



AUDIT, RISK AND INTERNAL CONTROL

AUDIT COMMITTEE REPORT

The Audit Committee plays a key role in promoting the maintenance of a strong and transparent control environment at Workspace.

Rosie Shapland

Chair of the Audit Committee

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AUDIT, RISK AND INTERNAL CONTROL CONTINUED

MEMBERSHIP AND ATTENDANCE AT AUDIT COMMITTEE MEETINGS

The Committee is made up entirely of Non-Executive Directors and each Committee member has considerable commercial knowledge and broad industry expertise. The Committee is chaired by Rosie Shapland. Details of individual attendance at the meetings held during the year are set out below. More information on the skills and the experience of all Committee members can be found on pages 115 to 116.

	Member since	Meetings attended
Rosie Shapland (Chair) ^{1,2}	2020	4/4 ³
Lesley-Ann Nash ²	2021	4/4 ³
Manju Malhotra ²	2022	4/4 ³

- In accordance with the UK Corporate Governance Code 2018, the Board considers that Rosie Shapland has significant recent and relevant financial experience.
- Following Board discussions on the structure of its Committees, it was agreed that from 21 April 2022, the Committee will be made up of three members, Rosie Shapland, Lesley-Ann Nash and Manju Malhotra. Other Non-Executive Directors are welcome to attend meetings should they wish to do so. All Non-Executive Directors attended meetings held in May and November 2022 to review the full and half-year results and the first joint meeting of the Audit and ESG Committee meeting held in January 2023.
- The Audit Committee meeting in January 2023 was a joint meeting with the ESG Committee.

KEY TOPICS CONSIDERED BY THE COMMITTEE DURING THE YEAR

Portfolio valuation

- Considered the objectivity and independence of the external valuers
- Discussed the presentation of the portfolio valuation by the external valuers

Financial and Narrative Reporting

- Reviewed the year-end financial statements including key judgements, estimates and assumptions

External Audit

- Reviewed and discussed reports from KPMG, summarising their findings arising from the 2021/22 audit and the half-year review of the results of the Group for the six months ended 30 September 2022
- Assessed the independence and objectivity of the external auditors

Changes to principal risks

- Reviewed management's proposal to include climate risk as a principal risk

Internal controls and risk management

- Reviewed and discussed an update from the Group's Head of Technology on the Group's business continuity plan and cyber security
- Reviewed the effectiveness of the Company's control environment and the Company's process for self-certification of the operating effectiveness of controls

Governance

- Reviewed terms of reference
- Discussed assessment of the effectiveness of the Audit Committee

AUDIT, RISK AND INTERNAL CONTROL CONTINUED

Audit Committee
Chair's letter

Rosie Shapland
Chair of the Audit Committee



The Audit Committee has a key role in checking that the Group's narrative reporting gives a fair, balanced and understandable assessment of the Group's position and prospects and establishing that the financial statements provide a true and fair view of the Group's financial affairs

MONITORING FUTURE DEVELOPMENTS

Continue to focus on climate change and its potential impact on the financial statements, review mitigation strategies whilst monitoring risk across business decisions including assurance from Accenture on our carbon emissions disclosures. See page 101 for more details.

Jointly, with the ESG Committee, review the programme of activity being undertaken to ensure the effectiveness of ESG policies and procedures.

Continue to focus on the Company's protection against cyber threats.

Monitor proposed changes to the UK Corporate Governance Code, particularly with respect to internal controls.

Dear shareholder,

On behalf of the Board, I am pleased to present the Audit Committee Report. This report is intended to provide shareholders with an understanding of the work we have done to provide assurance on the integrity of the Annual Report and Financial Statements for the year ended 31 March 2023. Much of the work of the Committee is necessarily targeted around the key areas of financial reporting, external audit, internal control and risk management, all of which is underpinned by a robust governance framework.

This has been a busy period for the finance team, with the McKay acquisition and preparation for the implementation of a new finance system.

Review of material issues

The Audit Committee has a key role in checking that the Group's narrative reporting gives a fair, balanced and understandable assessment of the Group's position and prospects and establishing that the financial statements provide a true and fair view of the Group's financial affairs. As part of this process, we considered the significant financial judgements made during the year, along with other key financial reporting issues. In this context and in conjunction with the Board, we considered the twice annual valuation of the investment portfolio, the valuation process and the key assumptions made by the valuers and their independence. Following our review, we are satisfied that the valuation process is robust, the assumptions and estimates used in the valuation are appropriate and that the valuers remain independent. Further details can be found on page 164.

We also considered, as we do on a regular basis, the potential for fraud in revenue recognition, scope for management override of controls and compliance with regulations. We found no concerns arising from this review.

A description of the main activities that the Committee considered during the year can be found on page 160.

Climate change

As the Group is committed to being net zero carbon by 2030, it is important that our financial reporting reflects and supports this goal. The Board discussed the impact of climate change on the Group's financial reporting and financial statements and it considered the requirement for companies to disclose, on a comply or explain basis, against the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The Board received updates on the Company's progress against this requirement from our Head of Sustainability. More information can be found on page 118.

As part of its review of Principal Risks, and following the joint meeting with the ESG Committee in January 2023, the Audit Committee agreed that climate change be included as a principal risk.

Cyber security

Cyber security remains a focus area for the Committee. The Head of Technology attended the March Audit Committee to give an assessment of cyber risk and update on progress made in protecting the Group against evolving threats.

[The role of the Audit Committee >](#)

Pages 163 to 164

[Risk management and internal controls >](#)

Pages 170 to 171



AUDIT, RISK AND INTERNAL CONTROL CONTINUED

Viability and going concern statements

The Committee considered the going concern statements in the interim statement and the Annual Report, and the viability statement in the Annual Report. This included reviewing the work undertaken by management, which considered plausible downside forecasts factoring in the Group's principal risks and certain uncertainties, and the appropriateness of the five-year viability assessment period. Following this review, we were satisfied that management had conducted robust viability and going concern assessments and recommended approval of these to the Board.

See our viability and going concern statements on pages 87 to 88.

2023 Annual Report

The External Auditor confirmed that they had found no unadjusted material misstatements in the course of their work.

After reviewing the reports from management, and following discussions with the External Auditor and valuers, the Committee is satisfied that:

- the process used to determine the property valuation was satisfactory
- the financial statements appropriately address the key judgements and the key estimates
- the Group has adopted appropriate accounting policies
- both the External Auditor and the valuers remain independent and objective in their work

The Board as a whole is responsible for assessing the Group's position, performance, business model and strategy. The Committee's role in this assessment is covered on page 167. For the year ended

31 March 2023, the Committee confirmed to the Board it was satisfied that the Annual Report and Accounts was fair, balanced and understandable.

Committee effectiveness

The Company undertook an internally facilitated Board effectiveness evaluation this year, which assessed our performance as a Committee. I am pleased that this concluded that we operate effectively and that the Board takes assurance from the quality of our work.

Risk, control and assurance

The Group has several processes in place to provide effective internal control, including self-certification of controls by risk owners, reviews of fraud, anti-bribery and whistleblowing policies and a risk management framework under which controls, and their effectiveness, are managed and evaluated. Between the Audit Committee and the full Board, we have reviewed the effectiveness of the Group's risk management and internal control systems where we have not identified any significant failings or weaknesses.

In January 2023, the Audit Committee held a joint meeting with the newly established ESG Committee. At this meeting, the Audit and ESG Committees reviewed the Company's policies and procedures that support the implementation of our ESG strategy, as well as the programme of assurance being undertaken to ensure the effectiveness of these policies and procedures. Both Committees were satisfied that the Company's policies and procedures in this area operate effectively, and that adequate assurance is undertaken.

The Committees also considered whether climate risk should be identified as a Principal Risk. Whilst the Company has an active programme of managing its climate risk exposures through ongoing assessment of risk, the establishment of control measures

and active management of physical risk, it was concluded that given the nature of climate risk, which will require greater oversight of mitigation strategies and monitoring of risk across business decisions, it should be considered as a Principal Risk.

We do not have a formal internal audit function, a matter which is kept under review by the Audit Committee. The Group has, however, appointed a Head of Security and Risk Management whose remit includes maintaining our risk management and control framework and conducting regular independent assurance.

During the year the Head of Security and Risk Management chaired monthly Risk Management meetings attended by senior management, conducted bi-annual self-certification of controls across the Group, completed a principal risk review and mapped out our internal and external assurance activities. The focus for the following 12 months is to evolve our internal assurance programme with additional independent reviews across the business.

I hope that you find this report informative and can take assurance from the work undertaken by the Committee during the year to deliver its key responsibilities.

Rosie Shapland

Chair of the Audit Committee
6 June 2023



The Committee was satisfied that management had conducted robust viability and going concern assessments

[Developing a robust Viability Statement](#) >

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[Fair, balanced and understandable reporting](#) >

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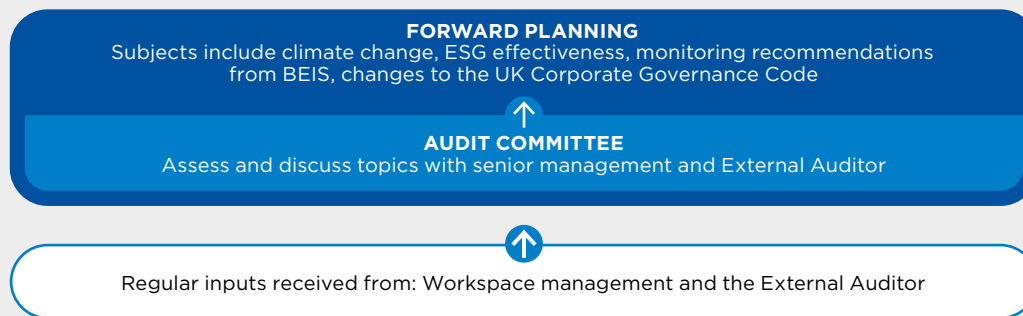
AUDIT, RISK AND INTERNAL CONTROL CONTINUED

The role of the Audit Committee

The Audit Committee reviews and monitors the integrity of the Group's financial reporting in advance of its consideration by the Board. The Committee oversees the relationship with the External Auditor in order to assess their effectiveness and to annually assess their independence and objectivity. Following the changes in Committee structure, the Audit Committee now also reviews and monitors the Group's risk management and internal controls framework.

“Through our ongoing programme we identified that, while the Company has an active programme of managing its climate risk exposures, climate change should be considered a Principal Risk

HOW THE COMMITTEE OPERATES



The Audit Committee is composed solely of independent Non-Executive Directors, with a wide diversity of experience. Rosie Shapland, as a Chartered Accountant with many years of senior financial experience, satisfies the requirement of having appropriate recent and relevant financial experience. The Committee as a whole has competence in the sector in which the Group operates.

Meetings of the Audit Committee coincide with key dates in the financial reporting and audit cycle. During the year, the Committee met on four occasions, in May and November 2022 and in January and March 2023. The meeting in January was a joint meeting with the ESG Committee to review the Group's ESG related policies and procedures that support the implementation of our ESG strategy.

A forward plan of agenda items guides the business to be considered at each meeting and is regularly reviewed and developed. This pre-planning facilitates the work of the Committee, enabling it to give thorough consideration to matters of particular importance to the Group.

The Committee receives information in advance of its meetings including information from management and detailed reports from the External Auditor including the audit report. The Committee meets privately with the External Auditor, at least annually, and it liaises with Company management in considering areas for review.

The Committee regularly invites the external audit lead partner, the Chair of the Board, the Chief Executive Officer, the Chief Financial Officer, the Group Financial Controller and the Head of Security and Risk Management to attend Committee meetings. Representatives from our external valuers, CBRE, attend Board meetings twice per year to present the half- and full-year valuation reports.

Meetings of the Committee are held in advance of the Board meetings to allow the Committee Chair to provide a report on the key matters discussed to the Board, and for the Board to consider any recommendations made.

All of this, along with ongoing challenge, debate and engagement, allows the Committee to discharge its responsibilities effectively.

AUDIT COMMITTEE RESPONSIBILITIES

Financial reporting

- Review the year-end and interim financial statements and monitor the reporting process, including key judgements, estimates and assumptions and the presentation of significant transactions. Information on significant matters in relation to the financial statements that were considered by the Committee can be found on page 164
- Review the appropriateness of accounting policies and practices
- Advise the Board on the Group's viability and going concern statements including the assumptions in plans, key risks considered, and the sensitivities tested. More information on the Committee's assessment of the Group's viability and going concern status can be found on pages 166 to 167
- Review the content of the Annual Report and Accounts and advise the Board on whether, taken as a whole, they are fair, balanced and understandable and provide the information necessary for shareholders to assess performance, the business model and strategy. The Group's strategy and business model are explained on pages 32 to 35 and 64 to 68 respectively

External audit

- Assess the work of the External Auditor in relation to significant financial judgements made by management. More information is available on pages 168 to 169
- Assess the effectiveness of the external audit process and the ongoing relationship with the External Auditor. This is done by considering their approach to the audit and understanding of our business, discussing their reporting and any issues identified and obtaining the views of management



AUDIT, RISK AND INTERNAL CONTROL CONTINUED

AUDIT COMMITTEE RESPONSIBILITIES CONTINUED

- Review and monitor the objectivity and the independence of the External Auditor, including its policy governing the provision of non-audit services. Refer to page 169 for more information on our process for maintaining their independence
- Agree the remuneration of the External Auditors

Portfolio valuation

- Consider the objectivity and independence of the external valuers
- Review and challenge the methodology, assumptions and judgements used by the external valuers to ensure they are appropriate
- Review the External Auditor's assessment of the valuation, including an explanation as to how the valuation is audited

Internal controls and risk management

- Review the adequacy and effectiveness of the Group's overall risk assessment processes that inform the Board's decision making, including the design, implementation and effectiveness of those processes
- Advise the Board on the Group's overall risk appetite, tolerance and strategy, and the principal and emerging risks the Company is willing to take to achieve its long-term strategic objectives. See page 170 for details of how the Committee has considered risk appetite and strategy during the year
- Advise the Board on the likelihood and impact of principal risks materialising, and the management and mitigation of principal risks to reduce the likelihood of their incidence or their impact. See pages 69 to 76 for information on the Committee's consideration of principal risks

- Review the effectiveness of the Group's control environment, including the adequacy of key financial controls
- Review whistleblowing arrangements whereby employees may, in confidence, raise concerns about possible improprieties in financial reporting or other matters, to receive assurance that there are proportionate and independent procedures in place. See page 91 for more information on our Whistleblowing Policy
- Review the Group's procedures for preventing and/or detecting fraud
- Review the Group's procedures for the prevention and detection of bribery and monitor the reports generated by such procedures. See page 91 for more information on our Anti-Bribery Policy
- Consider whether the Group should have an internal audit function

Governance, best practice and development

- Keeping up to date with expected changes to the Code, specifically regarding the control environment following the recommendations of the BEIS consultation
- Keeping up to date on investor, shareholder and market sentiment (with advice from the Company's brokers)
- Ensuring compliance with applicable accounting standards, monitoring developments in accounting regulations as they affect the Group and reviewing the appropriateness of accounting policies and practices in place

- Keeping up to date with regulatory and legislative matters relevant to the Group
- Considering ESG matters in all decision making
- Approve the Committee timetable and planner which detail the areas of focus for the Committee each year
- Discuss the assessment of the effectiveness of the Committee
- Review and approve changes to the Committee's terms of reference

Internal controls >

More information on the Group's internal controls and risk management process is available:
Pages 170 to 171

Significant matters considered by the Committee

Valuation of the investment property portfolio

The valuation of the investment property portfolio is inherently subjective, requiring significant judgement. The outcome is significant for the Group in terms of its investment decisions, results and remuneration, and is a major component of Total Property Return and Total Accounting Return, two of our KPIs.

Therefore, this matter is considered by both the Board and the Audit Committee.

The valuation is conducted externally by independent valuers, CBRE, one of the world's largest commercial real estate services firms. CBRE presented the year-end and interim valuations to the Board and Committee, who reviewed the methodology and the outcomes of the valuation, challenging the key assumptions and judgements. The Audit Committee also considered the objectivity and independence of the valuers.

Following the acquisition of McKay in May 2022, the Board and Committee also reviewed the half-year McKay valuation prepared by their previous valuers Knight Frank.

KPMG met with the valuers and they presented their views on the valuation to the Committee, as well as an explanation of how the valuation is audited. The Board and Committee considered that they were satisfied that the methodology, assumptions and judgements used by the valuers were appropriate, that the valuations were suitable for inclusion in the financial statements and the work of the External Auditor was appropriate.

AUDIT, RISK AND INTERNAL CONTROL CONTINUED

The Committee considers all financial information published in the full and interim financial statements and considers accounting policies adopted by the Group, presentation and disclosure of the financial information and it challenges the key judgements and estimates made by management in preparing the financial statements.

The Committee pays close attention to matters it considers to be important by virtue of their impact on the Group's results, or the level of complexity, judgement or estimation involved in their application on the consolidated financial statements.

The Committee reviewed a number of other key matters which have been considered by management and discussed with KPMG, including the uncertainty relating to collection of trade receivables and the accounting for the McKay acquisition and for the costs of the new ERP system implementation.

Portfolio valuation

Our property portfolio, is independently valued twice annually by our external valuers, CBRE Limited.

Our properties are critical to our business and the valuation demonstrates the value that we are delivering to our shareholders. It is a measure of how well we are managing our buildings and driving rental income. Furthermore, the valuation is a significant part of both our net asset value and Total Property Return, which are both key performance indicators.

Given its significance, management, the Board and the Committee monitor the objectivity and independence of the valuers, and review the methodology and outcomes of the valuation, challenging the key assumptions and judgements.

A number of meetings are held between key management and CBRE ahead of the valuation at which the inputs and methodology of the valuation are discussed. Key discussions include:

- London commercial property market: current trends and circumstances expected to affect the market are discussed
- comparable market evidence: recent transactions are considered and compared to assumptions made in valuing our portfolio
- development projects: we provide CBRE with any updates to ongoing or future schemes and we discuss the assumptions CBRE has made, particularly for more complex schemes where more significant levels of judgement are required
- estimated rental values: the estimated rental values proposed by CBRE are discussed and reviewed, with management ensuring that these are in line with our recent rental activity
- property information: we provide CBRE with information on any changes to properties that may affect the valuation
- other inputs used by the valuers are reviewed and discussed



AUDIT, RISK AND INTERNAL CONTROL CONTINUED

Developing a robust Viability Statement

[Our Viability Statement](#) >
Pages 87 to 88

[Our Going Concern Statement](#) >
Page 87

As part of the Group's Viability Statement, the following factors were considered:

- the Group's current financial and operational position and the current economic outlook
- the Group's cash flows, financing headroom and financial ratios
- reassessment of key risks and their potential impact on the business model

THE PROCESS WE UNDERTOOK WAS AS FOLLOWS:



<p>STAGE 1: Risk identification </p> <p>Responsibility</p> <p>Executive Committee</p> <p>Risk Management Group</p> <p>Heads of Department</p> <p>The strategic and operational risks were reviewed to identify the principal risks to viability over the period under consideration. The risks that would impact solvency and liquidity, either individually or in combination with other risks, were considered</p>
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<p>STAGE 2: Risk assessment </p> <p>Responsibility</p> <p>Executive Committee</p> <p>Risk Management Group</p> <p>Heads of Department</p> <p>For each risk, the following factors were considered:</p> <ul style="list-style-type: none"> - our risk appetite (the level of risk the Board is willing to take) - the controls in place to mitigate the risk - the quantum of risk
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<p>STAGE 3: Scenario sensitivity analysis </p> <p>Responsibility</p> <p>Executive Committee</p> <p>Heads of Department</p> <p>For those risks identified as being severe enough to impact the viability of the Group, sensitivity analysis was performed to understand the potential impact on liquidity and financial ratios</p>

<p>STAGE 4: Conclusions </p> <p>Responsibility</p> <p>The Board</p> <p>Audit Committee</p> <p>Executive Committee</p> <p>Heads of Department</p> <p>External Auditor</p> <p>The Audit Committee considered the findings from this analysis and made their recommendations to the Board, which was given the opportunity to question the process and the findings</p>
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AUDIT, RISK AND INTERNAL CONTROL CONTINUED

Fair, balanced and understandable reporting

On behalf of the Board, the Committee has considered whether, in its opinion, this Annual Report and Accounts, taken as a whole, is fair balanced and understandable and whether it provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy.



Andrew Dodson
Group Financial Controller

THE PROCESS WE FOLLOWED

1 AUDIT COMMITTEE REVIEW

The Committee reviewed the Annual Report at an early stage, and throughout the process, to enable sufficient time for comment and review and to check overall balance and consistency.



2 REPORT FROM THE CFO AND GROUP FINANCIAL CONTROLLER

The Committee discussed a report from the CFO and the Group Financial Controller covering the financial statements within the Annual Report and Accounts: this highlighted the significant changes and the areas of focus in the financial statements and commented on any new accounting standards in the period.



3 FAIR, BALANCED AND UNDERSTANDABLE ASSESSMENT

A fair, balanced and understandable assessment was prepared by the management team and circulated to the Committee. This assessment highlights factors which support the responsibility of the Committee.



4 EXTERNAL AUDIT REVIEW

The External Auditor presented the results of its audit work to the Committee.



5 RECOMMENDATION TO BOARD AND BOARD'S CONCLUSION

The Board consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.



AUDIT, RISK AND INTERNAL CONTROL CONTINUED

External audit

Following a competitive tender process, KPMG were appointed by shareholders as the Workspace External Auditor for the financial year ended 31 March 2018 and KPMG continue to be Workspace's External Auditor.

Following the completion of the former lead audit partner's five-year tenure, a new lead audit engagement partner, Bano Sheikh, was appointed for this reporting period.

Audit and non-audit fees

Fees payable to the External Auditor for audit and non-audit services are set out in note 2 on page 232. This year, the non-audit services performed by KPMG included the review of the Group's half-year results and Green Bond use of proceeds assurance.

Audit quality

An important part of the Committee's work consists of overseeing the relationship with, and performance of, the External Auditor, in particular with regards to the independence, quality, rigour and challenge of the external audit process. The Committee reviews the effectiveness of the audit throughout the year taking into account:

- the detailed audit strategy for the year and coverage of any risks, scope, and level of fees for the audit
- the quality, knowledge and expertise of the engagement team
- insight around the key accounting and the audit judgements
- the quality of reporting and discussions at the Audit Committee meetings
- the outcome of the review of effectiveness of the External Auditor and the audit process discussed below

Annually, the Committee assesses the qualifications, expertise, resources and independence of the Group's External Auditor, as well as the effectiveness of the audit process. The Chair of the Committee also meets with the KPMG partner.

AUDIT AND NON-AUDIT FEES 2022-2023

£440k

Audit 370
70 Non-audit

AUDIT AND NON-AUDIT FEES 2021-2022

£335k

Audit 280
55 Non-audit

AUDIT AND NON-AUDIT FEES 2020-2021

£336k

Audit 240
96 Non-audit

THE EFFECTIVENESS OF EXTERNAL AUDIT

As part of the effectiveness review following the March 2022 year end, a questionnaire was issued to Committee members, regular attendees of the Committee and those involved in the external audit process.

QUESTIONS WERE POSED AROUND THE FOLLOWING SUBJECTS:



Effectiveness

Effectiveness of the external audit process, the quality and scope of the audit plan, advising, on a timely basis, about any new developments regarding risk management, corporate governance, financial accounting and related risks

Delivery

Delivery and execution of the agreed external audit process for the 2021/22 financial year

Efficiency

Efficiency and performance of the audit team as well as relevant and qualified specialists involved in the audit process and continuity of staff during the audit process

Communication

Communication and engagement between the senior management team, the finance team, KPMG and the Committee

Contact

Contact with the audit team outside of the audit



OUTCOMES

From its discussions during the year, the challenges presented to the External Auditor and a review of the reporting received, the Committee considers that the External Auditor provides appropriate professional challenge and reports its findings in an open and direct manner.

The Committee remains satisfied: with the effectiveness of the external audit and the interaction between the External Auditor and the Committee and with the External Auditor's qualifications, expertise and resources.



The Committee discussed a summary of the key findings and results at its meeting in November 2022 and no significant concerns were identified.

The results of the review were discussed with the External Auditor to monitor the continuing quality of audit services. The External Auditor, the Committee and management agreed to focus on improving communications going forward. The Committee's relationship with the External Auditor is one of openness and professionalism.



AUDIT, RISK AND INTERNAL CONTROL CONTINUED

AUDITOR INDEPENDENCE AND OBJECTIVITY

In addition to the annual review of effectiveness, the Committee considered the independence and objectivity of the External Auditor through a combination of assurances provided by the External Auditor on the safeguards in place to maintain independence; oversight of the Non-Audit Services Policy and fees paid.

KPMG LLP have confirmed to the Committee that:

- the audit of the consolidated financial statements is undertaken in accordance with the UK firm's internal policies and procedures
- they have internal procedures in place to identify any aspects of non-audit work which could compromise its role as auditor and to ensure the objectivity of their audit report
- they believe that, in their professional judgement, the safeguards they have in place sufficiently guard against the threats to independence
- the total fees paid by the Group during the year do not represent a material part of the firm's fee income
- they consider that they have maintained audit independence throughout the year

The Committee is satisfied that the External Auditor is independent.

The Audit Committee will continue to review the effectiveness and the independence of the External Auditor each year.

The Group complies with the Competition and Markets Authority Order 2014 relating to audit tendering and the provision of non-audit services, and it is the Group's intention to put the audit out to tender at least every ten years as required by applicable law and regulation. The external audit was last tendered in 2017 following which the External Auditor changed from PricewaterhouseCoopers LLP (PwC) to KPMG.

It is currently anticipated that an audit tender will be conducted before the end of the financial year ending 31 March 2024 in respect of the audit for the year ending 31 March 2025 to allow sufficient time for a handover period if required.

There are no contractual obligations which restrict the Committee's choice of external auditor or which put in place a minimum period for their tenure.

SAFEGUARDING AUDITOR INDEPENDENCE

- As required by the Code, the Audit Committee has a formal policy governing the engagement of our External Auditor, KPMG, to supply non-audit services and to assess the threats of self-review, self-interest, advocacy, familiarity and management. KPMG has discontinued the provision of all non-audit services (other than those closely related to the audit) to all FTSE 350 companies, meaning non-audit services will be confined to a more limited scope of work than that defined by the Audit Committee's terms of reference
- During the year, KPMG was asked to provide additional services in the form of assurance over the allocation of proceeds from the green bond
- If the External Auditor is to be considered for the provision of non-audit services, the scope of work and the fees must be approved in advance by the Chief Financial Officer, the Company Secretary and the Chair of the Audit Committee. For larger assignments, in excess of £100,000, this would involve a competitive tender process, unless there are compelling commercial or timescale reasons to use the External Auditor or another specific accountancy firm



AUDIT, RISK AND INTERNAL CONTROL CONTINUED

Risk management and internal controls

The Committee, on behalf of the Board, keeps under review the effectiveness of the Group's risk management and internal control systems through management updates and output from the Group's Risk Management Group to ensure that the controls in place are effective. This framework is designed to manage rather than eliminate business risks and to provide reasonable assurance against material misstatement in the financial statements.

On the basis of the processes outlined on this page and having regard to the 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting' issued by the FRC in September 2014, the Board, supported by the Audit Committee, has reviewed the effectiveness of the risk management and internal control systems. No significant control failings or weaknesses were identified during the period under review.

The Directors confirm that the processes described below have been in place during the 2022/23 financial year and up to the date of approval of the Annual Report and Accounts.

AUDIT COMMITTEE

The Audit Committee has a key role in developing appropriate governance and challenge around risk management and considering processes and assurance. It also sets the tone and culture within the organisation regarding risk management and internal control.

THE BOARD

The Board has defined its risk appetite for strategic and operational risks. A standard methodology for risk assessment is applied across the Group to assist with monitoring inherent and residual risk and to assist with comparing residual risk against target risk.

The Group had the following key procedures and monitoring processes in place during the year to provide effective internal control:

- an ongoing process to identify, evaluate and manage risks, including the self-certification of controls by risk owners, which is monitored and regularly reviewed by the Risk Management Group and executive team. Significant issues are presented to the Board and Audit Committee
- the Group's key controls include appropriate segregation of duties that are embedded across the organisation
- on behalf of the Board, the Audit Committee reviews fraud and anti-bribery policies and procedures; annual anti-bribery training is in place for all employees and there have been no reported instances of whistleblowing, bribery or corruption during the period under review
- the Group has in place a system for planning, reporting and reviewing financial performance, including performance against strategy and its business plan
- in April 2022, the Board formed an ESG Committee which reviews the Group's environmental and social related risks
- the Audit Committee reviews technology risks including IT systems and cyber risk, to ensure that the Group's IT function effectively implements preventative and detective controls to monitor and to mitigate risk

As required by the Code, the Board, through the Audit Committee has carried out a robust assessment of the principal and emerging risks facing the Group, including those that could threaten its business model, future performance, solvency or liquidity.

This assessment is further described in the Strategic Report on pages 69 to 76.

AUDIT, RISK AND INTERNAL CONTROL CONTINUED

OUR RISK MANAGEMENT FRAMEWORK

With effect from 21 April 2022, the activities of the Risk Committee were integrated into the Audit Committee, with the Board retaining overall responsibility for risk management, and in particular for risks relating to valuation, development and real estate. This updated risk management framework reflects the new structure from 21 April 2022.

Board of Directors

- Sets the Group's overall risk appetite, tolerance and strategy
- Oversees the Group's principal risks, including property valuation, development and real estate risks
- Receives advice and recommendations from the Audit Committee and Executive Committee

Audit Committee

- Oversees the Group's risk management framework
- Advises the Board on risk appetite, tolerance and strategy
- Oversees all risks except risks related to property, valuation, development and real estate which are overseen by the Board

Executive Committee

- Oversees and manages the Group's day-to-day risk management procedures
- Reports to the Board and Audit Committee on the operation and effectiveness of controls

Risk Management Group

- Responsible for the implementation and embedding of risk management activities
- Reviews and challenges the risk information provided by Risk Owners
- Reports to the Executive Committee, although the Audit Committee has the power to request attendance or reports from the Risk Management Group directly if it is felt this is necessary

Risk owners

- Each risk identified by the Group is assigned a Risk Owner
- Risk Owners are responsible for monitoring, managing and reporting on their risks, as well as identifying any emerging risks

OUR RISK MANAGEMENT PROCESS

Risk identification

- Risks are identified when projects are being considered or through being raised organically by members of staff
- Identified risks are captured in Risk Registers
- A Risk Owner is assigned to each risk and has responsibility for assessing and monitoring that risk

Risk assessment

- Each risk is assessed and scored according to the potential impact and likelihood of it materialising
- Each risk is given an Inherent Risk Score (pre-controls) and a Residual Risk Score (post-existing controls)
- Each risk is also assigned a Target Risk Score representing the Group's risk tolerance for that risk

Risk monitoring and reporting

- Risks are regularly monitored by the Risk Owners
- Control owners regularly certify that their controls continue to operate effectively
- The Risk Management Group oversees this activity and escalates significant changes and new risks to the Executive Committee, Audit Committee and/or Board as appropriate

Risk response

- Each Residual Risk Score is compared to its Target Risk Score
- If the Residual Risk Score is higher than the Target Risk Score, action is taken to reduce it towards the target
- Controls are assigned an owner who is responsible for monitoring whether the controls operate effectively

INTERNAL AUDIT

Due to its size, the Group does not have an internal audit function, a matter reviewed by the Audit Committee during the year. The Committee has advised the Board that, currently, it considers there to be no need for an internal audit function. The External Auditor has confirmed this currently has no impact on their audit approach.

The Group has a Head of Security and Risk Management whose responsibilities include maintenance of our risk management and control processes.

To supplement reviews of risk management and internal control, a programme of operational, facilities management and health and safety reviews are undertaken across our properties by qualified senior head office personnel. Any significant findings will then be reported to the Audit Committee. In addition, all key controls are recorded on a central register and control owners are required to certify the effectiveness of controls for which they are responsible and to provide details of further actions to address any identified ineffectiveness. No significant issues were identified during the year.

[Whistleblowing policy](#) >