Mitie Group Plc - Responses
Revisions to Corporate Governance Code

Q. Ref	consultation questions	Section	Mitie Group Plc response
11	Q11: Do you agree that amending Provisions 25 and 26 and referring Code companies to the Minimum Standard for Audit Committees is an effective way of removing duplication?	Audit, risk and internal control	The responses below are under the assumption that the question relates to provisions 26 and 27 of the revised Code as these provisions were previously numbered 25 and 26 respectively.
	26. The main roles and responsibilities of the audit committee should include: *• monitoring the integrity of the financial statements of the company and any formal announcements relating to the company's financial performance, and reviewing significant financial reporting judgements contained in them;* *• monitoring the integrity of narrative reporting, including sustainability matters, and reviewing any significant reporting judgements;* *• providing advice (where requested by 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 company's position and performance, business model and strategy;* *• developing, implementing, and maintaining the audit and assurance policy* *• engaging with shareholders and other stakeholders on the role of the audit committee, the scope of work of the external auditor, and the approach to the audit and assurance policy;* *• following the Audit Committees and the External Audit: Minimum Standard;* *• promoting effective competition during the tendering for an external auditor, to support audit market diversity;* *• developing and implementing policy on the engagement of the external auditor to supply non-audit services, ensuring there is prior approval of non-audit services, considering the impact this may have on independence, taking into account the relevant regulations and ethical guidance in this regard, and reporting to the board on any improvement or action required;* *• reviewing the company's risk management and internal control systems, unless expressly addressed by a separate board risk committee composed of independent non-executive directors, or by the board itself;* *• monitoring and reviewing the effectiveness of the company's internal audit function, or where there is not one, considering annually whether there is a*		We are not clear on what is being duplicated since the actions listed in Provision 26 are either already within the remit of the AC or are new introductions to the Code. Further clarity will help.

Q. Ref	consultation questions	Section	Mitie Group Plc response
	need for one and making a recommendation to the board; *• reporting to the board on how it has discharged its responsibilities.*		
	27. The annual report should describe the work of the audit committee, including: *• the matters set out in the Audit Committees and the External Audit: Minimum Standard;* *• the significant issues that the audit committee considered relating to narrative reporting, including sustainability matters, and how these issues were addressed;* *• where commissioned by the board, the assurance of environmental, social and governance metrics and other sustainability matters;* *• where there is no internal audit function, an explanation for the absence, how internal assurance is achieved, and how this affects the work of external audit; and* *• its approach to developing the triennial audit and assurance policy and the annual implementation report.*		The introduction of a dedicated AC standard has added clarity and ease of understanding for Code companies, however, we cannot see an added benefit of removing duplication just yet. We will revisit this once further clarity is available.
12	Q12: Do you agree that the remit of audit committees should be expanded to include narrative reporting, including sustainability reporting, and where appropriate ESG metrics, where such matters are not reserved for the board?	Audit, risk and internal control	"Narrative reporting"aka non-financial information included in ARA to provide a broad and meaningful picture of the company's business, its market position, strategy, performance and future prospects. **Pros** - increased transparency and oversight e.g. compliance with ESG regulations. Comprehensive information allows better informed decision making. Contribute to building trust among stakeholders, since audit committees ensure the accuracy and completeness of reports **Cons** - Expanding the scope could place excessive pressure on audit committees. It would also require AC expertise in ESG and Sustainability reporting which may not be the case for all organisation. Lastly we have to look at the additional costs this additional focus will incur as it is likely to be subject to multiple layers of assurance, which may add additional costs to organisations at a challenging economic time.

Q. Ref	consultation questions	Section	Mitie Group Plc response
13	Q13: Do you agree that the proposed amendments to the Code strike the right balance in terms of strengthening risk management and internal controls systems in a proportionate way?	Audit, risk and internal control	Increased risk management and internal control requirements will improve governance and enhance resilience. This will however come at a cost of increased workloads for all involved. Whether its proportionate remains to be seen based on the level of changes being implemented without the need for over bureaucratic or cumbersome requirements. Taking a balanced and proportionate approach will be critical to ensure the frameworks add real value to organisations and doesn't just become a tick box exercise.
14	Q14: Should the board's declaration be based on continuous monitoring throughout the reporting period up to the date of the annual report, or should it be based on the date of the balance sheet?	Audit, risk and internal control	Due to the need for a clear cut off we would recommend to continue basing our reporting on the balance sheet date. The added workload of existing requirements for post-balance sheet events already makes the finalisation of accounts a complicated undertaking. Taking this approach will make it easier for organisations whilst still providing coverage for the whole financial year reporting.
15	Q15: Where controls are referenced in the Code, should 'financial' be changed to 'reporting' to capture controls on narrative as well as financial reporting, or should reporting be limited to controls over financial reporting?	Audit, risk and internal control	Yes - narrative reporting increasingly includes materially important information, in the context of each company, which is used by investors for capital allocation decisions. Such a change will bring the Code in line with current practices and standards, recognising the importance of narrative reporting on for example strategy, principal risks, corporate governance and environmental and social matters. These are important for investors to make investment allocation and stewardship decisions.
16	Q16: To what extent should the guidance set out examples of methodologies or frameworks for the review of the effectiveness of risk management and internal controls systems?	Audit, risk and internal control	The guidance should define the measure of effectiveness and the core areas of how it should be assessed, through benchmarks or examples of best practice. It shouldn't be overly prescriptive but organisations, when assessed, should not be penalised for not following prescriptive ways of compliance either. The focus should be on value.

Q. Ref	consultation questions	Section	Mitie Group Plc response
17	Q17: Do you have any proposals regarding the definitional issues, e.g. what constitutes an effective risk management and internal controls system or a material weakness?	Audit, risk and internal control	Not at this stage. We could contribute better once some of the more fundamental points, such as materiality have been clarified. In the absence of any standardised definition, we would suggest that organisation define for themselves how the risk and control frameworks can add value to their business and use that to judge what is a material risk and what is a material control weakness for them. This approach will empower organisations to not just take a 'compliance' approach to risk and control frameworks but truly use them to create a competitive advantage.