



## Audit Committee report



**The Audit Committee supports the Board in fulfilling its corporate governance responsibilities** to maintain the integrity of the Group's financial reporting within a framework of strong internal controls."

Humphrey Singer  
Senior Independent Director

### Key activities and areas of focus

- Sought and received assurance that management action on, and investment in, cyber security, and the programme to digitise the Company's production procedures, will each further strengthen our overall control environment
- Monitored the Group's readiness for the adoption of any financial governance and ongoing corporate reporting changes resulting from any regulatory requirements instigated by the Department for Business, Energy & Industrial Strategy (BEIS) or the Financial Reporting Council (FRC)
- Sought and received assurance that key business controls, in particular segregation of duties and delegation of authority, remain effective following the change programme undertaken early in 2023

### 2024 key areas of focus

- To gain assurance that the transition to a new IT service provider is appropriately managed, minimising operational disruption and associated risks
- To oversee the development of the changes required in response to the 2024 Corporate Governance Code
- To gain assurance that the new HR and Payroll system is implemented within a robust framework

"The Audit Committee is focused on maintaining strong financial governance and welcomes its further enhancement through the latest revisions to the Code by the Financial Reporting Council."

Humphrey Singer  
Chair of the  
Audit Committee

### Committee members

	Meeting attendance
1. Humphrey Singer (Chair)	3/3
2. Robert Noel <sup>(a)</sup>	1/1
3. Scilla Grimble	3/3
4. Mark Castle	3/3

(a) Stepped down from the Committee on 27 April 2023 when he became Chair of the Board.

Committee meetings were also attended, by invitation, by the Chair, Chief Executive, Group Finance Director, other Non Executive Directors, Group General Counsel and Company Secretary in his capacity as Secretary to the Committee, other members of the Company Secretariat team to minute proceedings, Group Financial Controller, Head of Internal Audit, Head of Tax, Head of Group Reporting, Group IT Director, and the external Auditors.

All members of the Committee are independent Non Executive Directors as required by the 2018 UK Corporate Governance Code (the Code). The Board has determined that Humphrey Singer, Chair of the Committee, has recent and relevant financial experience as required by the Code. More information can be found on page 117.

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## Audit Committee report continued

### Dear Shareholder

On behalf of the Board, I am pleased to present the 2023 report of the Audit Committee (the Committee).

We fulfil the Committee's responsibilities through the activities undertaken throughout the year, as detailed on pages 116 to 117.

### Committee changes

As foreshadowed in last year's report, Robert Noel stood down from the Committee on 27 April 2023, in compliance with the Code, upon his appointment as Chair of the Board.

In preparation for that change, we considered the Committee's composition and the balance of its experience and expertise, and are confident that the remaining three members of the Committee are sufficient in number and experience, including recent and relevant financial experience, to continue the work of the Committee on behalf of shareholders, in an effective and compliant manner.

### Key areas of focus during 2023

Our key areas of focus during 2023 were addressed as set out below:

#### Cyber security and digitisation of production procedures

We oversaw, and received regular updates on, plans and progress to maintain and enhance the resilience of the Company's cyber defences, through the implementation of a new end point protection service using a new XDR (Extended detection and response) service from a specialist security service provider.

We also monitored progress in the digitisation of the Company's production procedures, through the delivery of new devices and mobile apps and sought and received assurance from Management and the Executive Directors that these will deliver appropriate controls across the Company's UK business.

More information on the ways in which, during 2023, we drove further improvements in cyber resilience and business controls, and plans for further enhancements during 2024, are set out on page 121.

#### Preparing for planned financial governance changes

We continued and built upon the work commenced during 2022 in preparation for the recently announced changes to the Code to reflect the outcome of the Government's consultation on its initiative, by BEIS, entitled 'Restoring Trust in Audit and Corporate Governance'.

The primary change is to require an explanation in each year's Annual Report as to how the Board has monitored the Company's risk management and internal control framework during the year and carried out a review of its effectiveness.

Whilst these changes do not apply until later reporting periods, we will be continuing to prepare for compliance and will also be considering whether it is possible and appropriate to introduce systems and processes to enable us to comply with some of the provisions during 2024.

Further information on our activities during 2023 and plans for 2024 in meeting the revised requirements of the Code; the wider responsibility to ensure that all applicable laws and regulations are complied with; and to assure ourselves that the business continues to operate in a controlled and well-managed way, are set out on page 120.

#### Key business controls

We sought and received assurances from Management, underpinned by the summary findings from Internal Audit reports conducted during the year, that key business controls, including proper segregation of duties and appropriate delegation of authority, remained effective throughout the reporting period and to the date of this report.

More information on our activities during 2023 in this area can be found on page 123.

Our interim review of progress and our final review prior to signing this report each concluded that all of those key areas of focus were satisfactorily addressed or progressed during 2023.



## Audit Committee report continued

### Significant items

In addition to the key areas of focus during 2023, the other key area addressed by the Committee, as it does every year, were the significant items raised during the preparation and audit of the Group's accounts for 2023. The following significant items are those that the Committee has identified and considered in discharging its duties and in considering the financial reporting of the Group:

#### Significant item description

#### Action taken

#### Margin recognition and site forecasting

The cost allocation framework used across the Group controls the way in which the inventory is costed and allocated across each development. It also ensures that any costs in excess of the original budget are recognised appropriately as the site progresses.

The Committee reviewed reports and recommendations from the GMT in relation to areas of the business recognising cost excesses, and also reviewed the work undertaken by PwC which included testing of the Group-wide controls to monitor cost allocation. The Committee carefully considered the judgements and assumptions involved, challenging Management where appropriate.

Following these reviews, together with enquiries of the GMT and the external Auditors, the Committee concluded that there continued to be appropriate systems and internal controls in place, which ensured that consistent principles were applied; the treatment and presentation on the income statement of the costs incurred by the business were appropriate; and that the external Auditors agreed with the conclusions reached.

#### Cladding fire safety provision

The Company entered into the Developer Remediation Contracts with the UK Government on 13 March 2023 and the Welsh Government on 18 April 2023. These were legally binding agreements which followed the commitments previously given under the Pledge and Pact respectively. Under these agreements the Company pledged to bring all Taylor Wimpey apartment buildings built since 1992 up to the standard required by the PAS9980 guidance.

The Committee reviewed and challenged Senior Management's assessment of the costs to comply with these obligations.

The Committee also reviewed updates on the progress of the rectification of buildings together with utilisation and estimates of the remaining provision. The Committee was satisfied that the provision represented Management's best estimate of the expected remediation costs.

### Audit oversight

We continue to hold individual meetings with the external Auditors and with the Head of Internal Audit, independent of the Executive Directors, to discuss matters within our remit and any issues arising from the external and internal audits. This provides each audit activity with direct access in the event that they wish to raise any matters without the presence of Management.

The audit of the 2023 financial results has been improved and enhanced by lessons learned, both by the external Auditors and the Company, following our detailed annual evaluation of the external audit process and the outcome of the external audit of the Annual Report and Accounts 2022.

### Detection and prevention of fraud

The first full year of the new Head of Internal Audit has focused particularly on assessing and further improving the continued effectiveness of the Company's processes; controls; and reporting mechanisms for the detection and prevention of fraud in the Company's business activities. More information is set out on page 119.

### Key areas of focus during 2024

Alongside fulfilling our statutory and governance functions as normal during 2024, we will give particular focus to certain key areas which we believe are important for the coming year. These are set out on page 113.

These areas are key from a Group perspective because they will influence our ways of working on a day to day basis from an IT service perspective and the assurance we have over our control environment.

### Continuing compliance

Throughout the year we met the FRC guidance on Audit Committees which was incorporated into the Code. The aim of the guidance is to further improve good governance around the Committee's competence; induction for new members; audit rotation; independent assessment of areas of judgement; and sufficiency of resourcing; all with the aim of ensuring that it is able to perform its primary function of protecting shareholders' interests in relation to the Company's financial reporting and internal control.

More information about how we complied with the guidance can be found on pages 125 to 128.

Humphrey Singer  
Chair of the Audit Committee  
27 February 2024



## Audit Committee report continued

### Committee activities during 2023

The February 2024 meeting concluded the Committee's activities with regard to the Group's 2023 reporting cycle which have accordingly been included in the table below.

Topic	Activity/review	February 2023	July 2023	December 2023	February 2024	Topic	Activity/review	February 2023	July 2023	December 2023	February 2024	
Financial reporting	Reviewed year end matters including the draft Annual Report and Accounts (and assessed the processes which ensure it is fair, balanced and understandable), significant accounting and audit issues, the draft full year results announcement and the going concern statement	●		●	●	Internal control and risk	Reviewed the fraud risk assessment incident and response report	●	●	●	●	
	Reviewed the draft half year statement, including significant accounting issues, materiality, and the external Auditors' report on the statement		●				Concluded the prior year's risk review including agreeing Principal Risks, consideration of emerging risks, and monitoring progress on mitigation actions	●				●
	Reviewed accounting issues and Accounting Standards in preparation for year end reporting			●			Completed a detailed review of Principal, Key and emerging risks, together with mitigation and assessment against the Company's risk appetite		●	●		
External audit	Recommended to the Board the re-appointment of PricewaterhouseCoopers LLP (PwC) as external Auditors	●			●	Reviewed the viability model	●			●	●	
	Reviewed PwC's plan for the scope of the audit of the Annual Report and Accounts 2023, including key audit risks and regional checks conducted around the business, and the progress of the audit to date			●		Reviewed the Governance assurance map		●			●	
	Disclosed relevant audit information to the external Auditors and the required evidence in support of it	●			●	Monitored the developing BEIS recommendations and the preparations by the Company to comply with its expected new requirements in terms of legislation and amendments to the Code		●	●			
	Conducted a review of the effectiveness of the year end external audit process and reporting outcome for 2022, including PwC's performance, and oversaw certain improvements and enhancements flowing from the review's outcome		●			Committee governance	Reviewed the Committee's performance against its Terms of Reference and objectives for the previous year and set objectives for the next year	●				●
	Reviewed and approved the external Auditors Non-Audit Services Policy	●			●		Reviewed progress on the Committee's areas of focus	●	●	●	●	●
					Reviewed and agreed the Committee's annual plan for the next year				●			



## Audit Committee report continued

### Committee activities during 2023 continued

Topic	Activity/review	February 2023	July 2023	December 2023	February 2024
Internal audit	Received activity reports from Internal Audit	●	●	●	●
	Agreed Internal Audit's programme of work for the year	●			●
	Reviewed progress against Internal Audit's priorities and work plan for the year		●		●
	Reviewed the effectiveness of the Internal Audit			●	
Data and systems security	Received an update on the Group's data and systems security, technology, cyber resilience and further protective measures in relation to key business systems		●	●	
Compliance	Received an update on legal and regulatory compliance requirements across the Group and confirmation that these continued to be met		●		



In carrying out these activities, the Committee relies on regular reports from Management, Internal Audit and from the external Auditors. In monitoring the financial reporting practices, the Committee reviewed accounting policies, areas of judgement highlighted by Management and the external Auditors, the going concern assumptions and compliance with accounting standards and the requirements of the Code.

### Committee meetings

The Committee met individually and privately with the Head of Internal Audit and with representatives from the external Auditors during appropriate Committee meetings in 2023, in order to provide a forum to raise and discuss any matters which either may wish to raise in confidence.

The Committee considers guidance as to the number of Audit Committee meetings considered to be appropriate for FTSE 100 companies such as ours, in relation to the Committee's annual plan for each year. We currently believe that three meetings per year remains appropriate and sufficient to effectively discharge the Committee's responsibilities. There are processes in place for the Committee to meet on additional occasions, when necessary, as it has done so on occasion in the past.

### Committee purpose and responsibilities

The main objective of the Committee is to assist the Board in fulfilling its corporate governance responsibilities relating to the Group's financial reporting, internal and external auditing, risk, and internal control framework, and any other matters referred to it by the Board.

The Committee's Terms of Reference can be found on our website and are reviewed each year, when assessing performance against each one, to ensure that they remain appropriate.

### Committee competence

One of the key requirements of the FRC's guidance on Audit Committees is that each Committee member should have sufficient knowledge, training and expertise to contribute effectively to the Committee's deliberations, and that the Committee as a whole should have sufficient recent and relevant financial experience as required by the Code.

Humphrey Singer, the Committee Chair, has been a member of the Audit Committee since December 2015 and its Chair since February 2018. He has extensive experience of the financial reporting requirements of FTSE 100 companies; of financial reporting preparation and compliance for public companies, and of dealing with internal and external auditors, from his current role as Chief Financial Officer of Belron Group and from previous roles with Marks and Spencer Group plc and Dixons Carphone plc. This depth of experience has given Humphrey insight into key areas of shareholder concern and independent experience of robustly challenging and holding Management, and the external and internal auditors, to account.

The Committee Chair is assisted on the Committee by the knowledge and experience of two other Non Executive Directors:

Mark Castle has significant operational experience in all aspects of the construction sector from his time as Chief Operating Officer of Mace Finance Ltd and previously from executive roles at Structuretone Inc and Wates Group Ltd. This particularly assists the Committee in its assessment of operational risk.

Scilla Grimble has over 17 years' executive experience in corporate finance; is currently the Chief Financial Officer at Deliveroo plc; and brings significant financial and risk-related experience.



## Audit Committee report continued

Prior to stepping down from the Committee, in accordance with good governance, upon his appointment as Chair of the Board, Robert Noel brought considerable experience of the property sector and wide commercial experience as Chair of Hammerson plc and previously as Chief Executive of Land Securities Group PLC.

When Robert Noel stepped down from the Committee, its composition was considered in relation to its annual plan, areas of focus, and expertise, and it was decided that an additional appointee was not necessary.

The Committee believes that its members collectively have the necessary competence relevant for the housebuilding sector and that its composition, balance, and expertise can give shareholders confidence that the financial reporting, internal and external auditing, risk, and control processes of the Group are subjected to the appropriate level of independent, robust and challenging oversight.

As described in the Nomination and Governance Committee Report on page 110, there is a formal process of induction for new Directors, which includes specific reference to supporting competence in relevant Committee areas through exposure to the appropriate areas of the Group's operations and performance. This same thorough induction process, suitably tailored as appropriate to the appointee's experience and expertise, will be undertaken by any new Non Executive Directors appointed to the Committee.

### Committee evaluation

The Board Evaluation for 2023, which is described more fully on page 111, and which was externally-facilitated by Manchester Square Partners, included an appraisal of the performance of the Audit Committee and individually of its Chair and other members.

The outcome of the appraisal was that the Committee was considered to continue to operate effectively; with the necessary level of expertise; with no specific actions arising requiring further improvement; and is chaired effectively and in a way that ensures a good level of debate and positive challenge.

### External Auditors

#### Re-appointment

PwC's audit of the Company's 2023 accounts and reports was its third since appointment as the external Auditors at the 2021 AGM. The Audit Partner is Sonia Copeland, who has held the role since PwC were appointed as external Auditors.

The Committee considers that the relationship with PwC is well established and is satisfied with the effectiveness of the overall external audit process. PwC's performance has been kept under regular review by the Committee and reported to the Board as appropriate.

As in previous years, a full evaluation of PwC's performance in relation to the audit of the full year results for 2022 was performed. The process followed was as set out below:

A questionnaire was distributed to the Board and key stakeholders in the audit process to evaluate the effectiveness of the external audit process.

The Committee considered the nature and extent of the non-audit work performed by PwC during the year.

The Committee considered whether PwC had appropriately challenged Management's estimates and judgements.

In particular the Committee noted during the course of the audit that the external Auditors challenged Management's judgements and assertions on the following matters:

- Margin recognition and site forecasting.
- Cladding fire safety provision.

In relation to each of these judgements the external Auditors confirmed that the approach adopted by Management in accounting for these in the financial statements was appropriate.



## Audit Committee report continued

The Committee considered the responses to all these areas of assessment, and concluded that the audit process continues to be effective; that the quality and sufficiency of the resources provided by PwC's engagement team remains appropriate; that PwC remains independent; and that there continues to be effective and independent reporting lines available to the external Auditors direct to the Committee and its Chair.

The Committee also assessed Management's proposals for incorporating into the Annual Report and Accounts consideration of material climate-related matters. More details appear on pages 53 to 68.

Based upon its assessment, as set out above, the Committee recommended to the Board, which in turn is recommending to shareholders in Resolution 12 at the 2024 AGM (in the Notice of AGM on page 229), that PwC should continue as external Auditors to the Company.

The Company will of course keep the matter under regular review, taking into account the annual performance review to be conducted by the Committee in 2024.

The recommendation of PwC was free from influence by a third party and no contractual term of the kind mentioned in Article 16(6) of the Audit Regulation has been imposed on the Company whereby there would be a restriction on the choice to certain categories or lists of audit firms in the Company's selection of its external auditors.

### Appointment of the external Auditors for non-audit services

The Committee has a formal policy, reviewed on a regular basis, as to whether the Company's external Auditors should be employed to provide services

other than audit services. In line with the Code, the Committee has regard to the relevant ethical guidance regarding the provision of non-audit services by PwC.

A review of the policy has been undertaken and it was confirmed that the policy is in accordance with the Revised Ethical Standard 2019 (the Standard) issued in December 2019 by the Financial Reporting Council (FRC), which limits the non-audit services which the external Auditors may provide to the Company.

In all circumstances where it is proposed to engage the external Auditors to perform non-audit work in accordance with this policy, this is subject to the approval of the Audit Committee after it has properly assessed potential threats to the independence of the external Auditors and the safeguards applied in the Standard.

The Board, acting on guidance from the Committee following its review of the continuing effectiveness of this policy, is satisfied that it meets the Standard, and will be conducive to the maintenance of good governance, best practice and auditor independence and objectivity.

PwC undertook non-audit services:

- In the form of assurance work carried out in connection with the announcement of the Company's 2023 half year results. This non-audit service is of direct benefit to shareholders.
- By making available access to its subscription service providing online technical resources such as factual updates and changes to applicable law, regulation, and accounting and auditing standards, at a notional value of £2,000.
- By providing a report for the Spanish authorities, which was required to come from the subsidiary's

external Auditors, to support an application for property taxes available for land under development.

The Committee recognises and supports the importance of the independence of auditors. It reviewed each separate proposed non-audit procedure; and PwC's overall performance of non-audit services during 2023; and is satisfied that it did not, and will not going forward, impair the independence of the external Auditors. The value of non-audit services work by PwC was £0.1 million in 2023 (2022: £0.1 million) which represents approximately 9% (2022: 10%) of the audit fee as set out in Note 6 to the Accounts on page 184.

### Internal Audit

Internal Audit's primary role is to support the Board and the Group Management Team (GMT) to protect the assets, reputation and sustainability of the Group. The function is led by the Head of Internal Audit who directly reports to the Chair of the Audit Committee, with a secondary reporting line to the Group Finance Director, and has regular direct contact with the Chair of the Board, the Chief Executive and other senior Management, as required. The reporting line to the Chair of the Audit Committee protects the function's independence.

The most recent independent evaluation of Internal Audit's independence and performance was carried out during 2021, as described in the Annual Report and Accounts 2021, and found that Internal Audit continues to operate effectively, with no areas of non-conformance with recommended practice as set out in the International Professional Practice Framework. Continuous improvement initiatives agreed at that time, have been implemented, to ensure the Internal Audit function continues to meet both current best practice and the evolving needs of the Group.



## Audit Committee report continued

Internal Audit reviews the effectiveness and efficiency of the systems of internal control in place to safeguard the assets; to quantify, price, transfer, avoid or mitigate risks; and to monitor the activities of the Group in accomplishing established objectives. Internal Audit's mandate is Group-wide and their reviews during 2023 have considered financial, operational and compliance controls.

The Internal Audit plan, and the individual audits conducted in line with that plan, are driven primarily by the Group's strategy and its key risks. Following each review, an Internal Audit report is provided to both the Management responsible for the area reviewed and the GMT. These reports outline Internal Audit's opinion of the management control framework in place together with actions proposed or made, as appropriate, where improvements are recommended. The Chief Executive, the GMT and Senior Management consider the reports on a regular basis and are responsible for ensuring that improvements are made as agreed. A database of audit recommendations and improvement initiatives is maintained. Follow-up and escalation processes ensure that such improvements are implemented and fully embedded in a timely manner. Summaries of all Internal Audit reviews and other key activity and resulting reports are also provided to the Audit Committee for review and discussion.

The Group belongs to and participates in industry-wide forums and other initiatives aimed at combating fraud within the housebuilding and construction industry.

The Internal Audit function also reviews proposed related-party transactions, including employees' house purchases from the Group, to provide assurance that the formal policy and proper procedures are followed.

### Preparation for planned financial governance changes

The Committee has overseen preparations to comply with the recently-published UK Corporate Governance Code 2024, which embodies regulatory changes, including the minimum standards for Audit Committees, resulting from the BEIS consultation into restoring trust in audit and corporate governance. The likely general requirements have been clear for some time previously, and accordingly preparatory work has been taking place throughout 2023 and into 2024, overseen by the Committee, to ensure the Company is ready to comply from the required application timescale of 1 January 2025 (1 January 2026 for certain measures).

These preparations involved establishing a project dedicated to preparing for the Corporate Governance Reform requirements. The project steering committee is chaired by the Group Finance Director and its membership includes the Group General Counsel and Company Secretary, Group Financial Controller, IT Director and Head of Internal Audit.

The initial scope of the project focused on internal controls over financial reporting, which confirmed that there continue to be strong processes in place, including the Operating Framework and a comprehensive Finance Manual.

The scope of the project has evolved in response to FRC updates and will move into preparing for the known requirements. This will be an area of focus for the Committee in 2024 as noted on page 113.

These actions have been overseen and monitored by the Committee during 2023 and will continue to be monitored into 2024, to ensure that they are

effective; that they meet the requirements of the Code; and that their implementation and embedding into the Company's processes is progressing satisfactorily.

Further details on how the Company will comply with these new measures for reporting periods 2025 and 2026 will be included in next year's Audit Committee Report.

### Risk management and internal control

During 2023, the Board, assisted and advised by the Audit Committee, has carried out a robust assessment of the Company's emerging and Principal risks.

The Group has an established ongoing process of risk management, which is detailed further on pages 71 to 77. The Committee monitors the Group's risk management and internal control systems, including their effectiveness, on behalf of the Board and provides advice to the Board in connection with the Board's own risk review.







## Audit Committee report continued

The Committee's objectives in relation to risk are:

- To ensure the Group's risk profile remains within its agreed risk appetite and tolerance levels and is adequately monitored and reviewed as appropriate to reflect external and internal changes;
- To comply with the revisions to the Code in respect of strengthening the reporting on internal controls over financial, operational and compliance reporting;
- To continue to develop the Group's risk processes in light of evolving best practice; and
- To consider emerging risks that could impact on the Group's longer term strategy.

To achieve these objectives, the Committee undertook the following during 2023:

Detailed risk reviews were conducted twice during the year, at the Committee's July (half year) and December (full year) meetings and covered both the systems used and the reported risks. These considered the outputs from a bottom-up and top-down review of risk in all areas of the business and included taking account of ESG considerations, and climate change, over various time horizons. These assessments use an established methodology and include regularly reviewing the effectiveness of the Group's system of internal control in providing a responsible assessment and mitigation of risks.

Regular updates were received on the continuing review of relevant historical and current developments and actions taken by the Group to comply with the Government guidance on fire safety. This included assessing and advising the Board on the continuing appropriateness and

sufficiency of the associated provision, and reviewing updates on usage and the balance of the provision during the year.

Updates were received on key IT risks, including the resilience of the Group's systems to cyber attack and action taken to maintain and improve the security of systems and data.

The Board was advised by the Committee in its assessment of emerging risks, including potential velocity and impact on the Group's longer term strategy, further details of which can be found on page 73.

The Committee also oversaw the further embedding of improvements in the area of risk. These related to:

### Cyber security

Recognising the evolving threat landscape, we have strategically allocated resources to further strengthen our cyber defences and resilience. Investments have been made in advanced threat detection and incident response capabilities which both formed part of the Cyber Security Roadmap which set out the programme of activity for the coming years. Internal Audit, with external subject matter expert support, reviewed the development of the roadmap and their conclusion was that it was comprehensive and delivery of the roadmap initiatives is well managed. We have also focused employee training and awareness on the threats in this area as we recognise the important role of our employees in helping to identify and report potential cyber breaches. Training completion is regularly checked by Internal Audit and we have seen the completion rate improve year on year both from Internal Audit's support and the benefits of our awareness programmes.

### Production processes

The programme to digitalise our production processes made good progress during 2023. Its objective is to deliver an improvement in production build quality, efficiency and productivity, and site staff wellbeing through the better use of technology, including simple applications and user-friendly devices. Internal Audit attends the programme board meetings and updates the committee on progress. The Committee also receives updates directly on these important initiatives from the IT Director.

### Change programme

The Group delivered a change programme at the beginning of 2023, the objective of which was to right-size the business in response to the changing and uncertain market conditions. The Committee sought assurance that key business controls, in particular segregation of duties and delegation of authority remain effective. Internal Audit considered this in their workplan and has confirmed that key business controls remain effective.

Action to mitigate the effect of each risk is led by the Chief Executive in conjunction with the relevant member of the GMT.

Risk management and mitigation systems cannot eliminate risks but rather seek to manage both the likelihood of their occurrence and the extent of their impact and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Principal Risks facing the Company and the Group, as assessed by the Board, are set out on pages 74 to 77 together with information on the mitigations for each risk.



## Audit Committee report continued

The Committee also oversees the actions being taken to monitor IT initiatives which aim to either directly protect against and reduce the risk of cyber-related attacks and fraud; support and enhance the current IT environment including data protection; or that are crucial in their contribution to key business initiatives aiming to enhance the experience of customers, suppliers and/or employees.

At its meeting in February 2024, the Board, having conducted its own review and after reviewing more detailed assessments from the Audit Committee, remained satisfied that the system of internal control continued to be effective in identifying, assessing, and ranking the various risks facing the Group; and in monitoring and reporting progress in mitigating their potential impact on the Group.

The Board also approved the statement of the Principal Risks and uncertainties set out on pages 71 to 77 of this Annual Report and Accounts.

### IT operating environment

#### Cyber resilience

A Principal Risk area identified by the Board is the potential vulnerability of the Group's IT systems to the various forms of cyber attack and a key area of focus for the Committee during 2023 was continuing to ensure that the IT operating environment remained robust, supporting the business needs in a year of planned changes to core systems and also that key systems were protected against cyber and other threats.

The Committee reviewed details of the proposed enhancements to the Group's cyber resilience and assured itself, prior to their introduction, that they were appropriate and could reasonably be expected to deliver enhanced protection to the Group's key operating systems.

The Head of Internal Audit attends the IT Steering Committee meetings; and Internal Audit is represented on key project teams, including the upgrade of the financial consolidation and reporting system and the bank payment system.

Internal Audit has taken on the function of Business Continuity and will be improving response planning to a business impacting level incident in 2024.

Both our Logistics and financial consolidation and reporting solutions were upgraded during 2023 with both hardware and software improvements completed.

Other improvements included:

- Increased resources and improved approach to working with projects to ensure security is embedded by design.
- Extending our security controls to cover a wider range of IT services.
- A step improvement in monitoring vulnerabilities and remediating them promptly.
- Introducing a more extensive testing regime for security vulnerabilities in legacy systems.

Plans for further enhancements to cyber resilience during 2024 include:

- Further development of our business continuity readiness plan, being undertaken by Internal Audit.
- Transition to a new approach for managing IT services within the Group, including new security services.
- Improving our monitoring of key suppliers' cyber security ratings.

**i** Read more about cyber risks and our response and mitigation processes on **page 77**

### Group assurance approach

The overall structure of the Group's internal controls and assurance processes are as set out below:

#### Operating Framework

- Primary source of the Group's system of internal control for business operations
- Gives wider assurance over the financial and non-financial information produced around the Group
- Approved by the GMT
- Subject to regular review by the GMT and updates to ensure it remains appropriate, with any significant proposed amendments independently assessed by Internal Audit
- Available online for all employees, with controls to ensure compliance or appropriate pre-approval of any variation
- Includes clear levels of delegated authority, responsibility and accountability



#### Detailed process manuals

- Relating to the operation of the main functions of the Group
- Support the Operating Framework at a more granular level of detail



#### GMT

- Consider and, if appropriate, approve matters requiring prior approval under the Operating Framework
- Monitor adherence to the Operating Framework and detailed manuals



#### Internal Audit

- Independently assess appropriateness of, and compliance with the Operating Framework and detailed manuals



## Audit Committee report continued

### Key processes and controls

Another key area of focus for the Committee during 2023 was gaining assurance on required changes to key processes and controls that might have been affected by known legislative changes impacting the industry through 2023 and into 2024, in particular the requirements of the New Homes Quality Code (NHQC), Parts L and F of the Future Homes Standard and expected requirements of the FRC's Corporate Governance reforms.

Key processes to enable the Company to comply with the NHQC and the New Homes Ombudsman Service, were successfully introduced across the business. These included mandatory training for employees and subcontractors; updating procedures and systems to reflect the NHQC requirements; and automation of the processes.

Internal Audit will continue to monitor performance of, and compliance with, NHQC mandatory requirements.

### Group assurance map

A Group assurance map has been developed to provide a summary of the three lines of assurance: management, oversight function and Internal Audit; to the GMT, the Audit Committee and the Board. Assurance is mapped against our recognised key risks and is based on a comprehensive and shared view as discussed with appointed risk owners together with Heads of Function and others who have key oversight responsibilities. This then enables the GMT, the Audit Committee and the Board to identify and confirm their assurance needs and any actions required to fulfil those needs. The Head of Internal Audit coordinates this process and updates the Audit Committee at its July and December meetings.

### Going concern

The Group has prepared forecasts, including various sensitivities, and has taken account of the Principal Risks and uncertainties identified on pages 71 to 77. The Committee reviewed the forecasts and the Directors' expectations based thereon; questioned Management as to the source; robustness; and efficacy of them; and agreed that they were reasonable. In consequence, the Committee advised the Board that in its view they appropriately supported an assessment that the Company remains a going concern. Having independently considered these forecasts and the advice thereon from the Committee, the Directors remain of the view that the Group's financing arrangements and capital structure provide both the necessary facilities and covenant headroom to enable the Group to conduct its business for at least 12 months from the date of this report. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

**i** Read more about our Principal Risks on **pages 71 to 77**

### Viability statement

The viability statement is designed to be a longer term view of the sustainability of the Group's strategy and business model and related resourcing, in light of projected wider economic and market developments. The Committee considered the methodology; the outputs; and whether there should be any change to the five-year period chosen for the statement. The Committee also reviewed the Executive Directors' expectations; the criteria upon which they were based; and the sensitivities applied, including how these linked to the Principal Risks faced by the business; and agreed that they were reasonable. The outcome of this assessment was that they advised the Board that in their view, the Company can give the viability statement incorporated into this Annual Report and Accounts, and that the five-year period over which it applied, continued to be appropriate, taking into account the balance sheet strength and confirmation from the Executive Directors that this period continues to broadly align to the development cycle for new land.

The statement appears on pages 82 to 83 together with details of the processes, assumptions and testing which underpin it.

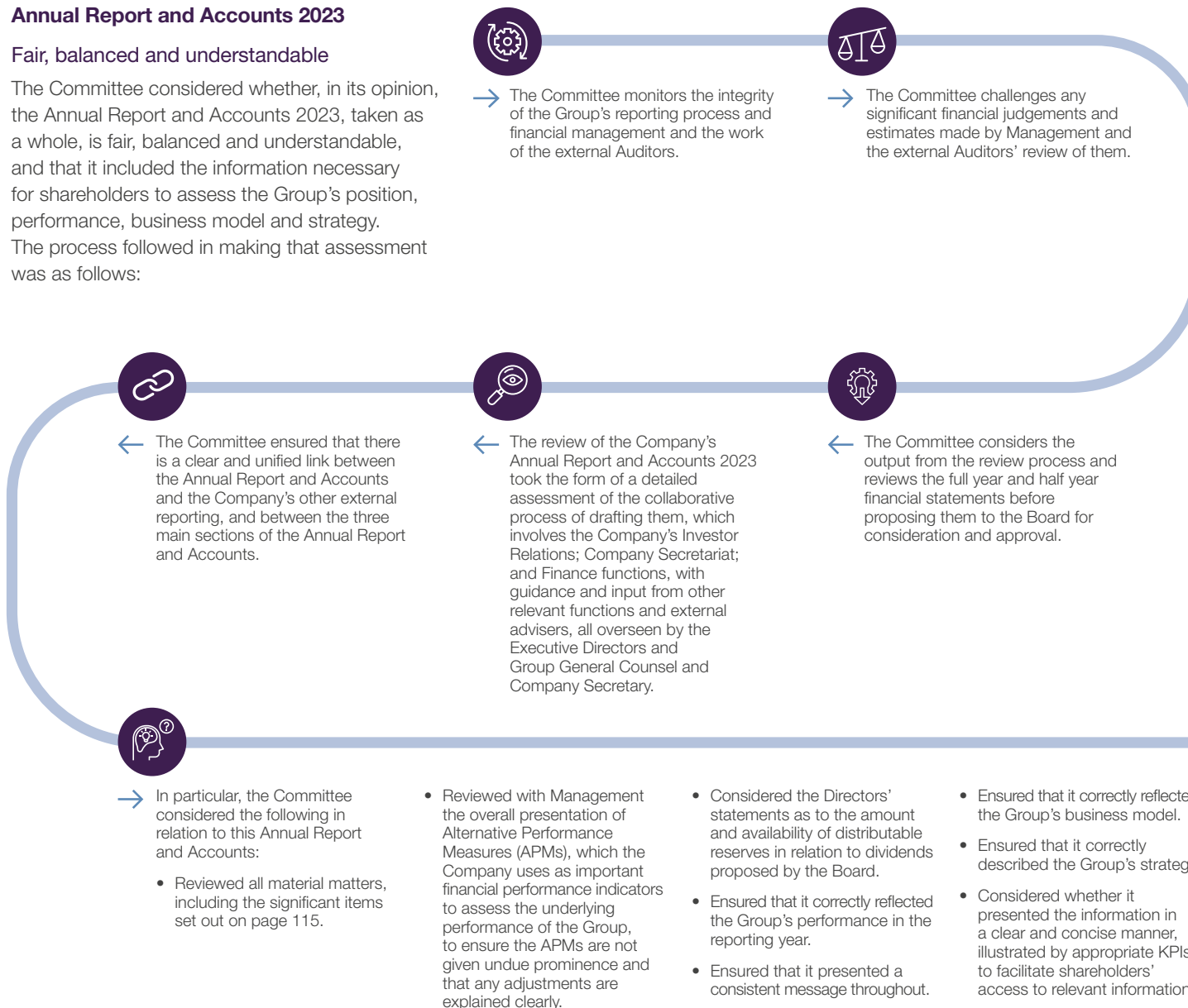


## Audit Committee report continued

### Annual Report and Accounts 2023

#### Fair, balanced and understandable

The Committee considered whether, in its opinion, the Annual Report and Accounts 2023, taken as a whole, is fair, balanced and understandable, and that it included the information necessary for shareholders to assess the Group's position, performance, business model and strategy. The process followed in making that assessment was as follows:



### Recommendation to the Board

The outcome of the above process, together with the views presented by the External Auditors PwC, was that the Committee recommended to the Board that it could give the confirmation on page 156, that the Annual Report and Accounts 2023, taken as a whole, is fair, balanced and understandable, and provides the necessary information for shareholders to assess the Company's position, performance, business model and strategy.

More detail on how the Board and the Audit Committee have addressed the assessment, control and mitigation of risk, and the oversight of the internal and external audit functions, appear in this Audit Committee report.

### Statement of compliance

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