in line with respective collective agreements
- Provision of legal advice
- Administrative support for collective management arrangements, including the provision of corporate structures to facilitate such arrangements.
- Administrative support to key committees and sub-Committees and management of the Bursars Committee website as a major resource for all Colleges.

OIS also acts as co-ordinator for a range of activities in which the Colleges and the University work together to ensure effective delivery of services to students (such as the Counselling Service) and meeting shared targets (such as Widening Participation expenditure).

The total of subscriptions and levies collected by OIS in 2016 was £2.72m, of which some £400k represents the sharing of College costs with the remainder being the Colleges' contribution to shared items of expenditure with the University. The annual cost of OIS plus the operation of Bursars Committee and Senior Tutor's Committee is approximately £341k.

The Legal and Employment sub-Committee of the Bursars' Committee contains representatives not only from the Colleges but also from the Senior Tutors' Committee and the University. This membership allows legal problems to be addressed, where possible and practicable, in a coherent way across the various bodies that make up the University. The pooling of resources in this way avoids colleges and university institutions paying individually for legal advice (although this option remains open if the institution feels this is the best approach).

#### **Future agenda**

The GPSC has identified Buildings Maintenance expenditure as the most significant area that is not covered by a collective approach, and will be focussing its efforts in this area over the coming year.

We are also seeking to develop the data collection approach to enable a deeper understanding of capital expenditure items.

General Purchasing sub-Committee on behalf of the Bursars Committee  
May 2017