

# Corporate governance report

Including the report of the Audit Committee

The total fees paid to PricewaterhouseCoopers in the year ended 31 July 2008 were £9.2 million (2007: £10.5 million), of which £5.0 million (2007: £4.2 million) related to non-audit work. Further disclosure of the non-audit fees paid during the year ended 31 July 2008 can be found in note 3 to the financial statements on page 74.

The committee also reviews the effectiveness of the Group's internal audit function, including its terms of reference, audit plans, general performance and its relationship with the external auditors. Throughout the year, the committee reviewed the internal audit function's plans and its achievements against such plans. The committee considered the results of the audits undertaken by the internal audit function and considered the adequacy of management's response to matters raised, including the time taken to resolve any such matters. The committee carried out its annual review to consider the effectiveness of the internal audit function using guidance issued by the Institute of Chartered Accountants in England & Wales and the Institute of Internal Auditors – UK.

The committee monitors and reviews the effectiveness of the Group's internal control systems, accounting policies and practices, standards of risk management and risk management procedures and compliance controls as well as the Company's statements on internal controls before they are agreed by the Board for each year's annual report. The Board retains overall responsibility for internal control and for the identification and management of business risk.

The Company's whistle-blowing policy, which is an extension of the Group-wide Code of Ethics, gives details of the international whistle-blowing hotlines which are operated on behalf of the Company by an independent third party. The hotlines facilitate the arrangements whereby employees can make confidential disclosures on accounting, risk issues, internal controls, auditing issues and related matters. Any matters reported are duly investigated and are escalated to the committee, as appropriate. Statistics on the volume and general nature of all disclosures made are reported to the committee on an annual basis. A copy of the Group's Code of Ethics is available on the Company's website at [www.wolseley.com](http://www.wolseley.com).

Each year the committee critically reviews its own performance and considers where improvements can be made. The committee's terms of reference were reviewed and updated during the year.

## Meetings attendance

The following table shows the attendance of Directors at meetings of the Board, Audit, Remuneration and Nominations Committees held during the year:

Number of meetings held during the year to 31 July 2008	Board (10)	Audit Committee (4)	Remuneration Committee (4)	Nominations Committee (1)
G Davis	10	4	4	1
A J Duff	10	–	4 <sup>1</sup>	1
C A S Hornsby	10	–	–	1
R H Marchbank	10	–	–	–
J I K Murray	10	4 <sup>1</sup>	–	1 <sup>2</sup>
F W Roach	10	–	–	–
N M Stein	10	4	2 <sup>2</sup>	1 <sup>2</sup>
S P Webster	10	–	–	–
J W Whybrow	9 <sup>1</sup>	–	2 <sup>2</sup>	1 <sup>1</sup>

1 Chairman.

2 Appointed to the Committee on 31 October 2007.

This table only shows those meetings which each Director attended as a member rather than as an invitee.

## Internal audit

The internal audit function is fully independent of the day-to-day operations of the Group. It is involved in the assessment of the quality of risk management and internal control and helps to promote and further develop effective risk management within the businesses. Certain internal audit assignments (such as those requiring specialist expertise) continue to be outsourced by the Head of Internal Audit to KPMG LLP as required. A policy has been established regarding the recruitment of staff from both KPMG LLP and PricewaterhouseCoopers LLP. The Head of Internal Audit attends all Audit Committee meetings in addition to having regular meetings with the chairman of that committee. The Audit Committee reviews key performance indicators relating to the activity of the department.

## Internal control

In a decentralised Group, where local management has considerable autonomy to run and develop their businesses, a well designed system of internal control is necessary to safeguard shareholders' investment and the Company's assets. The Directors have overall responsibility for the Group's systems of internal control and for reviewing their effectiveness. In accordance with the guidance set out in the Turnbull Report 'Internal Control: Guidance for Directors on the Combined Code', an ongoing process has been established for identifying, managing and evaluating the risks faced by the Group and has been in place for the full financial year and up to the date on which the financial statements were approved.

These systems are designed to manage rather than eliminate business risk; safeguard the Group's assets against material loss; fairly report the Group's performance and position; and to ensure compliance with relevant legislation, regulation and best practice, including that related to social, environmental and ethical matters. The systems provide reasonable, not absolute, assurance against material misstatement or loss and are reviewed by the Board regularly to deal with changing circumstances.