



**Dŵr Cymru Welsh Water**  
**Final Assurance Plan 2016/17**

## FINAL ASSURANCE PLAN

### Who we are

Dŵr Cymru Welsh Water is the sixth largest of the ten regulated water and wastewater companies in England and Wales. Our primary responsibility is to deliver safe and reliable drinking water and sanitation to the 3.2 million people we serve across most of Wales, Herefordshire and parts of Deeside. 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.

### Our vision

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

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

### Our values

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

### About this document

We see assurance as part of our continuous improvement programme and is an important part of our day-to-day activities.

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

We also strive to ensure our documents are written in a format that is easy to understand for our customers and stakeholders and have also discussed this aspect with them to identify if any improvements can be made.

We have already identified any risks that could affect our ability to provide information that our customers and stakeholders can trust. This is called our [Statement of Risks, Strengths and Weaknesses](#) and was published in November 2016.

This document sets out the actions we believe are necessary to address any of the risks and weaknesses we have identified – we call this our Assurance Plan.

---

## CONTENTS

|   |    |
|---|----|
| 1. How Stakeholder Engagement has influenced our Assurance Plan | 1  |
| 2. Our Company Monitoring Framework                             | 5  |
| 3. Final Assurance Plan 2016/17                                 | 9  |
| 4. Next Steps   | 19 |

### Appendices:

|                                       |    |
|---------------------------------------|----|
| 1. Impact and Probability Risk Matrix | 20 |
|---------------------------------------|----|

---

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

Ofwat introduced the company monitoring framework for the period 2015/20 to ensure that stakeholders can rely on the information provided by water companies. The framework requires all companies to provide: explicit sign off on the assurance that has been provided; full transparency on the audit procedures; and a summary of the outcome of assurance. In line with the majority of water companies, Dŵr Cymru Welsh Water was assessed as being in the targeted assurance category. This means that in addition to the basic reporting requirements we are required to work with our customers and stakeholders to target issues, and consult on our draft assurance plans to make sure they are sufficient to address them.

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

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

We have considered the consultation feedback we received on our 2015/16 Statement of Risks, Strengths and Weaknesses and 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 governance and did not identify any gaps in our Assurance Plan. Our 2016/17 Statement of Risks, Strengths and Weaknesses was published on our website in November 2016.

In February 2017 we published a written consultation on our Statement of Risks, Strengths and Weaknesses and a Draft Assurance Plan. Our Draft Assurance Plan set out how we proposed responding to our Statement of Risks, Strengths and Weaknesses.

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

We also discussed our plans with the Customer Challenge Group. Our Customer Challenge Group helps ensure that current and future customers are at the heart of the way we operate. We are committed to working with the Customer Challenge Group to ensure they are able to challenge the company and provide an independent view on the quality of a company's customer engagement and the extent to which the results of this engagement drive decision making.

Information is shared regularly with the Group, to enable them to review and challenge our progress in delivering our performance commitments. A key part of the role of the Customer Challenge Group is to provide additional independent challenge and review of our data. The Chair attends a Board meeting at least annually.

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

We carefully considered each comment made by the respondents to the consultation and wrote to them individually addressing the points made and, where appropriate, explained how we have taken account of these comments in the Final Assurance Plan.

Our stakeholders were generally supportive of our approach and made the following comments.

*“The CCG welcomes the clear commitment to provide information to customers and stakeholders that is customer-led, accessible, clear, accurate, transparent and timely. The provision of information which is accessible and based on robust assurance processes is an essential basis for building trust with customers”.*

*“The model provides a strong framework that ensures that data included in performance reporting to customers is rigorously tested and reliable”. (Customer Challenge Group)*

*“The assurance framework appears much wider than was the case last year and fully embraces the processes associated with the processing of financial data in the annual performance report as well as non-financial data”. (Ofwat)*

*“We are encouraged to see that the plan includes some new areas such as Developer Services, Business Retail Market Reform and website publications which aligns with continuous change and improvement under a variable assurance framework”. (Ofwat)*

*“Overall, we think that your assurance response seems sensible and we note some improvements since last year”. (CCWater)*

*“We find the document to be well presented and easy to follow”. (Natural Resources Wales)*

*“We acknowledge the steps that DCWW have identified and put in place to assure the accuracy and reliability of their data”. (Natural Resources Wales)*

*“We have considered the assurance plan and from our perspective we do not have any observations”. (Welsh Government)*

*“Overall, I value the 'Three lines of defence' model on which the assurance plan is based”. (Customer)*

Respondents to the consultation also made some suggestions. These included:

*“It would be useful to understand how DCWW’s approach has been informed by best practice, both from within the water industry and from other sectors. DCWW could also consider publishing the conclusions or a summary of comments provided by any external and/or independent auditors they have used to assure their information”. (Natural Resources Wales)*

*“Is the assurance plan sufficiently informed by horizon scanning exercises?” (Customer)*

*“How are you planning communicating your performance publically to customers?” (CCWater)*

Our assurance framework takes account of third party comments and also includes an element of horizon scanning. However, we will consider how we inform stakeholders about these as part of our preparations for the 2017/18 assurance process and will explain how we have addressed these points. We have developed a new page on our website called “[Our Assurance Framework](#)”. This contains information about our company monitoring framework as well as the suite of available documents which includes information on our performance.

### Feedback from Ofwat

A key element of the company monitoring framework is the level of assurance Ofwat requires in addition to companies’ own assurance proposals. Ofwat has recently carried out its first annual assessment to see whether companies should move between the following three categories:

- “self-assurance”, a company uses its own discretion to provide assurance beyond the common assurance requirements;
- “targeted assurance”, a company loses discretion on some areas of assurance beyond the common assurance requirements; or
- “prescribed assurance”, a company loses discretion on many areas of assurance beyond the common assurance requirements.

Ofwat has assessed that Dŵr Cymru Welsh Water should remain in the Targeted Assurance category. Our objective for post 2016/17 is to be within the upper category of “self assurance”.

In arriving at their assessment, Ofwat stated that “we were pleased with much of what we saw in Dŵr Cymru’s publications” and “Dŵr Cymru has met our expectations in most aspects of assurance”. However, they did make three “minor” observations. The table below explains how we have actioned each of these.

| Ofwat observation  | Our response   |
|--|--|
| <p>We also opened three private sewer transfer appeals prior to April 2015 (which have since been closed) and in these cases, since April 2015, we requested information by email and Dŵr Cymru provided responses but we had to chase Dŵr Cymru for that information in all of the cases and it took Dŵr Cymru a substantial period of time to respond.</p>                         | <p>We are currently in dialogue with Ofwat to provide details of the cases in question.</p> <p>However, we will take this opportunity to review the robustness of our casework system and processes.</p>   |
| <p>The company did not publish a tax reconciliation note in the annual performance report as required in the regulatory accounting guidelines.</p> <p>The company acted on the recommendations of the CEPA report following our targeted review of sludge and water resources but it did not disclose this transparently in its published cost allocation methodology statement.</p> | <p>We will ensure that we provide an explicit statement in future years, even if it is simply to state that the current tax charge is consistent with that allowed in setting the company’s price limits for the year. For 2016/17 reporting we will use a Regulatory Accounting Guidelines (RAG) checklist to ensure that we have covered all RAG reporting requirements.</p> <p>This particular change resulted in the reallocation of some £13k from one business unit to another and we did not consider it to be significant for discrete disclosure. However, we understand that Ofwat needs visibility of all items underpinning the regulatory allocations, especially where there has been a change. Moreover, we are keen to demonstrate that we are compliant with all clarifications/changes and are working proactively to improve our reporting to achieve “best in class” practice.</p> |

|  |   |
|--|---|
|  | <p>We will ensure prospectively that any/all cost allocation changes are highlighted in that document, irrespective of materiality.</p>   |
| <p>The risks, strengths and weaknesses exercise and subsequent draft and final assurance plan were heavily focused on the non-financial data in the annual performance report but it is not clear if this reflected where the company had identified more risk as compared to its financial data.</p> <p>The company has committed to review the scope of the assurance framework as part of a continuous improvement programme.</p> | <p>As Ofwat point out it was always our intention to review the scope of our assurance framework.</p> <p>Our assurance framework is now much wider than was the case last year and fully embraces the processes associated with the processing of financial data contained within the Annual Performance Report, as well as non-financial data. This can clearly be seen in our Statement of Strengths, Risks and Weaknesses and also in Sections 3 and 4 of this document where we have included some new areas such as Developer Services, Business Retail Market Reform and Website publications as an example of our continuous improvement around our assurance framework.</p> |

We also took the opportunity to review Ofwat’s assessment of the company monitoring frameworks of other companies. Our objective was to review the comments, both negative and positive, made by Ofwat so that we could take these on board and also identify any areas of best practice adopted by other companies.

## 2. OUR COMPANY MONITORING FRAMEWORK

This section provides an overview of our approach to assurance.

In June 2015 Ofwat published guidance on its company monitoring framework – it stated the following.

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

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

The reliability and accuracy of data is a matter of great importance to us. Within the business we have well-established governance and accountability processes. Our proposed assurance plan for this financial year, 2016/17, continues to build on the solid foundation we implemented in last year’s assurance plan for reporting our performance.

Our data assurance framework is underpinned by four key cornerstones:

- Robust assurance principles – we operate a three-lines of assurance model, targeted at areas of greatest risk;
- Clear ownership and accountability – we have clear lines of ownership and accountability for both the delivery of performance and the accuracy and reliability of the data provided;
- Effective governance – we are subject to scrutiny by our Board, Audit Committee and Dŵr Cymru Executive (DCE) with additional challenge provided by the Customer Challenge Group, Regulators such as DWI and NRW and CCWater in its important role as a statutory consumer watchdog; and
- Transparency and accountability – we publicly report on our performance and hold ourselves to account where we do not meet our commitments.

### Robust assurance principles

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

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

| Line                    | Area                | Role                                 | Type of Activity   |
|-------------------------|---------------------|--------------------------------------|--|
| 1<br>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> </ul> |

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

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

### Ownership and accountability

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

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

## Effective governance

We will continue to review our governance arrangements to ensure that we remain compliant with future changes to the UK Corporate Governance Code. In particular, the Code that we have in place reflects our performance reporting principles and governance arrangements to make sure that it delivers:

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

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

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

## Transparency and public accountability

Our Vision is to earn the trust of our customers every day and we are committed to being open and honest in all our communications and performance reporting. Our communications are based on transparency, integrity, accessibility and timeliness. Our information and reports go through many levels of checks before they are included in our core publications, and this includes peer reviews, senior manager approval and review by our DCE or Board as required. This year we will continue to hold ourselves to account with the publication of our 2016/17 Annual Performance Report which will follow Ofwat's reporting requirements.

## Our company culture and governance

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

The culture of our Company is defined by the values we adopt and the knowledge, skills and attitudes of our employees. We have made it our Vision to earn the trust of our customers every day. It is vitally important that we act responsibly as individuals and as a company at all times — not only when we are required to do so by law, but also generally, in our working lives.

We are committed to ensuring that we give our employees the tools to do their job, which is why we invest in many internal development schemes. We take pride in being Investors in People accredited for the work that we do in making people the best that they can be.

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

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

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

#### Areas for targeted assurance

We believe that our approach to risk assessment, governance and assurance worked well last year and see this as a key strength in our system of reporting. We have therefore built on this approach for our 2016/17 reporting framework. More information on our risk assessment approach is provided in our, [Statement of Risks, Strengths and Weaknesses](#).

### 3. FINAL ASSURANCE PLAN 2016/17

In this section we set out our Assurance Plan for 2016/17.

#### Risk based assurance plan for the 2016/17 Annual Performance Report

All data reported in the Annual Performance Report will be subject to a structured three lines of assurance process:

- In the first line of assurance management has accountability for identifying risks and managing these by developing and maintaining sound processes, systems and controls in the normal course of their operations;
- In the second line of assurance the Regulation or Finance team has accountability for providing the framework and governance for regulatory reporting; and
- The third line of assurance provides independent audit and assurance activity through our Business Assurance team, who both review the assurance framework and provide risk based assurance on individual elements. We also employ the services of external technical and financial auditors.

| Section  | Description   | Assurance activities   |
|--|---|--|
| Annual Performance Report Section 1:<br>Regulatory financial reporting             | Historical cost financial information. Disaggregation of income, from a regulatory accounting perspective, with reconciliation to the Dŵr Cymru Welsh Water statutory accounts. | <ol style="list-style-type: none"> <li>1. Data providers, their managers and business unit directors produce and approve data, commentaries and methodologies and audit trails to support the reported performance and demonstrate the control checks that have been applied.</li> <li>2. Finance team review of information and audit trails.</li> <li>3. Financial Auditors (KPMG) audit and opinion according to Ofwat audit requirements.</li> </ol> |
| Annual Performance Report Section 2:<br>Price review and other segmental reporting | Further separation of revenue and costs to allow stakeholders to review companies' performance against the PR Final Determination.  | <ol style="list-style-type: none"> <li>1. Data providers, their managers and business unit directors produce and approve data, commentaries and methodologies and audit trails to support the reported performance and demonstrate the control checks that have been applied.</li> <li>2. Finance team review of information and audit trails.</li> <li>3. Financial Auditors (KPMG) audit and opinion according to Ofwat audit requirements.</li> </ol> |
| Annual Performance Report Section 3:<br>Performance summary                        | A high level report of the operational performance of the business against the performance commitments set out in the PR14 Final Determination, highlighting                    | <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> </ol>   |

| Section   | Description   | Assurance activities  |
|---|---|---|
|   | any financial incentives accrued in the year.   | 2. Regulation team review of information and audit trails.<br>3. Technical Auditors (Jacobs our Reporter) review data and commentary and report opinion to the Board.   |
| Annual Performance Report Section 4: Additional regulatory tables | Additional financial and non-financial information, including wholesale totex performance against both the PR14 Final Determination assumptions and intercompany unit cost metrics, retail operating cost analysis and financial metrics. | 1. Data providers, their managers and business unit directors produce and approve data, commentaries and methodologies and audit trials to support the reported performance and demonstrate the control checks that have been applied.<br>2. Finance and Regulation teams review of information and audit trails.<br>3. Financial Auditors (KPMG) or Technical Auditors (Jacobs our Reporter) review of relevant tables to agreed procedures. |

#### Improvements made

- Last year CCWater requested more regular updates on company performance particularly on measures identified as high risk or of previous concern with customers, CCWater or members of the Customer Challenge Group.  
We now email our monthly Scorecard performance summary to CCWater.
- CCWater also informed us that it was not clear as to which price control each Measure of Success applies.  
Consequently, we introduced a new page in the Annual Performance Report to visually show which of the four price controls apply to which Measure of Success.

### Performance Measures (important to Stakeholders)

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

We adopt a rigorous and methodical approach to assessing the data quality risks for each Performance Measure. We identify the key processes used throughout the data reporting cycle, understand the inherent risks, and determine whether our existing controls are adequate and efficient in mitigating those risks. We refer to this as our Risk and Control Assessment Matrix. Our Regulation Team, with appropriate support from our Compliance Team and the Reporter, has worked closely with colleagues within the business to examine what additional controls can be introduced or existing ones strengthened to reduce the residual risk likelihood value for each relevant measure. Our objective was to highlight opportunities to further improve our control framework. We achieved this by undertaking an in-depth review of the Risk and Control Assessment Matrix.

We used the Impact and Probability Risk Matrix for 2016/17 (Appendix 1) as the focus to see whether it was necessary to direct additional assurance activities on any particular measures while still maintaining our existing assurance framework. When drawing up our assurance plans we generally prioritised the Performance Measures that fell within the red zone (High Risk) or amber zone (Medium High Risk). However, it can be seen from Appendix 1 that no Performance Measures currently reside within either of these zones.

Some of the areas were also identified in the 2015/16 Assurance Plan but still warrant targeted assurance because they are relatively complex and require an element of judgement or rely on data submitted by external third parties working on behalf of Dŵr Cymru Welsh Water.

| Ref | Measure                        | Reason why we propose to target in 2016/17     |
|-----|--------------------------------|--|
| E2  | Disadvantaged Customers        | Data obtained from various individual tariffs  |
| D3  | Properties Flooded in the Year | Potential for financial reward or penalty      |
| F1  | Serviceability                 | Complex and requiring an element of judgement  |
| F2  | Leakage                        | Complex and requiring an element of judgement  |
| F3a | Asset Resilience Water         | Complex and requiring an element of judgement  |
| F3b | Asset Resilience Waste         | Complex and requiring an element of judgement  |
| G1  | RIDDOR                         | Some data received from external third parties |

#### Controls and mitigating actions

- Internal scorecards highlight performance against the Measures on a monthly basis across the business and up to Board level.
- Review process with our Customer Challenge Group who have a role to play in challenging our reporting.
- Quarterly reporting on specific Measures to CCWater, the statutory consumer watchdog.
- Information Packs and one-to-one 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 reviewed and scored by independent external technical auditors (Jacobs our Reporter).
- Data sign off by the data owner, business manager (where appropriate) and Director.
- Adopting a risk based approach the Regulation Team hold due diligence meetings with data owners to review data, methodology, performance and supporting audit trails.
- Third party detailed audit of the data collection and reporting process by our technical auditor (Jacobs our Reporter), to provide assurance that the data can be reported reliably and accurately and in accordance with any relevant reporting requirements. This includes sample checks to test process, assumptions, methodology, implementation, governance and results.
- High level audit of the reporting framework carried out by the internal Business Assurance Team.
- Additional in-depth reviews into measures identified as Medium Low Risk.

### Developer Services (new)

The Water Act 2014 introduced new obligations in relation to the services we offer to developers. We have also begun to voluntarily report our performance along with other water companies, so that customers can compare the standard of service they receive from us in context with the rest of Wales and England. We report against a set of standards that developers can expect to be applied in relation to the provision of infrastructure for all types of new development including housing.

Some metrics are “performance” metrics and are published on the Water UK website quarterly. Other metrics are “information” metrics and will not be published. These are collected purely for the industry to ascertain developer performance or the relative types of workload.

#### Controls and mitigating actions

- Levels of Service Data Collection Manual developed.
- Methodology Statements for all metrics.
- Monthly reviews by the Business Performance and Improvement Manager of data prior to monthly submission. Any revisions to data input are reported to the Head of Wholesale.
- Service failures are captured and form part of a review with respective Team Managers to establish root cause of failure and establish best working practice to avoid a repeat failure.
- Monthly merged report is sent to framework contractors to verify data.
- Figures reported monthly to the DCE, Chief Operating Officer and the Board.

### Price control and segmental reporting (new)

2015/16 was the start of a new price control period and we have separate price controls for water and waste wholesale and retail household/non-household to report against. With the introduction of greater competition, we want to ensure our customers and stakeholders can continue to have confidence about the costs that are reflected in their charges between water, waste, household and non-household. The same format and presentation will be retained for 2016/17 but we have made some specific improvements to the process.

#### 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.
- Each financial table having an associated Methodology Statement.
- Price control and segmental reporting in section 2 of the APR will be subject to Financial Auditors (KPMG) audit and opinion according to Ofwat audit requirements.
- Price control and segmental financial reporting in the additional regulatory tables in section 4 of the APR will be subject to Financial Auditors (KPMG) review of agreed procedures.

#### Improvements made

- Financial and Regulatory Accountant's role modified from preparer to coordinator of data preparation to ensure timely submission and critical review of the outputs from the management accounting team. This provides greater control and assurance.
- 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.
- Checklist developed to ensure compliance with the latest published Regulatory Accounting Guidelines.

### Business retail market reform (new and important to Stakeholders)

Non-household customers in “England” will be able to switch their supplier of water and sewerage retail services from April 2017. The Welsh Government has decided not to change the 50MI per year usage threshold for retail competition in Dŵr Cymru Welsh Water’s (and Dee Valley Water’s) region. There will be no competition for retail services of wastewater/sewerage in these two regions. Competition in Dŵr Cymru Welsh Water’s region is therefore restricted to around 120 sites and for water only. However, those sites are also users of non-competitive wastewater services. Most are also part of corporate groups with sites open to water and waste retail competition in “England” and with smaller sites which are not open to water retail competition in “Wales”.

Dŵr Cymru Welsh Water has had to implement the full range of systems, processes and business separation that has been required in “England” but in a more complex competition environment and on a far smaller scale than companies operating wholly or mainly in England. Dŵr Cymru Welsh Water has therefore given a significant focus to competition law and “level playing field” issues.

Key stakeholders (such as Ofwat, Defra, and the Market Operator, MOSL) require assurance that market participants are ready for competition and the systems and process to support the open market are fully tested.

Open Water is the name of the programme that brings together these key stakeholders with the relevant water companies to oversee the design and delivery of the new market. An Assurance Framework has been developed which sets out the areas where formal assurance is required to support decision making in the run up to market opening. The underlying principle is that the party responsible for delivery of any part of the programme must provide assurance over its delivery. This has been delivered through three formal letters of assurance, signed by the Board of Dŵr Cymru Welsh Water, and supported with reliable evidence.

#### Controls and mitigating actions

- A full time project team has been created to design, train out and deliver the required policy, organisation, process and systems changes across Dŵr Cymru Welsh Water’s wholesale and retail operations.
- A Steering Group, reporting to the Dŵr Cymru Welsh Water main Board, oversees the Open Water change programme. The Steering Group includes the Company’s Chief Financial Officer and General Counsel as well as a range of business and project specialists.
- Discussions with Welsh Government and CCWater relating to communications with Non-household customers to ensure that accurate and consistent messages are delivered across Wales.
- Independent, external assurance has been provided to Dŵr Cymru Welsh Water’s Board by KPMG and external legal advice from Eversheds.
- This structure and involvement has enabled the Board to provide the required formal assurance letters to key stakeholders in February 2016, October 2016 and February 2017.

### Charges Schemes (important to Stakeholders)

We are required to publish a charges scheme each year. This is a document that sets out the Company's charges for water and sewerage services, and the terms and conditions of those charges. A summary of the assurance activity completed for the 2017/18 charges schemes is listed below, however further detail can be found in the [Charges Schemes Assurance Statements](#) published on our website.

#### Controls and mitigating actions

- The Charge Scheme(s) 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 approved by the Board.
- Independent external assurance of tariffs models and application of charging principles.
- Independent external assurance of data inputs.

The Board signs off to confirm obligations have been met in the charge scheme Board Assurance Statement in terms of:

- Compliance with legal obligations relating to the charges set out in the Charge Scheme(s).
- The effect of the new charges on customers' bills has been assessed for a range of different customer types.
- Appropriate systems and processes are in place to make sure that the data and information contained in the Charge Scheme(s), and any additional information is accurate.
- The Company has consulted with CCWater in a timely and effective manner on its Charge Scheme(s).

**Core website publications (new and important to Stakeholders)**

When reviewing our company monitoring framework for 2016/17 we decided that we should define the scope to reflect the main publications that are included on our website. These are the main publications we issue for customers and stakeholders to use that explain not only our performance but also our main policies and practices. It is important to include this wide range of publications and not purely focus on our APR as our customers and stakeholders rely on the full range of information we provide not just what might be regarded as the core regulatory publication.

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

| <b>Publication</b>         | <b>Description</b>  | <b>Mitigation Actions</b>   |
|----------------------------|---|---|
| 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 necessary for 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 Executive team and a verification process involving the Company's auditors</li> <li>• Final draft reviewed by Audit Committee prior to review and approval by the Board, and submission to Members</li> </ul> |
| Charges Scheme             | Information about our current charges and policies  | <ul style="list-style-type: none"> <li>• Legal compliance assured by Legal Team</li> <li>• Approval by Charges Policy Steering Group</li> <li>• CCWater consultation</li> <li>• Board final approval</li> <li>• Independent audit and opinion</li> </ul>  |
| Codes of Practices         | Details of the levels of service customers can expect from us   | <ul style="list-style-type: none"> <li>• Legal/regulatory compliance assured by Legal Team</li> <li>• CCWater consultation</li> <li>• Director approval</li> <li>• Codes submitted to Ofwat</li> </ul>  |

| Publication                                    | Description  | Mitigation Actions   |
|--|--|--|
| Standard information on our billing literature | Standard information which is included with customer bills   | <ul style="list-style-type: none"> <li>• Legal/regulatory compliance assured by Legal Team</li> <li>• CCWater consultation</li> <li>• Approval by Annual Billing Steering Group</li> </ul>   |
| CCWater – quarterly and annual reports         | Information provided to 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 same assurance process outlines on pages 10/11 of this document</li> <li>• Where data is not derived from performance commitments the data is subject to second line assurance</li> </ul> |
| Data Share                                     | Industry data share of annual performance data published in our APR  | <ul style="list-style-type: none"> <li>• Independent review by technical experts (Jacobs)</li> <li>• Reconciliation with APR data</li> <li>• Due diligence by Regulation Team</li> <li>• Director sign off</li> </ul>  |

#### **4. NEXT STEPS**

The assurance activities set out in this Final Assurance Plan will be complete prior to the publication of our Annual Performance Report by 15 July 2017. We will publish a summary of the outcome of this assurance activity at the same time.

The outcome of our 2016/17 assurance activity will inform the Statement of Risks, Strengths and Weaknesses for 2017/18 that will be published in the autumn.

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

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

### APPENDIX 1 Impact and Probability Risk Matrix

| Ref | Performance Measure                        | Risk |
|-----|--|------|
| A1a | Safe Drinking Water % of samples compliant |      |
| A1b | Safe Drinking Water Mean Zonal Compliance  |      |
| A2  | Customer Acceptability                     |      |
| A3  | Reliability of supply                      |      |
| B1  | Abstraction of water for use               |      |
| B2  | Treating waste water                       |      |
| B3a | Preventing Pollution incidents Cat 1,2 & 3 |      |
| B3b | Preventing Pollution incidents Cat 3 only  |      |
| C1  | Responding to climate change               |      |
| C2  | Carbon footprint                           |      |
| D1  | Service Incentive Mechanism                |      |
| D2  | At risk customer service                   |      |
| D3  | Properties flooded in the year             |      |
| D4a | Non Household customer satisfaction %      |      |
| D4b | Non Household customer satisfaction score  |      |
| D5  | Earning the trust of customers             |      |
| E1  | Affordable bills                           |      |
| E2  | Help for disadvantaged customers           |      |
| F1  | Asset Serviceability water/waste           |      |
| F2  | Leakage                                    |      |
| F3a | Asset resilience (Water)                   |      |
| F3b | Asset resilience (Waste)                   |      |
| G1  | H&S RIDDOR Incidents                       |      |
| G2  | Competency for role                        |      |
| H2  | Financing Efficiency - Credit rating       |      |
| SC1 | Bad debt                                   |      |
| SC2 | Net promoter score                         |      |
| SC3 | Complaints                                 |      |

