

Membership, meetings and remuneration

Set out below is the current membership of the Audit and Risk Management Committee together with the year in which membership commenced. During the year, all the members of the Committee were independent non-executive directors.

Director	Year of appointment
David Allvey, Chairman	2002
David Edmonds	2005
Ashley Highfield	2009

The Company Secretary acts as secretary to the Committee. Other individuals attend at the request of the Committee Chairman and during the year the external auditors, Chief Executive, Group Finance Director, Head of Internal Audit and the Head of Financial Planning and Control would usually attend meetings to report to the Committee and provide clarification and explanations where appropriate. The Corporate Finance Manager, Head of Information Services and Head of Security have attended meetings as requested. The Committee also meets with the external auditors without executive management present on a regular basis. The Committee met on six occasions during the year and details of attendance at committee meetings is set out on page 59.

Mr Allvey has recent and relevant financial experience. He is a chartered accountant, a former Group Finance Director of Barclays PLC and BAT Industries PLC and a former member of the UK Accounting Standards Board. Mr Edmonds and Mr Highfield have significant general business experience of executive roles in both private and public organisations and details of each director's significant current and prior appointments are set out on pages 46–47.

Role of the Audit and Risk Management Committee

A full copy of the terms of reference for the Committee can be obtained via the corporate website www.williamhillplc.co.uk or by request to the Company Secretary. The Committee's principal responsibilities are to:

- review and advise the Board on the Group's interim and annual financial statements, its accounting policies and to monitor the integrity of the financial statements and announcements relating to financial performance;
- review the major risks affecting the Group and assist the Board with reviewing the effectiveness of the controls operating over the Group's financial and non-financial risks;
- review the nature and scope of the work to be performed by the external and internal auditors, the result of that work and management's response, and their effectiveness;
- oversee the relationship with the external auditors including making recommendations to the Board regarding their appointment or removal and developing a policy regarding the provision of non-audit services to the Group;
- meet with the executive directors and management, as well as privately with both the external and internal auditors; and
- report to shareholders annually on its role and responsibilities.

The Chairman of the Audit and Risk Management Committee reports to the Board on the outcome of meetings.

A formalised whistle-blowing policy and procedure for staff to raise issues regarding possible improprieties in matters of financial reporting or other matters has been established and was reviewed during the year. It is the responsibility of the Committee to monitor its effectiveness and any notifications made.

The Committee has access to the services of the Internal Audit and Company Secretarial departments and is authorised to obtain independent professional advice if it considers it necessary.

Main activities during 2009

The Committee has discharged its responsibilities during the year by performing the following activities.

Financial statements

During the year, the Committee reviewed and discussed the financial disclosures made in the preliminary results announcement, Annual Report and Accounts, Interim Statement and the other trading statements made by the Group together with any related management letters, letters of representation and reports from the external auditors. Significant financial reporting issues and judgements were considered together with any significant accounting policies and changes proposed to them.

Internal control and risk management

The Committee has reviewed the Group's internal control and risk management systems and has received reports from a number of departments, and, where appropriate, presentations from senior management, on the major risks faced by the Group and the procedures established to identify, assess, manage, monitor and report on these risks. The Committee has reviewed and approved the statements on internal control on page 62.

External auditors

The Committee has responsibility for overseeing the relationship with the external auditors and approves the external auditors' engagement letter, audit fee and audit and client services plan (including the planned levels of materiality). The external auditors attend each Committee meeting and meet at least annually with the Committee without executive management. The Chairman of the Committee also meets privately with the external auditors. Letters of representation are reviewed prior to signature by executive management.

During the year, the Committee received regular reports from the external auditors including a formal written report dealing with the audit objectives; the auditors' qualifications, expertise and resources; effectiveness of the audit process; procedures and policies for maintaining independence; and compliance with the ethical standards issued by the Auditing Practices Board. The external auditors' management letter is reviewed, as is management's response to issues raised. The Committee monitors the ethical guidance regarding rotation of audit partners and a change in audit partner was made during 2009 when the audit partner was rotated off the audit in accordance with the latest guidance. The new audit partner was appointed following interviews with the Committee chairman and the Group Finance Director and subsequent approval by the Committee. Any decision to open the external auditor to tender is taken on the recommendation of the Group's committee. There are no contractual obligations that restrict the Group's current choice of external auditor.

During the year, the Committee reviewed the Group's written policy regarding the employment by the Group of former employees of the external auditors and the policy on non-audit services provided by the external auditors. The Committee approves any non-audit work to be undertaken by the external auditors involving fees in excess of £25,000. Fees in excess of £75,000 are put to tender before appointment, unless otherwise agreed by the chairman of the Audit Committee. Where no committee meeting is scheduled within an appropriate time frame, approval is sought from the Committee chairman and subsequently ratified at the next meeting. All non-audit services provided by the external auditors are reported to the Committee at its next scheduled meeting. The external auditors are excluded from performing any day-to-day accountancy work for the Group. The policy also sets out the criteria to be followed when considering whether external auditors should be engaged to undertake non-audit services with the aim of safeguarding the external auditors' objectivity and independence.

The Committee is satisfied with the performance of the external auditors during the year and the policies and procedures in place to maintain their objectivity and independence, and has recommended that they be re-appointed at the forthcoming AGM.

Internal Audit

The Committee approves the annual audit plan and internal audit methodology for the Internal Audit department and monitors progress against the plan during the year. Audit reports are circulated to the Committee members after each audit and the Committee monitors progress against actions identified in these reports and the external auditors' management letter.

The Internal Audit department acts under agreed terms of reference and the Committee has established a number of procedures to monitor and review the Internal Audit department's effectiveness using guidance from a self-assessment questionnaire prepared by Internal Audit, feedback from senior management and a review of the Institute of Internal Auditors' Standards for the Professional Practice of Internal Auditing. The Committee also assesses annually the resources the department has to complete its remit. The Committee reviews the effectiveness of the Internal Audit department on an annual basis. The Internal Audit department has unrestricted access to all Group documentation, premises, functions and employees as required to enable it to perform its functions. The appointment and removal of the Head of Internal Audit is the responsibility of the Committee. The Head of Internal Audit has direct access to the Board and Committee chairmen and is accountable to the Committee. The Head of Internal Audit meets regularly with the Committee chairman without executive management.

Other activities

During the year other significant activities addressed by the Committee were as follows:

- review of the joint venture exit strategy in Spain;
- a review of customer payments;
- a review of IT capacity planning and resilience;
- a review of IT infrastructure security;
- an internal audit review of balance sheet management; and
- an internal audit review of the online trading migration.

Regular updates are provided to the Committee on developments in financial reporting, risk management and related legal and corporate governance matters.

David Alvey

Chairman of the Audit and Risk Management Committee