

Audit & Risk Committee Report

Dear Shareholder

On behalf of your Board, I am pleased to present the Audit & Risk Committee Report for the year ended 31 March 2021.

Accounts that are fair, balanced and understandable

The Audit Committee is responsible for ensuring that the financial performance of the Group is properly prepared, reviewed and reported. Our role includes ensuring the integrity of the financial statements including examining documentation relating to the Annual Report, Interim Report, preliminary announcements and other related reports. We are responsible for reviewing internal control systems, risk management systems and the accounting principles, policies and practices adopted for preparing public financial information. We are satisfied that this Annual Report is fair, balanced and provides the information necessary for shareholders to assess the Group's position and performance, as well as its business model and strategy.

Key Responsibilities

The Committee reviews its terms of reference annually and these are available on the Group's website www.gbgrp.com/investors.

The role of the Committee is to provide oversight in the following areas:

- Financial reporting, including reviewing the financial statements and other formal announcements and challenging and reviewing the significant judgements contained in these documents
- Risk management and related controls and compliance
- Monitoring the relationship with the external auditor and reviewing the effectiveness, scope, objectivity and independence of auditor
- Approving the external auditor's remuneration and terms of engagement, including making recommendations regarding its re-appointment
- Internal audit, including agreeing the plan, findings and implementation of these findings
- Ensuring whistleblowing processes are robust
- Reporting to the Board on how the Committee has discharged its responsibilities throughout the year

The Audit Committee

The Board is confident that the Committee has sufficient recent financial experience, relevant to the sector in which the Group operates. I am a Chartered Certified Accountant with an MBA and also chair the audit committees of other boards. Natalie Gammon also serves on the audit committee of other companies. We seek professional advice at the Company's expense, if needed, although no such advice has been sought during the year.

Committee Membership and Attendance

The Audit & Risk Committee held 5 meetings during the year. The attendance details are set out below:



Note: Two of the meetings held this year were scheduled meetings timed to coincide with key dates in the Group's financial reporting and audit cycle. At the end of each of these meetings, the Committee met separately with the external auditors, without the Executive Directors or management being present.

By invitation, this year's meetings were attended by the Executive Directors, Company Secretary, external auditors, internal auditors and management. David Rasche stepped down from Audit committee membership effective 31 March 2020. David was invited to attend the meetings in his capacity as Chair of the Board and not as a committee member.

** Charmaine Carmichael resigned from GBG on 30 August 2020 and her attendance is based on the number of meetings she was required to attend during this time.

Key Activities Report during the year

Financial Reporting

The Committee has reviewed and discussed with Executive Management and the external auditor, the audited consolidated financial statements in the FY21 Annual Report. The Committee also reviewed the half year results.

Our rigorous challenges and discussions focussed on:

- The quality, not just the acceptability, of the accounting principles
- The reasonableness of significant judgments and estimates
- The clarity of disclosures in the financial statements, particularly in reference to the impact of Covid-19 and the effectiveness of internal control over financial reporting

Significant issues

The Committee, external auditors, internal auditors and management considered the following issues are significant in relation to the financial statements.

Matter Considered	Conclusion
Revenue recognition	The Committee assessed Management's analysis of contracts under IFRS15 and after challenge, concluded that revenue has been properly recorded in the period in accordance with accounting standards
Accounting for business combinations	This is an area requiring accounting judgement particularly around discount rates, tax rates, growth rates and attrition rates. In the current year this also specifically concerned the valuation of the technology intangible asset acquired as part of the HooYu acquisition. The Committee reviewed and challenged these assumptions and looked at external evidence and the Committee's own market knowledge. The Committee was satisfied this area has been appropriately disclosed.
Going Concern	The Committee reviewed Management's papers, scenario modelling and disclosures regarding going concern. The Committee was satisfied that it was appropriate to produce the accounts on a going concern basis.
Disclosure of disposed businesses	The Committee considered whether the financial results of the Marketing Services and Employ and Comply businesses which were disposed of during the year, should be presented as discontinued operations in accordance with IFRS 5. The Committee agreed with Management's assessment that neither business 'represents a separate major line of business or geographical area of operations' and therefore did not meet the criteria for this classification.
Impairment of goodwill and intangible assets	The Committee reviewed Management's papers and after challenge, concluded that it agreed with the impairment in the Group accounts of goodwill in the e-Ware Interactive cash generating unit and impairment in the Company accounts of goodwill related to the disposal of Employ and Comply. The Committee concluded that the goodwill and intangible assets in the other cash-generating units were supportable based on future cashflows, which were approved as part of the Budget process.

External audit

In the 2019 Annual Report and Accounts I reported that we had carried out a rigorous audit tender process in accordance with FRC best practice guidelines and EY were reappointed as auditors, but with a new senior audit partner, Jenn Hazlehurst, now leading our audit. During the year we approved EY's terms of engagement, scope of work and the process for the interim review and the annual audit. We also reviewed, challenged and agreed the audit fee proposals and approval for non-audit services fees, tenure and audit partner rotation (based on best practice and professional standards within the United Kingdom). The current audit partner was reappointed for the audit of the year ending 31 March 2021. I have been in regular contact with them during the year to discuss, amongst other things, progress of this year's audit, succession planning regarding our CFO and specific actions required in response to the Covid-19 pandemic. In addition, the Chairman met with EY UK Chair and UK and Ireland Managing Partner to discuss proposed changes to EY fee structure.

Non-audit services

The only non-audit services provided by EY in the year were the review of the Group's half-year results and agreed upon procedures regarding covenant compliance in accordance with the Group's banking facilities. EY did not perform any other non-audit services during the year. We do not expect EY to perform any non-audit services (except for the review of the half-year results and covenant compliance procedures in the coming year). EY were selected for these tasks as they would normally be undertaken by the external auditor as detailed in note 6 to the financial statements.

Auditor independence

The Board ensures external advisors remain independent by having separate firms (non-EY) carrying out financial due diligence and general advice relating to acquisitions and tax matters.

The Committee has and will continue to assess the independence, tenure and quality of the external auditor at least once a year, in addition to requiring both verbal and written confirmation of the auditor's independence. EY has confirmed that there are no relationships between themselves and the Group that could have a bearing on their independence.

Whistleblowing policy

We have carried out an annual review of our whistleblowing policy to ensure that it is still appropriate for a Group of our size and for the geographies in which we operate and we are satisfied that it is. We receive monthly reports from our external whistleblowing hotline provider and can confirm that no concerns have been raised during the year.

Internal audit

BDO LLP was appointed as the Group's internal auditors last year. Their role is providing the Committee and Management with assurance on the adequacy of the Group's internal control arrangements, including risk management and governance.

In their first year of working with us, BDO reviewed the Group's Risk Management Framework. Their approach to this was to conduct interviews with relevant team members across the Group to understand the design of controls that were currently in place. They also requested any relevant documentation to review the effectiveness and application of controls in the areas of scope. The review then focussed on how risks are identified, captured and assessed on an ongoing basis to critically challenge the control processes identified. They also considered the mechanisms in place to escalate risks across the Group's global entities.

The review identified a number of areas of good practice that the Group had already implemented before engaging with the internal auditor. However, it also identified areas where the Group can look to improve, to make sure our Risk Management Framework remains aligned and can scale with the Group's size and future ambitions.

Since this review, Lara Clark, Chief Regulation Officer has worked alongside Executive Management and BDO to establish a roadmap plan of action to address each of the reviews findings. Despite the effects of the Covid-19 pandemic, I am pleased to say that we have made positive progress against the roadmap plan of action and we continue to receive regular management reports monitoring progress.

Despite some early challenges posed by Covid-19, the internal audit plan for the year to 31 March 2021 was finalised within the year and it was agreed that the plan would focus mainly on areas of procurement and financial controls. Before this review, management had already invested in systems for technology procurement, due to the level of spend in this area and had started to implement a group-wide supplier management and purchase order system. The internal audit review covered the full procurement lifecycle to assess whether the new system and management's plans for further investment in procurement outside of technology were appropriate.

In respect of financial controls, the findings were that there were no significant improvements required and that the new finance systems (see section below) enhanced the visibility of expenditure across the Group.

Our intention was always to ensure that there were systems in place that could support the operation of group-wide policies and procedures, before a group-wide procurement system was created. Whilst the implementation of this system continues, the findings of the Internal Audit report showed that if implemented as designed, it will achieve this aim. We were pleased that the internal audit report recognised that in many areas the procurement processes the technology team had adopted were considered best practice and so provide a good platform to rollout to other areas of the Group.

In May 2021 GBG recruited a Group Procurement Manager to design, own and communicate group-wide procurement policies to be followed throughout the procurement lifecycle, which can be managed and monitored through the new systems.

The Committee maintained regular contact with BDO throughout the year to discuss progress and the status of our internal audit programme. In addition, the Committee has also met with BDO and the Executive management team to review and challenge the reports produced by BDO and management's responses to BDO findings.

Internal control and risk management

The Board has overall responsibility for the Group's approach to assessing risk and systems of internal control and for monitoring how effective they are. There are limitations inherent in any system of internal control. The system is designed to manage risks rather than eliminate them. It provides only reasonable and not absolute assurance against material misstatement or loss. However, there is a robust ongoing process for identifying, evaluating and managing the principal and emerging risks the Group faces. Full details of our risk management and internal control systems and processes can be found in our Principal Risks & Uncertainties report on pages 28 to 40.

Board-level reporting on risk management and internal control

This year, we have reviewed reports from the external and internal auditor and executive management relating to internal control, financial reporting, risks and risk management and presented those reports to the Board. This process is reviewed on a quarterly basis to make sure the risks included in the bi-annual reports are valid and relevant.

We have provided the Board with an independent assessment of the Group's financial position, accounting affairs and internal control systems.

The Audit Committee has also met with both the internal and external auditor without management being present.

Anti-tax evasion policy

The Group adopted and has in place a policy to uphold all relevant laws that counter tax evasion. This policy has been added to the Group's 'Code of Conduct' and published on our intranet. The policy is reviewed on an annual basis and updated as required.

Global Finance Systems

During the year a suite of cloud-based finance systems was implemented across the Group, covering core financial operations, purchase order management, consolidations and budgeting.

The Audit Committee has provided oversight of this significant project from the outset, approving the project at the outset and then through regular monitoring. A monthly status report on progress versus the intended timetable has been provided by the Director of Finance Operations. Due to the impact of the pandemic and the finance team working remotely the original timetable was updated to delay the implementation in certain countries to ensure that day-to-day operations were not impacted. The Audit Committee supported and approved these decisions.

These systems will provide greater visibility to the Group finance team on subsidiary operations, reduce reliance on manual spreadsheets in order to improve accuracy and efficiency and also improve controls on spending throughout the Group.

Future focus for Audit Committee

After 12 years Dave Wilson, is retiring from the role of CFO. Dave has made a significant contribution to the growth and success of GBG and to the maturity, stability and development of both the global finance team and the Group's internal controls. I would like to thank Dave for his hard work and to say how grateful I am for all the support Dave has given me. The Audit Committee was heavily involved in the thorough and rigorous search process for Dave's successor and as mentioned previously Dave Wilson is being replaced by David Ward, who is a very experienced Finance Director and chartered accountant. I will be working with David to support a smooth handover from Dave and to ensure David has an excellent induction to the business and is well positioned for future success in the role.

The rollout of the global finance systems will continue under David Ward's stewardship. The Audit Committee will continue to monitor progress and ensure that the finance team has the appropriate resources to deliver the project and the committee will provide challenge to ensure that the expected efficiencies are achieved.

The Audit Committee will also be reviewing and considering UK governance changes proposed in the recent BEIS White Paper on Audit Reform.

Ernst & Young LLP ('EY') has audited the Group's accounts since 1993 and as mentioned earlier in this report, were reappointed in 2019 following a rigorous tender process. Although the Board and the Committee have been satisfied with EY's quality of service, independence and objectivity, the Committee is closely monitoring the reforms being proposed in the recent BEIS White Paper on Audit Reform and the impact and timing of these reforms on future external auditor appointment. In accordance with recommendations from BEIS GBG will look to conduct a tender process for external audit with EY being replaced and a new auditor taking over for the audit of the year beginning 1 April 2023.

Annual Committee Evaluation

The Committee's effectiveness was reviewed during the year as part of the annual internal review of the Board and its Committees. I am pleased to report that the review concluded that the Committee continues to discharge its duties effectively.

Liz Catchpole

Audit & Risk Committee Chair

14 June 2021