



Our Assurance Activities 2021-2022



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.

This year we have moved away from consulting on a Draft Assurance Plan and then publishing a Final Assurance Plan. We feel that assurance activities are now embedded within the company and as a result, we will use this document to demonstrate the robust and transparent processes we have in place for our key reports and other areas that we feel are important to our stakeholders. We welcome feedback from our customers and stakeholders at any point and this can be sent to EconomicRegulationWSH@dwrcymru.com.

Contents

2021-2022 Assurance Activities	3
Our Approach to Data Assurance	4
Areas of Focussed Assurance.....	5
Annual Performance Report (APR)	5
Performance Commitments.....	5
Water Resources Management Plan (WRMP).....	5
Water Resources West Regional Water Resource Plan.....	6
Environmental Social Governance (ESG) Reporting.....	6
Bioresources Market Information.....	6
Task Force on Climate Related Financial Disclosures (TCFD) Reporting.....	7
Combined Sewer Overflow (CSO) Data.....	7
PR24	7
Environmental Performance Assessment (EPA)	8
APPENDIX 1 - Impact and Probability Risk Matrix – PR19 Performance Commitments.....	9
APPENDIX 2 - Impact and Probability Risk Matrix – Other Activities.....	10

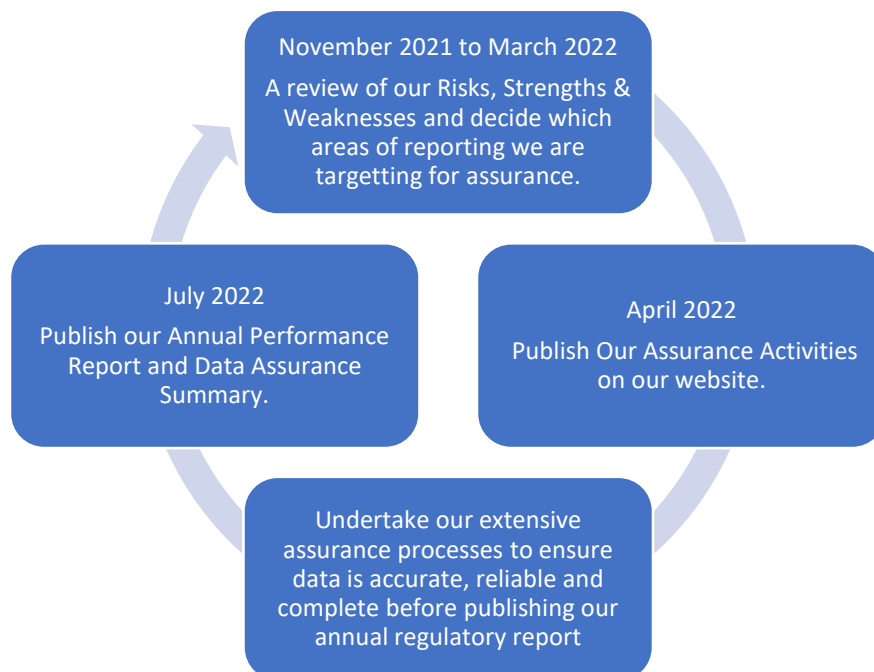
2021-2022 Assurance Activities

This year, we have produced this summary document on our assurance plan based upon the tried and tested audit and assurance framework followed in previous years. We welcomed the publication of Ofwat’s Company Monitoring Framework in July 2015 which challenged all companies to:

- publish information that was consistently accurate and reliable;
- review what information our customers and stakeholders want and need; and
- be transparent about the data assurance that they put in place.

In Ofwat’s final assessment in January 2019, we were delighted to be promoted in to the ‘self-assurance’ category, which is defined by Ofwat as “self-assurance, a company uses its own discretion to provide assurance beyond the common assurance requirements”. We continue to work with this framework in mind to ensure that any information we publish is accurate and that we are transparent in everything that we do.

Our annual regulatory reporting timeline is shown in the diagram below.



Our Approach to Data Assurance

Within the business we have well-established governance and accountability processes. Our proposed assurance activities for 2021-2022, continues to build on the solid foundation established over recent years.

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 in the table 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 Business Assurance team, who review the assurance framework and provide risk-based assurance on individual elements. The information contained within this document will also be assured by the Financial Auditor or the Technical Auditor.**
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We see assurance as part of our continuous improvement programme. More detail on our assessment of risk can be found [here](#). Appendix 1 shows our assessment of risk against our Performance Commitments and Appendix 2, the other activities included in this document.

The remainder of this document provides information on the assurance on the areas that we are focusing our assurance activities on.

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.

Areas of Focussed Assurance

Annual Performance Report (APR)

Our Annual Performance Report provides cost information, financial performance and information on our performance against our customer outcomes and commitments. It is an Ofwat requirement that all companies publish this document in July each year, it will be published in July 2022.

Assurance Activities

- All data reported within our APR will be subject to our structured three lines of assurance process.
- Data owners provided with update on APR deadlines.
- Due diligence carried out by Regulatory Team ahead of external audit.
- A Board assurance statement for data contained in the APR.

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.

Assurance Activities

- Internal scorecards highlight performance against the key measures monthly across the business and up to Board level.
- 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.
- A Board assurance statement for performance data contained in the APR.

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.

Assurance Activities

- All data is subject to our three lines of assurance process.
- External framework consultants are used to develop and produce much 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.
- Sign off by our Board.

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.

Assurance Activities

- A joint assurance framework is being finalised in conjunction with United Utilities, South Staffs and Severn Trent Water.
- All submissions will be subject to our three lines of assurance.
- All submissions will be subject to our Governance processes.

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.

Assurance Activities

- Board established ESG Committee to develop strategy and monitor performance.

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.

Assurance Activities

- 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.
- 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.

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.

Assurance Activities

- External independent assurance will be provided to confirm that our report, when complete, meets the requirements of the TCFD.
- The report will be published within our Annual Report and Accounts and will be subject to stringent governance.

Combined Sewer 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 sewer overflows (CSOs) were developed as overflow valves to reduce the risk of sewage backing up during heavy rainfall. During certain conditions (exceptional rain) the EA/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 Environment Agency and Natural Resources Wales work closely with water companies to ensure that they are closely monitoring and reporting back on their discharge activity. This data is helping us to understand where the system is not operating as it should, so that water companies can target investigations and investment.

Assurance Activities

- Regular liaison with NRW to ensure we are operating in line with our permits.
- We have a Performance Commitment that challenges us to improve the risk of flooding for our customers and this is reported within our APR. This is subject to our three lines of assurance.

PR24

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 2024 (called PR24) and this will set the price control for companies for the period 2025 to 2030, 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.

Assurance Activities

- Strategy days are being undertaken with our Board.
- A PR24 Steering Group has been formed and meetings currently take place monthly.
- Attendance at Ofwat workshops on given subjects.

Environmental Performance Assessment (EPA)

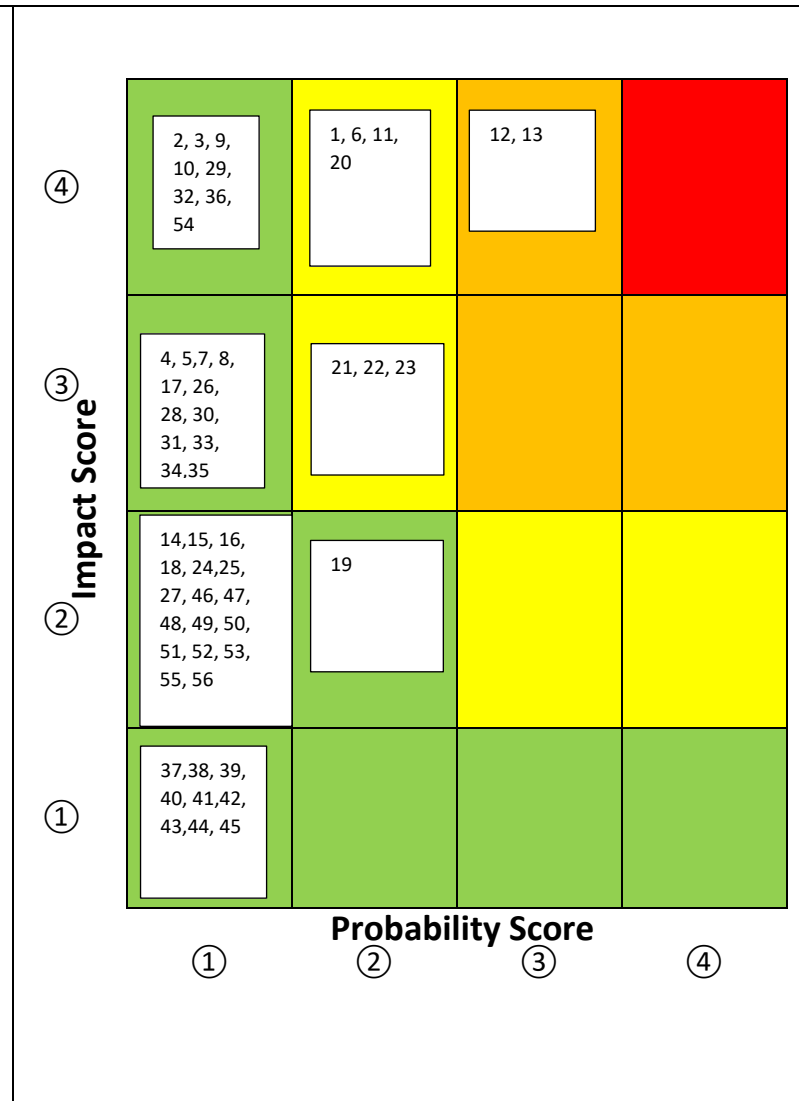
The Environmental Performance Assessment is a basket of measures, which help to identify how well we protect the environment and include whether we are meeting our environmental permit conditions and how many serious pollution incidents have occurred. Natural Resources Wales collect data from their own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

Assurance Activities

- All data is subject to our three lines of assurance process.
- Sign off by our Board.

APPENDIX 1 - Impact and Probability Risk Matrix – PR19 Performance Commitments

Performance Commitments					
1	Water quality compliance (CRI)-Wt1	20	C-MeX-Sv1	38	Delivery of our water network improvement programme-BI8
2	Water supply interruptions-Wt2	21	D-MeX-Sv2	39	Delivery of our South Wales grid water supply resilience scheme-BI10
3	Acceptability of drinking water-Wt3	22	Customer Trust-Sv3	40	Delivery of our new visitors' centre-VIS01
4	Mains Repair-Wt4	23	Business customer satisfaction-Sv4	41	Cwm Taf Water supply strategy scheme (Underperformance)-DPC01
5	Unplanned outage %-Wt5	24	Priority services for customers in vulnerable circumstances-Sv5	42	Cwm Taf Water supply strategy scheme (Outperformance)-DPC02
6	Tap water quality event risk index (ERI)-Wt6	25	Customer on Welsh language register-Sv6	43	Risk of severe restrictions in a drought-Ft1
7	Water catchments improved-Wt7	26	Internal sewer flooding-Rt1	44	Risk of sewer flooding in a storm-Ft2
8	Lead pipes replaced-Wt8	27	Sewer flooding on customer's property-Rt2	45	Energy self-sufficiency-Ft3
9	Treatment works compliance-En1	28	Sewer collapses-Rt3	46	Surface water removed from sewers-Ft4
10	Treatment works 'look-up table' compliance-En2	29	Total Complaints-Rt4	47	Asset resilience (reservoirs)-Ft5
11	Pollution incidents-En3	30	Worst served customers-water-Rt5	48	Asset resilience (water network+ above ground)-Ft6
12	Leakage-En4	31	Worst served customers-wastewater-Rt6	49	Asset resilience (water network+ below ground)-FT7
13	Per capita consumption-En5	32	Change in average household bill-BI1	50	Asset resilience (wastewater network+ above ground)-Ft8
14	Km of river improved-En6	33	Vulnerable customers on social tariffs-BI2	51	Asset resilience (wastewater network+ below ground)-Ft9
15	Bioresources product quality-En7	34	Company level of bad dept-BI3	52	Community Education-Ft10
16	Bioresources disposal compliance-En8	35	Unbilled properties-BI4	53	Visitors to recreational facilities-Ft11
17	Combined sewer overflow storage systems-En9	36	Financial resilience-BI5	54	Reportable injuries-Co1
18	Delivery of Environment programme requirements-NEP01	37	Delivery of our reservoir's programme. -BI6	55	Employee training and expertise-Co2
19	Drainage and wastewater management plans-DWMPs			56	Employee engagement-Co3



APPENDIX 2 - Impact and Probability Risk Matrix – Other Activities

1	Annual Performance Report
2	Performance Commitments
3	Water Resources Management Plan
4	Water Resources West Regional Water Resources Plan
5	Environmental Social Governance (ESG) Reporting
6	Bioresources Market Information
7	Task Force on Climate Related Financial Disclosures (TCFD) Reporting
8	Combined Sewer Overflow (CSO)
9	Price Review 2024 (PR24)
10	Environmental Performance Assessment (EPA)

