

Regulatory reporting assurance plan

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YorkshireWater

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Navigating this document

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There are also many other clickable links within this document which we've made easy to spot by underlining and **highlighting** them in blue. If you click on one of these links, but then wish to navigate back to the page you were viewing previously, simply click the 'Back' button at the top of the page.

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Contents

We've created colour-coded sections to help you to navigate this report easily. Just click on the section you are interested in on the contents page, and it will navigate you to that section.

The report is structured as follows:

- 1 Welcome to our assurance plan 04**

We start this document with why this publication is important to us and to you and let you know how you can give us your feedback. You can also find out more about the assurance documents we will publish in the future. This will help you understand how our assurance evolves and how we respond to your feedback.
- 2 Informing our plan 07**

This section explains how we decide what areas we want to focus our assurance on. We talk you through how we engage with customers and show you what we have done as a result of your feedback. It walks you through our risk assessment, how we find out what's important to you and everything else we do to make a risk-based assurance plan.
- 3 Our approach to assurance 13**

This part has more detailed information about what we actually do when we conduct assurance at Yorkshire Water. It explains our principles and the actions we take to make sure that the customers of Yorkshire Water can put their trust in us.
- 4 Our areas of focus 19**

Here, we talk through specific areas we have identified in our risk assessment that we need to focus on. It tells you about our plans to improve these areas and how we will make sure the right amount of checks are in place so you can trust the information we give you.

1. Welcome to our assurance plan



Why it's important

In this publication we explain how we complete assurance at Yorkshire Water. We want to be transparent about what we put in place to check the activities we carry out and the information we provide to you.

It is important to us that you trust the information that we publish. To help you understand and trust what we publish, first we will explain the main terms we use throughout this publication.

Assurance

Assurance is the process of ensuring the work we do, and the information we provide, is correct and trustworthy.

We use it to identify any potential errors, make improvements and monitor the ways we work.

It's important to us that our customers can trust the quality of the information we publish.

Risk

When we talk about risk, we talk about the possibility of something happening and what it means if it does happen.

In this publication, we talk about the risk of something negatively affecting our ability to carry out and report on activities within our regulatory responsibilities.

A 'risk-based assurance plan' is a plan that adds more assurance and attention to higher risk activities.

To understand the results of the assurance we carry out and the specific areas of the business that we are concentrating on, you can find updates in our Annual Performance Report on our reports webpage.

In addition, we have published a glossary of terms which you can also find on our reports webpage.

yorkshirewater.com/reports

We'd like your feedback

We invite you to review our plan and tell us if you think we have met your expectations. The feedback that we receive will help us to shape our Assurance Plan.

As part of our commitment to making sure we get it right for our customers, we want to hear what you have to say. The conversations we have with our customers help us shape the way we work and the way in which we provide you with information.

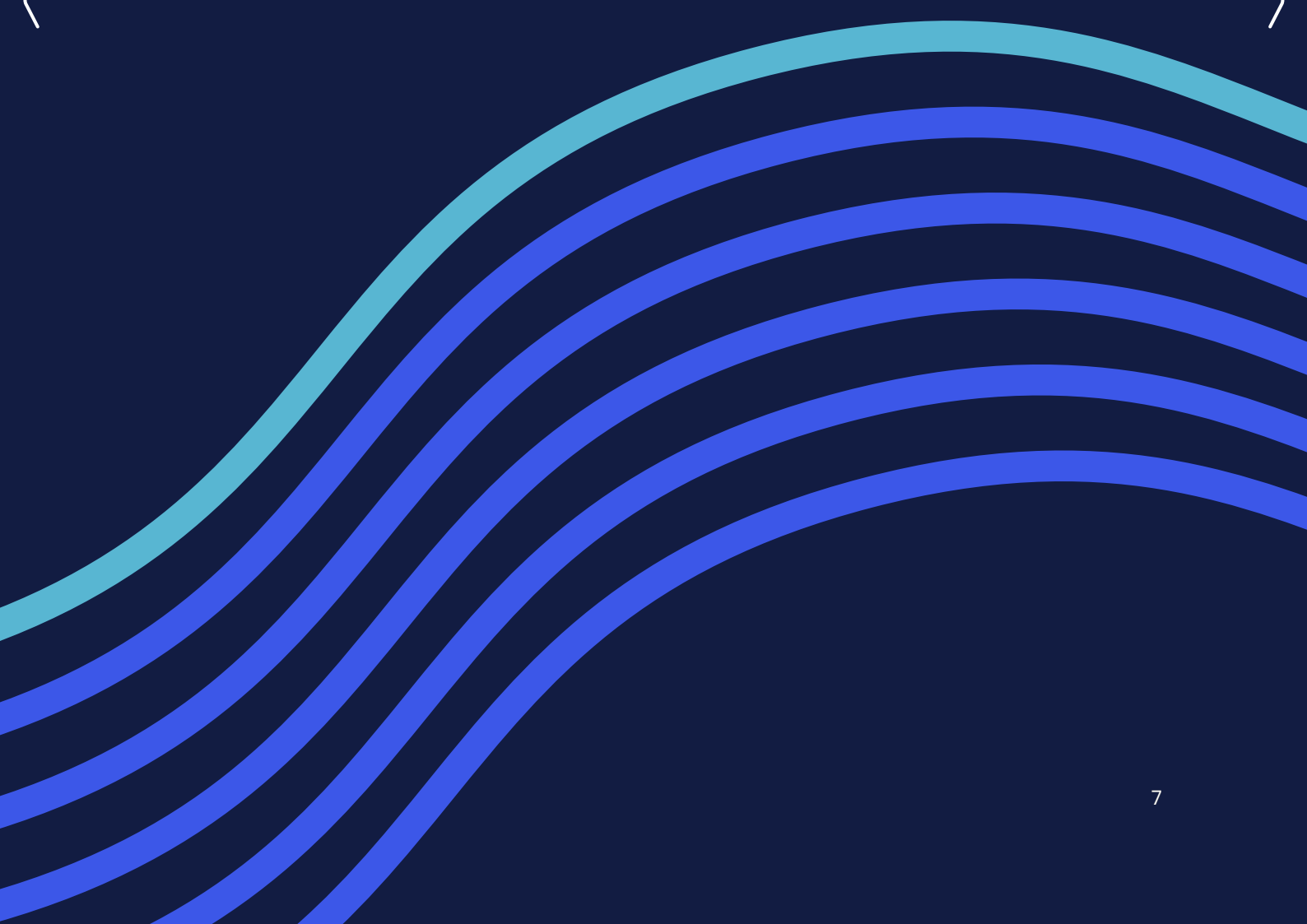
If you have any feedback on the assurance plan, you can contact us in the following ways:

Email: publicaffairs@yorkshirewater.co.uk

Sending comments via our website link: yorkshirewater.com/contactus

Facebook message us: [@yorkshirewater](https://www.facebook.com/yorkshirewater)

2. Informing our plan



Risk-based assurance

We know that when we put together our assurance plans, we will need to apply extra assurance to areas of higher risk.

We conduct risk assessments to identify the higher risk areas. Risk assessments look at the likelihood that something will deviate from what was planned and how big the effect will be if it does. It's important to us that we protect our customers and identify where there may be an impact on our customers when something does go wrong.

We carry out risk assessments on the activities we are required to report on to Ofwat and our day to day processes. This includes our performance commitments, the data we are required to report in our Annual Performance Report and the information and processes behind our regulatory publications. Our risk assessment includes considerations that make sure we focus on the right areas and understand how we keep our customers safe.

Assessing the level of risk

We engage with process owners and data providers to complete a risk assessment.

Probability

The likelihood that there may be errors.

We internally score against our risk indicators.

These include:

- the complexity of the processes,
- if there have been previous errors in reporting,
- the completeness of the information provided and how much of our data is assumptions,
- how many different sources of information there are.

Impact

How much of an effect there will be if there is an error.

We internally score against different areas of impact.

- Customer: the impact that this may have on the safety of and level of service our customers receive.
- Reputational: the potential damage that this may have to our reputation if we get it wrong.
- Financial: the level of financial penalty we may receive, or the cost to fix should something go wrong.
- Compliance: The risk of legal penalties if it causes us to break industry laws or regulations.

Wider assurance

Activities which highlight important considerations.

We engage with interested parties, which we call stakeholders, to understand what is important to them.

This includes:

- household and business customers,
- customer advocacy groups,
- financial stakeholders,
- regulators.

We consider what upcoming changes may happen that could change the risk environment.



Horizon scanning

Throughout the year, our regulation teams identify topics that are important across the water industry and are at the forefront of potential change. We care about the future economic, social and environmental issues that Yorkshire faces as a region. We are proactive in our actions when we identify that something may change that could affect our customers and stakeholders, or the ways in which we will be required to work.

We regularly review external papers and publications from regulators across the industry and outside our industry. Their observations, feedback and guidance help us determine what areas we should focus on and make improvements to. It also helps us understand what may become more important to you in the future.

P

Political
Government policy changes or changes in direction of government focus.

E

Economical
Financial changes such as interest rates and inflation, and changing financial demographic of consumers.

S

Social
Lifestyle changes, understanding demographics, changes in demand and expectations from customers.

T

Technological
New technological availabilities, innovation and products that can change how we work.

L

Legal
Changes in regulatory requirements and focus from regulators.

E

Environmental
Considering factors such as weather and climate change and also understanding how we reduce our impact on the environment.

By horizon scanning we identify future risks and proactively focus our assurance where we know there will be changes.

Regulatory reporting requirements

Our Regulatory Reporting, Assurance and Compliance Team analyse and interpret the regulations and guidance that are set by Ofwat. They support teams to make sure they comply with all the requirements. Our data providers, data managers, assurance teams and external assurance providers all have an important role to play to make sure this happens.

We make sure our customers understand our obligations too. This means you can read our publications objectively and with a better understanding. It helps you decide what is of more importance to you.

Find our reports here:
yorkshirewater.com/reports



What AMP7 means

In April 2020 we started a new Asset Management Period (AMP) which is a business plan for the period of 2020–2025. This AMP is called AMP7. The detailed plan sets out how we will maintain and improve water and wastewater services in Yorkshire to make sure they are resilient and sustainable.

Our performance commitments are ways in which we measure and report our performance. For AMP7 we have 44 performance commitments. The Regulatory Accounting Guidelines, which tell us what and how we need to report in our Annual Performance Report, have also changed and require us to report and measure information differently.

We recognise that with new regulations, new reporting guidelines and new responsibilities we need to make sure that we manage the risk of non-compliance. By understanding our obligations completely, and how they may change, we can proactively focus our assurance work to ensure we are compliant and mitigate the risk.



Finding our areas of focus

Although we complete a risk assessment, we complete assurance over all data and activities to make sure the information we provide is accurate. We are always looking for opportunities to improve the ways in which we work. The risk assessment process helps us highlight areas where we will complete additional focussed assurance.



We complete our risk assessment and take into consideration the wider assurance activities and allocate a risk score. We plot this against our Risk Matrix.

Probability	5	Moderate	Moderate	Severe	Critical	Critical
	4	Low	Moderate	Severe	Severe	Critical
	3	Low	Moderate	Moderate	Severe	Severe
	2	Very low	Low	Moderate	Moderate	Moderate
	1	Very low	Very low	Low	Low	Moderate
		1	2	3	4	5
		Impact				

The score given will define the level of assurance that is carried out in that area. There will be more intense and focussed individual assurance plans for those scored as 'critical' and 'severe'. Assurance still takes place in areas of low risk, but we recognise that this is not likely to require more than standard checks.

We revisit our risk assessment every quarter and review any issues or themes that may affect the risk scores. Risk is fluid and at any time something could change which can impact the level of risk in any area. We complete a full review of our risk assessment annually.

This process makes sure that the assurance we plan is adequate, timely and appropriate. It helps us create a risk-based assurance plan.

3. Our approach to assurance



Our assurance principles

We want our customers to be able to trust that the information we publish is accurate, accessible and easy to understand. Our work is underpinned by principles that work in harmony with each other to make sure we deliver excellent service and always consider the impacts of what we do. We consistently review what we do to make sure we are working within our assurance principles. We know the way we work and the trust our customers have in us defines us.

To demonstrate this commitment, we carry out our assurance following these principles:

1. Engagement

- We value the opinion of our customers and we ask you to review our publications and independently challenge us.
- We engage with the Yorkshire Forum for Water Customers (the Forum). They are an independent forum that represent the interests of our customers. They challenge and feedback on our performance and ways of working.
- We listen to feedback and guidance from our regulator, Ofwat, and take time to understand the requirements of the industry through our horizon scanning activities.



2. Ethically responsible

- Our Yorkshire Water values support an environment where all employees do the right thing. This is our 'tone from the top' as our Board adopt these values.
- Our values allow for growth in skill and knowledge, where close working relationships can grow. We trust our employees and our employees understand it is important our customers trust us.
- We understand that it is vital to have the right culture to gain our customers trust.



3. Relevant and transparent

- We make sure that the information we give is relevant and important to our customers right now.
- We make our documents easy to understand and make it clear what information is important.
- We will explain where we have not met our targets and what our plans are for improvement.



4. Clear methodology

- We take time to analyse and understand guidance, regulations and cross-industry themes.
- We risk assess the work behind our publications and data and we target the areas that have the highest risks.
- We use a 'three lines of assurance' methodology to make sure our assurance is applied consistently.



5. Governance and accountability

- We review our governance regularly to make sure that it creates outcomes that are compliant with regulations.
- The Board approves and monitors our governance processes and reviews our performance. This gives them ultimate accountability for the information we publish.
- We monitor and report transparently on any issues we find.



Our three levels of assurance

We use a way of working called the three levels of assurance. We call this our methodology. It's a process for checking activities and information. We apply this across all work. This methodology gives us consistency in our assurance as some of our activities happen across several areas and our data can be from several sources.

By putting our assurance activities into three levels, we make sure that we apply the right amount of assurance, at the right time. Below is a simplified overview of our three levels of assurance. If you would like to read more detail, our detailed diagram is located on the next page.

Level 1

The first checks take place when the people doing the work check what they have done is correct. These checks can be during or after what they are doing.

Level 2

Teams specifically in place to carry out checks make sure that the work carried out is correct and support level one to do so. They also do risk assessments, check we are working within the law and write reports for the Board to evidence their work.

Level 3

Internal Audit and our external assurance providers check the overall processes and output to make sure we are compliant, we have identified all risks and undertake plans for improvement. They report directly to the Board.

The Audit and Risk Committee

Everything that is identified in this process is presented to this committee. The assurance process is overseen and approved by this committee.

The Board

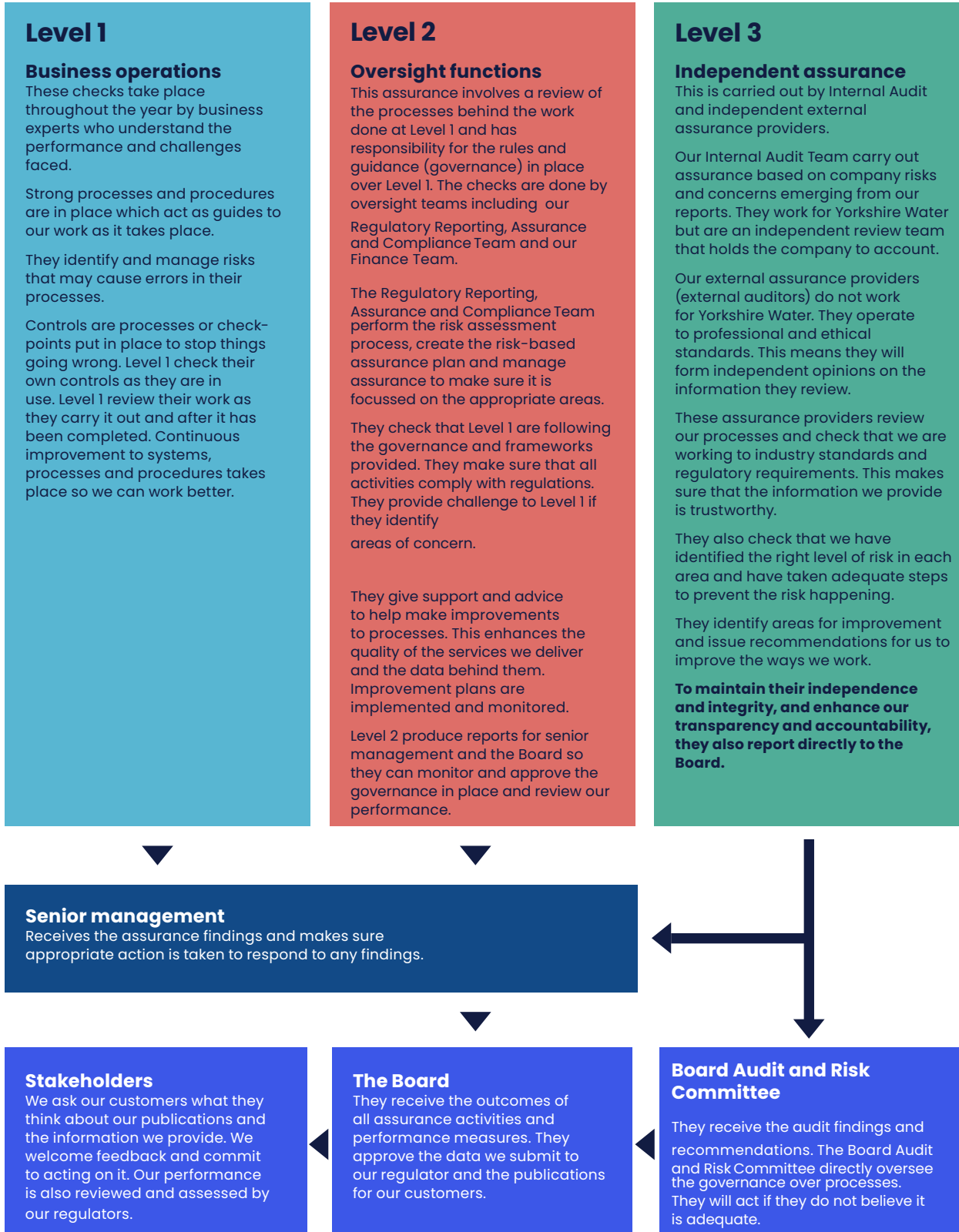
The outcome of our audits are presented to the Board and they approve the information that we report.

Stakeholders

We ask our customers to give us feedback and our regulator, Ofwat, also assesses the information that we provide.

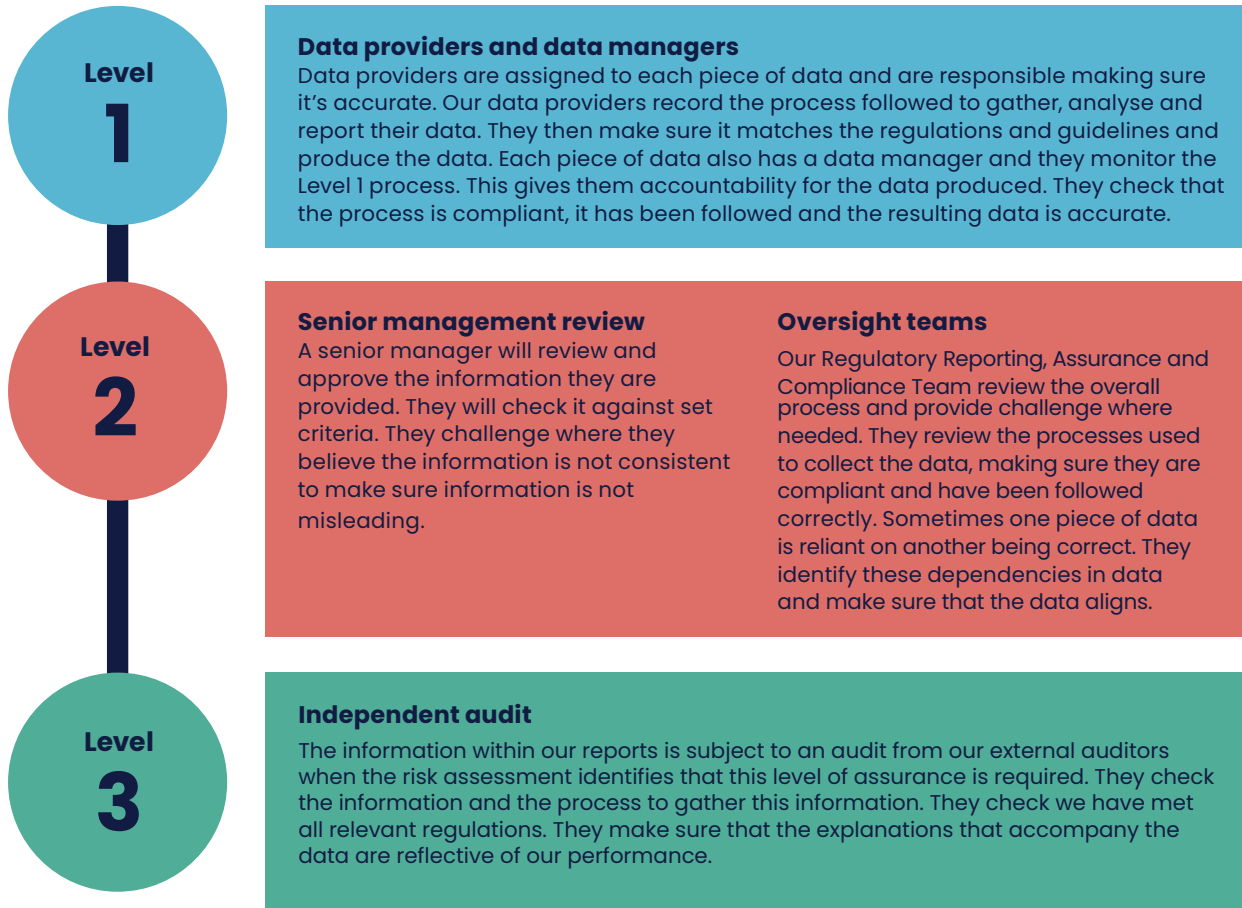
Our three levels of assurance

Below we explain in more detail the roles that each of our three levels take when carrying out assurance over our activities.



Our data assurance process

We complete data assurance to make sure the information we provide in our publications is accurate. We have illustrated below the three levels of assurance that we apply to make sure the information in our publications is trustworthy.



The Yorkshire Forum for Customers
The Forum are in place to review the integrity of our performance and provide challenge to make sure we keep focused on our responsibilities to our customers. As they have understanding of our business, they provide an informed voice for our customers. The Forum review our overall performance and provide assurance over the information we provide.

Audit and Risk Committee
As the Committee approve our overall assurance process, they provide assurance that the process has been carried out in line with their expectations. They carefully review the management controls that are in place throughout the process. They discuss each level of assurance, review the external assurance findings and, when satisfied, report to the Board that the assurance process has been followed. This helps the Board in the approval of the information.

The Board
The Board is accountable for the quality of our information and have a responsibility to make sure it meets your needs. The Board owns and approves the publication. Final approval is given by the Board after all assurance steps have been carried out.

Stakeholders
Ofwat review and assess our publications. They provide feedback and challenge where required. We ask our customers to give feedback on publications to make sure our publications are relevant, transparent and contain information they can trust.

Our external assurance for AMP7

This Asset Management Period or ‘AMP7’ is our business plan for the period of 2020–2025. For AMP7 we have changed our approach to external assurance. External assurance is provided by companies who are not part of Yorkshire Water. They are specialist audit and assurance companies who are independent in their opinions. They conduct Level 3 of our three levels of assurance.

Previously we have appointed one company to complete Level 3 assurance over our regulatory reporting obligations that are not covered under the requirements to be reviewed by a financial auditor. Going forward, we will be operating within an assurance framework. This means that we have appointed four companies to provide us with external assurance. The role of our assurance providers is to make sure that when we are working towards our vision and goals, we are working to regulations, to our processes and doing everything we can to protect our customers. Using four providers will enhance the assurance we carry out in many ways, including:

- ✓ Getting new and different perspectives on our processes
- ✓ Reducing complacency in relationships with our external assurance providers
- ✓ Wider coverage across the business
- ✓ Being able to find optimum working practices and assurance methods from a wider selection of different ways of working
- ✓ Provide more challenge for Yorkshire Water to give accountability and also push to continuously improve our activities
- ✓ External assurers provide challenge to each other to ensure that assurance is carried out to the highest of standards
- ✓ Access to more industry and activity-based specialists and a wider view of issues and opportunities outside of the water industry
- ✓ Ability to benchmark our performance better.

We will also continue to strengthen our internal assurance and oversight teams with the assistance of our external assurers.

We will continue to work with Deloitte as our financial auditors. They will provide external assurance over areas with an explicit requirement for a financial audit.

4. Our areas of focus



Areas of focus

As a result of completing our risk assessment process, we have identified where we will focus our assurance and put in place plans to improve.

We have divided this section into three themes

1.

Performance commitments

The targets that are in place which we measure our performance against.

2.

Regulatory data

The data we are required to report in our Annual Performance Report and as part of price review.

3.

Publications

The information that we publish throughout the year for our stakeholders.

Within each of these themes we will explain to you the overall assurance methods we are undertaking this AMP.

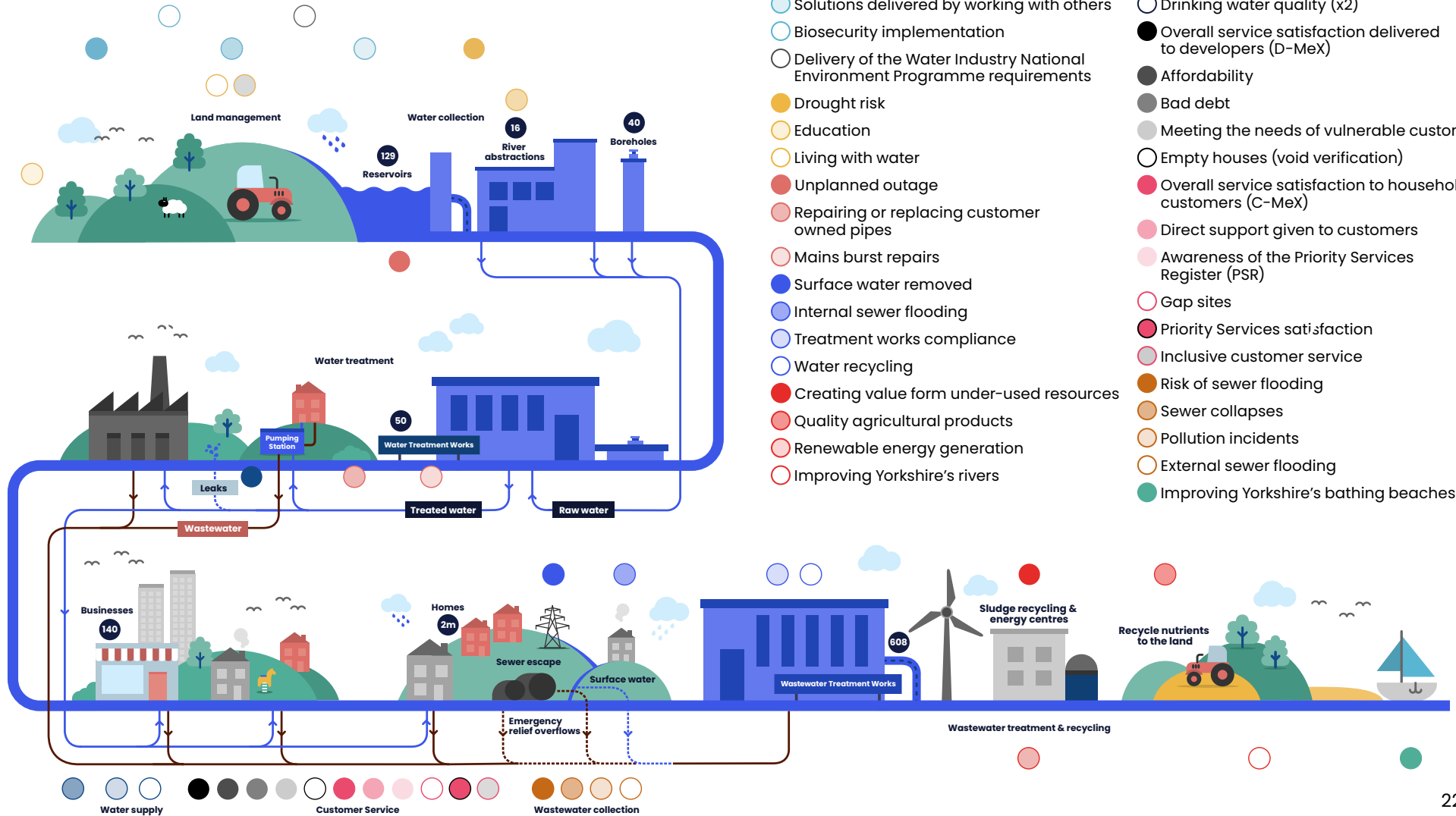
Introduction to our performance commitments

Our business plan for the 2020–2025 period (known as AMP7) puts our customers at the heart of everything we do. We engaged with 30,000 customers, and the Yorkshire Forum for Water Customers (an independent Forum which supports Yorkshire Water to manage its business in the best interests of its customers), to understand individual lifestyles and how they shape what customers want, need and expect from us. We listened to customers' aspirations for us and developed a plan that puts excellent and efficient service front and centre of our ambitions.

In response to customer feedback, we developed a package of 44 performance commitments for AMP7 which align with our ambitions and challenge us to change the way we work to meet both customers' expectations and the complex long-term challenges that we face as a business.

The diagram on the next page shows how these 44 performance commitments cover every aspect of what we do, from water source to sea.

Our source to sea operation



Performance commitments

It is important to us that we provide accurate information about our performance commitments so you understand how we are performing against our targets.

We have 44 performance commitments this AMP. Some of them have annual targets and some are measured across the whole AMP, which began in April 2020 and lasts five years. When we publish our Annual Performance Report in July, we will tell you how we have performed against our annual measures and let you know how we are progressing with our longer-term targets. We now also report quarterly (every three months) on our performance to be more transparent and so you can track our progress.

Our quarterly performance is published on our website:
yorkshirewater.com/our-performance

For each of our performance commitments we review several areas



- **Policies and processes.** We review our top-level policy commitments, our performance commitments and our processes to make sure that they are comprehensive and support the delivery of our obligations.
- **End-to-end process review.** To review the way in which we carry out day-to-day, front line activities that impact and contribute to our performance.
- **Data Assurance.** We make sure that our data assurance process is robust and, at each level, those involved in each step of the process are trained and aware of their responsibilities.
- **Assurance oversight.** We have added more providers to our external assurance to give us more insight, challenge and opportunities for improvement.
- **Transparency.** We continuously review the ways in which we provide you with information. We will always give clear explanations about our performance, and if we're not hitting our targets we will identify the cause for this. We have introduced quarterly reporting so our customers can understand what our performance commitments are and track how we are performing.

To manage assurance being completed across all our performance commitments, we follow our risk-based assurance plan. This gives more focus to higher risk performance commitments, where more oversight of plans is required and additional assurance is given.

Regulatory reporting data

Regulatory reporting data is information we are required to report as part of the conditions of our licence. Most regulatory reporting data is reported in our Annual Performance Report (APR) in July each year. What information goes into this is defined by Ofwat guidance called the Regulatory Accounting Guidelines (RAGs).

We populate the required data in a table to submit to Ofwat and we publish the APR as an accompanying document to support the data we have submitted. To be transparent to our stakeholders, we also publish the tables that we send to Ofwat on our website. You can find the tables and our APR here: yorkshirewater.com/reports

Changes to what we are required to report

Ofwat regularly review and update our reporting requirements and make some changes to what we report in our Annual Performance Report. The changes ask us to provide more information and some data in new or different ways. This is to improve our transparency and to enable more of our information to be challenged and monitored to protect our customers and improve the service we provide.



Understanding the changes

We review the changes and our procedures to make sure we can report accurately. We allocate data providers and data managers to each piece of new data and support them to build processes that produce compliant data.

The increase in information required and the change in the way that we are required to report means that we need to consider the risk this brings to our reporting. Our risk assessment identifies the higher level of risk associated with new data. We use the risk assessment to create a risk-based assurance plan which will make sure that new data goes through an adequate amount of scrutiny. All data will go through our Data Assurance process.



Improving our data

We constantly review the ways in which data is collated to understand if we can improve our processes and the accuracy of our data. We also want to make sure that it is clear what is and is not included in each piece of data. We will update you on our findings in our Annual Performance Report, published annually in July.

Publications

We publish documents throughout the year that give important information to our customers and other stakeholders. It also shows our regulators that we are meeting our obligations and complying with regulations. We individually risk assess our publications to make sure we apply the right levels of assurance to each.

Here are the steps taken to make sure each of our publications are adequately assured at Level 1.

Level 1

Controlled data provision

Data providers, who are business experts, have responsibility for collating data and accompanying information. They carry out checks in their day to day roles.

Process controls

Detailed processes are in place to make sure that the information collated is accurate and consistent. It also documents all the sources of data so they can be traced back and assured fully.

Internal data review

A peer review of our publications by internal specialist teams or by senior management can provide Level 2 assurance over our publications.

Regulatory review

Our regulation teams review and provide confidence that there is adequate governance in place and we are compliant with what we are required to report. Gap analysis is performed on each publication against the regulations to identify anything we may have missed.

Wider assurance

External appointed assurance providers may be asked to provide Level 3 independent assurance over some of our publication. A review of the publication will take place to ensure the appropriate sign off and approval of the publication, this could be with senior managers or could be with the Yorkshire Water Board.

We assess each publication individually to understand what further assurance should take place. A peer review of our publications by internal specialist teams or by senior management can provide Level 2 assurance over our publications. External appointed assurance providers may be asked to provide Level 3 independent assurance over some of our publication. A review of the publication will take place to ensure the appropriate sign off and approval of the publication, this could be with senior managers or could be with the Yorkshire Water Board.

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