

Statement of Risks, Strengths and Weaknesses and Draft Assurance Plan 2018/19



Who we are

Dŵr Cymru Welsh Water (DCWW) is the sixth largest of the ten 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.

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.

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.

Contents

1	INTRODUCTION	5
1.1	About this document	5
1.2	How to respond.....	6
2	BACKGROUND AND CONTEXT.....	7
3	OUR APPROACH AND WHAT WE ARE TRYING TO ACHIEVE.....	10
4	OUR APPROACH TO DATA ASSURANCE	11
4.1	Robust assurance principles.....	11
4.2	Clear ownership and accountability.....	12
4.3	Effective governance.....	12
4.4	Transparency and accountability	13
5	OUR COMPANY CULTURE	14
6	THE IMPORTANCE OF STAKEHOLDER ENGAGEMENT.....	16
7	RISK ASSESSMENT PROCESS AND EVALUATION OF RISKS, STRENGTHS AND WEAKNESSES	17
7.1	Our assessment of data quality risks	17
7.2	Results of assessing the impact of data quality risks	18
7.3	Method of assessing the probability of data quality risks	18
8	STATEMENT OF RISKS, STRENGTHS AND WEAKNESSES.....	20
8.1	Cost Assessment Data – (now covered in APR)	22
9	DRAFT ASSURANCE PLAN	23
9.1	Annual Performance Report (APR) 2018/19	23
9.2	Performance Measures (Outcome Delivery Incentives)	25
9.3	Segmental Reporting.....	26
9.4	Charges Schemes	27
9.5	Website Publications.....	29
9.6	Price Review 2019 Business Plan	31
9.7	Bioresources Market Information.....	33
9.8	Water Resources Management Plan and Market Information.....	34
9.9	Statutory Financial Reporting.....	36
9.10	Natural Resources Wales – Compliance Tables (MD109)	37
9.11	Payment Policies, Practices and Performance	39
9.12	Customer Engagement.....	40
9.13	Non-household customer contacts and complaints	41
9.14	Our Priority Services for Vulnerable Customers	42
9.15	New Areas included in the DAP.....	43

9.15.1	CCWater Reporting	43
9.15.2	Corporate Resilience	44
9.15.3	Financial Resilience	46
9.15.4	General Data Protection Regulation (GDPR).....	47
10	NEXT STEPS.....	48
	APPENDIX 1 Impact and Probability Risk Matrix – Performance Measures	49
	APPENDIX 2 Impact and Probability Risk Matrix – Other Activities.....	50

1 INTRODUCTION

1.1 About this document

The purpose of this document is to explain how we identify any risks with the information we publish, how we undertake checks on the data and carry out our assurance activities to manage any risks identified. Within this document, we set out and seek views on our Statement of Risks, Strengths and Weaknesses associated with the assurance of regulatory reporting and the Draft Assurance Plan we intend putting in place to manage and mitigate such risks as have been identified.

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

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

This is the fourth occasion we have published and consulted on a Statement of Risks, Strengths and Weaknesses and are again simultaneously consulting on the Draft Assurance Plan. We have had regard to past comments received from key stakeholders which has helped inform changes and allowed us to develop best practice. We have also extended the scope of the assurance activities to embrace reporting associated with other areas such as the performance measures submitted to Ofwat in our PR19 business plan in September 2018 and corporate and financial resilience.

Within our:

- **Statement of Risks, Strengths and Weaknesses** (section 7) we assess the risks that could affect our ability to provide information that our customers and stakeholders can trust and rely upon; and within our
- **Draft Assurance Plan** (section 9) we set out the actions we believe are necessary to address such risks and weaknesses as we have identified.

We are asking customers and stakeholders for their views on both of the above and the feedback received will be used to shape our Final Assurance Plan, which we intend publishing in March 2019.

This year, we have also published an [overview document](#) on our Draft Assurance Plan to give all of our customers and stakeholders a high-level overview of the details contained within this document.

1.2 How to respond

We welcome customer and stakeholder views on any aspect of this document, and are particularly interested in getting your views on the following:

CONSULTATION QUESTIONS	
Q1.	Is this document easy to read and understand and is there any way we could improve it?
Q2.	Do our plans cover the information that is important to you and will the planned assurance give you confidence that our information will be accurate and complete?
Q3.	Where we have identified relevant risks have we adequately addressed them?

We would welcome your responses by **11 January 2019**.



Responses can be sent to assuranceplanconsultation@dwrcymru.com



or by post to:

Assurance Plan Consultation
Dŵr Cymru Welsh Water
Pentwyn Road
Nelson
Treharris
Mid Glamorgan CF46 6LY

Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with access to information legislation – primarily the Data Protection Act 2018 and the Environmental Information Regulations 2004.

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

2 BACKGROUND AND CONTEXT

In the summer of 2019 we will publish our Annual Performance Report (APR) for 2018/19. This will be along the lines of reports we have published in previous years. The report will allow customers and stakeholders to assess how we have performed against those Measures of Success that are regarded by our customers as being the most important (the “Performance Measures”). The targets for the Performance Measures were agreed with customers as part of an extensive customer engagement exercise carried out when we were preparing our business plans for the 2015-20 period.

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

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

For the 2015-20 period, Ofwat introduced the Company Monitoring Framework (CMF) as 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. Having information that is easy to understand and navigate provides transparency and helps everyone build trust and confidence.

A key element of the CMF is the level of assurance Ofwat requires in addition to companies’ own assurance proposals. Ofwat follow an annual company monitoring framework assessment and place each water company in one of three assurance categories below:

Category	What this means
1. Self-assurance	A company has demonstrated consistently that customers and other stakeholders can place trust and confidence in the information that it provides. Companies in the self-assurance category should meet expectations in most, if not all, assessments, by a clear margin with evidence of exceeding expectations to demonstrate leading-edge behaviour.
2. Targeted	A company does not consistently meet the high standards that customers and other stakeholders expect.
3. Prescribed	A company does not instil sufficient confidence about their ability to deliver, monitor and report performance.

We are awaiting Ofwat’s next annual assessment due in January 2019 to see whether companies move between the three categories. The table below shows the latest position of all companies:

Ofwat CMF assessment	2016	2017	Move from prior year
South East	Self-assurance	Self- assurance	↔
United Utilities	Self-assurance	Self-assurance	↔
Northumbrian	Targeted	Self- assurance	↑

Ofwat CMF assessment	2016	2017	Move from prior year
Dŵr Cymru Welsh Water	Targeted	Targeted	↔
Anglian	Targeted	Targeted	↔
South West	Targeted	Targeted	↔
South Staffordshire	Targeted	Targeted	↔
Portsmouth	Targeted	Targeted	↔
Affinity	Targeted	Targeted	↔
Wessex	Targeted	Targeted	↔
SES	Targeted	Targeted	↔
Severn Trent	Self-assurance	Targeted	↓
Yorkshire	Prescribed	Targeted	↑
Thames	Targeted	Prescribed	↓
Dee Valley	Prescribed	Prescribed	↔
Southern	Prescribed	Prescribed	↔
Bristol	Prescribed	Prescribed	↔

Ofwat's previous assessment concluded that we had demonstrated that we are able to deliver accurate and reliable information that gives stakeholders trust and confidence and stated that *"we were pleased with much of what we saw in Dŵr Cymru's publications"* and *"Dŵr Cymru has met our expectations in most aspects of assurance"*. However, Ofwat determined that we should remain in the *"targeted assurance"* category.

Within the November 2017 CMF, Ofwat assessed all companies on eight specific areas. As shown in the table below we achieved three "exceeds expectations" (which included our Data Assurance Plan), three "meets expectations" and two "minor concerns". We reported in last year's Final Assurance Plan how we would address these two areas, and the table below provides an update.

Area	Ofwat's assessment	Ofwat's November 2017 CMF comments	How we have addressed minor concerns.
Financial monitoring framework	Minor concerns	The dividend yield was reported as a positive figure rather than a negative figure. The effective tax rate was calculated by reference to the total corporation tax for the year (including prior year adjustments) rather than to the current corporation tax. There was a small reconciling item in relation to financial derivatives which was not fully explained.	We have revised our written procedures to ensure we capture this in 2018/19 reporting. <i>(Further detail on page 11 of the March 2018 Final Assurance Plan).</i>
Charges engagement	Meets expectations	The information Dŵr Cymru published about its charges scheme and wholesale charges met our expectation. The company consulted in a timely manner with the Consumer Council for Water (CCWater). A further improvement would be to set out what it discussed with CCWater and how this discussion had impacted, if at all, on its final charges scheme and/or wholesale charges. The company stated that it did not expect any of its bills to increase by more than 5%. Beyond this, it could have supported this statement with, for example, a table showing the level of bill increases for a representative set of household and non-household customers.	
Outcomes	Exceeds expectations	Accurate reporting of performance is important for trust and confidence. Company assurance processes are key to this and we want to incentivise high quality assurance. But we recognise that some information is, by its nature, uncertain and may need to be revised. Our assessment looks at assurance in the round; if serious errors were in place and undetected then our assessment reflects this.	

Area	Ofwat's assessment	Ofwat's November 2017 CMF comments	How we have addressed minor concerns.
Compliance with principles of Board leadership, transparency and governance	Meets expectations	The information provided as part of the company's annual reporting has demonstrated how it is meeting our board leadership transparency and governance principles.	
Risk and compliance statement	Exceeds expectations	The board has provided a clear statement confirming that the company has an understanding of, and is meeting, its obligations. It has also confirmed that the company has sufficient processes and internal systems of control to meet those obligations and has systems and processes in place to identify, manage and review its risks. The statement has been appropriately signed off on behalf of the board. The statement provided by the board is supported by the inclusion of a letter from the company's independent technical adviser on regulatory reporting issues which summarises the review which it carried out in relation to the approach and processes which the company follows to assess compliance with its obligations. This helps give stakeholders confidence in the statements the board provides.	
Assurance Plan	Exceeds expectations	The company has addressed our concerns regarding the scope of the risks, strengths and weaknesses exercise and last year's assurance plan. The scope now includes all information it produces and clearly sets out where assurance activities are being targeted and why. The tables in the document set out the existing assurance activities (both external and internal) and new targeted assurance, using the 3 lines of defence model. The plan also covers effective governance, transparency and public accountability and company culture. The company has clearly reviewed our comments and assessment of other companies plans to identify best practice, which it has applied to good effect in its plan.	
Data assurance summary	Minor concerns	The company published a succinct summary of the data assurance process. The data assurance summary does not provide sufficient detail on the assurance activities carried out and the results. The data assurance summary is written in a style that is easy to read though being bound in the annual performance report, it is not prominent on the company's website. The assurance framework is referenced across different parts of the annual performance report making it difficult for stakeholders to find all the information. It would be helpful for readers to have a summary within the data assurance summary.	We published in July 2018, alongside the 2017/18 APR, a new data assurance summary document.
Casework	Meets expectations	We closed five cases concerning Welsh Water during the assessment period. Three of these cases were sewer adoption appeals and two were determinations regarding work in private land (closed in November 2016 and March 2017). There was no information requested from the company in relation to the sewer adoption appeals, so they do not form part of this assessment. Further, the determination we closed in November 2016 was part of last year's assessment and no additional information was requested as part of this assessment. Our assessment is therefore based just on information provided by the company in relation to the determination that we closed in March 2017. The company provided information for that case on time and of a quality that enabled us to progress that case.	

On receipt of the next Ofwat CMF assessment, due in January 2019, we will review the assessment and, if appropriate, we will explain in our Final Assurance Plan how we intend addressing any observations contained within that assessment.

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

3 OUR APPROACH AND WHAT WE ARE TRYING TO ACHIEVE

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

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

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

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

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

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

We have used this approach for evaluating the risks, strengths and weaknesses associated with reporting performance against those Performance Measures contained within the 2014 Final Determination (FD14) and which have been included in our APR, plus the additional data items as listed within section 9 of this document.

4 OUR APPROACH TO DATA ASSURANCE

Within the business we have well-established governance and accountability processes. Our proposed Assurance Plan for 2018/19, continues to build on the solid foundation established over recent years.

Our data assurance framework is underpinned by four key cornerstones:

- 1. Robust assurance principles – we operate a ‘three lines of assurance model’, targeted at areas of greatest risk (section 4.1 below);**
- 2. Clear ownership and accountability – we have clear lines of ownership and accountability for both the delivery of performance and the accuracy and reliability of the data provided (section 4.2 below);**
- 3. Effective governance – we are subject to scrutiny by our Board, Audit Committee and the Dŵr Cymru Executive (DCE) with additional challenge provided by the CCG (section 4.3 below); and**
- 4. Transparency and accountability – we publicly report on our performance and hold ourselves to account where we do not meet our commitments (section 4.4 below).**

4.1 Robust assurance principles

We have an established framework to provide for the effective management of risk. We operate the ‘three lines of assurance model’ which distinguishes between first line (risks and controls), second line (oversight functions) and third line (independent assurance). This is illustrated in the table below.

Three lines of assurance model

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

Line	Area	Role	Type of Activity
	Board, Audit Committee, Quality and Environment Committee, CCG	Scrutiny and challenge	<ul style="list-style-type: none"> • Reviewing performance information submitted. • Monitoring the implementation of improvement plans. • Reviewing risk profile.
3 Independent Assurance:	Business Assurance, external assurance providers	Independent review of levels of assurance proved by first and second lines	<ul style="list-style-type: none"> • Reviewing methodologies and processes. • Reviewing application of methodologies and processes. • Providing an opinion on the integrity of data. • Reviewing appropriateness of the assurance framework.

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

4.2 Clear ownership and accountability

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

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

4.3 Effective governance

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

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

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

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

4.4 Transparency and accountability

Our Vision is to earn the trust of our customers every day and we are committed to being open and honest in all our communications and performance reporting. All communications are based on transparency, integrity, accessibility and timeliness. Our information and reports go through many levels of checks before they are included in our core publications, and this includes peer reviews, senior manager approval and review by the DCE or the Board as required. We will continue to hold ourselves to account with the publication of our 2018/19 APR which will incorporate Ofwat's reporting requirements.



5 OUR COMPANY CULTURE

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

The culture of our company is defined by the values we adopt and the knowledge, skills and attitudes of our colleagues. 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 colleagues the tools to do their job, which is why we invest in many internal development schemes.

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

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

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

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

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

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

- Two of our six corporate Values are “trusted to do the right thing” and “excellence in everything we do”. These apply to the handling of information as much as any other process;
- We expect all our managers to be “honest and trustworthy” and “act with integrity” at all times. These behaviours are written into our Corporate Behaviours Framework;

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

6 THE IMPORTANCE OF STAKEHOLDER ENGAGEMENT

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

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

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

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

As part of an ongoing programme of engagement we have regular dialogue with key stakeholders and we value their feedback to develop and enhance our Assurance Plan.



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

7.1 Our assessment of data quality risks

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

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

In the table below we demonstrate how we prioritise areas that may require increased levels of assurance.

Table— Impact and Probability Risk Matrix

Impact Metric Score	4				
	3				
	2				
	1				
		1	2	3	4
		Probability Metric Score			

Any area with higher probability and higher impact residing in the red “high” or amber “high-medium” risk zones demands a higher level of assurance over those which reside in the yellow “low-medium” or green “low” risk zones.

Low Risk
Low-medium Risk
High-medium Risk
High Risk

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

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

7.2 Results of assessing the impact of data quality risks

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

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

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

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

7.3 Method of assessing the probability of data quality risks

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

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

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

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

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

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

Taking one of our Measures of Success (MOS), A1b Mean Zonal Compliance, the table below helps explain the risk scoring further.

The Probability metric score is calculated by taking the highest of the inherent probability score (column marked B) minus the average score across the control framework (column marked C). This therefore resides in the top left hand box as shown and is low risk (high impact but low probability).

With regard to other key documents and discreet parts of the business which involve data reporting, e.g. Price Review and Market Information, we have undertaken a high level risk assessment of each area. This involves following an exercise which determines the overall profile of the particular data quality risk by reference to the probability of the risk occurring and the likely impact on the business. The results of this exercise are summarised in the Impact and Probability Risk Matrix in Appendix 2.

8 STATEMENT OF RISKS, STRENGTHS AND WEAKNESSES

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

The result of this year's exercise was that the risk profile for six of the seven targeted Performance Measures identified in the 2017/18 assessment was the same, i.e. they remained in the 'low-medium' category. The one previously targeted Performance Measure (MOS E2 Help for Disadvantaged Customers) has improved to a 'low risk' category (see the Impact and Probability Risk Matrix in Appendix 1).

This was as expected as the particular Performance Measures still residing in the 'low-medium' are:

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

In relation to data assurance, the important role that the Technical Auditor plays has already been outlined on Page 15.

In their 2017/18 Annual Performance Report Assurance Report, the Technical Auditor concluded as follows: *"Overall across all the areas we have reviewed, we observed robust processes and reporting procedures."*

For all Performance Measures, the Technical Auditor will 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.

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

As regards the Cost Assessment data (which is now reported in the APR), last year we followed the same approach and published a standalone Impact and Probability Matrix just for Cost Data (see section 8.1 for further detail). This year all of this data and the subsequent risk assessment is covered by the overarching APR risk assessment shown in Appendix 2.

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

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

These activities, together with the activities remaining from last year's Assurance Plan, are contained within the Impact and Probability Risk Matrix in Appendix 2.

The results from our risks, strengths and weaknesses exercise has allowed us to develop a targeted Draft Assurance Plan for 2018/19. As in previous years, the Draft Assurance Plan includes a wide variety of controls and mitigating actions designed to ensure that customers and stakeholders can trust the information we publish. In section 9 of this document we set out the ongoing or planned activity to mitigate such risks and weaknesses as have been identified so that stakeholders can have trust and confidence in the accuracy and completeness of our published information.

As part of our consultation with stakeholders for this year's risks, strengths and weaknesses exercise the issue of Cyber-Security was raised. The Audit Committee regularly reviews the company's approach to Cyber-Security risk. The Committee considers the comparative effectiveness of the company's procedures for managing risk in this area compared to those established in similar businesses. In addition, in June 2017 we obtained Cyber-Essentials plus certification and are working towards ISO 27001 accreditation for our information security controls. Consequently, at this stage we do not consider that Cyber-Security needs to be specifically targeted within our Draft Assurance Plan.



8.1 Cost Assessment Data – (now covered in APR)

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

As Ofwat have now included Cost Assessment data within the APR there is therefore no need to list this separately within our Assurance plan as it is all contained within the APR which has existing robust assurance processes in place.



9 DRAFT ASSURANCE PLAN

In this section we set out our proposed Draft Assurance Plan for 2018/19.

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

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

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

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

9.2 Performance Measures (Outcome Delivery Incentives)

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

We used the Impact and Probability Risk Matrix for 2018/19 (Appendix 1) to assess whether it was necessary to implement additional assurance activities on any particular measures. It can be seen from Appendix 1 that no Performance Measures currently reside within the red zone (high risk) or the amber zone (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 as described in section 8 of this document.

Controls and mitigating actions

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

Justification for inclusion of this area in the Draft Assurance Plan

This is a key area of importance to our customers and other stakeholders and continues to warrant inclusion in our Assurance Plan. Our risk, strengths and weakness scoring matrix (explained in section 7), ensures that we focus on those MOS that have the potential for a financial reward or penalty.

9.3 Segmental Reporting

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

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 development anticipated in advance of 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 upon 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.

Justification for inclusion of this area in the Draft Assurance Plan

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

9.4 Charges Schemes

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

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

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

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

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 planned

For the charges schemes for 2019/20 the approach to assurance will be broadened to cover three areas:

1. 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.
2. Independent external peer review of the models used to ensure they are fit for purpose.
3. External audit of compliance of the published information with Ofwat's charges rules.

Justification for inclusion of this area in the Draft Assurance Plan

Charging remains an area of key importance to our customers and stakeholders which warrants continued inclusion within our Assurance Plan.



9.5 Website Publications

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

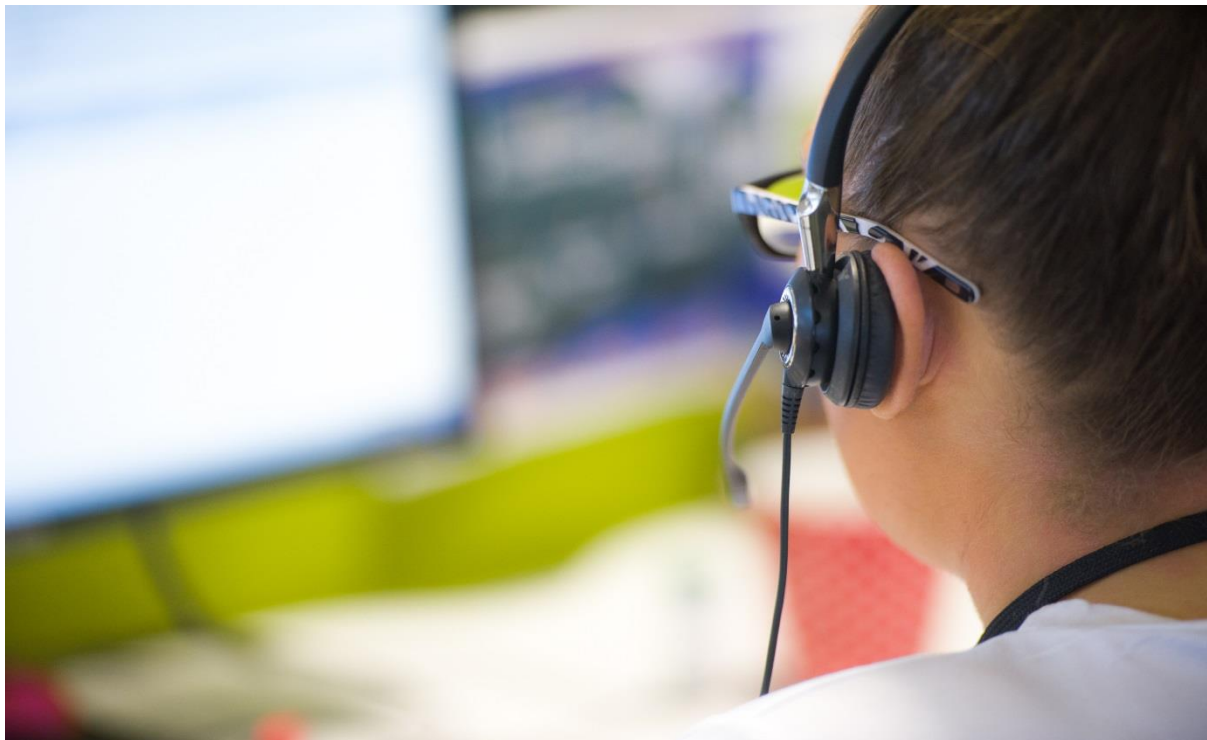
We will continue to engage with our key stakeholders and the CCG to review the list of publications to ensure its relevance. The publications that we have included in our review are shown below.

Publication	Description	Mitigation Actions
APR	Information about how we have performed	<ul style="list-style-type: none"> • Finance/Regulation Teams review. • Reconciliation between data in APR and Annual Report. • Scrutiny by Audit Committee. • Board approval. • Independent audit and opinion.
Annual Report and Accounts	Information allowing stakeholders to assess the company's performance, business model and strategy	<ul style="list-style-type: none"> • Drafted by senior management with co-ordination by the Deputy Company Secretary. • General Counsel and Company Secretary acts as the editor to ensure consistency. • Reviews by members of the DCE team and a verification process involving the company's Financial Auditor. • Final draft reviewed by Audit Committee prior to review and approval by the Board, and submission to Members.
Charges Scheme	Information about our current charges and policies	<ul style="list-style-type: none"> • Legal compliance assured by Legal teams. • Approval by Charges Policy Steering Group. • CCWater consultation. • Board approval. • Independent audit and opinion.
Codes of Practice	Details of the levels of service customers can expect from us	<ul style="list-style-type: none"> • Legal/regulatory compliance assured by Legal teams. • CCWater consultation. • Director approval. • Codes submitted to Ofwat.
	From December 2018, modifications to our Licence will 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"> • Legal/regulatory compliance assured by Legal teams. • CCWater consultation. • Approval by the Annual Billing Steering Group.
Consumer Council for Water (CCWater) – quarterly and annual reports	Information provided to the CCWater on customer services, complaints, leakage, distribution input and per capita consumption	<ul style="list-style-type: none"> • Where data is derived from performance commitments, e.g. SIM it is subject to the appropriate assurance process. • Where data is not derived from performance commitments the data is subject to second line assurance, with the extension to third line assurance for 2018/19 reporting.
Data Share	Industry data share of annual performance data. Also published on the Discover Water website	<ul style="list-style-type: none"> • Independent review by Technical Auditor. • Reconciliation with APR data. • Due diligence by Regulation Team. • Director sign off.

Justification for inclusion of this area in the Draft Assurance Plan

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



9.6 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 are now in the process of reviewing the submissions and over the next year they will provide feedback to companies on the plans. Firstly, Ofwat will publish a Draft Determination and then a Final Determination by the end of 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 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 overall PR19 Business Plan (which includes all supporting data and information) had an assigned publication manager, who was responsible for ensuring that the company had followed all assurance processes and that the Business Plan document published in September 2018 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 ahead of the September 2018 publication.

Improvements planned

- Where we resubmitted data in accordance with instructions from Ofwat subsequent to the September submission as part of the query process, we have identified any issues in relation to the preparation and assurance of that data, and taken steps to ensure that they are addressed in future.
- We will respond to any concerns on assurance that are raised by Ofwat in their 'Initial Assessment of Plans' which will be published on 31 January.

Justification for inclusion of this area in the Draft Assurance Plan

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



9.7 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 planned

- DCWW data team are producing live data models for the 4 key advanced digestion treatment facilities which will support real time and annual data reporting requirements.

Justification for inclusion of this area in the Draft Assurance Plan

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



9.8 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 are now awaiting further direction from Welsh Government to publish this Plan as Final and this is expected by February 2019.

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 presented 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 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).

To date there have been no substantive responses to our publication on the website or the OJEU or during the draft WRMP19 consultation. 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.

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

Improvements planned

- 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.
- 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.
- 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.

Justification for inclusion of this area in the Draft Assurance Plan

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

9.9 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 (next scheduled for February 2019) to ensure compliance with changes to accounting framework and our ability to comply with future changes.

Improvements planned

- 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.
- Development of automated reports to reduce the need for manual cost allocation and increasing resources available to provide internal assurance.

Justification for inclusion of this area in the Draft Assurance Plan

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

9.10 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 staff responsible for discharge performance.
- Suite of documentation and guidance available for staff in the DCWW Integrated Management System (IMS).
- Personnel directly involved in the OSM process are free from any possible conflict of interest by reporting to different Heads of Business.
- Sampling results analysed by independent and United Kingdom Accreditation Services (UKAS) accredited laboratories.
- Sampling failures automatically reported from QDB 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 Board, chaired by the Chief Operating Officer.

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 planned

- New system introduced to replace QDB in May 2018, however management and regulatory reporting will continue from the QDB system until 2019.
- We have set up a Task and Finish group between ourselves and NRW to review and improve the OSM Inspection process. This will enhance 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.

Justification for inclusion of this area in the Draft Assurance Plan

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



9.11 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. Subject to any customer or stakeholders comments on this 2018/19 Draft Assurance Plan consultation we 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 planned

- Continued systems enhancements to provide procurers with better visibility of their team's transactions within the "procure to pay" process.
- Development of a mobile app to facilitate field-based operatives' confirmation of receipt of goods/services.

Justification for inclusion of this area in the Draft Assurance Plan

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

9.12 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:

- An overarching “ route map” for PR19 customer engagement ;
- 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 Planned

- Following completion of the PR19 research we are now undertaking a lessons learnt exercise with the CCG, which includes a review of how the controls and mitigations listed above were followed and any recommendations for future work.

Justification for inclusion of this area in the Draft Assurance Plan

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

9.13 Non-household customer contacts and complaints

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

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

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

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

Controls and mitigating actions

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

Improvements planned

- Methodology Statements will be developed in 2018/19 for all information that is reported to CCWater. This will be completed by April 2019.

Justification for inclusion of this area in the Draft Assurance Plan

Whilst this is a key area of importance to our customers and other stakeholders, we believe this should be merged within our new section on CCWater reporting (see section 9.15.1). Our proposal is to combine both sections within our Final Assurance Plan.

9.14 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 customers that they have signed up for their priority services schemes, and who have given their permission for them to pass on their details for us to include them on our scheme.

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

Controls and mitigating actions

- The company maintains 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 additional service customers and information received during a telephone conversation with a customer if for example they are unable to complete an application form.

Improvements Planned.

- We will review quarterly and ensure our processes are sufficiently robust to ensure the details contained within the register are kept up to date.
- Expand network of partner organisations to promote awareness of our Priority Services Register

Justification for inclusion of this area in the Draft Assurance Plan

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

9.15 New Areas included in the DAP

9.15.1 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.

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 planned

- Methodology Statements will be developed in 2018/19 for all information that is reported to CCWater. This will be completed by April 2019.

Justification for inclusion of this area in the Draft Assurance Plan

This is a key area of importance to our customers and other stakeholders and we believe warrants inclusion in our Assurance Plan.

9.15.2 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 one 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 planned

- We have prepared an overview of the proposed modifications within the recent Ofwat consultation to simplify various conditions of all undertakers' licences to ensure that our assurance processes are in place before any licence modifications take place.

Justification for inclusion of this area in the Draft Assurance Plan

Whilst resilience has always been important to us, we have within this Draft Assurance Plan included for the first time a section on our corporate resilience.



9.15.3 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-shareholder 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 planned

- When we publish our 2019 long-term viability statement in July 2019, we will know the outcome of Ofwat's PR19 price review covering the period 2020 to 2025 which will afford us additional clarity for our medium-term planning.

Justification for inclusion of this area in the Draft Assurance Plan

This is a key area of importance to our customers and other stakeholders and we believe warrants inclusion in our Assurance Plan.

9.15.4 General Data Protection Regulation (GDPR)

Our business holds a huge amount of personal information about our customers and colleagues.

We collect and store this information in lots of different ways, and for lots of different reasons – from writing a customer’s details down on paper after a visit to their home, to someone’s address and billing information being stored on our computer systems, or our own colleagues’ records held on our HR systems.

We don’t own this information. It belongs to the individual. However, we are responsible for protecting it while we handle it or pass it to our partners to do something with it on our behalf.

GDPR, or the EU General Data Protection Regulation, to give it its full title, is a new set of rules that we have had to follow when collecting, storing, handling or using any personal information from 25 May 2018.

The introduction of the GDPR means that we have had to make some changes to the way we handle personal information in our roles, including changes to systems and processes.

Controls and mitigating actions

- Project team put in place to support departments through the change process.
- Data Protection Officer (DPO) appointed to ensure compliance across the company.
- Consolidated campaign in three phases initially focussing on awareness then tailoring our messages and finally thinking about reinforcement and embedding change beyond May 2018.
- Development of a breakout game called the “GDPR Escape Room”.
- Mandatory Learning modules circulated to all colleagues to raise awareness of GDPR. All colleagues have completed and passed the training and this will need to be refreshed annually.
- Classroom training has been provided to all managers and colleagues who have access to sensitive information as part of their daily work.
- Case studies are being identified and are fed back to DPO to identify best practice.
- All system changes since May 2018 have been subject to our data protection impact assessment process.

Improvements planned

- Individual departments will appoint a GDPR champion.
- Quarterly meetings of GDPR champions to share best practice.

Justification for inclusion of this area in the Draft Assurance Plan

It is vitally important that we recognise the importance of keeping our customers and our colleagues personal information secure, this in itself warrants us including GDPR in our plan.

10 NEXT STEPS

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

We would welcome your responses by **11 January 2019**.



Responses can be sent to assuranceplanconsultation@dwrcymru.com



or by post to:

Assurance Plan Consultation
Dŵr Cymru Welsh Water
Pentwyn Road
Nelson
Treharris
Mid Glamorgan CF46 6LY

We will respond to all responses received and explain what action we have taken to address the comments submitted.

We will have regard to comments received and intend publishing our Final Assurance Plan before the end of March 2019.



APPENDIX 1 Impact and Probability Risk Matrix – Performance Measures



APPENDIX 2 Impact and Probability Risk Matrix – Other Activities

