

## 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

	MEMBER SINCE	MEETINGS ATTENDED
Rosie Shapland	2020	●●●●● 5/5
Lesley-Ann Nash	2021	●●●●● 5/5
Manju Malhotra	2022	●●●●● 5/5

- 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 2023 to review the full and half-year results and the joint meeting of the Audit and ESG Committee meeting held in January 2024.
- The Audit Committee meeting in January 2024 was a joint meeting with the ESG Committee.

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 above. More information on the skills and the experience of all Committee members can be found on pages 118 to 120.

### KEY TOPICS CONSIDERED BY THE COMMITTEE DURING THE YEAR

KEY TOPIC	ACTIVITY	OUTCOME
<b>PORTFOLIO VALUATION</b>	<ul style="list-style-type: none"> <li>Considered the objectivity and independence of the external valuers.</li> <li>Discussed the presentation of the portfolio valuation by the external valuers.</li> <li>Considered use of valuers following McKay acquisition.</li> </ul>	CBRE continued to value the entire portfolio, including the additional properties from the McKay acquisition.
<b>FINANCIAL AND NARRATIVE REPORTING</b>	<ul style="list-style-type: none"> <li>Reviewed the interim reporting and the Annual Report and Accounts.</li> <li>Considered key judgements, estimates and assumptions in the preparation of the financial statements.</li> </ul>	<p>The Committee recommended to the Board that the Annual Report and Accounts as a whole was fair, balanced and understandable.</p> <p>The Committee concurred with management's key judgements, estimates and assumptions.</p>
<b>EXTERNAL AUDIT</b>	<ul style="list-style-type: none"> <li>Reviewed and discussed reports from KPMG, summarising their findings arising from the 2022/23 audit and the half-year review of the results of the Group for the six months ended 30 September 2023.</li> <li>Assessed the independence and objectivity of the external auditors.</li> <li>Carried out an audit tender process.</li> </ul>	<p>The Committee was satisfied that the audit remained effective and there were no matters impacting the auditor's independence or objectivity.</p> <p>The Committee carried out a robust audit tender process which resulted in the recommendation that BDO be appointed as our new external auditor.</p>
<b>CHANGES TO PRINCIPAL RISKS</b>	<ul style="list-style-type: none"> <li>Reviewed and discussed the Group's principal risks.</li> </ul>	No changes to principal risks were made during the year.
<b>INTERNAL CONTROLS AND RISK MANAGEMENT</b>	<ul style="list-style-type: none"> <li>Reviewed and discussed an update from the Group's Head of Technology on the Group's business continuity plan and cyber security.</li> <li>Reviewed the effectiveness of the Company's control environment and the Company's process for self-certification of the operating effectiveness of controls.</li> </ul>	<p>Annual cyber threat exercises have been introduced to evaluate both technical and corporate internal processes.</p> <p>Control owners certified the effectiveness of controls for which they are responsible. No significant issues were identified from these reviews.</p> <p>The Group's Head of Security and Risk Management commenced a programme of internal controls and assurance during the year.</p>
<b>GOVERNANCE</b>	<ul style="list-style-type: none"> <li>Reviewed terms of reference.</li> <li>Discussed assessment of the effectiveness of the Audit Committee.</li> </ul>	An external review of the Audit Committee's performance was carried out during the year which concluded that the Committee continues to operate effectively.



## 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.

**Dear shareholder,**

I am pleased to present this year's Audit Committee Report. The report is intended to provide shareholders with an understanding of the broad role we have throughout the year as well as the work carried out to provide assurance on the integrity of the Annual Report and Financial Statements for the year ended 31 March 2024. 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.

**External Auditor**

In last year's Audit Committee Report, we disclosed our intention to undertake a full tender process for the Company's external audit contract. I chaired the selection Sub-Committee, and following the outcome of the process in January 2024, I am pleased to report that the Board approved the appointment of BDO LLP as the Company's External Auditor for the coming financial year ending 31 March 2025.

This appointment remains subject to approval by shareholders at the AGM on 25 July 2024.

A thorough and robust process was undertaken and BDO have attended meetings during the 31 March 2024 audit process for transitioning purposes before taking responsibility from the half year onwards.

Further details on the process we adopted can be found on page 177.

**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 172.

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 material issues that the Committee considered during the year can be found on page 167.

**Climate change**

As the Group is committed to being net zero carbon, 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 Audit and ESG Committees held a joint meeting to discuss the Company's progress against these requirements and the associated assurance we receive. More information can be found on page 185.

**Cyber security**

Cyber security remains a focus area for the Committee. The Head of Technology, Chris Boulton, attended the November Audit Committee to give an assessment of cyber risk and update on progress made in protecting the Group against evolving threats. A further cyber update was provided by the CFO at the March meeting.

**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 potential 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 88 to 89.



## AUDIT, RISK AND INTERNAL CONTROL CONTINUED

### AUDIT COMMITTEE CHAIR'S LETTER CONTINUED

#### 2024 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 170. For the year ended 31 March 2024, the Committee confirmed to the Board it was satisfied that the Annual Report and Accounts was fair, balanced and understandable.

#### Committee effectiveness

The performance of the Audit Committee was assessed this year through an external review. The recommendations and actions from this review are listed below. I am pleased that this concluded we operate effectively and that the Board takes assurance from the quality of our work.

#### Recommendations

- Ensure a smooth transition in auditors.
- Encourage management to bring topics/challenges/projects to the Committee at an earlier stage.

#### 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.

During the year we went live on our new finance and property management system. The Audit Committee received regular updates from the CFO and Group Financial Controller on progress through the year as the system was embedded in the business and commissioned a post-implementation controls review by Grant Thornton. As is common following a project of this nature, the review identified a number of opportunities to enhance our processes and control environment in relation to the new system. The Committee is satisfied that appropriate mitigating monitoring and review controls exist and a comprehensive action plan is in place to deliver these enhancements.

Between the Audit Committee and the full Board, we have reviewed the effectiveness of the Group's risk management and internal control systems. We have not identified any significant failings or weaknesses.

In January 2024, the Audit Committee held a joint meeting with the 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.

We do not have a formal internal audit function, a matter which is kept under review by the Audit Committee. The Group has 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 bi-annual principal risk reviews and mapped out our internal and external assurance activities. We also evolved our internal assurance programme with seven independent control reviews carried out during the year by the Head of Security and Risk Management.

Looking forward, we will consider the implications of the RICS mandatory requirement for the periodic rotation of UK external valuers which comes into force in May 2026 following a two year transition.

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  
4 June 2024

## 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 104 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.

Consider the changes to the UK Corporate Governance Code, particularly the new requirements with respect to material risk management and internal controls which will impact future reporting periods.

Monitor any issues highlighted by Grant Thornton as part of their post implementation review for our new systems, including the review of progress in resolving such issues.

Consider the mandatory requirement, introduced by RICS, for periodic rotations of UK external valuers which comes into effect in May 2026.



## 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. The Audit Committee also reviews and monitors the Group's risk management and internal controls framework.

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Ahead of Audit Committee meetings, I meet with the lead external audit partner to discuss relevant matters.”

### HOW THE COMMITTEE OPERATES

#### FORWARD PLANNING

Subjects include climate change, ESG effectiveness, reviewing and responding to changes in the UK Corporate Governance Code



#### AUDIT COMMITTEE

Assess and discuss topics with senior management and the External Auditor



Regular inputs received from: Workspace management and the External Auditor

- 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 five occasions, in May, June and November 2023 and in January and March 2024.
- 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.
- There was a further meeting in May 2024 where matters relating to the 2024 Annual Report & Accounts were discussed.
- 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 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, the Head of Technology 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.
- The Chair of the Committee also meets regularly with the head External Audit partner, during the year, and specifically before Committee meetings.
- All of this, along with ongoing challenge, debate and engagement, allows the Committee to discharge its responsibilities effectively.



## AUDIT, RISK AND INTERNAL CONTROL CONTINUED

### THE ROLE OF THE AUDIT COMMITTEE CONTINUED

#### 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 172.
- Review the appropriateness of accounting policies and practices.
- Reviewed the Group's internal controls in relation to the financial reporting process. Further detail on our risk management and internal controls processes can be found on pages 178 and 179.
- 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 88 to 89.

- 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 35 to 38 and 9 to 11 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 175 to 176.
- 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.

- 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 176 for more information on our process for maintaining their independence.
- Agree the remuneration of the External Auditors.
- Complete a robust audit tender process when required.

##### 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 management 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 178 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 71 to 78 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 93 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 92 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 changes to the Code, specifically regarding the internal control environment.

- Keeping up to date on investor, shareholder and market sentiment (with advice from the Company's brokers).
- Keeping up to date with regulatory and legislative matters relevant to the Group including developments in accounting standards.
- Considering ESG matters in all decision making.
- Develop and 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 178 to 179



## AUDIT, RISK AND INTERNAL CONTROL CONTINUED

### SIGNIFICANT MATTERS CONSIDERED BY THE COMMITTEE

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#### 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.

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.

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 assets held for sale, the uncertainty relating to collection of trade receivables, accounting for disposals made during the year and the impairment in investments in subsidiary undertakings for the Parent Company.

#### 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.

## AUDIT, RISK AND INTERNAL CONTROL CONTINUED

### SIGNIFICANT MATTERS CONSIDERED BY THE COMMITTEE CONTINUED

#### PORTFOLIO VALUATION CONTINUED

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.



77  
LOCATIONS



£2.4bn

PROPERTY VALUATION



AUDIT, RISK AND INTERNAL CONTROL CONTINUED

DEVELOPING A ROBUST VIABILITY STATEMENT

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; and
- reassessment of key risks and their potential impact on the business model.



THE PROCESS WE FOLLOWED

STAGE 1  
RISK IDENTIFICATION

RESPONSIBILITY

- Executive Committee
- Risk Management Group
- Heads of Department

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

STAGE 2  
RISK ASSESSMENT

RESPONSIBILITY

- Executive Committee
- Risk Management Group
- Heads of Department

For each risk, the following factors were considered:

- our risk appetite (the level of risk the Board is willing to take);
- the controls in place to mitigate the risk; and
- the quantum of risk

STAGE 3  
SCENARIO SENSITIVITY ANALYSIS

RESPONSIBILITY

- Executive Committee
- Heads of Department

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

STAGE 4  
CONCLUSIONS

RESPONSIBILITY

- The Board
- Audit Committee
- Executive Committee
- Risk Management Group
- Heads of Department

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



## 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.

#### THE PROCESS WE FOLLOWED

##### COMMITTEE REVIEW

##### 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.

##### REPORT

##### 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.

##### ASSESS

##### Fair, balanced and understandable assessment

A fair, balanced and understandable assessment looking at the Annual Report and Accounts as a whole was prepared by the management team and circulated to the Committee. This assessment highlights factors which support the responsibility of the Committee.

##### EXTERNAL REVIEW

##### External Audit Review

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

##### RECOMMEND

##### 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 AND NON-AUDIT FEES 2023-2024

# £714k

**Audit** £617k  
£97k Non-audit

#### AUDIT AND NON-AUDIT FEES 2022-2023

# £440k

**Audit** £370k  
£70k Non-audit

#### AUDIT AND NON-AUDIT FEES 2021-2022

# £335k

**Audit** £280k  
£55k Non-audit

### 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 for the year ended 31 March 2024.

#### 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 238. This year, the non-audit services performed by KPMG included the review of the Group's half-year results.

#### 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 (including how risks to audit quality have been addressed), scope and level of fees for the audit;

- the quality, knowledge and expertise of the audit engagement team;
- insight around the key accounting and audit judgements;
- the quality of reporting and discussions at the Audit Committee meetings; and
- 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. This includes reviewing the FRC AQR results for KPMG as part of the audit strategy discussion. The Chair of the Committee also meets with the audit partner during the year and specifically, ahead of Audit Committee meetings.

The Audit Committee applies the 'Audit Committees and the External Audit: Minimum Standard' and this Report sets out the extent to which we have complied during the year.



## AUDIT, RISK AND INTERNAL CONTROL CONTINUED

### EXTERNAL AUDIT CONTINUED

#### THE EFFECTIVENESS OF EXTERNAL AUDIT

As part of the effectiveness review following the March 2023 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:

SUBJECT	SCOPE
<b>EFFECTIVENESS</b>	Effectiveness and quality 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.
<b>DELIVERY</b>	Delivery and execution of the agreed external audit process for the 2022/23 financial year.
<b>EFFICIENCY</b>	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.
<b>COMMUNICATION</b>	Communication and engagement between the senior management team, the finance team, KPMG and the Committee to assess whether it is based on a good understanding of the business and whether recommendations have been acted upon.
<b>CONTACT</b>	Quality and regularity of 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, including the FRC AQR findings, 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 of its effectiveness review at its meeting in November 2023 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 continue the focus on improving communications. The Committee's relationship with the External Auditor is one of openness and professionalism.

#### 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; and
- 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 has complied with the Competition and Markets Authority Order 2014 relating to audit tendering and the provision of non-audit services during the financial year ended 31 March 2024.

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.

An external audit tender was conducted in 2023 and BDO LLP (BDO) were identified as the proposed new External Auditor subject to shareholder approval. More information can be found on page 177.



## AUDIT, RISK AND INTERNAL CONTROL CONTINUED

### EXTERNAL AUDIT CONTINUED

#### EXTERNAL AUDIT TENDER

##### AUDIT TENDER PLANNING

###### RESPONSIBILITY

- Board
- Audit Committee
- Sub-Committee

KPMG has been Workspace's auditor since 2018. In last year's Annual Report the Company stated it would be placing the external audit out to tender, to make an appointment for the year ending 31 March 2025.

The Audit Committee resolved to appoint a selection Sub-Committee, authorised to carry out the tender process and to make its recommendations to the Audit Committee. It consisted of Rosie Shapland, Chair of the Audit Committee, Lesley-Ann Nash, member of the Audit Committee, Dave Benson, Chief Financial Officer, Andy Dodson, Group Financial Controller and Carmelina Carfora, Company Secretary.

##### SELECTION CRITERIA

###### RESPONSIBILITY

- Sub-Committee

The selection Sub-Committee prepared a list of key selection criteria.

The key selection criteria included:

- audit quality;
- audit approach and experience of the real estate sector;
- quality and approach of the lead partner and key members of their team;
- technical expertise and a pragmatic, commercial approach to resolving issues;
- approach to client service;
- independence of the audit firm; and
- proposed audit transition plans.

##### SHORTLISTING FIRMS

###### RESPONSIBILITY

- Sub-Committee

Meetings were held between management and Sub-Committee members and audit firms to determine their capabilities and fit with the Company.

A number of firms were considered, including challenger firms and the incumbent, but after discussions it was mutually agreed with KPMG that they would not participate in the tender process.

Agreement of shortlist of two audit firms by the selection Sub-Committee.

Confirmation of participation by audit firms.

Tender documents and supporting information were sent to the two participating firms.

##### PROPOSAL DOCUMENTS

###### RESPONSIBILITY

- Sub-Committee

Both firms submitted a detailed proposal document which included:

- their approach to ensuring overall audit quality;
- background and experience of the firm, lead partner and team; and
- their approach to managing the audit including matters of judgement, new and arising audit topics and the transition to a new audit team.

##### MEETINGS & PRESENTATIONS

###### RESPONSIBILITY

- Sub-Committee
- Senior Managers

As part of the tender process, the firms were invited to a series of meetings and interviews with senior managers of Workspace.

Presentations were made to the Sub-Committee by both of the prospective firms.

Detailed reviews of the tender documents submitted by each of the audit firms took place which included the most recent FRC AQR findings. Their presentations were considered as well as taking into account views of colleagues who had met with members of the audit teams from each firm during the process.

References were followed up for key team members from both firms.

##### RECOMMENDATION

###### RESPONSIBILITY

- Board
- Audit Committee
- Sub-Committee

The selection Sub-Committee identified BDO as the proposed new External Auditor.

Recommendation for the appointment of the new auditor at the next AGM was made to the Audit Committee.

The Audit Committee reviewed the proposal and recommended it to the Board for approval.

Induction period commenced with BDO attending key meetings with KPMG during the 2024 audit year-end process.



## AUDIT, RISK AND INTERNAL CONTROL CONTINUED

### EXTERNAL AUDIT CONTINUED

#### SAFEGUARDING AUDITOR INDEPENDENCE

As required by the Code, the Audit Committee has a formal policy governing the engagement of our External Auditor 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 are confined to a more limited scope of work than that defined by the Audit Committee's terms of reference.

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.

## 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.

As noted on page 169, a post-implementation review of our new finance and property management system identified a number

of opportunities to enhance our processes and control environment in relation to the new system. The Committee is satisfied that appropriate mitigating monitoring and review controls exist and a comprehensive action plan is in place to deliver these enhancements.

The Directors confirm that the processes described below have been in place during the 2023/24 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 monthly process for, reporting and reviewing financial performance, against its business plan;

- monthly performance packs are approved by the CEO and distributed to the Board
- in April 2022, the Board formed an ESG Committee which reviews the Group's environmental and social related risks;
- the Audit and ESG Committee's met jointly in January 2024 to discuss policies, procedures and assurance; and
- 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**  
Pages 71 to 78

**AUDIT, RISK AND INTERNAL CONTROL CONTINUED**  
**RISK MANAGEMENT AND INTERNAL CONTROLS CONTINUED**

**OUR RISK MANAGEMENT FRAMEWORK**

The Audit Committee oversees the Group's risk management framework with the Board retaining overall responsibility for risk appetite and strategy, in particular for

risks relating to valuation, development and real estate. The overall risk management framework is reflected below.

**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**

- Chaired by the Head of Security and Risk Management and 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**



**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.



**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.



**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.



**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.

**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 chairing our Risk Management Group and the ongoing maintenance of our risk management and control processes.

As part of our evolving internal assurance processes, the Head of Security and Risk Management has commenced a series of departmental control reviews across the business with seven completed during the year. No significant issues were identified from these reviews.

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.