

Statement of Risks, Strengths and Weaknesses and Draft Assurance Plan 2017/18



Contents

1	INTRODUCTION	4
1.1	About this document	4
1.2	How to respond.....	5
2	BACKGROUND AND CONTEXT	6
3	OUR APPROACH AND WHAT WE ARE TRYING TO ACHIEVE.....	7
4	OUR APPROACH TO DATA ASSURANCE	8
4.1	Robust assurance principles.....	8
4.2	Clear ownership and accountability.....	9
4.3	Effective governance.....	9
4.4	Transparency and public accountability	10
5	OUR COMPANY CULTURE	11
6	THE IMPORTANCE OF STAKEHOLDER ENGAGEMENT.....	13
7	RISK ASSESSMENT PROCESS AND EVALUATION OF RISKS, STRENGTHS AND WEAKNESSES	14
7.1	Our assessment of data quality risks	14
7.2	Results of assessing the impact of data quality risks	14
7.3	Method of assessing the probability of data quality risks	15
8	STATEMENT OF RISKS, STRENGTHS AND WEAKNESSES.....	16
8.1	Developer Services	18
8.2	Business Retail Market.....	19
9	DRAFT ASSURANCE PLAN.....	21
9.1	Annual Performance Report 2017/18.....	21
9.2	Performance Measures (Outcome Delivery Incentives)	23
9.3	Segmental Reporting.....	24
9.4	Charges Schemes	25
9.5	Website Publications.....	26
9.6	New Areas included	28
9.6.1	Cost Assessment data	28
9.6.2	Price Review 2019 Business Plan and associated submissions	30
9.6.3	Bioresources Market Information.....	32
9.6.4	Water Resource Management Plan and Market Information	33
9.6.5	Statutory Financial Reporting.....	35
9.6.6	Natural Resources Wales – Compliance Tables (MD109)	36
9.6.7	Payment Policies, Practices and Performance	38
10	NEXT STEPS.....	39
	APPENDIX 1 Impact and Probability Risk Matrix – Performance Measures	40
	APPENDIX 2 Impact and Probability Risk Matrix – Cost Assessment Tables.....	41
	APPENDIX 3 Impact and Probability Risk Matrix – Other Activities.....	42

Who we are

Dŵr Cymru Welsh Water (DCWW) is the sixth largest of the ten regulated water and wastewater companies in England and Wales. Our primary responsibility is to deliver safe and reliable drinking water and sanitation to the 3.2 million people we serve across most of Wales, Herefordshire and parts of Deeside. We provide an essential public service and, as custodians of the water industry in our area, we are responsible for protecting the environment and delivering a high quality and reliable service to our customers.

Our vision

Customers must be able to trust that the essential services we deliver are safe and of the highest standard. We know that we are relied upon to do the right thing on their behalf. This is why we put customers first. They are at the heart of everything we do.

We will earn the trust of our customers every day by delivering high quality essential services that protect our customers' health, our communities and the environment around us.

Our values

We are proud to put our customers first. We strive for excellence in all that we do. We are always open to new ideas and challenge ourselves to discover better ways of working. We are safe in everything that we do and never cut corners. Being honest, even when things are difficult, means our colleagues and customers can always trust us to do the right thing. By living these values, every day, we will earn the trust of our customers.



1 INTRODUCTION

1.1 About this document

The purpose of this document is to set out and seek views on our Statement of Risks, Strengths and Weaknesses associated with the assurance of regulatory reporting and the Draft Assurance Plan we intend putting in place to manage and mitigate such risks as have been identified.

Our overall aim is to ensure that the data and information we publish is accurate and reliable. Underpinning this is an assurance framework which contains a number of features, notably a corporate culture and governance regime that facilitates the processing of high quality information to the level our customers and other stakeholders expect. We continue to engage with our key stakeholders to understand the information they use and rely on so that we can tailor our assurance activities accordingly.

We also strive to ensure our documents are written in a format that is easy for our customers and stakeholders to understand, and we continue to strive to [“earn the trust of our customers everyday”](#).

This is the third occasion we have published and consulted on a Statement of Risks, Strengths and Weaknesses. On each of the previous occasions we have used the feedback received from stakeholders to develop a Draft Assurance Plan and have then consulted further before publishing the Final Assurance Plan. This year we are consulting on both the Statement of Risks, Strengths and Weaknesses and the Draft Assurance Plan simultaneously. In this context, we have had regard to past comments received from key stakeholders which has helped inform changes and allowed us to develop best practice. We have also extended the scope of the assurance activities to embrace reporting associated with other areas such as the Price Review and regulatory submissions that promote market development in Bioresources (also known as sludge) and Water Resources activities.

In our Statement of Risks, Strengths and Weaknesses we identify the risks that could affect our ability to provide information that our customers and stakeholders can trust and rely upon.

Our Draft Assurance Plan sets out the actions we believe are necessary to address such risks and weaknesses as we have identified.

We are asking customers and stakeholders for their views on both the Statement of Risks Strengths and Weaknesses and the associated Draft Assurance Plan. The feedback received will be used to shape our Final Assurance Plan, which we intend publishing in March 2018.



1.2 How to respond

We welcome customer and stakeholder comments. In particular, we are interested in getting your views on the following:

CONSULTATION QUESTIONS	
Q1.	Do our plans cover the information that is important to you and will the planned assurance give you confidence that our information will be accurate and complete?
Q2.	Is there any further information that you feel could be provided that would help build stakeholder and customer confidence and trust in the company?
Q3.	Is this document easy to read and understand and is there any way we could improve it?

We would welcome your responses by **12 January 2018**.



Responses can be sent to assuranceplanconsultation@dwrcymru.com



or by post to:

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Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with access to information legislation – primarily the Data Protection Act 1988 and the Environmental Information Regulations 2004.

If you would like the information you provide to be treated as confidential, please explain to us why you think that this is the case. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that we can maintain confidentiality in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on us.

2 BACKGROUND AND CONTEXT

In the summer of 2018 we will publish our Annual Performance Report (APR) for 2017/18. This will be along the lines of reports we have published in previous years. The report will allow stakeholders to assess how we have performed against those Measures of Success that are regarded by our customers as being the most important (the “Performance Measures”). The targets for the Performance Measures were agreed with customers as part of an extensive customer engagement exercise carried out when we were preparing our business plans for the 2015-20 period.

It is important that we provide information to customers and stakeholders that is customer-led, accessible, clear, accurate, transparent and timely. Our ongoing objective therefore is to make available information that is easy to follow and navigate and which enables them to understand how we are performing. We also recognise that this helps build trust and confidence in the business.

The Customer Challenge Group (CCG) provides additional independent review, and information is shared regularly with the CCG to enable them to challenge progress in delivering our performance commitments. We will continue to work with the CCG to develop our performance reporting to ensure it meets the expectations of customers and other stakeholders.

A key element of the Company Monitoring Framework (CMF) is the level of assurance Ofwat requires in addition to companies’ own assurance proposals. We are awaiting Ofwat’s third annual assessment to see whether companies should move between the following three categories:

- “self-assurance”, a company uses its own discretion to provide assurance beyond the common assurance requirements;
- “targeted assurance”, a company loses discretion on some areas of assurance beyond the common assurance requirements; or
- “prescribed assurance”, a company loses discretion on many areas of assurance beyond the common assurance requirements.

In its November 2016 assessment, Ofwat determined that DCWW should remain in the “*targeted assurance*” category.

In arriving at its assessment, Ofwat concluded that we had demonstrated that we are able to deliver accurate and reliable information that gives stakeholders trust and confidence and stated that “*we were pleased with much of what we saw in Dŵr Cymru’s publications*” and “*Dŵr Cymru has met our expectations in most aspects of assurance*”.

On receipt of Ofwat’s CMF assessment (which is expected by the end of November 2017) we will review the assessment and, if appropriate, we will explain in our Final Assurance Plan how we intend addressing any observations contained within this document.

To allow us to develop a “targeted” assurance plan, we have therefore undertaken a reporting risk assessment for all relevant data that will be contained in the APR and other key documents. This was an important exercise and formed the basis of the Statement of Risks, Strengths and Weaknesses.

3 OUR APPROACH AND WHAT WE ARE TRYING TO ACHIEVE

The reliability and accuracy of data is a matter of great importance to us and this is an opportunity to build on what we have had in place for some time. We have retained many of the processes and initiatives, such as quality assurance of data, due diligence, training and process mapping which have in the past served the business well.

We have an audit and assurance framework in place designed to allow the systematic monitoring and evaluation of the various aspects of our performance to ensure that standards of quality are being met. This involves having appropriate governance arrangements, close involvement by our Board in the assurance process, and the right level of independent review by way of third party scrutiny and challenge. This provides assurance to our Board, stakeholders and customers and gives legitimacy and certainty as to the level of performance and service that we are delivering.

The information that we publish on our performance will be assured to maintain and build a high level of trust and confidence from our customers and stakeholders. Adopting a risk based approach to assurance, and using both internal and external review, provides robust challenge and scrutiny of our performance.

Our risk based assurance approach examines our end to end reporting processes to identify the risks, strengths and weaknesses associated with providing information that is of a high quality and which customers and stakeholders trust. It also examines the probability of these risks materialising and the potential impact that they may have. This ensures that we focus on the areas which would have the highest impact and allows us to take action to monitor and actively manage any relevant risks.

The approach we have followed is based on the methodology set out by Ofgem, which was developed to provide guidance on best practice for conducting and reporting risk assessment and data assurance activities in order to ensure complete, accurate and timely data is submitted. Our approach was independently reviewed and endorsed by KPMG in August 2015 who concluded that:

- We have a good understanding of Ofwat's requirements and our policy documents and risk mapping documents cover all the necessary bases; and
- Our Data Assurance Plan (based on the methodology set out by Ofgem) is appropriate.

In previous years, we have used this approach for evaluating the risks, strengths and weaknesses associated with reporting performance against those Performance Measures contained within the 2014 Final Determination (FD14) and which have been included in our APR.

In 2016/17, we identified a number of new activities which we felt should be included in our assurance activities. These included Developer Services, Charges Schemes and Website Publications. We have re-evaluated these and have either updated the appropriate risk assessment or propose that we remove those where we believe that the risk has been fully addressed. We will have regard to any further feedback from our customers and stakeholders on this approach.

With the new requirement to include Cost Assessment data within the APR, we have used the same Ofgem framework to risk assess the various data sets and evaluate the associated strengths and weaknesses.

In other areas, e.g. Bioresources / Water Resource Marketing Information and PR19 activities, we have adopted a risk based approach and tailored our assurance activities to reflect our assessment of inherent risks and the controls in place to manage and mitigate these risks.

4 OUR APPROACH TO DATA ASSURANCE

Within the business we have well-established governance and accountability processes. Our proposed Assurance Plan for 2017/18, continues to build on the solid foundation established over recent years.

Our data assurance framework is underpinned by four key cornerstones:

- Robust assurance principles – we operate a ‘three-lines of assurance model’, targeted at areas of greatest risk;
- 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;
- Effective governance – we are subject to scrutiny by our Board, Audit Committee and the Dŵr Cymru Executive (DCE) with additional challenge provided by the CCG; and
- Transparency and accountability – we publicly report on our performance and hold ourselves to account where we do not meet our commitments.

4.1 Robust assurance principles

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 in Table 1 below.

Table 1: Three lines of assurance model

Line	Area	Role	Type of Activity
1 Risks and control:	Business Operations	Delivery of service and performance	<ul style="list-style-type: none"> • Providing source information.
	Business Management	Monitoring and reporting performance	<ul style="list-style-type: none"> • Defining and documenting methodologies and processes. • Identifying material changes to systems and processes. • Implementing quality checks and reviews. • Reporting performance information.
2 Oversight functions:	Regulation, Finance, General Counsel, Compliance	Define policy and provide the enabling framework for regulatory reporting	<ul style="list-style-type: none"> • Developing an assurance framework. • Reviewing performance information submitted. • Monitoring delivery of obligations. • Reporting to Board. • Implementing quality checks and reviews. • Providing advice, guidance and support.
	Board, Audit Committee, Quality and Environment Committee, CCG	Scrutiny and challenge	<ul style="list-style-type: none"> • Reviewing performance information submitted.

Line	Area	Role	Type of Activity
			<ul style="list-style-type: none"> Monitoring the implementation of improvement plans. Reviewing risk profile.
3 Independent Assurance:	Business Assurance, external assurance providers	Independent review of levels of assurance proved by first and second Lines	<ul style="list-style-type: none"> Reviewing methodologies and processes. Reviewing application of methodologies and processes. Providing an opinion on the integrity of data. Reviewing appropriateness of the assurance framework.

We see assurance as part of our continuous improvement programme. The first and second line activities are undertaken throughout the year, providing clear visibility of potential areas of risk. We deploy external third line assurance at relevant points during the year, much of which is brought together and culminates in our year-end financial and performance reporting.

4.2 Clear ownership and accountability

Strong personal and collective ownership is critical for ensuring the accuracy of the information we produce, driving improvements and means that we are able to hold ourselves to account. Regular internal performance reporting to the DCE monthly and Board (at every meeting), and performance reporting to the CCG, reinforces this culture of ownership and accountability. Every year, we refresh our compliance framework to ensure that individual accountabilities are linked to our regulatory and statutory obligations. We also operate a rigorous process of sign-off for regulatory data contained within the APR, including sign-off by the data owner, the responsible senior manager (where appropriate) and the accountable director. This is in addition to our Board governance arrangements.

Our ‘three lines of assurance model’ ensures that there is clear separation of accountabilities between those responsible for delivery of a performance commitment or a regulatory/statutory obligation and those responsible for ensuring the integrity of that data. This delineation is mirrored in our governance arrangements.

4.3 Effective governance

We are continually reviewing our governance arrangements to ensure that we remain compliant with future changes to the UK Corporate Governance Code. In particular, we have made sure that the code that we have in place reflects our performance reporting principles and governance arrangements and delivers:

- transparency in our reporting so as to meet or exceed the standards set out in the Financial Conduct Authority’s Disclosure and Transparency Rules; and
- appropriate challenge by our Board by making sure they have the appropriate balance of skills, experience, independence and knowledge of the company.

Our Assurance Plan provides for governance of our performance commitments and other external reporting with a clear delineation of accountabilities and has the following key features:

- The Board's role is to meet its obligations to the company's stakeholders. It reviews performance in light of the company's strategic objectives and business plan commitments – ensuring that any necessary corrective action is taken;
- The Board's Audit Committee assists the Board in discharging its responsibilities for the integrity of the company's financial statements, the assessment and effectiveness of internal controls for both financial and non-financial data and the effectiveness of internal and external auditors; and
- The CCG provides independent external challenge of both our performance against our commitments and any supporting information we provide on it.

4.4 Transparency and public accountability

Our Vision is to earn the trust of our customers every day and we are committed to being open and honest in all our communications and performance reporting. All communications are based on transparency, integrity, accessibility and timeliness. Our information and reports go through many levels of checks before they are included in our core publications, and this includes peer reviews, senior manager approval and review by the DCE or the Board as required. This year, we will continue to hold ourselves to account with the publication of our 2017/18 APR which will incorporate Ofwat's reporting requirements.



5 OUR COMPANY CULTURE

Our approach to data assurance leads us to consider risks associated with processes and identify specific controls that are in place to manage or mitigate those risks. However, it is important to remember that these controls do not operate within a vacuum and take place within an organisation with its own culture and governance which itself provides a level of reassurance for many risks.

The culture of our company is defined by the values we adopt and the knowledge, skills and attitudes of our employees. We have made it our Vision to earn the trust of our customers every day. It is vitally important that we act responsibly as individuals and as a company at all times — not only when we are required to do so by law, but also generally, in our working lives.

We are committed to ensuring that we give our employees the tools to do their job, which is why we invest in many internal development schemes.

We work in an environment where managers do not hide away in offices and there is an open door policy at all times, so if a colleague has a question, they will always be able to get an answer. This enables us to build closer working relationships, accessibility and an open flow of communication.

Our culture is a cornerstone of the data assurance process and is based on shared values and beliefs. It helps shape the way we conduct our everyday business and ensures we always strive to “do the right thing”. Because of its importance, company culture is sometimes described as a layer of control even preceding the first line of assurance against inaccurate information. Maintaining a positive culture is important to us because:

- everyone is aware of the expectations regarding high quality information;
- other controls will focus on checking and correcting errors, but in a positive corporate culture, errors are less likely to arise because individuals create, record and transmit information completely and accurately as part of the way they work;
- other controls are laid over the top of the information-reporting process, but cultural controls are embedded within it;
- other controls might be occasional or periodic, but culture is ongoing and permanent; and
- everyone knows that they can be honest about data errors.

Corporate governance is the system of rules, practices and processes we put in place to run our business effectively, ensuring that we meet our legal and regulatory obligations and effectively manage our risks. Good governance is fundamental to all of our activities; it helps to build the trust of our customers and other stakeholders and aids effective decision making.

Culture is much more about people than it is about rules. We see our Code of Conduct as a baseline; a culture is created by what we do rather than what we say.

In terms of data assurance, we consider that the following features of our culture and governance framework are key strengths:

- Two of our six corporate Values are “trusted to do the right thing” and “excellence in everything we do”. These apply to the handling of information as much as any other process;
- We expect all our managers to be “honest and trustworthy” and “act with integrity” at all times. These behaviours are written into our Corporate Behaviours Framework;
- Our employees understand and appreciate the value attached to data quality and the processes used to generate the data. The Regulation Department provides advice and guidance in the form of Information Packs and appropriate training sessions;

- Our Corporate Behaviours Framework actively encourages colleagues to “have the confidence to raise any concerns” about inaccurate information or suggest improvements to existing processes that will improve data quality. The options available to colleagues wishing to raise any concerns are detailed in our “Whistle Blowing” procedure;
- Reviews of performance are conducted regularly throughout the company from Board level to individuals. This includes those carried out by the Board, the Audit Committee, the Chief Operating Officer, the Quality and Environment Committee and the DCE team;
- The Technical Auditor (Jacobs) carries out a formal review and certification of all Performance Measures and a selection of other regulatory data and provides a detailed report commenting on compliance with procedures and relevant regulatory reporting requirements and highlights any issues with the reported figures. This includes checking the source of data, compilation of the data including the process of any extrapolation and assessing the adequacy of reported data. In addition, the Technical Auditor reviews and scores all of our Methodology Statements which exist for all of our key measures and other relevant regulatory data;
- Ahead of the publication of the APR, the internal Business Assurance team carry out a high level audit and evaluation of the systems in place on the reporting framework within DCWW and review the effectiveness of the system of risk management, control and governance;
- A programme of internal audits is approved and overseen by the Audit Committee to assess the adequacy of control, governance and risk management processes. The results of these audits are reported to the Audit Committee, which ensures that actions arising from internal audits are completed on a timely basis;
- Some of our key stakeholders also carry out audits and scrutiny of our data. For example, Natural Resources Wales carry out an annual audit on our Operator Self-monitoring data for sewage treatment works. CCWater also conduct regular assessments of our process for dealing with written complaints from customers and review our debt process;
- We have a well embedded risk management process that identifies, assesses and manages our risks. All colleagues play a part in risk management. Individual teams within the business take responsibility for managing risks within their areas of responsibility. These are discussed every month at a meeting of the DCE. DCE’s update on strategic risks affecting the business is reviewed at every Board meeting;
- Robust financial control monitoring processes provide assurance that our key financial controls are operating effectively and that we can trust the financial information produced by our accounting system; and
- Our Integrated Management System, which has certification to various ISO Standards, has been established to reinforce the management of risks and opportunities associated with many areas of our business and compliance with regulatory and legislative obligations. Audits of compliance with this system are conducted both internally and by our third party certifiers (BSI).

6 THE IMPORTANCE OF STAKEHOLDER ENGAGEMENT

Key to the CMF is the assurance we undertake at each stage of the process and how we engage with key stakeholders to ensure the information we provide is helpful and relevant for their needs.

We have considered the consultation feedback we received on our 2016/17 Statement of Risks, Strengths and Weaknesses and the 2016/17 Assurance Plan. Stakeholders agreed with the targeted areas we had identified and did not identify any additional areas. They were also supportive of our approach to assurance and did not identify any gaps in either document and we have had regard to the discussions and comments in formulating this document.

The CCG helps ensure that current and future customers are at the heart of the way we operate. We are committed to working with the CCG to ensure they are able to challenge the company and provide an independent view on the quality of our customer engagement and the extent to which the results of this engagement drive decision making.

We have an established [Stakeholder Engagement Protocol](#) which forms the basis of our engagement with stakeholders.

We have regular dialogue with key stakeholders, and as part of an ongoing programme of engagement, we have either met or have meetings arranged. This is an opportunity to answer any questions they may have on this consultation document.



7 RISK ASSESSMENT PROCESS AND EVALUATION OF RISKS, STRENGTHS AND WEAKNESSES

7.1 Our assessment of data quality risks

Risk is defined as an uncertain future outcome that, if it occurs, will have negative effects on the quality and reliability of published information. A Risk is specified by the combination of the probability of it occurring and a measure of the impact should it occur. Risk relates to the level of expectation that inaccurate or incomplete data will be submitted to our stakeholders in the future and the possible consequences.

The overall Risk profile for regulatory data contained within the APR is determined by assessing both the probability of it containing an error and the impact this error would have on the business. The resultant Risk Matrix therefore comprises two component metrics – the Impact Metric and the Probability Metric. The Total Risk Rating assigned is a combination of both metrics.

The probability element of Risk is proxied by the Probability Metric and the impact element of Risk is proxied by the Impact Metric. The Impact and Probability Metrics are defined as follows:

- **Impact Metric:** a measure to represent the impact of an identified Risk materialising. It relates to the expected impact that inaccurate or incomplete data could have on stakeholders, our finances, our reputation and our coverage in the media. It is scored by assessing each performance data measure against the specified impact categories; and
- **Probability Metric:** a measure to represent the probability of data being incomplete or inaccurate. It is scored through the evaluation of the processes for data collection, reporting and the related control systems and processes.

7.2 Results of assessing the impact of data quality risks

The Impact Metric has four ratings, 1 to 4, with 4 denoting the highest level of adverse impact and 1 denoting the lowest level of adverse impact that would arise (in a realistic worst-case scenario) due to the use of inaccurate or incomplete data.

To calculate the Impact Metric we use the following three categories and score on a scale of 1 to 4:

- Financial;
- Reputational (including Media coverage); and
- Stakeholders.

To calculate an overall impact score for a Performance Measure, we take the highest score of all impact categories. We interpret the impact assessment as being the associated impact of inaccurate or incomplete data and not the impact associated with poor performance that the data might reveal. In doing so, we assume a “realistic” worst-case scenario.

7.3 Method of assessing the probability of data quality risks

The Probability Metric has four ratings, from 1 to 4, with 4 denoting the highest probability and 1 denoting the lowest probability of inaccurate or incomplete data. There are seven categories that are scored for each Performance Measure in order to calculate its probability score. These are:

- | | | | |
|----|---|---|-----------------------------|
| 1. | I1. Complexity of data sources | } | Inherent Probability |
| 2. | I2. Completeness of data set | | |
| 3. | I3. Extent of manual intervention | | |
| 4. | I4. Complexity and maturity of reporting rules | | |
| 5. | C1. Control activities | } | Control Frameworks |
| 6. | C2. Experience of personnel | | |
| 7. | C3. Evidence of historical errors with this data | | |

I1 to I4 reflect the inherent (I) probability of error where no additional controls (on top of general system or process controls) are used to reduce Risk.

C1 to C3 reflect the control (C) framework in place to reduce the probability of error. Combining these gives the overall probability of error, taking into account any controls that are in place.

The overall probability score ranges from 1 to 4 and, all other factors being constant, high inherent Risk or a weak control environment should result in a higher Risk score. Low inherent Risk or strong control environment should result in a lower Risk score.

We might expect to see greater variation between Performance Measures in the Probability Metric Scoring than we would expect for Impact Metric Scores. This is because each Performance Measure will have different reporting systems, processes, and control environments for reporting data.

This is a rigorous process and is one which we have applied to each of the Performance Measures contained within FD14, plus a number of other performance metrics which we believe our customers and stakeholders regard as important. The outcome is summarised in the Impact and Probability Risk Matrix in Appendix 1.

Ofwat has indicated that from 2017/18, Cost Assessment data that will inform its future market and price setting work (known as “Water 2020”) should be included in companies’ APRs. This year, therefore, a similar risk based approach has been adopted for Cost Assessment data and details of the outputs of this exercise are contained in the Impact and Probability Risk Matrix in Appendix 2. This data will be reported in the 2017/18 APR, due to be published in July 2018.

With regard to other key documents and discreet parts of the business which involve data reporting, e.g. Price Review and Market Information, we have undertaken a high level risk assessment of each area. This involves following an exercise which determines the overall profile of the particular data quality risk by reference to the probability of the risk occurring and the likely impact on the business. The results of this exercise are summarised in the Impact and Probability Risk Matrix in Appendix 3.

8 STATEMENT OF RISKS, STRENGTHS AND WEAKNESSES

We believe that our approach to risk assessment, governance and assurance works well and see this as a key strength in our system of reporting.

The result of this year's exercise was that the risk profile for each of the seven targeted Performance Measures identified in the 2016/17 assessment was the same, i.e. they remained in the 'low-medium' category (see the Impact and Probability Risk Matrix in Appendix 1).

This was as expected as the particular performance measures are:

- naturally complex and require subjective judgement;
- reliant upon data that is derived from external sources; and/or
- significant in terms of financial penalties in the event of performance falling short of the FD14 targets set.

In relation to data assurance, the important role that the Technical Auditor plays has already been outlined on Page 12.

In their 2016/17 Annual Performance Report Assurance Report, the Technical Auditor concluded as follows: *"Overall we note that you have a good level of documentation and robust processes in place to produce your MOS performance data"*

For all Performance Measures, the Technical Auditor will undertake the following:

- Analysis of management controls, governance, independent review and oversight, audit coverage, impact, inherent risk and controls for each measure;
- Review of the methodology used and the adequacy of methodology documentation;
- A check that the methodology actually used conforms to Methodology Statements;
- A check on the sources, adequacy and completeness of data used for the analysis;
- Audits of the reported numbers to check that these are consistent with the base data and have been correctly compiled from it;
- Confirmation that the establishment of robust and transparent audit trails; and
- Recommendations that are aimed at improving assurance, if necessary.

Consequently, and subject to any feedback received from stakeholders, we do not intend targeting any of the seven performance measures falling within the 'low-medium' category as we believe that the assurance applied by the Technical Auditor and described in the paragraph above is sufficiently robust.

As regards the Cost Assessment data (which will be reported in the APR) we have used the Ofgem model described above, and undertaken a regulatory risk assessment on the 26 tables that were contained within the separate Cost Assessment data return submitted to Ofwat in July 2016. The Impact and Probability Matrix in Appendix 2 summarises the position.

We continue to keep our processes and procedures for reporting accurate information under review.

Our re-evaluation of the additional data activities that merited inclusion in last year's Assurance Plan resulted in two activities not warranting continued targeting. We now consider we can demonstrate appropriate strengths in these areas. The appropriate controls and mitigation actions relevant to these areas will continue to apply. Further details are provided in paragraphs 8.1 and 8.2.

Our challenge is to provide information for customers and stakeholders that is reliable, timely and appropriate. As part of this process we have identified a number of new activities that merited consideration within our risk, strength and weakness analysis.

These activities, together with the activities remaining from last year's Assurance Plan, are contained within the Impact and Probability Risk Matrix in Appendix 3.

The results from our risks, strengths and weaknesses exercise allowed us to develop a targeted Draft Assurance Plan for 2017/18. As in previous years, the Draft Assurance Plan includes a wide variety of controls and mitigating actions designed to ensure that stakeholders can trust the information we publish. In section 9 of this document we set out the ongoing or planned activity to mitigate such risks and weaknesses as have been identified so that stakeholders can have trust and confidence in the accuracy and completeness of our published information.



8.1 Developer Services

The Water Act 2014 introduced new obligations in relation to the services we offer to developers. We also voluntarily report our performance (along with other water companies), so that customers can compare the standard of service they receive from us in context with the rest of Wales and England. We report against a set of standards that developers can expect to be applied in relation to the provision of infrastructure for all types of new development including housing.

Some metrics are “performance” metrics and are published on the Water UK website quarterly. Other metrics are “information” metrics and will not be published. These are collected purely for the industry to ascertain developer performance or to gain a better understanding of the relative types of workload.

Controls and mitigating actions

- Levels of Service Data Collection Manual developed.
- Methodology Statements for all metrics.
- Significant majority of the processes supporting Levels of Service are controlled, monitored and reported through SAP with, for example, automatic time/date stamping.
- Monthly reviews by the Business Performance and Improvement Manager of data prior to monthly submission. Any revisions to data input are reported to the Head of Wholesale Business.
- Service failures are captured and form part of a review with respective team managers to establish the root cause of failure and develop best working practice to avoid repeat failures.
- A monthly merged report is sent to framework contractors to verify data.
- Data is reported monthly to the DCE, the Chief Operating Officer and the Board.

Improvements made

- Since the publication of last year’s Assurance Plan, CH2M (Halcrow Management Services) has undertaken a comprehensive audit of compliance and reporting by each water company. The audit confirmed that DCWW’s *“governance, overall management and highly reliable records of the Developer Services processes are extremely robust”* and called DCWW a *“model company”*. The audit did not identify any non-compliance but, as part of our continuous improvement programme, work to enhance our compliance assurance is ongoing.

In light of the above, and the positive assurances by the independent Halcrow Management Services, we now consider that we have sufficient strength in this area and, subject to the views of our stakeholders, we do not consider that this area warrants specific targeting in our 2017/18 Final Assurance Plan.

8.2 Business Retail Market

The Water Act 2014 introduced a new framework of retail competition for non-household customers. Our Licence Condition R2 – Retail Market Opening, placed a requirement on us to be ready for the opening of the business retail market to competition in April 2017. The processes we have in place will remain part of our assurance framework so allowing business customers to have a high degree of confidence in any performance data we publish.

From April 2017, non-household customers in “England” have been able to switch their supplier of water and sewerage retail services. The Welsh Government decided not to change the 50Ml per year usage threshold for retail competition in DCWW’s (and Dee Valley Water’s) region. There is therefore no competition for retail services of wastewater/sewerage in these two regions. Competition in DCWW’s region is restricted to around 120 sites and for water only. However, those sites are also users of non-competitive wastewater services. Most are also part of corporate groups with sites open to water and waste retail competition in “England” and with smaller sites which are not open to water retail competition in “Wales”.

Key stakeholders, such as Ofwat, Defra, and Market Operator Services Limited (MOSL), require assurance that market participants and the systems and process to support the open market are fully tested.

Open Water is the name of the programme that brings together these key stakeholders with the relevant water companies to oversee the design and delivery of the new market. An assurance framework which sets out the areas where formal assurance is required to support decision making is in place. The underlying principle is that the party responsible for delivery of any part of the programme must provide assurance over its delivery.

We have implemented a full range of systems, processes and business separation similar to that which are required in “England” but in a more complex competition environment and on a far smaller scale than companies operating wholly or mainly in England. We therefore continue to give significant focus to competition law and “level playing field” issues.

Controls and mitigating actions

- A full time project team has been created to design and deliver the required policy, organisation, training, process and systems changes across our wholesale and retail operations.
- A Steering Group, reporting to the Board, oversees the Open Water change programme. The Steering Group includes the company’s Chief Financial Officer and General Counsel as well as a range of business and project specialists.
- Independent, external assurance has been provided to the Board by our Financial Auditor (KPMG) and external Legal advice is also obtained.
- This structure and engagement has enabled the Board to provide the required formal assurance letters to key stakeholders in February 2016, October 2016 and February 2017.

Improvements made

- Having provided the letters of Assurance to Ofwat confirming compliance with Licence conditions we are satisfied that the data reporting is firmly embedded within the business.
- Following market opening, Price Waterhouse Cooper were commissioned by MOSL to conduct an audit of all Open Market participants. There were two low priority recommendations and both of these have been actioned and closed down.

In light of the above, we now consider that we have sufficient strength in this area and, subject to the views of our stakeholders, we do not consider that this area warrants specific targeting in our 2017/18 Final Assurance Plan.



9 DRAFT ASSURANCE PLAN

In this section we set out our proposed Draft Assurance Plan for 2017/18.

9.1 Annual Performance Report 2017/18

This is an annual report which provides cost information, financial performance and information of our performance against our customer outcomes and commitments. This will be published in July 2018.

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

- 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;
- In the second line of assurance the Regulation or Finance team has accountability for providing the framework and governance for regulatory reporting; and
- The third line of assurance provides independent audit and assurance activity through our Business Assurance team, who both 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.

Section	Description	Assurance activities
APR Section 1: Regulatory financial reporting	Historical cost financial information. Disaggregation of income, from a regulatory accounting perspective, with reconciliation to the DCWW statutory accounts.	<ol style="list-style-type: none">1. 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.2. Finance team review of information and audit trails.3. Financial Auditors audit and opinion according to Ofwat audit requirements.
APR Section 2: Price review and other segmental reporting	Further separation of revenue and costs to allow stakeholders to review companies' performance against FD14.	<ol style="list-style-type: none">1. 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.2. Finance team review of information and audit trails.3. Financial Auditors audit and opinion according to Ofwat audit requirements.
APR Section 3: Performance summary	A high level report of the operational performance of the business against the performance commitments set out in FD14, highlighting	<ol style="list-style-type: none">1. Data providers, their managers and business unit directors produce and approve data, commentaries and methodologies and audit trails to support the reported performance

Section	Description	Assurance activities
	any financial incentives applying in the year.	<p>and demonstrate the control checks that have been applied.</p> <ol style="list-style-type: none"> 2. Regulation team review of information and audit trails. 3. Technical Auditors review data and commentary and report opinion to the Board.
APR Section 4: Additional regulatory tables	Additional financial and non-financial information, including wholesale totex performance against both the FD14 assumptions and intercompany unit cost metrics, retail operating cost analysis and financial metrics.	<ol style="list-style-type: none"> 1. 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. 2. Finance and Regulation teams review of information and audit trails. 3. Financial Auditors or Technical Auditors review of relevant tables to agreed procedures.
Section 5: Risk and Compliance Statement	Allows companies to evidence their accountability to their customers and demonstrate to Ofwat that they are complying with their obligations.	<ol style="list-style-type: none"> 1. Accountability for meeting licence, regulatory and statutory obligations assigned to specific individuals. 2. Guidance provided by Ofwat by means of Regulatory Accounting Guidelines and Information Notices. 3. Annual strategy document prepared by the DCWW Compliance Manager to ensure all Ofwat requirements are met. 4. Risk discussed at every DCE meeting 5. DCE's update on strategic risks reviewed at every Board meeting. 6. Technical Auditors review of statements to ensure compliance with Ofwat guidance. 7. Approval by Audit Committee. 8. Sign off by the Board.

Justification for inclusion of this area in the Draft Assurance Plan.

This is a core publication which, inter alia, contains information on our performance against the FD14 outcomes. This is a key area of importance to our customer and other stakeholders and continues to warrant inclusion in our Assurance Plan.

9.2 Performance Measures (Outcome Delivery Incentives)

In April 2015, we introduced our new Outcome Delivery Incentive Scheme. It includes a comprehensive suite of measures, both financial and non-financial, 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 properly compensated where our performance falls short.

We used the Impact and Probability Risk Matrix for 2017/18 (Appendix 1) to assess whether it was necessary to implement additional assurance activities on any particular measures. It can be seen from Appendix 1 that no Performance Measures currently reside within the red zone (high risk) or the amber zone (medium high risk) zone.

Our objective will be to highlight opportunities to improve 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 as described in section 8 of this document.

Controls and mitigating actions

- Internal scorecards highlight performance against the key measures on a monthly basis across the business and up to Board level.
- Review process with our CCG who have a role to play in challenging our reporting.
- Information Packs and training sessions arranged by the Regulation Team for all data owners. In addition the Technical Auditor will be involved in the training.
- 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.
- Methodology Statements are reviewed and scored by the Technical Auditor.
- Data sign off by the data owner, business manager (where appropriate) and the relevant Director.
- Regulation Team hold due diligence meetings with data owners to review data, methodology, performance and supporting audit trails.
- 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.
- High level audit of the reporting framework carried out by the internal Business Assurance Team.
- Review by the DCE and updates are provided to the Audit Committee.
- A Board assurance statement for performance data contained in the APR.

Justification for inclusion of this area in the Draft Assurance Plan

This is a key area of importance to our customers and other stakeholders and continues to warrant inclusion in our Assurance Plan.

9.3 Segmental Reporting

2015/16 was the start of a new price control period with separate price controls for wholesale (water and wastewater) and retail (household and non-household). With the introduction of greater competition, we want to ensure that our customers and stakeholders can remain confident that costs are reflected properly in their charges and allocated correctly between wholesale (water and wastewater) and retail (household and non-household).

Our 2015/16 and 2016/17 APRs contained a considerable amount of disaggregated financial information with income and expenditure being reported against the different price controls as well as different accounting units, and this remains the case. In addition, there will be two new Price Controls in 2020, i.e. Bioresource and Water Resource. We will, therefore, continue to focus attention on reporting financial information in accordance with the required regulatory guidance on segmental reporting. The planned assurance activities, which include external assurance conducted by an independent third party, will continue to provide stakeholders with a high degree of confidence in our reported figures.

Controls and mitigating actions

- Monthly reviews by budget holders to explain variances and identify potential allocation errors.
- Monthly management accounts reviewed by senior managers and the DCE.
- Ofwat Regulatory Accounting Guideline checklist completed and reviewed by the Group Financial Controller.
- Price control and segmental reporting in section 2 of the APR is subject to Financial Auditor's audit and opinion according to Ofwat audit requirements.
- Price control and segmental financial reporting in the additional regulatory tables in section 4 of the APR is subject to Financial Auditor's review of agreed procedures.

Improvements made

- Financial and Regulatory Accountant's role modified from preparer to coordinator of data preparation to ensure timely submission and critical review of the outputs from the management accounting team. This provides greater control and assurance.
- An extra level of review and additional capacity to deal with new reporting requirements.
- Methodology Statements developed to provide a step-by-step guide to the preparation of each table.
- 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.

Justification for inclusion of this area in the Draft Assurance Plan

As 2020 will see new price controls for Bioresource and Water Resources, segmental reporting continues to be an area of great importance to our stakeholders and, consequently, is an integral part of our assurance framework. It continues to warrant inclusion in our Assurance Plan.

9.4 Charges Schemes

We are required to publish a number of charges schemes each year in compliance with Licence Condition D and Ofwat's Charges Rules. These documents set out the company's charges for services provided and the terms and conditions of those charges. The documents are:

Scheme of Charges – This document sets out the company's charges for water and sewerage services for household and non-household customers.

Wholesale Tariff Document – This document sets out the primary charges for wholesale water supplies and services to eligible sites that could be supplied with water by a water supply licensee with a retail or restricted retail authorisation. This document also includes non-primary charges that would be payable by a water retailer for sundry services provided by our wholesale business.

Developer Services Schedule of Charges – This document sets out the charges for new connections and other activities to support developers.

Our assurance processes will continue to develop within the framework and guidelines being issued by Welsh Government and an assurance framework for 2018/19 will be published in January 2018.

Controls and mitigating actions

The Charges Schemes all follow the same assurance process:

- The Charges Schemes are subject to a series of reviews by members of the company's Legal Team for compliance with the relevant legislation.
- On completion, each section of the charges is reviewed and approved by the Charges Policy Steering Group.
- Final charges are approved by the Board.
- Independent external assurance of charges models and appropriate application of charging rules and principles.
- Independent external assurance of data inputs.

In terms of the Charges Scheme Assurance Statement, the Board signs off to confirm the following:

- Compliance with legal obligations relating to the charges set out in the Charges Scheme.
- The effect of the new charges on customers' bills has been assessed for a range of different customer types.
- Appropriate systems and processes are in place to make sure that the data and information contained in the Charges Scheme and additional information are accurate.
- The company has consulted with CCWater in a timely and effective manner on its Charges Scheme.

Improvements made

- A Charges Compliance Manual has been prepared for 2018/19 charges which contains information to demonstrate compliance with legislation, licence obligations and charges rules. It shows the assurance process followed and contains a number of tables used in the process to show compliance and allow assurance to be given.

Justification for inclusion of this area in the Draft Assurance Plan

Charging remains an area which warrants inclusion within our Assurance Plan.

9.5 Website Publications

The development of our website is ongoing and each year we publish a number of key publications on our website to help inform our customers and stakeholders. Last year, when considering the scope of our data assurance process we identified this as an area which should come within our assurance framework. We still believe that this is the case and believe it important that customers and stakeholders have access to a wide range of publications that have been properly assured and not just information that is contained within our core regulatory publications. This continues to be an area upon which we are focusing.

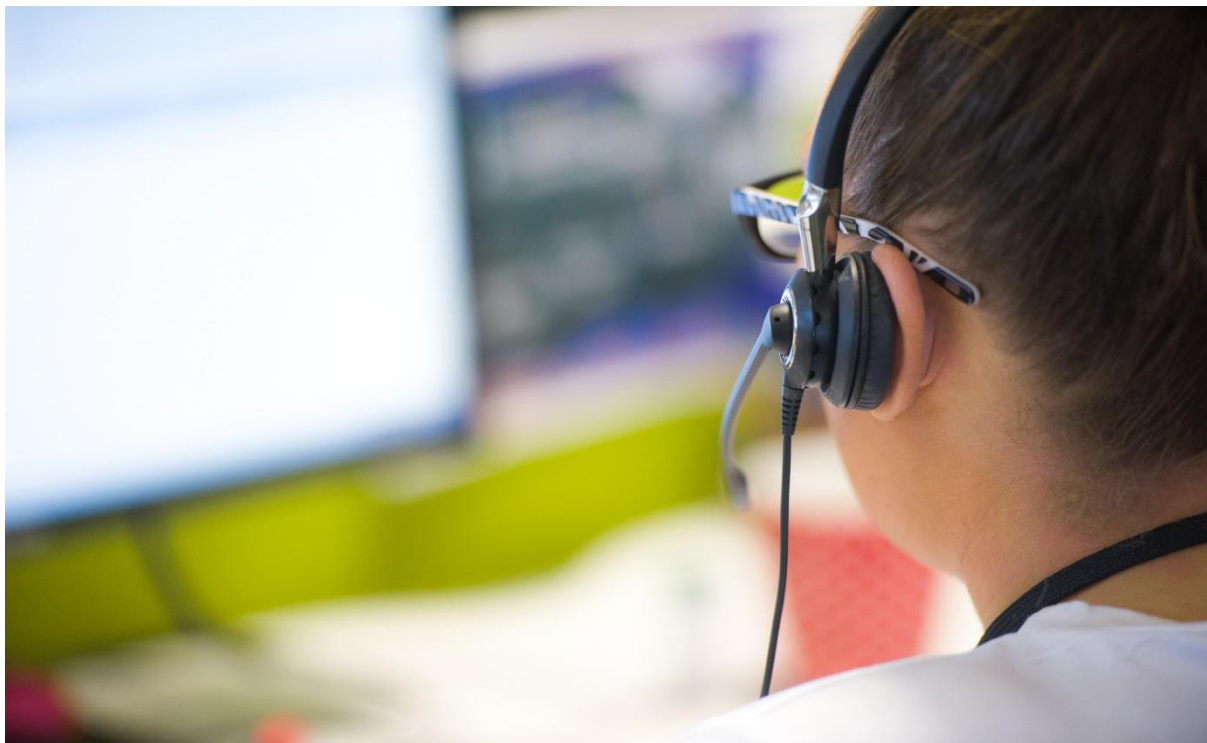
We will continue to engage with our key stakeholders and the CCG to review the list of publications to ensure its relevance. The publications that we have included in our review are shown below.

Publication	Description	Mitigation Actions
APR	Information about how we have performed	<ul style="list-style-type: none">• Finance/Regulation Teams review.• Reconciliation between data in APR and Annual Report.• Scrutiny by Audit Committee.• Board approval.• Independent audit and opinion.
Annual Report and Accounts	Information allowing stakeholders to assess the company's performance, business model and strategy	<ul style="list-style-type: none">• Drafted by senior management with co-ordination by the Deputy Company Secretary.• General Counsel and Company Secretary act as the editors to ensure consistency.• Reviews by members of the DCE team and a verification process involving the company's Financial Auditor.• Final draft reviewed by Audit Committee prior to review and approval by the Board, and submission to Members.
Charges Scheme	Information about our current charges and policies	<ul style="list-style-type: none">• Legal compliance assured by Legal team.• Approval by Charges Policy Steering Group.• CCWater consultation.• Board approval.• Independent audit and opinion.
Codes of Practices	Details of the levels of service customers can expect from us	<ul style="list-style-type: none">• Legal/regulatory compliance assured by Legal team.• CCWater consultation.• Director approval.• Codes submitted to Ofwat.
Standard information on our billing literature	Standard information which is included with customer bills	<ul style="list-style-type: none">• Legal/regulatory compliance assured by Legal team.• CCWater consultation.

Publication	Description	Mitigation Actions
		<ul style="list-style-type: none"> • Approval by the Annual Billing Steering Group.
Consumer Council for Water (CCWater) – quarterly and annual reports	Information provided to the CCWater on customer services, complaints, leakage, distribution input and per capita consumption	<ul style="list-style-type: none"> • Where data is derived from performance commitments, e.g. SIM it is subject to the appropriate assurance process. • Where data is not derived from performance commitments the data is subject to second Line assurance.
Data Share	Industry data share of annual performance data. Also published on the Discover Water website.	<ul style="list-style-type: none"> • Independent review by Technical Auditor. • Reconciliation with APR data. • Due diligence by Regulation Team. • Director sign off.

Justification for inclusion of this area in the Draft Assurance Plan

This is the platform where our customers and stakeholders obtain information on aspects of the business. As we are also further developing our website, this will continue to be an area which warrants inclusion in our Assurance Plan.



9.6 New Areas included

9.6.1 Cost Assessment data

In April 2017, Ofwat published an Information Notice setting out its expectations for annual performance reporting for 2016/17. It stated that it was asking companies to provide information that will inform its cost assessment within future markets and price setting work. It described 2016/17 as a “transition year” and although companies were required to submit information to Ofwat separately, it was not part of the companies’ APRs. However, Ofwat has said that in 2017/18, companies should publish and include the Cost Assessment data in their 2017/18 APRs.

We have, therefore, adopted the same approach as taken with the remainder of the APR, and the Cost Assessment data will be subject to the following same structured “three lines of assurance” process. This is:

- 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;
- In the second line of assurance the Regulation or Finance team has accountability for providing the framework and governance for regulatory reporting; and
- The third line of assurance provides independent audit and assurance activity through our Business Assurance team, who both review the assurance framework and provide risk based assurance on individual elements. We also employ the services of external technical and financial auditors.

We used the Cost Assessment data Impact and Probability Risk Matrix for 2017/18 (Appendix 2) to determine if it was necessary to direct additional assurance activities on any particular datasets while still maintaining our existing assurance framework. It can be seen from Appendix 2 that no datasets reside within the red zone (high risk) or the amber zone (medium high risk).

Subject to any feedback received from stakeholders, we do not intend targeting any datasets falling within the ‘low-medium’ category as we believe that the assurance framework applied, including independent review by the Financial / Technical Auditor, is sufficiently robust.

Controls and mitigating actions

- Information Packs and training arranged by the Regulation Team for all data owners with one to one sessions where appropriate. Our Technical Auditor will also be involved in the training.
- 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.
- Methodology Statements are reviewed and scored by the Technical Auditor.
- Data sign off by the data owner, business manager (where appropriate) and the relevant Director.
- Regulation Team hold due diligence meetings with data owners to review data, methodology, performance and supporting audit trails.
- 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, implementation of methodologies, governance and results.

- High level audit of the reporting framework carried out by the internal Business Assurance Team.
- Review by the DCE and updates are provided to the Audit Committee.
- A Board assurance statement for performance data contained in the APR.

Improvements planned

- Some of the improvements planned (and listed above), e.g. a more tailored approach to training and the adoption of a risk based approach to due diligence, are an integral part of our continuous improvement plan for this area.



9.6.2 Price Review 2019 Business Plan and associated submissions

Every five years, Ofwat sets limits on the prices which water companies in England and Wales can charge to their customers. This process is known as a price review. Ofwat is currently working on the price review for 2019 (called PR19) and this will set the price control for companies for the period 2020 to 2025, i.e. the price, investment and service package that customers receive. The price limits are set to enable companies to deliver the services required of them over the period and include allowing for capital maintenance of assets, ensuring security of supply and meeting drinking water and environmental quality requirements.

Each company is required to publish a Business Plan for the period of the review. The Business Plan will be submitted to Ofwat in September 2018. Ahead of that date, we will implement a programme of assurance activities to review our approach to developing the Business Plan, including such areas as Return on Regulatory Equity (RORE) and Outcome Delivery Incentive (ODI). This programme will extend into 2018/19.

In its Water 2020 publication (in May 2016), Ofwat proposed a number of additional submissions that are required to be made before the Business Plan in September 2018. These are draft versions of information that will be included in the main submission and are required to allow Ofwat to review and provide feedback to companies. As such, they will be covered by the same controls and mitigating actions as the main submission. The draft submissions include the following:

- **Bioresources Regulatory Capital Value (RCV)** – A split of the Wastewater Service RCV is required for Ofwat to set a separate binding control for Bioresources and to facilitate the proposed market for Bioresources services. Ofwat has issued guidance on how this should be calculated and the submission was made in September 2017.
- **Water Resources Regulatory Capital Value (RCV)** – A split of the Water Service RCV is required for Ofwat to set a separate binding control for Water Resources and to facilitate the proposed market for Water Resources. Ofwat has issued guidance on how this should be calculated and the submission is due in January 2018.
- **Draft performance commitment definitions** – Our assurance will cover the review of the definitions to ensure they are clear and easily understood. The document will be submitted in May 2018.
- **Early cost assessment claims** – Any ‘Company Specific Factor’ claims explaining why we believe the costs associated with parts of our business are higher than other companies in the sector, as well as any “atypically large investments”, will be submitted in May 2018.
- **2015–20 performance assessment** – Ofwat requires a preliminary assessment of the company’s performance against FD14 targets. Historical performance (from 2015/16 to 2017/18) and forecast performance for 2018/19 and 2019/20 will be published in July 2018 in accordance with the Ofwat published “Reconciliation Rulebook”.

Controls and mitigating actions

- The overall PR19 Business Plan (which includes all supporting data and information) has an assigned publication manager, who is responsible for ensuring that the company has followed all assurance processes and that the Business Plan document published in September 2018 will be accurate, accessible and easy to understand.
- A PR19 project team has been created which oversees the PR19 programme and meets monthly. The development of the plan is managed by water, wastewater and retail ‘Totex’

Management Groups, chaired by the Directors of Water, Wastewater and Retail respectively, and all of which report to the DCE.

- There is a Regulatory Steering Group which reviews the relevant regulatory requirements for PR19 and makes sure that they are being met.
- Named data providers (who provide the data) and data managers (who also sign off the data) have been assigned for all sections of the Business Plan and they have responsibility for providing accurate information in line with any guidance provided.
- Senior managers and Directors will review and approve the information contained within the publication.
- External independent assurance is provided by the Technical Auditor who confirm that the data is accurate and, where relevant, that the submission has been developed in line with the guidance provided. The Financial Auditor will also provide an opinion on the relevant financial aspects of the Business Plan.
- A Board Assurance Statement will be provided to confirm that all assurance requirements for the Business Plan submission have been met.

Improvements planned

- We will have an assurance plan for the PR19 submission as a whole that will also cover any PR19 information that we submit to Ofwat ahead of the September 2018 publication.



9.6.3 Bioresources Market Information

Ofwat wants to promote market development in Bioresources (also known as sludge) activities with a view to providing services at lower costs, making best use of resources, improving resilience and finding new innovative ways of doing things. Such opportunities can inform, enable and incentivise efficiencies and innovation for the benefit of customers, the environment and wider society.

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 and the first publication must be made before 31 July 2018. Our assurance activities are aimed at publishing information that stakeholders can have trust and confidence in and is easily navigable and understood.

Controls and mitigating actions

- 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.
- 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.

Improvements planned

- External independent assurance is provided by the Technical Auditor to confirm that the 2017/18 data is accurate and in line with the published guidance.



9.6.4 Water Resource Management Plan and Market Information

In the coming months we will be publishing our 2018 Water Resource Management Plan (WRMP) and as part of the process we will be consulting with the Welsh Government.

Companies are legally required to prepare a WRMP and must set out how they intend maintaining the balance between water supply and demand. The plan must take a long term view (at least 25 years).

Following a 2015/16 analysis and a consultation aimed at exploring a regulatory approach to promoting markets in water resources, Ofwat noted that third parties interested in identifying new opportunities for water resources, demand management and leakage, faced various barriers when compared to incumbent water companies. With a view to taking steps to reduce identified barriers, companies are required to provide greater visibility and accessibility to existing information, including key assumptions and key data that underpins incumbent companies' water resources and planning processes.

To stimulate third party engagement, companies operating wholly or mainly in Wales must publish market information in draft for public consultation alongside the next draft of their WRMPs in March 2018. Companies also need to ensure that the published market information derived from the draft WRMPs are updated when the WRMPs are finalised. Subject to final approval by Welsh Ministers, we will be publishing our final WRMP in February 2019. Ofwat requires companies to update the market information in line with the final WRMP within one month of it being published. Our assurance activities are aimed at publishing information that stakeholders can have trust and confidence in and is easily navigable and understood.

Controls and mitigating actions

- 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.
- 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.
- 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 for the 2019 Price Review. The key questions asked were:
 - Have we demonstrated a good understanding of the Water Resource Planning Guidance (WRPG) and associated documents?
 - Were the processes used consistent with the WRPG, with any deviations explained and justified?
 - Did the plan adequately reflect the Welsh Government's guiding principles and Ofwat's key themes for the interlinked 2019 Price Review? and
 - Do the processes employed incorporate appropriate levels of quality assurance?

- Collation systems for demand forecast and supply demand balances have been developed by external consultants with expert peer review undertaken internally. This reporting system takes audited data and automatically generates the data tables required by regulators. This includes the reporting of WRMP and the market information data. We have peer reviewed this reporting system.

The WRMP and the reporting of marketing data are closely aligned and the mitigation controls listed above have equal application to both.

Improvements planned

- The Plan will be published for full public consultation in March 2018 and by September 2018 we will produce a revised draft WRMP that takes account of the feedback received.



9.6.5 Statutory Financial Reporting

The preparation of statutory accounts is a legal requirement and we also publish interim financial statements as required by our Common Terms Agreement with investors. Within our group Annual Report and Accounts we communicate our strategy, governance and performance, set within the context of our strategic objectives. We also report on the outcome of our financial resilience assessment in our long-term viability statement.

Our Annual Report and Accounts are published on our website in July each year, and our Interim Statements in November.

Controls and mitigating actions

- Our accountants perform the day to day accounting activities which include maintenance of accounting systems and month end reconciliations.
- Data owners and managers are responsible for providing accurate information in line with the latest regulatory and statutory accounting guidance.
- Management oversight of the accountants' activities includes regular reviews of information and final approval ahead of publication.
- Financial Auditors, working in line with International Standards on Auditing, review information presented within our statutory accounts and provide their independent audit opinion as to whether that information is true and fair based on its compliance with International Financial Reporting Standards and the Companies Act 2006.
- Review by the DCE and updates are provided to the Audit Committee.
- A Board sign off before publishing.

Improvements planned

- Annual review of accounting policies scheduled for February 2018 to ensure compliance with changes to accounting framework and our ability to comply with future changes.



9.6.6 Natural Resources Wales – Compliance Tables (MD109)

During the 2010-15 Price control period, Ofwat continued to monitor company performance in delivering outputs and improvement programmes through what was known then as the June Return and MD109 submissions. Whilst Ofwat's reporting and monitoring procedures have progressed, we continue to have an MD109 type report, which is now called the "Compliance Tables". Responsibility for completing the annual Compliance Tables rests with Natural Resources Wales (NRW) and Environment Agency (EA) but the information contained within the tables is based on data produced by DCWW.

The Compliance Tables contain information about the performance of our sewage treatment works against their discharge permit. Each sewage treatment work has a permit issued by NRW which regulates the quality of wastewater the company is allowed to discharge into rivers and coastal waters. The tables also contain details of any pollution incidents.

The accuracy and completeness of information contained in the Compliance Tables is important for NRW and EA specifically but also customers and other stakeholders in general and justifies its inclusion within this document.

Controls and mitigating actions

Waste Water Compliance

- Details of NRW and EA numerical permit limits are entered into DCWW's Quality Database (QDB).
- The Operating Self-Monitoring (OSM) sampling programme is not visible to operational staff responsible for discharge performance.
- Suite of documentation and guidance available for staff in the DCWW Integrated Management System (IMS).
- Personnel directly involved in the OSM process are free from any possible conflict of interest by reporting to different Head of Business.
- Sampling results analysed by independent and United Kingdom Accreditation Services (UKAS) accredited laboratories.
- Sampling failures automatically reported from QDB.
- Regular manual and automatic reconciliation checks are carried out by the company to ensure the NRW, EA and DCWW data sets remain in step.
- Regular liaison meetings between NRW/EA and DCWW.
- Senior Manager approves the end of year data with NRW.
- Annual independent audit of DCWW processes carried out by UKAS.
- Annual audit of OSM management system carried out by NRW and EA.
- Annual audit of sampling technicians and the Management System by Business Assurance.

Pollution

- Pollution incidents entered into DCWW SAP system.
- Regular reconciliation between SAP system and NRW National Incident Recording System (NIRS).
- Regular formal and informal liaison communications with NRW provides assurances on the accuracy and classification of pollution data.
- Assurance further provided with the development of staff guidelines regarding the classification and definition of pollution incidents all defined within IMS procedures.

- Procedures developed for reporting and recording of pollution incidents with process mapping required and implemented through IMS.
- Year end check of NIRS in line with the NRW timetable.
- Draft return to NRW approved by Head of Wastewater Assets

Improvements planned

- New system being introduced to replace QDB in May 2018.
- A Steering Group headed by the Managing Director of Wastewater Services, has been in place for some time to oversee implementation of the new system.
- Steering Group reports regularly to Systems and Change Board, chaired by the Chief Operating Officer.



9.6.7 Payment Policies, Practices and Performance

The Department for Business Energy and Industrial Strategy (BEIS) outline in its October 2017 report that every year, thousands of businesses experience severe administrative and financial burdens, simply because they are not paid on time. Late payment is a key issue for organisations, especially smaller businesses as it can adversely affect their cash flow and jeopardise their ability to trade. In the worst cases, late payment can lead to insolvency.

Regulations made under section 3 of the Small Business, Enterprise and Employment Act 2015 (and, for limited liability partnerships (LLPs), the Limited Liability Partnerships Act 2000), introduce a duty on the UK's largest companies and LLPs to report on a half-yearly basis on their payment practices, policies and performance for financial years beginning on or after 6 April 2017. The information must be published through an online service provided by the government, and will be available to the public.

We have therefore included this area within our Statement of Risks, Strengths and Weaknesses and Draft Assurance Plan 2017/18 to consult further and obtain views if this area should be included within our Final Assurance Plan.

Controls and mitigating actions

- Financial systems and procedures are configured to ensure that we can pay all approved invoices within our agreed payment terms.
- Lists of outstanding invoices are circulated to procurers and line management to ensure visibility.

Improvements planned

- We are implementing systems enhancements to make it easier for procurers to confirm receipt of goods/services and to improve timely visibility of delayed items to line managers.

10 NEXT STEPS

It is important that we get stakeholder views as we move towards the finalisation of the Assurance Plan. We would therefore welcome comments. In the meantime, we continue to engage with key stakeholders during this consultation phase and are available to meet to discuss any aspect of this consultation.

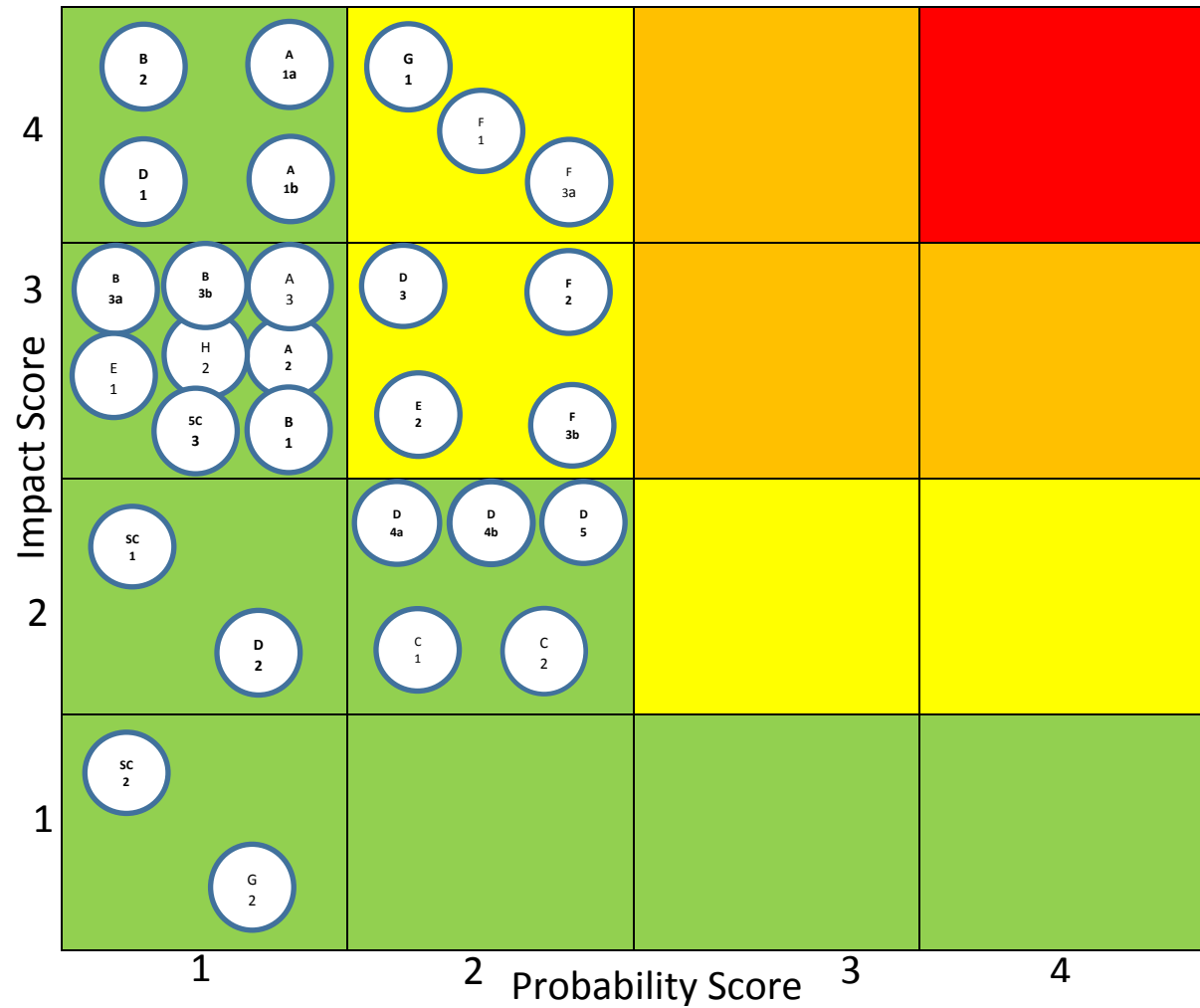
We are not restricting consultation to those key stakeholders identified and welcome responses from customers and any other stakeholders.

We welcome your responses to this consultation by close of business on **12 January 2018**. We will have regard to comments received and intend publishing our Final Assurance Plan before the end of March 2018.



APPENDIX 1 Impact and Probability Risk Matrix – Performance Measures

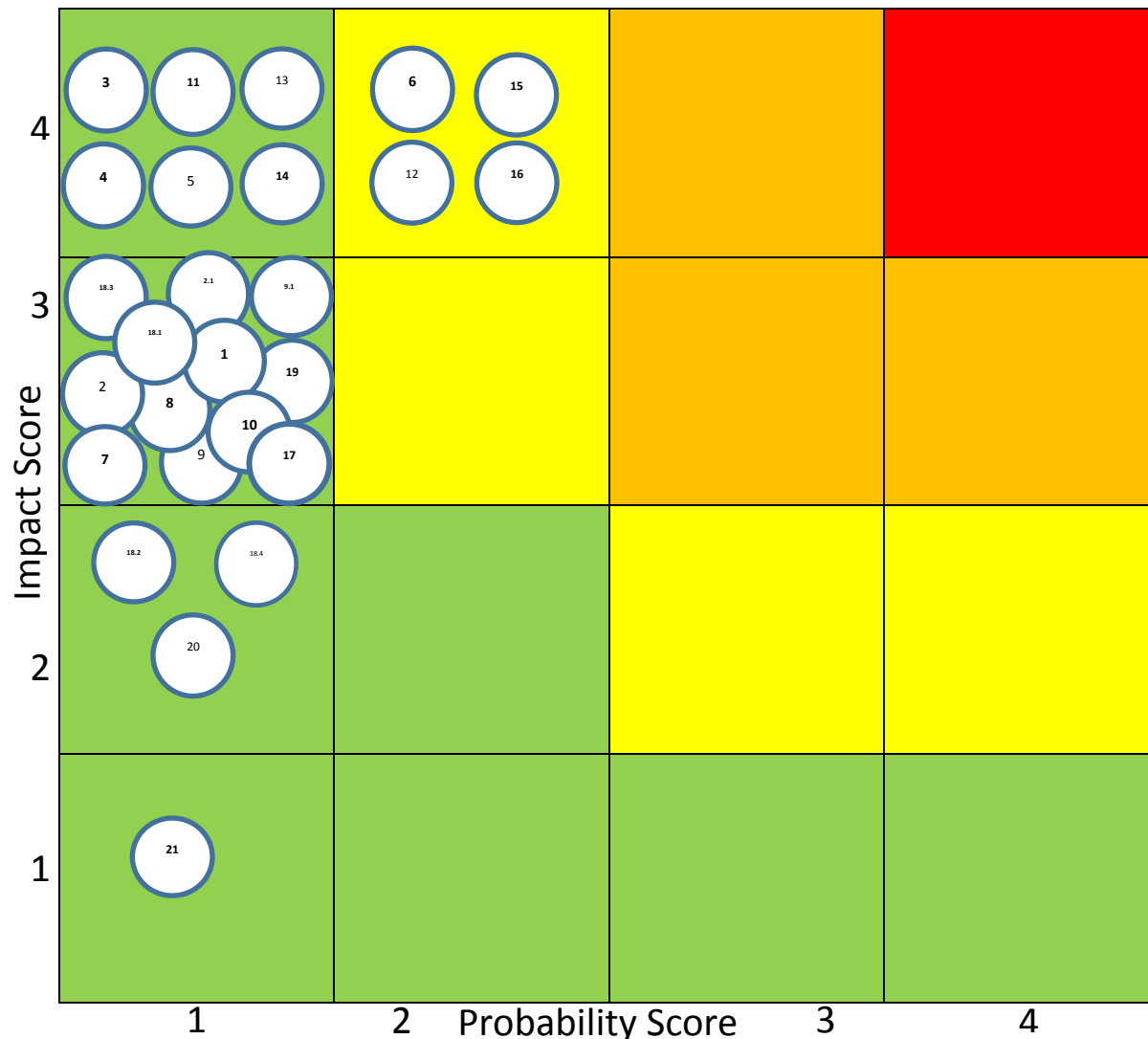
Ref	MoS Performance Measure	Risk
A1a	Safe Drinking Water % of samples compliant	
A1b	Safe Drinking Water Mean Zonal Compliance	
A2	Customer Acceptability	
A3	Reliability of supply	
B1	Abstraction of water for use	
B2	Treating waste water	
B3a	Preventing Pollution incidents Cat 1,2 & 3	
B3b	Preventing Pollution incidents Cat 3 only	
C1	Responding to climate change	
C2	Carbon footprint	
D1	Service Incentive Mechanism	
D2	At risk customer service	
D3	Properties flooded in the year	
D4a	Non Household customer satisfaction %	
D4b	Non Household customer satisfaction score	
D5	Earning the trust of customers	
E1	Affordable bills	
E2	Help for disadvantaged customers	
F1	Asset Serviceability water/waste	
F2	Leakage	
F3a	Asset resilience (Water)	
F3b	Asset resilience (Waste)	
G1	H&S RIDDOR Incidents	
G2	Competency for role	
H2	Financing Efficiency - Credit rating	
SC1	Bad debt	
SC2	Net promoter score	
SC3	Complaints	



APPENDIX 2 Impact and Probability Risk Matrix – Cost Assessment Tables

Ref	Cost Assessment Tables	Risk
1	WW Expenditure by business unit	
2	WW Expenditure by purpose	
2.1	WW Cumulative expenditure by purpose	
3	WW Resources	
4	WW Treatment	
5	WW Distribution	
6	WW Properties and Population	
7	WW Other	
8	WWW Expenditure by business unit	
9	WWW Enhancement capital expenditure by purpose	
9.1	WWW Cumulative enhancement capital expenditure by purpose	
10	WWW Operating exp. – Sewage treatment	
11	WWW Large sewage treatment works	
12	WWW Properties and Population	
13	Wastewater network	
14	Wastewater service – Potential explanatory variables	
15	WWW Sludge	
16	Sludge treatment process and disposal route	
17	WWW Other	
18.1	WW Other Opex	
18.2	WW Other	
18.3	WWW Other Opex	
18.4	Sludge other	
19	Retail	
20	Wholesale Wastewater local authority rates	
21	Costs incurred due solely to the establishment of the NH retail market	

WW – Wholesale Water, WWW – Wholesale Wastewater



APPENDIX 3 Impact and Probability Risk Matrix – Other Activities

Ref	Other Activities	Targeted
1	Annual Performance Report	Yes
2	Developer Services	No
3	Segmental Reporting	Yes
4	Business Retail Market	No
5	Charges Scheme	Yes
6	Website Publications	Yes
7	Price Review 2019 Business Plan and associated submissions	Yes
8	Bioresources Marketing Information	Yes
9	Water Resource Management Plan and Marketing Information	Yes
10	Statutory Financial Reporting	Yes
11	Natural Resources Wales Compliance Tables (MD109)	Yes
12	Payment Policies, Practises and Performance (BEIS)	Yes

