

Assurance Summary

2018

July 2018

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1. About this document

1.1 Introduction

In February 2017, Dee Valley Water became part of the Severn Trent Group. Earlier this year, Ofwat approval was received to align the boundaries of Severn Trent and Dee Valley Water to the national boundaries of Wales and England. In line with this approval, we launched our new name, Hafren Dyfrdwy on 1 July 2018. Hafren Dyfrdwy is Welsh for 'Severn Dee' and represents the two major rivers in the Welsh region that we proudly serve. We want to make our services as amazing as the water itself so we've come together to create something which will ensure all our customers in Wales can enjoy wonderful water for generations to come.

This document covers the year ending 31 March 2018. As such, we are reporting performance for the previous Dee Valley Water business which supplied 62 million litres of drinking water each day to around 126,000 customers in northeast Wales, Cheshire and the surrounding areas.

Every year we publish a diverse range of information for our customers and stakeholders about our performance, activities and assets. Providing accurate, clear and understandable information that can be trusted is important to us and our customers. This document summarises the outcome of the assurance we've carried out this year to help build confidence in the information we report.

1.2 Background

Since last year, our aim has been to implement a robust and consistent assurance framework that operates across the Severn Trent Group - to provide accurate, clear and understandable information, which can be trusted.

This year we have continued to build on the new standards we introduced last year for risk management, internal control, and regulatory compliance monitoring. These changes were designed to complement existing areas of strength in our reporting and controls, and to align with the recognised assurance framework we use across the rest of the Severn Trent Group; in line with corporate governance best practice for a listed company, and operated to ensure the protection of customers at a company level.

1.3 Company Monitoring Framework

Our regulator, Ofwat, uses a 'Company Monitoring Framework' to assess the accuracy and quality of information which is provided by water companies. The framework (published in June 2015)¹ categorises companies in one of three assurance categories: prescribed, targeted or self-assurance, depending on the level of confidence (determined by a series of objective tests) that Ofwat has in the information we publish.

We were pleased that in the 2017 assessment Ofwat acknowledged that it had 'seen evidence of improvement from last year' as we work to build trust and move out of our 'prescribed' status. During this year, as we've carried out assurance activities in line with our published Assurance Plan, we've learned more, and identified areas for continuous improvement. While we recognise we have more to do to build trust and confidence in our

¹ https://www.ofwat.gov.uk/wp-content/uploads/2015/11/prs_in1509comonframework.pdf

approach, we believe we've made significant progress this year and we are pleased to have seen that reflected in feedback received from our stakeholders throughout the year.

We are currently one of four companies that are in the 'prescribed' category of assurance. This means that we are required to publish our assurance plans for all information in advance of reporting, rather than the risk based approach as undertaken by 'self-assured' and 'targeted' companies. As we designed our assurance plans for 2017/18, we consulted with our stakeholders to understand if they have concerns about the information we publish. Where we identify significant risks, we must carry out independent, external assurance and report on the outcome, which we have done and publish in our assurance summary.

1.4 Engaging our customers and stakeholders

Throughout 2017/18 we carried out an extensive customer engagement programme in Wales to inform our PR19 plan, as well as continuing the journey, started by Dee Valley, to track customer sentiment, through our customer tracker. Our Customer Challenge Group has continued to play a vital role in challenging our customer engagement, and ensuring it fits the needs of our customers in Wales.

In addition to our 'business as usual' engagement with our regulators, investors, customers and other stakeholders, we have also undertaken the following:

- Targeted research with over 2,000 customers over the past year, including willingness to pay research, deliberative research on customer needs and developing a better understanding of how we help customers who are struggling to pay their bills.
- Deliberative research to understand customer views on resilience and asset health.
- Research with customers on our future performance commitments targets and incentives, exploring the role that comparative information plays when customers make choices.

Our research reveals our customers have a high level of trust and satisfaction in their water company. There are also areas of performance in which our customers tell us they would like to see improvements.

In November 2017 we published our draft Assurance Plan for 2017/18 and asked for feedback on our proposals. The plan took account of the risks associated with our reporting - set out in a statement of risks, strengths, and weaknesses - and outlined a number of specific areas to target. After taking into account the comments and suggestions we received, in February 2018 we published our final Assurance Plan for 2017/18.

As part of our development of our Assurance Plan we liaised with our key stakeholders, including our regulators (such as the Environment Agency, the Drinking Water Inspectorate, and customer champions such as our Customer Challenge Group) and the Consumer Council for Water Wales to understand how they use our information and what their priorities were.

This year, we expanded the annual internal assessment we implemented at the end of 2016/17, learning from the already established assurance framework at Severn Trent. This helps us to identify potential risks to complying with our statutory and regulatory obligations (relating to our regulated water business), which we internally call 'Licence to Operate'.

Section 2 of this report outlines assurance approaches in more detail; the outcomes of our assurance on the highest risks we identified are set out in section 3.

2. Our assurance approach

In this section we summarise how we developed our statement of risks, strengths, and weaknesses, and the target areas for assurance that we identified.

2.1 Approach

Figure 1 below illustrates how we develop our statement using two inputs: external engagement and an internal assessment.

We did not limit these assessments to just our end-of-year performance reporting, but rather considered the information we provide to customers and stakeholders, and our regulatory and statutory obligations, more broadly.

Any critical risks identified in our Assurance Plan feed into our company-wide assessment of risks inherent in our business activities and mitigation measures, which we include in our Annual Performance Report.

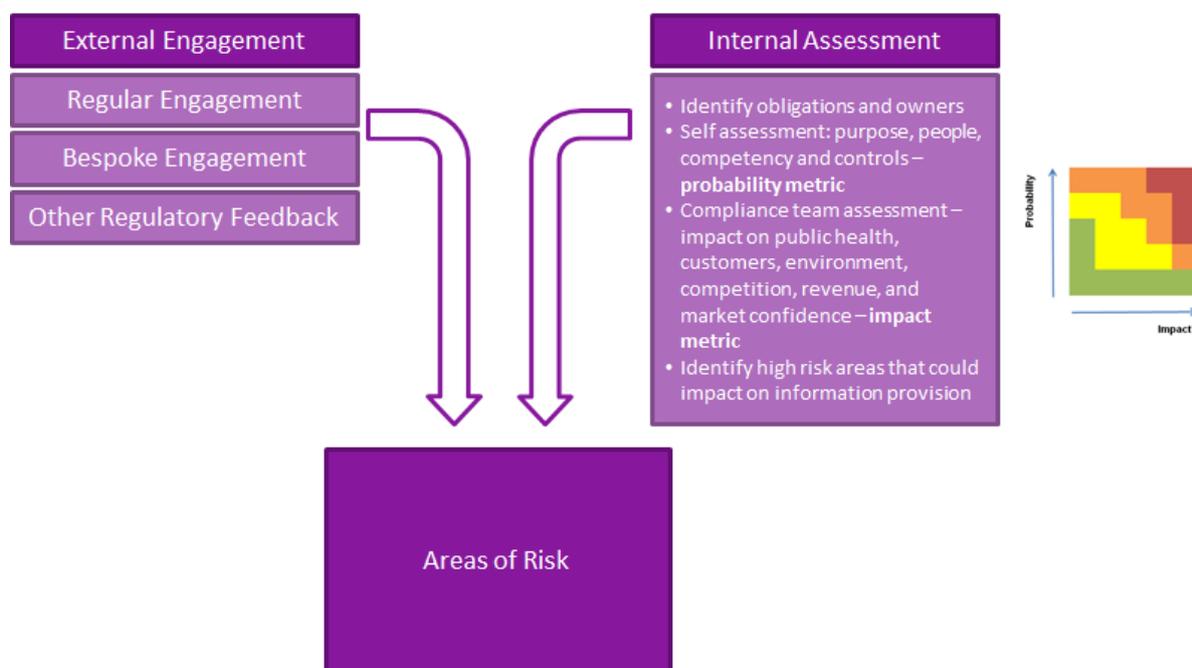


Figure 1: Approach to developing our statement of risks, strengths and weaknesses.

2.2 Statement of risks

The risks we included in our statement principally reflect:

- Reporting requirements and statutory obligations;
- Changes in our external environment or our customers' and stakeholders' expectations;
- Our internal assessment.

This year, we identified the following areas as potential risk:

- a) Annual Performance Reporting;
- b) Statutory and regulatory accounts;
- c) Performance reporting - performance commitments and customer Outcome Delivery Incentives (ODIs);
- d) Price review (PR19);

- e) Water Resource Management Plan (WRMP);
- f) Activities associated with our implementation programme with Severn Trent and Hafren Dyfrdwy boundary changes;
- g) Market information (water resources);
- h) Charges schemes, including access prices.

In section 4, we explain the outcome of our assurance to mitigate the risks a, b, c and d above. In section 5, we provide an update on assurance of the other risks, and our annual assurance activities more broadly.

3. Our approach to assurance

This section provides an overview of our approach to assurance and related governance.

3.1 Robust assurance

We have implemented the established assurance framework used across the Severn Trent Group. This framework enables us to practice a robust level of governance and assurance that operates at a level as though Hafren Dyfrdwy were a listed company.

Our framework is underpinned by four key principles:

- *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, Audit Committee, and Disclosure Committee, with additional challenge provided by our independent customer focussed Customer Challenge Group.
- *Transparency and public accountability* - we publicly report on our performance, and hold ourselves to account where we do not meet our commitments.

We have an established approach to internal controls and related assurance. We operate the 'three lines of assurance' model, which distinguishes between first line process and controls, second line oversight, and third line independent assurance.

Table 1: Three lines of assurance model

Line	Functions	Purpose	Typical activities
1a	<i>Business operations:</i> Wholesale operations, Customer teams	Responsible for the delivery of service and performance	<ul style="list-style-type: none"> • Provision of source information
1b	<i>Embedded first line:</i> Wholesale planning and performance, Retail planning and performance.	Responsible for the reporting of performance	<ul style="list-style-type: none"> • Reporting of performance information • Defining and documenting methodologies and processes • Quality checks and reviews
2	<i>Oversight functions:</i> Chief Engineers Office, Finance Regulation, General Counsel	Define policy and provide assurance	<ul style="list-style-type: none"> • Development of assurance framework • Quality checks and reviews of systems and controls
3	<i>Independent assurance:</i> Internal Audit (independent team within STW), external assurance providers	Provide independent challenge of levels of assurance provided by first and second line	<ul style="list-style-type: none"> • Review methodologies and processes • Review application of methodologies and processes and ultimate integrity of the data • Review completeness and appropriateness of assurance framework (Internal Audit)

Assurance is a year round activity for us. First and second line activities are undertaken throughout the year, giving us visibility of potential risk areas. For areas identified as higher risk, or where we have specific reporting obligations (e.g. financial accounts), we employ external third line assurance at relevant points during the year, which culminates in our year-end financial and performance reporting.

Section four sets out where we employed third line assurance this year (2017/18), in order to produce our Annual Performance Report.

3.2 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 internal performance reporting to our Executive Committee (weekly and monthly) and Board (at every meeting), and half-yearly 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 assigned to our regulatory and statutory obligations. As part of this, we operate a rigorous process of sign-off for our performance commitment data - sign-off by the data owner, the responsible senior manager, and finally the accountable director, in addition to our Board governance arrangements (see below).

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.

3.3 Effective governance

Dee Valley Water Limited chose to comply with the UK Corporate Governance Code, and we continue to adhere to the principles set out in Ofwat's 'updated assessment of monopoly water companies' governance arrangements' published in June 2015.

The Board's role is to understand and meet its obligations to the Company's stakeholders within a framework of practical and effective controls which enable risk to be assessed and managed. The Board approves the Company's strategic objectives and ensures that sufficient resources are available to enable it to meet those objectives and monitors and reviews the operating and financial performance of the Company. It has responsibility and accountability for the long term success of the Company.

The Company operates an established governance and assurance process which enables a rigorous internal system of review. Strong personal and collective ownership is critical for ensuring the accuracy of information we produce, driving improvements and holding ourselves to account. Regular internal performance reporting to our Executive Committee and Board, and half-yearly 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 assigned to our regulatory and statutory obligations.

The assurance process follows the below approach:

1. Internal sign off by data owners, senior managers and the accountable executive committee member.
2. Internal and external assurance activities.
3. Sign off by the Group Disclosure Committee; The Severn Trent Plc Board's Committee oversees the Company's compliance with its disclosure obligations and considers the materiality, accuracy, reliability and timeliness of information disclosed.
4. Sign off by the Group Audit Committee; The Severn Trent Plc 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 and risk management systems, and the effectiveness of the Company's internal and external auditors.
5. Sign off by the Board of Hafren Dyfrdwy.

In addition to the above lines of assurance, the Customer Challenge Group provides independent external challenge of both our performance against our commitments and the information we provide on it. This approach provides stakeholders with the trust and confidence required that the Company operates transparently, with integrity, and complies with its legal obligations.

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. This year we will continue to publically hold ourselves to account with the publication of a new annual performance report (which will incorporate Ofwat's reporting requirements).

Full details of our governance arrangements and company structure is published on our website.

4. Assurance of our Annual Performance Report

In this section we explain how the data included in our Annual Performance Report has been assured, and the outcome of that assurance.

Hafren Dyfrdwy has implemented Severn Trent's recognised assurance and reporting framework, which incorporates Ofwat's [Regulatory Accounting Guidelines](#). Following Ofwat maintaining Dee Valley Water 'prescribed' status in the 2017 Company Monitoring Framework assessment, our Assurance Plan for this financial year, 2017/18 published in February 2018, built on the lessons learned from the assessment and from the 2016/17 reporting year, ensuring that we applied robust assurance across the annual performance report.

In particular, we implemented the Severn Trent system of performing half year audits on areas in the annual performance report that, following our assessment, were subject to increased levels of risk and complexity. This allowed us to identify any material weaknesses and make improvements prior to year-end reporting.

The Annual Performance Report comprises four sections. Our assurance process mirrors this structure:

1. regulatory financial reporting,
2. price review and segmental reporting,
3. performance summary, and
4. additional regulatory information.

In 2017 we provided to Ofwat additional cost assessment information which was submitted alongside, but separate to, the Annual Performance Report. This year, we are also providing this information however this will be included in item 4 above – additional regulatory information. We summarise the assurance undertaken for each section, and the outcome of that assurance, below.

4.1 Regulatory financial reporting

This section of the APR provides a baseline level of historical cost financial information, which is aligned to our price controls (and associated regulatory performance commitments and incentives) set out in Ofwat's [2014 Final Determination](#). Data for this section is produced consistent with the definitions set out in Ofwat's Regulatory Accounting Guidance (RAGs), Accounting Standards, and our own published accounting policies. Deloitte LLP ('Deloitte'), our statutory auditor, audit this section and Section 2, which together form the Regulatory Accounting Statements. Deloitte provide an audit opinion on the Regulatory Accounting Statements, which is set out in full in the Annual Performance Report.

4.2 Price review and segmental reporting

This section of the Annual Performance Report provides a more detailed disaggregation of revenue and costs. Data for this section was audited by Deloitte as explained above.

This year, Jacobs were asked to perform assurance on our cost allocation processes relevant to our Severn Trent Water and Hafren Dyfrdwy (at the time Dee Valley Water) transactions. Jacobs have undertaken assurance on the previous boundary in respect of our APR assurance and the new boundary in respect of PR19. The overall scope includes:

- Challenge methodology for compliance with Ofwat specific guidance or adherence to cost allocation principles in the absence of specific guidance.
- Review whether our process description templates adequately explain methodology for cost allocation and outline dependencies, assumptions, risks and associated mitigation measures.
- Challenge assumptions made in the cost allocation process for both 2017-18 and 2018-19.

Outcome of Jacobs' assurance

Jacobs carry out the work in stages, the first stage included the review of cost allocation documentation and process for allocations between Severn Trent Water and Dee Valley Water / Hafren Dyfrdwy.

Jacobs reported that *'Overall, for the documentation and processes we reviewed we found that you continue to have a satisfactory level of documentation and processes in place to report data that are compliant with the principles and rules within the RAGs'*.

Jacobs did not identify any material areas of non-compliance however have identified areas we can improve going forward, notably by providing more detail in our processes. We will continue to improve these over the coming months in line with our boundary changes and alignment to the PR19 price controls.

4.3 Performance summary

This section of the Annual Performance Report explains how we have progressed against our performance commitments in the third year of delivery of our business plan. As in the previous two years, independent technical assurance on our performance commitments was provided by Black & Veatch. B&V undertake assurance using a staged approach which is completed in full before any internal sign-off of data occurs.

Stage One focuses on a process. During stage one, B&V reviewed the process description templates (PDTs) which are followed in order to report against performance commitments. Stage one included both desktop reviews and face-to-face interviews. These reviews ensure that:

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

Stage Two focuses on data produced and associated commentaries which explain our performance in more detail. Audits are carried out in person with the responsible data owners. These audits ensure that:

- Data produced are consistent with the PDT and any deviations from this are identified and evidenced.
- Commentaries accurately reflect the data and performance within the year.

Following the audit, all individuals within the approval process sign off the data and commentary, culminating in the relevant Director who will approve both the data and commentary.

As with the last two years, our risk assessment in 2017/18 identified performance commitment reporting as a key area of risk, taking into consideration the potential impact on our customers' bills.

The assurance undertaken this year reflects the level of risk, and also takes into account the findings of our assurance in this area in 2016/17, with stage one and two reviews being carried out for all performance commitments at year-end, and a risk-based approach at the half-year.

Outcomes of Black & Veatch customer ODI assurance

In reviewing our ODI audit process, B&V provided the following key points:

- *'We substantiated reported performance from base data in the company's systems and confirmed that it was consistent with other reported regulatory data.*
- *Our audits provide third-line assurance, complementing first- and second-line assurance checks carried out by the company.*
- *Our audit was carried out in two stages; Stage 1b focusing on procedures, and Stage 2 on data audit.*
- *Documentation of procedures made good progress between our Stage 1b and Stage 2 audits, but some areas of base data collection relating to the water balance would benefit from the documenting of procedures.*
- *In every case we agreed the confidence grade assessed.*
- *We found no material weaknesses or deviations from established procedure in reporting.*
- *There would be benefit in confirming with Ofwat the exact commitment for ODI A4 –Delivery of the Outcomes of the Service Reservoir Water Quality Risk Management Schemes.*
- *Detailed audit reports have been provided for each ODI, including recommendations.*
- *Reporting of some measures continues to rely on paper records and manual transposition or interpretation of data, where procedures have not yet been merged with STW's. Owing to DVW's small size, this can still give robust results.*
- *Performance against targets is summarised below and summary details are given after that for each ODI.'*

Furthermore B&V noted the following improvements in assurance processes, since our audits in 2017:

- *'All ODIs are now covered by written procedures in standard format. We have made some recommendations for some further minor improvements in these.*
- *Coordination of activities necessary to achieve ODI A4 - Delivery of the Outcomes of the Service Reservoir Water Quality Risk Management Schemes has been improved through being focused through a single person.*
- *Measures to improve the monitoring and calculation of leakage and per-capita consumption have been identified and these will contribute to improved assurance in the reporting of ODI B2 – Sustainable Economic Level of Leakage Target and ODI E1 – Per-Capita Consumption and Water Efficiency in the future.'*

On the next page is a summary chart of the performance commitment audit results from B&V. Using the following status:

Green:	Exceptional, resulting from no weaknesses or deviations being identified. Confidence grades were correctly assessed and appropriate for these lines.
Yellow:	Acceptable low/medium risk. Some minor weaknesses or areas for improvement, but no material weaknesses. Confidence grades correctly assessed
Amber:	Medium to high risk, resulting from material weaknesses or large number of minor weaknesses. Confidence grades were not correctly assessed.
Red:	High risk, resulting from material weaknesses or large number of minor weaknesses. Confidence grades were not correctly assessed or not provided

Performance Commitment and R/A/Y/G Status	Performance 2017/18 (Performance Commitment)	Payment/ Penalty Applicable?	Agreed Confidence Grade	Comments on Weaknesses and Deviations in Reporting Process
A1 - Discoloured Water Contacts per 1,000 Population	0.91 (1.01)	Payment	A2	Some minor weaknesses in internal procedural documentation.
A2 - Mean Zonal Compliance	99.97% (100%)	Penalty Deadband	A1	None.
A3 - Delivery of Legacy Alternative Scheme	Achieved (Deliver 2017-18)	N/A	B1	Some weakness noted in certification of actual construction progress.
A4 – Service Reservoir Water Quality Risk Schemes	No target this year – but on track	N/A	AX	Some minor weaknesses in procedural documentation.
B1 – Interruptions to Supply: Hours of Interruption per Property Over 3 Hours	0.07 (0.2)	Payment	B2	None. There is reliance on paper records and manual transposition of data, but very thorough checking.
B2 – Leakage: Litres per Property per Day	85.7 (90.8)	Payment Deadband	B3	Would benefit from further documenting of procedures for capture of source data in the water balance calculation.
B3 – Security of Supply Index	100 (100)	Reputation Only	B2	None.
B4 – Number of Bursts	243 (222)	Penalty Deadband	A1	None. There is reliance on paper records and manual transposition of data, but very thorough checking.
C1 - Gross Operational Greenhouse Gas Emissions: Tonnes	7,709 (9,752)	Reputation Only	A2	Good processes are in place, but it was necessary to extrapolate consumption data for part of the year and data were not available on a number of very minor sources of emissions.
D1 Customer Perception Based on Customer Research %	73% (Improve on 2016-17)	Reputation Only	A2	None.
E1 Per-Capita Consumption: Litres per Property per Day	136.57 (129.44)	Reputation Only	B3	Would benefit from further documenting of procedures for capture of source data in the water balance calculation.
E2 Household Service Incentive Mechanism	86.5 (80)	N/A	A2	None.
F1 Non-household Service Incentive Mechanism	94 (80)	N/A	A2	None.

4.4 Additional regulatory information

This section of the Annual Performance Report contains additional financial and non-financial information, including accounting policies, financeability statement, current cost reporting, totex analysis. For 2017/18 Ofwat expanded the scope of the APR to incorporate additional information, including on an expanded set of shadow performance commitments and additional cost and non-cost data in section 4 of the APR. These additional items were previously reported outside the APR and are designed to inform its PR19 determinations.

Due to the mixture of financial and non-financial information in section 4, we use both B&V and Deloitte to undertake assurance on this section. The table below notes assurance undertaken.

Outcomes of Black & Veatch assurance

B&V audited the following non-financial APR 2017-18 tables:

- Table 3D – SIM.
- Table 3S – Shadow Reporting of New Definition Data.
- Table 4A – Non-Financial Data
- Table 4D – Wholesale Totex Analysis, Water
- Table 4P – Non-Financial Data for Water Resources, Water Treatment and Water Distribution – Wholesale Water
- Table 4Q – Non-Financial Data for Properties, Populations and Other – Wholesale Water

These tables cover a total of 161 lines of data and the B&V assessment of Red/Amber/Yellow/Green status is given by groups of lines, together with the agreed confidence grades.

B&V noted the following key points:

- ***'We substantiated reported performance from base data in the company's systems and confirmed that it was consistent with other reported regulatory data.'***
- ***Our audits provide third-line assurance, complementing first- and second-line assurance checks carried out by the company.***
- ***We noted that first- and second-line assurance are procedural checks and do not guarantee that reported data are correct. We found a small number of cases where data had passed first-and second-line assurance, but contained errors which our audit identified and corrected.***
- ***Our audit was carried out in two stages; Stage 1b, focusing on procedures, and Stage 2 on data audit. Our audit approach was as for the audit of ODIs.***
- ***Documentation of procedures made good progress between our Stage 1b and Stage 2 audits. All lines are covered by procedures, but some areas of base data collection relating to the water balance would benefit from the documentation of procedures.***
- ***In every case we agreed the confidence grade assessed.***
- ***Detailed audit reports have been provided for each table, including recommendations.***
- ***We found no material weaknesses or deviations from established procedure in reporting, except for two measures in Table 3S, where it was not possible to report any figures.'***

Further information on the two areas identified in table 3S relating to our shadow reporting commitments is provided in the Board risk and compliance statement published alongside this document

5. Additional assurance activities in 2017/18

Area	Reason for inclusion	Overview of activity
Activities associated with our implementation programme with STW / HD	Shortly after acquiring DVW, ST made an application to Ofwat for a new NAV licence, which split the HD and ST area into a Welsh licence and an English licence respectively. The implementation programme also covers activities to implement STW IT systems into HD such as the STW billing system. There is a potential for customer confusion / impact if these changes are not communicated or implemented effectively. This work is ongoing into 2018/19.	<ul style="list-style-type: none"> • Regular programme monitoring by the Implementation team with representation at appropriate level of the business. • Internal Audit have reviewed initial programme plan and risks to ensure appropriate mitigations in place • Additional assurance requirement identified for the implementation of STW IT systems and our customer communication plans. • Engagement with our Water Forum and CCWater
Annual Performance Report	This report is the principal way that we will document our annual performance and hold ourselves publicly to account. The report will include inputs from other areas covered by this assurance plan (e.g. financial accounts) and require some forecasts of performance. It is important that we present information in a fair and balanced way that is accessible to our broad range of customers and stakeholders.	<ul style="list-style-type: none"> • External third line assurance of data, performance forecasts (and methodologies) and the presentation of information • Customer Challenge Group (CCG) review of the presentation and dissemination of information
Annual report to CCWater	On a quarterly, bi-annual and annual basis, we submit operational performance data to CCWater for a number of measures including customer complaints, sewer flooding, pressure and supply interruptions. The majority of this data is directly from our performance commitments (PCs) reporting. For example, the written complaint data submitted to CCWater forms a part of the Service Incentive Mechanism (SIM) and is subject to internal and external year end assurance. For measures that are not a part of our performance commitments, we provide appropriate second line assurance.	<ul style="list-style-type: none"> • Where data is derived from performance commitments e.g. SIM, it is subject to the same assurance as noted below. • Where data is not derived from performance commitments, second line assurance is undertaken.
Charges scheme including access prices	We have established processes to ensure that our charges scheme is consistent with charging principles and our revenue caps. We are also conscious of customers' perception around Severn Trent's acquisition of HD and how this may be perceived to affect price.	<ul style="list-style-type: none"> • External third line assurance of tariffs model and application. • External third line review for 'margin squeeze' and methodology of charging inputs and principles. • Third line assurance undertaken by STW's independent Internal Audit team of data inputs. • Engagement with customer representative groups such as CCWater and our Customer Challenge Group (CCG) to ensure our charges scheme is transparent in how it has been calculated.

Information provided to the Drinking Water Inspectorate	We report both formally and informally on a regular basis to the Drinking Water Inspectorate (DWI). Similar to our CCWater reporting, some of the information is already part of our PCs such as number of water quality complaints and drinking water compliance.	<ul style="list-style-type: none"> • Where data is derived from performance commitments e.g. it is subject to the same assurance as noted below. • Where data is not derived from performance commitments, second line assurance is undertaken.
Licence To Operate	Our annual review of statutory obligations and risks through our internal risk assessment framework as described in section 2.2.3	<ul style="list-style-type: none"> • Areas of material non-compliance are reviewed by the accountable director and subsequently by the Board for inclusion in our annual Compliance statement • Accountable and responsible managers create action plans to drive improvements in areas where required.
Performance commitments and ODIs	In our own assessment, and in our stakeholders' view, all performance commitments are a priority area given the immaturity/complexity of some performance commitments and the potential impact on customers, environment and market confidence. Assurance will be undertaken at both half and full year (to identify any issues well in advance of final end of year reporting). Further 'deep dives' may be applied to areas of greater risk identified at half-year review and during the year.	<ul style="list-style-type: none"> • External third line review of methodology • External third line face to face review of methodology application • External review of reported performance figures • Additional deep dives into key customer priorities and emerging areas of process risk from half-year review
Convergence measures (PCs and ODIs)	As requested by Ofwat we have commenced shadow reporting on a number of measures that will be implemented in the 2020-2025 period. These measures are undergoing to the same level of assurance as our current PCs and ODIs	<ul style="list-style-type: none"> • See Performance Commitments and ODIs above.
PR19	This year PR19 becomes a business critical activity as it determines our business plan for the next AMP period (2020-2025). The board will be required to sign a statement confirming at our PR19 submission has been produced at a good level of quality.	<ul style="list-style-type: none"> • Comprehensive PR19 Assurance framework designed by Compliance and PwC. This has been approved by our Audit Committee. • All areas will be subject to a minimum of second line assurance including reviews of data, methodology and processes. • Higher risk or high materiality areas will be subject to additional third line assurance (via a mixture of external assurers, specialist groups and Internal Audit)
Statutory and regulatory accounts	The continuation of established processes to audit our accounts in line with statutory and regulatory requirements.	<ul style="list-style-type: none"> • External third line audit of accounts in line with agreed procedures.

Operational Performance Standards (OPS) and Market Performance Standards (MPS)

On a quarterly basis, we are required to submit a number of key performance indicators to the market operator, MOSL who then publishes the information on their website. This information is used by retailers, Ofwat and MOSL to ensure that wholesalers are delivering a competitive and fair service to all customers in the market. Next year, failure to meet MPS SLAs will also result in a financial penalty for the company.

- Review by Internal Audit of information and fed back on areas for improvement

Water resources management plan (WRMP)

This document sets out how we plan to meet our customers' need for clean water both now and in the future, taking into account the changing impacts of climate change and population growth. Ofwat have set out the approach they expect companies to follow in completing the submission and have outlined specific requirements for assurance, including a signed Board assurance statement and evidence from independent reviews.

- External third line assurance of data, methodologies and the presentation of information
- Independent challenge from external stakeholders - Natural Resources Wales, Environment Agency

Market Information (Water Resources)

To help these markets grow successfully, it is important that customers and potential market participants can trust our costs are accurate in these areas for activities such as demand management, treatment, transport and other 'search costs'. We will support these new market areas and ensure our data is accurate and has had a third line review before publication.

- External third line assurance of data, methodologies and the presentation of information