



Annual Report of the Audit Committee

Year ended 31 July 2023

November 2023

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Annual Report of the Audit Committee 2022-23

For submission to the Council and Vice-Chancellor for consideration prior to the signing of the Annual Financial Return.

Section 1: Introduction

This report covers the work carried out by the Audit Committee in relation to the 2022-23 financial year and includes matters discussed at meetings up to and including that held on 13 June 2023. Significant issues up to the date of the report are also included.

Section 2: Audit Committee

Membership of the Audit Committee in 2022-23

Members:

Godfrey Allen	Appointed to the Committee on 1 August 2022
Zelda Hansson	Appointed to the Committee on 1 December 2020
Sarah Wilton	Appointed to the Committee on 1 October 2020, Chair from 1 March 2021
Ewart Wooldridge	Appointed to the Committee 1 January 2016

In attendance:

Dr Anna Dulic-Sills	Acting Deputy Chief Operating Officer (to July 2023) Interim Chief Operating Officer (from July 2023)
Professor Jenny Higham	Vice-Chancellor
Cerys Ledger	Deputy Director of Finance
Charlotte Martin	Director of Governance, Legal and Assurance Services and Clerk to Council, Clerk to Audit Committee
Susan McPheat	Director of Finance
Paul Ratcliffe	Chief Operating Officer (to July 2023)
Jenny Winters	Acting Deputy Chief Operating Officer (to June 2023)

Meetings

The Committee met on four occasions during the financial year 2022-23 as follows:

4 October 2022
15 November 2022
21 February 2023
13 June 2023

and has since met in the financial year 2023-24 as follows:

26 September 2023

Attendance at meetings 2022-23

Name	4 Oct 2022	15 Nov 2022	21 Feb 2023	13 June 2023	26 Sept 2023
Godfrey Allen	✓	✓	✓	✓	✓
Zelda Hansson	✓	X	✓	✓	✓
Sarah Wilton	✓	✓	✓	✓	✓
Ewart Wooldridge	✓	✓	✓	✓	✓
Attendees					
Dr Anna Dulic-Sills	✓	X	✓	✓	✓
Professor Jenny Higham	✓	✓	✓	✓	✓
Cerys Ledger	✓	✓	✓	✓	✓
Charlotte Martin	✓	✓	✓	✓	✓
Susan McPheat	✓	✓	✓	✓	✓
Paul Ratcliffe	✓	✓	✓	✓	N/A
Jenny Winters	X	✓	X	X	N/A

Representatives of the Internal and External Auditors were present at meetings at all appropriate times. The Clerk to the Committee is the Director of Governance, Legal and Assurance Services with support from the Senior Governance Officer (Risk Management) who acted as the Assistant Clerk.

Terms of Reference

At its meeting on the 4 October 2022 the Terms of Reference were reviewed by the Audit Committee and these were considered and approved by Council at its meeting on 12 October 2022. The Terms of Reference were reviewed in the light of the model Terms of Reference included in the CUC Higher Education Audit Committees Code of Practice published in May 2020 (See Section 5 for further information about compliance with the Code).

Meeting without Officers Present

The Audit Committee and Clerk met separately with the Internal and External Auditors without members of the executive present on 15 November 2022 and again on 14 November 2023.

Section 3: Internal Audit

The Institution's internal audit work was undertaken by KPMG LLP, 15 Canada Square, London, E14 5GL. KPMG have acted as SGUL's Internal Auditors since 1 August 2017. In 2020, following a procurement exercise, KPMG LLP were reappointed as SGUL's Internal Auditors with effect for three years from 1 August 2021 until 31 July 2024.

During the year the Committee received and reviewed six internal audit reports. KPMG have employed a rolling programme of follow up throughout the year to ensure that recommendations are completed in a timely manner.

Assurance Levels

Assurance Level	Classification
Significant assurance	Means the system is well designed and only minor low priority recommendations have been identified related to its operation. Might be indicated by priority three only, or no recommendations (i.e. any weaknesses identified relate only to issues of good practice which could improve the efficiency and effectiveness of the system or process).
Significant assurance with minor improvement opportunities	Means the system is generally well designed however minor improvements could be made and some exceptions in its operation have been identified. Might be indicated by one or more priority two recommendations. (i.e. there are weaknesses requiring improvement but these are not vital to the achievement of strategic aims and objectives - however, if not addressed the weaknesses could increase the likelihood of strategic risks occurring).
Partial assurance with improvements required	Means both the design of the system and its effective operation need to be addressed by management. Might be indicated by one or more priority one, or a high number of priority two recommendations that taken cumulatively suggest a weak control environment. (i.e. the weakness or weaknesses identified have a significant impact preventing achievement of strategic aims and/or objectives; or result in an unacceptable exposure to reputation or other strategic risks).
No assurance	Means the system has not been designed effectively and is not operating effectively. Audit work has been limited by ineffective system design and significant attention is needed to address the controls. Might be indicated by one or more priority one recommendations and fundamental design or operational weaknesses in the area under review. (i.e. the weakness or weaknesses identified have a fundamental and immediate impact preventing achievement of strategic aims and/or objectives; or result in an unacceptable exposure to reputation or other strategic risks).

2022-23 Internal Audit Reviews

	Name of Review	Assurance Level	Date reported to Audit Committee
1.	Risk Management	Significant assurance with minor improvement opportunities	21 February 2023
2.	Data Quality - TRAC	Significant assurance with minor improvement opportunities	21 February 2023
3.	Academic Governance and Quality	Significant assurance with minor improvement opportunities	21 February 2023
4.	Cyber Action Plan	Partial assurance with improvements required	13 June 2023
5.	Budgetary Control	Significant assurance with minor improvement opportunities	13 June 2023
6.	Student Welfare	Significant assurance with minor improvement opportunities	13 June 2023

Internal Audit Annual Report

The Internal Audit Annual Report for 2022-23 produced by KPMG was considered by the Audit Committee at its meeting on 26 September 2023 and reported to Council on 28 November 2023. It is attached to this report as Appendix A.

The internal audits carried out in 2022-23 were:

- Budgetary Control (Financial Controls)
- Data Quality - TRAC
- Risk Management
- Academic Governance: Quality
- Cyber Action Plan
- Student Welfare

30 management actions were raised in 2022-23, none of which were high priority, 21 were medium priority and 9 were low priority. Following the reviews, Internal Audit confirmed that management had taken appropriate steps to implement the actions raised.

Changes to the requirement for Overall Opinion of the Internal Auditors

The Head of Internal Audit Opinion stated:

‘The OfS terms and conditions of funding no longer reference the requirement for internal audit to provide an opinion. The previous Audit Code produced by HEFCE has been replaced with the CUC Audit Code which no longer requires internal audit to provide an opinion. We therefore believe that we can better support the Audit Committee with its responsibilities to provide an opinion by providing a more detailed summary of the controls we have tested and our conclusion on the effectiveness of their operation within the areas the Committee is required to report on.’

Internal Audit Recommendations

KPMG have implemented a continuous programme of follow-up of the recommendations arising from the internal audits conducted in 2022-23. At the end of the period there were 21 audit recommendations in progress from 2022-23 and prior years, 5 of which were overdue.

The Committee was satisfied with the actions taken by management to progress the actions and the implementation of recommendations and that outstanding recommendations had clear plans in place as to how they were being progressed.

Internal Audit Programme for 2023-24

The Internal Audit Programme for 2023-24, provided by KPMG, was considered and approved at the meeting of Audit Committee held on 13 June 2023.

The internal audits agreed for 2023-24 were:

- Population Health Research Institute
- Student Housing
- Procurement and Contract Management
- Bring Your Own Devices
- HESA Data Returns
- MBBS Pastoral Support

Section 4: External Audit

The Institution's External Auditors were BDO LLP, whose registered office is at 55 Baker Street, London W1U 7EU. In 2021, following a procurement exercise, BDO LLP were appointed as SGUL's External Auditors with effect for three years from 12 June 2021 until 11 June 2024.

At its meeting on 14 November 2023 the Committee received and considered the *Financial Statements for the Year ended 31 July 2023*. The Audit Committee also received and considered the *Audit Findings Report* issued by the External Auditors for that financial year.

Financial Statements

The Committee reviewed the Financial Statements with particular reference to the Corporate Governance Statement (including the Internal Control Statement), the Statement of Council's Responsibilities and the Report of the External Auditors included within the Statements.

Going Concern

The External Auditor's report stated that:

Risk description

It is the Governors' responsibility to make an assessment of the University's ability to continue as a Going Concern to support the basis of preparation for the financial statements. This is a requirement of accounting standards.

This assessment should be supported by detailed cash flow forecasts with clear details of the key underlying assumptions, consideration of available finance and covenant compliance throughout the forecast period, and a consideration of the forecast's sensitivity to reasonably possible variations in those assumptions along with any other relevant factors.

The going concern assessment should cover a minimum of 12 months from the date of the board's approval of the financial statements. However, consideration should also be given to any major events or circumstances that may fall outside this period.

Management's assessment of going concern

Management have prepared a forecast which extends to the 31 December 2024. Recruitment for the 2023/24 academic year was roughly on target and halls are at capacity.

As part of their review management considered cash and liquidity over the review period and included an assessment of loan covenant compliance as well reverse stress test to identify the 'break point' of the forecast.

We have received the going concern documentation; we reviewed this information, focusing on the following:

- Actual performance in FY23 against the prior period assessment/budget.
- The suitability of assumptions applied by management when producing the forecast
- Capital and other commitments.

Discussion and conclusion

The stress test indicates that tuition fees would need to fall by 65% and hall income by 40% before there is insufficient cash over the going concern period.

However, a smaller fall in income is required before there is an issue in relation to compliance with loan covenants.

The Santander covenant would require a fall in EITDA of £1m for the covenant to be breached. Compliance is regularly reviewed and mitigating actions are available should results deteriorate.

Ultimately, the university has sufficient cash and investments to repay this loan. The Barclay covenant would require a fall in EBITDA of £1.75m for the covenant to be breached.

Given positive student numbers, management do not consider it likely that that they will breach covenants. Therefore, Management do not believe there is a material uncertainty in relation to going concern.

Audit Opinion as set out in the Financial Statements

In the opinion of our External Auditors, the financial statements:

- Give a true and fair view of the state of the Group's and of the University's affairs as at 31 July 2023 and of the Group's and the University's income and expenditure, gains and losses, changes in reserves and of the Group's cash flows for the year then ended; and
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice

Opinion on other matters required by the Office for Students (OfS) and Research England and Education and Skills Funding Agency

In the opinion of our External Auditors, in all material respects:

- They anticipate issuing an unmodified opinion on the matters required by the Office for Students, UK Research and Innovation (including Research England).

Recommendations

No recommendations were made by BDO in their Report on the Financial Statements.

Section 5: Other Work Done

Risk Management

Throughout the year the Audit Committee has received regular reports from the Risk, Audit and Efficiency Committee (RAEC), which has reviewed and updated the Strategic Risk Register on an ongoing basis, and ensured that management risk registers are maintained for institutes, departments and institutional projects.

Reports on risk management have been made to all meetings of Council, in accordance with the Risk Management Policy, and there has been good engagement from all areas of SGUL with the Risk Management process, with good attendance at Risk, Audit and Efficiency Committee meetings.

Office for Students (OfS)

SGUL has continued to monitor the OfS On-going conditions of Registration via its assurance framework, with the last annual review being undertaken at the meeting on 13 June 2023.

Reportable Events

SGUL has a Policy and Procedure on Reportable Events.

The Audit Committee reviewed and noted Reportable Events made at its meetings on 15 November 2022, 21 February 2023 and 26 September 2023.

Management and Quality Assurance of Data

SGUL has commissioned KPMG (Internal Auditors) to undertake, as part of the Internal Audit programme, regular reviews of data quality across the current range of data returns that are made to the Higher Education Statistics Agency, the Student Loans Company, the OfS, Research England and other bodies. In 2022-23, KPMG reviewed data quality arrangements SGUL has in place regarding reporting Transparent Approach to Costing (TRAC) and provided an assurance rating of 'significant assurance with minor improvement opportunities'. Their other reviews did not identify any issues regarding data quality.

A framework is in place for providing assurance that the data in the annual statutory returns to the Higher Education Statistics Agency (HESA), OfS and Medical Schools Council is complete, accurate, valid and reliable, and provided in a timely basis. The framework is overseen by the Data Returns Scrutiny Group and an Annual Report is made to the Audit Committee. The Annual Report was received and considered by Audit Committee at its meeting on 13 June 2023.

Value for Money

KPMG has considered economy, efficiency, and effectiveness during their reviews in 2022-23 and considers that SGUL has adequate and effective arrangements in place to promote them. For areas that were examined, KPMG have not reported on any significant weaknesses in key controls that should be brought to the attention of the OfS, nor raised any high level recommendations in relation to value for money.

Committee of University Chairs Higher Education Audit Committees Code of Practice

In May 2020, the Committee of University Chairs (CUC) published the Higher Education (HE) Audit Committees Code of Practice. A review of the Code was undertaken and an Assurance Framework created to demonstrate compliance with the Code. An initial review was considered at the Audit Committee meeting on 6 October 2020 and demonstrated a high level of compliance with the Code. The Audit Committee adopted the Code, noting that adoption is on an 'apply or explain' basis and undertakes regular reviews of compliance with it. The last such review was considered by the Audit Committee in February 2023 when a high level of compliance was noted.

Section 6: Key Developments in 2022-23

Areas particularly considered and key developments in 2022-23 included:

Health & Safety

Following the recommendations of an internal audit, changes were made to the governance of Health & Safety. The Committee has responsibility for oversight of Health and Safety in the institution and receives regular reports from the Safety Management Committee and by scrutiny and challenge of these reports, provides assurance to Council. In the 2022-23, the new Health & Safety Policy was approved and disseminated and a training session was held for all members of Council.

The Committee also considered the outcomes of a Uniac audit report on Health, Safety and Compliance and continues to monitor progress against findings. Other areas of Health & Safety which have been considered include resource and staffing issues, fire safety, laboratory inspection processes and Display Screen Equipment policies.

Cyber Security

Following an internal audit, cyber security has been considered in detail by Audit Committee and continues to be a topic of interest. The need for greater cyber dedicated resources was noted and has been implemented.

Human Tissue Authority (HTA) Compliance

The Committee has had oversight of compliance with the Human Tissue Authority (HTA) and has had sight of, challenged and been assured by developments and progress in this area.

Section 7: Fraud and other Serious Incidents

Fraud, Bribery and other irregularities

There have been no incidences of Fraud, Bribery or other irregularities reported under the Anti-Fraud Policy or the Anti-Corruption Policy in 2022-23.

Whistleblowing

The Risk, Audit and Efficiency Committee (RAEC) has oversight of the Whistleblowing procedure and reports on this to Audit Committee. There were no new disclosures under the Whistleblowing Policy in 2022-23. One new Whistleblowing report was considered in September and November 2023 and has been adequately resolved.

The annual report for Whistleblowing was received by the Committee at its meeting of 13 June 2023.

Section 8: Opinion of the Audit Committee 2022-23

In accordance with the CUC HE Audit Committees Code of Practice, the Committee has reached the following opinions on the adequacy and effectiveness of St George's arrangements for:

- (i) *Risk management, control and governance*
St George's has adequate and effective arrangements in place for risk management, control and governance. This is evidenced by the Statement of Corporate Governance and Internal Control in the Financial Statements for 2022–23, the regular updates of the Strategic Risk Register, and the Head of Internal Audit Opinion.
- (ii) *Sustainability, economy, efficiency and effectiveness (value for money)*
St George's has adequate and effective arrangements in place to achieve sustainability, economy, efficiency and effectiveness. This is evidenced by the Head of Internal Audit Opinion.
- (iii) *The management and quality of data submitted to regulatory bodies*
St George's has adequate and effective arrangements in place for the management and quality of data submitted to regulatory bodies: Higher Education Statistics Agency (HESA), the Office for Students (OfS), the Student Loans Company (SLC), Research England and other public bodies. This is evidenced by the data quality reviews undertaken annually by the Internal Auditors and reports from the Data Returns Scrutiny Group about the arrangements for ensuring the robustness and integrity of external data returns.

Sarah Wilton
Chair, Audit Committee
St George's, University of London
14 November 2023

Appendices

Appendix A: KPMG Internal Audit Annual Report 2022/23