AUDIT COMMITTEE REPORT

Approved by the Board of Computacenter plc
on 16 March 2023

Audit Committee report

Current members	Role	Attendance record
1. Pauline Campbell	Non-Executive Director	6/6
2. René Carayol (member from 1 November 2022)	Non-Executive Director	2/2
3. Ljiljana Mitic	Non-Executive Director	6/6
4. Ros Rivaz	Non-Executive Director	6/6
Former member		
5. Rene Haas (member until 1 December 2022)	Non-Executive Director	2/4

On behalf of the Board, the Committee is responsible for overseeing the effectiveness of the Group's systems of internal control and the risk management framework.

Pauline Campbell
Chair of the Audit Committee

Dear Shareholder,

I am pleased to deliver our Audit Committee report for the year ended 31 December 2022. In the report below we explain how the Committee has discharged its responsibilities during the year, including the selection of a new auditor, considering the significant matters relating to external financial reporting and ensuring that the relationship with internal and external auditors remains appropriate.

Composition of the Committee

On 1 December 2022, Rene Haas retired from the Board. René Carayol, who joined the Board on 1 November 2022, received a briefing from Pauline Campbell upon joining the Committee.

As at 31 December 2022, the Audit Committee comprised the four independent Non-Executive Directors. All members are considered to be appropriately qualified and experienced to fulfil their role and allow the Committee to perform its duties effectively. For the purposes of Code Provision 24, one member of the Committee, Pauline Campbell, is considered to have recent and relevant financial experience. The Committee notes the requirements of the Code and confirms that, having considered the requirements against feedback provided through the Board and Committee effectiveness review, the Committee, as a whole, has competence relevant to the sector in which the Company operates. Further details of specific relevant experience can be found in the Directors' biographies on pages 86 to 87.

Meetings of the Committee

The Committee met six times during 2022. Meetings are attended routinely by the Chair of the Board, Group Finance Director, Group Head of External Reporting, Group Head of Internal Audit & Risk Management and the external auditor. The Company Secretary acts as secretary to the Committee. The meetings cover a standing list of agenda items, which is based on the Committee's Terms of Reference, and consider additional matters when the Committee deems it necessary.

In addition to the Committee meetings, the Chair also meets privately on occasion with members of Management during the year, to discuss the risks and challenges faced by the business as well as accounting and reporting matters and, importantly, how these are being addressed. On two occasions during the year, the Committee met separately with the external auditor and the Group Head of Internal Audit & Risk Management, without Management present, in addition to regular dialogue with the external auditor. From time to time, on an ad-hoc basis, members of the Committee, including the Chair, also attend meetings of the Group Risk Committee.

The Chair remains satisfied that the flow of information to the Committee is appropriate and provided in good time, to allow members to review matters due for consideration at each Committee meeting. The Committee is also satisfied that meetings were scheduled to allow adequate time to enable full and informed debate.

Principal responsibilities of the Committee

The Committee's main responsibilities during the year, as set out in the Code, were to:

- monitor the integrity of the Company's Financial Statements and any formal announcements relating to the Company's financial performance, and to review significant financial reporting estimates and judgements contained therein;
- provide advice on whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- review the Company's internal financial controls and internal control and risk management systems;
- monitor and review the effectiveness of the Company's Internal Audit function, including approving the internal audit plan;

- make recommendations to the Board about the appointment, re-appointment and removal of the external auditor, and, where necessary, conduct the tender process;
- approve the external auditor's remuneration and terms of engagement;
- review and monitor the external auditor's independence and objectivity;
- review the effectiveness of the external audit process, taking into consideration relevant UK professional and regulatory requirements;
- develop and implement a policy on engaging the external auditor to supply non-audit services, ensure there is prior approval of non-audit services, consider the impact this may have on independence, take into account the relevant regulations and ethical guidance in this regard, and report to the Board on any improvement or action required; and
- report to the Board on how it has discharged its responsibilities.

Immediately following each Committee meeting, the Chair reports to the Board on the Committee's activities and how it is discharging its responsibilities as set out in its Terms of Reference, which can be found on the Company's website at investors.computacenter.com.

Activities of the Committee

The Committee's activities during the year, which are based on its Terms of Reference, are set out below:

Key estimates, judgements and current financial reporting standards

The Committee reviewed the integrity of the Group's Consolidated Financial Statements and, in doing so, considered the following key estimates and judgements. In reviewing these matters, the Committee also took account of the views of the external auditor, KPMG LLP (KPMG).

Technology Sourcing agent versus principal revenue recognition

Since the finalisation of the revised Group revenue recognition accounting policies and adoption of IFRS 15 on 1 January 2018, Management has continued to keep under review the nature of the finely balanced judgement on whether certain lines of Technology Sourcing revenue are to be recognised on an agent versus principal basis.

On occasion, on a deal-by-deal basis, Management may conclude that a particular deal is to be recognised as agent rather than as principal. Typically, technology partners and customers approach us with an opportunity where the technology partner is taking the contract and performance risks, sets the selling price and uses Computacenter as a pass-through agent in the channel, to transact the deal for a set fee. Since adoption of IFRS 15, these have been primarily large software deals where there is no ongoing contractual obligation of service on us following the transaction. We have no say in the pricing or selection of the product and are merely standing in the sales channel between the technology partner and customer, for the pre-determined fee. Based on the facts and circumstances of each deal, we assess how the terms and conditions of the deal are applied in practice against our revenue recognition policies, by reviewing the weighting applied to the agent/principal indicators. As a result, we have classified several of these deals as being on an agency basis, concluding that the fee received should be booked as net revenue.

In addition to these existing treatments, Management performed detailed reviews of the tentative, and then final, agenda decisions of the International Accounting Standards Board's (IASB) IFRS Interpretations Committee ('IFRIC') that was released on 1 December 2021, finalised on 20 April 2022 and approved by the Board of the IASB at its May 2022 meeting. The agenda decision considered the specific recognition criteria for standalone software licences resold by value-added resellers. Management produced an initial analysis of the impacts of the agenda decision on the Group, outlining the eventual change to agent revenue recognition for the majority of our software and resold services Technology Sourcing business lines that had previously been recognised as principal.

The Committee reviewed the initial accounting memorandum produced by Management and supported its proposed programme of further investigatory analysis in this area. Following further detailed analysis produced by Management the Committee concluded that the change to revenue recognition policies adopted in the 2022 Interim Report and Accounts was appropriate.

Qualified Interim Reporting

As described in note 3 of the 2022 Interim Report and Accounts, in accordance with IAS 8, a retrospective restatement of the relevant prior period reported Financial Statements for the period to 30 June 2021 and the year to 31 December 2021 was published in the 2022 Interim Report, due to the above change in revenue recognition policies relating to software licences and third-party services agreements resold on a standalone basis, following the finalisation of an agenda decision by the IFRS.

For our trading businesses which operate on our Group Enterprise Resource Planning (ERP) system, we were able to quickly determine the adjustments required under the new accounting policy to restate the comparative information through readily available high-quality data. For one of our North American business units, an entity operated on a legacy ERP system following its acquisition in October 2018, prior to its migration to the Group ERP system on 1 September 2021, this proved more difficult. The legacy ERP system used at the time was not designed to produce the analysis to identify software and resold services product sales that are now recognised on an agent basis, to the degree of precision required. Further, limited data migration issues were identified that also impacted on this analysis post-migration and during the first six months of 2022. The issues identified affected the classification as agent rather than principal, and therefore, only the quantification of some revenue and cost of goods sold, by equal amounts, for this business unit. Gross profit, operating profit, profit before and after taxes, and cash, are not changed by the new accounting policy.

Significant data interrogation was performed by the Group to produce the adjustment, for the Interim Report and Accounts, for this business unit, both for the eight-month time period concerned in 2021, when it continued to operate on the legacy system, and subsequently where it now operates on our Group ERP system. This work was required to produce the comparative adjustment required for this business unit, which formed part of the overall Group and North American Segment, restatement, and for the impact on the first half of 2022 revenue and cost of goods sold.

Management was unable to provide the required level of information to the external auditor prior to publishing the Interim Report and Accounts and the Committee was satisfied that KPMG required, and Management chose to accept, the inclusion of a qualified conclusion within its independent review report, rather than the alternative option of a delay releasing the Interim Report and Accounts. The Committee received assurance from Management that the necessary data would be available before the conclusion of the audit for the year ended 31 December 2022.

Management continued to cleanse and address residual data migration issues following the qualified conclusion on the Interim Report and Accounts. The Committee has been provided with an updated accounting analysis and memorandum showing that the necessary data has been made available and adjustments made for the overall Group and North American Segment for the year ended 31 December 2022.

After reviewing Management's information, the Committee was satisfied with the adjustments to record certain sales as agent, rather than principal, for the current and comparative reporting periods. The Committee was also pleased to note that Management provided sufficient data to allow KPMG to express its audit opinion without modification or qualification with respect to this matter.

Audit Committee report continued

Release of preliminary results
The published date for the release of preliminary results was set at 20 March 2023. This date was set later than in previous years to allow additional time for KPMG to complete its audit work. The Chair held regular discussions with Management and KPMG to confirm that the reporting would take place as expected. It became clear that KPMG required more time to complete its procedures, primarily in respect of one North American business unit. The Committee consulted with and recommended to the Board that an announcement be made that the preliminary statements would be released on 31 March 2023, as agreed with KPMG.

Technology Sourcing revenue recognition and 'bill and hold' cut-off procedures
The nature of the business leads to a significant amount of sales orders around year end, with high volumes of 'bill and hold' transactions. Judgement is required to determine if the appropriate criteria have been met to recognise a 'bill and hold' sale. There remains some risk that revenue is recognised in the incorrect accounting period if the judgements are not made correctly.

Management has an established set of criteria to allow recognition of revenue, which are applied throughout the business and designed to ensure compliance with International Financial Reporting Standards.

The Audit Committee supported the auditor's continued focus on testing Technology Sourcing revenue cut-off, particularly in regard to 'bill and hold' arrangements where customers purchase inventory that remains in our Integration Centers following revenue recognition.

In addition, there are a number of Professional Services contracts where revenue is recognised based on fulfilling the customer's requirements in accordance with contract terms. Management highlights to the Committee any contracts that may be of interest, including the process by which such contracts are identified.

The Committee noted that no errors with a material impact on reported profitability were found as a result of the auditor's work in the area of Technology Sourcing. Management will consider process improvements as part of the required change in the area of agent versus principal revenue recognition described above.

Acquisition accounting
During 2022, the Group acquired BITS, a Technology Sourcing reseller in the United States, and Emerge, a Managed Services provider located in several Asia-Pacific countries.

The Committee reviewed the acquisition accounting judgements, including the valuation of acquired intangible assets, and the differences between the provisional fair values and the book values at acquisition.

The Committee was satisfied with Management's assessment that it is highly probable that the maximum contingent consideration will become payable and accordingly the discounted maximum contingent consideration has been included in determining the provisional fair value to the Group for BITS. The Committee also reviewed Management's assertion that the contingent consideration was actually consideration rather than remuneration, on the basis that individuals who were selling shareholders due the contingent consideration were not required to remain in employment post-acquisition.

The initial accounting for the BITS and Emerge acquisitions has concluded in most areas, with only certain items remaining as provisionally determined at the end of the reporting period. The Committee will further review final positions close to the anniversary of the respective acquisition dates.

Exceptional and other adjusting items
The Committee considered the nature and quantum of items disclosed as exceptional or as other adjusting items outside of adjusted[1] profit before tax in the Group's 2022 Annual Report and Accounts.

The Committee reviewed Management's schedule of £1.8 million of costs directly related to the acquisition of BITS, which have been classified as exceptional. The Committee noted that these costs included advisor fees and a finder's fee that was paid on behalf of the vendor on completion of the transaction. The Committee found that these costs were non-operational in nature, significant in size for the reporting Segment, unlikely to recur and required to be taken as an exceptional item in line with our policy on acquisition costs. The Committee therefore agreed that these costs should be classified as outside our adjusted[1] results. The Committee noted that a further £2.0 million relating to the unwinding of the discount on the deferred consideration for the purchase of BITS has been removed from the adjusted[1] net finance expense and classified as exceptional interest costs. Whilst this item is, individually, not material, it forms part of the collective overall cost of the acquisition and the Committee agreed that, due to the material size of the acquisition and the impact on the underlying net finance expense, this should also be treated as an exceptional item.

Management continued to exclude the amortisation of acquired intangible assets, and the tax effect thereon, as an 'other adjusting item' outside of adjusted[1] profit after tax in the Group's 2022 Annual Report and Accounts. Management highlighted that this charge had materially increased with the acquisition of FusionStorm and Pivot.

Management's view is that amortisation of intangible assets is non-cash and is significantly affected by the timing and size of acquisitions, which affects understanding of the Group and Segmental operating results.

Management considered the presentation of adjusted[1] profit in the first half of the Annual Report and Accounts, after taking account of the European Securities and Markets Authority Guidelines on Alternative Performance Measures, which promote the usefulness and transparency of such measures. Management remains satisfied with the reconciliation between statutory and adjusted[1] measures that the Group has presented since the 2015 Interim Report, and the level of disclosure which explains both the differences between these measures and the reasons for the differences.

The Committee considered the nature and quantum of items disclosed as exceptional or as other adjusting items that are excluded from the Group's adjusted[1] profit before tax, and other alternative performance measures, in the Group's 2022 Annual Report and Accounts. The Committee concluded that the presentation of adjusted[1] profit was adequately explained, was intended to provide clarity on performance and has sufficient equal prominence with statutory profit.

Going Concern basis for the Consolidated Financial Statements
Management prepared a paper that provided input to the Board's assessment of whether it is appropriate for the Group to adopt the going concern basis in preparing Consolidated Financial Statements, at both the half year and full year. To do so, Management reviewed the Group's financial plans and its liquidity, including its cash position and committed bank facilities. It also considered the Group's financing requirements in the context of available committed facilities and reviewed forecasts concerning trading performance, which had been discussed and approved at the 8 December 2022 Board meeting.

In making its assessment Management assessed factors which could affect the modelling of the Group's financial plans and its impact on the Going Concern assessment.

This included:

- Key financial performance forecasts for the next 12 months and the predicted impact on cash generation.
- Supporting models with rigorous downside sensitivity analysis, which involves flexing a number of the main assumptions underlying the forecasts.
- Further downside scenario testing where the potential impact of the principal risks and uncertainties are applied to the forecasts.

- Only those risks and uncertainties that, individually or in plausible combination, would threaten the Group's business model, future performance, solvency or liquidity over the assessment period and which are considered to be severe but reasonable scenarios. It also takes into account an assessment of how the risks are managed and the effectiveness of any mitigating actions.
- For the current year, the primary downside sensitivity relates to a modelled, but not predicted, severe downturn in the Group's revenues, beginning in 2023, simulating a continued impact for some of our customers from the current economic crisis together with the Group's revenues being impacted by supply shortages. This sensitivity analysis models a continued market downturn scenario, with slower-than-predicted recovery estimates, for some of our customers whose businesses have been affected by both the Covid-19 pandemic and the current economic crisis, and a similar downturn occurring for the remainder of our customer base. A further impact on the Group's Technology Sourcing revenues through 2023 from possible ongoing technology partner-related supply shortage issues has also been included in the sensitivity analysis.
- Forecast high and low points of cash generation.
- Ability of Management to implement leveraging or factoring to offset the impacts of the severe downsides modelled above.

The Committee considered the assessment described above, together with the extended Going Concern disclosures included within the 'basis of preparation' note to the Financial Statements in the Annual Report and Accounts and advised the Board on its view. The Committee considered whether the going concern basis of preparation continued to be appropriate and provided recommendations around its adoption to the Board, with which the Board concurred. The statement and explanation from the Directors can be found within the Strategic Report on page 67 and the Basis of Preparation within the Notes to the Consolidated Financial Statements on page 155.

Viability Statement

The Code requires the Directors to explain in the Annual Report and Accounts how they have assessed the prospects of the Group, taking into account the Group's current position and principal risks, over what period they have done so and why they consider that period to be appropriate. The Directors are further required to state whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the assessment period they have chosen, drawing attention to any qualifications or assumptions as necessary. This requirement is known as a Viability Statement.

Following review by the Group Risk Committee, Management presented its conclusions to the Audit Committee. These included a recommendation of the appropriate period for the assessment of viability that is based on the nature of the Group's business model and its strategic time horizon, coupled with short-term macroeconomic environmental impacts. Management produces financial forecasts for the three-year period including an assessment, reviewed by the Group Risk Committee, of how these forecasts would be affected by a realistic concurrence of the Group's principal risks and the estimated impact of such a concurrence.

Management considered additional contingencies within the forecast, due to a market downside sensitivity scenario that continues throughout the assessment period and relates to a modelled, but not predicted, severe downturn in Group revenues, beginning in 2023 as described within the Going Concern analysis above. These downside scenarios continue the assessment of the risks for Going Concern throughout the assessment period with compounding impacts to cash flow as a result.

The financial forecasts build on the assumptions used for the Going Concern assessment and extend this over the three-year period. Management includes longer-term sensitivity analyses that range the modelled downturn in the market across a number of factors, including working capital usage, profitability, dividend payments and share repurchases. The analyses also include an assessment of actions that Management could take to support the balance sheet of the Company in the event of the worst-case scenarios.

Following consideration of Management's assessments and conclusions, the Committee advised the Board that it could continue to set the period of assessment for the Viability Statement at three years and that it could make the statement required for the assessment period without qualification. The statement and explanation from the Board can be found within the Strategic Report on pages 67 to 68.

Parent Company investment in subsidiaries carrying value and distributable reserves

Investments in subsidiaries are the primary asset on the Parent Company Balance Sheet. The Committee considers the carrying value of these investments annually or when an indicator of impairment is identified, as any impairment of these investments would reduce the Company's distributable reserves. Management prepared an analysis to support the carrying value of the investments in subsidiaries held by the Parent Company, including assessing the cash flow forecasts and future trading assumptions of each subsidiary. No impairment of carrying value in the investment in subsidiaries was identified during the year. The Committee considered Management's assessments and remains satisfied that the carrying value of each subsidiary remains appropriate.

Management assessed the Company's distributable reserves, prior to the declaration of both the interim and final dividends in respect of the reporting period, to ensure that sufficient reserves were legally available for distribution. Further, Management modelled the medium-term forecasts for distributable reserves, ensuring that the Board's dividend policy could remain supported by the generation of distributable reserves within the Parent Company. The Committee received a presentation of Management's conclusions and reported to the Board on the appropriateness of the dividend payment with regards to the available distributable reserves.

Taxation

Management prepared papers documenting the Tax Strategy and the Tax Policy of the Company. These papers document the policies, processes and controls relating to the Group's tax functions and the Company's Tax Strategy, which can be found on the Company's website: computacenter.com. The purpose of the Tax Strategy is to communicate the policy for the management of tax within Computacenter. It is important to ensure that consistent and effective tax standards are maintained across the Group as tax, if poorly managed, can have a significant cash and profitability impact on the Group's business activities, as well as cause reputational damage.

Management presented to the Committee on all aspects of business taxation in all territories in which the Group is currently operating. The Group Tax Strategy and Policy is subject to approval by the Board annually following its consideration by, and advice from, the Committee.

Management prepared the calculation of the tax liability of the Group, including uncertain tax positions, and assessed the recognition criteria for potential deferred tax assets relating to jurisdictions with significant carried forward tax losses. Future forecasts, changes to revenue accounting standards and local taxation rates, and potential changes to local tax structures were taken into account in determining the Group's tax rate assessment. Management made recommendations for the consideration of the Committee for the identification of tax liabilities, assets and the tax rate being disclosed in the accounts. The Committee was satisfied that tax accounting is appropriate.

Audit Committee report continued

Improvements to general financial reporting
Management continues to review its accounting policies and reporting in light of changes, general trends to improve financial reporting and observations from the auditor.

During the period the Committee received recommendations for consideration from Management on a range of topics focused on improving the quality of the Group's financial reporting. These included:

- Ongoing implementation of a Group-wide Accounting Policy Handbook, to ensure consistency in the application of the Group's primary accounting policies.
- Accounting treatment for certain one-off commercial contracts with particularly unusual or non-recurring terms.
- Analysis of the impact of inflation on longer term Managed Services contract profitability.
- Management's response to minor findings and recommendations resulting from the 2021 external audit.
- The implementation of recommendations contained within advisory publications from the FRC relating to, amongst others, best practice disclosures for revenue.
- Improvements in the year-end revenue cut off procedures and pre-audit review analysis.
- Introduction of detailed year-end reporting checklists for all Group entities, to ensure consistent close procedures with appropriate evidence of review.

The Committee approves of Management's effort to continually improve and is satisfied with changes made or proposed relating to the items listed.

Regulatory and legal compliance
Having been requested to do so by the Board in accordance with Code Provision 27, the Committee also advises the Board on whether 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. The Committee sought assurance as to the review procedures performed by Management, to support the Board in making this statement. These include clear guidance issued to all contributors to provide a consistent approach and a formal review process, to ensure that the Annual Report and Accounts are factually correct and reflective of material matters that have been discussed by the Board throughout the year and includes all relevant information. Following a review, the Committee advised the Board that appropriate procedures had been applied.

Management prepared a presentation on the BEIS Report on Governance and Audit Reform and provided a response on behalf of the Company for the consideration of the Committee. Management continued to monitor regulatory developments, and other upcoming reporting requirements, and updated the Committee as required.

The effectiveness of internal controls and of the risk management framework

On behalf of the Board, the Committee is responsible for overseeing the effectiveness of the Group's systems of internal control and the risk management framework. The Group Risk Committee (GRC) meets each quarter to review the key risks facing the business. These are identified, and their likelihood and impact are assessed, within the Group's 'Risk Heat Map'. They are then reviewed in conjunction with accompanying risk mitigation plans. The GRC minutes, or a summary thereof, are circulated to the Committee for review, with any matters of note highlighted and explained to the Committee by the GRC Chair. This includes an analysis of how the Group's exposure to these risks may have moved during the previous three months and how mitigations to the risks have been introduced or developed, and also provides the GRC's assessment of the effectiveness of the process. To assist the Board, the Committee monitors the risk management processes and reports from Internal Audit.

Compliance Steering Committee
The Compliance Steering Committee (CSC) reports to the GRC. It meets quarterly, two weeks before the GRC, and is chaired by the Group Compliance Manager. The Group Legal & Compliance Director, the Chief People Officer, the Group Data Protection Officer, the Group Head of Internal Audit & Risk Management and the Company Secretary make up the rest of the CSC. The CSC determines which areas of law or regulation apply to the Group, assigns these to members of Management and identifies levels of compliance and associated risk, with the aim of ensuring that these are appropriate to the Group. Critical areas within the CSC's remit include anti-bribery and corruption, whistleblowing, data protection and export control. The CSC reviews and promotes major Group internal governance enhancement initiatives. The Committee receives regular reports from the CSC on its activities.

During the year the Committee reviewed:

- The introduction of a Group-wide compliance dashboard.
- The deployment of compliance resource around the world.
- Whistleblowing reports.
- The current status of work around the Group Ethics Code, Anti-Bribery and Corruption policy and the Whistleblowing provisioning, and planned activity over the following 12 months in these areas.
- The current status and planned activity around GDPR and Modern Slavery.
- Compliance oversight of business change processes.
- Export control.
- An update on the Supplier Code of Conduct and Competition Policy.
- Group-wide coverage of compliance policies and processes, and the Group's approach to this area.

Internal control oversight
Periodically the Committee received reports on the operation of internal controls from various Group functions. These included:

- A report from the Group Information Assurance (GIA) function on its role, which continues to be a key part of the control framework for data security and cyber defence, and how it fits into the overall control structures of the Company within the wider risk management framework. GIA reported on the programme of enhancements for the Cyber Defence Center and cyber security. Where cyber incidents, attacks and breaches are detected by the GIA, it reports to the Committee on the mitigations and outcomes of any investigation, including plans for remediation and improvements.
- Updates on the implementation of the Group's ERP systems into an acquired business.
- Corporate Governance Code compliance reviews.
- A review of the Company's processes conducted to ensure the Annual Report and Accounts remains fair, balanced and understandable.
- Treasury reporting, policy and controls including the Group Treasury Strategy and Policy, Transactional FX Strategy and Policy and activities of the Treasury Committee, which retains operational oversight.
- Trade receivables control environment, to assess the heightened risk of customer defaults due to the current macroeconomic environment and the associated collection risk.
- Trade payables and other creditors control environment, to review procedures and payment timeliness analysis.
- Management's review of the value of goodwill and acquired intangibles including the assessment of factors which could affect the recoverability of these assets and whether they could give rise to an impairment.
- Annual survey results, where all members of the Group Executive and other key senior Management conduct a controls self-certification exercise and the control environment is reviewed and graded.
- The effectiveness of controls over bid management and contract reporting

- Updates on litigation matters.
- Updates on Audit Reform and Governance changes as a result of the BEIS recommendations.
- Finance organisation change and talent review.

Whistleblowing
The Committee confirms that it is satisfied that, as at the date of this report, arrangements are in place to ensure that employees are able, in confidence, to raise any matters of concern, and for the proportionate and independent investigation of such concerns, including assessment of the financial impact and any appropriate follow-up action. During the year, the Committee was satisfied that investigations and follow-up actions were appropriate. As at the date of this report, all of the Group's operating entities, including the recent acquisitions of Emerge and BITS, had access to the same whistleblowing platform.

The effectiveness of the Internal Audit function

The Group has an Internal Audit function which reports to the Chair of the Committee, and also has direct access to the CEO. Its key objectives are to provide the Board, the Committee and senior Management with independent and objective assurance on risks and the related mitigating controls, and to assist the Board in meeting its corporate governance and regulatory responsibilities. A formal audit charter guides the function's work and procedures and was updated during the year.

The Board, through the Committee, has directed the Internal Audit department's work towards areas of the business that are considered to be the highest risk. The Committee approves a rolling audit programme, ensuring that all significant areas of the business are independently reviewed over, approximately, a four-year period. The programme and the audit findings are assessed continually, to ensure they take account of the latest information and, in particular, the results of the annual review of the effectiveness of internal control and any shifts in the focus areas of the various businesses.

Each year, the Committee reviews the effectiveness of the Internal Audit department and the Group's risk management programme. The formal review typically consists of an evaluation of Internal Audit's activities by members of the Committee and managers across the business who have been subject to audit during the year. The assessment normally covers areas such as departmental organisation, business understanding, skills and experience, communication and performance.

The Committee received an update from the Group Head of Internal Audit & Risk Management at each meeting during the year. The updates covered current audit activities and the results of completed audits. The Chair met the Group Head of Internal Audit & Risk Management on a number of occasions during the year, to be updated on the function's activities. The Committee kept Internal Audit's staffing levels under review throughout 2022.

The Committee has challenged and approved the Internal Audit plan and the mapping of that plan to the Group's principal risks and related mitigating controls, as set out on pages 74 to 81. The plan is kept under review to reflect the changing needs of the business and to ensure that new and emerging business risks are appropriately considered within it.

Internal audit independence
In all material respects, Computacenter follows the 'Internal Audit Code of Practice: Guidance on effective internal audit in the private and third sectors' published by the Chartered Institute of Internal Auditors in January 2020. In particular the Head of Internal Audit is ultimately responsible to the Chair of the Audit Committee, with a secondary reporting line to the Group Finance Director for administrative purposes only.

To guarantee its independence and objectivity Internal Audit does not:

- Set the Company's risk appetite.
- Impose risk management processes.
- Take decisions on risk mitigation or implement risk mitigation actions on behalf of business management.
- Perform operational duties, including the operation of policies and procedures.
- Initiate or approve accounting transactions.

In addition, the Audit Committee:

- Is responsible for the appointment and removal of the Head of Internal Audit.
- Approves the annual Internal Audit plan and budget.
- Receives regular updates from the Head of Internal Audit.

Performance of the Committee

The externally facilitated review indicated that the Committee continues to perform effectively. No significant issues in the way the Committee functions were highlighted as being in need of remediation. The Committee agreed that it would review the way in which it addressed its terms of reference to ensure that the focus on critical matters remained appropriate whilst considering whether other matters could be delegated to other Committees of the Company. Refer to page 92 for further details on the externally facilitated evaluation carried out.

External audit tender

The Committee considers the re-appointment of the external auditor each year, as well as remuneration and other terms of engagement.

Following a discussion with KPMG, subsequent to the adoption of the 2021 audit of the Company and Group accounts, it was mutually agreed that the Committee would proceed with an immediate audit tender process for the 2023 year end that would explore different, and fresh, perspectives on the conduct of the audit of the Group. As a result of discussions with the firm, it was agreed with KPMG that they would not participate in this process.

In 2022, the Committee led a formal, rigorous and competitive tender process for external audit services for the 2023 financial year onwards. The Committee appointed an internal Selection Panel (the 'Panel') on its behalf to review the competitive tender bids and make recommendations to it for consideration.

Selection Panel
The Panel consisted of two members of the Committee, including the Chair, both Executive Directors and three senior members of the finance team.

The steps that were undertaken as part of the process are set out below:

Investor consultation
The Committee considered whether to consult with major investors and key investor associations at the outset of the process, to invite them to discuss the Company's proposed approach to the tender process, including details of audit firms to be invited to participate in the tender process. However similar approaches from FTSE listed companies have not typically solicited responses and, due to the timescales involved, the Committee decided to proceed with the process to ensure that it could be completed in time to enable a sufficient transition period from the incumbent firm.

Expressions of interest
The Company held discussions with three of the 'Big Four' firms, as well as four mid-tier firms to capture expressions of interest. Deloitte LLP and PriceWaterhouseCoopers LLP both confirmed that they would not be able to perform the 2023 audit as they would not be considered independent at the point of commencement of the audit engagement. Further, Ernst & Young LLP and RSM UK Group LLP, were both unable to participate in the tender due to forecast resource constraints in 2023 preventing them from assembling an audit team.

Audit Committee report continued

Invitation to tender
The Company issued a formal Request for Proposal (RFP) to the three firms which had confirmed a willingness to participate in the tender process, BDO LLP (BDO), Grant Thornton UK LLP (Grant Thornton) and Mazars LLP (Mazars), detailing the evaluation criteria which would be used by the Panel in informing its decision, which included but were not limited to:

- Quality and clarity of audit approach
- Quality record of the firm, lead partner and senior audit personnel
- Appropriate geographical breadth to cover our locations
- The quality of understanding of the audit risk areas
- Audit transition and implementation plan
- Depth of understanding of Computacenter's business, its industry and the risks in the industry
- Audit team knowledge and experience, including specialist resource
- Overall quality of the response and adherence to RFP instructions

Subsequent to the issuance of the RFP, BDO withdrew from the tender process.

Lead audit partner interviews
Members of the Panel interviewed the proposed lead audit partners from each firm to enable the Committee to assess their ability to work with us and lead the quality of team that we required.

Data room and preliminary meetings
The data room was opened to participating firms who were also granted access to key management and Committee members.

Further engagement
Initial questions/requests for further information were received from the participants. We provided detailed responses to these requests to all participating firms, not just the firm that requested the information.

Written proposal
The Company received a written proposal from each of the firms. The firms were also asked to review and comment on the previous year's Annual Report as part of their submission proposals.

Presentations and Q&A session
At the final stage, the participating firms delivered presentations and their proposed audit plan, followed by a question-and-answer session. The meetings were attended by all of the Panel members.

Evaluation, assessment and Committee recommendation
The Committee's unanimous view was that each firm participated with energy, enthusiasm and integrity and that each could perform a quality audit of the Group. However, based on the evaluation criteria above, the Panel discussed and unanimously agreed to recommend Grant Thornton to the Committee for consideration, but also expressed their thanks to Mazars for its participation. Following a review, the Committee concurred with the Panel's findings and recommendations.

References
Independent references for the successful firm's lead partner were taken by the Committee Chair.

Board decision
Based on the Panel's findings, the Committee recommended the two firms to the Board, with a preference for the tender to be awarded to Grant Thornton. The Board endorsed the Committee's recommendation.

Announcement
Once the terms of engagement were finalised, the independence of Grant Thornton had been confirmed, and the Company was clear on transition arrangements, the Company announced the results of the audit tender on 9 December 2022.

Audit transition plans
The proposed external auditor, Grant Thornton, has started undertaking transitional activity from December 2022 in preparation for the external audit cycle in 2023, by shadowing the outgoing external auditor and attending the Committee meetings from December 2022. This will aid a smooth transition and allow Grant Thornton to embark on the 2023 audit as well prepared as possible. Grant Thornton will also hold meetings with key members of the senior management team regularly during this period, including a transition workshop involving a number of individuals from the Company.

In anticipation of this start date and to ensure full auditor independence and objectivity, Grant Thornton and Computacenter management reviewed the non-audit services provided by Grant Thornton to Computacenter in 2021 and 2022. All prohibited services ceased by 31 December 2022.

The Committee will monitor the transition of the auditor throughout the year to ensure the effectiveness and independence of Grant Thornton. The Board will seek approval for Grant Thornton to be appointed as external auditor at the 2023 AGM for the year ending 31 December 2023.

The integrity of the Group's relationship with the auditor and the effectiveness of the external audit process

External audit
The Committee oversees the Group's relationship with its auditor and makes recommendations to the Board concerning the appointment, re-appointment and remuneration of the auditor. KPMG LLP was first appointed as the Group's auditor with effect from May 2015, following a competitive tender process.

Re-appointment of the auditor
As described above, the Committee recommended to the Board the appointment of a new auditor for the 2023 audit.

Rotation of lead audit engagement partner
Unfortunately, due to personal circumstances unrelated to KPMG or the audit of Computacenter plc, the partner responsible for the Computacenter Plc audit throughout the year, Mr David Neale, was unable to complete the finalisation of the audit. Therefore, another audit partner, who had already been involved in the audit, Mr Mark Flanagan, signed the audit opinion. Mr Flanagan confirmed to the Committee that he had sufficient time and access to all areas of the work performed to be able to sign the audit opinion on behalf of KPMG. Further, KPMG has communicated to the Committee outlining the general procedures to safeguard independence and objectivity, disclosing the relationship with the Company and confirming their audit independence.

During the reporting period, the Company complied with The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Committee Responsibilities) Order 2014.

Effectiveness of the external audit process
The Committee places great importance on ensuring a high-quality and effective external audit process. When conducting the annual review, the Committee considers the performance of the auditor as well as its independence, compliance with relevant statutory, regulatory and ethical standards, and objectivity. The Committee reviewed the effectiveness and quality of the external audit process by:

- reviewing the audit plan, including identified significant risks and monitoring changes in response to new issues or changing circumstances, including recommending the performance of additional interim procedures and more effective communication with component teams;
- reviewing the planned audit hours of each component;

- reviewing the audit scope with the lead audit engagement partner, to ensure adequate coverage of full-scope audit components over the Group's operations;
- understanding the materiality thresholds adopted by KPMG at each reporting period, for both the audit of the Group and its key audit components;
- attending KPMG's annual 'Academy Day' audit planning workshop, which was attended by senior members of the worldwide audit team and senior finance managers from across the Group;
- receiving reports on the results of the audit work performed; and
- considering the report of the FRC's Audit Quality Review team (AQRT) on KPMG.

The Committee reviewed the audit plan for the acquired entities for the part-year ended 31 December 2022 with KPMG, to ensure audit coverage was appropriate.

The Committee reviewed the year-end report to the Committee and discussed it with the lead audit engagement partner. The Committee further reviewed the effectiveness of the external audit process by means of a questionnaire, which was completed by key stakeholders and relevant Group Management. The matters covered by the questionnaire included the understanding of the business and its audit risks, and the degree of scepticism, challenge and competency of the KPMG employees that comprise the audit team. The results were discussed as a specific agenda item at the Committee meeting immediately following the completion of the questionnaire process, and actions requested by the Committee to enhance effectiveness were followed up with a series of face-to-face meetings and continue to be monitored as appropriate.

The Committee also discussed the report published by the AQRT into the findings of its inspections of audits carried out by KPMG. The Committee is satisfied that the audit team was aware of the findings and was provided assurance that the ability of the team to provide a quality audit was not impaired.

	2022 £m	2021 £m
Auditor's remuneration:		
– Audit of the Financial Statements	**0.2**	0.1
– Audit of subsidiaries	**2.3**	1.7
Total audit fees	**2.5**	1.8
Audit-related assurance services including the review of the Interim Report and Accounts	**0.1**	0.1
Taxation compliance services	**–**	0.1
Total non-audit services	**0.1**	0.2
Total fees	**2.6**	2.0

Auditor independence

The Committee places considerable importance on ensuring the continuing independence of the Group's auditor. This topic is reviewed at least annually with the auditor, which confirms its independence to the Committee twice a year. In addition to the above, the Company paid £0.3 million (2021: £0.5 million) to Ernst & Young LLP to perform audit procedures to meet the requirements as a component auditor on the Group audit, reporting to KPMG.

Non-audit services

To help maintain the auditor's independence, the Committee has a policy regarding the scope and extent of non-audit services provided by the Group's auditor, which is summarised below.

The auditor is appointed primarily to report on the annual and interim Consolidated Financial Statements. The Committee places a high priority on ensuring that the auditor's independence and objectivity is not compromised either in appearance or in fact. Equally, the Group should not be deprived of expertise where it is needed and there may be occasions where the external auditor is best placed to undertake other accounting, advisory and consultancy work, in view of its knowledge of the business, as well as confidentiality and cost considerations.

Under the Committee's non-audit services policy, the Group auditor should not be engaged to undertake work which constitutes a prohibited non-audit service, as defined under provision 5.167 of the FRC's Ethical Standard. Any other non-audit service (a 'Permitted Service') must, to the extent that it is not viewed as 'trivial', be approved in advance by the Committee.

In each case where the Group auditor is authorised to perform a Permitted Service, the Committee will assess threats to the auditor's independence and the proposed safeguards to be applied when such services are carried out. It will also document what action was taken by the Group auditor, including appropriate safeguards where necessary, to ensure that its independence was not compromised as a result of performing the Permitted Service. The Committee will consider alternative suppliers and competitive tenders and then discuss and document why it viewed the Group auditor as the most appropriate party to perform the Permitted Service.

The Committee monitors compliance with this policy by monitoring the level of non-audit work provided by the external auditor, resulting in non-audit fees being 4.0 per cent of KPMG's overall audit fee during 2022 (2021: 11.1 per cent), as set out above. The Group auditor will, in no circumstances, undertake non-audit services for the Group to the extent that the total fee payable by the Group to its auditor exceeds 70 per cent of the average annual statutory fee payable by the Group over the last three consecutive years. The Group ceased using the Group's auditor for all taxation services within the EU during 2017.

During the year, KPMG provided only trivial non-audit services to the Group. Any trivial non-audit services provided were subject to KPMG's review of the impact on its own independence against the Group's non-audit services policy. None of the trivial engagements constituted a prohibited non-audit service and the Committee was satisfied that the independence of KPMG, as Group auditor, was not affected.

Pauline Campbell
Chair of the Audit Committee
6 April 2023

Computacenter is a leading independent technology and services provider, trusted by large corporate and public sector organisations. We are a responsible business that believes in winning together for our people and our planet. We help our customers to Source, Transform and Manage their technology infrastructure to deliver digital transformation, enabling people and their business. Computacenter
is a public company quoted on the London FTSE 250 (CCC.L) and employs over 20,000 people worldwide.

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