

# Statement of Risks, Strengths and Weaknesses and Draft Assurance Plan 2019-20



## Who we are

Dŵr Cymru Welsh Water (DCWW) is the sixth largest of the 11 regulated water and wastewater companies in England and Wales. DCWW is unique among utility companies in the UK – we are owned by Glas Cymru Cyfyngedig, a ‘not-for-profit’ company, limited by guarantee. We provide an essential public service and, as custodians of the water industry in our area, we are responsible for protecting the environment and delivering a high quality and reliable service to our customers.

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

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

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

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

### THE AREA WE SERVE



## Our vision

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

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

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## Our values

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

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## 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 fifth 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 activities included within our assurance framework to embrace our Annual Report and Accounts, Operator Self-Monitoring, Customer Satisfaction Measures and the Methodology Statements we have in place for reporting our existing Performance Measures and what we intend to put in place for our new PR19 Measures of Success.

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 2020.

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

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## 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 **10 January 2020**.



Responses can be sent to [assuranceplanconsultation@dwrcymru.com](mailto:assuranceplanconsultation@dwrcymru.com)



or by post to:

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Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with access to information legislation – primarily the Data Protection Act 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 2020, we will publish our Annual Performance Report (APR) for 2019-20. 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.

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**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.**

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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 was the level of assurance Ofwat required in addition to companies’ own assurance proposals. Ofwat followed an annual CMF assessment and placed each water company in one of the 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 were delighted to be promoted to the “Self-assurance” category by Ofwat in their January 2019 assessment.

The table below shows the latest position of all companies:

Ofwat CMF assessment	2016	2017	2018	Move from prior year
United Utilities	Self-assurance	Self-assurance	Self-assurance	↔
<b>Dŵr Cymru Welsh Water</b>	Targeted	Targeted	Self-assurance	↑
South East	Self-assurance	Self-assurance	Targeted	↓
Northumbrian	Targeted	Self-assurance	Targeted	↓
Anglian	Targeted	Targeted	Targeted	↔
South West	Targeted	Targeted	Targeted	↔
South Staffordshire	Targeted	Targeted	Targeted	↔
Portsmouth	Targeted	Targeted	Targeted	↔
Affinity	Targeted	Targeted	Prescribed	↓
Wessex	Targeted	Targeted	Targeted	↔
SES	Targeted	Targeted	Targeted	↔
Severn Trent	Self-assurance	Targeted	Targeted	↔
Yorkshire	Prescribed	Targeted	Targeted	↔
Thames	Targeted	Prescribed	Targeted	↑
Dee Valley(HafrenDyfrdwy)	Prescribed	Prescribed	Prescribed	↔
Southern	Prescribed	Prescribed	Prescribed	↔
Bristol	Prescribed	Prescribed	Targeted	↑

In the January 2019 assessment, Ofwat concluded that we had demonstrated the consistently high standards for a “self-assurance” company and met the criteria to be promoted to the “self-assurance” category and stated that:

***“In line with our expectations for a self-assurance company, Dŵr Cymru demonstrated behaviours that met our expectations by a clear margin in most assessment areas and exceeded our expectations, demonstrating leading edge behaviour in two areas, risk and compliance statement and assurance plan”.***

In August 2019, Ofwat published Information Notice 19/04 – Update on information quality and assurance, which set out how they expect companies’ to provide accurate and easily available information about their performance. It further explains that since the CMF was first introduced in 2015 to encourage companies to conduct high quality assurance of the information they produce, the standard of reporting has been raised and there are good examples of companies embedding assurance requirements within their business practices.

Ofwat will not be publishing any further CMF assessments, but will continue to scrutinise and challenge companies’ approaches to data quality and assurance of their performance reporting.

***“Companies need to continue to strive for best practice in their assurance arrangements, and we expect all companies to adopt as a minimum the requirements established by the ‘targeted’ category under the company monitoring framework”.***

Even though we were promoted to the self-assurance category in January 2019, we will continue to adopt the same robust and transparent assurance processes that have served us so well over the past few years. We have again 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 our 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 we always strive for best practice. 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 greatest 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 2019-20, 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, Quality and Environment 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"><li>• Providing source information.</li></ul>
	Business Management	Monitoring and reporting performance	<ul style="list-style-type: none"><li>• Defining and documenting methodologies and processes.</li><li>• Identifying material changes to systems and processes.</li><li>• Implementing quality checks and reviews.</li><li>• Reporting performance information.</li></ul>
2 Oversight functions:	Regulation, Finance, General Counsel, Compliance	Define policy and provide the enabling framework for regulatory reporting	<ul style="list-style-type: none"><li>• Developing an assurance framework.</li><li>• Reviewing performance information submitted.</li><li>• Monitoring delivery of obligations.</li><li>• Reporting to Board.</li><li>• Implementing quality checks and reviews.</li><li>• Providing advice, guidance and support.</li></ul>

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

We see assurance as part of our continuous improvement programme. The first and second line activities are undertaken throughout the year, providing clear visibility of potential 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 our Licence Obligations and 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 our Licence and 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 2019-20 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 Managing Director, 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 may carry out an annual audit on our Operator Self-Monitoring data for water and 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. The DCE 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 (SGS).

## 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 invite key stakeholders to meet with us ahead of publishing this consultation and consider their comments in the preparation of this document.

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. We have written to our key stakeholders ahead of this publication and included a PowerPoint presentation on our intended approach to future assurance arrangements. We look forward to receiving their feedback on this consultation and addressing any comments they may have.



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

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).

Draft RSW and DAP 2019-20

## 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 nothing had changed from the assessment last year with the risk profile of the six Performance Measures identified in the 2018-19 assessment as in the 'low-medium' category, remaining the same (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' category 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 14.

In their 2018-19 Annual Performance Report Assurance Report, the Technical Auditor concluded as follows:

***“Overall, since we have been working with you, we have seen a steady improvement in data, evidenced by your being promoted to self-assured status, and for this year we consider that you have maintained a robust level of reporting.”***

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.

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 2019-20. 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.



### 8.1 Price Review 2019 Business Plan

This area was included in our 2018-19 Assurance Plan because of its importance to our customers and other stakeholders. The Business Plan sets out our plan for bills, service standards, investment and value for money for customers over the five years to 2025, and beyond.

Following Ofwat's initial assessment of our Business Plan, we re-submitted our Plan by the deadline date of 1 April 2019. Our Draft Determination was published on 18 July 2019 and we submitted our representations by the deadline of 30 August 2019. We have responded to queries from Ofwat within the given timeframes and all data submitted was subject to the same rigorous level of assurance that was used in the preparation of our original PR19 plans.

Ofwat will publish our Final Determination on 16 December 2019 and as we have now submitted all of the required data to Ofwat, we feel that this area no longer merits inclusion on our Assurance Plan.





## 9 DRAFT ASSURANCE PLAN

In this section we set out our proposed Draft Assurance Plan for 2019-20.

### 9.1 Annual Performance Report (APR) 2019-20

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 2020.

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 have accountability for providing the framework and governance for regulatory reporting; and**
- 3. The third line of assurance provides independent audit and assurance activity through our Business Assurance team, who review the assurance framework and provide risk based assurance on individual elements. The information contained within this document will also be assured by the Financial Auditor or the Technical Auditor.**

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"><li>1. Data providers, their managers and business unit directors produce and approve data, commentaries and methodologies and audit trails to support the reported performance and demonstrate the control checks that have been applied.</li><li>2. Finance team review of information and audit trails.</li><li>3. Financial Auditors audit and opinion according to Ofwat audit requirements.</li></ol>
APR Section 2: Price review and other segmental reporting	Further separation of revenue and costs to allow stakeholders to review companies' performance against FD14.	<ol style="list-style-type: none"><li>1. Data providers, their managers and business unit directors produce and approve data, commentaries and methodologies and audit trails to support the reported performance and demonstrate the control checks that have been applied.</li><li>2. Finance team review of information and audit trails.</li><li>3. Financial Auditors audit and opinion according to Ofwat audit requirements.</li></ol>
APR Section 3: Performance summary	A high level report of the operational performance of the business against the performance commitments	<ol style="list-style-type: none"><li>1. Data providers, their managers and business unit directors produce and approve data, commentaries and methodologies and audit trails to</li></ol>

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

#### 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 2019-20 (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).

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 risks, strengths and weaknesses scoring matrix (explained in section 7), ensures that we focus on those Performance Measures 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 four financial years contain a significant volume of disaggregated financial information with income and expenditure being reported against the price controls as well as individual accounting units. This is set to remain the case with additional reporting requirements incorporated into the APR for 2018-19 and the likelihood of further reporting changes to reflect modifications to the regulatory framework in 2020, including two new price controls: 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.
- Line items and table owners formally assigned to all financial data tables, with agreed sign off process.
- Price control and segmental reporting in Part 2 of the APR receives an independent Financial Auditor's audit opinion in line with Ofwat's audit requirements.
- Price control and segmental financial reporting in the additional regulatory tables in Part 4 of the APR is subject to independent Financial Auditor scrutiny via agreed procedures.
- Financial and Regulatory Accountant's role transition from data preparer to one of coordination and governance to ensure timely submission and critical review of the outputs from the management accounting team. This provides greater control and assurance, and an extra level of review and additional capacity to deal with new reporting requirements.
- Methodology Statements developed to provide a step-by-step guide to the preparation of each table.
- The Regulatory Accounting team has rolled out a series of training sessions to the Management Accounting team to ensure that all individuals responsible for the preparation of financial data for inclusion in regulatory reports are aware of both their own responsibilities and the relevant Regulatory Accounting Guidelines, and maintains an 'open door' policy to offer support and guidance on areas of interpretation.

#### Improvements planned

- From 1 January 2020, alignment of the financial and regulatory teams within a single directorate to provide a more cohesive compliance team.

#### 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 2020-21 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.
- 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.
- Independent external peer review of the models used to ensure they are fit for purpose.
- External audit of compliance of the published information with Ofwat's Charges Rules.
- Engagement with stakeholders is highlighted in the accompanying information published alongside the Charges Schemes.

### Improvements planned

- Monitor changes in the Developer Services Charges Rules in England.

### 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. In 2016, when considering the scope of our data assurance process we identified this as an area which should come within our assurance framework. We still consider that this is the case and believe it important that customers and stakeholders have access to a wide range of publications that have been properly assured and not just information that is contained within our core regulatory publications. This continues to be an area upon which we are focusing.

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

Publication	Description	Mitigation Actions
APR	Information about how we have performed	<ul style="list-style-type: none"> <li>• Finance/Regulation Teams review.</li> <li>• Reconciliation between data in APR and Annual Report.</li> <li>• Scrutiny by Audit Committee.</li> <li>• Board approval.</li> <li>• Independent audit and opinion.</li> </ul>
Annual Report and Accounts	Information allowing stakeholders to assess the Company's performance, business model and strategy	<ul style="list-style-type: none"> <li>• Drafted by senior management with co-ordination by the Deputy Company Secretary.</li> <li>• General Counsel and Company Secretary acts as the editor to ensure consistency.</li> <li>• Reviews by members of the DCE team and a verification process involving the company's Financial Auditor.</li> <li>• Final draft reviewed by Audit Committee prior to review and approval by the Board, and submission to Members.</li> </ul>
Charges Scheme	Information about our current charges and policies	<ul style="list-style-type: none"> <li>• Legal compliance assured by Legal teams.</li> <li>• Approval by Charges Policy Steering Group.</li> <li>• CCWater consultation.</li> <li>• Board approval.</li> <li>• Independent audit and opinion.</li> </ul>
Codes of Practice / Core Customer Information	Details of the levels of service customers can expect from us	<ul style="list-style-type: none"> <li>• Legal/regulatory compliance assured by Legal teams.</li> <li>• CCWater consultation.</li> <li>• Director approval.</li> <li>• Codes submitted to Ofwat.</li> </ul>
	From January 2019, modifications to our Licence required a move away from Codes of Practice to the concept of Core Customer Information.	

Publication	Description	Mitigation Actions
Standard information on our billing literature	Standard information which is included with customer bills	<ul style="list-style-type: none"> <li>• Legal/regulatory compliance assured by Legal teams.</li> <li>• CCWater consultation.</li> <li>• Approval by the Annual Billing Steering Group.</li> </ul>
Consumer Council for Water (CCWater) – quarterly and annual reports	Information provided to the CCWater on customer services, complaints, leakage, distribution input and per capita consumption	<ul style="list-style-type: none"> <li>• Where data is derived from performance commitments, e.g. SIM it is subject to the appropriate assurance process.</li> <li>• Where data is not derived from performance commitments the data is subject to second line assurance, with the extension to third line assurance from 2018-19 reporting.</li> </ul>
Data Share	Industry data share of annual performance data. Also published on the Discover Water website	<ul style="list-style-type: none"> <li>• Independent review by Technical Auditor.</li> <li>• Reconciliation with APR data.</li> <li>• Due diligence by Regulation Team.</li> <li>• Director sign off.</li> </ul>

#### Improvements planned

- There is an ongoing development of our website and we will take every opportunity to ensure that it continues to be a reliable platform for our customers and stakeholders to obtain information on aspects of our business.

#### 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 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 2019-20 data is accurate and in line with the published guidance.

### Improvements planned

- DCWW are working with external consultants to develop data tools which can accurately measure the cost to serve for Biosolids as well as developing a capacity trading platform for other water and sewerage companies and third parties to trade Biosolids.

### 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 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 received direction from Welsh Government on 8 March 2019 to publish our [Final WRMP19](#) and this is available on our website.

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

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

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

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

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

We published a full set of Ofwat Market information Tables alongside the submission of our draft WRMP19 and updated and re-published these on our website, to support the submission of our Final WRMP19 in March 2019.

### Controls and mitigating actions

- We employ 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 Ofwat Market Information data. We have peer reviewed this reporting system.
- The draft Plan was published for full public consultation in March 2018 and on 14 September 2018 we submitted a revised draft WRMP that took account of the feedback received.
- Direction from Welsh Government to publish our final WRMP19 was received on 8 March 2019.

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 WRMP Annual Review process to report on any changes to our supply demand balances and to report on progress against the Final WRMP.

#### 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 Statutory Financial Reporting

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

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

### Controls and mitigating actions

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

### Improvements planned

- Further improvements to 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.
- Further improvements to an accounting system module which gives a consolidated overview and greater control over all month-end closing activities.
- 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.



## 9.9 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 or 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.

### Controls and mitigating actions

#### Wastewater Compliance

- Details of NRW and EA numerical permit limits are entered into DCWW's Quality Database (QDB and LIMS).
- The Operating Self-Monitoring (OSM) sampling programme is not visible to operational employees responsible for discharge performance.
- Suite of documentation and guidance available for staff in the DCWW Integrated Management System (IMS).
- Employees directly involved in the OSM process are free from any possible conflict of interest by reporting to different Directors.
- 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.
- Final report signed off by Managing Director of Wastewater Services.
- 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 to replace QDB.
- Steering Group reports regularly to Systems and Change Group.

#### 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 May 2020.
- We will be setting up with NRW more regular reviews of the data within the reporting year. Review dates for 2020 to be agreed but aim to meet to review the Q1 data in May 2020.

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

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.



## 9.10 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 difficulties 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 portal provided by the government, and is available to the public.

We have made significant performance improvements since our first public report submission in October 2018, as such we are now a signatory to the Prompt Payment Code and we pay over 90% of invoices within 30 days of receipt.

### 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 visibility of delayed items to line managers.
- By signing up to the Prompt Payment Code we have made a public pledge to adopt 30 day payment terms as the norm.

### Improvements planned

- We are continuing to implement systems enhancements to make it easier for procurers to confirm receipt of goods/services and to improve timely visibility of delayed items to line managers.
- Systems enhancements to improve suppliers' experience.

## 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 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 is processed correctly. We undertake “business as usual” customer research, including surveys to establish customer trust levels and awareness of our “not for profit” status. We also develop bespoke projects as the business requests.

We have a draft Insight strategy in place for customer engagement which is the blueprint we follow when undertaking research. This is being developed and refined with the CCG. This includes guidance notes for implementing good practice requirements for customer engagement.

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

#### Improvements Planned

- The future customer engagement programme will be developed with the CCG aligning with the above controls and actions.
- The programme will also align with lessons learnt during PR19 consultation for example improving triangulation of research outcomes and data.

### 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 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, whereby we are able to take the details of the customers that they have signed up for their priority services schemes, to include on our scheme, when the customer has given their permission for them to pass their details over.

Our Priority Services Register is critical to ensure that any vulnerable customer on our Register is offered an alternative supply during any incident e.g. bottled water. This is available for customers who have a medical condition requiring water, as well as for older customers, young families and customers with mobility issues, which prevents them from obtaining alternative supplies during an incident. Additionally, all front line customer contact staff are 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 44,000 customers.
- Customers' information and needs are registered onto relevant business systems, where reports can be produced.
- Access to the Register is restricted so we comply with DCWW's policy on sensitive information.
- Data sharing agreements with other utility providers to receive details of customers signed up to their priority services schemes.
- The Register is maintained in various ways, such as application form received from the customer, information received from Renal Dialysis Units regarding priority service customers and information received during a telephone conversation with a customer if for example they are unable to complete an application form.
- Our processes are continually being reviewed and a new Priority Services Register was developed in 2018 to comply with GDPR requirements which ensured that customers' data was accurately captured and reporting improved. Data is reviewed and reported regularly.

### Improvements Planned.

- We currently work with over 200 partner organisations as a way to promote our Priority Services Register, as well as this we have a one way data share agreement in place with Western Power and Wales and West Utilities. We will expand this data share further and incorporate all of the areas that the energy sector will provide for their customers under their Priority Services, known as needs codes which will be live in 2020.
- Our specialist support team was formed in May 2019 and plans are in place to build the team further to increase the level of support to our vulnerable customers. We continue to work with a number of different companies to scope out our training and support

requirements for our front line advisors and specialist support advisors to ensure our vulnerable customers are identified and referred to our specialist support team who can provide the relevant financial and non-financial support to meet our customers individual needs and circumstance.

#### [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 CCWater Reporting

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

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

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

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

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

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

#### Controls and mitigating actions

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

#### Improvements planned

- In consultation with CCWater, the reporting mechanisms will be kept under review.

#### 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.



## 9.14 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.

Glas Cymru was established in 2001 as a single purpose entity to own, finance and manage DCWW which is a ‘company limited by guarantee’. It has no shareholders and 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 and compliance with these principles is a condition of our Licence. We believe this 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.
- We prepared an overview of the proposed modifications within the Ofwat consultation to simplify various conditions of all undertakers' licences to ensure that our assurance processes were in place before any licence modifications took place.
- Checklist developed to ensure compliance with the latest version of the UK Corporate Governance Code and implications reviewed by Board.

### Improvements planned

- Monitoring our compliance with the new UK Corporate Governance Code and how this will be reported in our 2020 Annual Report is ongoing.

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

It is our Vision to earn the trust of our customers every day. We understand that how we are governed is crucial to earning this trust. This area continues to warrant inclusion in our Assurance Plan.



## 9.15 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 finance is a key part of our not-for-profit ownership model. The benefits of this low cost finance are then passed on to customers in the form of lower bills.

When the ownership structure under Glas Cymru was established in 2001, a focal element of this financial resilience strategy was to reduce our gearing. Gearing is currently slightly better than the Board's target of 60% and this reduction in gearing has created a strong buffer of financial reserves (standing at £2.4bn at March 2019). 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 2018-19 the Board considered that a period of up to eleven 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" financial 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 creditworthiness 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

- In December 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.

## 9.16 General Data Protection Regulation (GDPR)

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

### Controls and mitigating actions

- Data Protection Officer (DPO) continues to advise colleagues on Data Protection issues – both business as usual and projects – to ensure that we consider Data Protection issues in all relevant matters, and are able to demonstrate that we have done so.
- All new colleagues complete the GDPR e-learning training, and relevant new colleagues receive face to face scenario based training. Refresher, and tailored, training is provided to Teams where needed to ensure that all relevant colleagues have the guidance they need.
- Relevant policies are updated, and new ones are created, where necessary.
- All new processes/systems or changes that affect the way in which we handle personal data since May 2018 have been subject to our Data Protection and Information Security Impact Assessment (DPIIA) process. A web app for the DPIIA process, created by Data Science, has been implemented during the year, and this has made the process more streamlined, efficient and easier to use.
- GDPR Programme Board members remain GDPR Champions within their business areas.
- DCWW's DPO reports the number of Data Protection breaches on a monthly basis to DCE, and to the Retail Leadership Team, and in relation to each data protection breach notified to the DPO, recommendations as to preventative steps and reminders to colleagues are provided.
- DCWW's DPO provides an annual Data Protection compliance report to Audit Committee/ Board setting out the risks identified over the past year, the steps taken to mitigate those risks and areas of focus for the coming year.

### Improvements planned

- We are currently trialling a web app version of the Information Breach form, developed by Data Science, which will streamline the internal reporting processes in relation to Data Breach management, and also create a more user friendly process for reporting breaches.
- Internal Audit are in the process of undertaking an Audit on GDPR – 1 year on, and any recommendations resulting from their findings will be implemented as necessary.

## 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.

## 9.17 Gender Pay Gap

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

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

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

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

### Controls and mitigating actions

- We published a Gender Pay Report in April 2019 (and will do so again in April 2020) that highlights the breakdown between male and female workforce profile across total employees, the DCE and the Board.
- Our published report highlights that our gender pay gap is much lower than the current national average, however we are committed, through a range of initiatives, to reducing this further until there is no gender pay gap between men and women.
- We have made good progress in recent years to promote diversity across all levels and all types of roles within the Company. This was acknowledged in 2017 when we were named Employer of the Year by Welsh equality charity, Chwarae Teg.
- The Chief Executive and the People and Change Director confirm that the information in the Gender Pay Gap report is accurate and prepared in accordance with the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017.

### Improvements planned

- Engaging young people - We will use our Education Outreach programme to support workshops that provide young people with key skills that are relevant to our business, through our dedicated Welsh Baccalaureate resource. Engage with Universities, Schools and attend career events to share our available opportunities to interest new female talent. We will encourage our leaders and aspiring leaders to mentor female participants to help develop their interest in working in our industry.
- Promoting Diversity - We will support activities to ensure we retain existing talent and continue to attract new female talent to develop and pursue science, technology, engineering and maths (STEM) careers at DCWW - including through our award-winning apprentice and graduate programmes. We will continue to support women throughout their careers with DCWW. In 2018 we joined the EU Skills Diversity Group to share and listen to ideas from companies across the energy and utility sectors and in 2019 we started our

own Inclusivity Group with the primary purpose of driving diversity and inclusion into the culture of DCWW through implementing our Strategy.

- Working in partnership - We will continue to work, learn and benchmark ourselves by partnering with leading academics on gender equality and organisations such as Chwarae Teg and Women in Science and Engineering (WISE) and pledging to support initiatives such as the Equality and Human Rights Commission's Working Forward campaign.
- Equality and Diversity - In 2019 we rolled out a new e-learning module to all employees. It covers the importance of equality, diversity and recognising unconscious bias and will also signpost employees to our Code of Conduct for further guidance. All our leaders participated in an unconscious bias workshop to highlight the importance of making objective decisions at work. Review job advertisements and recruitment processes in order to become more attractive to diverse candidates and work with organisations supporting women from Black, Asian and Minority Ethnic (BAME) communities to ensure opportunities are visible.

#### [Justification for inclusion of this area in the Draft Assurance Plan](#)

As a large employer, it is important that we recognise the importance of creating a workforce that is truly diverse and gender-balanced and fully reflects the customers and communities we serve.



## 9.18 Board Leadership Transparency and Governance Principles

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

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

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

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

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

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

Ofwat sought indicative consent from all companies to the proposed licence modifications. The Board of DCWW gave this indicative consent and our Licence was modified from 1 August 2019.

The 2014 principles remained in place until April 2019, and we reported against these in our 2019 APR. We also explained the steps we were taking towards ensuring we would meet the objectives of the new 2019 principles going forward.

#### Controls and mitigating actions

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

#### Improvements planned

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

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

Effective corporate governance and strong board leadership plays an important role in driving high standards. Poor corporate behaviour can undermine our trust. This area continues to warrant inclusion in our Assurance Plan.

## 9.19 New Areas included in the Draft Assurance Plan

### 9.19.1 Annual Report and Accounts

This is an annual report which allows stakeholders to assess our business model, strategy, operation of our business, including its governance, and our results and financial performance, set within the context of our strategic objectives. Our Annual Report and Accounts is published on our website in July each year, and our half-yearly Interim Report is published in November each year.

The preparation of statutory accounts is a legal requirement; this is carried out in accordance with International Financial Reporting Standards as adopted by the European Union and with the requirements of the Companies Act 2006 and other related reporting regulations. We also publish quarterly interim financial statements as required by our Common Terms Agreement with investors. We further report on the outcome of our financial resilience assessment in our long-term viability statement as published in the Annual Report and Accounts. The assurance arrangements regarding our statutory financial reporting obligations are outlined in Section 9.8 (page 32) of this document.

#### Controls and mitigating actions

- Data owners and managers are responsible for providing accurate information in line with the latest Methodology Statements.
- Management oversight of the accountants' activities includes regular reviews of information and final approval ahead of publication.
- Checklist developed to ensure compliance with the UK Corporate Governance Code and implications reviewed by Board.
- General Counsel and Company Secretary acts as the editor to ensure consistency and that all explanations are "effective, accessible and clear".
- Licence /regulatory compliance assured by Compliance team.
- Close liaison with the Regulatory Reporting Team to ensure consistency of information contained within the Annual Report and Accounts and the Annual Performance Report.
- Statutory audit undertaken by independent External Auditors who issue report to the Members of the Company within the Annual Report and Accounts.
- Review by DCE and a final draft is provided to the Audit Committee to ensure that the Report presents a fair, balanced and understandable assessment of the Company's financial status.
- Board approval before publication.

#### Improvements planned

- Monitoring our compliance with the 2018 UK Corporate Governance Code and how this will be reported in our Annual Report and Accounts is performed on an ongoing basis.

### 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 warrants inclusion in our Assurance Plan.

### 9.19.2 Methodology Statements

As a business we pride ourselves on being able to provide timely and accurate information to all of our customers and stakeholders. This information is provided in many forms and can be complex to produce. We see it as vitally important that we can ensure business continuity if a colleague were to move on or leave the business. With that in mind, we have worked with data owners to produce detailed Methodology Statements for all of our Performance Measures, CCWater Reports and the individual lines reported within our APR.

The Statements are scored using a matrix provided by our Technical Auditor and our target is for all Methodology Statements to score a 'B' or above. If, after scoring, a statement scores at 'C' or below then we work with data owners to address where it has fallen short and update the document to address these concerns.

These Statements are held on our internal intranet, Source, and are detailed documents that would allow new or existing colleagues to confidently produce a data item in the absence of the current data owner.

#### Controls and mitigating actions

- Annual review and update of existing Methodology Statements by individual data owners as part of the APR process.
- Reviewed and challenged annually by the Regulatory Data and Reporting Team as part of their due diligence process.
- Our Technical Auditor reviews Methodology Statements as part of their annual audits.

#### Improvements planned

- Following the publication of our Final Determination on 16 December 2019, we will ask data owners to produce Methodology Statements for each of our new Performance Measures.
- The Regulatory Data and Reporting Team will work with data owners to review and score the new Statements.
- Our Technical Auditor will formally score the new Methodology Statements in readiness for the first year of reporting in the new AMP (2020-21).

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

It is important for our customers and stakeholders to know that they can trust the information we publish is accurate and that all necessary guidelines have been followed. We have included our Methodology Statements this year as we feel it demonstrates our commitment to ensuring that we are always able to provide accurate information.

### 9.19.3 Operator Self-Monitoring (OSM)

Following a lengthy investigation Ofwat recently concluded that a water company in England had deliberately misreported data to them about the performance of its Waste Water Treatment Works. Ofwat also concluded that the company had failed to have adequate systems of planning, governance and internal controls in place to be able to manage its wastewater treatment works and also failed to accurately report information about the performance of these works.

The public's trust in the water sector depends on companies behaving with integrity, honesty and transparency and nurturing a strong public service ethos throughout. Ofwat wrote to every company stating that no company could afford to be complacent in this area.

On 12 July we responded to Ofwat reiterating that "we are not at all complacent and subject our processes to continual monitoring and review". We also explained that we are conscious of the risk that poor practices at other water companies could unfortunately colour the views of our own customers. It was for this reason that we appreciated we needed to look closely at the findings in respect of the water company concerned and then reassure our customers that they can continue to trust us in the future.

The Environment Agency (EA)/Natural Resources Wales (NRW) set numeric discharge quality limits in environmental permits to make sure discharges comply with water quality objectives. Water companies must collect and analyse samples of permitted discharges that are subject to numeric quality limits. This is called Operator Self Monitoring (OSM).

#### Controls and mitigating actions

- The papers for the Glas Board meeting on 4 July included a summary of the issues and findings in the Ofwat Investigation.
- Following discussion at the Glas Board it was agreed to review our current processes and our reliance on company culture.
- [OSM](#)
- Details of NRW and EA numerical permit limits are entered into DCWW's Quality Database (QDB and LIMS).
- The OSM sampling programme is not visible to operational employees responsible for discharge performance.
- Suite of documentation and guidance available for staff in the DCWW Integrated Management System (IMS).
- Employees directly involved in the OSM process are free from any possible conflict of interest by reporting to different Directors.
- 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.
- Final report signed off by Managing Director of Wastewater Services
- 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.

- We operate the 'three lines of assurance' model.
- Our Code of Conduct encourages colleagues to 'speak up' when appropriate.
- Our Whistleblowing Policy is regularly updated.
- For a number of years we have operated an independent third party Whistleblowing Hotline.

#### Reporting

- Lessons Learned Review undertaken by the DCWW Compliance Manager.
- Regular updates provided to DCE, QEC, Audit Committee and Board.
- Lessons Learned Review Report completed.
- Action Plans developed to capture enhancements identified.
- Running alongside the Lessons Learned Review was a high-level desktop exercise conducted by colleagues in Business Assurance which focussed on a review of existing controls and assurance within our OSM Management regime (i.e. a 3 lines of defence assessment). This Business Assurance review incorporated all aspects of the OSM process and not just the ones singled out in the Ofwat Investigation Report.

#### Improvements planned

- A small cross business Working Group will be set up to implement on a timely basis the Action Plans developed from the Lessons Learned Review and Business Assurance Review.

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

Our Vision is to earn the trust of our customers every day. We are conscious of the risk that poor practices at other water companies could unfortunately colour the views of our own customers. This is a key area of importance to our customers and other stakeholders and warrants inclusion in our Assurance Plan.

#### 9.19.4 Customer Satisfaction

Our aim is to give the best possible service to all of our customers. Ofwat have introduced new measures of experience for both Customers and Developers and have made changes to the surveys for Business Customer Satisfaction. In order to prepare for this change, we felt it important to include these areas within our Assurance Plan as we will be reporting these three customer satisfaction measures within our APR. The three measures are:

##### Customer Measure of Experience (C-MeX)

C-MeX is based on customer satisfaction and monthly surveys will be undertaken using Ofwat's independent market researcher. Customers will be asked how satisfied they are with the customer experience received and a Net Promoter Score question (likelihood to recommend to others).

##### Developer Customer Measure of Experience (D-MeX)

D-MeX is designed to incentivise water companies to provide an excellent customer experience for developer services (new connections) customers. These customers include small and large property developers, self-lay providers, and those with new appointments and variations. The final D-MeX mechanism is still to be confirmed by Ofwat.

##### Business Customer Satisfaction (non-household)

Since 1 April 2015 an independent market research company has been selecting a random sample from all of our non-household customers and asking them to rate the quality of service they have received. This is based on two surveys per annum with the scores being converted into a customer satisfaction score. The arrangements for the next AMP (from April 2020) will be similar but will likely involve four surveys per annum.

##### Controls and mitigating actions

- Data Owners within the business are responsible for providing the data for the satisfaction surveys. They need to assure themselves that the data is reliable and accurate.
- Data Owners and Senior Managers are responsible for ensuring that data for the D-MeX and C-MeX survey has been submitted in line with the Ofwat guidance.
- A detailed Methodology Statement has been completed for the Business Customer Satisfaction surveys. This has been reviewed and scored by the Technical Auditor.
- All customer research is undertaken by reputable research companies with a strong track record in the field of customer research. All of the companies are members of the Market Research Society and are therefore bound by their code of conduct on how research should be conducted.
- All data is subject to our 'three lines of assurance' process before being reported in the APR.
- External independent assurance is provided by the Technical Auditor for the current Business Customer Satisfaction Survey results to confirm that the data been accurately submitted/calculated.
- The results of these customer satisfaction surveys will be published in our APR which will be subject to the appropriate level of assurance.

##### Improvements planned

- Methodology Statements will be developed for C-MeX and D-MeX.
- External independent assurance will be provided by the Technical Auditor to confirm that the data for C-MeX and D-MeX has been accurately submitted/calculated and is in line with the Ofwat guidance.



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

Our customer-led success approach places the needs of our customers at the centre of everything we do. Although these Measures are in the early stages of development it is essential that a robust and transparent reporting framework is in place.

## 10 NEXT STEPS

It is important that we get customer 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 **10 January 2020**.



Responses can be sent to [assuranceplanconsultation@dwrcymru.com](mailto:assuranceplanconsultation@dwrcymru.com)



or by post to:

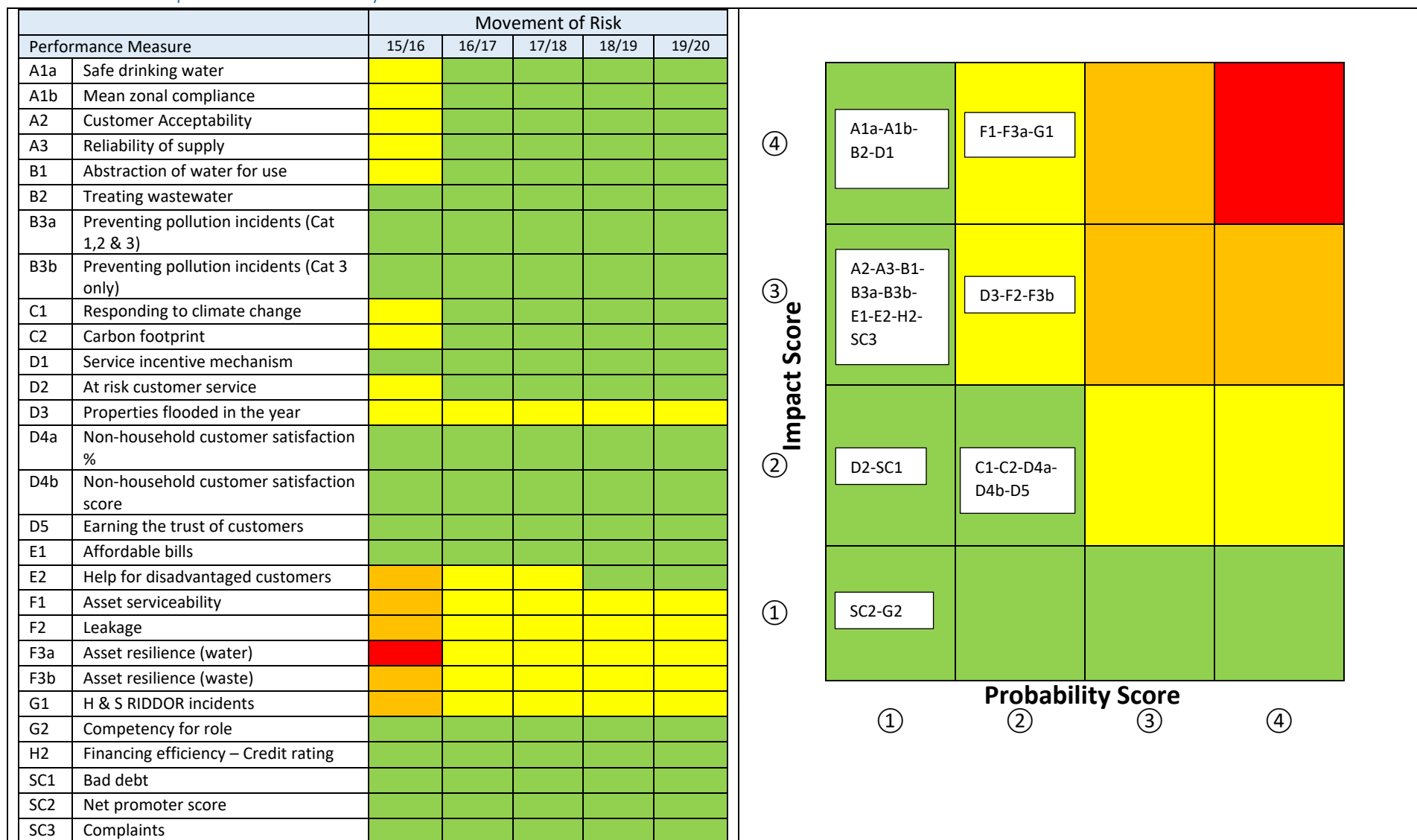
Assurance Plan Consultation  
Dŵr Cymru Welsh Water  
Pentwyn Road  
Nelson  
Treharris  
Mid Glamorgan CF46 6LY

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 2020.



## APPENDIX 1 Impact and Probability Risk Matrix – Performance Measures



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

Other Activities		Movement of Risk			
		16/17	17/18	18/19	19/20
1	Annual Performance Report				
2	Developer Services			N/A	
3	Segmental Reporting				
4	Business Retail Market			N/A	
5	Charges Schemes				
6	Website Publications				
7	Price Review 2019 Business Plan	N/A			N/A
8	Bioresources Market Information	N/A			
9	Water Resources Management Plan and Marketing information	N/A			
10	Statutory Financial Reporting	N/A			
11	Natural Resources Wales Compliance Tables	N/A			
12	Payment Policies, Practices and Performance	N/A			
13	Our Priority Services for Vulnerable Customers	N/A			
14	Customer Engagement	N/A			
15	Non-Household Customer Contacts and Complaints	N/A		N/A	
16	CCWater Reporting	N/A			
17	Corporate Resilience	N/A			
18	Financial Resilience	N/A			
19	GDPR	N/A			
20	Gender Pay Gap	N/A			
21	Board Leadership Transparency and Governance	N/A			
22	Annual Report and Accounts	N/A			
23	Methodology Statements	N/A			
24	Operator Self-Monitoring (OSM)	N/A			
25	Customer Satisfaction	N/A			

Note – Activity number 7 (see page 21) no longer requires inclusion in the Assurance Plan.

