



Dŵr Cymru  
Welsh Water

# Final Assurance Plan 2018/19

[dwrcymru.com](http://dwrcymru.com)



## FINAL ASSURANCE PLAN

### Who we are

Dŵr Cymru Welsh Water (DCWW) is the sixth largest of the eleven regulated water and wastewater companies in England and Wales. DCWW 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.

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

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### 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 (CMF) - 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-assurance, targeted or prescribed. In January 2019 we were **promoted** to the **self-assurance category**.

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*“Dŵr Cymru has demonstrated the consistently high standards required for a “self-assurance” company and met the criteria to be promoted to the self-assurance category. We have looked at how well the company has performed against the expectations we have set for each of our assessments.”*

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Ofwat has concluded that we are able to deliver accurate and reliable information that gives stakeholders trust and confidence. Our aspiration is to retain the self-assurance status.

The Ofwat CMF states that companies in the self-assurance category are not required to publish assurance plans. However, we see assurance as part of our continuous improvement programme and is an important part of our day-to-day activities and we therefore plan to continue to consult with stakeholders and publish a final assurance plan as we have done in previous years.

Our overall aim is to ensure that the data and information we publish is accurate and reliable. We will continue to engage with our key stakeholders to understand the information they use and rely on so that we can focus our assurance activities accordingly.

We 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 2018.

Our Final Assurance Plan sets out the actions we believe are necessary to address all of the risks and weaknesses we have identified. We have taken on board the consultation feedback received and listened to stakeholder’s views by incorporating some new areas into this Final Assurance Plan.

We have included a table summarising the material changes to this Final Assurance Plan from the 2016/17 and 2017/18 plans - (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 published 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 Draft Assurance Plan for 2018/19. As in previous years, the Draft Assurance Plan included a wide variety of controls and mitigating actions designed to ensure that customers and stakeholders can trust the information we publish.

The outputs from our November 2018 public 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. Some constructive suggestions were made to further enhance the plan and we have taken these on board.

In Section 3 we provide more information on the application of our CMF 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 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 2017/18 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 can have a high level of trust and confidence that the information we publish continues to be accurate and reliable.

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

In June 2015 Ofwat introduced the CMF 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.

DCWW was the only company to be promoted in 2019 to the self-assurance category, and is one of only two companies to achieve this status this year. This means that although we must meet the minimum assurance requirements, we have the discretion to decide what additional assurance arrangements we put in place.

Ofwat self-assurance category requires us to meet the following requirements:

Ofwat requirements	What we have done to meet requirements
<p>Companies produce an Annual Performance Report (APR). This will include:</p> <ol style="list-style-type: none"> <li>1. regulatory financial reporting;</li> <li>2. price control and additional segmental reporting;</li> <li>3. performance summary;</li> <li>4. additional regulatory information; and</li> <li>5. a base level of reporting and assurance which is set out in the Regulatory Accounting Guidelines.</li> </ol> <p>As a minimum for companies in all three categories, sections 1 and 2 of the APR should be covered by a financial audit opinion.</p> <p>For the APR, we expect all companies to include a summary, or links to, their assurance plan, assurance findings and company response. This should be accessible for all customers and stakeholders.</p> <p>Companies must publish their charges scheme each year and provide us with (and publish) an assurance statement from its Board of Directors on its charges schemes.</p>	<p>Each year we have published our APR by the date set by Ofwat. Our APRs from 2015/16 are available on our website and can be accessed <a href="#">here</a></p> <p>The independent Financial Auditors report can be found on page 7 our 2017/18 APR (part 1) and can be accessed <a href="#">here</a></p> <p>Our Assurance Framework webpage contains information on all of our assurance activities and can be accessed <a href="#">here</a></p> <p>The Charges section on our website includes our current and historic charges schemes along with the assurance statement from our Board and can be accessed <a href="#">here</a></p>
<p>Over the reporting year each Board must confirm that it has complied with all its relevant statutory, licence and regulatory obligations and is taking appropriate steps to manage and/or mitigate the risks it faces.</p>	<p>We have published an annual Board statement confirming we have complied with all relevant statutory, licence and regulatory obligations. This can be accessed <a href="#">here</a></p>

Ofwat requirements	What we have done to meet requirements
The company will provide transparency on the audit procedures it has put in place in relation to data assurance.	Our Assurance Framework webpage contains information on all of our assurance activities and can be accessed <a href="#">here</a>
The company will provide a summary of the outcome of the data assurance that has been carried out.	We publish on our website our full data assurance summary. The summary for 2017/18 can be accessed <a href="#">here</a>

We support Ofwat’s approach to the CMF – 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 CMF 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, as well as preparing presentation packs outlining our data assurance framework.

We have considered the consultation feedback we received on our 2018/19 Statement of Risks, Strengths and Weaknesses and Draft Assurance Plan, which was published on our website in November 2018. In January 2019 we were promoted to the self-assurance category, and the Ofwat CMF advises that companies in this category have demonstrated that customers and other stakeholders can place trust and confidence in the information that they provide - so they have fewer requirements in providing assurance. We have however, decided to retain all the processes that have helped us to reach this strong position and led us to achieve this self-assurance status. 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.

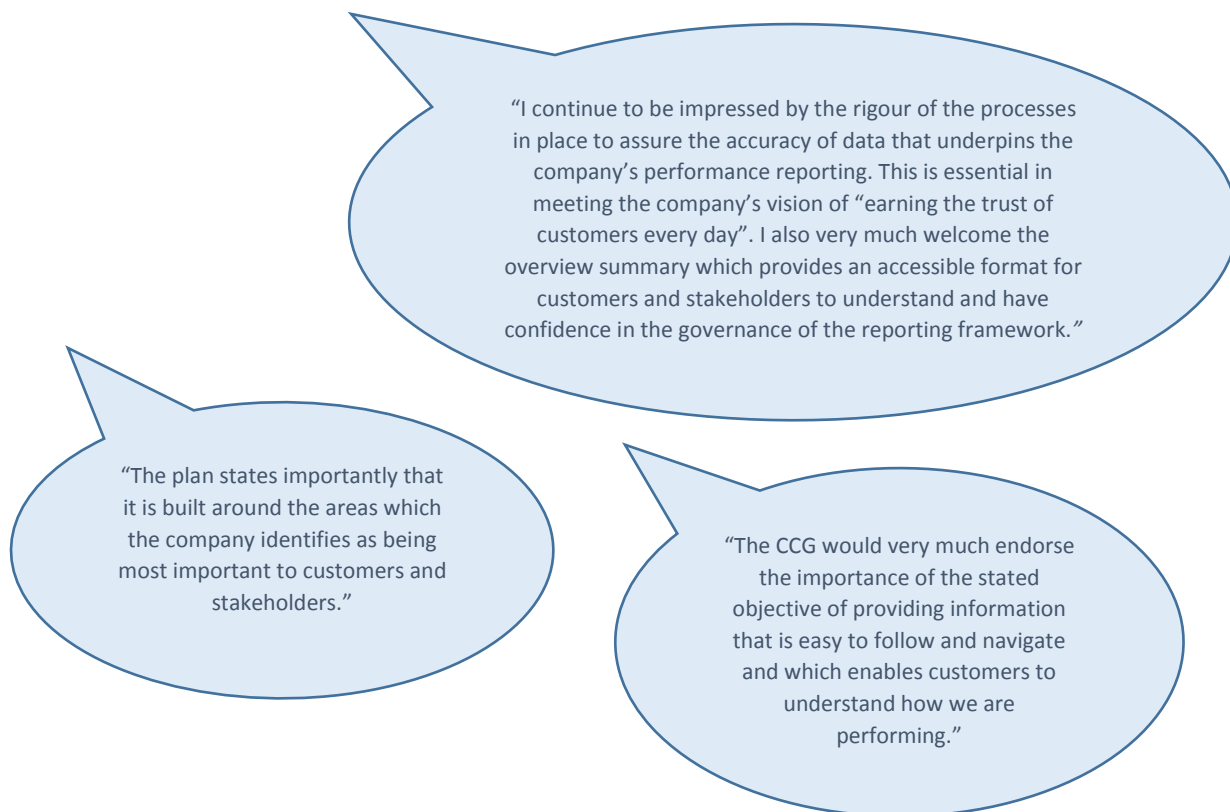
We also had a very open and positive discussion with Welsh Government. We were able to gain a better understanding of what they would like to see and have had regard to their comments and suggestions in finalising this plan. For example, the area of Cyber-Security was raised during discussions, but as a result of us working towards ISO 27001 accreditation for our information security controls and obtaining Cyber-Essentials plus certification, it was considered that Cyber-Security did not need to be specifically targeted in this Final Assurance Plan.

We have also provided written feedback thanking individuals 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*



*Welsh Government*





The Chair of the CCG made some very helpful suggestions, and we set out in Figure 2 below, how we have addressed these.

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

<p><b>Respondent: Customer Challenge Group</b></p> <p><i>“The CCG would very much endorse the importance of the stated objective of providing information that is “easy to follow and navigate” and which enables customers to “understand how we are performing”. I do not under estimate the challenge in not just providing the information effectively but also in actively engaging the customers to achieve an informed customer base. This is core to the interests of the Customer Challenge Group”.</i></p>
<p><b>DCWW Comment:</b></p> <p><i>We are currently working with our internal digital team on a new design / layout of our external website which we believe will make accessing our reports far easier for our customers and stakeholders. We are working towards the new website pages being accessible from April 2019.</i></p>
<p><b>Respondent: Customer Challenge Group</b></p> <p><i>“There is a specific opportunity for the company to lead the way in reporting against the framework of the Well-being of Future Generations (Wales) Act. The company has already applied this framework to the Welsh Water 2050 plan. The process of annual reporting should reflect progress against this plan and the company’s contribution to the national Wellbeing Goals”.</i></p>
<p><b>DCWW Comment:</b></p> <p>The approach set out in Welsh Water 2050 and our mission statement are very closely aligned with the Welsh Government’s own long-term policy agenda.</p> <p>Although, the Well-being of Future Generations Act 2015 does not apply directly to DCWW, as we are not a public body, our existing and proposed new PR19 Measures of Success are in close alignment with the seven goals identified in the Act.</p>
<p><b>Respondent: Customer Challenge Group</b></p> <p><i>“I also very much welcome the overview summary which provides an accessible format for customers and stakeholders to understand and have confidence in the governance of the reporting framework”.</i></p>
<p><b>DCWW Comment:</b></p> <p>Following this positive feedback on the overview summary document we produced for our draft plan, we have produced a final overview assurance document.</p>

The [“Our Assurance Framework”](#) page on our website contains information about our CMF 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 CMF is the level of assurance Ofwat requires in addition to companies' own assurance proposals. In January 2019, Ofwat published its third 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 should be **promoted** to the upper category of "self-assurance".

We exceeded Ofwat's expectations in two of the eleven assessment areas. These were:-

- 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><b>Water resources management plan and market information</b></p> <p>Overall, we had minor concerns in this area. The draft water resource management planning tables did not contain all the information needed to fully understand the company's plans, however, we considered this to be a presentational issue relating to the data tables linked to a misinterpretation of the requirements rather than indicative of a material underlying issue. The plan narrative provided a clear view of the company's position but inconsistencies between the plan and the planning tables were identified: for example, for the key metric of leakage reduction, a 15% reduction was proposed in the narrative but the figures in the planning tables did not align with this. However, in terms of good practice, customer and stakeholder engagement in the plan development was well evidenced, as was the internal and external assurance and assurance on market information.</p>	<p>The Ofwat consultation response to DCWW draft WRMP19 presented two particular areas of concern: our long term leakage strategy and water trading. Within our revised draft WRMP19 that was submitted to Welsh Government in September 2018, we updated the narrative in the main report and the data in the planning and market information tables. See section 4.8.</p>
<p><b>Cost Assessment</b></p> <p>Overall, we had minor concerns in this area. All of the company's cost assessment tables were complete with no missing data. However, a significant number of queries were raised which were not fully explained by the commentary and several led to data changes. The company's accounting separation methodology was available and has been externally assured.</p>	<p>To address the concerns/queries raised by Ofwat last year, we have improved our internal processes by including within the data owner "training packs" for this year a copy of the queries to reinforce the importance of providing adequate commentary. See section 4.1.</p>

We have also taken the opportunity to review the feedback from Ofwat within the CMF assessment, as well as feedback provided within the PR19 Initial Assessment Plan (IAP) which was published in January 2019. This feedback has helped us to further enhance our Final Assurance Plan with a number of additional improvements as summarised below:

Further improvements included in the following areas	Reference	CMF Assessment	IAP Feedback
Annual Performance Report	See section 4.1	√	√
Performance Measures (Outcome Delivery Incentives)	See section 4.2	√	

Further improvements included in the following areas	Reference	CMF Assessment	IAP Feedback
Charges Scheme	See section 4.4	√	
Website publications	See section 4.5		√
Price Review 2019 Business Plan	See section 4.6		√



### 3. OUR COMPANY MONITORING FRAMEWORK

This section provides an overview of our approach to assurance.

In June 2015 Ofwat published guidance on its CMF – 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, 2018/19, 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 Dŵr Cymru Executive team (DCE) with additional challenge provided by the CCG, Regulators such as Drinking Water Inspectorate (DWI), Natural Resources Wales (NRW) 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> </ul>

Line	Area	Role	Type of Activity
			<ul style="list-style-type: none"> <li>• Implementing quality checks and reviews</li> <li>• Reporting performance information</li> </ul>
2 Oversight functions:	Regulation, Finance, General Counsel, Compliance	Define policy and provide the enabling framework for regulatory reporting	<ul style="list-style-type: none"> <li>• Developing the assurance framework</li> <li>• Reviewing performance information submitted</li> <li>• Monitoring delivery of obligations</li> <li>• Reporting to Board</li> <li>• Implementing quality checks and reviews</li> <li>• Providing advice, guidance and support</li> </ul>
	Board, Audit Committee, Quality & Environment Committee, 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.

#### Clear 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 and our Licence Conditions. In particular, the Corporate Governance 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 2018/19 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 developing our people. We take pride in being Investors in People accredited, which was granted in June 2018 (gold status), for our work in creating a culture that encourages our people to flourish and realise their potential.

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 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 2018/19 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 2018/19

In this section we set out the areas that we intend to focus on for our Assurance Plan for 2018/19.

We have introduced six new areas to our Assurance plan. We have re-evaluated the data activities that merited inclusion in last year's Assurance Plan and this resulted in one area (Non Household Customer Contacts and Complaints) being merged within the new CCWater Reporting area.

Our Draft Assurance Plan consultation closed on 11 January 2019, and our stakeholders were comfortable with our approach.					
Activities		Included in Assurance Plan			
		2016/17	2017/18	2018/19	
1	Annual Performance Report				<p><u>Non Household Customer Contacts and Complaints</u></p> <p>Whilst this is a key area of importance to our customers and other stakeholders, we consulted within our Draft Assurance Plan to merge this within our new section on CCWater reporting. We did not receive any negative feedback in response to the proposal and we have combined both sections within our Final Assurance Plan. (See section 4.14).</p>
2	Developer Services		N/A	N/A	
3	Segmental Reporting				
4	Business Retail Market		N/A	N/A	
5	Charges Schemes				
6	Website Publications				
7	Price Review 2019 Business Plan	N/A			
8	Bioresources Market Information	N/A			
9	Water Resources Management Plan & Marketing information	N/A			
10	Statutory Financial Reporting	N/A			
11	Natural Resources Wales Compliance Tables	N/A			
12	Payment Policies, Practices and Performance	N/A			
13	Our Priority Services for Vulnerable Customers	N/A			
14	Customer Engagement	N/A			
15	Non Household Customer Contacts and Complaints	N/A		N/A	
16	CCWater Reporting	N/A	N/A		
17	Corporate Resilience	N/A	N/A		
18	Financial Resilience	N/A	N/A		
19	GDPR	N/A	N/A		
20	Gender Pay Gap	N/A	N/A		
21	Board Leadership Transparency and Governance Principles	N/A	N/A		

As part of our process, we also identified a number of new activities that merited consideration within our Risk, Strengths and Weakness analysis. In addition, a further two new activities (Gender Pay Gap and Board Leadership, Transparency and Governance Principles) have been identified as important areas that warrant being included within the Final Assurance Plan. These areas, 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 (2018/19)

This is an annual report which provides cost information, financial performance and information of our performance against our customer outcomes and commitments. This will be published in July 2019.

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

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

Section	Description	Assurance activities
APR Section 1: Regulatory financial reporting	A baseline level of historical cost financial information aligned to the way in which price controls (and associated regulatory performance commitments and incentives) have been set.	<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 audit and opinion according to Ofwat audit requirements.</li> </ol>
APR Section 2: Price review and other segmental reporting	Further disaggregation of revenue and costs, to allow stakeholders to review companies’ performance against final determinations.	<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 audit and opinion according to Ofwat audit requirements.</li> </ol>
APR Section 3: Performance summary	A high-level report of the performance of the appointed business, including outcome delivery and the regulatory financial results of the regulated	<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</li> </ol>

Section	Description	Assurance activities
	business. As a minimum it will include reporting on outcomes and delivery service levels and cost performance.	<p>and demonstrate the control checks that have been applied.</p> <ol style="list-style-type: none"> <li>2. Regulation team review of information and audit trails.</li> <li>3. Technical Auditors review data and commentary and report opinion to the Board.</li> </ol>
APR Section 4: Additional regulatory tables	Additional financial and non-financial information, including (but not limited to), additional accounting policies, financeability statement, current cost reporting, totex analysis.	<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 and Regulation teams review of information and audit trails.</li> <li>3. Financial Auditors and/or Technical Auditors review of relevant tables to agreed procedures.</li> </ol>
APR Section 5: Risk and Compliance Statement	Allows companies to evidence their accountability to their customers and demonstrate to Ofwat that they are complying with their obligations.	<ol style="list-style-type: none"> <li>1. Accountability for meeting licence, regulatory and statutory obligations assigned to specific individuals.</li> <li>2. Guidance provided by Ofwat by means of Regulatory Accounting Guidelines and Information Notices.</li> <li>3. Annual strategy document prepared by the DCWW Compliance Manager to ensure all Ofwat requirements are met.</li> <li>4. Risk discussed at every DCE meeting</li> <li>5. DCE's update on strategic risks reviewed at every Board meeting.</li> <li>6. Technical Auditors review of statements to ensure compliance with Ofwat guidance.</li> <li>7. Approval by Audit Committee.</li> <li>8. Sign off by the Board.</li> </ol>

Improvements	Complete (√) or 'In progress'
We are preparing to include indicative 2018/19 performance on our new proposed PR19 suite of Measures of Success within our APR. This will provide transparency and confidence to our customers and stakeholders on our key measures for the next five years.	In progress
Ofwat consulted on the Annual Performance Report and published its proposed Regulatory Accounts Guidance (RAGs) in January 2019. We have:	√

Improvements	Complete (√) or 'In progress'
<ul style="list-style-type: none"> <li>• checked the requirements;</li> <li>• ensured that all relevant data owners are fully conversant with the proposed changes; and</li> <li>• formally responded on 22 February 2019 to Ofwat consultation.</li> </ul>	

Further Improvements planned following the Ofwat CMF assessment in January 2019	Complete (√) or 'In progress'
To address the concerns/queries raised by Ofwat last year, we have improved our internal processes by including within the data owner "training packs" for this year a copy of the queries to reinforce the importance of providing adequate commentary.	√
We will continue to review and respond on a timely basis to any queries raised. We will implement any control improvements where required.	In progress
Within our 2018/19 Annual Reporting we will include a short standalone statement setting out how we are delivering for those who depend on our services and how we have set our aspirations, rather than relying on the provision of relevant information across our annual reporting as in 2017/18.	In progress
Further Improvements planned following the Ofwat Initial Assessment Plan (IAP) in January 2019	Complete (√) or 'In progress'
<p>Ofwat raised a number of areas within our accounting for past delivery submission that we were advised to review (Ofwat action reference WSH-PD-B2, B4 and B6). We were asked to provide an action plan that sets out a number of points, including:</p> <ul style="list-style-type: none"> <li>• how DCWW will continually monitor performance in a number of areas;</li> <li>• how DCWW will identify drivers of performance and lessons learnt from both good and poor performance;</li> <li>• how DCWW will identify measures to improve performance and integrate these into its business; and</li> <li>• how DCWW will ensure that this is a continuous exercise rather than a one-off process.</li> </ul> <p>As requested we will provide a response by the Ofwat deadline of 24 May 2019.</p>	In progress

## 4.2 Performance Measures (Outcome Delivery Incentives)

In April 2015, we introduced our new Outcome Delivery Incentive Scheme. It includes a comprehensive suite of measures, both financial and non-financial, designed to challenge us to meet the expectations of customers in every respect and on every occasion, and where appropriate to ensure that they are properly compensated where our performance falls short.

We used the Impact and Probability Risk Matrix for 2018/19 (Appendix 3) to assess whether it was necessary to implement 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 (high-medium risk) zone.

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

- Analysis of management controls, governance, independent review and oversight, audit coverage, impact, inherent risk and controls for each measure;
- Review of the methodology used and the adequacy of methodology documentation;
- A check that the methodology actually used conforms to agreed 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 of the establishment of robust and transparent audit trails; and
- Recommendations that are aimed at improving assurance, if necessary.

### Controls and mitigating actions

- Internal scorecards highlight performance against the key measures on a monthly basis across the business and up to Board level.
- Review process with our CCG who have a role to play in challenging our reporting.
- Information Packs and training sessions arranged by the Regulation Team for all data owners.
- Detailed internal Methodology Statements have been developed which include a step-by-step guide on how the data is obtained, the checks and balances in place, any assumptions made and any exclusions applied.
- Methodology Statements are reviewed and scored by the Technical Auditor.
- Data sign off by the data owner, business manager (where appropriate) and the relevant Director.
- Regulation Team hold due diligence meetings with data owners to review data, methodology, performance and supporting audit trails.
- Third party detailed audit of the data collection and reporting process by our Technical Auditor to provide assurance that the data can be reported reliably and accurately and in accordance with any relevant reporting requirements. This includes sample checks to test processes, assumptions, methodology, implementation, governance and results.
- High level audit of the reporting framework carried out by the internal Business Assurance Team.
- Review by the DCE and updates are provided to the Audit Committee.
- A Board assurance statement for performance data contained in the APR.

Improvements	Complete (√) or 'In progress'
In providing comparative performance, we showed in our 2017/18 APR 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.	√
Further Improvements planned following the Ofwat CMF assessment in January 2019	Complete (√) or 'In progress'
Our APR will include additional information for our customers and stakeholders to review and understand the impact our performance has on the outcome delivery incentive payments i.e. rewards or penalties. This information will be included within part 3 of our 2018/19 APR.	In progress
We are currently scoping how we can improve further our online presence for more customer focussed performance reporting and what this could look like, which we will promote via social media. We intend to roll-out this activity during 2019.	In progress

### 4.3 Segmental reporting

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

Our APRs for the past three financial years 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 is set to remain the case, with additional reporting requirements incorporated in Part 4 for 2017/18 and further proposals included in Ofwat consultation on APR for 2018/19 reporting. In addition, there will be two new Price Controls in 2020, i.e. Bioresources and Water Resources. 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 independent third parties, will continue to provide stakeholders with a high degree of confidence in our reported figures.

#### Controls and mitigating actions

- Monthly reviews by budget holders to explain variances and identify potential allocation errors.
- Monthly management accounts reviewed by senior managers and the DCE.
- Ofwat Regulatory Accounting Guideline checklist completed and reviewed by the Group Financial Controller.
- Price control and segmental reporting in Part 2 of the APR receives an independent Financial Auditor's audit opinion in line with Ofwat's audit requirements.
- Price control and segmental financial reporting in the additional regulatory tables in Part 4 of the APR is subject to independent Financial Auditor scrutiny via agreed procedures.
- Financial and Regulatory Accountant's role transition from data preparer to one of coordination and governance to ensure timely submission and critical review of the outputs from the management accounting team. This provides greater control and assurance, and an extra level of review and additional capacity to deal with new reporting requirements.
- Methodology Statements developed to provide a step-by-step guide to the preparation of each table.
- The Regulatory Accounting team has rolled out a series of training sessions to the management accounting team to ensure that all individuals responsible for the preparation of financial data for inclusion in regulatory reports are aware of both their own responsibilities and the relevant Regulatory Accounting Guidelines, and maintains an 'open door' policy to offer support and guidance on areas of interpretation.

Improvements	Complete (√) or 'In progress'
<p>An extra level of review and additional capacity to deal with new reporting requirements.</p>	<p>√ - 2019/20 resourcing plan in place, with greater focus on internal review procedures.</p> <p>√ - Line items and table owners formally assigned to all financial data tables, with sign-off process agreed.</p>
<p>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.</p>	<p>In Progress</p>



#### 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 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.

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

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'
<p>For the charges schemes for 2019/20 the approach to assurance was broadened to cover three areas:</p> <ul style="list-style-type: none"> <li>• Internal review of the flow of data from source through the models used to set charges to the charges documents by resources independent from the charges team.</li> <li>• Independent external peer review of the models used to ensure they are fit for purpose.</li> <li>• External audit of compliance of the published information with Ofwat's charges rules.</li> </ul>	<p>√</p>
Further Improvements planned following the Ofwat CMF assessment in January 2019	Complete (√) or 'In progress'
<p>Whilst Ofwat acknowledged that we had provided a clear and concise assurance statement, we will further improve our processes by highlighting how our engagement with stakeholders will impact on our final charging documents and the actions we will take in relation to that engagement.</p>	<p>In progress</p>

#### 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> </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 acts as the editor 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 teams.</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 teams.</li> <li>• CCWater consultation.</li> <li>• Director approval.</li> <li>• Codes submitted to Ofwat.</li> </ul>
	From January 2019, modifications to our Licence require a move away from Codes of Practice to the concept of Core Customer Information.	

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 teams.</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. SIM 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, with the extension to third line assurance for 2018/19 reporting.</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 our business.	In progress
Further Improvements planned following the Ofwat Initial Assessment Plan (IAP) in January 2019	Complete (✓) or 'In progress'
We are currently scoping how we can improve further our online presence for more customer focussed performance reporting and what this could look like, which we will promote via social media. We intend to roll-out this activity during 2019. (See Section 4.2).	In progress

#### 4.6 Price Review 2019 Business Plan

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 (known as PR19) and this will set the allowed revenues and performance targets for companies for the period 2020 to 2025. The price review includes an allowance for maintenance of assets, ensuring security of supply and meeting drinking water and environmental quality requirements.

Each company was required to prepare a business plan for the period of the review, which we submitted to Ofwat in September 2018. This included a large number of data items submitted in over 100 data tables. As part of the query process following the submission, a small number of data items were amended and resubmitted in accordance with Ofwat guidance.

Ofwat have now issued their initial assessment on business plans to provide feedback to companies on the plans. We have been placed in the middle category (slow track) along with the majority of companies, and have to resubmit our business plan by 1 April 2019. Within the Ofwat initial assessment we achieved an 'A' score from Ofwat for the 'securing confidence and assurance' test area – the only company to do so. Accordingly there were no 'actions' from Ofwat in relation to the assurance of the data submitted.

Ofwat will publish a Draft Determination on 18 July 2019 followed by the Final Determination on 11 December 2019. Further detail on the price review process is available on the [Ofwat website](#).

Ahead of the Final Determination, any additional data requested by Ofwat will be subject to the same rigorous level of assurance that was used in the preparation of our original PR19 plans.

In preparation for reporting on our PR19 performance commitments by 2020, we will follow a similar three lines of assurance process to that currently in place for the PR14 measures. For example, we will have:

- Data providers, their managers and business unit directors producing and approving data, commentaries and methodologies and audit trails to support the reported performance and demonstrating the control checks that have been applied.
- Regulation team reviewing information and audit trails.
- Technical Auditors reviewing data and commentary and reporting opinion to the Board.

##### Controls and mitigating actions

- The PR19 Business Plan submitted to Ofwat on 1 April 2019 had an assigned publication manager, who was responsible for ensuring that the company had followed all assurance processes and that the Business Plan document was accurate, accessible and easy to understand.
- A PR19 project team was created which oversaw the PR19 programme and met monthly. The development of the plan was managed by water, wastewater and retail 'Totex' Management Groups, chaired by the Directors of Water, Wastewater and Retail respectively, and all of which report to the DCE.
- There is a Regulatory Steering Group which reviews the relevant regulatory requirements for PR19 and makes sure that they are being met.
- Named data providers (who provide the data) and data managers (who also sign off the data) have been assigned for all sections of the Business Plan and they have responsibility for providing accurate information in line with any guidance provided.
- Senior managers and Directors have reviewed and approved the information contained within the publication.

- External independent assurance was provided by the Technical Auditor who confirmed that the data is accurate and, where relevant, that the submission has been developed in line with the guidance provided. The Financial Auditor also provided an opinion on the relevant financial aspects of the Business Plan.
- A Board Assurance Statement was provided to confirm that all assurance requirements for the Business Plan submission have been met.
- We had an assurance plan for the PR19 submission as a whole that covered any PR19 information that we submitted to Ofwat.

Improvements	Complete (v) or 'In progress'
Where we resubmitted data in accordance with instructions from Ofwat subsequent to the September 2018 submission as part of the query process, we identified any issues in relation to the preparation and assurance of that data, and have taken steps to ensure that they are addressed in future.	v
Further Improvements planned following the Ofwat Initial Assessment Plan (IAP) in January 2019	Complete (v) or 'In progress'
We will respond to all areas raised by Ofwat in their 'Initial Assessment of Plans' by the due date.	In Progress

#### 4.7 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. Our assurance activities are aimed at publishing information that stakeholders can have trust and confidence in and is easily navigable and understood.

##### Controls and mitigating actions

- Named data providers and data managers are responsible for providing accurate information in line with the guidance provided. A submission manager has been appointed to ensure that all data providers and data managers are identified and that the submission is completed to the relevant timescales and in line with requirements and guidance.
- Named senior managers review and approve the information contained within the published document. A peer review of the information and the submission is carried out.
- External independent assurance is provided by the Technical Auditor to confirm that the 2018/19 data is accurate and in line with the published guidance.

Improvements	Complete (√) or 'In progress'
DCWW data team are producing live data models for the four key advanced digestion treatment facilities which will support real time and annual data reporting requirements.	In progress

#### 4.8 Water Resources Management Plan and Market Information

In February 2018, Welsh Government gave us direction to publish our draft Water Resources Management Plan 2019 (WRMP19) for full public consultation. The consultation ran for 12 weeks, closing on 8 June, during which time we received eleven responses from regulators and other stakeholders. On 14 September 2018 we submitted our revised draft WRMP19 and associated Statement of Response, setting out the changes we had made to our Plan in response to the comments received. We have received direction from Welsh Government to publish our [Final WRMP19](#) which is now available on our website.

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

As part of the 2014 Price Review, Ofwat introduced water trading incentives to encourage water trading between incumbent water companies. By allowing scarce resources to be optimised between company areas as well as within them, it can allow more expensive investment in developing new resources within a company's area to be deferred, reducing future upward pressures on bills. Companies can only receive these water trading incentives if they produce, and are compliant with, an approved Bid Assessment Framework.

DCWW was the first company to present a Trading and Procurement Code to Ofwat in February 2016 and this was subsequently approved. Our new Bid Assessment Framework along with market information requested by Ofwat was presented as part of our Business Plan submission. The Framework is intended to provide reassurance that in contracting for the provision of water resources we will purchase from the most economical sources available, having regard to the quality, quantity and other relevant aspects.

Our Plan shows that we are open and transparent when considering supplies of water to us from third parties and support the use of competitive processes. As part of the WRMP consultation process, we published a view of the need and availability of water resources across our supply area on our website. A Prior Information Notice was placed in the Official Journal of the European Union (OJEU) from 17 May 2017 until 18 August 2017 seeking either bulk raw or treated water supplies in the following zones at the indicative quantities stated below:

- Pembrokeshire (~1 - 10 MI/d);
- Tywyn Aberdyfi (~ 0.1 - 0.5 MI/d);
- North Eryri Ynys Mon (~1 - 10 MI/d);
- SEWCUS (~2 - 30 MI/d).

We published a full set of Ofwat Market information Tables alongside the submission of our draft WRMP19 and have updated and re-published these on our website, to support the submission of our revised draft WRMP19 in September 2018.



### 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 Plan was published for full public consultation in March 2018 and on 14 September 2018 we submitted a revised draft WRMP that took account of the feedback received.
- Direction from Welsh Government to publish our final WRMP19 was received.

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

Improvements	Complete (v) or 'In progress'
We will continue to work closely with our regulators to continually improve our processes and understanding of the risks that we are presented with. We have invested in a new water resources modelling platform 'Aquator' which will provide us with a new application to support our water resources and drought plan development through improved water supply system modelling.	In progress
We are also improving our catchment modelling capability so that we can improve the representation of the hydrological inflows within our reservoir and river catchments where needed.	In progress
We will continue to use the Annual Review process to report on any changes to our supply demand balances and to report on progress against this Plan.	In progress

#### 4.9 Statutory Financial Reporting

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

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

##### Controls and mitigating actions

- Our accountants perform the day to day accounting activities which include maintenance of accounting systems and month end reconciliations.
- Data owners and managers are responsible for providing accurate information in line with the latest regulatory and statutory accounting guidance.
- Management oversight of the accountants' activities includes regular reviews of information and final approval ahead of publication.
- Financial Auditors, working in line with International Standards on Auditing, review information presented within our statutory accounts and provide their independent audit opinion as to whether that information is true and fair based on its compliance with International Financial Reporting Standards and the Companies Act 2006.
- Review by the DCE and updates are provided to the Audit Committee.
- A Board sign off before publishing.
- Annual review of accounting policies (last performed in January 2019) to ensure compliance with changes to accounting framework and our ability to comply with future changes.

Improvements	Complete (√) or 'In progress'
Implementation of a consolidation module in the SAP accounting system will provide a more robust consolidation process to compile both Company and Group financial reports and will reduce the volume of offline journal entries.	√ - Technical solution complete and in live system.  In progress: Ongoing refinement of solution including testing and review of full suite of year-end procedures (April 2019).
Implementation of an accounting system module which gives a consolidated overview and greater control over all month-end closing activities.	√ - Technical solution complete and in live system.  In progress: Ongoing refinement of solution including testing and review of full suite of year-end procedures (April 2019).
Development of automated reports to reduce the need for manual cost allocation and increasing resources available to provide internal assurance.	√ - 2019/20 resourcing plan complete.  In progress: Development of automated reporting.

#### 4.10 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 wastewater treatment works against their discharge permit. Each wastewater treatment work has a permit issued by NRW and EA which regulates the quality of wastewater the company is allowed to discharge into rivers and coastal waters. The Tables also contain details of any pollution incidents.

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

##### Controls and mitigating actions:

##### Wastewater Compliance

- Details of NRW and EA numerical permit limits are entered into DCWW’s Quality Database (QDB and LIMS).
- The Operating Self-Monitoring (OSM) sampling programme is not visible to operational employees responsible for discharge performance.
- Suite of documentation and guidance available for staff in the DCWW Integrated Management System (IMS).
- Employees 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 and LIMS.
- 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, this includes data collated from England regulated by EA.
- 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.
- A Steering Group headed by the Managing Director of Wastewater Services, has been in place for some time to oversee implementation of the new system.
- Steering Group reports regularly to Systems and Change Group, chaired by the Finance Director.

##### Pollution

- Pollution incidents entered into DCWW SAP system.
- Regular reconciliation between SAP system and NRW Wales Incident Recording System (WIRS).
- 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 WIRS in line with the NRW timetable.
- Draft return to NRW approved by Head of Wastewater Assets.

Improvements	Complete (√) or 'In progress'
New system introduced to replace QDB in May 2018, however management and regulatory reporting will continue from the QDB system until 2019. Other elements of the Sampling Analysis Management system (SAMs) delivery have impacted on funds available. Project plans and new delivery date being reviewed.	In Progress
We set up a Task and Finish group between ourselves and NRW to review and improve the OSM Inspection process. This enhanced our ability to agree the tables faster and more efficiently.	√
We will be setting up with NRW more regular reviews of the data within the reporting year. Review dates for 2019 to be agreed but aim to meet to review the Q1 data in May 2019.	In Progress

#### 4.11 Payment Policies, Practices and Performance

The Department for Business Energy and Industrial Strategy (BEIS) outlined 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), introduced a duty on the UK’s largest companies and LLPs to report on a half-yearly basis on their payment practices, policies and performance for financial years beginning on or after 6 April 2017. The information must be published through an online service provided by the government, and will be available to the public.

We included this area within our 2017/18 Final Assurance Plan and have made significant performance improvements prior to our first public report submission in October 2018, such that our performance complies with the requirements of the Prompt Payment Code. No customer or stakeholder comments were received on this area during the Draft Assurance Plan consultation – we therefore plan to continue to keep this item within our assurance plan as it remains significant.

##### 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.
- We have implemented systems enhancements to make it easier for procurers to confirm receipt of goods/services and to automate the timely provision of visibility of delayed items to line managers.

Improvements	Complete (✓) or 'In progress'
We are continuing to implement 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.	✓ - Copy invoices instantly available to all procurers. ✓ - Auto-escalation of delayed items to line management. In progress: Development of reports to provide administrators with visibility of colleagues’ P2P (Purchase to Pay) transaction status. Planned: Mobile app to facilitate field-based colleagues’ confirmation of receipt of goods/services.
Systems enhancements to improve suppliers’ experience.	✓ - Implemented system and process improvements to deliver sector-leading payment performance. ✓ - Acceptance of invoices by email to dedicated inbox. In progress: Auto-emailing of remittance advice slips.
Signing up to the Prompt Payment Code ( <a href="http://www.promptpaymentcode.org.uk">www.promptpaymentcode.org.uk</a> )	In progress: Payment performance meets criteria and application in process.

#### 4.12 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 prepared for the 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 research. This includes:

- Guidance notes for implementing good practice requirements for customer engagement; and
- A method for analysing the various data obtained following customer engagement to ensure we capture our customers views adequately.

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 and 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

### 4.13 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 and Emergency Measures (water and sewerage undertakers) 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 their 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 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 a 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 DCWW’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 priority 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’
Our processes have been reviewed and a new Priority Services Register was developed in 2018 to comply with GDPR requirements which ensured that customers’ data was accurately captured and reporting improved. Data is reviewed and reported regularly.	√

Improvements	Complete (✓) or 'In progress'
<p>We currently work with over 180 partner organisations as a way to promote our Priority Services Register, as well as this we have a one way data share agreement in place with Western Power and Wales and West Utilities. We will expand this data share further and incorporate all of the areas that the energy sector will provide for their customers under their Priority Services, known as needs codes which will be live by 2020.</p>	<p>In Progress</p>
<p>Plans are in progress to recruit specialist advisors who will cover all aspects of financial/non-financial support options with customers. This service provision will start as a pilot in early summer 2019.</p> <p>We are currently working with a number of different companies to scope what training and support we will require going forward for call advisors to identify customers in vulnerable circumstance. This will enable the call advisors to offer the most appropriate support on a case by case basis.</p>	<p>In Progress</p>



#### 4.14 CCWater Reporting

The Consumer Council for Water (CCWater) is a statutory consumer body for the water industry in England and Wales.

We provide, on a regular basis (monthly, quarterly and half yearly), a suite of data to CCWater on areas such as our performance on sewer flooding, supply interruptions and the number of customer complaints we have received. In addition, a copy of our company scorecard, which shows performance against our key targets is provided to CCWater monthly.

During the year CCWater publish a range of reports on company performance that highlight how individual companies compare on a number of measures, as well as comparing and reporting on customer views about the services they receive from their local water company and whether they are value for money.

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.

The accuracy and completeness of the information we provide to CCWater is very important for all customers and other stakeholders in general and justifies its inclusion within this document. We therefore ensure that the data that we provide follows the same high level of assurance that we provide to all of our other regulators.

##### Controls and mitigating actions

- Data sign off by the data owner, business manager (where appropriate) and the relevant Director.
- Commentaries are provided to support the data. These are reviewed and signed off by the relevant Director.
- Regulation Team review data, methodology, performance and supporting audit trails.
- Third party detailed audit of the year end data collection and reporting process by our Technical Auditor to provide assurance that the data can be reported reliably and accurately and in accordance with any relevant reporting requirements. This includes sample checks to test processes, assumptions, methodology, implementation, governance and results.
- Quarterly meeting held with CCWater who challenge our performance where relevant. At least one Director attends these meetings.
- Public meetings are arranged by CCWater and customers can attend and question the company.

Improvements	Complete (✓) or 'In progress'
Methodology Statements will be developed in 2019 for all information that is reported to CCWater.	In progress
In consultation with CCWater, the reporting mechanisms will be kept under review.	In progress

#### 4.15 Corporate Resilience

Strengthening resilience so that our customers can depend on their water and sewerage services, both now and in the future, is a major feature of our Business Plan.

We take a ‘whole business’ approach to resilience, and as such our plans for resilience are embedded in almost every element of our Business Plan. We have developed a comprehensive framework, including the DCWW ‘Resilience Wheel’, to assess resilience across the business, based on international good practice and national guidance.

Resilience in the round is what matters to our customers and is a core concept for us. It is essential we see the bigger picture if we are to deliver against customer expectations. This means having robust infrastructure and services underpinned by having the right skills, the right leadership and the right systems. We will achieve resilience in the round by linking strong corporate, financial and operational elements together with customers at the heart of it all.

Our ownership model - Glas Cymru was established in 2001 as a single purpose entity to own, finance and manage DCWW. It is a ‘company limited by guarantee’ and, because it has no shareholders, any financial surpluses are used for the benefit of DCWW’s customers.

As a company limited by guarantee, our governance structure comprises a Board which consists of a majority of independent Non-Executive Directors, and a membership body that fulfils the vital role of holding the Board to account to enable a strong governance framework. The membership body votes at our AGM on decisions such as director appointment and remuneration policy. We endeavour to enhance the effectiveness of our membership body by ensuring interaction between our Board and our Members at a minimum of two meetings a year, two regional meetings a year and through regular contact with Members via the Executive and Company Secretariat teams.

Strong corporate governance underpins the values set by the Board, and supports the decision-making framework of the Group. As we are not a listed company we are not obliged to comply with the UK Corporate Governance Code, but we do so voluntarily as far as it is applicable given our ownership model.

The UK Corporate Governance Code sets out standards of good practice in relation to leadership, effectiveness of the Board, accountability, remuneration and relations with Shareholders. Although the Code is more applicable to companies whose shares are listed on the London Stock Exchange, we endeavour to follow the spirit of the Code and the principles it sets out.

Each year we publish our Annual Report and Accounts in as fair and balanced a manner as possible and our Directors confirm that the company is a “going concern” and make a long term viability statement. In our Annual Report and Accounts we report against the UK Corporate Governance Code, including ensuring a “fair, balanced and understandable” review of the performance, business model and strategy of the company.

Ofwat has developed a set of principles that represents the minimum standards for Board leadership, transparency and governance for companies in the water sector. We welcome Ofwat’s guidance which we believe complements the Code.

Our Statement on Corporate Governance is published annually on our website. This Statement details how we meet the UK Corporate Governance Code and also indicates where there are parallel Ofwat principles.

**Controls and mitigating actions**

- We are headed by an effective Board which is collectively responsible for the long-term success of the company.
- We have a clear division of responsibilities between the running of the Board and the executive responsibility for the running of the company's business. No individual has unfettered powers of decision-making.
- We have formal and transparent arrangements for considering how it should apply the corporate reporting, risk management and internal control principles and for maintaining an appropriate relationship with the company's auditors.

Improvements	Complete (√) or 'In progress'
We prepared an overview of the proposed modifications within the Ofwat consultation to simplify various conditions of all undertakers' licences to ensure that our assurance processes were in place before any licence modifications took place.	√

#### 4.16 Financial Resilience

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

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

When the ownership structure under Glas Cymru was established in 2001, a focal element of this financial resilience strategy was to reduce our gearing. Gearing is currently slightly better than the Board's target of 60% and this reduction in gearing has created a strong buffer of financial reserves (standing at £2.4bn at March 2018). Although not a listed company, we adhere to the UK Corporate Governance Code as far as possible for a company limited by guarantee.

##### Controls and mitigating actions

- Financial resilience is embedded in our business planning process; this includes robust risk management controls, financial forecasting and sensitivity analysis, as well as regular budget reviews.
- In 2017/18 the Board considered that a period of up to twelve years was the most suitable period over which the Board should assess the prospects of the Group (being within the period covered by our current business planning process and covering the next two regulatory review periods, to 2030).
- We have clarity of our current regulatory price controls to 2020, have developed detailed plans for the next regulatory period (AMP7) to 2025, and we are also developing outline plans for the following period (AMP8) to 2030 in the context of our strategic planning document "Welsh Water 2050".
- We stress-test our business plan forecasts against a variety of financial scenarios which include the estimated impact of each of our identified principal risks and uncertainties occurring, both individually and together based on the Board's assessment of their likelihood and severity. We also combine the forecast impact of these with high and low inflation scenarios and "blanket" cost stresses over the period.
- The Group operates in a stable sector with predictable cash flows and a supportive regulator; levels of investor confidence have historically been high and likely changes to the regulatory environment and the Group's own principal risks are unlikely to have a material impact on the company's credit rating in the foreseeable future.
- The Group retains robust forecast and actual gearing of around 60%, a strong level of liquidity and ability to raise finance.

Improvements	Complete (✓) or 'In progress'
When we publish our 2019 long-term viability statement in July 2019, we will have had sight of Ofwat's PR19 initial assessment of plans covering the period 2020 to 2025 which will afford us additional clarity for our medium-term planning.	In progress

#### 4.17 General Data Protection Regulation (GDPR)

Our business holds a huge amount of personal information about our customers and colleagues. The coming into force of the General Data Protection Regulation (GDPR) and Data Protection Act 2018 on 25 May last year meant that we had to make some changes to the way we handle personal information of our customers and colleagues, including changes to systems and controls.

##### Controls and mitigating actions

- A GDPR Project team supported the business through the change process. This included the establishment of a GDPR Steering Group and GDPR Programme Board with members from different business areas.
- Data Protection Officer (DPO) appointed to ensure compliance across the company.
- Consolidated communications campaign in three phases initially focussing on awareness then tailoring our messages and finally thinking about reinforcement and embedding change beyond May 2018.
- E-learning training rolled out to all colleagues, and face to face scenario based training provided to all relevant colleagues.
- Updated relevant policies and created new ones where necessary.
- All system changes since May 2018 have been subject to our data protection and information security impact assessment process.

Improvements	Complete (√) or 'In progress'
GDPR Programme Board members have become GDPR Champions within their business areas.	√
Number of Data Protection breaches are reported on a monthly basis to the DCE, and to the Retail Leadership Team, and in relation to each data protection breach notified to the DPO, recommendations as to preventative steps and reminders to colleagues are provided.	√

#### 4.18 Gender Pay Gap

The gender pay gap is the average difference between the remuneration for men and women who are working. Women are generally paid less than men within the UK, although this could be attributable to a higher proportion of women choosing occupations that offer less financial reward (e.g. administration).

Companies like DCWW who are large employers are required to publish their gender pay gap and gender bonus gap.

At DCWW, we believe in creating a workforce that is truly diverse and gender-balanced and fully reflects the customers and communities we serve.

- This will ensure we can not only better understand and respond to their needs - but also achieve our vision of earning the trust of customers every day.
- It allows for new ways of thinking from a wider talent pool, which is both necessary and the right thing for a modern business providing the most essential of services, to rise to today's challenges while also preparing for the future.
- As one of the biggest employers in Wales, we recognise we are in an influential position and should lead by example to create an inclusive culture that helps everyone feel that their contribution is valued and that they are able to reach their full potential - regardless of gender, age, race, disability, language or sexual orientation.

##### Controls and mitigating actions

- We published a Gender Pay Report in April 2018 (and will do so again in April 2019) that highlights the breakdown between male and female workforce profile across the total, the DCE and the Board.
- Our published report highlights that our gender pay gap is much lower than the current national average, however we are committed, through a range of initiatives, to reducing this further until there is no gender pay gap between men and women.
- We have made good progress in recent years to promote diversity across all levels and all types of roles within the company. This was acknowledged in 2017 when we were named Employer of the Year by Welsh equality charity, Chwarae Teg.
- The Chief Executive and the People and Change Director confirm that the information in the Gender Pay Gap report is accurate and prepared in accordance with the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017.

Improvements	Complete (✓) or 'In progress'
Engaging young people - We will use our Education Outreach programme to support workshops that provide young people with key skills that are relevant to our business, through our dedicated Welsh Baccalaureate resource. We will encourage our leaders and aspiring leaders to mentor female participants to help develop their interest in working in our industry.	In Progress
Promoting Diversity - We will support activities to ensure we retain existing talent and continue to attract new female talent to develop and pursue science, technology, engineering and maths (STEM) careers at Welsh Water - including through our award-winning apprentice and graduate programmes. We will	In Progress

Improvements	Complete (✓) or 'In progress'
<p>continue to support women throughout their careers with Welsh Water. In 2018 we joined the EU Skills Diversity Group to share and listen to ideas from companies across the energy and utility sectors.</p>	
<p>Working in partnership - We will continue to work, learn and benchmark ourselves by partnering with leading academics on gender equality and organisations such as Chwarae Teg and Women in Science and Engineering (WISE) and pledging to support initiatives such as the Equality and Human Rights Commission's Working Forward campaign.</p>	In Progress
<p>Equality and Diversity – In 2018 we piloted a new e-learning module to employees in north Wales, which will now be rolled out to all employees during 2019. It covers the importance of equality, diversity and recognising unconscious bias and will also signpost employees to our Code of Conduct for further guidance. All our leaders participated in an unconscious bias workshop to highlight the importance of making objective decisions at work.</p>	In Progress



#### 4.19 Board Leadership, Transparency and Governance Principles

Ofwat introduced the board leadership, transparency and governance principles and complementary principles for holding companies in 2014. Since the 2014 principles were introduced, Ofwat consider there have been some improvements in the governance arrangements of companies, but developments in the sector and wider economy have reinforced the important role of effective corporate governance and strong board leadership in driving high standards and securing the proper discharge of regulated water companies' functions. Poor corporate behaviour and some significant service failures have undermined trust in the sector. These developments led Ofwat to revisit the board leadership, transparency and governance principles.

In July 2018 they set out a proposed framework to give companies the autonomy and flexibility to deliver the highest standards of accountability and responsibility for their behaviours while also reflecting their own circumstances. Reflecting the importance of these principles to this sector, Ofwat also consulted on a new licence obligation for all companies to meet the principles and considered further obligations on company board composition.

In Ofwat's January 2019 conclusions on board leadership, transparency and governance principles they set out draft wording for a licence condition. When Ofwat refer to "the principles" they mean the overarching objectives, guiding provisions and their overall approach to assessing compliance.

Strong corporate governance underpins the values set by the Board, and supports the decision-making framework of the Group. As we are not a listed company we are not obliged to comply with the UK Corporate Governance Code, but we do so voluntarily as far as it is applicable given our ownership model.

The UK Corporate Governance Code sets out standards of good practice in relation to leadership, effectiveness of the Board, accountability, remuneration and relations with Shareholders. Although the Code is more applicable to companies whose shares are listed on the London Stock Exchange, we endeavour to follow the spirit of the Code and the principles it sets out.

However, Ofwat consider that their approach to reporting is not the same as the UK Corporate Governance Code's "comply or explain" approach, where companies either comply with a provision or provide an explanation for not doing so. Instead, companies must meet the objectives and set out how they have done so. The provisions should be considered and referenced by companies in their explanations of how they meet the objectives. This ensures companies have ownership and responsibility for considering how to deliver the objectives in the way best suited to their circumstances.

Ofwat sought indicative consent from all companies to the proposed licence modifications. The Board of DCWW has given this indicative consent. This stage was an informal consultation ahead of the formal statutory consultation later in spring 2019.

The 2014 principles will remain in place until April 2019, and companies will report against these in their 2019 annual performance reports. There is an expectation that explanations will be "effective, accessible and clear". Ofwat will incorporate further guidance in their annual information notice which sets out expectations for companies when producing their annual reporting.

In their 2019 annual performance reports, Ofwat also expect companies to explain the steps they are taking towards ensuring they can meet the objectives of the new 2019 principles going forward. Our 2019 Annual Performance Report is due to be published in July 2019.

**Controls and mitigating actions**

- Paper prepared outlining obligations required under the new Ofwat Board Leadership, Transparency and Governance Principles including the Transitional Requirements for the 2019 APR.
- Mapping of obligations required by the UK Corporate Governance Code against the Ofwat Board Leadership, Transparency and Governance Principles.
- Report to be drafted by senior management with co-ordination by the Deputy Company Secretary.
- General Counsel and Company Secretary to act as the editor to ensure consistency and that all explanations are “effective, accessible and clear”.
- Licence /regulatory compliance assured by Compliance team.
- Review by members of the DCE team and a verification process involving the company’s Financial Auditor.
- Final draft reviewed by Audit Committee prior to review and approval by the Board, and submission to Members as part of the APR.

Improvements	Complete (√) or ‘In progress’
Any specific requirements relating to the Board Leadership, Transparency and Governance Principles which may be contained in Ofwat’s guidance in their annual information notice (which sets out expectations for companies when producing their annual reporting) will be incorporated in the overall APR Checklist maintained by the Regulation Team as soon as Ofwat’s guidance is published.	In Progress

## 5. NEXT STEPS

We will publish a summary of the outcome of this assurance activity alongside our APR in July 2019.

The outcome of our 2018/19 assurance activity will inform the Statement of Risks, Strengths and Weaknesses and Draft Assurance Plan for 2019 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”](#).



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

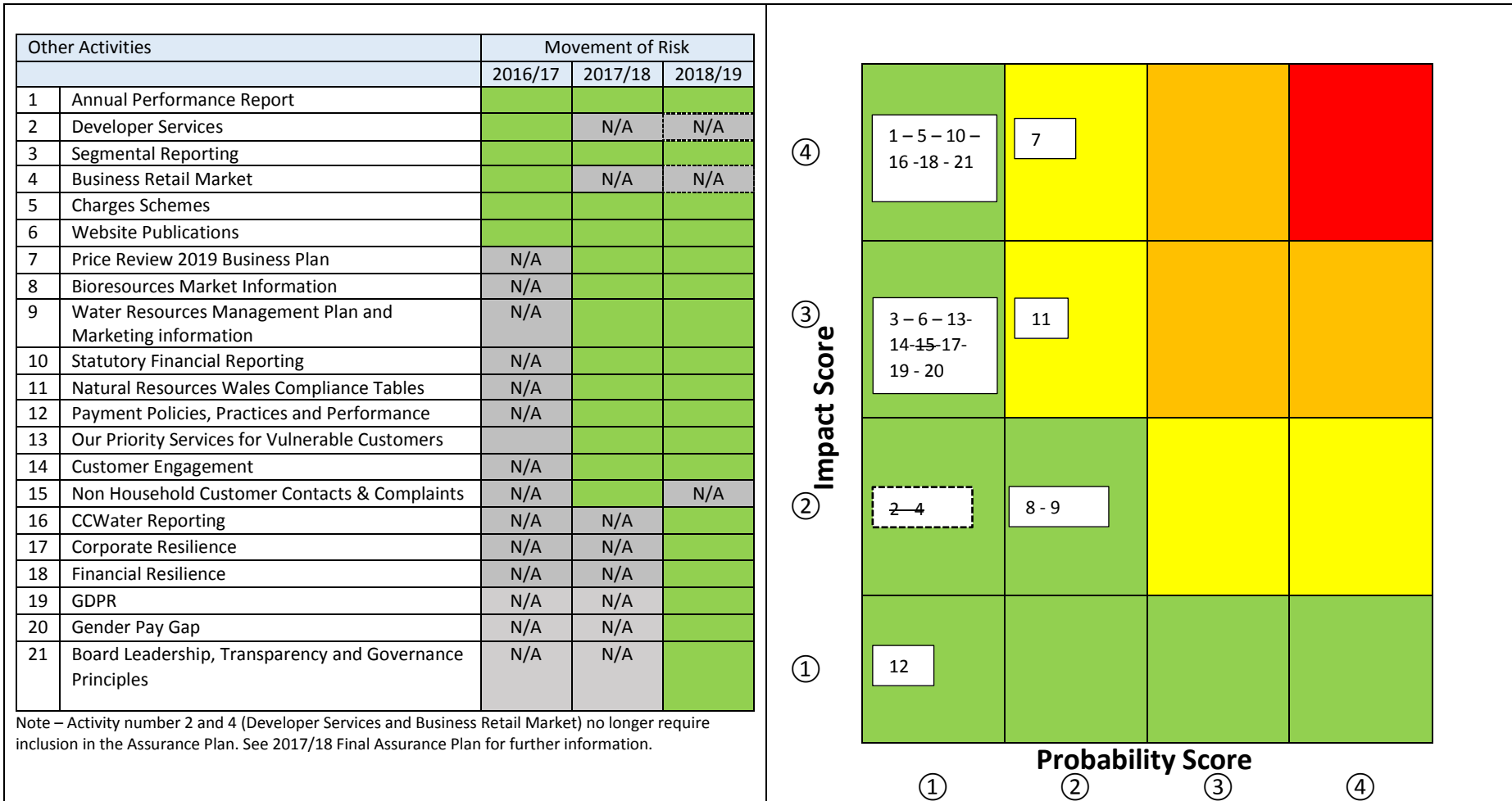
Area	2016/17	2017/18	2018/19	Comments	Reference	
	Included in FAP				Section	Appendix
APR	√	√	√	Established assurance processes but important to stakeholders.	4.1	2
Performance Measures	√	√	√	<p>Established assurance processes but important to stakeholders.</p> <p>Six measures retain yellow (medium/low) risk. The rationale for this is that they are:</p> <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	X	<p>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 2017/18 Draft Assurance Plan.</p>	N/A	
Segmental Reporting	√	√	√	Established assurance processes but important to stakeholders.	4.3	2

Area	2016/17	2017/18	2018/19	Comments	Reference	
	Included in FAP				Section	Appendix
Business Retail Market Reform	√	X	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 our 2017/18 Draft Assurance Plan.	N/A	
Charges Schemes	√	√	√	Established assurance processes but important to stakeholders.	4.4	2
Website Publications	√	√	√	Established assurance processes but important to stakeholders.	4.5	2
Cost Assessment Data	X	√	N/A	Ofwat merged cost assessment data within the APR for 2017/18.	N/A	
Price Review 2019 Business Plan	√	√	√	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.	4.6	2
Bioresources Market Information	X	√	√	Established assurance processes but important to stakeholders.	4.7	2
Water Resources Management Plan and Market Information	X	√	√	Established assurance processes but important to stakeholders.	4.8	2

Area	2016/17	2017/18	2018/19	Comments	Reference	
	Included in FAP				Section	Appendix
Statutory Financial Reporting	√	√	√	Established assurance processes but important to stakeholders.	4.9	2
Natural Resources Wales – Compliance Tables (MD109)	X	√	√	Driven by Statement of Risks, Strengths and Weaknesses. Established assurance processes but important to stakeholders.	4.10	2
Payment Policies, Practices and Performance	X	√	√	Driven by Statement of Risks, Strengths and Weaknesses.	4.11	2
Customer Engagement	X	√	√	Driven by Statement of Risks, Strengths and Weaknesses. Established assurance processes but important to stakeholders.	4.12	2
Non-household customer contacts and complaints	X	√	N/A	Now included within CCWater reporting.	N/A	
Our Priority Services for Vulnerable Customers	X	√	√	Important to stakeholders.	4.13	2
CCWater Reporting	X	X	√	Important to stakeholders.	4.14	2
Corporate Resilience	X	X	√	Important to stakeholders.	4.15	2
Financial Resilience	X	X	√	Important to stakeholders.	4.16	2
GDPR	X	X	√	Important to stakeholders.	4.17	2
Gender Pay Gap	X	X		Important to stakeholders.	4.18	2

Area	2016/17	2017/18	2018/19	Comments	Reference	
	Included in FAP				Section	Appendix
Board Leadership, Transparency and Governance Principles	X	X		Important to stakeholders.	4.19	2

## APPENDIX 2 Impact and Probability Risk Matrix – Other Activities





### APPENDIX 3 Impact and Probability Risk Matrix – Performance Measures

