

Assurance Plan

April 2016

This assurance plan aims to provide you with the information to understand how confident we are as a company that the data we publish is accurate and can be trusted.

It's part of our
Blueprint for Yorkshire



YorkshireWater

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1. Introduction

The aim of this plan is to provide you with the information to understand how confident we are as a company that the data we publish is accurate and can be trusted.

We aim to do this in a way that is transparent and understandable for all our Stakeholders and Customers.

In July 2016 we will publish our Annual Performance Report for 2015-16. This will enable our stakeholders and customers to understand how we have performed in delivering the performance commitments we have made to them, accompanied by measures of financial performance.

We have spoken with our key stakeholders on what they perceive our risks, strengths and weaknesses are with the performance information we publish. This has allowed us to consider areas for improvement.

This document sets out our annual assurance plan for the information we will publish in July 2016. It provides an overview of the processes we follow to review and check the information we collect prior to its publication. This is what gives us confidence that the information we publish is accurate and can be trusted. This document also provides a response to the risks identified through consultation with our stakeholders.

We hope this helps to maintain the confidence and trust in our reporting that our stakeholders have told us they have in us.

2. Background

To develop our 2015-20 delivery plan we worked with our customers, stakeholders and the Customer Forum to identify 26 performance measures and commitments. These will form the basis for our non-financial performance reporting. We will provide an update on our performance against these commitments on an annual basis.

We have established a process with the Customer Forum to ensure that we continue to be held to account for delivering our commitments and meeting the promises we made to our customers.

We recognise the importance of ensuring that our stakeholders and customers have confidence in the performance information that we report for each of our performance measures and commitments. We will ensure that these performance measures and commitments continue to receive a high degree of assurance and validation as part of our annual reporting processes.

To help you navigate this document we have produced a glossary of key terms which is included as part of this Assurance Plan on p14.

Risks, Strengths & Weaknesses Consultation Process

During 2014-15 Ofwat reviewed the reporting of all water only and water and sewerage companies, classifying them into one of three Assurance Categories: Enhanced, Targeted or Prescribed. The majority of the companies (including Yorkshire Water) were categorised as targeted. This recognised that while these companies deliver accurate and reliable information, there remains an opportunity for further improvement that would reinforce the confidence customers and stakeholders have in our reporting and thereby the delivery of our performance commitments to them.

In November we published our [Risks, Strengths and Weaknesses Statement](#). This provided information on what our stakeholders think about the performance information that we publish. It also identifies additional reporting risks we have identified ourselves. In response to this we committed to a number of steps to continue to maintain the trust and confidence of our customers and stakeholders in the information we report.

When undertaking conversations on our risks, strengths and weaknesses, our stakeholders told us that confidence in our reporting is very high with good awareness of what and when we report data. We were told that data quality is extremely important to all of our stakeholders. Our levels of assurance are considered to be strong and we have built good awareness and appreciation of how our processes work. Further confidence is provided through independent third party validation of our data. Our stakeholders requested that we should do more to communicate our strengths and successes to improve confidence and trust as well as being transparent on the risks and issues we face.

Based on the feedback we have received from stakeholders, we have committed to making a number of improvements when we publish our Annual Performance Report in July 2016. Further information is available within the published [Risks, Strengths and Weaknesses Statement](#). One of the commitments made was to publish our reporting and assurance process. This is included as part of this document.

Internal Reviews

Internally we run a process of continual improvement in our reporting processes. Our process is certified to the ISO9001:2008 Quality Management standard. We proactively review and seek feedback on areas for improvement and incorporate these into our processes.

In 2014-15, we undertook a formal internal review and shadow audit of our 26 performance measures and commitments. This enabled us to have early visibility of any reporting and assurance risks to our new commitments. We could then discuss these risks with our stakeholders and put in place appropriate mitigating actions. The areas which we have identified as requiring targeted assurance are included in Section 5.

We will continue to develop our understanding of our risks in relation to both data quality and maintaining customer and stakeholder confidence in our data.

Previous Challenges

In the past, we have had reporting areas that have been previously challenged by Ofwat or one of our other regulators. These areas are specifically referenced within our assurance plan to ensure they have appropriate focus. The two areas which we have referenced in the plan are:

- Cost allocation processes: challenged by Ofwat during the 2014 Price Review process and;
- Leakage reporting: which we entered into an informal undertaking for during AMP5.

New Challenges

This year will see a new format for the publication of our annual information. This new Annual Performance Report requires both technical and financial assurance processes. We need to consider how we present this information to ensure that we respond to our stakeholders and customers' needs for fair and balanced information that is accessible and meaningful to all.

In April 2017, a new non-household retail competitive market will open. This could impact how we provide assurance and transparency of information across both wholesale and retail aspects of the company. Existing assurance processes will need to respond to any challenges this may bring and we will continue to review and understand the risks this may introduce.

3. Assurance Approach

We have put in place a well-structured assurance process for the information we publish. Activities undertaken within the assurance process for regulatory reporting will provide confidence that we will provide information that is reliable, accurate, transparent and accessible.

We have assigned a named data provider for the information we report. They have specific roles and responsibilities for providing the information. They are supported by a named data manager. The data and analysis used to compile the performance information we report is subject to internal review by team managers and senior managers before being presented to the responsible Director. Statements are required from senior managers involved in regulatory reporting. These statements are used to provide the Board, the Directors and the Chief Executive with evidence and confirmation that data is true and accurate and has been produced in a manner consistent with reporting requirements. This provides our first level of assurance (also known as a first line of defence).

A peer review of the information is undertaken by experts within the business. This provides our second level of assurance (also known as a second line of defence).

Our information and the process to obtain this information is reviewed and challenged by independent technical auditors. External assurance is currently provided by Halcrow, PwC and SGS. We have established a process with the Customer Forum to ensure that we continue to be held to account for delivering our commitments and meeting the promises we made to our customers. This provides our third level of assurance (also known as a third line of defence).

There are a number of common principles to our assurance processes. We apply these principles at all stages in our process. The common principles applied to our assurance processes are:

- Based on having three lines of defence (1: management review and sign off; 2: peer reviews; 3: external independent assurance)
- Evidence based
- Risk based
- Having clear accountabilities
- Based on honesty and transparency
- Regularly reviewed

The Board Audit Committee, the Board and the independent Customer Forum annually approve the performance information we will report to be a true and accurate assessment of Yorkshire Water's delivery of its performance commitments.

Our approach ensures that our reported performance data is robust, transparent and legitimate. We have obtained certification of the quality management system standard ISO 9001:2008. We have been following this ISO 9001:2008 certified approach for a number of years. This has the added benefit of driving continuous improvement in our reporting processes, which in turn mitigates any issues or risks associated with the consistency or accuracy of our reports. Our assurance approach is summarised in Figure 1.

Limits to Assurance

Assurance is about providing confidence, and a level of certainty that a piece of information or data is correct. While we can state some information with absolute certainty, the majority is always subject to some margin of error. We use confidence grades to help us establish how reliable and accurate our data is before we report it. The confidence grades also help inform our risk based reporting approach.

What matters to us is that the information is reliable and accurate enough to give our stakeholders and customers confidence that they have a view of our performance that they can trust and understand. The amount of assurance activity we carry out is determined by balancing what we need to do to meet these needs against any risks or areas of weaknesses we identify through our assurance processes or in conversation with our customers and stakeholders.

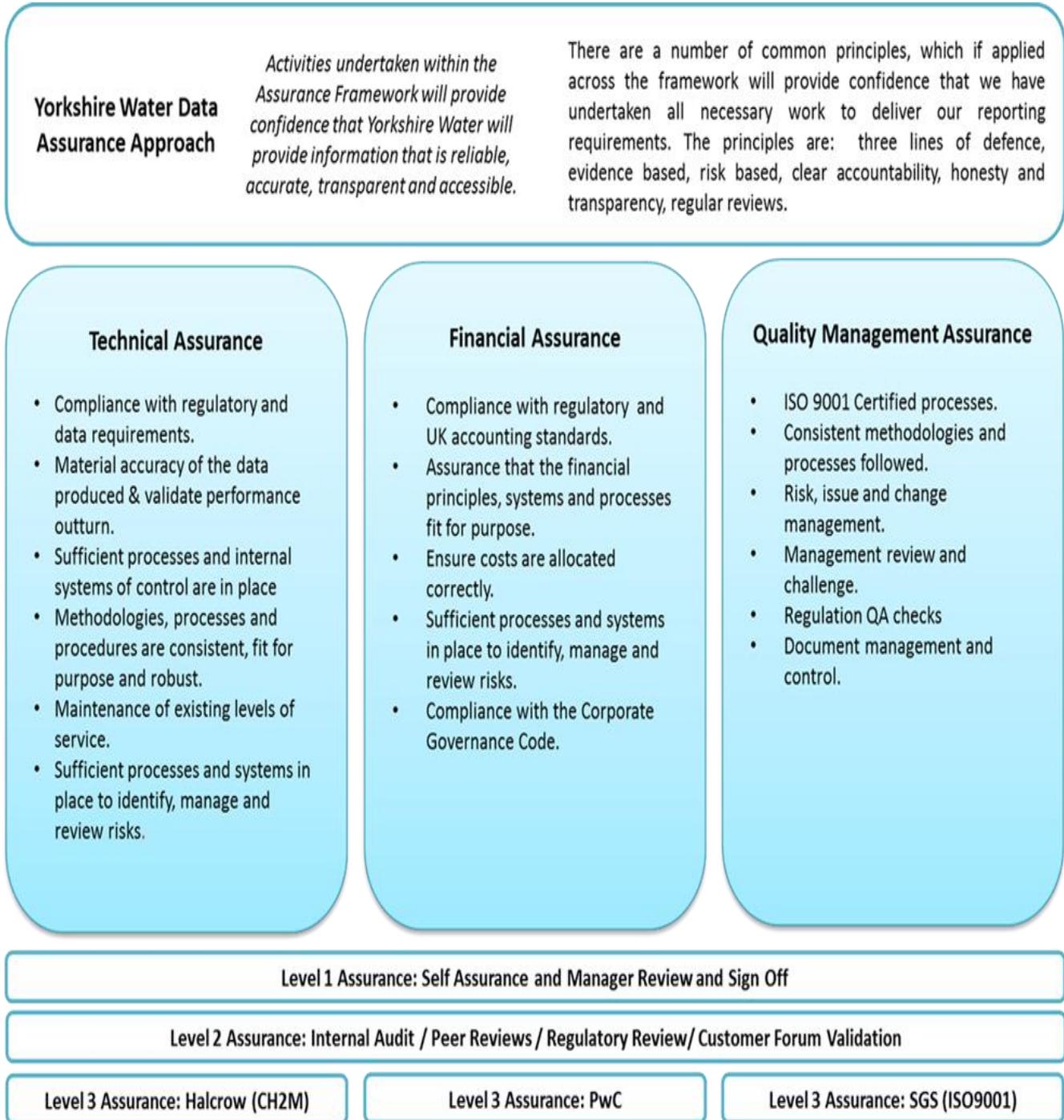


Figure 1. Yorkshire Water’s Assurance Approach

4. Existing Reporting and Our Assurance Processes

As part of ensuring we are being as transparent as possible in our reporting and assurance processes we will publish a summary of the assurance activities we have carried out and the findings from this assurance work alongside our annual performance report.

The table below summarises the reporting we currently undertake and the assurance processes we apply to each area.

Reporting Area	Requirement /Existing	Mitigation/Assurance Activity
Performance Measures and Commitments (plus supporting data set)	We will continue to follow our well established processes to audit our performance measures and commitments in line with regulatory requirements.	<ul style="list-style-type: none"> • First line assurance through management review and sign off. • Second line assurance provided by management and regulatory peer reviews. • Second line assurance provided by Internal Audit assurance of data outputs, processes and controls. • External third line audit of performance measures in line with agreed procedures by independent technical auditors. • ISO 9001:2008 certified processes.
Regulatory and Statutory Accounts	We will continue to follow our established processes to audit our accounts in line with statutory and regulatory requirements and UK Standards.	<ul style="list-style-type: none"> • First line assurance through management review and sign off. • Second line assurance provided by management and regulatory peer reviews. • Second line assurance provided by Internal Audit assurance of data outputs, processes and controls. • External third line audit of accounts in line with agreed procedures by independent financial auditors. • We will also continue to drive consistent, ISO9001:2008 certified good practice for inputs to the Annual Performance Report.
Charges Scheme	We have established processes to ensure that our scheme of charges and principal statement are consistent with charging principles and our revenue caps.	<ul style="list-style-type: none"> • First line assurance through management review and sign off. • External third line assurance of the financial inputs and model by independent financial auditors. • External third line technical assurance of data inputs and application of charging principles.

Reporting Area	Requirement /Existing	Mitigation/Assurance Activity
Price Review Submissions	We will continue to follow our well established processes to audit our price review information and submissions in line with regulatory requirements.	<ul style="list-style-type: none"> • First line assurance through management review and sign off. • Second line assurance provided by management and regulatory peer reviews. • External third line assurance of data inputs in line with agreed procedures by independent technical auditors. • External third line audit of accounts in line with agreed procedures by independent financial auditors.
Ofwat Data Requests	We will continue to follow our well established processes to audit our information in line with regulatory requirements.	<ul style="list-style-type: none"> • First line assurance through management review and sign off. • Second line assurance provided by management and regulatory peer reviews. • Second line assurance provided by Internal Audit assurance of data outputs, processes and controls. • External third line audit of accounts in line with agreed procedures by independent financial auditors. • Align to ISO 9001:2008 best practice certified annual reporting processes.
Developer Services	We will continue to build on the initial processes introduced to meet the formal reporting requirements in 2014-15 to ensure these align with our established processes.	<ul style="list-style-type: none"> • First line assurance through management review and sign off. • Second line assurance provided by Internal Audit assurance of data outputs, processes and controls. • External third line audit of accounts in line with agreed procedures by independent financial auditors. • Proactively seek third line audit of the information. • Implement an action plan to enable continual improvement to be driven forward.

5. Targeted Assurance Areas

There are a number of areas that we consider need targeted assurance. They have been chosen because they are viewed as important sources of information by our stakeholders and / or they have been identified through a risk assessment during the shadow audit process. The following table provides information on these areas and our mitigation plans to address these risks.

Targeted Area	Risk Identified	Mitigating Response	Risk Source
Differences in definitions for various performance measures.	There could be differences between company and regulatory reporting definitions, which may impact on perception and confidence of our stakeholders in the annual reporting information.	<ul style="list-style-type: none"> Yorkshire Water will continue to engage with our regulators to ensure all parties are aware of differences in definitions and these are clearly reported. Yorkshire Water will provide clear commentary on performance, including clarity on differences in definitions where applicable. 	Identified through the Risk, Strength and Weaknesses Consultation
Transparency of the assurance process	There is insufficient transparency of the assurance process.	<ul style="list-style-type: none"> Yorkshire Water will publish a Draft and a Final Assurance Plan on an annual basis, containing information on the reporting and assurance processes in place. Yorkshire Water will publish findings from the assurance reviews as part of the Annual Performance Report. 	Identified through the Risk, Strength and Weaknesses Consultation
Transparency and accessibility of information	There is a risk that Yorkshire Water fail to make information visible to stakeholders and customers.	<ul style="list-style-type: none"> Yorkshire Water is developing a Communication and Engagement Plan focusing on how customers want to interact with us, how the information should be presented and building a continuous engagement approach. Yorkshire Water will publish findings from the assurance reviews as part of the Annual Performance Report. 	Identified through the Risk, Strength and Weaknesses Consultation

Targeted Area	Risk Identified	Mitigating Response	Risk Source
Easy to understand information	There is a risk that information is not presented in a clear and understandable format.	<ul style="list-style-type: none"> Yorkshire Water will develop a Customer Performance Report. Yorkshire Water will continue to undertake customer engagement and proactively seek feedback on performance reports from various stakeholder meetings. Yorkshire Water will use the annual risks, strengths and weaknesses exercise to review whether improvements have been made. Yorkshire Water will continue to work with the Customer Forum. 	Identified through the Risk, Strength and Weaknesses Consultation
Data from third parties	There is a risk that there is a reliance on data from our suppliers and partners, which may not be as closely assured as other performance information.	<ul style="list-style-type: none"> Third line of defence technical auditors will be asked to spend greater focus on performance commitments where third party data is a key part of the measure. 	Identified through the Risk, Strength and Weaknesses Consultation & shadow audit of performance commitments in 2015.
Leakage Performance Reporting	There is a risk in demonstrating our performance due to the complexity of leakage reporting.	<ul style="list-style-type: none"> Third line of defence technical auditors will be asked to spend greater focus on this particular performance commitment. 	Identified through the shadow audit of performance commitments in 2015 & the review of historical reporting risks.
Drinking Water Compliance and Contacts	There is a risk that while current reporting processes are well established these could come under further scrutiny, particularly as we need to take a more proactive approach to ensuring we meet the required 100% compliance by 2017 onwards.	<ul style="list-style-type: none"> Third line of defence technical auditors will be asked to spend greater focus on this particular performance commitment. 	Identified through the shadow audit of performance commitments in 2015.
Length of River Improved Performance Commitment and Impacts of the National Environment Programme	There is a risk that due to the delays in the finalisation of the National Environment Programme this won't have sufficient time to be audited in as a greater scrutiny as other areas against the final position.	<ul style="list-style-type: none"> Third line of defence technical auditors will be asked to spend greater focus on this particular performance commitment. 	Identified through the shadow audit of performance commitments in 2015.

Targeted Area	Risk Identified	Mitigating Response	Risk Source
Customer Service Performance (SIM)	There is a risk that the introduction of new reporting guidance from Ofwat and the requirement to split household and non-household customers could initially impact on the quality of our existing reporting and assurance processes.	<ul style="list-style-type: none"> • Third line of defence technical auditors will be asked to spend greater focus on this particular performance commitment. • Additional internal and external audits have been held in 2015-16 to provide greater assurance following the changes to definition. 	Identified through the shadow audit of performance commitments in 2015.
Cost allocation	There is a risk that the introduction of greater competition and new tariffs could increase the potential for error. As this was raised during the 2014 Price Review process this could make us more susceptible to challenge in this area.	<ul style="list-style-type: none"> • Third line of defence financial auditors will provide focus on this particular area which will also be reported to a greater level of detail during 2015-20 in the Annual Performance Report. • Additional focus being provided through the assurance programme in place for the Price Re-Opener 2016. 	Identified through the review of historical reporting risks.
Annual Performance Report	A new template for reporting bringing together both technical and financial assurance processes could lead to a risk in the way information is understood and perceived by customers and stakeholders.	<ul style="list-style-type: none"> • Please see earlier mitigations around transparency of assurance processes, transparency of information and easy to understand information. • Development of a risk and assurance methodology to map inherent risks and controls and provide a check to ensure the right level of assurance is being applied. 	Identified through the review of emerging reporting risks.
Retail Competition	The implementation of a new retail competition market could impact how we provide assurance and transparency of information across both wholesale and retail aspects of the company.	<ul style="list-style-type: none"> • The Yorkshire Water Retail Competition Programme has an assurance programme in place, building on the good practice ISO9001:2008 certified processes in place for annual reporting. 	Identified through the review of emerging reporting risks.

6. Next Steps

Our Annual Performance Report will be published in July 2016.

When our reporting for this year concludes in July, the Board will reflect on the outcomes of the assurance steps we have carried out. We will reflect on what has worked well and where there is room for improvement. We will then take this forward in our plans for future years.

A new Risk, Strengths and Weaknesses consultation will be undertaken in Autumn 2016, following which we will published our updated Risks, Strengths and Weaknesses Statement and then an updated Assurance Plan.

Glossary

Term	Definition
Annual Performance Report (APR)	A single annual report that we have to publish to Ofwat to demonstrate compliance with our separate price controls.
Assurance	Assurance is about providing confidence, and a level of certainty that a piece of information or data is correct.
Company Monitoring Framework	Ofwat's framework that sets out the way in which companies provide performance information to their customers and stakeholders between 2015-2020.
Corporate Governance Code	Also known as the UK Corporate Governance Code, this sets out good standards in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders.
Customer Forum	Independent group of domestic customer, business customer and environmental representatives, including quality regulators, to ensure that we continue to be held to account for delivering our commitments and meeting the promises we made to our customers.
Developer Services	The department within Yorkshire Water that is responsible for servicing the needs of housing developers, ranging from sewerage enquiries to applying for a new water connection.
ISO 9001:2008 Quality Standard	The quality management standard that our regulatory reporting process has been externally judged to meet. By being ISO 9001:2008 accredited our regulatory reporting process is considered to consistently provide information that meets customer and applicable statutory and regulatory requirements.
National Environment Programme (NEP)	A list of schemes from the Environment Agency that Yorkshire Water has to complete in order to remedy adverse impacts on environmentally sensitive sites. The list of schemes is revised every five years.
Ofwat	The Office of Water Services, which is the economic regulator of water services in England and Wales.
Price Re-Opener 2016	A review being undertaken by Ofwat of the non-household retail price control ahead of the opening of the market in April 2017.
Service Incentive Mechanism (SIM)	An incentive mechanism designed to encourage water companies in England and Wales to provide better customer service. It also allows comparison of company performance.
Retail	Retail services are customer-facing activities such as billing, account handling (payments, debt management, meter reading), customer queries, as well as water-efficiency advice and tackling leaks on customers' pipes.
Risks, Strengths and Weaknesses Statement	This is an annual document produced following consultation with customers and stakeholder. It provides information on what they think about the performance information that we publish and how we will respond to any risks identified as part of this process.
Wholesale	Wholesale services are the physical delivery of water via networks of pipes to and from customers' property boundaries, including abstracting, treating and transporting water, as well as collecting, treating and disposing of wastewater.

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