

# Final Assurance Plan 2017/18



## FINAL ASSURANCE PLAN

### Who we are

Dŵr Cymru Welsh Water (DCWW) is the sixth largest of the ten regulated water and wastewater companies in England and Wales. Dŵr Cymru Cyfyngedig is unique among utility companies in the UK – we are owned by Glas Cymru Cyfyngedig, a ‘not-for-profit’ company, limited by guarantee. 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.

**WE'RE A NOT-FOR-PROFIT WATER COMPANY.**

**WE DON'T HAVE SHAREHOLDERS, WHICH MEANS THAT EVERY SINGLE PENNY GOES BACK INTO LOOKING AFTER YOUR WATER AND ENVIRONMENT.**

We keep over three million people healthy each day with safe, reliable water, and take away waste water to clean, before returning it safely to our beautiful rivers and seas.

We serve customers in most of Wales, Herefordshire and some communities along the English border.

### THE AREA WE SERVE



### 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.

## About this document

In June 2015 Ofwat published guidance on its Company Monitoring Framework - it said:

*“The Company Monitoring Framework is a tool to challenge all companies to provide information for customers and stakeholders that is reliable, timely, appropriate to the audience and for companies to be transparent with customers and stakeholders about the data assurance they put in place”.*

Each year, Ofwat categorises companies into either self-assured, targeted or prescribed. In November 2017 DCWW was placed in the middle category of targeted assurance, alongside the majority of other companies in the sector. Ofwat has concluded that we are able to deliver accurate and reliable information that gives stakeholders trust and confidence. However, our aspiration is still to achieve self-assurance status.

We see assurance as part of our continuous improvement programme and is an important part of our day-to-day activities. Our overall aim is to ensure that the data and information we publish is accurate and reliable. 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 our customers and stakeholders can easily understand and have also discussed this aspect with them to see if there is scope for further improvements.

We have already identified any risks that could affect our ability to provide information that our customers and stakeholders can trust. This is called our Statement of Risks, Strengths and Weaknesses and was included in the [Draft Assurance Plan](#) published for consultation in November 2017.

Our Final Assurance Plan sets out the actions we believe are necessary to address any of the risks and weaknesses we have identified.

We have included a table summarising the material changes to this Final Assurance Plan from the 2016/17 plan. (See Appendix 1)



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## 1. EXECUTIVE SUMMARY

We value the engagement we have with our customers and stakeholders and our challenge is to provide them with information that is accurate, reliable, timely and appropriate. In the course of preparing this document, we have engaged with our key stakeholders to make sure that our plans cover the information that is important to them and that the planned assurance will give them confidence that our information will be accurate and complete.

We also asked whether the document was easy to read and whether there was any way it could be improved.

This document explains how we identified any risks with the information we publish, how these risks are addressed and how we carry out assurance.

The results from our risks, strengths and weaknesses analysis allowed us to develop a targeted Draft Assurance Plan for 2017/18. As in previous years, the Draft Assurance Plan included a wide variety of controls and mitigating actions designed to ensure that stakeholders can trust the information we publish.

The outputs from the consultation are summarised in Section 2 and we explain how we have taken into account the comments received. All of the key stakeholders with whom we engaged were positive about the document and the processes followed and there were some constructive suggestions made to enhance the plan which we have taken on board.

In Section 3 we provide more information on the application of our Company Monitoring Framework and, in particular, explain how the key elements of the Framework, such as the application of robust assurance principles, clear ownership and accountability, effective governance, and transparency and accountability have been applied.

Section 4 contains our risk based Final Assurance Plan. An integral part of this is the reporting of performance relating to those measures (both financial and non-financial) which are part of our Outcome Delivery Incentive Scheme. This includes the Measures of Success which were contained in Ofwat's 2014 Final Determination. We report on these in an Annual Performance Report (APR) published each July.

In addition, we apply the Framework to regulatory data reported elsewhere. Last year, we identified several new areas of regulatory reporting and included these in our Assurance Plan. This year, as part of a continuous improvement programme, we have reviewed these activities and have added several new targeted areas.

Within Section 4, we list each area covered by the Final Assurance Plan and include the following information

- Background information and why the particular area is included in this Final Assurance Plan;
- A list of the controls and mitigation actions in place; and
- For those areas which were part of the 2016/17 Final Assurance Plan, the improvements made in the course of the year or, if they are new, the improvements we anticipate making.

As a result of the analysis of risks, strengths and weaknesses, the feedback received from key stakeholders as part of the consultation, and taking into account the controls and mitigations we have in place, we are satisfied that this Final Assurance Plan addresses all known risks and that we are well placed to assure the relevant data. By adopting this approach we are able to ensure that customers and stakeholders have a high level of trust and are confident that the information we publish is accurate and reliable.

## 2. HOW STAKEHOLDER ENGAGEMENT HAS INFLUENCED OUR ASSURANCE PLAN

In June 2015 Ofwat introduced the Company Monitoring Framework for the period 2015/20 to ensure that stakeholders can rely on the information provided by water companies. The framework requires all companies to provide:

- explicit sign off on the assurance that has been provided;
- full transparency on the audit procedures; and
- a summary of the outcome of assurance.

In line with the majority of water and wastewater companies, DCWW was assessed as being in the targeted assurance category. This means that in addition to the basic reporting requirements, we are required to work with our customers and stakeholders to target issues to address and consult on our draft assurance plans to make sure that they are sufficient.

We support this approach – we cannot expect to build and maintain the trust of our customers and stakeholders if we do not first understand if they have any concerns, and then seek to address them. To assist us in this process we have developed an [Engagement with Stakeholders Protocol](#).

Key to our Company Monitoring Framework is the assurance we undertake at each stage of the process and how we engage with stakeholders to ensure that the information we provide is useful and relevant for their needs.

During the consultation exercise we engaged proactively with a range of key stakeholders, arranging meetings and conference calls where appropriate, as well as preparing presentation packs outlining our data assurance framework.

We have considered the consultation feedback we received on our 2017/18 Statement of Risks, Strengths and Weaknesses and Draft Assurance Plan, which was published on our website in November 2017. Stakeholders agreed with the targeted areas and they were also supportive of our approach to governance. We have listened to stakeholders and have taken on board suggestions that some new areas are added by incorporating these into the Final Assurance Plan.

Our Customer Challenge Group (CCG) helps ensure that current and future customers are at the heart of the way we operate. A key part of the role of the CCG is to provide additional independent challenge and review of our data. 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 a company's customer engagement and the extent to which the results of this engagement drive decision making.

Information is shared regularly with the CCG to enable them to review and challenge our progress in delivering our performance commitments.

We also had separate discussions with the Chair of the CCG and shared with him our thinking and explained fully the approach we were taking.

We will continue to work with the CCG to develop our performance reporting to ensure it meets the requirements of customers and other stakeholders.

We also had a very open and positive discussion with the Chair of CCWater. CCWater is the statutory consumer body for the water industry in England and Wales. It offers independent advice to customers about water companies and its remit is to represent the interests of customers. We were able to gain a better understanding of what customers and other stakeholders would like to see by way of further



re-assurance and we have had regard to his comments and suggestions - and those of all other stakeholders with whom we have had discussions, including the Welsh Government, the Drinking Water Inspectorate (DWI) and Natural Resources Wales (NRW), in finalising this plan.

We have also written to each of the respondents thanking them for their input and addressing the points made and, where appropriate, explained how we have taken account of these comments in the Final Assurance Plan.

Amongst the comments received from stakeholders were the following:

Figure 1 – Stakeholder comments

*Customer Challenge Group*

*"You have previously attended a Customer Challenge Group meeting to present the assurance framework and I am pleased to endorse the view that the processes you have in place provide the necessary confidence in the data provided to customers.*

*I particularly want to highlight the emphasis you put on company culture as it is always possible to undermine systems if there is a lack of transparency, trust and support for colleagues in applying the company values in the operation of the business. It is important this is evidenced in the assurance report drawing on employee engagement information, importantly detailing how the corporate values are reinforced across the company and how specific policies, such as that on whistleblowing are applied."*

*CCWater*

*"We can see that you have included a section on Business Retail market and the new element of your work relating to assurances required in the context of a new open market for companies operating wholly or mainly in England. We are pleased to see that you have implemented a full range of systems, processes and business separation similar to that required in England."*

*Natural Resources Wales*

*"Generally, we find the document to be well presented and easy to follow.*

*We acknowledge the steps that DCWW have identified and put in place to assure the accuracy and reliability of their data."*

*Welsh Government*

*"The draft plan was well presented and easy to read, and we welcome the engagement with stakeholders you have undertaken during the course of its preparation."*

At a meeting with the Drinking Water Inspectorate we were told that it welcomed the opportunity to review our plans and acknowledged the fact that we are “open and transparent in our dealings with them”.

Respondents to the consultation also made some suggestions and these are set out in Figure 2 below. We also explain how we have addressed these.

Figure 2 - Stakeholder Suggestions and commentary on how we have addressed these.

Respondents to the consultation also made some suggestions:
<p><b>Respondent: Customer Challenge Group</b></p> <p><i>“It is important that the company continues to develop and improve ways in which the customer can access, understand and interact with the performance data. This will be an area of focus for the CCG in relation to:</i></p> <ul style="list-style-type: none"> <li><i>• Accessibility and capacity for interaction via the web site, providing information and data in a way the customer can interact with. Building a structure of reporting from the regulatory detail through to the high level customer summary, using language appropriate to the intended audience and monitoring social media performance year on year.</i></li> <li><i>• Ability of customers to benchmark performance using the Discover Water framework.</i></li> <li><i>• The development of the on-line community.</i></li> <li><i>• Providing personalised feedback at a local level on performance and improvements – e.g. linked to investments, responding to the customer’s needs about their locality.</i></li> </ul> <p><i>Feedback from customers on the effectiveness of performance reporting – e.g. through the annual bill.”</i></p>
<p><b>DCWW Comment:</b></p> <p><i>Last year, we included “website publications” as a new targeted area as this is a platform upon which customers and stakeholders rely upon to obtain information on performance and other aspects of the business. It will remain an important element of our Assurance Plan.</i></p> <p><i>We have revisited “Website Publications” and have updated the Assurance Plan to reflect the comments of the CCG, with particular regard to refreshing the website, and using the independent Discover Water website. We will ensure that we provide links to the Discover Water website where appropriate to allow customers and stakeholders to benchmark performance against other companies in the sector.</i></p>
<p><b>Respondent: Natural Resources Wales</b></p> <p><i>“DCWW might also like to consider including materials developed for customer research within their assurance plan. This would help assure the accuracy, reliability and objectivity of the material and the research, and support the Customer Challenge Group in advising and scrutinising DCWW’s approach to customer engagement”</i></p>
<p><b>DCWW Comment:</b></p> <p><i>This year, we have undertaken expansive customer research as part of the price review (PR19) and acknowledge the suggestion that this is an area which should be incorporated into our Plan. We have</i></p>



<p><b>Respondents to the consultation also made some suggestions:</b></p>
<p><i>therefore included a new section in the Final Assurance Plan headed “Customer Engagement” (see Section 4 paragraph 4.13).</i></p>
<p><b><u>Respondent: CCWater</u></b></p> <p><i>We think this document should be highlighting how you are currently working with us to respond to our monitoring requirements on contact and complaints from your non-household customers. Reference should be made to the monitoring framework and your submissions to CCWater which help assure us of your focus on improving non-household customer services in Wales.</i></p>
<p><b><u>DCWW Comment:</u></b></p> <p>In response to this observation, we have added a new section in the Final Assurance Plan headed “Non-Household Customer Contacts and Complaints” (see Section 4 paragraph 4.14).</p>
<p><b><u>Respondent: CCWater</u></b></p> <p><i>We would like you to consider in your final plan a summary of the key changes since your last assurance plan (risk assessment). This is in line with feedback we have given you in previous years when we asked ‘to understand what additional risks have arisen since last year’s assurance plan was published. These should be more explicit summarised in the report in a section. (CCWater)</i></p>
<p><b><u>DCWW Comment:</u></b></p> <p><i>We have included a summary table with key changes shown. (see Appendix 1)</i></p>
<p><b><u>Respondent: CCWater</u></b></p> <p><i>We would like you to include an overview of the key areas in which you have identified risk (amber in Appendices 1-3 in DAP) explaining why these might be have been assessed as higher risk and what steps you are taking to mitigate this.</i></p>
<p><b><u>DCWW Comment:</u></b></p> <p><i>We have included in Appendix 1 a table with some narrative explaining the changes and why some of the areas/measures remain within the yellow “low medium risk” category. Where appropriate, we explain in the body of this Final Assurance Plan what steps are being taken to mitigate the relevant risks.</i></p>
<p><b><u>Respondent: CCWater</u></b></p> <p><i>We would like you to include in your final plan an explanation of what the remaining issues which keep the company in the targeted assurance plan category are and what you think you could do to address those in the future.” (CCWater).</i></p>
<p><b><u>DCWW Comment:</u></b></p> <p><i>In Section 2 we include our assessment of the Ofwat Company Monitoring Framework, highlighting the two areas where there were minor concerns and explaining what we propose doing to address these. We improved in four of the eight Ofwat assessment areas achieving “Exceeds expectations” in three areas. We will continue to apply best practice and also have regard to the measures being taken by companies who are in the “self-assured” category. The assessment has not disclosed areas of concern and we will continue to strive towards achieving “self-assured” status.</i></p>

Respondents to the consultation also made some suggestions:

**Respondent: CCWater**

*We would suggest that this document is used to facilitate increased transparency on profit sharing by explaining how customers, stakeholders, CCWater, regulators and the CCG have been engaged in decisions made to reinvest profits in your business.(CCWater)*

**DCWW Comment:**

In our Annual Report and Accounts we included information on where each £1 of income from customer bills is spent. It also shows that for every £1 of money from customers spent (e.g. on investment work, tax, maintenance and salaries), we have invested an additional 9p from reserves built up in previous years. This is called “added value for customers”. All figures included in this calculation are audited and details set out in the statutory accounts. In Section 4 we include an area entitled “Statutory Financial Reporting” where controls and mitigating actions are listed. (See paragraph 4.10).

In 2016, we developed a new page on our website called “[Our Assurance Framework](#)”. This contains information about our Company Monitoring Framework as well as the suite of available documents, which includes information on our performance. We will continue to use this as a means of informing customers and stakeholders of the steps we take to assure the data that is contained within key publications such as the APR.

### Feedback from Ofwat

A key element of the Company Monitoring Framework is the level of assurance Ofwat requires in addition to companies’ own assurance proposals. In November 2017, Ofwat published its second annual assessment which determined 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.

Ofwat has assessed that DCWW Water should remain in the “targeted assurance” category. Our objective for post 2017/18 is to be within the upper category of “self-assurance”.

We exceeded Ofwat’s expectations in three of the eight assessment areas. These were:-

- Outcomes, i.e. reliable, timely and appropriate reporting proposals;
- the Assurance Plan; and
- the Risk and Compliance Statement.

Figure 3 – Ofwat commentary



There were minor concerns identified in two of the assessments. The table below identifies these and explains how we have or propose to action each of these.

Ofwat observation	Our response
<p><u>Financial monitoring framework</u></p> <p>Our review identified a number of small errors which indicated that Dŵr Cymru had not followed our reporting guidance. None of those errors would have had a significant impact on the reader's view of the company performance.</p> <ul style="list-style-type: none"> <li>• The dividend yield was reported as a positive figure rather than a negative figure</li> <li>• The effective tax rate was calculated by reference to the total corporation tax for the year (including prior year adjustments) rather than to the current corporation tax</li> <li>• There was a small reconciling item in relation to financial derivatives which was not fully explained.</li> </ul>	<p>We initially reported the value as a negative figure but a query from Ofwat resulted in our revising it to a positive. We have ensured that our written procedures note that this be reported using the correct polarity in 2018/19.</p> <p>The inclusion of the prior year adjustments value in the effective tax rate calculation was an error resulting from using the 2017/18 corporation tax charge in the APR. The figure was not material (a 0.35% change) We have revised our internal documentation and reviewed procedures to ensure that this error does not recur.</p> <p>We provided some explanatory narrative in our APR covering letter to Ofwat, but will ensure that clear documentation of any reconciling items is included in the APR itself in 2018/19.</p>
<p><u>Data assurance summary</u></p> <p>The company published a succinct summary of the data assurance process. The data assurance summary does not provide sufficient details on the assurance activities carried out and the results.</p> <p>The data assurance summary is written in a style that is easy to read though being bound in the APR, it is not prominent on the company's website. The assurance framework is referenced across different parts of the APR report making it difficult for stakeholders to find all the information. It would be helpful for readers to have a summary within the data assurance summary.</p>	<p>A comprehensive data assurance summary was included within the body of the APR published in July 2017. Ofwat commented that this should be given greater prominence. We recognise that the suggestion will afford greater transparency and in future will ensure that an assurance summary is published as a standalone document.</p> <p>This document will also be included within the "Our Assurance Framework" section on our website.</p>

We also took the opportunity to review Ofwat's assessment of the respective Company Monitoring Frameworks of other companies. Our objective was to review the comments, both negative and positive, made by Ofwat so that we could take these on board and also identify any areas of best practice adopted by other companies. The outcome of the review was also shared with the Dŵr Cymru Executive (DCE) and other individuals within the business.

### 3. OUR COMPANY MONITORING FRAMEWORK

This section provides an overview of our approach to assurance.

In June 2015 Ofwat published guidance on its Company Monitoring Framework – it stated the following.

*“The Company Monitoring Framework is a tool to challenge all companies to provide information for customers and stakeholders that is reliable, timely, appropriate to the audience, and for companies to be transparent with customers and stakeholders about the data assurance they put in place.”*

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 understand 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 reliability and accuracy of data is a matter of great importance to us. Within the business we have well-established governance and accountability processes. Our proposed assurance plan for this financial year, 2017/18, continues to build on the solid foundation we implemented in previous years’ assurance plans.

Our data assurance framework is underpinned by five 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 DCE with additional challenge provided by the CCG, Regulators such as DWI, NRW Wales and CCWater in its important role as a statutory consumer watchdog;
- Transparency and accountability – we publicly report on our performance and hold ourselves to account where we do not meet our commitments; and
- Company Culture – having in place the right culture which encourages our people to act responsibly and “do the right thing”.

#### 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).

**Table 1: Three lines of assurance model**

Line	Area	Role	Type of Activity
1 Risks and controls:	Business Operations	Delivery of service and performance	<ul style="list-style-type: none"> <li>• Providing source information</li> </ul>
	Business Management	Monitoring and reporting performance	<ul style="list-style-type: none"> <li>• Defining and documenting methodologies and processes</li> <li>• Identifying material changes to systems and processes</li> <li>• Implementing quality checks and reviews</li> </ul>

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

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 risk areas. We employ 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.

#### Ownership and accountability

Strong personal and collective ownership is critical for ensuring the accuracy of information we produce, driving improvements and holding ourselves to account. Regular monthly internal performance reporting to our DCE 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 our performance data by the data owner, the responsible senior manager (where appropriate) and finally, 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.



## Effective governance

We will continue to review our governance arrangements to ensure that we remain compliant with future changes to the UK Corporate Governance Code. In particular, the Code that we have in place reflects our performance reporting principles and governance arrangements to make sure that it 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 the 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. Our Regulators, DWI and NRW, and the consumer watchdog CCWater, also provide independent scrutiny and challenge.

## Transparency and 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. Our 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 our DCE or Board as required. This year we will continue to hold ourselves to account with the publication of our 2017/18 APR which will follow Ofwat's reporting requirements.

## Our company culture

Our approach to data assurance allows us to consider risks associated with processes and identify specific controls that are in place to manage or mitigate those individual 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 in itself provides a level of reassurance for many of the risks identified.

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 take pride in being Investors in People accredited for the work that we do in making people the best that they can be.

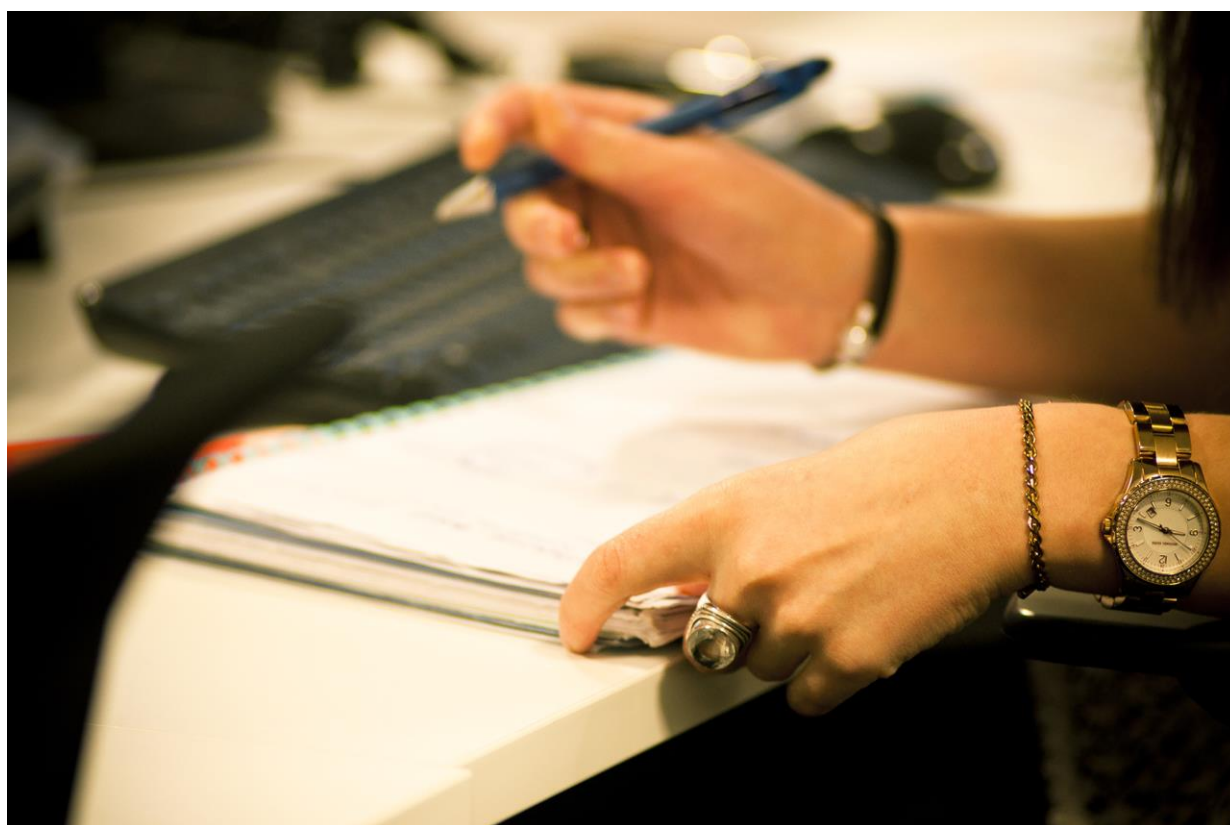
We work in an environment where managers don't hide away in offices and there is an open door policy at all times, so if a colleague has a question, they will always be able to get an answer. This enables us to build closer working relationships, promote accessibility and establish an open flow of communication.

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 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 defence 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.

#### Areas for targeted assurance

We believe that our approach to risk assessment, governance and assurance has worked well in previous years and see that this is a key strength in our system of reporting. We have therefore built on this approach for our 2017/18 reporting framework. More information on our risk assessment approach is provided in our, [Statement of Risks, Strengths and Weaknesses/Draft Assurance Plan](#).



## 4. FINAL ASSURANCE PLAN 2017/18

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

Our re-evaluation of the data activities that merited inclusion in last year's Assurance Plan has resulted in two activities not warranting continued targeting (see Appendix 1). We now consider we can demonstrate appropriate strengths in these areas, as shown in the table below. The appropriate controls and mitigation actions relevant to these areas will continue to apply.

Our Draft Assurance Plan consultation closed on the 12 January 2018, and our stakeholders were comfortable with this approach.

We consider we can demonstrate appropriate strengths in these two areas and therefore they do not warrant any targeted assurance.

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
13	Our Priority Services for Vulnerable Customer	Yes

### Developer Services

Since the publication of our 2016/17 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".

### Business Retail Market

- 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.

As part of this process, we also identified a number of new activities that merited consideration within our Risk, Strengths 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 2.

#### 4.1 Annual Performance Report (2017/18)

All data reported in the APR Report 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 review the assurance framework and provide risk based assurance on individual elements. We also employ the services of external technical and financial auditors.

Section	Description	Assurance activities
Annual Performance Report 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"> <li>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.</li> <li>2. Finance team review of information and audit trails.</li> <li>3. Financial Auditors (KPMG) audit and opinion according to Ofwat audit requirements.</li> </ol>
Annual Performance Report Section 2: Price review and other segmental reporting	Further separation of revenue and costs to allow stakeholders to review companies' performance against the 2014 Price Review (PR14) Final Determination.	<ol style="list-style-type: none"> <li>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.</li> <li>2. Finance team review of information and audit trails.</li> <li>3. Financial Auditors (KPMG) audit and opinion according to Ofwat audit requirements.</li> </ol>
Annual Performance Report Section 3: Performance summary	A high level report of the operational performance of the business against the performance commitments set out in the PR14 Final Determination, highlighting any financial incentives accrued in the year.	<ol style="list-style-type: none"> <li>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.</li> <li>2. Regulation team review of information and audit trails.</li> </ol>

Section	Description	Assurance activities
		3. Technical Auditors (Jacobs our Reporter) review data and commentary and report opinion to the Board.
Annual Performance Report Section 4: Additional regulatory tables	Additional financial and non-financial information, including wholesale totex performance against both the PR14 Final Determination assumptions and intercompany unit cost metrics, retail operating cost analysis and financial metrics. Cost Assessment Data that will help Ofwat inform its future market and price setting work ("known as Water 2020).	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 (KPMG) or Technical Auditors (Jacobs our Reporter) review of relevant tables to agreed procedures.

Improvements	Complete (√) or 'In progress'
We implemented a comprehensive "lessons learnt" exercise involving a cross section of data owners and managers and devised an implementation plan to monitor actions identified.	√
This year, the Cost Assessment data will be reported in the APR. We have used the Ofgem model described in the Risks, Strengths and Weaknesses Review and Draft Assurance Plan to undertake a regulatory risk assessment on the 26 tables that last year were contained within the separate Cost Assessment data return submitted to Ofwat in July 2017.	√
Ofwat published its latest Regulatory Accounts Guidance (RAGs) in November 2017. We have checked the requirements and ensured that all relevant data owners are fully conversant with the required changes.	√

## 4.2 Performance Measures (Outcome Delivery Incentive Scheme)

In April 2015, we introduced our new Outcome Delivery Incentive Scheme. It provides 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 to ensure that they are properly compensated where we fall short.

We used the Impact and Probability Risk Matrix for 2017/18 (Appendix 3) to assess whether it was necessary to implement any additional assurance activities on any particular measures. It can be seen from Appendix 3 that no Performance Measures currently reside within the red zone (high risk) or the amber zone (medium high risk).

We do not intend targeting any of the seven performance measures falling within the yellow zone ('low-medium') as we believe that the high level of assurance obtained from the Technical Auditor and our own internal controls are appropriate.

We will continue to apply the three lines of assurance process and rely on the programme of work in place, including the work that will be undertaken by the Technical Auditor:

- 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.

Set out below are the controls and mitigating actions we have in place.

### Controls and mitigating actions

- Internal scorecards highlight performance against the 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 is 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 reviewed and scored by the Technical Auditor.
- Data sign off by the data owner, business manager (where appropriate) and the relevant Director.
- Adopting a risk based approach the 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 process, assumptions, methodology, implementation, governance and results.
- High level audit of the reporting framework carried out by the internal Business Assurance Team.
- Review by DCE and updates are provided to the Audit Committee.
- A Board Assurance Statement for performance data contained in the APR.



Improvements	Complete (✓) or 'In progress'
Last year, CCWater made a number of suggestions, e.g. the inclusion of the targets derived from the 2014 Final Determination in the performance illustrations and generally making parts of the document easier to follow. We agreed with these suggestions and made the appropriate changes.	✓
In providing comparative performance, we will show how we have performed against water-only companies and not just the water and sewerage companies. We will also include links to the "Discover Water" website.	In progress

### 4.3 Segmental reporting

2015/16 was the start of a new price control period and we have separate price controls for wholesale (water and wastewater) and retail (household and non-household). With the introduction of greater competition, we want to ensure 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.

Set out below are the controls and mitigating actions we have in place. We also highlight the improvements that have been made in the course of the last year.

#### 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	Complete (v) or 'In progress'
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	v
An extra level of review and additional capacity to deal with new reporting requirements.	In progress
Methodology Statements developed to provide a step-by-step guide to the preparation of each table.	v
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.	v
We will continue to review this area in light of new or amended legal and regulatory requirements"	In progress.

#### 4.4. Charges Schemes

We are required to publish a number of charges schemes each year in compliance with Licence Condition D and Ofwat's Charges Schemes 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 was published in February 2018.

Set out below are the controls and mitigating actions we have in place. We also highlight the improvements that have been made in the course of the last year.

##### 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	Complete (✓) or 'In progress'
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 demonstrate compliance and allow assurance to be provided.	✓

#### 4.5 Website publications

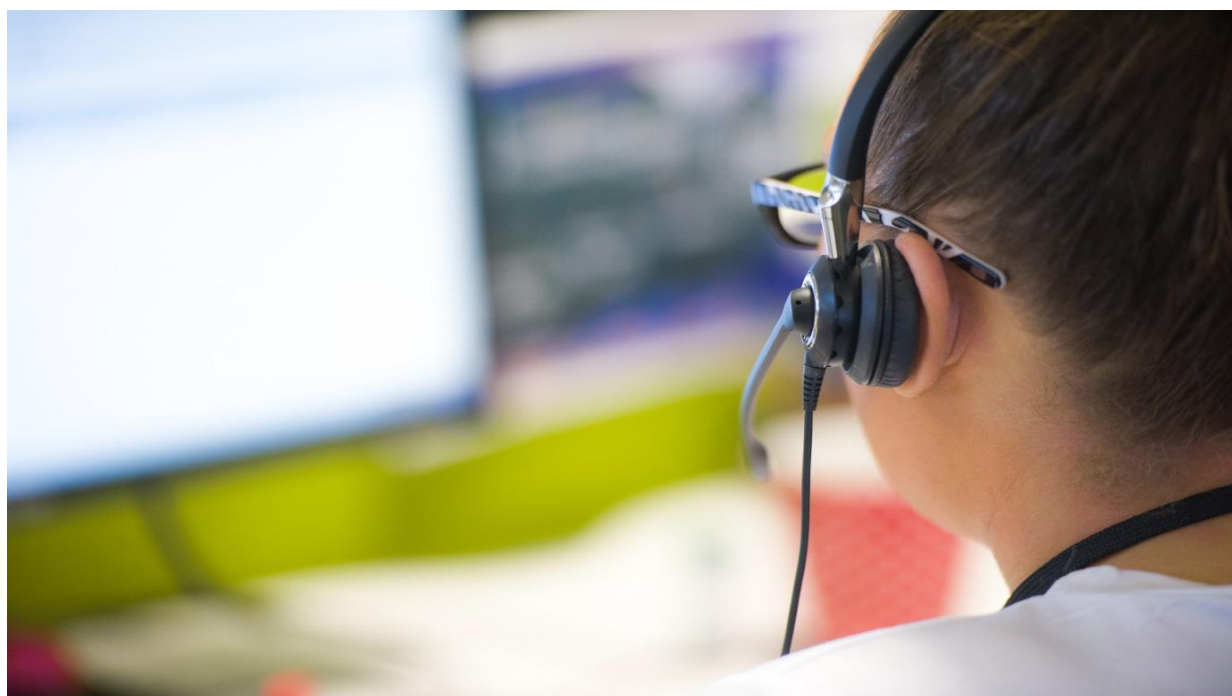
The development of our website is ongoing and each year we publish a number of key publications on our website to help inform our customers and stakeholders. Last year, when considering the scope of our data assurance process we identified this as an area which should come within our assurance framework. 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"> <li>• Finance/Regulation Teams review.</li> <li>• Reconciliation between data in APR and Annual Report.</li> <li>• Scrutiny by Audit Committee.</li> <li>• Board approval.</li> <li>• Independent audit and opinion.</li> <li>• Summary of information and link to Discover Water included on our website.</li> </ul>
Annual Report and Accounts	Information allowing stakeholders to assess the company's performance, business model and strategy	<ul style="list-style-type: none"> <li>• Drafted by senior management with co-ordination by the Deputy Company Secretary.</li> <li>• General Counsel and Company Secretary act as the editors to ensure consistency.</li> <li>• Reviews by members of the DCE team and a verification process involving the company's Financial Auditor.</li> <li>• Final draft reviewed by Audit Committee prior to review and approval by the Board, and submission to Members.</li> </ul>
Charges Scheme	Information about our current charges and policies	<ul style="list-style-type: none"> <li>• Legal compliance assured by Legal team.</li> <li>• Approval by Charges Policy Steering Group.</li> <li>• CCWater consultation.</li> <li>• Board approval.</li> <li>• Independent audit and opinion.</li> </ul>
Codes of Practice	Details of the levels of service customers can expect from us	<ul style="list-style-type: none"> <li>• Legal/regulatory compliance assured by Legal team.</li> <li>• CCWater consultation.</li> <li>• Director approval.</li> <li>• Codes submitted to Ofwat.</li> </ul>

Publication	Description	Mitigation Actions
Standard information on our billing literature	Standard information which is included with customer bills	<ul style="list-style-type: none"> <li>• Legal/regulatory compliance assured by Legal team.</li> <li>• CCWater consultation.</li> <li>• Approval by the Annual Billing Steering Group.</li> </ul>
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"> <li>• Where data is derived from performance commitments, e.g. Service Incentive Mechanism it is subject to the appropriate assurance process.</li> <li>• Where data is not derived from performance commitments the data is subject to second Line assurance.</li> </ul>
Data Share	Industry data share of annual performance data. Also published on the Discover Water website.	<ul style="list-style-type: none"> <li>• Independent review by Technical Auditor.</li> <li>• Reconciliation with APR data.</li> <li>• Due diligence by Regulation Team.</li> <li>• Director sign off.</li> </ul>

Improvements	Complete (✓) or 'In progress'
There is an ongoing development of our website and we will take every opportunity to ensure that it continues to be a reliable platform for our customers and stakeholders to obtain information on aspects of the business.	In progress



#### 4.6 Cost Assessment data

In May 2017, Ofwat published an Information Notice ([IN 17/03](#)) setting out its expectations for APR 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 4) 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 4 that no datasets reside within the red zone (high risk) or the amber zone (medium high risk).

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.

Set out below are the controls and mitigating actions we have in place. We also highlight the improvements that are planned for the year.

##### 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 is also 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 will undertake due diligence 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	Complete (v) or 'In progress'
Now that the Cost Assessment data will be reported within the 2017/18 APR, we have adopted the same approach as taken with the remainder of the APR, and this will all be subject to the same structured "three lines of assurance" process.	In progress



#### 4.7 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 our 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 our submission was made in February 2018.
- **Draft performance commitment definitions** – Our assurance will cover a 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”.

Set out below are the controls and mitigating actions we have in place. We also highlight the improvements that are planned for the year.

##### 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, all of which are members of 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	Complete (✓) or 'In progress'
We will have in place 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 submission. This will support the Board Assurance statements that will be submitted to Ofwat, to demonstrate that the Board is confident the submission meets Ofwat requirements.	In progress





## 4.8 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.

Set out below are the controls and mitigating actions we have in place. We also highlight the improvements that are planned for the year.

### 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	Complete (✓) or 'In progress'
External independent assurance will be provided by the Technical Auditor to confirm that the 2017/18 data is accurate and in line with the published guidance.	In progress



#### 4.9 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 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.

Set out below are the controls and mitigating actions we have in place. We also highlight the improvements that are planned for the year.

##### 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?
  - 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	Complete (✓) or 'In progress'
The Plan will be published for full public consultation in early 2018 and by September 2018 we will produce a revised draft WRMP that takes account of the feedback received.	In progress





#### 4.10 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.

Set out below are the controls and mitigating actions we have in place. We also highlight the improvements that are planned for the year.

##### 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	Complete (√) or 'In progress'
An annual review of accounting policies was undertaken in February 2018 to ensure compliance with changes to accounting framework and our ability to comply with future changes.	√



#### 4.11 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 Plan.

Set out below are the controls and mitigating actions we have in place. We also highlight the improvements that are planned for the year.

##### 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 Heads 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	Complete (✓) or 'In progress'
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 and the transition to the new platform.	✓
The Steering Group reports regularly to the Systems and Change Board, chaired by the Finance and Commercial Director.	
A new system is being introduced to replace QDB in May 2018.	In progress



#### 4.12 Payment Policies, Practices and Performance

The Department for Business Energy and Industrial Strategy (BEIS) outlines 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.

Set out below are the controls and mitigating actions we have in place. We also highlight the improvements that are planned for the year.

##### 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	Complete (✓) or 'In progress'
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.	In progress





#### 4.13 Customer Engagement

We ensure that data and information that is used to inform any customer research is derived from a reliable and accurate source and also that it processed correctly. In the last 12 months there has been significant activity as we prepare for the forthcoming price review. We also undertake “business as usual” customer research, including surveys to establish customer trust levels and awareness of our “not for profit” status.

We have in place a framework for customer engagement which is the blueprint we follow when undertaking any research. This includes:

- An overarching “ route map” for PR19 customer engagement ;
- Guidance notes for implementing good practice requirements for customer engagement; and
- A method for triangulating between various data sources, including guiding principles for applying judgement in the triangulation process.

Whilst recent activities have focused principally on the price review, we apply these principles underpinning this research and the controls and mitigations listed below to all customer engagement activities, to ensure the research is based on accurate and reliable data provided by the company.

##### Controls and mitigating actions

We ensure that data and information that is used to inform any customer research is derived from a reliable and accurate source and also that the results of customer research are processed and reported accurately. We achieve this by ensuring the following:

- All customer research is undertaken by a reputable research company with a strong track record in the field of customer research. We use three research companies under a framework contract which was competitively tendered. All of the companies are members of the Market Research Society and are therefore bound by their code of conduct on how such research should be conducted.
- Generally, data used in the research is sourced from our published documents such as our APR or the Annual Reports and Accounts which themselves have been subject to the appropriate level of assurance.
- Where data is obtained from documents published by reputable external bodies, e.g. NRW we assume that the data has been subjected to the appropriate assurance.
- Data owners within the business are responsible for processing the data and satisfying themselves that it is reliable and accurate.
- Generally customer engagement undertaken for PR19 is shared with the CCG and they have the opportunity to challenge & scrutinise the approach and materials provided. Our research briefs and questionnaires are shared with the CCG as are all final reports on the results.

Improvements	Complete (✓) or ‘In progress’
Following completion of the PR19 research we will undertake a lessons learnt exercise with the CCG, which will include a review of how the controls and mitigations listed above were followed.	In progress

#### 4.14 Non-household customer contacts and complaints

CCWater is a statutory consumer body for the water industry in England and Wales. It offers independent advice to customers about water companies. If customers have received poor service they can investigate their complaint.

Each quarter we and other companies provide to CCWater a quarterly update on our performance relating to a number of key measures, including SIM.

A meeting is held quarterly with each water company where CCWater discusses the companies' performance and has the opportunity to raise any matters of concern. Once a year, the meeting is open to members of the public to attend. From 1 April 2017 non-household customers in England have been able to change their water retailer. In Wales, only large non-household customers are able to do this. To ensure that our non-household customers continue to receive excellent customer service, we have appointed a market research organisation to undertake two half-yearly satisfaction surveys on a random sample of 1,000 of our customers. We publish the results in our APR.

In addition, and following discussions with CCWater, we have developed a non-household report which we submit to CCWater on a quarterly basis. The report includes information on the volumes of telephone contacts and written complaints received. CCWater also reviews and discusses this report at the regular quarterly meetings.

##### Controls and mitigating actions

- Data provided annually is derived from published documents such as our APR or the Annual Reports and Accounts, which themselves have been subject to the appropriate level of assurance.
- Quarterly and six monthly data is sourced from key internal documents, particularly the "Monthly Management Report" which is reviewed by both the DCE and the Board. Sense checking is undertaken by the Regulation team to ensure that it is broadly in line with expectations and previous performance reported.
- Quarterly performance reports are provided to CCWater. These include information on the number of contacts and written complaints from our non-household customers.
- Senior Managers and Directors attend the quarterly CCWater meetings to discuss performance, including performance relating to non-household customers.
- CCWater publish a number of annual reports on water companies' performance so that customers and key stakeholders are able to draw comparisons on how well companies have performed.

Improvements	Complete (✓) or 'In progress'
The reporting mechanisms will be kept under review.	In progress

#### 4.15 Our Priority Services for Vulnerable Customers

We want to make sure that we always give the best service possible to all of our customers. If customers have a particular requirement due to their age, health, medical condition or extra communication requirements, we ask them to register for Priority Services so that we can help adapt our services to meet their needs. We have a 'Priority Services' booklet that explains what is available, how we can help and how to apply. This is also reinforced within the Security Emergency Measures (water and sewerage undertaker) direction 1998, where priority is given to vulnerable sectors of the population.

We promote our Priority Services through our call centre and other front line colleagues, as well as working with community based partner organisations to raise awareness of the services we provide. We have agreements with two other utilities organisations, Wales and West Utilities and Western Power Distribution, to take information of customers that they have signed up for their priority services schemes, and who have given their permission for them to pass on their details for us to include them on our scheme.

The recent challenging operational issues we encountered following the severe weather in late February and early March 2018 had a big impact on our network. The freezing temperatures and rapid thaw caused pipes on our network and at customers' premises, to burst and leak which triggered supply interruptions to some of our customers. Our Priority Services Register was critical in ensuring that any vulnerable customers were offered an alternative supply during the incident. This is available for customers who have a medical condition requiring water, as well as for customers who with limited mobility or disabilities, which prevents them from obtaining alternative supplies during an incident. Additionally, all front line customer contact staff were briefed to actively identify potential customer vulnerability so that, even if a customer wasn't on our Priority Services Register, we could understand whether any additional support was required.

##### Controls and mitigating actions

- The company maintains our register for our priority services, which includes over 26,000 customers.
- Customers' information and needs are registered onto relevant business systems, where reports can be produced.
- Access to the register is restricted so we comply with Welsh water's policy on sensitive information.
- Data sharing agreements with other utility providers to receive details of customers signed up to their priority services schemes.
- The register is maintained in various ways, such as application form received from the customer, information received from Renal Dialysis Units regarding additional service customers and information received during a telephone conversation with a customer if for example they are unable to complete an application form.

Improvements	Complete (✓) or 'In progress'
We will review and ensure our processes are sufficiently robust to ensure the details contained within the register are kept up to date.	In progress
Expand network of partner organisations to promote awareness of our Priority Services Register	In Progress



## 5. NEXT STEPS

We will publish a summary of the outcome of this assurance activity alongside our APR in July 2018.

The outcome of our 2017/18 assurance activity will inform the Statement of Risks, Strengths and Weaknesses for 2018 that will be published in the autumn.

It is important that we continue to review what information our customers and other stakeholders want and need. We also need to continue with our proportionate and transparent approach to the data assurance activities we carry out to give confidence to our customers and stakeholders in the information we publish. To these ends we will continue with our commitment to ensure there is regular and effective engagement with our stakeholders.

Further details about our overall assurance framework and access to all available documents can be found on our website page "[Our Assurance Framework](#)". Any specific comments on this document should be addressed to [assuranceplanconsultation@dwrcymru.com](mailto:assuranceplanconsultation@dwrcymru.com).



## APPENDIX 1 Material changes from the 2016/17 plan

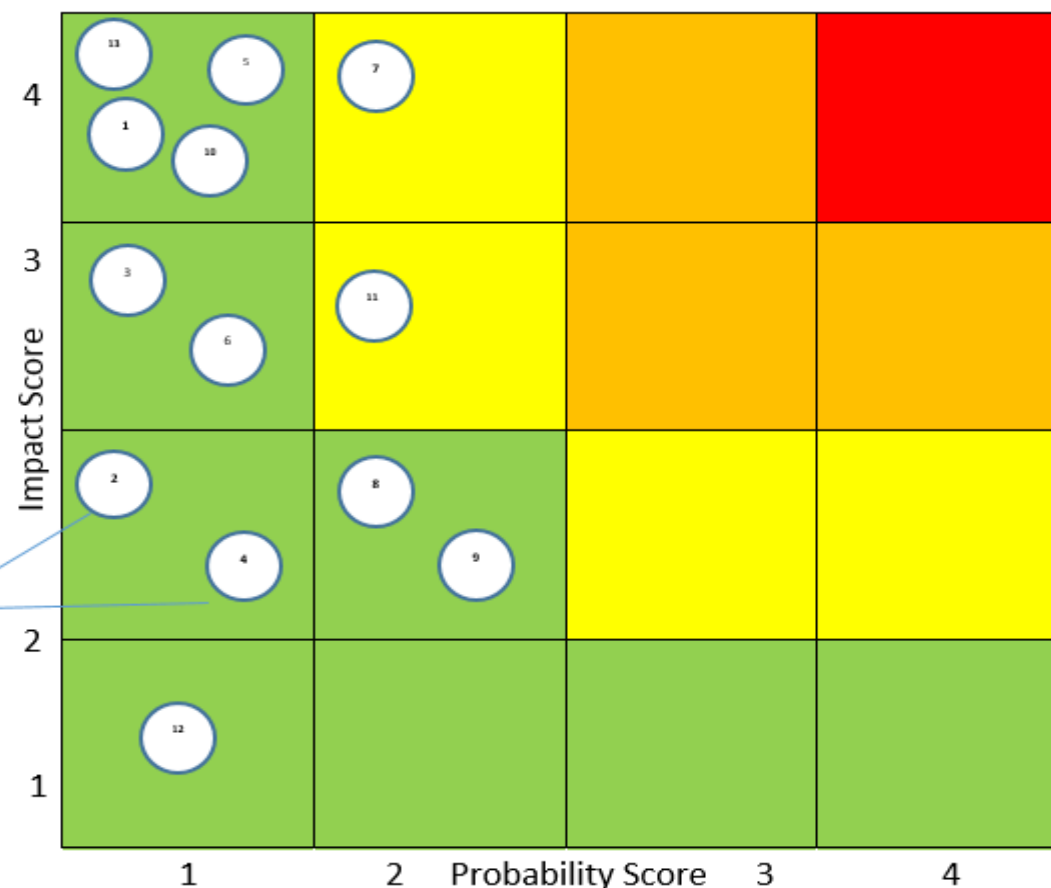
Area	2016/17	2017/18	Comments	Reference	
	Included in FAP			Section	Appendix
APR	√	√	Established assurance processes but important to stakeholders.	4.1	2
Performance Measures	√	√	Established assurance processes but important to stakeholders.  Seven measures retain yellow (medium/low) risk. The rationale for this is that they are: <ul style="list-style-type: none"><li>➤ naturally complex and require subjective judgement;</li><li>➤ reliant upon data that is derived from external sources; and/or</li><li>➤ significant in terms of financial penalties in the event of performance falling short of the 2014 Final Determination targets set.</li></ul>	4.2	3
Developer Services	√	X	We consider that we have sufficient strength in this area and it does not warrant targeted assurance. Stakeholders were comfortable with this approach, when we consulted on this in our Draft Assurance Plan.	N/A	
Segmental reporting	√	√	Established assurance processes but important to stakeholders.	4.3	2
Business retail market reform	√	X	We consider that we have sufficient strength in this area and it does not warrant targeted assurance. Stakeholders were comfortable with this approach, when we consulted on this in our Draft Assurance Plan.	N/A	
Charges scheme	√	√	Established assurance processes but important to stakeholders.	4.4	2
Website Publications	√	√	Established assurance processes but important to stakeholders.	4.5	2

Area	2016/17	2017/18	Comments	Reference	
	Included in FAP			Section	Appendix
Cost Assessment Data	X	✓	Established assurance processes but important to stakeholders.	4.6	4
Price Review 2018 BP	✓	✓	Established assurance processes but important to stakeholders.  This area falls within the low-medium risk (yellow) categorisation. This is because of the complexity and scale of the reporting requirements. The controls, mitigating actions and improvements are designed to ensure that the associated risks are addressed.	4.7	2
Bioresources Market Information	X	✓	Established assurance processes but important to stakeholders.	4.8	2
Water Resources Management Plan & Market Information	X	✓	Established assurance processes but important to stakeholders.	4.9	2
Statutory Financial Reporting	✓	✓	Established assurance processes but important to stakeholders.	4.10	2
Natural Resources Wales – Compliance Tables (MD109)	X	✓	Driven by Statement of Risks, Strengths and Weaknesses.  Established assurance processes but important to stakeholders.	4.11	2
Payment Policies, Practices and Performance	X	✓	Driven by Statement of Risks, Strengths and Weaknesses.	4.12	2
Customer Engagement	X	✓	Driven by Statement of Risks, Strengths and Weaknesses.  Established assurance processes but important to stakeholders.	4.13	2

Area	2016/17	2017/18	Comments	Reference	
	Included in FAP			Section	Appendix
Non- household customer contacts and complaints	X	√	Driven by Statement of Risks, Strengths and Weaknesses.  Established assurance processes but important to stakeholders.	4.14	2
Our priority services for vulnerable customers	X	√	Important to stakeholders.	4.15	2

## APPENDIX 2 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
13	Our Priority Services for Vulnerable Customer	Yes



No longer require targeted assurance,  
see section 4 for further details

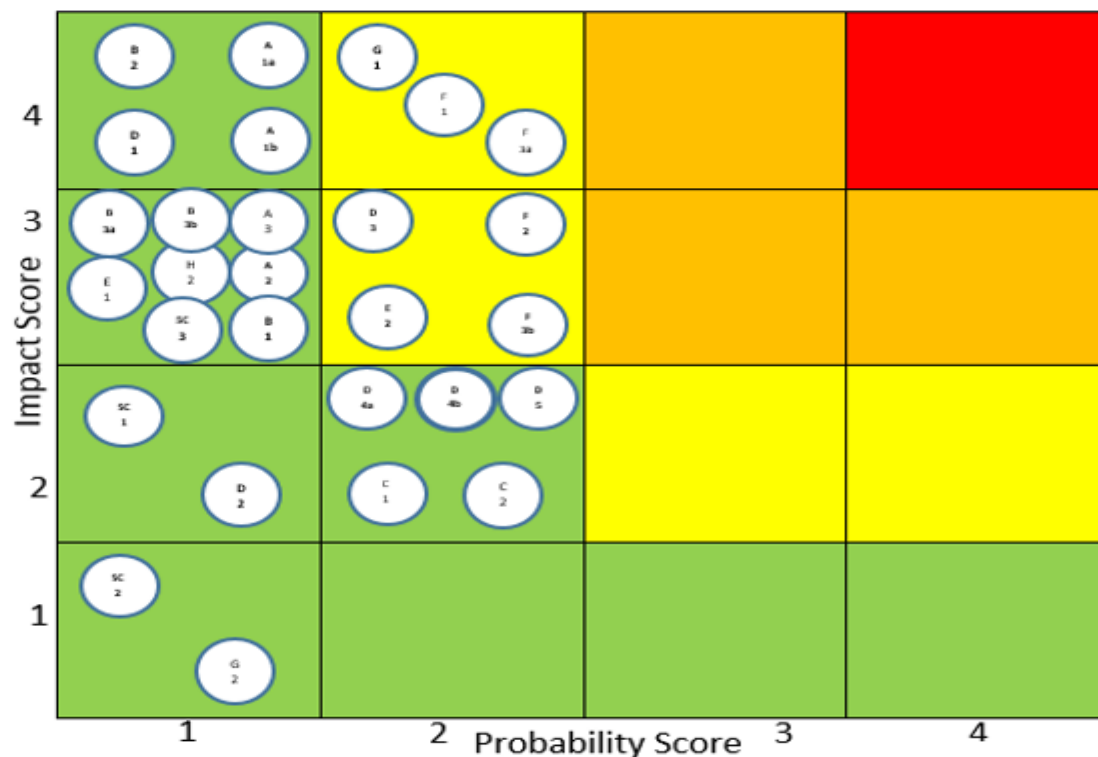
The two activities within the yellow zone are due to the following reasons:

7: The Price Review 2019 and business plan is such a large and complex exercise, our risk and probability matrix scoring has placed this activity in the yellow zone (see section 4.7)

11: Our risk and probability matrix scoring has placed this activity in the yellow zone, as we have a new system being introduced to report this important data to NRW (see section 4.11)

## APPENDIX 3 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	



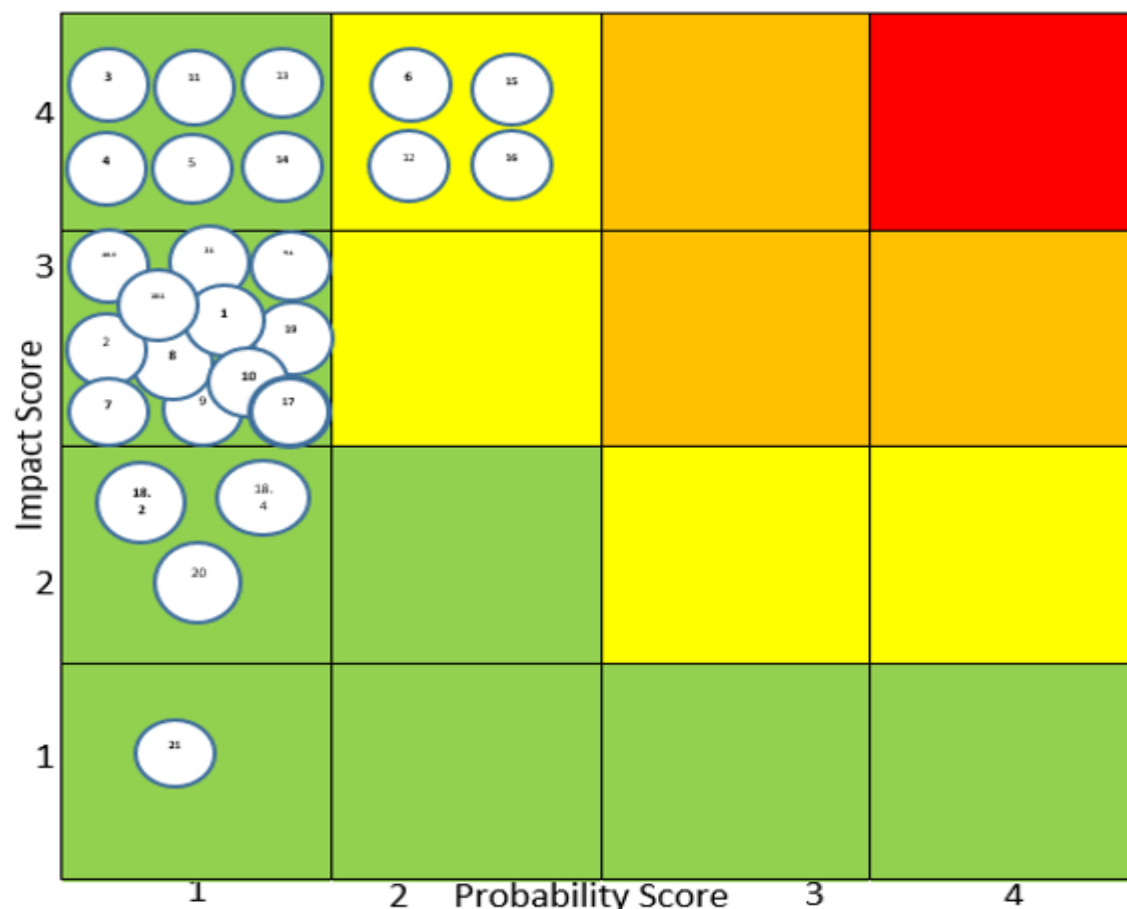
As explained in section 4.2 we do not intend targeting any of the seven performance measures falling within the yellow zone (low/medium) as we believe that the high level of assurance obtained from the Technical Auditor and our own controls are appropriate. The seven measures within the yellow zone are due to the following reasons:

D3: Reputational effect and disruption of those affected customers  
 E2: Data obtained from several sources in respect of Water Collect  
 F2: Complex measure and requires significant manual intervention

G1: Complexity of data sources and inclusion of data from our partners  
 F1: 20 sub-components plus potential for high financial penalty for missed targets  
 F3a/F3b: Numerous assessment criteria plus potential for high financial penalty for missed targets

## APPENDIX 4 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

The four tables appearing in the yellow (low/medium) risk category are due to the following reasons:

6 & 12: Properties and population information is used extensively across a number of areas, hence the score on our risk and probability matrix scoring

15 & 16: Information relating to sludge (now known as Bioresources) is an area with the potential for market opening in the future so hence the score on our risk and probability matrix scoring