

# 2020/21 Data Assurance Summary



## Covid-19 (Coronavirus) – A message to Our Customers and Stakeholders

When publishing this Data Assurance Summary in July 2021, we know that this is a difficult time due to Covid-19 (Coronavirus). We also know that the water and wastewater services we provide play a key role in protecting public health and safeguarding the customers and communities we serve.

We continue to take extra steps so that we can protect our colleagues while also maintaining our services to customers.

Our industry has never been faced with such a challenge. However, our spirit of community and commitment to do the right thing for our customers has never been stronger.

Whilst we will take all reasonable steps to ensure that all the activities and timescales outlined within this plan will be achieved, we apologise if some activities may have to be delayed whilst we are doing everything we can to continue providing our essential services. Thank you for bearing with us.

### About this document

In the course of the year, we publish a range of information on the services we provide and our performance against key targets, including those contained within Ofwat's 2019 Final Determination. Building and maintaining a high level of customer trust and confidence is of paramount importance. We, therefore, have in place robust assurance arrangements to ensure that the information we publish is reliable and accurate and that we are providing the level of information and delivering the level of service that our customers expect.

We see assurance as a day-to-day activity and an important part of our continuous improvement programme, and, as we continue to engage with our key stakeholders, we will use their feedback to tailor our assurance activities to match their expectations.

In March 2021, following consultation with key stakeholders, we published our Final Assurance Plan for 2020/21 ([Final Assurance Plan 2020/21](#)). Having firstly assessed the risks, strengths and weaknesses associated with meeting our obligations and commitments, we outlined the measures we intend putting in place to assure all relevant data. This Data Assurance Summary, published alongside our Annual Performance Report (APR), summarises the outcomes of this assurance.

In the appendices we set out details of the assurance activities undertaken and our findings. We believe that this shows that we have adequately managed performance risks and that our customers can trust the information we publish.

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## Summary of our Assurance Approach

We are committed to making available to customers, information that is reliable and accurate, is easy to understand and navigate and which allows them to understand how we are performing. Providing information to a consistently high standard also helps build trust and confidence in everything we do. Much of the information we produce is provided to our regulatory stakeholders and other stakeholder groups periodically or published in our APR and on our website.

We have in place an audit and assurance framework which allows for the systematic monitoring and evaluation of our performance. This involves having appropriate governance arrangements, close involvement by our Board in the assurance process, and the right level of independent review and challenge. It helps ensure that our statutory and regulatory reporting requirements are met in full with a high level of assurance.

In table 1 we set out details of our Assurance Framework.

Table 1 – Our Assurance Framework

OUR ASSURANCE FRAMEWORK		
Internal Controls	Independent Scrutiny	Independent Review
<ul style="list-style-type: none"> <li>•Written Guidance</li> <li>•Training</li> <li>•Management Reviews</li> <li>•Management Checks</li> </ul>	<ul style="list-style-type: none"> <li>•Specialist Teams e.g. Compliance, Legal, Regulatory</li> <li>•Senior Management</li> <li>•Audit Committee</li> <li>•Board</li> </ul>	<ul style="list-style-type: none"> <li>•Internal Audit</li> <li>•External Audit</li> <li>•Technical Audit</li> <li>•External Specialists</li> </ul>

The data assurance framework is underpinned by five key cornerstones:

1. Robust assurance principles – we operate a “three-lines of assurance” model, targeted at areas of greatest risk;
2. Clear ownership and accountability – we have clear lines of ownership and accountability for both the delivery of performance and the accuracy and reliability of the data provided;
3. Effective governance – we are subject to scrutiny by our Board, Audit Committee and the Dŵr Cymru Executive (DCE) with additional challenge provided by the Customer Challenge Group, regulators such as Drinking Water Inspectorate (DWI), Natural Resources Wales (NRW) and CCWater;
4. Transparency and accountability – we publicly report on our performance and hold ourselves to account where we do not meet our commitments; and
5. Company culture – having in place the right culture which encourages our people to act responsibly and “do the right thing”.

We believe that the “three lines of assurance” model represents best practice and provides for the effective management of risk. By mapping our assurance activities in this way, we are adopting a proportionate approach and making sure that the scope for error is significantly reduced. The diagram in Table 2 below provides more information on how the “three lines of assurance” model works.

Table 2 - Three lines of assurance model

Line	Area	Role	Type of Activity
1: Risks and controls:	Business Operations	Delivery of service and performance	<ul style="list-style-type: none"> <li>• Providing source information</li> </ul>
	Business Management	Monitoring and reporting performance	<ul style="list-style-type: none"> <li>• Defining and documenting methodologies and processes</li> <li>• Identifying material changes to systems and processes</li> <li>• Implementing quality checks and reviews</li> <li>• Reporting performance information</li> </ul>
2: Oversight functions:	Regulation, Finance, General Counsel, Compliance	Define policy and provide the enabling framework for regulatory reporting	<ul style="list-style-type: none"> <li>• Developing the assurance framework</li> <li>• Reviewing performance information submitted</li> <li>• Monitoring delivery of obligations</li> <li>• Reporting to Board</li> <li>• Implementing quality checks and reviews</li> <li>• Providing advice, guidance and support</li> </ul>
	Board, Audit Committee, Quality & Environment Committee, Customer Challenge Group, CCWater, DWI, NRW	Scrutiny and challenge	<ul style="list-style-type: none"> <li>• Reviewing performance information submitted</li> <li>• Monitoring the implementation of improvement plans</li> <li>• Reviewing risk profile</li> </ul>
3: Independent Assurance:	Business Assurance, external assurance providers	Independent review of levels of assurance provided by First and Second Lines	<ul style="list-style-type: none"> <li>• Reviewing methodologies and processes</li> <li>• Reviewing application of methodologies and processes</li> <li>• Providing an opinion on the integrity of data</li> <li>• Reviewing appropriateness of the assurance framework</li> </ul>

Our assurance approach is embedded into “business as usual” activities.

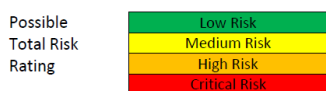
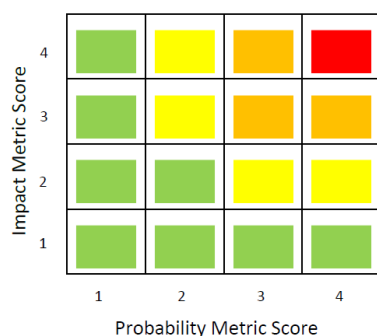
In the last 12 months we have implemented the following assurance programme (Table 3).

Table 3 – Annual Assurance Programme

2020	November to January 2021	<p><b>Risks, Strengths and Weaknesses</b></p> <p><b>AND</b></p> <p><b>Draft Assurance Plan Consultation</b></p>	<p>A review of the risks, strengths and weaknesses of the data contained in the APR and other key publications. An impact and likelihood scoring methodology was applied and this assessed the likelihood of inaccurate or incomplete data being reported, by considering the reliability and accuracy of our source data, the robustness of our reporting processes and the strength of our governance and control arrangements. Stakeholders were engaged in this process. The Draft Assurance Plan consultation document (also containing Statement of the Risks, Strengths and Weaknesses) set out details of the levels of assurance we were proposing.</p>
2021	March	<p><b>Final Assurance Plan</b></p>	<p>Publication of Final Assurance Plan.</p>
	April to June	<p><b>Implementation of Final Assurance Plan</b></p>	<ul style="list-style-type: none"> <li>• Performance data is subject to an internal assurance review and sign-off procedure by the individuals responsible for its collection, collation and management.</li> <li>• An external engineering/technical auditor (the Reporter) provides assurance to the Board on the accuracy and completeness of the information and the non-financial data published in our APR.</li> <li>• The financial reporting and accounts process is subject to a well-established and rigorous external financial audit process. The external auditors focus particular attention on those areas in the financial statements which have the highest level of management judgement applied to them or are considered to be the most inherently risky.</li> <li>• The APR is prepared consistently and in line with Ofwat’s overall regulatory reporting framework. Each year, the external auditors provide a written opinion on the Company’s compliance with the Regulatory Accounting Guidelines, accounting policies and all relevant Licence obligations.</li> </ul>
	July	<p><b>Annual Performance Report (APR)</b></p>	<p>Publication of APR</p> <p>The APR was published on our website along with all of the above documents and can be found on ‘Our Assurance Framework’ webpage.</p> <p><a href="#">Our Assurance Framework</a></p>

In table 4 we demonstrate how we prioritise areas that may require increased levels of assurance.

Table 4 – Impact and Probability Risk Matrix



The area with higher probability and higher impact residing in the red “high” and amber “high-medium” risk zones demand a higher level of assurance over those which reside in the yellow “low-medium” and green “low” risk zones.

In the Appendices we explain how the specific controls and mitigation actions set out in our Final Assurance Plan were applied and what our findings were.

Appendix 1 details the controls and mitigations relevant to data contained within the APR.

In Appendix 2 we comment on “other” data which is either produced and/or published routinely throughout the year (e.g. our Methodology Statements) or is published in separate reports, such as the documents associated with Bioresources Market Information

### Next Steps

It is important that we continue to review what information our customers and other stakeholders want and need. We will build on our proportionate and transparent approach to data assurance activities and ensure that our customers and stakeholders are involved in this process.

We welcome the important contribution made by our independent Customer Challenge Group to ensure that we plan to deliver the best possible outcomes for customers.

## Appendix - Part 1

### Annual Performance Report

This is an annual report which provides cost information, financial performance and information on our performance against our customer outcomes and commitments. This has been published alongside this document in July 2021.

All data reported in the APR will be subject to a structured ‘three lines of assurance’ process:

- 1. In the first line of assurance, management has accountability for identifying risks and managing these by developing and maintaining sound processes, systems and controls in the normal course of their operations.**
- 2. In the second line of assurance, the Regulation and Finance team have accountability for providing the framework and governance for regulatory reporting; and**
- 3. The third line of assurance provides independent audit and assurance activity through our Business Assurance team, who review the assurance framework and provide risk based assurance on individual elements. The information contained within this document will also be assured by the Financial Auditor or the Technical Auditor.**

In the table below we summarise the outcome of our assurance activities.

Controls, mitigating actions & Improvements	Assurance Finding response	
Data providers, their managers and business unit directors produce and approve data, commentaries and methodologies and audit trails to support the reported performance and demonstrate the control checks that have been applied.	The data assurance programme was implemented as planned. In all but six instances our Auditors indicated that there were no material issues identified. The six areas that were initially identified have now been resolved. The governance stages, e.g. sign off of data at different levels operated as planned.	✓
Finance and/or Regulation team review the information and audit trails.	The Finance and Regulation team undertook their own reviews, and this included a rigorous process of internal due diligence to challenge information, judgements and assumptions associated with both financial and non-financial data and to ensure compliance with the relevant guidance. Whilst there were initially six material issues identified during this exercise, which have now been resolved, it provided a good opportunity to highlight to management areas where judgements were required, or assumptions needed to be tested.	✓
Financial Auditors’ audit and provide an opinion on Regulatory financial reporting (APR Parts 1 and 2).	<p>During June 2021 the Independent Auditors performed their audit procedures on Sections 1 and 2 of the APR. In addition, they performed certain agreed-upon procedures in respect of Sections 4 to 9, which are focused on ensuring that the data was prepared appropriately from underlying records and that the reporting guidance had been followed in completing that section of the APR.</p> <p>Our Auditors reported their findings to our Audit Committee and were also present when the Board approved the publication of the APR at its meeting on 1 July 2021. They gave an unqualified audit opinion on</p>	✓



Controls, mitigating actions & Improvements	Assurance Finding response	
	both the (statutory) Annual Report and Accounts and Sections 1 and 2 of the (regulatory) APR, which can be found in the respective documents. The agreed-upon procedures report on Sections 4 to 9 of the APR did not identify any exceptions following the completion of the assurance procedures.	
Technical Auditors review data and commentaries on non-financial Performance) (essentially the operational performance of the business against the performance commitments set out in the PR19 Final Determination) highlighting any financial incentives accrued in the year i.e. APR Part 3) and report their opinion to the Board.	<p>Jacobs (our Technical Auditor) undertook a full data review in accordance with an agreed Audit Plan. This involved:</p> <ul style="list-style-type: none"> <li>(a) A review of documentation including Methodology Statements already in place for individual data items;</li> <li>(b) A process review which involved face to face discussion via Teams with the data owner; and</li> <li>(c) A year-end audit involving document review and face to face discussions via Teams with data owners covering: <ul style="list-style-type: none"> <li>- adherence to internal processes;</li> <li>- tracing to source data;</li> <li>- sample checks;</li> <li>- confidence grade reviews;</li> <li>- calculation of rewards/penalties (where appropriate); and</li> <li>- commentaries.</li> </ul> </li> </ul> <p>There were initially six material issues found which have since been resolved and Jacobs' reports are included in the APR.</p>	✓
Technical Auditors or Financial Auditors review relevant tables contained within APR Parts 4 to 9 (i.e. additional financial and non-financial information, including (but not limited to), additional accounting policies, financeability statement, current cost reporting and totex analysis. Tables are reviewed to agreed procedures.	Jacobs and KPMG undertook their reviews of data and methodologies in accordance with the agreed procedures. Jacobs initially found six material issues which have since been resolved and produced a letter summarising their findings. KPMG provided a letter detailing the procedures undertaken and reporting by exception on any findings which were not in line with their expectations (of which there were none).	✓
Internal scorecards highlight performance against the key measures on a monthly basis across the business and up to Board level.	Internal scorecards and all Performance Commitments are reviewed monthly by the Dŵr Cymru Executive and a report is sent to the Board each month.	✓
Review process with our Customer Challenge Group (CCG) who have a role to play in challenging our reporting.	We shared with the Chair of the CCG our proposals on the assurance activities planned in both our Draft and Final Assurance Plan.	✓
Information Packs and training sessions arranged by the Regulation Team for all data owners.	<p>Information packs containing all relevant information were made available on our dedicated Intranet page for all data owners.</p> <p>In February/March 2021 all data owners received training. The training was 100% complete and there were no issues of concern.</p>	✓
Detailed internal Methodology Statements have been developed which include a step-by-step guide on how the data is obtained, the checks and balances in place, any assumptions made, and any exclusions applied.	Comprehensive Methodology statements are in place for all measures. They have been updated to reflect comments received from the Regulation Team and the Technical Auditor and changes in process which may have occurred in the year.	✓
Methodology Statements reviewed and scored by the Technical Auditor.	In previous reporting years, Methodology Statements had been formally reviewed by Jacobs and were	✓

Controls, mitigating actions & Improvements	Assurance Finding response	
	scored using their bespoke risk-based Scoring Framework. Where appropriate, data owners were required to review and update the relevant Methodology Statement, having regard to comments and recommendations received. The application of the Methodology Statements when producing 2020/21 data was an important element of both the internal due diligence checks and the audits conducted by Jacobs' at year end.	
Data sign off by the data owner, business manager (where appropriate) and the relevant Director.	100% complete. All data has been signed off by the data owner, his/her manager and the appropriate director.	✓
Regulation Team hold due diligence meetings with data owners to review data, methodology, performance, and supporting audit trails.	<p>During April and May and prior to the Jacobs' audits, due diligence meetings took place with all data owners. Amongst the matters reviewed were:</p> <ul style="list-style-type: none"> <li>• The application of the appropriate; Methodology Statements and reporting requirements;</li> <li>• Assumptions and judgements; and</li> <li>• Data Commentaries explaining performance by reference to targets and historical data.</li> </ul> <p>Verification checks by reference to previously reported data were also carried out.</p>	✓
Third party detailed audit of the data collection and reporting process by our Technical Auditor to provide assurance that the data can be reported reliably and accurately and in accordance with any relevant reporting requirements. This includes sample checks to test processes, assumptions, methodology, implementation, governance and results.	Jacobs' audits took place between 4 May 2021 and 1 June 2021. Reports were prepared for each audit and the risks were scored. Jacobs also produced a letter to the Board summarising their findings and attended both the Audit Committee meeting on 3 June 2021 and the Board meeting on 1 July 2021 to report their conclusions and to answer any questions. There were initially six material issues identified, which have since been resolved.	✓
High level audit of the reporting framework carried out by the internal Business Assurance Team.	In May 2021 the internal Business Assurance team undertook a high-level audit and evaluation of the assurance. Their report concluded that generally there is a sound system of internal control and broadly there is operational compliance with those controls and assigned an overall rating of "Satisfactory Assurance".	✓
Review by DCE and updates are provided to the Audit Committee.	<p>The DCE review of all data reported in the APR (financial and non-financial), took place on 25 May 2021. This was also attended remotely by Jacobs and the Business Assurance team. Members of the Regulation team and selected data owners (and/or their managers) were also present. For each measure, a summary containing current year's performance, historical performance and data owners' and reporter issues was produced and formed the basis of discussions. Key judgements and material assumptions were reviewed.</p> <p>Ahead of the discussions at the full Board meeting on 1 July 2021, the Audit Committee on 3 June 2021 received a progress update. Both the Audit Committee and the Board reviewed the overall process, the operation of the systems of internal and external controls and reviewed the key judgements required in compiling the APR.</p>	✓

## DCWW Data Assurance Summary 2020/21

Controls, mitigating actions & Improvements	Assurance Finding response	
A Board Assurance Statement for performance data contained in the APR.	The Board Assurance Statement can be found in the APR Overview.	✓
We will include specific commentary giving an explanation on any performance measure/APR line that has a variance of 15% or more.	Where appropriate we have included a commentary to explain variances.	✓

## Appendix - Part 2 – Other Areas

For 2020/21 we reviewed the areas that were included within our plan, to ensure our assurance activities remained appropriate and concentrated on the most important areas. We have prepared a separate standalone report that includes those areas that have been reported on within previous Plans, but due to the assurance activities undertaken no longer warranted inclusion going forward. This standalone report can be accessed [here](#).



## Performance Commitments

In 2020, we introduced our new PR19 Performance Commitments. These cover a comprehensive suite of measures, with both financial and reputational incentives, designed to challenge us to meet the expectations of customers in every respect and on every occasion, and where appropriate to ensure that they are compensated where our performance falls short.

We used an Impact and Probability Risk Matrix to assess whether it was necessary to implement additional assurance activities on any particular Performance Commitment. There were no Performance Commitments residing within the red zone (high risk) or the amber zone (high-medium risk).

Our objective will be to highlight opportunities to strengthen our control framework further. We will achieve this by applying the three lines of assurance process and relying on the programme of work that will be undertaken by the Technical Auditor.

In the table below we summarise the outcome of our assurance activities.

Controls, mitigating actions & Improvements	Assurance Finding response	
Internal scorecards highlight performance against the key measures on a monthly basis across the business and up to Board level.	Internal scorecards and all Performance Commitments are reviewed monthly by the Dŵr Cymru Executive and a report is sent to the Board each month.	✓
Review process with our CCG who have a role to play in challenging our reporting.	We shared with the Chair of the CCG our proposals on the assurance activities planned in both our Draft and Final Assurance Plan.	✓
Information slides and update sessions arranged by the Regulation Team for all data owners.	Information packs containing all relevant information were made available on our dedicated Intranet page for all data owners.  In February/March 2021 all data owners received training. The training was 100% complete and there were no issues of concern.	
Detailed internal Methodology Statements have been developed which include a step-by-step guide on how the data is obtained, the checks and balances in place, any assumptions made and any exclusions applied.	Comprehensive Methodology statements are in place for all measures. They have been updated to reflect comments received from the Regulation Team and the Technical Auditor and changes in process which may have occurred in the year.	✓
Methodology Statements are reviewed and scored by either the Technical Auditor or the Regulation Team.	In previous reporting years, Methodology Statements had been formally reviewed by Jacobs and were scored using their bespoke risk-based Scoring Framework. Where appropriate, data owners were required to review and update the relevant Methodology Statement, having regard to comments and recommendations received. The application of the Methodology Statements when producing 2020/21 data was an important element of both the internal due diligence checks and the audits conducted by Jacobs' at year end.	✓
Data sign off by the data owner, business manager (where appropriate) and the relevant Director.	100% complete. All data has been signed off by the data owner, his/her manager and the appropriate director.	✓
Regulation Team hold due diligence meetings with data owners to review data, methodology, performance and supporting audit trails.	During April and May and prior to the Jacobs' audits, due diligence meetings took place with all data owners. Amongst the matters reviewed were:	✓

Controls, mitigating actions & Improvements	Assurance Finding response	
	<ul style="list-style-type: none"> <li>• The application of the appropriate; Methodology Statements and reporting requirements;</li> <li>• Assumptions and judgements; and</li> <li>• Data Commentaries explaining performance by reference to targets and historical data.</li> </ul> <p>Verification checks by reference to previously reported data were also carried out.</p>	
Third party detailed audit of the data collection and reporting process by our Technical Auditor to provide assurance that the data can be reported reliably and accurately and in accordance with any relevant reporting requirements. This includes sample checks to test processes, assumptions, methodology, implementation, governance and results.	Jacobs' audits took place between 4 May 2021 and 1 June 2021. Reports were prepared for each audit and the risks were scored. Jacobs also produced a letter to the Board summarising their findings and attended both the Audit Committee meeting on 3 June 2021 and the Board meeting on 1 July 2021 to report their conclusions and to answer any questions. There were initially six material issues identified, which have since been resolved.	✓
High level audit of the reporting framework carried out by the internal Business Assurance Team.	In May 2021 the internal Business Assurance team undertook a high-level audit and evaluation of the assurance. Their report concluded that generally there is a sound system of internal control and broadly there is operational compliance with those controls and assigned an overall rating of "Satisfactory Assurance".	✓
Review by the DCE and updates are provided to the Audit Committee.	<p>The DCE review of all data reported in the APR (financial and non-financial), took place on 25 May 2021. This was also attended remotely by Jacobs and the Business Assurance team. Members of the Regulation team and selected data owners (and/or their managers) were also present. For each measure, a summary containing current year's performance, historical performance and data owners' and reporter issues was produced and formed the basis of discussions. Key judgements and material assumptions were reviewed.</p> <p>Ahead of the discussions at the full Board meeting on 1 July 2021, the Audit Committee (on 3 June 2021) received a progress update. Both the Audit Committee and the Board reviewed the overall process, the operation of the systems of internal and external controls and reviewed.</p>	✓
A Board assurance statement for performance data contained in the APR.	The Board Assurance Statement can be found in the APR Overview.	✓
As this is the first year we are reporting against the suite of PR19 performance commitments, we are redesigning our APR part 3 to ensure that our progress is reported in a clear and easy to understand layout.	We have redesigned part 3 of our APR to incorporate our new Performance Commitments, and present these in a way which we feel is clear and easy to understand.	✓

## Water Resources Management Plan (WRMP) and Water Resources West Regional Water Resource Plan

Companies are legally required to prepare a WRMP which sets out how they intend to maintain the balance between water supply and demand. The Plan must take a long term view (at least 25 years) accounting for all potential factors that could affect the balance between available supply and customer demand for water, such as climate change.

In addition, Water Resources West (WRW) is one of five regional groups that has been set up to provide strategic oversight and co-ordination of water resources matters across the river catchments of the West of England and the cross-border river systems within Wales. This will produce a Regional WRMP that will help ensure the sustainability of water resources in these catchments. The Plan will also support activity aimed at enabling water resource resilience across England and Wales, including promoting the development of a long-term strategic plan for water transfers.

Controls, mitigating actions & Improvements	Assurance Finding response	
<p>We employ a multi-layer quality assurance process around the development of the WRMP and associated data. This includes quality monitoring of individual data lines through external consultants and DCWW staff review, peer review of data processes and overall quality assurance of our processes through external audit.</p>	<p>The external consultants we employ to undertake the technical assessments for the WRMP have their own internal systems of quality assurance. Within the Water Resources Team, we use our technical expertise to critically review the outputs received from the consultants.</p> <p>Ahead of submitting our dWRMP19 Jacobs reviewed the approaches we and our consultants had taken to producing the components of the dWRMP19 we had identified as high risk. The only matter identified was corrected before submission.</p>	<p>✓</p>
<p>External framework consultants are used to develop and produce the majority of the supply and demand side data for the WRMP, e.g. deployable output, outage and headroom allowances. Our consultants employ their own assurance processes to ensure that data is robust and this information is further subject to DCWW review and sign off.</p>	<p>We have used our Water Resources and Drought Planning Framework to procure expert consultancy support. The following consultants have undertaken the technical assessments and associated reporting of key components of the WRMP19:</p> <ul style="list-style-type: none"> <li>• Atkins;</li> <li>• Wood;</li> <li>• Ricardo;</li> <li>• ARUP;</li> <li>• HR Wallingford;</li> <li>• Decision Lab;</li> <li>• Jacobs; and</li> <li>• Artesia.</li> </ul>	<p>✓</p>
<p>The Technical Auditor undertakes an independent audit of our processes and reviews the approaches that we and our partners have taken with regards to those components of the draft WRMP identified as high risk. This highlights potential risks to compliance with the WRMP guidance and considers how our draft WRMP processes are aligned to the Welsh Government's guiding principles and Ofwat's priorities.</p>	<p>Ahead of submitting our dWRMP19 Jacobs reviewed the approaches we and our consultants had taken to producing the components of the dWRMP19 we had identified as high risk.</p> <p>Jacobs also highlighted to us potential risks to compliance with the WRMP guidance from EA and NRW and considered how our dWRMP19 processes aligned to the Welsh Government's guiding principles and Ofwat's priorities for the 2019 price review.</p> <p>Jacobs identified only one component as medium to high risk which was corrected before submission.</p>	<p>✓</p>

Controls, mitigating actions & Improvements	Assurance Finding response
<p>We will continue to work closely with our regulators to improve our processes and understanding of the risks that we are presented with.</p>	<p>across to the Aquator modelling platform and have embedded these fully within our long-term planning. Detailed model logs have been produced for each Aquator model, with the external consultants who delivered these also undertaking a cross checking exercise to confirm the validity of these models.</p> <p>To further improve our processes, we have commissioned external consultants to update and advance how we simulate the hydrological inflow components of our Aquator models. A detailed process of review and quality assurance is built into this work programme.</p> <p>The outputs of both the above projects are being shared with NRW to gain their views ahead of our WRW and WRMP24 submissions.</p>
<p>We will continue to work with the other companies involved in the regional WRW plan and ensure that the assurance covered by all parties is appropriate and robust.</p>	<p>We are full and active members of the WRW Regional Planning group with Welsh Water staff involved in every WRW project workstream, namely- Supply, Demand, Options, Environment, Customer Engagement, Decision Making and Assurance.</p> <p>The assurance process for WRW is multi layered in that we have produced an agreed set of common methodologies which the various workstreams are working too, with the outputs from these presented to the Senior Steering Group for review and sign off. Externally, Jacobs have been appointed to formally assure the WRW Regional plan whilst internally each water company is following its own Level 2 assurance process.</p>



## Segmental Reporting

2020/21 was the start of a new price control period with separate price controls in respect of which Ofwat have published new reporting guidance. We want to ensure that our customers and stakeholders can remain confident that costs are reflected properly in their charges and allocated correctly.

Our APRs for the past five financial years contain a significant volume of disaggregated financial information with income and expenditure being reported against the price controls as well as individual accounting units. This is set to remain the case with additional reporting requirements being incorporated into the APR for 2020/21 alongside further reporting changes to reflect modifications to the regulatory framework in 2020. We will, therefore, continue to focus attention on reporting required financial information in accordance with the regulatory guidance on segmental reporting. The planned assurance activities, which include external assurance conducted by independent third parties, will continue to provide stakeholders with a high degree of confidence in our reported figures.

Controls, mitigating actions & Improvements	Assurance Finding response	
Monthly reviews by budget holders to explain variances and identify potential allocation errors.	The operational finance teams have continued to attend key budget holders' team meetings to present and challenge individual business areas' financial results. Their ongoing dialogue with the business has ensured that all variances are understood and that transactions are allocated appropriately.	✓
Monthly management accounts reviewed by senior managers and the DCE.	The operational finance teams attend individual DCE members' team meetings, as noted above. The Finance Director and Chief Financial Officer both prepare monthly financial updates using data from the operational and group finance teams. This covers the financial performance of the Water, Wastewater, Retail and support services and is tabled for separate discussion at DCE meetings.	✓
Ofwat Regulatory Accounting Guideline checklist completed and reviewed by the Group Financial Controller.	The Financial and Regulatory Accountant has updated the checklist for the 2020/21 reporting year guidelines, and a copy has been provided to all table, data and action owners prior to the commencement of the reporting process. The Group Financial Controller reviews the checklist for completeness and sign off prior to publication of the APR.	✓
Line items and table owners formally assigned to all financial data tables, with agreed sign off process.	Line item and table owners have been refreshed for the 2020/21 reporting year with acknowledgement by all responsible individuals. The sign-off process has been followed with a closing checklist to ensure completeness.	✓
Price control and segmental reporting in the APR receives an independent Financial Auditor's audit opinion in line with Ofwat's audit requirements.	<p>During June 2021 the Independent Auditors performed their audit procedures on Sections 1 and 2 of the APR. In addition, they performed certain agreed-upon procedures in respect of Sections 4 to 9, which are focused on ensuring that the data was prepared appropriately from underlying records and that the reporting guidance had been followed in completing that section of the APR.</p> <p>Our Auditors reported their findings to our Audit Committee and were also present when the Board approved the publication of the APR at its meeting on 1 July 2021. They gave an unqualified audit opinion on both the (statutory) Annual Report and Accounts and Sections 1 and 2 of the (regulatory) APR, which can be found in the respective documents. The agreed-upon procedures report on</p>	✓

## DCWW Data Assurance Summary 2020/21

Controls, mitigating actions & Improvements	Assurance Finding response	
	Sections 4 to 9 of the APR did not identify any exceptions following the completion of the assurance procedures.	
Financial and Regulatory Accountant's role transition from data preparer to one of coordination and governance to ensure timely submission and critical review of the outputs from the management accounting team. This provides greater control and assurance, and an extra level of review and additional capacity to deal with new reporting requirements.	Members of the operational finance teams have data ownership responsibility for the financial data in the APR tables, which are subject to internal review and challenge by the Financial and Regulatory Accountant prior to the more formal internal due diligence reviews and external assurance procedures.	✓
Methodology Statements developed to provide a step-by-step guide to the preparation of each table.	A comprehensive methodology statement has been produced and forms part of the internal due diligence review and is also made available for review by our external auditors.	✓
The Regulatory Accounting team has rolled out a series of training sessions to the Management Accounting team to ensure that all individuals responsible for the preparation of financial data for inclusion in regulatory reports are aware of both their own responsibilities and the relevant Regulatory Accounting Guidelines and maintains an 'open door' policy to offer support and guidance on areas of interpretation.	Training sessions continue to be well received, and they have helped focus the teams on their responsibilities and ensure an appropriate understanding of the Regulatory Accounting Guidelines. Further update meetings were held throughout the APR completion process to ensure adequate ownership, understanding and timeliness of data preparation.	✓
We are currently in the process of reviewing the 2020/21 RAGs that were published late February to ensure we report in line with the latest guidance.	A full review of the 2020/21 RAGs was carried out to ensure our reporting is in line with Ofwat guidance.	✓

## Bioresources Market Information

Market information on where Bioresources are produced and the quality of data is key to supporting the Bioresources market in so far as it helps promote and encourage efficient entry and development of the market.

To allow third parties to identify market opportunities and thus facilitate discussions companies are required to publish Bioresources Market Information as frequently as they deem necessary, but this must be updated at least annually. The annual publication must be made by 31 July each year. Our assurance activities are aimed at publishing information that stakeholders can have trust and confidence in and is easily navigable and understood.

Controls, mitigating actions & Improvements	Assurance Finding response	
Named data providers and data managers are responsible for providing accurate information in line with the guidance provided. A submission manager has been appointed to ensure that all data providers and data managers are identified and that the submission is completed to the relevant timescales and in line with requirements and guidance.	The data assurance programme was implemented as planned. There were no material issues identified and the governance stages, e.g. sign off of data at different levels operated as planned. Detailed internal Methodology Statements have been developed which include a step-by-step guide on how the data is obtained, the checks and balances in place, any assumptions made, and any exclusions applied.	✓
Named senior managers review and approve the information contained within the published document. A peer review of the information and the submission is carried out.	The Head of Service and the Biosolids Manager both undertook a full review of the data and methodologies and verified them against historic information and applied operational experience. All data has been signed off by the data owner, his manager and the appropriate director.	✓
External independent assurance is provided by the Technical Auditor to confirm that the 2020/21 data is accurate and in line with the published guidance.	Jacobs (our Technical Auditor) undertook a process and data review in accordance with an agreed Audit Plan. Jacobs' concluded that the data is accurate and in line with published guidance.	✓
DCWW are working with external consultants to develop data tools which can accurately measure the cost to serve for Biosolids as well as developing a capacity trading platform for other water and sewerage companies and third parties to trade Biosolids.	DCWW now have an accurate cost to serve model which was developed by Jacobs which we can use when setting gate fees for sludge trading. The capacity trading platform has not progressed any further however companies including DCWW are moving towards publishing their trading capacity data on their external facing web pages.	✓

## Board Leadership Transparency and Governance Principles

We view corporate governance as a core discipline which generates value for our stakeholders and allows us to deliver an essential public service. Our governance processes are based on transparency and fairness, underpinning the values of the Group and the Company purpose.

The 2018 UK Corporate Governance Code (the 'Code') is the standard against which we measure our governance practices at Glas Cymru. The Code sets out standards of good practice in relation to leadership, effectiveness of the Board, accountability, remuneration and relations with Shareholders and wider stakeholders. Although the Code is more applicable to companies whose shares are listed on the London Stock Exchange, we are committed to following the Code and to apply the principles it sets out, and to identify any areas of non-compliance.

In January 2019 Ofwat published its document 'Board leadership, transparency and governance – principles'. When Ofwat refer to 'the principles' they mean the four overarching objectives, which are each accompanied by guiding provisions and their overall approach to assessing compliance.

Since the 1 August 2019 we are required by our Licence to meet the objectives and explain in an effective, accessible and clear manner how we have done so. Company boards must take ownership for delivering the objectives and actively consider how best to do so.

Ofwat normally expect companies to adopt the guiding provisions in the course of meeting the objectives. While the provisions are not rigid requirements, company boards should consider and reference them when explaining how they are delivering the objectives.

We apply the principles set out in the Code and Ofwat's Leadership, Transparency and Governance Principles (the 'Ofwat Principles') as required by our Licence. We explain in more detail how we comply with the Code and the Ofwat Principles within the Corporate Governance Report in our Annual Report and Accounts.

Controls, mitigating actions & Improvements	Assurance Finding response	
Mapping of obligations required by the UK Corporate Governance Code against the Ofwat Board Leadership, Transparency and Governance Principles.	For our Annual Report 2020/21 we applied the principles set out in the UK Corporate Governance Code. The Annual Report also explains how we meet Ofwat's Principles on Board Leadership, Transparency and Governance which was included within our Licence from August 2019.	✓
Corporate Governance Report drafted by Company Secretarial team.	A panel chaired by the Legal and Compliance Director was set up to manage the process of creating the Annual Report and Accounts which includes the Corporate Governance Report.	✓
Legal and Compliance Director and Company Secretary acts as the editor to ensure consistency and that all explanations are 'effective, accessible and clear'.	As in previous year's the Legal and Compliance Director acts as the editor to ensure consistency and that all explanations are "effective, accessible and clear".	✓
Licence /regulatory compliance assured by Compliance team.	The Compliance Manager was part of the internal team involved in the Ofwat consultation on Board Leadership, Transparency and Governance and the proposed Licence obligation. The Compliance Manager prepared a Briefing Paper for the Legal and Compliance Director to ensure that all licence and regulatory obligations were identified and complied with.	✓
Review by members of the DCE team and a transparent published verification process involving the Company's Financial Auditor.	There is a continual review process, but a draft was presented to the Dŵr Cymru Executive Team on 25 May 2021. Further verification was undertaken by the company's external auditors KPMG who provided the independent auditor's opinion.	✓

## DCWW Data Assurance Summary 2020/21

Controls, mitigating actions & Improvements	Assurance Finding response	
Final draft critically reviewed by Audit Committee prior to review and approval by the Board, and submission to Members as part of the Annual Report and Accounts.	The final draft was reviewed at the Audit Committee meeting held on 3 June 2021 and approved the same day by the Board.	✓
Any specific requirements relating to the Board Leadership, Transparency and Governance Principles which may be contained in Ofwat’s guidance in their annual information notice (which sets out expectations for companies when producing their annual reporting) is incorporated in the overall Annual Reporting Checklist maintained by the Regulation Team as soon as Ofwat’s guidance is published.	In April 2021 Ofwat published Information Notice 21/01 called “Expectations for monopoly company annual performance reporting 2020/21”. There was guidance in this document on expectations regarding a Board statement on the accuracy and completeness of data. These obligations were subsequently included within the APR Checklist maintained by the Regulation Team. This Checklist is published in the Overview Section of the Annual Performance Report.	✓
We will continue to monitor Ofwat publications and other external guidance, as appropriate, to ensure that we comply with any changes to our reporting requirements.	Our Regulation and Compliance Teams monitor Ofwat publications and other external guidance, as appropriate, to ensure that we comply with any changes to our reporting requirements.	✓

## Methodology Statements

As a business we pride ourselves on being able to provide timely and accurate information to all our customers and stakeholders. This information is provided in many forms and can be complex to produce. We see it as vitally important that we can ensure business continuity if a colleague were to move on or leave the business. With that in mind, we have worked with data owners to produce detailed Methodology Statements (MS) for all our Performance Commitments, CCWater Reports and where appropriate, individual lines reported within our APR.

The Statements are scored using a matrix provided by our Technical Auditor and our target is for all MS to score a 'B' or above. If, after scoring, a Statement scores at 'C' or below then we work with data owners to address where it has fallen short and update the document to address these concerns.

These Statements are held on our internal intranet, Source, and are detailed documents that would allow new or existing colleagues to confidently produce a data item in the absence of the current data owner.

Controls, mitigating actions & Improvements	Assurance Finding response	
Annual review and update of existing MS by individual data owners as part of the APR process.	Information packs containing all relevant information were made available on our dedicated Intranet page for all data owners.  In February/March 2021 all data owners received training. The training was 100% complete and there were no issues of concern.	✓
Reviewed and challenged annually by the Regulatory Data and Reporting Team as part of their due diligence process.	During April and May and prior to the Jacobs' audits, due diligence meetings took place with all data owners. Amongst the matters reviewed were: <ul style="list-style-type: none"> <li>• The application of the appropriate; Methodology Statements and reporting requirements;</li> <li>• Assumptions and judgements; and</li> <li>• Data Commentaries explaining performance by reference to targets and historical data.</li> </ul> Verification checks by reference to previously reported data were also carried out.	✓
Our Technical Auditor reviews MS as part of their annual audits.	In previous reporting years, Methodology Statements had been formally reviewed by Jacobs and were scored using their bespoke risk-based Scoring Framework. Where appropriate, data owners were required to review and update the relevant Methodology Statement, having regard to comments and recommendations received. The application of the Methodology Statements when producing 2020/21 data was an important element of both the internal due diligence checks and the audits conducted by Jacobs' at year end.	✓
Where a Methodology Statement has fallen below a 'B' score, we are working with the data owners to address those areas where the MS has fallen short.	We continue to work with data owners to address areas where we feel Methodology Statements have fallen short. A full review will take place post July 2021.	✓

## Financial Resilience

Our customers need to know they can rely on the services we provide over the long term and ensuring the long-term resilience of our business, including financial resilience, is therefore a key area of focus for us.

As we do not have shareholders (who could provide equity in the case of financial distress), maintaining ready access to low-cost finance is a key part of our not-for-profit ownership model. The benefits of this low-cost finance are then passed on to customers in the form of lower bills.

When the ownership structure under Glas Cymru was established in 2001, a focal element of this financial resilience strategy was to reduce our gearing. Gearing is currently in line with the Board's target of around 60% and the reduction since 2001 has created a strong buffer of financial reserves (standing at £2.4bn at March 2021). Although not a listed company, we adhere to the UK Corporate Governance Code.

Controls, mitigating actions & Improvements	Assurance Finding response	
Financial resilience is embedded in our business planning process; this includes robust risk management controls, financial forecasting and sensitivity analysis, as well as regular budget reviews.	Internal and external assurance feedback on our business planning and risk management controls has been positive, with no material weaknesses identified.	✓
In 2019-20 the Board considered that a period of up to ten years was the most suitable period over which the Board should assess the prospects of the Group (being within the period covered by our current business planning process and covering the next two regulatory review periods, to 2030).	A nine-year period was agreed by the Board at its meeting on 3 June, following review and a recommendation for Board approval by the Audit Committee on the same date.	✓
We have clarity of our current regulatory price controls to 2025 with detailed delivery plans for the period, and we are also considering outline plans for the following price control period to 2030 in the context of our strategic planning document 'Welsh Water 2050'.	The Board approved our 2021 Financial Plan, covering the period to March 2025 in March 2021 (and noted an update for 2020/21 outturn results on 3 June), and has been presented with forecasts which show indicative financial performance through to 2030.	✓
We stress-test our business plan forecasts against a variety of financial scenarios which include the estimated impact of each of our identified principal risks and uncertainties occurring, both individually and together based on the Board's assessment of their likelihood and severity. We also combine the forecast impact of these with high and low inflation scenarios and 'blanket' financial stresses over the period.	At its meeting on 3 June the Audit Committee reviewed the outputs of our going concern and long-term viability assessments and concluded that even in a severely adverse but plausible scenario we do not expect to breach the 85% gearing trigger level set out in the Common Terms Agreement.	✓
The Group operates in a stable sector with predictable cash flows and a supportive regulator; levels of investor confidence have historically been high and likely changes to the regulatory environment and the Group's own principal risks are unlikely to have a material impact on the company's creditworthiness in the foreseeable future.	All funding is in place to deliver the business plan for the remainder of AMP7 (through to March 2025), including allowance for flex to a combination of adverse scenarios over this period; we will consider additional funding sources for future years later in AMP7 and, given the success of our recent bond issue (in April 2021), do not currently anticipate experiencing significant difficulties.  Our credit ratings are among the best in the UK utility sector which means that, in the event of the water sector as a whole being seen as higher risk, our relative lower risk profile would become even more valuable to potential new lenders.	✓
The Group retains robust forecast and actual gearing of around 60%, a strong level of liquidity and ability to raise finance.	Funding available at 31 March 2021 included net cash and short-term deposits of £221m and undrawn bank facilities of £200m, a strong level of liquidity, giving a balance of readily available funding of £421m. This was further strengthened by a £300m bond issue on 9 April 2021.	✓

DCWW Data Assurance Summary 2020/21

Controls, mitigating actions & Improvements	Assurance Finding response	
	Gearing, at 60%, remains in line with the Board's target of around 60% which is deemed the optimal balance for customer value and low-cost borrowing.	
We will enhance the disclosures in our 2021 long-term viability statement to demonstrate greater evidence of financial risks being considered as part of the risk assessment, and we will provide further detail in relation to the scenario testing performed (particularly in relation to how the scenarios tested link to the risks identified and the level of stretch the specific scenarios present).	We have developed a fuller narrative for our 2021 long-term viability statement, including detailed summary of our scenario modelling outputs and the assumptions we have made in arriving at these outcomes.	✓