

2021/22 Data Assurance Summary



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 April 2022, we published [Our Assurance Activities for 2021/22](#). 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 appendix 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.

The following table sets out Our Assurance Framework.

Table 1 – Our Assurance Framework

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

Our data assurance framework is underpinned by four key cornerstones:

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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, Quality and Environment Committee and the Dŵr Cymru Executive (DCE) with additional challenge provided by the Customer Challenge Group (CCG); and
 4. **Transparency and accountability** – we publicly report on our performance and hold ourselves to account where we do not meet our commitments.
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We have an established framework to provide for the effective management of risk. We operate the 'three lines of assurance model' which distinguishes between first line (risks and controls), second line (oversight functions) and third line (independent assurance). This is illustrated below.

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- 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 Internal Audit 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.**
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Our annual regulatory reporting timeline is shown in the diagram below.



We see assurance as part of our continuous improvement programme. More detail on our assessment of risk can be found [here](#).

In the Appendix we explain how the specific controls and mitigation actions set out in [Our Assurance Activities 2021-22](#) were applied and what our findings were.

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

Annual Performance Report (APR)

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 2022.

Controls, mitigating actions & Improvements	Assurance Finding response	
All data within our APR will be subject to our structured three lines of assurance process.	All data had been signed off by individual data owners and their Heads of Service. The Regulation and Finance teams have carried out due diligence meetings and all data owners have attended external assurance meetings. Our Dŵr Cymru Executive checked and approved the final APR before issuing to our Audit Committee and finally, our Board gave us approval to publish at their meeting on 7 July.	✓
Data owners provided with update on APR deadlines.	Information packs containing all relevant information were made available on our dedicated Intranet page for all data owners.	✓
Due diligence carried out by Regulatory team ahead of external audit.	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"> • The application of the appropriate; Methodology Statements and reporting requirements; • Assumptions and judgements; and • Data Commentaries explaining performance by reference to targets and historical data. Verification checks by reference to previously reported data were also carried out.	✓
A Board assurance statement for data contained in the APR.	The Board Assurance Statement can be found in the APR Overview.	✓

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 Performance Commitment. There were no Performance Commitments residing within the red zone (high 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.

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.	✓
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.	✓
A Board assurance statement for performance data contained in the APR.	The Board Assurance Statement can be found in the APR Overview.	✓

Water Resources Management Plan (WRMP)

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.

Controls, mitigating actions & Improvements	Assurance Finding response	
<p>All data is subject to our three lines of assurance process.</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 dWRMP24 Jacobs have reviewed the approaches that we and our consultants have taken in producing each component. From the audit sessions Jacobs have identified only one medium-high risk process element, this being the demonstration that the WRMP24 programme of schemes provides 'Environmental Net Gain'. This will be completed prior to September submission of the draft Plan to Welsh Government.</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. 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 WRMP24:</p> <ul style="list-style-type: none"> • Atkins; • Wood; • Ricardo; • ARUP; • HR Wallingford; • Decision Lab; • Jacobs; and • Artesia. 	<p>✓</p>
<p>Sign off by our Board.</p>	<p>The Board have approved the publication of the draft WRMP24 for public consultation in September.</p>	<p>✓</p>

Water Resources West Regional Water Resource Plan

In addition to the WRMP, 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	
A joint assurance framework is being finalised in conjunction with United Utilities, South Staffs and Severn Trent Water.	A senior member of the DCWW Regulation team sits on the WRW assurance group to ensure consistency of approach between companies and the Region. The assurance on the WRMP24 provides assurance for the elements of the WRW Plan from DCWW. Consistency has also been maintained as Jacobs have been appointed to undertake assurance on Water Resource West submission.	✓
All submissions will be subject to our three lines of assurance.	As with the WRMP24, external consultants employed to undertake the technical assessments have their own internal systems of quality assurance. Members of the Water Resources Team sit on the Senior Steering Group of Water Resources West to provide technical overview and sign off for WRW submissions MD Water Services sits on the WRW Directors Group to provide final signoff for Plan submissions.	✓
All submissions will be subject to our Governance processes.	The WRMP output feeds directly into the WRW submission and so this information is subject to our internal assurance processes and receives final approval from DCWW Board.	✓

Environmental Social Governance (ESG) Reporting

ESG reporting refers to the disclosure of data covering a company's operations in three areas: environmental, social and corporate governance. It provides a snapshot of the business's impact in these three areas for investors, customers and wider stakeholders. Our Strategy was approved by our ESG committee in February 2022 and it includes 10 key objectives to support our focus on Environmental, Social and Governance issues in the context of our Long-Term Strategy, Welsh Water 2050 and the 18 Strategic Responses in that document and is available to view [here](#).

Controls, mitigating actions & Improvements	Assurance Finding response	
Board established ESG committee to develop strategy and monitor performance.	In June 2021, the Board established an ESG Committee to oversee our ESG strategy and reporting. In March 2022, the Board resolved to support the Ten Principles of the United Nations Global Compact on human rights, labour, environment, and anti-corruption.	✓

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.

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 2021/22 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.	✓

Task Force on Climate Related Financial Disclosures (TCFD) Reporting

The TCFD has been tasked by the G20 to bring reporting and disclosure of climate related financial risks and opportunities into the mainstream. From 6 April 2022 we will need to disclose climate related financial information in line with recommendations from the TCFD. We are currently developing this report to meet the requirements of the TCFD.

Controls, mitigating actions & Improvements	Assurance Finding response	
External independent assurance will be provided to confirm that our report, when complete, meets the requirements of the TCFD.	Between February and April 2022, we worked with the consultancy firm, Jacobs, on an exercise to support the disclosures made in accordance with the recommendations made by the Task Force on Climate-related Financial Disclosures.	✓
The report will be published within our Annual Report and Accounts and will be subject to stringent governance.	The report was published in our Annual Report and Accounts which can be viewed here .	✓

Combined Storm Overflow (CSO) Data

We have a combined sewage system made up of thousands of kilometres of sewers. This means that clean rainwater and wastewater from toilets, bathrooms and kitchens are conveyed in the same pipe to a sewage treatment works.

Combined storm overflows (CSOs) were developed as overflow valves to reduce the risk of sewage backing up during heavy rainfall. During certain conditions (exceptional rain) the Environment Agency (EA)/Natural Resources Wales (NRW) allow through a water companies permit that CSOs can discharge to a watercourse to reduce the risk of back up and flooding people's homes.

The EA and NRW are the Regulators and ensure that water companies are closely monitoring and reporting back on their discharge activity. This data is helping to understand where the system is not operating as it should, so that water companies can target investigations and investment.

Controls, mitigating actions & Improvements	Assurance Finding response	
Regular liaison with EA/NRW to ensure we are operating in line with our permits.	Quarterly meetings have taken place with the EA, NRW and DCWW at the All Wales Ops liaison meeting. Biannual meetings have occurred with EA, NRW and DCWW on the Flow compliance Strategy and Programme.	✓
We have a Performance Commitment that challenges us to improve the risk of flooding for our customers and this is reported within our Annual Performance Report (APR). This is subject to our three lines of assurance.	We have published our APR alongside this document. The APR was subject to our three lines of assurance process and was signed off by our Board. Progress against our Performance Commitments is shown in part 3 of the APR.	✓

Environmental Performance Assessment (EPA)

The Environmental Performance Assessment is a basket of measures, which help to identify how well we protect the environment and include whether we are meeting our environmental permit conditions and how many serious pollution incidents have occurred. Natural Resources Wales collect data from their own regulatory activities and from us on how we have performed against the measures.

Controls, mitigating actions & Improvements	Assurance Finding response	
All data is subject to our three lines of assurance process.	All data had been signed off by individual data owners and their Heads of Service. The Regulation and Finance teams have carried out due diligence meetings and all data owners have attended external assurance meetings.	✓
Sign off by our Dŵr Cymru Executive team.	Data was signed off by our Dŵr Cymru Executive team.	✓

PR24

Every five years, Ofwat sets limits on the prices which each water company in England and Wales can charge to their customers and sets the performance targets that they must achieve. This process is known as a price review. Ofwat is currently working on the price review for 2024 (PR24) that will cover the prices, investments and service levels for the period 2025 to 2030. Revenues are set to enable companies to deliver the services required of them over the period, including allowances for maintenance of assets, ensuring security of supply, meeting drinking water and environmental quality requirements, and covering the costs of financing the business.

It is vital for the business that we prepare a sound regulatory business plan for submission to Ofwat as part of the price review, to ensure that we secure the required investment to provide a resilient service to customers and the environment over the long-term. Our assurance framework therefore includes measures to ensure that the preparations for the price review are on track for delivery.

Controls, mitigating actions & Improvements	Assurance Finding response	
Board ownership of and involvement in the development of the Business Plan.	Board Strategy days in November 2021 and November 2022 are focused on the PR24 Business Plan. Interim sessions with Board are planned on a variety of topics to ensure Board ownership of the development of the plan. Further sessions will be planned for 2023.	✓
Robust programme management and governance arrangements in place.	A PR24 Steering Group has been formed and meetings currently take place monthly. It reports on progress to DCE monthly. A forward plan for papers to be prepared for DCE and Board is agreed and subject to change control. Detailed programme plan has been developed and is being used to track deliverables.	✓
Ensuring we have best available information on Ofwat's approach, methodology and requirements for company business plans.	Attendance at Ofwat workshops on given subjects. Regular liaison meetings with Ofwat Director for Wales. Tracking and responding to Ofwat consultations.	✓