

Audit Committee Report

ENSURING INTEGRITY AS WE GROW RESPONSIBLY

Matthew Lester
Chair of the Audit Committee



“This Committee plays a key role in ensuring the Group’s reporting is fair, balanced and understandable.”

Dear shareholders

I am pleased to present the Committee’s report for the year ended 31 March 2024. Separate sections on Committee governance, Review of the year, External audit, Internal controls and Internal audit follow.

As I reported to you last year, my focus is the effective oversight of the system of internal controls over financial reporting. The Committee works closely with the Risk Committee to assess any potential deficiencies identified, the remediation of any issues and the disclosure requirements of the Corporate Governance Code. During the current year we have also considered the impact of the increased volume and complexity of sustainability reporting, working closely with the Risk Committee to ensure clarity over responsibilities in this area.

The Group’s activities, combined with its ongoing growth, have resulted in a complex operating environment with a number of manual processes. We were delighted to welcome David Bicarregui as CFO during the year, and the Committee has worked closely with him as they monitored management’s progress in implementing new systems and processes. This has included executing the plans to transition to a new Enterprise Resource Planning system during the year ending 31 March 2025. The Committee is satisfied with the outcomes achieved. Continued progress to an integrated, consistent framework will deliver an enhanced control environment and I will continue to report on progress in future years.

In the coming year, our work will include considering any changes required to address the new requirements of the Corporate Governance Code and review of key APM metrics including AUM.

We have already worked closely with management and coordinated with the Risk Committee to update our processes for confirming the effectiveness of internal controls. This Committee continues to take responsibility for ensuring ICG has an appropriate and effective system of internal controls over financial reporting.

This Committee plays a key role in ensuring that the Group’s reporting is fair, balanced and understandable, and complies with the requirements of UK-adopted IAS. We carefully consider the content of the Annual Report and Accounts, and other financial reports, to ensure that we are satisfied that all requirements are met.

The Audit Committee has continued to coordinate with the Risk Committee and the Remuneration Committee with the aim of effectively covering pertinent topics in the most suitable forum.

The Committee plays a vital role in assisting the Board in its oversight responsibilities for the integrity of financial reporting, effectiveness of internal controls, and assessment of quality of the assurance functions. I would therefore be pleased to discuss the Committee’s work with any shareholder.

Matthew Lester
Chair of the Audit Committee

27 May 2024

Audit Committee Report continued

Committee roles and responsibilities

The Committee members have a wide range of business and financial experience, including accounting and auditing, risk management, asset management and investment, regulation and compliance, M&A, tax and international business practices. These skills ensure the Committee has the relevant sector competence to enable it to fulfil its terms of reference in a robust and independent manner. In particular, Matthew Lester has considerable experience as a CFO, Chair and Audit and Risk Committee Chair. The Board considers that he has recent and relevant financial experience.

Governance

- Committee governance
- Best practice developments
- People and business changes

Financial reporting

- Content and integrity of annual and other periodic financial reporting
- Application of Alternative Performance Measures and reconciliations to IFRS reported financials
- Annual Report presentation: fair, balanced and understandable

Accounting policies

- Key accounting judgements and estimates
- Going concern and viability

External audit

- Appointment and remuneration of external auditors
- Independence and objectivity
- Audit scope, quality and effectiveness
- Audit firm and leadership rotation and tender process

Internal controls and internal audit

- Financial operations: leadership, effectiveness
- Framework of internal controls over financial reporting
- Scope, planning, activities and resources of Internal Audit

Committee members

- Rosemary Leith
- Matthew Lester (Chair)
- Rusty Nelligan¹
- Amy Schioldager²
- Andrew Sykes

- Retired from the Board on 31 March 2024.
- Will retire from the Board on 16 July 2024.

Committee governance

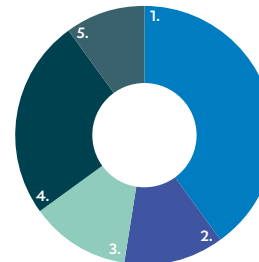
The [Committee's terms of reference](#) are approved and reviewed by the Board on a regular basis, most recently in May 2024. The terms of reference are available on the Group's website, www.icgam.com, or by contacting the Company Secretary.

The operations of the Committee were reviewed as part of the external Board evaluation in March 2024; the Committee was found to be operating effectively. For more details of this exercise, please see page 83.

The Committee held five meetings during the year. The Committee members attending each of the meetings can be found on page 69.

How the Committee spent its time

- 1. Financial and management reporting, including key management judgements 40%
- 2. Annual Report, including fair, balanced and understandable assessment 12.5%
- 3. External Audit 12.5%
- 4. Internal Audit 25%
- 5. Other 10%



Key Management Judgement: Alternative Performance Measures

Objective and significance

Alternative performance measures can add insight to the UK-adopted IAS reporting and help to give shareholders a fuller understanding of the performance of the business.

Progress

We discussed the use of alternative performance measures with the Executive Directors and reviewed their continued appropriateness and consistency with prior years.

Conclusion

We were satisfied that alternative performance measures, which are widely used in the asset management industry, can provide insight into performance from the perspective of our shareholders and other stakeholders.

A review of the alternative performance measures was undertaken and we were satisfied that they did not detract from UK-adopted IAS measures and were: sufficiently defined; consistently applied; and, where relevant, reconciled to UK-adopted IAS measures.

[See KPIs on page 14 and the Finance review on page 16](#)

Audit Committee Report continued

Key Accounting Judgements and Estimates: Consolidation of investment structures

Objective and significance

The Group holds investments in a number of structured entities which it manages. Judgement is required in assessing whether these entities, and their investments, are controlled by the Group and therefore need to be consolidated into the Group's financial statements.

Progress

We challenged the information analysed by management to assess which funds, carried interest partnerships, and portfolio companies are controlled by the Group or over which the Group exercises significant influence.

Conclusion

We concluded that the Group controlled 21 seed investment-related entities, 19 funds and three carried interest partnerships. The Group exercised significant influence over 35 other entities during the financial year. Accordingly, the controlled entities have been consolidated into the Group's financial statements.

Based on our inquiries of the Executive Directors and external auditors, we concluded our policies are being properly applied in areas such as assessing control and significant influence.

We concluded that the areas of judgement (see page 178) are properly explained.

 [See note 27 to the financial statements](#)

Key Accounting Judgements and Estimates: Investment valuation

Objective and significance

Investments are mainly unquoted and illiquid, therefore considerable professional judgement is required in determining their valuation.

Progress

The Committee reviewed the conclusions of the Group Valuation Committee, carefully considering the impact of the current economic environment on the judgement required.

The Committee inquired into the progress of ongoing asset realisations after the year end as an indicator of the reliability of the valuation process.

Conclusion

In our review of the financial statements we were satisfied that sufficient disclosures had been provided on the estimates and judgements made in determining the value of the portfolio.

 [See notes 5 and 9 to the financial statements and the Auditor's Report on pages 119 to 120](#)

Key Accounting Judgements and Estimates: Revenue recognition

Objective and significance

Revenue recognition involves certain estimates and judgements, particularly in respect of the timing of recognising performance fees, which are subject to performance conditions.

Progress

We reviewed the revenue recognition of performance fees and investment income to confirm that the treatments were consistent with the Group's accounting policies.

Conclusion

The Committee concluded that revenue has been properly recognised in the financial statements.

 [See note 3 to the financial statements and the Auditor's Report on page 121](#)

Audit Committee Report *continued*

In addition to the significant matters detailed on pages 86 and 87 the Committee maintained a rolling agenda of items for its review including auditor independence and external audit effectiveness, internal audit, capital strategy, risk and treasury management capabilities, financial and management reporting (including any changes to the Group's accounting policies), accounting developments, relevant people changes, the going concern concept of accounting (see pages 77 and 133, the viability statement (see page 46), the Auditor's Report (see page 117), the Auditor's management letter and the fair, balanced and understandable assessment of the Annual Report. No issues of significance arose.

External audit

The Group complies with the UK Corporate Governance Code, the FRC Guidance on Audit Committees and the EU Regulation on Audit Reform. In addition, we comply with all aspects of the Competition and Markets Authority Statutory Audit Services Order.

Appointment and rotation

The Group's policy is to submit the external audit to tender every 10 years, as a fair balance between the costs and disruption of a tender and the benefits of a potential fresh pair of eyes and challenge, and for the external audit firm to be rotated at least every 20 years. EY were first appointed pursuant to a tender process for the financial year ended 31 March 2021. The next tender must be completed for the financial year ended 31 March 2031.

Execution, quality and effectiveness

The Committee discusses and agrees the scope of the audit prior to its commencement.

The Committee reviews with EY the risks of material misstatement of the financial statements and confirms a shared understanding of these risks. While planning the audit, EY sets out the key tests that they perform on the higher-risk areas, and the Committee provides input on areas that it wants to receive particular attention.

The Committee Chair meets the lead audit partner to review Group developments and audit progress. The Committee also discusses with EY, prior to recommendation of the financial statements to the Board, the audit findings, including audit differences, and observations on internal controls, operations and resources. This includes discussions in private sessions without the Executive Directors present.

In assessing the quality and effectiveness of the external audit, the Committee considers the audit team's demonstrated competence, experience, diligence, objectivity, professional scepticism, current knowledge and its relationship with the Executive Directors and senior management. In particular, the Committee assesses the depth of review and level of challenge provided by the external auditors over the significant judgements and estimates made by management.

The Committee observed healthy debate initiated by EY, and received high-quality reports with detailed information on the scope and results of their work, including challenge to management judgements, estimates and assumptions. The Committee gained valuable insight from EY on the nature of operations underlying the Group's production of financial information, and received a current assessment of internal controls over financial reporting, to the extent observed as a by-product of their audit of the consolidated financial statements.

The overall assessment of audit quality includes an annual evaluation of the independence and objectivity of the external auditor and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements. This assessment is based in part on results of observation, inquiry and challenge, throughout the year, as well as periodic reflection and input collected separately from Committee members, Executive Directors and other relevant senior management. The annual evaluation of EY was undertaken by the Committee in September 2023.

In addition to the annual evaluation and regular review of reports and the working practices of the EY audit team, the Committee undertakes an ongoing assessment of external audit quality and effectiveness including, but not limited to, the following:

- The content of EY's annual Transparency Report which sets out their commitment to audit quality and governance
- Insights arising from the Audit Quality Review team (AQRT) of the Financial Reporting Council's annual audit of a sample of EY's audits. Following discussion with EY, insofar as any issues might be applicable, the Committee determines that EY has proper and adequate procedures in place for the audit
- The formal terms of engagement with the auditor, and the audit fee. The Committee determined that the Group audit fee of £2.1m (2023: £2.2m) appropriately reflected the scope and complexity of the work undertaken by EY

On the basis of this review and our ongoing interactions and observations, the Committee remains confident in EY's work and the Committee are satisfied that the audit is probing, challenging and effective and that the approach provides a reliable audit opinion with a reasonable expectation of detecting material errors, irregularities and fraud.

Audit Committee Report *continued*

Non-audit services

The Board has an established policy setting out what non-audit services can be purchased from the firm appointed as external auditors. [A copy of the policy](#) can be found on the Group's website, www.icgam.com. The Committee monitors non-audit services provided to the Group by EY to ensure there is no impairment to their independence or objectivity.

During the year, the Group paid £0.3m (2023: £0.3m) to EY for the provision of corporate non-audit services. Of these fees, £0.2m (2023: £0.3m) is in respect of services in their capacity as auditor. The ratio of non-audit services to 70% of audit fees on a three-year rolling basis was 0.16:1 (2023: 0.15:1). A detailed analysis of fees paid by the Group to EY is shown in note 11 on page 153.

During the year the Committee were advised that EY had identified a non-audit service related to the year ended 31 March 2022, approved by the Audit Committee, was prohibited under the FRC's Ethical Standard. The Committee was satisfied that the provision of this service did not impair the Auditor's independence (see page 117).

The Committee is satisfied that the services provided do not impair the independence of the external auditors.

Internal controls

Risk management and internal control matters are the responsibility of the Group's Risk Committee. Its report is set out on page 90.

The Group has an established control framework, designed to manage but not eliminate risks and provide reasonable but not absolute assurance against material losses or misstatements. Further detail is provided in the Risk Committee report on page 90.

Effectiveness of controls

The Committee reviews the effectiveness of the financial control environment, including controls over our financial reporting and the preparation of financial information included in the Annual Report, taking into consideration the reports from internal audit, any areas where there has been a reported breach of an internal control and input from external sources, in particular the auditors.

The Committee works closely with the Risk Committee to review the system of internal controls through its review of the system of internal controls over financial reporting (see page 90).

The Committee reviews the operation of the finance function to ensure it is sufficiently resourced and has the appropriate processes and controls over financial reporting to fulfil its duties.

Internal audit

The Group has an internal audit function led by an experienced Head of Internal Audit, reporting to the Chair of the Audit Committee. The Head of Internal Audit has access to external service providers with specialised skills, to augment internal resources as needed.

Approach

In conformity with the Financial Services Code (Guidance on effective internal audit in the financial services sector), a risk-based planning process is performed annually. This includes consideration of business objectives and a focus on those risks identified as being most likely to impact delivery of the Group's strategy.

The resulting plan is reviewed and approved by the Committee, with regular updates provided. This is kept under constant review, with any significant changes recommended to the Committee for approval.

The Group has a number of regulated entities that have specific requirements for internal audit activities. These requirements are taken into account in the planning process and, as appropriate, relevant reports on audit scope and findings are shared with the Boards of the regulated subsidiaries.

Execution

The Committee considered and approved the updated internal audit strategy and plan for financial years 2024 and 2025. Updates on delivery of this plan, together with related status of remedial actions, are reported at each meeting of the Committee.

During the year, in accordance with the plan, 22 risk-based reviews were completed, responded to by management and reviewed by the Committee. We pay particular attention to identified themes across the business, relative importance and relationship of findings, recommended and agreed remedial actions, and compliance with timescales for resolution and follow-up.

The Committee is satisfied that delivery of the approved internal audit strategy and plan is providing timely and appropriate assurance on the controls in place to feasibly manage the principal risks to the Group.

Effectiveness and independence

The Committee monitors the effectiveness of Internal Audit within the context of the function's charter and stakeholder expectations. The Committee will periodically request an independent part to perform and external quality assessment of Internal Audit.

In the current period, the Committee concluded that the Internal Audit function is operating effectively, at the present level of operations. We continue to monitor resourcing in view of regulatory development and business growth.

The Committee also reviewed the independence of the Internal Audit function and concluded that it remained so.