

# Appendix A: APR assurance approach and outputs

# Our approach to regulatory reporting

We know how important it is to our customers and stakeholders that our reporting contains reliable data and information. We set out our approach to annual regulatory reporting and assurance in our **Risks, Strengths and Weaknesses statement and Assurance Plan** to describe and explain our approach to assurance, what we publish, the assurance plan we follow and the level of assurance we apply. This ensures we are open and transparent with our customers and stakeholders about the processes we follow with our publications and have an appropriate level of confidence that our submissions have been well prepared and are consistent with our robust internal processes.

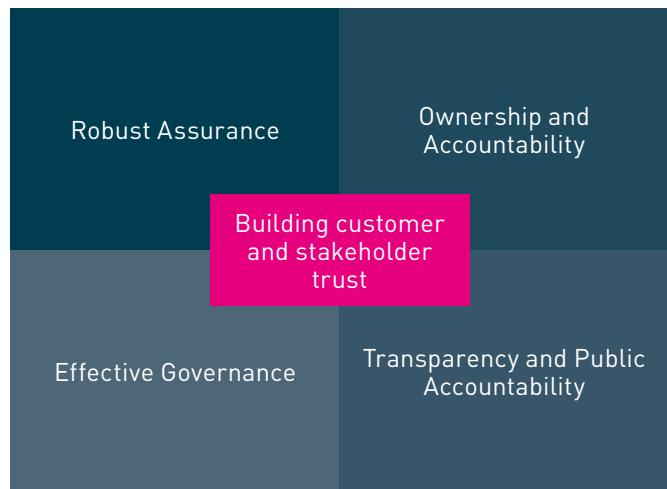
The following section provides oversight of our assurance framework and compliance processes in relation to our APR. Our frameworks and internal controls support the Board to make a number of signed statements within the APR including our Board's Data and Information Completeness and Accuracy Statement and Risk and Compliance Statement from page 27-34.

## Our Assurance Framework

We have an established, rigorous and robust assurance and performance reporting framework. The assurance approach builds on best practice from external organisations. It ensures that managers, senior leaders and Directors are responsible and accountable for delivering high quality data through robust processes and methodology.

Our established framework is underpinned by four main principles that provide consistency and clarity for our people, and allows flexibility for our assurance processes to build and evolve with our Company and the environment we operate in.

- **Robust assurance** – we operate a three lines of assurance model, targeted at areas of greatest risk.
- **Ownership and accountability** – we have clear lines of ownership for both the delivery of performance, and the accuracy of the data provided.
- **Effective governance** – provided by our Board, the ST Plc Audit Committee, the ST Plc Executive Disclosure Committee and Executive Committee.
- **Transparency and public accountability** – we publicly report on our performance and hold ourselves to account where we do not meet our commitments.



## 1. Robust assurance

We operate a three lines of assurance model. Using a risk-based approach provides an effective programme of assurance which considers areas that we know are of prime importance to our customers and regulators; or may have a significant financial value, alongside the likelihood of reporting issues or regulatory change. Areas that are higher risk receive the full three lines of assurance while other areas, where the risk is lower, may be targeted with first or second line only. This approach ensures we can continually reassess our assurance activity as risk is reduced in certain areas, where mature and stable processes exist, and increased where new risks are emerging, resulting in a proportionate assurance spend and value for money for our customers. Our three lines of assurance is explained in greater detail in our APR assurance approach in Appendix A from page 149.

### Internal audit

Internal Audit is an independent assurance function available to the Board, the Audit Committee and all levels of management. The Internal Audit function is supported by three main co-sourcing partners, PricewaterhouseCoopers, Ernst & Young and BDO. These arrangements are reviewed annually and it is considered that this structure adds value, through greater access to specific areas of expertise, increased flexibility with regards to resources, and the ability to challenge management independently. Our co-sourcing partners specialists continue to bring expertise to support the team and delivery of the audit plan where relevant.

The role of Internal Audit is to provide assurance that the Group's risk management and internal control systems are well designed and operate effectively and that any corrective action is taken in a timely manner. Each year, Internal Audit develops an annual risk-based audit plan for approval by the Audit Committees; this is supported by regular reporting that enables it to monitor delivery of the audit plan. The Audit Committee's role is to challenge the plan, specifically whether the key risk areas identified as part of our ERM process are being audited with appropriate frequency and depth. Following the completion of each planned audit, Internal Audit seeks feedback from management and reports to the Audit Committees on the findings of the audit, including any action that may be required. Where any failings or weaknesses are identified during the review of internal control systems, management puts in place robust actions to address these on a timely basis. Action closure is reported to and monitored by the Audit Committee and Action closure is reported to and monitored by the Audit Committee, in order to demonstrate that management places a strong focus on closing audit actions and ensuring timely completion.

An internal control system can provide only reasonable and not absolute assurance against material misstatement or loss, as it is designed to manage rather than eliminate the risk of failure to achieve business objectives. A review of the effectiveness of Internal Audit was carried out in 2019. The review, performed by BDO, concluded that the Internal Audit function is fit for purpose, is operating efficiently and effectively, and in line with good practice. The effectiveness review is carried out every three years which is more frequent than required as we believe the Internal Audit function is absolutely key in providing the Audit and Executive Committees with the assurance they need when delivering our strategy. This year the Severn Trent Plc Audit Committee also reviewed the quality and effectiveness of Internal Audit and approved the approach and Internal Audit plan for 2021/22 at its meeting in March 2021. Internal Audit reports are presented to and considered by the Audit Committee, to ensure that the Audit Committee is satisfied that management has resolved or are in the process of resolving any outstanding issues or actions through to completion.

Internal Audit has the highest level of independence within the Company and also provides third line assurance (in addition to our external assurance providers) for a number of our regulatory submissions, including our ARA and APR. This is explained in greater detail in our APR assurance approach from page 149.

## 2. Ownership and accountability

We have clear lines of ownership for both the delivery of performance, and the accuracy of the data provided. Our regulatory, statutory and legal obligations in our appointed business are assigned to managers, senior leaders and Directors. These managers are responsible for ensuring compliance with our regulatory duties and raising potential risks or issues of non-compliance.

### Performance reporting

Our Board understands that performance matters - to us, to our customers, and to our wider stakeholders. Our Board is fully engaged in monitoring and assessing our performance and providing challenge through our established governance arrangements. Performance is reported to and reviewed monthly by the Executive Committee, and through the Disclosure Committee and Severn Trent Plc Audit Committee. Our Board receives updates on general performance, including performance against key targets and performance commitments, environmental matters and health and safety. The Board also receives updates on financial performance and receives detailed deep dives at each meeting that relate to areas of strategic importance.

### Compliance processes

As a regulated company we are subject to statutory and regulatory duties and obligations, primarily set out through the Water Industry Act 1991 and our Instrument of Appointment (the 'Licence'). The Licence also requires us to perform duties imposed under other statutory and regulatory obligations as necessary to fully discharge our duties as a water and sewerage undertaker. Our approach to achieving compliance with these obligations is based on our established and robust governance and systems of internal controls. We set ourselves high standards, though it is important to understand that such systems cannot provide absolute guarantees.

Our compliance framework 'Licence to Operate' has been in place since 2018 and covers over 950 duties and obligations. It provides a robust process to set high levels of compliance backed up with rigorous risk-based assurance. We refreshed the Licence to Operate as we entered our first year of AMP7 reporting to ensure that the new APR requirements were assigned to owners, and that amendments to Regulatory Accounting Guidelines ('RAG') guidance were reflected within it. We have also included a self-assessment disclosure to consider any impact on compliance as a result of COVID-19.

Our Group Compliance and Assurance Team oversees the framework and ensures that managers across the Company are aware of their statutory and regulatory duties. Training and support workshops are provided to new duty owners to ensure that processes and requirements are understood, as well as providing refresher training for existing duty owners. This ensures all duty owners are equipped with the right skills and knowledge to complete their annual self-assessments confidently and accurately. The Group Compliance and Assurance Team undertakes additional checks following completion with a random sampling technique to test and challenge duty owners to ensure a consistent approach to completion of the self-assessment is undertaken.

Each duty and obligation is assigned to a responsible manager, a senior leader and Director. The senior leaders are responsible for the development, implementation and testing of controls to ensure compliance in areas such as policy and standards, procedures, training, management information as well as completing regular reviews of these controls. An annual process of self-certification takes place and we receive a declaration from each responsible manager, strategic leader and Director to confirm compliance, or to inform us of a non-compliance (referred to as a departure from compliance). The Compliance Team assesses and spot-checks declarations for consistency and accuracy, and works collaboratively with the Company to ascertain the level of materiality of any non-compliances. The Licence to Operate framework helps to inform the Board of any departures from our statutory and regulatory obligations, ahead of the Board making the annual Risk and Compliance Statement. Material departures are set out on page 29.

In order to comply with the requirements of RAG5, we have a robust suite of processes and procedures, specified within our RAG5 compliance framework. These are supported by risk assessments and associated controls, guidance and policy documents, a RAG5 transaction register, cost allocation assurance and middle and senior management sign-off through our established Licence to Operate process.

The Group's RAG5 processes and procedures are supported by bespoke departmental training and, this year, Internal Audit reviewed the Group's RAG5 governance framework, documentation and processes and confirmed these were compliant with guidelines set by Ofwat and were being effectively deployed throughout the Group.

Group RAG5 compliance is overseen by our established Steering Committee. We also have a RAG5 working group reporting directly to the Steering Committee, ensuring that any improvement actions are undertaken at an operational level.

### 3. Effective governance

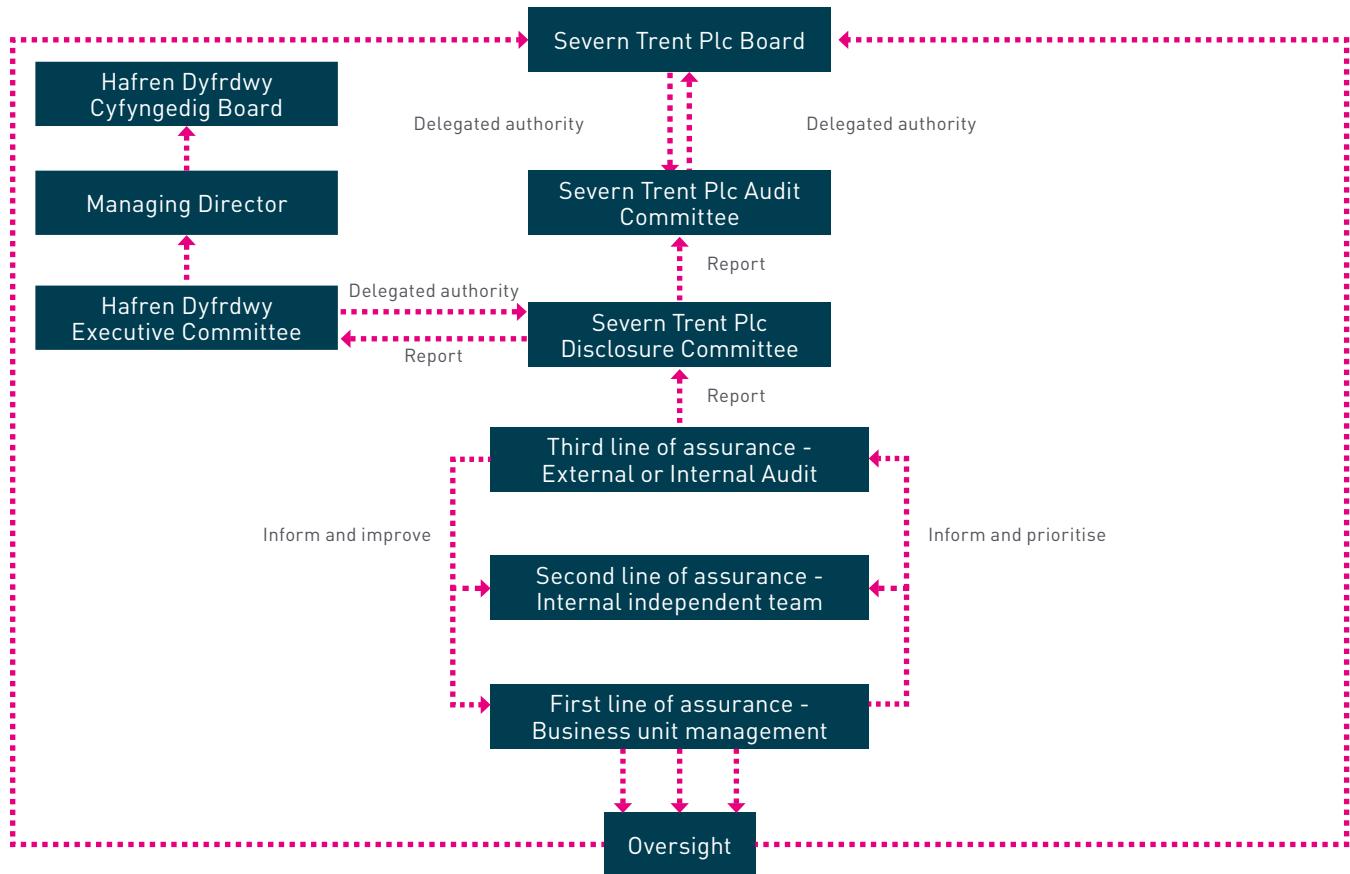
The Board is supported by the Severn Trent Plc Governance Framework, which is described in detail on page 19. In line with the 2018 UK Corporate Governance Code, the Board delegates certain roles and responsibilities to its various Committees.

To support our Governance Framework, we have a well established and robust assurance and performance reporting framework. Our governance and assurance frameworks work together, as demonstrated on the next page, to enable confidence in the information and data we report in our ARA and APR.

The Disclosure Committee oversees the reporting obligations of the Group, considering the materiality, accuracy, reliability and timeliness of information disclosed, and reviews the level of assurance received. The effectiveness of the controls over reporting are monitored by the Severn Trent Plc Audit Committee, which receives regular reports of the assurance conducted by the external auditor.

Overall accountability for the preparation and production of the APR which includes reporting of performance against performance commitments and associated Outcome Delivery Incentives ('ODIs') rests with the Managing Director.

## Governance and Assurance frameworks



#### 4. Transparency and public accountability

As a public service provider we are committed to being transparent about the services we provide, our related performance and reporting, and wider adherence to regulatory requirements.

We publish our APR so that everyone can see how we have performed, and that relies on us making sure that we provide trustworthy and objective information. We also make sure we provide information about areas where we have not performed as well as we would like to, providing insight into how we are planning to improve. Trust takes time to build so it is important to be open with our customers and stakeholders, and hold ourselves accountable where we do not meet commitments.

We share this information so that comparable performance with our peers can be reviewed.

We publish additional information to ensure the Severn Trent Group structure and performance is transparent for our customers. Our company structure, which shows how the companies including Hafren Dyfrdwy, Severn Trent Water, and other associated companies are connected under the Severn Trent Group umbrella, can be found on our website. We demonstrate and explain how we ensure we are fair when balancing the short and long-term needs to manage our financial risk for Hafren Dyfrdwy, share returns with customers where we outperform, and consider long-term viability.

# Appendix A: assurance approach and outputs

In this appendix you will find:

## The APR assurance approach during COVID-19

## APR specific governance approach

## How we approach APR assurance

## Outcome of assurance

### A.1 The APR assurance approach during COVID-19

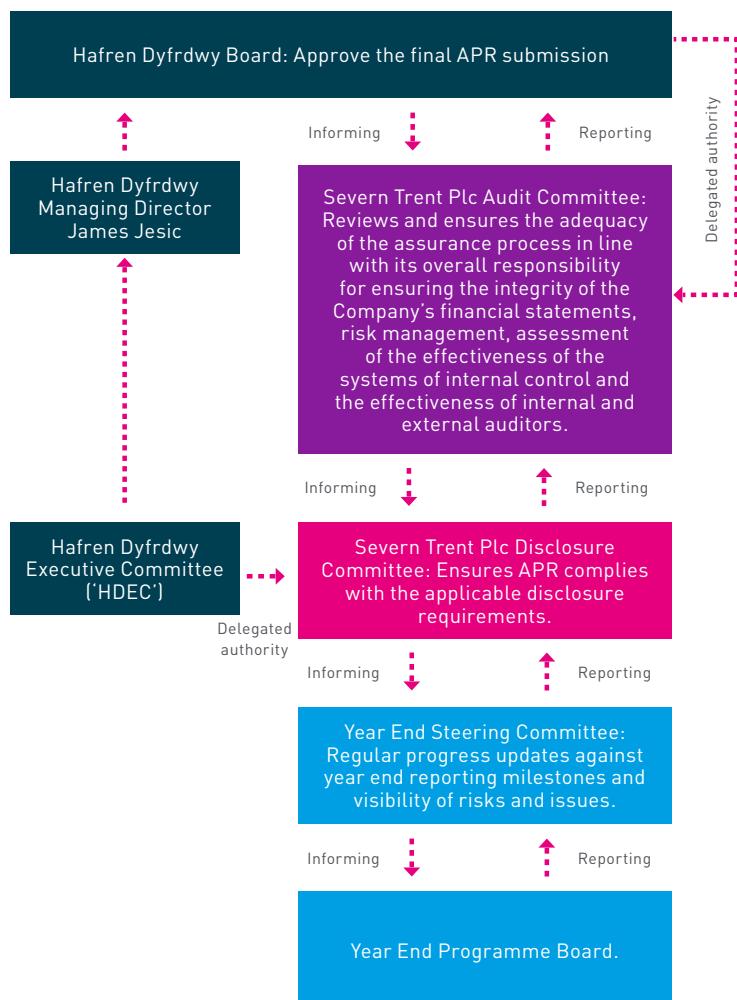
The 2020/21 APR assurance plan uses our established risk-based three lines of assurance approach to ensure it has been given the appropriate level of governance and assurance. You can read more about our company governance and assurance frameworks in [Risks, Strengths and Weaknesses statement and Assurance Plan](#). Please note, this document will be known as our Regulatory Reporting and Assurance document from September 2021 onwards.

The ongoing impact of COVID-19 is significant and, as for all organisations, the pandemic has caused a shift in the way we operate. From an assurance perspective, we have worked with our internal first and second line assurance providers, and our external assurance providers to overcome the practical and technical challenges created by the pandemic. This is to ensure that we deliver our programme of assurance without any compromise to the integrity or objectivity of the assurance undertaken. Various technological tools, including Microsoft Teams and broader Office365 applications have meant that we have been able to deliver our 2020/21 assurance plan with no significant impact. That means our APR assurance this year is just as robust, despite COVID-19. We have worked with, and continue to engage across the sector to share best practice assurance approaches throughout the pandemic.

### A.2 APR specific governance approach

Our compliance framework incorporates Ofwat's most recent APR and regulatory reporting requirements, the 2020/21 revised RAGs, and wider company duties (including Welsh Government directives such as the Well-being of Future Generations (Wales) Act 2015, which has helped us to shape some of our bespoke PCs).

The below diagram demonstrates the specific assurance governance applied for the approval and publication of the APR.



### A.3 How we approach APR assurance

Each line of the APR data tables are risk assessed centrally using an established framework to ascertain the level of assurance required; first, second, or third line assurance. Once the level of assurance is identified, the Group Compliance and Assurance Team co-ordinates and schedules the full assurance programme throughout the year and at year end with data and methodology producers and assurance providers.

As part of the performance reporting we are required to publish regulatory accounts that, among other things, set out financial information:

- On the allocation of cost by price control and subsections of the value chain;
- On non-appointed activity; and
- On transactions between associated companies.

In reporting on the above, we are required to comply with Ofwat's RAGs including 'RAG 2.08 Guideline for classification of costs across the price controls' and 'RAG 5.07- Guideline for transfer pricing in the water and sewerage sectors'. Over and above the RAGs, our licence places an obligation on us to ensure that every transaction between the appointee and any associated company is at arm's length, so that neither gives to nor receives from the other any cross subsidy (Condition F and Condition P). This also applies to the appointed and non-appointed activity within the Appointee. We have a number of controls in place to ensure that we apply the requirements as set out by Ofwat. Cost allocation activities within our Finance Team are subject to our established three lines of assurance process (the approach and outcome are explained on page 149). This area remains a focus for us with the introduction of new price controls this year, and to make sure that we allocate the correct costs to the correct areas of the Severn Trent Group.

#### A.3.1 First line assurance

A key part of our assurance framework is the first assurance activities that are undertaken throughout the year.

Each line of the APR data tables are reviewed by our first line of assurance. This activity is undertaken by the teams responsible for reporting the data so that colleagues, with the right expertise, are conducting in-depth quality checks at the time the data is produced. They are also responsible for maintaining effective internal controls, implementing corrective actions to address process and control deficiencies if identified.

Each reporting line of the APR data tables are assigned to a responsible manager who reviews and approves the data, process documentation and commentaries, forming an integral part of the assurance approach. An approval process is followed with final sign off for both the data and commentary at Director level.

#### A.3.2 Second line assurance

For our higher risk measures the second line assurers facilitate and monitor the implementation of effective practices, ensuring that the first line assurance is designed, implemented and operated correctly, confirming that documented processes have been followed, and completes checks and controls to ensure the integrity and reliability of the data and information we publish.

Where it is identified that third line assurance is required, the Assurance Team liaise with the reporting teams to monitor improvement activities and resolve prior outstanding actions to ensure there are no material issues. This year the team worked closely with reporting teams on a number of the new performance commitments ('PC's) as the processes matured during the year.

#### A.3.3 Third line assurance

Our most critical areas are subject to third line assurance. Internal Audit provide comprehensive assurance based on the highest level of independence within the Company. In addition, we use external financial and technical auditors who are independent of the Company and provide objective assurance of our data and information to management and our Board.

The following details the activities for each of our third line providers:

### **Internal Audit**

Internal Audit performed several checks as part of its assurance to ensure that:

- [Processes followed were appropriate to produce the data required for our APR submission.]
- Historical data used in the tables could be traced back to source or previously published information.
- Data was produced in line with the methodology documents and RAG4 requirements.
- Data from the working files was agreed to the APR data tables to be submitted.
- A sample of business cases were reviewed to check the correct allocation of costs.]

### **Deloitte financial audit opinion**

Deloitte provided financial audit procedures over sections 1 and 2 of the APR. These sections provide a baseline level of historical cost financial information and are aligned to our price controls and associated regulatory performance commitments and incentives set out in Ofwat's 2019 Final Determination.

As in previous years, Deloitte have informed Ofwat that a number of lines in Table 1F will not be subject an audit opinion. They have carried out agreed upon procedures on the following lines: 1F.9, 1F.16, 1F.17, 1F.19, 1F.22 and 1F.25. Deloitte have not performed any procedures on lines 1F.4, 1F.7, 1F.10, 1F.11, 1F.15, 1F.20 and 1F.21 as these are not within their scope.

This is detailed in Deloitte's audit opinion, on page 63.

### **Jacobs technical assurance**

The technical assurance applied by Jacobs complements our risk-based assurance framework, which is in part, informed by previous assurance findings, as well as emerging risk, and stakeholder feedback. Jacobs provided a staged approach to technical assurance on the elements of the APR that are tabled below. Stages one and two focused on documentation and process and were undertaken on measures where there had been changes to processes. During stage one, Jacobs reviewed the process description templates ('PDT's) which are followed to report against PCs. Stage two included a desktop review and interviews conducted virtually via Microsoft Teams. The reviews ensure that:

- Processes are in place to produce data that is consistent with the RAGs, PC definition or non-financial data definition.
- Improvements and changes in processes from previous assurance rounds are clearly stated.
- Accountability and responsibility for each stage of the process is clear with dependencies, assumptions, risks and mitigations identified.
- There are appropriate checks and controls identified.

Stage three focused on the data produced. Data audits were completed virtually through Teams and data provision via SharePoint. The audits ensured:

- Data produced is consistent with the PDT and any deviations are identified and evidenced.
- Any rewards/penalties and data points are calculated in line with our Final Determination requirements. This focuses on the mechanistic calculation to give the gross reward/penalty position.

The assurance approach is summarised over the next few pages.

**Regulatory Accounts**

		Methodology & Process	Data
1A	Income statement	Deloitte	Deloitte
1B	Statement of comprehensive income	Deloitte	Deloitte
1C	Statement of financial position	Deloitte	Deloitte
1D	Statement of cash flows	Deloitte	Deloitte
1E	Net debt analysis	Deloitte	Deloitte
1F*	Financial flows	Deloitte/Jacobs	Deloitte/Jacobs
2A	Segmental income	Jacobs	Deloitte
2B	Totex analysis (wholesale)	Jacobs	Deloitte
2C	Operating cost analysis- retail	Jacobs	Deloitte
2D	Historic cost analysis of tangible fixed assets	Jacobs	Deloitte
2E	Analysis of grants and contributions (water resources, water network+ and waste water network+)	Jacobs	Deloitte
2F	Residential retail	Jacobs	Deloitte
2G	Non-household water - revenues by tariff type	Jacobs	Deloitte
2H	Non-household waste water - revenues by tariff type	Jacobs	Deloitte
2I	Revenue analysis	Jacobs	Deloitte
2J	Infrastructure network reinforcement costs	Jacobs	Deloitte
2K	Infrastructure charges reconciliation	Jacobs	Deloitte
2L	Analysis of land sales	Jacobs	Deloitte
2M	Revenue reconciliation	Jacobs	Deloitte
2N	Residential retail - social tariffs	Jacobs	Deloitte
2O	Historic cost analysis of intangible fixed assets	Jacobs	Deloitte

\* See note on Deloitte financial audit opinion for 1F on page 152.

**Performance Summary**

		Methodology, Process & Data
3A	Outcome performance - Water common performance commitments	Jacobs
3B	Outcome performance - Waste water common performance commitments	Jacobs
3C	Customer measure of experience ('C-MeX') table	Jacobs
3D	Developer services measure of experience ('D-MeX') table	Jacobs
3E	Outcome performance - Non-financial performance commitments	Jacobs
3F	Underlying calculations for common performance commitments - water and retail	Jacobs
3G	Underlying calculations for common performance commitments - waste water	Jacobs
3H	Summary information on outcome delivery incentive payments	Jacobs
3I	Supplementary outcomes information	Jacobs

**Additional regulatory information - service level**

		Methodology & Process	Data
4A	Water bulk supply information	2nd Line	2nd Line
4B	Analysis of debt	Internal Audit	Internal Audit
4C	Impact of price control performance to date on RCV	Jacobs	Jacobs
4D	Totex analysis - water resources and water network+	Internal Audit	Internal Audit
4E	Totex analysis - waste water network+ and bioresources	Internal Audit	Internal Audit
4F	Major project expenditure for wholesale water by purpose	Internal Audit	Internal Audit
4G	Major project expenditure for wholesale waste water by purpose	Internal Audit	Internal Audit
4H	Financial metrics	Internal Audit/Jacobs	Internal Audit/Jacobs
4I	Financial derivatives	Internal Audit	Internal Audit
4J	Base expenditure analysis - water resources and water network+	Internal Audit	Internal Audit
4K	Base expenditure analysis - waste water network + and bioresources	Internal Audit	Internal Audit
4L	Enhancement expenditure - water resources and water network+	Internal Audit	Internal Audit
4M	Enhancement expenditure - waste water network+ and bioresources	Internal Audit	Internal Audit
4N	Developer services expenditure - water resources and water network+	Internal Audit	Internal Audit
4O	Developer services expenditure - waste water network+ and bioresources	Internal Audit	Internal Audit
4P	Expenditure on non-price control diversions	Internal Audit	Internal Audit
4Q	Developer services - non-financial information	2nd line	Jacobs / 2nd line
4R	Properties, customers and population - non-financial information	Jacobs / 2nd Line	Jacobs / 2nd Line

**Additional regulatory information - water resources**

		Methodology & Process	Data
5A	Water resources asset and volumes data	Jacobs / 2nd Line	Jacobs / 2nd Line
5B	Water resources operating cost analysis	Internal Audit	Internal Audit

**Additional regulatory information - water network plus**

		Methodology & Process	Data
6A	Raw water transport, raw water storage and water treatment data	2nd Line	Jacobs
6B	Treated water distribution - assets and operations	Jacobs / 2nd Line	Jacobs / 2nd Line
6C	Water network+ - Mains, communication pipes and other data	Jacobs / 2nd Line	Jacobs / 2nd Line
6D	Demand management - Metering and leakage activities	Jacobs / 2nd Line / Internal Audit	Jacobs / 2nd line / Internal Audit

**Additional regulatory information - waste water network plus**

		Methodology & Process	Data
7A	Waste water network+ - Functional expenditure	Internal Audit	Internal Audit
7B	Waste water network+ - Large sewage treatment works	2nd Line / Internal Audit	2nd Line / Internal Audit
7C	Waste water network+ - Sewer and volume data	2nd Line	Jacobs / 2nd Line
7D	Waste water network+ - Sewage treatment works data	Jacobs / 2nd Line	Jacobs / 2nd Line
7E	Waste water network+ - Energy consumption and other data	2nd Line	Jacobs / 2nd Line

**Additional regulatory information - bioresources**

		Methodology & Process	Data
8A	Bioresources sludge data	2nd Line	Jacobs
8B	Bioresources operating expenditure analysis	Internal Audit	Internal Audit
8C	Bioresources energy and liquors analysis	Jacobs / 2nd line / Internal Audit	Jacobs / Internal Audit
8D	Bioresources sludge treatment and disposal data	2nd Line	Jacobs

**Additional regulatory information - innovation competition**

		Methodology & Process	Data
9A	Innovation competition	Internal Audit	Internal Audit

## A.4 Outcome of assurance

Our outcomes of assurance provide oversight of the assurance and audit activities completed by our third line assurance providers, both financial and non-financial. We have included letters of assurance from our technical assurers, Jacobs on page 30 of the APR. Deloitte provide an audit opinion on the Regulatory Accounting Statements on page 63.

### Internal Audit outcome

Internal Audit confirmed, that no material issues had been found and that '*all supporting evidence and answers to any queries raised were provided*'.

### Deloitte audit opinion

Deloitte's audit opinion, covering table 1A-1E; table 1F lines 1F.1 to 1F.3, 1F.5 to 1F.6, 1F.8, 1F.12 to 1F.14, 1F.18 and 1F.23 to 1F.24; and tables 2A to 20, confirms that:

- The company's regulatory accounting statements covered by the opinion have been prepared, in all material aspects, in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WRSA (RAG 1.09, RAG 2.08, RAG 3.12, RAG 4.09 and RAG 5.07) and the accounting policies (including the Company's published accounting methodology statement(s), as defined in RAG 3.12);
- proper accounting records have been kept by the Appointee as required by Condition F; and
- the Regulatory Accounting Statements are in agreement with the accounting records and returns retained for the purpose of preparing the Annual Performance Report.



## Jacobs' assurance outcome

### Cost Allocation

#### Requirements

We are required to publish regulatory accounts that, among other things, set out financial information:

- On the allocation of costs by price control and subsections of the value chain;
- On non-appointed activity; and
- On transactions between associated companies.

In reporting on the above, we are required to comply with Ofwat's RAGs including 'RAG 2.08 - Guideline for classification of costs across the price controls' and 'RAG 5.07 - Guideline for transfer pricing in the water and sewerage sectors'.

Our licence also places an obligation on us to ensure that every transaction between the Appointee and any associated company is at arm's length, so that neither gives to nor receives from the other any cross subsidy (Condition F and Condition P). This also applies to the appointed and non-appointed activity within the appointee. Ofwat expects transactions between STW and HD to be at arm's length.

#### Assurance undertaken

We asked Jacobs to review a sample of our cost allocation processes. We selected the sample based on the associated risk. The Jacobs scope covered:

- Allocations across price controls within HD and STW;
- Allocations between appointed and non-appointed activity within HD and STW; and
- Allocations and recharges of costs between the associate companies HD and STW.

Consistent with previous work in this area, Jacobs reviewed the documentation and processes with a focus on the consistency of the allocation approach with the RAGs. To that end, Jacobs sought to understand:

- The areas / activities that were being provided;
- The costs associated with that activity;
- How those costs are recharged, allocated and why; and
- How our approach is compliant with the RAG.

### Assurance outcome

Jacobs identified no material issues, and concluded 'Overall, based on our scope we consider:

- the Company has a full understanding of, and meets all of its relevant statutory, licence and regulatory obligations in all material respects;
- the Company has sufficient processes and internal systems of control to fully meet its obligations; and
- systems and processes are in place to ensure that the company undertakes transactions entered into by the appointed business with or for the benefit of associated companies, or other businesses or activities, or activities of the appointed business at arm's length.'

<b>Full-year performance commitments</b>	
<b>Requirements</b>	<b>Assurance undertaken</b>
Jacobs reviewed the PCs set out in our Final Determination and the processes that were used to produce the figures.	Jacobs' scope of assurance work included checking the following: <ul style="list-style-type: none"><li>• The processes used are robust, enabling risks to be identified, managed and reviewed;</li><li>• The processes are sufficient, demonstrating an internal system of control and are consistent with the requirements of the regulatory obligations;</li><li>• The processes are managed with a system of governance that demonstrates a sufficient system of internal control; and</li><li>• Data is competently sourced, processed and reported and fit for purpose.</li></ul>
<b>Assurance outcome</b>	
Jacobs concluded 'During our assurance activities we observed robust processes and reporting procedures and we identified no material issues. We therefore conclude that in all material respects: <ul style="list-style-type: none"><li>• the processes used are robust, enabling risks to be identified, managed and reviewed;</li><li>• the processes are sufficient, demonstrating an internal system of control and are consistent with the requirements of the regulatory obligations;</li><li>• the processes are managed with a system of governance that demonstrates a sufficient internal system of control; and</li><li>• data is competently sourced, processed and reported and fit for purpose'.</li></ul>	

## Full-year Non-Financial

### Requirements

We continue to develop and improve our reporting processes. Throughout the year we have been monitoring progress against our higher risk measures and at year end Jacobs carried out assurance against the majority of Section 4-9 non-financial measures.

### Assurance undertaken

Jacobs' scope of assurance work included checking the following:

- The processes used are robust, enabling risks to be identified, managed and reviewed;
- The processes are sufficient, demonstrating an internal system of control and are consistent with the requirements of the regulatory obligations;
- The processes are managed with a system of governance that demonstrates a sufficient system of internal control;
- Data is competently sourced, processed and reported and fit for purpose; and
- The company has a full understanding of their regulatory obligations.

### Assurance outcome

Jacobs concluded 'We note there are no outstanding material issues and so conclude that in all material respects:

- the processes used are robust, enabling risks to be identified, managed and reviewed;
- the processes are sufficient, demonstrating an internal system of control and are consistent with the requirements of your regulatory obligations;
- the processes are managed with a system of governance that demonstrates a sufficient internal system of control;
- the data reviewed is competently sourced, processed and reported and fit for purpose;
- you have a full understanding of your regulatory obligations; and
- systems and processes are in place to ensure that transactions entered into by the appointed business with or for the benefit of associated companies, or other businesses or activities, or activities of the appointed business, are undertaken at arm's length.'

Hafren Dyfrdwy Cyfyngedig  
Packsaddle  
Wrexham Road  
Rhostyllen  
Wrexham  
Clwyd  
LL14 4EH  
[hdcymru.co.uk](http://hdcymru.co.uk)

**RHAGOROL O'R TAP**  
**WONDERFUL ON TAP**

**HAFREN**  
**DYFRDWY**

severn dee