Audit committee report

Richard Atkins
Chairman, audit committee

I am pleased to present our Audit committee report for the year ended 31 October 2021.

Audit committee members and meeting attendance

	Meeting attendance[1]
Richard Atkins	6/6
Amanda Brown	6/6
Pauline Campbell[2]	1/1
Lawton Fitt	6/6
Karen Slatford	6/6
Robert Youngjohns	6/6

1 Attendance is expressed as the number of meetings attended out of the number eligible to be attended.
2 Pauline Campbell served as a director and member of the audit committee from 1 October 2021.

Dear fellow shareholders,

I am pleased to present our Audit committee report for the year ended 31 October 2021. In the report below we explain how the committee discharged its responsibilities during the year, including the significant issues that we considered in relation to the financial statements and how we safeguarded the independence and objectivity of the external auditors. The work of the committee has focused on reviewing the enterprise risk management framework, including the Group's on-going response to COVID-19 and the business impact following the transformation to the Enterprise Platform. SOX compliance also continues to be a key matter under review as we embed it into the business. Throughout the year, I am pleased to report that our working relationships with PwC, providing internal audit services, and KPMG, as external auditors, have continued to develop well.

Composition of the committee

The audit committee comprises myself (who serves as its chair), Amanda Brown, Pauline Campbell, Lawton Fitt, Karen Slatford and Robert Youngjohns. All members of the committee are independent non-executive directors. The board considers that:

- for UK purposes, myself, as a chartered accountant, has recent and relevant financial experience by virtue of my previous executive and current non-executive responsibilities (details of which can be found in my biography on page 78). The audit committee as a whole has competence relative to the sector in which the Company operates; and
- for US purposes, each of the audit committee members is independent under the SEC and NYSE definitions of that term; that I am an audit committee financial expert, am independent of management, and have accounting or related financial management expertise; and that all of the audit committee members are financially literate.

Executive directors and senior executives (most often the Director of Finance, Director Group Finance, the Head of Tax, Head of Treasury, Head of Investor Relations and the Group Company Secretary and Head of Assurance) attend meetings by invitation as required, but do not do so as of right. Representatives of KPMG LLP (external auditor), PricewaterhouseCoopers LLP (internal auditor) and external tax advisors (when considered appropriate) also attend the committee meetings and meet privately with committee members, in the absence of executive management, prior to each committee meeting.

The committee normally meets at least four times during each financial year and more frequently as required.

Role and responsibilities of the committee

The committee's principal responsibilities are to:

- monitor the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements contained in them. The committee also reviews the Group's Annual Report and Accounts and Interim Report prior to submission to the full board for approval;
- monitor the Group's accounting policies and review the Company's internal financial controls and financial reporting procedures and, on behalf of the board, the Company's internal control and risk management systems;
- monitor the adequacy and effectiveness of the Company's internal controls and internal financial controls, risk management systems and insurance arrangements;
- ensure that a robust assessment of the principal and emerging risks facing the Company, including those that would threaten the business model, future performance, solvency or liquidity and reputation is undertaken at least once a year;

- monitor and review the effectiveness of the Company's internal audit function, including agreeing and approving the annual internal audit plan;
- make recommendations to the board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, reappointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
- oversee the relationship with the external auditors and review and monitor their independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK and US professional and regulatory requirements;
- develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and to report to the board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;
- provide a forum through which the Group's external and internal auditors and external tax advisors report to the board; and
- report to the board on how it has discharged its responsibilities.

The committee's terms of reference are published on the Company's website, www.microfocus.com.

Key activities in the year ended 31 October 2021

The committee met six times during the year, details of meeting attendance can be found on page 89 of this report.

Save for matters directly arising from its terms of reference, the main items of business the committee reviewed and discussed at those meetings were:

- Reports from the SOX steering group and monitoring the progress of SOX compliance (please refer to pages 87 and 88 for further information on the SOX compliance);
- Updates from the Controllership function, including the status of the finance transformation programme and other key projects;
- Reports from the disclosure committee, including an assessment of the Company's status as a Foreign Private Issuer for SEC purposes;
- Updates from the Treasury & Tax functions, including refinancing;
- Assurance updates, including reports on the status of the Group's enterprise risk, fraud risk and internal audit programmes;
- Updates on COVID-19, including risk management and an overview of management's actions and strategies in addressing COVID-19 matters;
- Classification of exceptional items and alternative performance measures;
- Updates on the migration to a single enterprise platform;
- Updates from the operational risk and compliance committee on the activities of risk management and compliance;
- Updates on the Group's insurance programme;
- Reports on contentious legal matters, including the WAPP patent infringement case, as well as internal investigations and other whistleblowing matters; and
- Considering the effectiveness and independence of the external tax advisors.

The committee met in private session both with and without management attendance at the majority of its meetings. As noted above, the committee also meets with the external auditors, internal auditors and tax advisors in private session. The committee chairman maintains regular contacts outside the formally scheduled meetings with the partners of professional firms responsible for external and internal audit and tax advice.

Significant estimates and judgements considered in relation to the Annual Report and Accounts

The committee reviewed the draft Annual Report and Accounts, together with the appropriateness and application of accounting policies and considered areas in which there were significant estimates or exercises of judgement. The significant matters considered by the committee are set out below. For each area, the committee was satisfied with the accounting and disclosure in the financial statements.

Revenue recognition

The Group's multi-element arrangements give rise to risks in the identification of performance obligations and the allocation of revenue between performance obligations, which is an inherently complex aspect of IFRS 15.

Note I "Significant Accounting policies" section D "Revenue recognition" sets out the Group's policies on accounting for revenue under IFRS 15.

To address this risk the committee:

- reviewed a paper from management on key revenue recognition judgements made on contracts during the period;
- assessed the level of coverage from the Group's material contract reviews;
- reviewed the disclosed accounting policy and related disclosure included in the Annual Report and Accounts; and
- challenged KPMG on the scope of their revenue audit as part of agreeing the audit plan.

Impairment of goodwill and purchased intangibles

Impairment testing is an area of focus as significant judgements are made in performing the test. The principal judgements relate to the assumptions around the achievability of the average annual revenue growth rate for each product group and other related modelling assumption (pre-tax discount rate and long-term growth rate) used in calculating value in use.

Note 10 "Goodwill" provides details of the impairment test performed including the assumptions used.

In considering this area of focus the committee reviewed and discussed reports with management and challenged the appropriateness of the assumptions made, including:

- the achievability of the business plans (including the average annual revenue growth rate for each product group);
- modifications made to the business plans to comply with IAS 36;
- the consistent application of management's impairment testing methodology understanding any changes made from the prior year methodology;
- the discount rate; and
- the long-term growth rate.

In addition, the committee reviewed the sensitivity analyses on key assumptions and the related sensitivity disclosure.

During the period no impairments in respect of goodwill and purchased intangibles were recorded.

Exceptional items and Alternative Performance Measures ("APMs")

The classification of items as exceptional is an area of focus for the committee as exceptional items are adjusted for in the Group's non-GAAP measures which are presented as APMs and used alongside the statutory measures to report the Group's financial performance and prospects.

Note I "Significant Accounting policies" section H "Exceptional items" sets out the Group's policies for classifying an item as exceptional and section Alternative Performance Measures includes the definitions and use of the Group's APMs.

The committee took the following actions to assess the classification of exceptionals:

- reviewed a report by management describing the treatment and disclosed amount of each exceptional;
- assessed the classification of the settled patent litigation costs as exceptional as this was a new material exceptional item in the period. The committee were satisfied that the cost was exceptional as whilst the group routinely faces litigation costs and settlements no cases of this type and magnitude have arisen before;
- reviewed the consistency of classification both period-on-period and of gains and losses; and
- assessed the classification of on-going multi-year integration and restructuring programmes as exceptional.

Provision for income taxes

The tax treatment of the Group's operations is subject to the risk of challenge by tax authorities across the jurisdictions in which the Group operates. Tax authorities may challenge allocations of profit under transfer pricing rules; or there may be differences of interpretation of tax rules. Taxation is therefore an area of risk as it is necessary to apply judgements in order to calculate tax liabilities.

Note 7 "Taxation" provides details of the Group's tax accounting, including the reserve for uncertain tax positions and management's assessment of the EU State Aid and UK tax authority challenge. The committee met with the Group's Head of Tax during the year and at the January 2022 meeting. The committee examined the judgements underpinning both the provision and disclosures adopted for the most significant components of the Group's tax risks including the treatment of the EU State Aid and UK tax authority challenge.

These judgements considered:

- The advice received from the Group's tax advisors and the assessment by the Group's Head of Tax in respect of (i) the probability of success of either the appeal by the UK Government or the Group itself in respect of the EU State Aid, (ii) the probability of success of UK tax authority challenge, and (iii) the interaction of the two matters in the context of the overall exposure associated with both the UK State Aid and UK tax authority challenge; and
- The assessment by the Group's Head of Tax also supported by the Group's tax advisors of the calculation of the Group's on-going risks in respect of Transfer Pricing and other significant matters.

Retirement benefit obligations

The committee assesses retirement benefit obligations as the obligation is material to the Group and the assumptions used in valuing the obligation, in particular the discount rate, have resulted in material changes in the obligation over recent years.

Note 22 "Pension and other long-term benefit commitments" provides details of the Group's pension arrangements and the principal assumptions applied in valuing the Group's defined benefit obligations and the related sensitivity of the obligation to these assumptions.

The committee:

- reviewed a report from management summarising the primary assumptions including the rates at which scheme liabilities had been discounted, mortality and inflation;
- assessed the sources used and understood whether any deviations from third party advised primary assumptions arose; and
- reviewed the sensitivity of the defined benefit obligation to these assumptions.

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Useful economic life of purchased intangible assets

The useful economic lives of purchased intangibles are reassessed annually. This is an area of focus for the committee as the net book value of such assets is high at $4,226.1m and so a small change in useful economic life could have a significant impact on the future amortisation charge. The Group uses future value in use to determine whether the useful economic lives are appropriate. Following the significant impairment of goodwill recorded in the prior year, the useful economic lives of certain of the HPE software business purchased intangible assets were revised down with effect from 1 November 2020.

Note 11 "Other Intangible assets" provides details of the change in useful economic lives in the period and the sensitivity of the annual amortisation charge to changes in the estimated lives.

The committee:

- reviewed a report from management summarising the methodology applied to determine the revised useful economic lives;
- assessed the revised economic lives and the impact of the amended lives on the financial statements; and
- reviewed the disclosure and sensitivity analysis included in the Annual Report.

Fair, balanced and understandable

The committee is satisfied, and has recommended to the board, that the 2021 Annual Report and Accounts, taken as a whole, provide a fair, balanced and understandable assessment of the Company's position and prospects at 31 October 2021 and the information necessary for shareholders to assess the Company's performance, business model and strategy.

The committee assessed the processes and controls followed in preparing the 2021 Annual Report and Accounts, which included the following:

- papers provided by the executive directors and senior management summarising all areas where significant judgements have been applied;
- papers outlining the process by which the financial statements were prepared and reviewed by the finance management team and other senior managers and the executive directors;
- ensuring that all contributors, the financial reporting team and senior management are aware of the requirements and their responsibilities;
- the committees discussions with the external auditors, senior management and executive directors; and
- the committee reviewed a draft of the Annual Report to enable input and comment.

These activities provided the committee with the detail necessary to reach the recommendation to the board, which was supported by the collective judgement of the committee that:

- the description of the business agrees with its own understanding;
- the stated risks reflect the issues that concern the individual members of the committee;
- suitable weight has been given to both "good" and "bad" news and there was an appropriate balance between these;
- the discussion of performance properly reflects the performance of the period;
- the narrative reporting is consistent with the financial statements and the notes to the accounts; and
- there is a clear and well-articulated link between all areas of disclosure.

Viability statement

The committee also assisted the board in relation to producing the Group's viability statement. This work encompassed a detailed consideration of the viability statement, including:

- consideration of the review period and alignment of this period to long-term plans;
- the assessment of the Group's capacity to remain viable after consideration of future cash flows, expected debt requirements and access to capital markets;
- modelling of the financial impact of certain of the Group's principal risks and uncertainties using severe, but plausible scenarios; and
- ensuring clear disclosure in the Annual Report as to why the assessment period selected was appropriate, what qualifications and assumptions were made and how the assessment was performed.

Following its review the committee agreed to recommend to the board that it was appropriate to make a viability statement for a three-year period and that the board could have a reasonable expectation that the Group would remain viable and have access to sufficient liquid resources to meet its liabilities as they fell due throughout that period. The viability statement is on page 60.

External audit

External auditor appointment

The committee has the primary responsibility for monitoring the independence and objectivity of the external auditors and assessing their performance and effectiveness. Informed by this knowledge, the committee makes recommendations to the board on the appointment and reappointment of the external auditors, taking into account partner rotation and other relevant factors.

The current external auditors, KPMG LLP, undertook their first audit of the Group for the period ended 31 October 2018, having been appointed following a competitive audit tender process in the 2017 financial year. That tender process sought to identify an audit firm who would provide the highest quality, most effective and efficient audits. Critical success factors included sector experience and knowledge, cultural fit, geographical coverage, the audit record of the lead partner and firm as well as the use of technology. Under UK rules, the appointment of the senior statutory auditor (the lead audit partner) rotates every five years, regardless of whether there has been an audit tender. The lead audit partner from KPMG is John Edwards, who took up the post for FY21 and he will be required to rotate at the end of FY25.

The committee agrees the scope and focus areas of the external audit, including key risks and the alignment of this with the Group's known risks and the work of other assurance functions. The committee has primary responsibility for agreeing the fees payable for the statutory audit and all other fees payable to the external audit firm.

Non-audit services and fees

It can occasionally be more efficient or necessary to engage the external auditors to provide non-audit services because of their knowledge and experience and/or for reasons of confidentiality. However, safeguarding the objectivity and independence of the external auditors is an overriding priority. For this reason, the committee has approved a written policy governing the services that can be provided by the external auditors. The policy also sets out a process for prior approval of both the nature of the service to be provided and the associated fees. The external auditors would only be appointed to perform a service when doing so would be consistent with both the requirements and principles of the relevant external regulations, and when their skills and experience make the firm the most suitable supplier.

We classify work that the external auditors might be permitted to perform into one of three categories and manage these as follows:

- Audit services – the scope and fees for the statutory audit are agreed by the committee;
- Audit-related services (including the review of interim financial information and work such as Sarbanes-Oxley attestation which the auditors are required to perform) – the scope of any such services and the fees must be pre-approved by the committee; and
- Other non-audit services (such as taxation compliance support and other assurance-type work) – the scope of any such services and the fees must be pre-approved by the committee, with an additional requirement that where the expected fee exceeds a predetermined level, the appointment must be subject to the Group's normal tender procedures.

There is a further requirement that the external auditors may not undertake any work that would generate a fee which is material relative to the audit fee or to the compensation of the individuals performing the audit.

Our policy includes a list of services which the external auditors are prohibited from performing. To mitigate any risks threatening, or appearing to threaten, the external auditors' independence and objectivity, they may not perform any functions of management, undertake any work which they may later need to audit or rely upon in the audit or serve in an advocacy role for the Company or any other role which may otherwise create a conflict of interest.

During the year ended 31 October 2021, the fees paid to the external auditors were:

	Year ended 31 October 2021 $m	Year ended 31 October 2020 $m
Audit services – Parent	**8.0**	7.2
Audit services – Subsidiaries	**2.8**	2.9
Audit-related services	**5.2**	3.3
Sub-total: audit and audit-related fees	**16.0**	13.4
Other assurance services	**–**	–
Services related to taxation	**–**	–
Other non-audit services	**–**	–
Sub-total: fees other than audit and audit-related fees	**–**	–
Total	**16.0**	13.4

Non-audit fees paid in the year ended 31 October 2021 amounted to nil of the audit and audit-related fees (year ended 31 October 2020, nil), which the committee concluded was an acceptably low level.

Of the audit-related services undertaken in the year ended 31 October 2021, only one was considered to be significant. This related to the controls attestation of the Group's Sarbanes-Oxley Section 404, for which a fee of $4.7m was paid.

Independence and objectivity of the external auditors

The committee is responsible for safeguarding the independence and objectivity of the external auditors and has developed a robust policy designed to ensure that this is not compromised. As explained above, the committee manages the risks that the external auditors undertake inappropriate non-audit work or earn material levels of fees for non-audit services. It also considers the standing and experience of the external audit partner and takes comfort from the fact that KPMG provided confirmation that they have complied with relevant UK and US independence standards.

The committee is satisfied that the independence and objectivity of the external auditors has been maintained throughout the year ended 31 October 2021 and to the date of this report.

Effectiveness of the external auditors

The committee has reviewed the effectiveness of the external auditors, taking into account the fulfilment of the agreed audit plan, the views of management, the external auditors' findings reported to the committee and the audit team's responses to questions from committee members. The committee also reviewed publicly available information published by the Financial Reporting Council ("FRC") in relation to KPMG LLP at the level of the UK audit firm. Based on this combined information, the committee concluded that the external audit process was operating effectively, and KPMG were effective in their role as external auditor.

Interactions with the Financial Reporting Council

There were no interactions with the FRC's Audit Quality review ("AQR") team in relation to KPMG's audits of the 2020 Annual Report and Accounts.

In September 2021, the Group received a letter from the FRC in respect of their thematic review of companies' disclosures of alternative performance measures in relation to the Group's Annual Report and Accounts for the year ended 31 October 2020. The FRC requested explanation on tax related to APMs and multi-year integration and restructuring programmes. Explanation has since been provided enabling the FRC to close their enquiry. We have provided additional disclosure on the cumulative costs, expected duration and expected future cash costs in relation to multi-year integration and restructuring programmes in the CFO report on page 50. The responses to the FRC were agreed by the committee.

The FRC's review is based on our published Annual Report and Accounts and does not benefit from detailed knowledge of our business or an understanding of the underlying transactions. It provides no assurance that our Annual Report and Accounts is correct in all material respects. The FRC's role is not to verify the information provided, but to consider compliance with reporting requirements. The FRC accepts no liability for reliance on the FRC's review by the Company or any third party, including but not limited to investors and shareholders.

The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014

The Company confirms that it complied with the provisions of this legislation throughout the year ended 31 October 2021.

Internal control and risk management

Effective internal control and risk management

Following the annual cycle of work of the committee, it concluded that sound risk management and internal control systems had been maintained during the period. With respect to risk management, under the Risk Management Framework the committee receives and reviews a report at each meeting on the principal risks across the Group, which is discussed with senior management. This included COVID-19 risks and ESG risks as outlined in the Enterprise Risk Management reporting cycle diagram on pages 62 to 63. The committee was satisfied with the process and risks identified. It was also satisfied that there was a high level of assurance provided by the internal auditors, the external reviews conducted by KPMG for the interim period and their full period-end audit, together with the input of the Group's tax advisors, Deloitte.

The board is ultimately responsible for establishing and monitoring internal control systems throughout the Group and reviewing their effectiveness. It carries out a review, at least annually, covering all material controls including financial, operational and compliance controls and risk management systems.

It recognises that rigorous systems of internal control are critical to the Group's achievement of its business objectives, that those systems are designed to manage rather than eliminate risk and that they can only provide reasonable and not absolute assurance against material misstatement or loss.

A significant step forward in the period in this respect was the completion of the migration to the Enterprise Platform, a change which provides a strong foundation to simplify and enhance the internal control environment. The work represented a significant milestone for the Group and delivery of the programme was supported by appropriate programme governance and change management practices. The Micro Focus delivery team were aided by specialist third parties embedded within the programme, supporting across planning, cut-over and hypercare. The committee received regular updates throughout the delivery of the programme on the risks arising and the associated mitigations.

As the Company's American Depositary Shares ("ADSs") are listed in the US, the Group's internal controls over financial reporting are subject to the requirements of the Sarbanes-Oxley Act 2002 ("SOX"). Please refer to pages 87 and 88 for the update on the Group's SOX implementation plan. The requirements under SOX require a greater degree of evidence and formal documentation of controls. However, the audit committee has reviewed and discussed this position with its auditors and advisors and satisfied itself that the current control environment is effective under the UK Corporate Governance Code.

There is an on-going internal process under the Risk Management Framework for identifying, evaluating and managing the significant risks faced by the Group in association with the work performed by the outsourced internal audit function. This process has been in place throughout the period and up to the date of approval of the Annual Report and Accounts and it is regularly reviewed by the board and accords with the FRC Guidance on Audit Committees published in April 2016.

As part of the process that the Group has in place to review the effectiveness of the internal control system, there are procedures designed to capture and evaluate failings and weaknesses and, in the case of those categorised by the board as "significant", procedures exist to ensure that necessary action is taken to remedy any such failings. The review covers all material controls, including financial, operational and compliance controls.

The committee reports on a regular basis to the board on the Group's internal financial control procedures and makes recommendations to the board in this area.

The external auditors provide a supplementary, independent and autonomous perspective on those areas of the internal control system which they assess in the course of their work. Their findings are regularly reported to both the committee and the board.

The key elements of the internal control system are:

- the Group operates a structured, objectives-driven approach to fulfil its core purpose and goals in respect of sustained profitability and growth;
- systems and procedures are in place for all major transaction types with appropriate authorisation controls;
- all contracts are reviewed. The level of review depends on the size and complexity of the contracts and associated risks. There are formal limits above which the review level is escalated;
- reconciliations are performed on a timely basis for all major accounts; and
- research and development and capital expenditure programmes are subject to formal review and monitoring procedures.

The board recognises the need to understand and control the variety of risks to which the Group is exposed. During the period, in order to address this on behalf of the board, the committee oversaw the executive management's risk management activities under the Risk Management Framework. The executive management took responsibility for regular evaluation of generic and specific risks within the business and the implementation of mitigation plans to address them.

Risks are assessed with reference to the achievement of the Group's business objectives and according to current market and economic issues. The continuous monitoring of strategic and operational risks is the responsibility of the board and executive management respectively. The risk process has been in place for the period under review and is up to date at the time of this report. Please refer to pages 61 to 73 for the report on principal risks and uncertainties.

The committee considers any significant control matters raised in reports from management and by the internal and external auditors. It then reports its findings to the board. Where weaknesses are identified, the committee requires appropriate action to be taken by management and may request internal audit to perform a specific review into these areas if required.

Financial reporting

In addition to the general internal controls and risk management processes described above, the Group also has specific internal controls and risk management systems to govern the financial reporting process:

- there are Group policies covering what is reported monthly to the board and the executive committee. The Group's financial reporting system has been guided by the requirement to ensure consistency and visibility of management information to enable the board and the executive team to review the Group's worldwide operations effectively;
- cash flow forecasts are produced monthly. These are reviewed by the Group treasury function to ensure effective cash management by the Group;
- the consolidation process entails the combining and adjusting of financial information contained in the individual financial statements of the Company and its subsidiary undertakings in order to prepare consolidated Annual Report and Accounts that present financial information for the Group as a single economic entity. The Group accounting policies set out the basis of preparation and consolidation, including the elimination of inter-company transactions and balances between Group companies;
- financial information from subsidiaries is reviewed for accuracy by internal review and externally audited where required; and
- the consolidated financial statements are completed in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") and international accounting standards in conformity with the requirements of the Companies Act 2006 (Adopted IFRSs).

The board, with advice from the committee, is satisfied that an effective system of internal control and risk management processes are in place which enable the Company to identify, evaluate and manage key risks and which accord with the FRC Guidance on Audit Committees published in April 2016. These processes have been in place since the start of the financial period up to the date of approval of the Annual Report and Accounts. Further details of the risks faced by the Group are set out on pages 61 to 73.

Internal audit

PwC continued to provide internal audit services to the Group throughout the year ended 31 October 2021, having been the Group's internal audit provider since their appointment on 1 September 2017. The Group Company Secretary and Head of Assurance provides oversight and coordination of internal audit. In order to ensure independence, internal audit has a direct reporting line to the committee and to me, its chairman.

The committee monitored and reviewed the scope and results of the internal auditor's activities as well as its effectiveness during the period. The annual internal audit plan was approved by the committee at the beginning of the financial period. However, as the internal audit plan is risk-based, changes in the risk profile of the Group in the period (e.g. COVID-19) necessitated changes to the internal audit plan from time-to-time. These changes were approved by the committee and fast track reviews were added to ensure that timely assurance was provided in a rapidly changing environment.

The nature and scope of the internal auditor's work is reviewed and approved, and the results of the audits are assessed alongside management's responses. Issues with the audit reports which are graded as needing improvement are considered in detail by the committee along with the appropriateness of mitigation plans to resolve the issues identified.

At each meeting, the committee received papers prepared by Suzanne Chase (Group Company Secretary and Head of Assurance) in order to ascertain progress in completing the internal audit plan and to review results of the audits.

Committee evaluation

As noted on page 83, an internal committee review was undertaken during the year. The committee was considered to be operating effectively, with its reviews continuing to be conducted at the level of detail required. The risk processes remain highly regarded and the committee will focus on challenging the mitigation strategies.

Richard Atkins
Chairman, Audit committee
7 February 2022