

# **Risk and compliance statement**

July 2018

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# Risk and compliance statement

## Purpose and scope of the risk and compliance statement

The uninterrupted supply of sufficient clean safe drinking water and removal of waste water is an essential service we provide to Yorkshire Water customers. To make sure that this is achieved in a way that is safe and compliant for all our customers and stakeholders whilst protecting and enhancing the environment we need to comply with a range of regulatory and legal obligations. We recognise the importance of our reporting to build customer and stakeholder confidence and that we need to openly report our level of compliance with these obligations and how this has been achieved.

This statement sets out how we have complied with the statutory, licence and regulatory obligations where Ofwat is our regulator. It allows us to demonstrate our accountability to our customers and demonstrates to Ofwat how we are complying with their obligations.

This statement covers the reporting year 1 April 2017 to 31 March 2018 for all obligations, except for environmental compliance and water quality parameters. These obligations are reported for the calendar year, 1 January 2017 to 31 December 2018.

### The statement is in three sections:

- **Section 1:** The Board Assurance statement confirms the extent of our compliance with our obligations. It is signed by our Board.
- **Section 2:** Outlines the processes and assurance we have in place to achieve compliance and meeting our obligations.
- **Section 3:** Copy of the assurance letter from our independent technical advisor Jacobs.

# Section 1

## Board Assurance Statement

As the Board of Yorkshire Water Services, we are satisfied that we have the sufficient processes, systems of internal control and assurance in place to allow us to confirm that:

- We have a full understanding of all our statutory, regulatory and licence obligations.
- Subject to the exceptions noted in Table 1, we are meeting all these obligations.
- We have taken appropriate steps to understand and meet the expectations of our customers.
- We have designed our services to meet those expectations, including the value of water bills our customers are willing and able to pay.
- We have sufficient processes and systems of internal control to meet our obligations.
- Our risk management process identifies and escalates risk to be managed to the level reported.

We confirm that we achieve Ofwat's ambitions for transparency by:

- Providing information to customers in line with Ofwat's information principles.
- Involving customers and their representatives in improving our approach to providing information.

We confirm that we have:

- Provided Ofwat with assurance that we have sufficient financial and management resources to enable us to carry out our regulated activities (Licence condition F6A).
- Considered the financial impact of a range of severe but plausible risk scenarios materialising to enable us to provide reasonable assurance that the Company will be able to continue in operation and meet its liabilities as they fall due over the next seven years, to 2025, as set out in our long-term viability statement which can be found in Appendix 4 of this report.
- Sufficient rights and assets available to enable a special administrator to run the Company if such an order was to be made (Licence condition K3).
- Made sure that all trade with associate companies in the year has been at arm's length (Licence condition F6).
- Maintained the investment grade credit rating Baa2 (Licence condition F6A.6).
- Explained how we link Directors' pay to standards of performance which can be found in our Annual Report and Financial Statements (section 35A of the Water Industry Act 1991).
- Reported in table 1 where we have not achieved the level of performance agreed in our final determination.

The Board confirms that, over the period covered by this statement, it has complied in all material respects with its relevant statutory, licence and regulatory obligations that have not been confirmed by other processes, and that it is taking appropriate steps to manage the risks it faces.

Our Independent Technical Adviser Jacobs has reviewed the approach and processes we follow in assessing compliance with our obligations. A copy of their Assurance Statement is provided in Section 3 of this Risk and Compliance Statement.

## Principles of Corporate governance

The Board is committed to achieving the highest standards of corporate governance in accordance with the requirements of company law, current best practice, the UK Corporate Governance Code (the Code) and Ofwat's guidance.

The Board is pleased to confirm that by 31 March 2015, it had fully implemented the principles which Ofwat expects companies operating in the water sector in England and Wales to apply, as set out in its document entitled "Board leadership, transparency and governance principles" published in January 2014 ("the Ofwat Principles"). A majority of independent Non-Executive Directors sit on the Board, which is led by an independent Non-Executive Chairman. There are three investor representatives present on the Board.

The matters reserved to the Board, together with the Terms of Reference of the Board's principal Committees are published on the Company's website: [www.yorkshirewater.com/about-us/what-we-do/corporate-governance-and-structure](http://www.yorkshirewater.com/about-us/what-we-do/corporate-governance-and-structure). In accordance with the Ofwat Principles the Board adopted its own "Board Leadership, Transparency and Governance Code" ("the Yorkshire Water Code") in February 2014. This is available on the website: [www.yorkshirewater.com/sites/default/files/Yorkshire%20Water%20transparency%20code.pdf](http://www.yorkshirewater.com/sites/default/files/Yorkshire%20Water%20transparency%20code.pdf) The Yorkshire Water Code sets out how the Company has complied with the Ofwat Principles and the time frame within which it would fully implement the Ofwat Principles.

The Board also notes the Government's proposals on corporate governance reform and recognises its accountability to all stakeholders in terms of its corporate governance as a large, private company. Further information on our governance is contained within Section 6 and Appendix 4 of the Annual Performance Report. Additional detail is also provided within the Annual Report and Financial Statements ([www.yorkshirewater.com/reports](http://www.yorkshirewater.com/reports)).

## Exceptions

The following exceptions to achieving our obligations have been shared with Ofwat.

**Table 1**

Obligation	Yorkshire Water position	Action being taken to improve
<p><b>Water Industry Act: maintain maps of their sewers. Clause/Section 199.</b></p> <p><b>Subject to subsections (6) to (8), it shall be the duty of every sewerage undertaker to keep records of the location and other relevant particulars.</b></p>	<p>The Water Industry Act places an obligation on wastewater companies to maintain maps of their sewers.</p> <p>In common with all other wastewater companies in England and Wales not all our sewers are mapped.</p>	<p>We continue to improve our maps as we perform work on our waste water networks.</p>
<p><b>Performance commitments.</b></p> <p><b>For 2017/2018 we have met or exceeded 22 of our 26 Performance Commitments</b></p>	<p><b>These are the four performance commitments we did not achieve this year.</b></p> <p><b>Energy generation performance commitment.</b></p> <ul style="list-style-type: none"> <li>In 2017/2018, we supplied 11.4% of our needs through self-generated energy. This being a two year high compared with 2015/2016 &amp; 2016/2017, where self-generation was 11.3% &amp; 10.4% respectively. However, this falls short in achieving our Performance Commitment of generating 12% of our energy needs from renewables.</li> </ul> <p><b>Drinking water quality contacts performance commitment.</b></p> <ul style="list-style-type: none"> <li>We did not achieve our target of 6,108 contacts.</li> </ul> <p><b>Drinking water quality compliance performance commitment.</b></p> <ul style="list-style-type: none"> <li>We did not achieve our target of 100% compliance. Drinking water quality in Yorkshire remains excellent at 99.953%.</li> </ul> <p><b>Leakage performance commitment.</b></p> <ul style="list-style-type: none"> <li>This year we narrowly missed our performance target of 297.1 million litres a day (Ml/d) throughout the year. This year we reported annual average leakage as 300.28 Ml/d which is within 1% of our target.</li> </ul> <p>You can read more about how we have performed against our promises to you in our performance summary report. Click here for a link: <a href="http://www.yorkshirewater.com/reports">www.yorkshirewater.com/reports</a></p>	<p>Detailed action plans to improve our performance are monitored by our Asset Delivery Assurance Groups.</p> <p>You can read more about our actions in Section 3, Review of our performance and Section 7, Regulatory Information of our annual performance report.</p>

## Exceptions - continued

Obligation	Yorkshire Water position	Action being taken to improve
<p><b>Environment Agency Environmental Performance Assessment.</b></p>	<p>The Environment Agency annually completes an Environmental Performance Assessment (EPA) of the water companies in England, examining performance on a range of environmental compliance matters such as pollutions incidents and waste water treatment works compliance. Our overall treatment works compliance in the 2017 calendar year was 98.3%. This was an improved performance compared to 2016 when we had seven failing waste water works or 97.6% compliance.</p>	<p>We have continued to deliver our programme of environmental investment and investigation needs to 2020. This programme focuses on the investment required to enhance our waste water treatment capabilities and protect the environment. The programme also includes investigations to understand and inform future investment needs.</p>

In addition to these known exceptions to achieving our obligations, our annual Control and Risk Self-Assessment process, by which all senior leaders across the business confirm their awareness and compliance with our obligations, has identified a risk of non-compliance. The risk has been identified where our process identified 92% awareness and compliance across all relevant obligations, including corporate governance. The obligations with the highest risk of non-compliance are the General Data Protection Regulations (GDPR) and the Network and Information Security Directive which came into effect in May 2018. There are 279 actions which are being monitored to improve awareness and compliance. This view of compliance is consistent with the view of our independent technical advisor Jacobs, who similarly identify opportunities for us to improve controls and awareness.

## Board Signatures



**Anthony Rabin**  
Chairman



**Richard Flint**  
Chief Executive



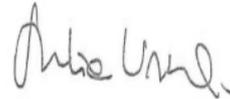
**Liz Barber**  
Director of Finance,  
Regulation & Markets



**Pamela Doherty**  
Director of Service Delivery



**Nevil Muncaster**  
Director of Asset Management



**Julia Unwin**  
Non-Executive Director



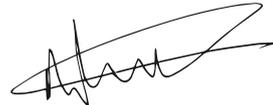
**Teresa Robson-Capps**  
Non-Executive Director



**Ray O'Toole**  
Non-Executive Director



**Andrew Wyllie**  
Non-Executive Director



**Mark Amsden**  
Company Secretary (Interim)



**Scott Auty**  
Non-Executive Director



**Andrew Dench**  
Non-Executive Director



**Michael Osborne**  
Non-Executive Director

## Section 2

### Assurance to confirm compliance

#### Understanding and meeting our obligations

Our activities are governed by a range of legislation as well as the requirements of our Licence. Yorkshire Water employs relevant expertise to ensure that we understand these requirements and translate them into compliant policies and procedures for colleagues to apply. This expertise includes, but is not limited to, Legal Services, the Regulation team, Company Secretariat, Financial Services, Health and Safety, Asset and Process Engineers and Human Resources. These teams draw on deeper external expertise to ensure that any changes to our obligations are appropriately applied.

Compliance with approved policy and procedure is monitored through our three lines of assurance. This assurance is mapped to ensure effective coverage and dynamic escalation of issues. Corrective actions are raised and monitored where non-compliance is identified. To support and test this approach, all senior leaders are required to provide personal assurance over their team's awareness and compliance with relevant legislation, regulation and governance by completing an annual Control and Risk Self-Assessment (CRSA). Subject matter experts highlight the legislation and regulation each team needs to comply with, including changes. Where leaders identify weaknesses, they are required to set out the actions they are taking to improve awareness and achieve compliance, including a reasonable timescale. The achievement of these actions is monitored by business unit leadership teams, the Risk Committee, the Kelda Management Team and the Board. The results of this self-assessment are triangulated with other sources of assurance. An annual Internal Audit of the process tests individual judgements on the level of compliance to the supporting evidence.

CRSA outturn for 2017/2018 indicates a high level of compliance in Yorkshire Water at 92%. Compliance with, and awareness to, human resources (93%), procurement (93%), environment (98%), finance (100%) and health & safety (90%) related legislation was scored as high. Compliance with, and awareness to, our Corporate Governance Manual (89%) as well as data and security related regulatory requirements (76%) will be key areas for improvement this year, especially where GDPR and the Network and Information Security Directive came into force in May 2018.

### Understanding and meeting our customer expectations

The 5.4 million people who live in Yorkshire and the millions of people who visit Yorkshire each year rely on our services for their basic health needs and lifestyles. There are 140,000 businesses who use our water to provide goods and services that support the economy, not just in Yorkshire, but the whole of the UK. Insights from our ongoing customer and stakeholder engagement has led to the co-creation and co-development of our long-term strategy consultation document earlier this year, as well as informing the development of our PR19 business plan. We have continued to look closely at the future economic, social and environmental issues which Yorkshire faces and have spoken at length to our varied and diverse customers and stakeholders.

We've taken care to analyse the pressures we face such as population growth and changing weather patterns and to understand the rich and diverse community that we serve here in Yorkshire. We've looked at how that community is made up now and how that will change in the future. We set out to better understand what people value in their lives and the role water plays. We've investigated how customers with different lifestyles rely on water in different ways and we've looked at how some people are much more dependent on their supply for a range of religious or medical reasons.

We have also taken a step back and thought about how we, as a company, impact on Yorkshire's environment, its people and economy as we carry out our activities. We have asked where we can do better to improve what we do, how we do it and how we can work better with others to make sure that the people of Yorkshire get the best all round value for what they spend on water. Customers have told us that we could do better in areas that are important to them. This insight has informed our plans to significantly improve our leakage, pollution and sewer flooding performance through our upper quartile plan.

As well as talking directly to 30,000 of our customers and stakeholders about what they want and need from us, we've also engaged with the Yorkshire Forum for Water Customers, which has given us valuable insight into what our customers want from us now and into the future. The Yorkshire Forum for Water Customers is an independent challenge group that is responsible for ensuring our customers' views are fairly reflected in our PR19 business plan and ensuring we meet the performance commitments we have made to customers.

We continue to carry out extensive research, using new and innovative methods alongside tried and trusted ones. We have worked with customers and stakeholders in lots of different ways including research projects, monthly customer trackers, focus groups, round table events with our Directors, stakeholder briefing sessions and new ideas like the Hull and Haltemprice Charrette. In the Charrette we engaged with various customers and stakeholders to collaboratively design a vision for future flood alleviation schemes in Hull.

We have created an online community which has over 1,000 customers who regularly comment on and take part in research on a host of different subjects related to topics like customer service, reporting, our plans or even just the way in which we communicate with them. This engagement, alongside our regular interactions with customers and stakeholders has given us a much-improved insight into the diverse and changing needs of our customers and stakeholders

### Identifying, managing, mitigating and reviewing our risks

Effective risk management is central to achieving our objectives. It improves our ability to prepare for challenges and protects the value of the Company. Risk management is embedded in our normal business process and culture and is overseen by the Risk Committee. It provides a standard approach to ensure that risks, including potential non-compliance with our obligations, are identified and escalated in a timely way to be managed to appetite at the right level of the business. Our risk management framework and the principal risks to achieving our objectives are detailed in Appendix 4 of the annual performance report.

### Regulatory obligations at risk

Based on 2017/2018 performance, and using our performance commitments as indicators of compliance, the Board has identified the following material risks to achieving specific performance commitments in future years:

- **Energy generation**
  - **Drinking water quality contacts**
  - **Drinking water quality compliance**
  - **Leakage**
  - **Discharge permit compliance**
  - **Pollution serious incidents (Category 1-2)**
- **Energy generation:** We did not meet our 2017/2018 performance commitment of 12%. Our consumed electricity increased in 2017/2018, from 570GWh to 598GWh from the previous year. We work hard to minimise our electricity consumption and to maximise the amount of energy we generate. In 2017/2018, we supplied 11.4% of our needs through self-generated energy. This is a two year high compared with 2015/2016 and 2016/2017, where self-generation was 11.3% and 10.4% respectively. We expect to meet our 12% target a in 2018/2019.
  - **Drinking water quality contacts:** We did not meet our 2017/2018 performance commitment target of 6,108. We had 8,100 contacts in 2017/2018. We have continued our programme of flushing water mains to remove sediments that may have built up over time. This programme as well as other initiatives has contributed to a further reduction in the number of times customers contact us about the quality their drinking water. The improvement wasn't enough to meet the extremely challenging target, but our initiatives continue to reduce the number contacts we receive. While we strive to achieve this stretching performance commitment, our Price Review business plan and funding agreement with Ofwat was based on maintaining the level of contacts at or around 12,143 contacts each year between 2015 and 2020.
  - **Drinking water quality compliance:** We have identified a risk of achieving the 100% compliance required after 2017/2018. We achieved 99.953% in 2017/2018.
  - **Leakage:** This year we reported annual average leakage as 300.28 MI/d and meeting our 2018/2019 target of 292.1MI/d will be challenging. In December 2018 we announced ambitious plans to reduce leakage by over 40% by 2025 and become a water industry leader. We have recruited over 100 more leakage inspectors with further increases planned. We are using satellite technology to locate leaks in Halifax, Keighley and Shipley where over 120 leaks have been investigated with a 55% success rate. We have deployed 600 acoustic loggers in Huddersfield and found nearly a million litres per day of leakage and we are using drones on the York to Selby trunk main.
  - **Discharge permit compliance:** While it is our aim to achieve high levels of performance and drive towards 100% compliance, five of our approximately 600 waste water treatment works did not meet their discharge permit conditions in 2017, securing 98.3% compliance. This was an improvement compared to 2016 when we had seven failing waste water works or 97.6% compliance. We will continue to manage the growing challenges to our compliance from population growth and more extreme and prolonged rainfall events.
  - **Pollution Serious Incidents (Category 1-2):** There is a risk that we will not be able to achieve our zero-incident target by 2019/2020. We recognise the need to go further and we are working to achieve the ambitious performance commitment for zero serious incidents by 2020. However, we also recognise that reducing the number of pollution incidents and consistently achieving this performance commitment will be challenging.

## Assuring our performance

We always want to provide our customers and stakeholders with information that they can trust and have confidence in. We understand that when we don't get this right we risk losing their trust and confidence. Our annual reporting processes are accredited to the British Standard ISO 9001:2015 Quality Management System standard. This is externally verified.

To achieve confidence over the accuracy of the information we publish we apply 'three levels of assurance'. This best practice approach means that we gain more assurance in those areas with a higher risk of error associated with the information or with the publication. In addition to the routine assurance over our operational processes and systems of internal control, we have two assurance processes to confirm the accuracy, consistency and transparency of our annual reporting:

- A data assurance process is in place to ensure that the data supporting the information we publish is accurate.
- A wider assurance process ensures that the overall publication meets any guidance and that the publication is accessible and easy to understand.

Our assurance processes are detailed further within our assurance plan, you can find a copy here:

[www.yorkshirewater.com/reports](http://www.yorkshirewater.com/reports)

We can confirm that we have followed these processes for our Annual Performance Report.

Each year we consult on, and publish our Risks, Strengths and Weaknesses Statement ([www.yorkshirewater.com/reports](http://www.yorkshirewater.com/reports)). This provides information about the quality of the performance information that we publish from our customers and stakeholders and any risks they have identified. It also sets out any reporting risks we have identified from our own processes and controls or through our own internal and external audits. We then commit to actions to mitigate these risks and give confidence to our customers and stakeholders that we are responding to their concerns and they can trust the information we report.

In 2017/2018, we identified the following areas as high risk for reporting and we made sure these had additional focus through targeted assurance. You can read more about our targeted areas of assurance in Section 4 of our Annual Performance Report. Our targeted areas are listed below.

- Information published is what our customers want and need.
- Information is always accurate and reliable.
- Information is easy to find.
- Information is easy to read and understand.

- Performance commitments where the target was missed in the previous year (drinking water quality contacts and energy self-generation).
- Performance commitments where additional challenge was provided by our external auditors in the previous year (waste diverted from landfill and stability and reliability factor: sewer network).
- Performance commitments where we are forecasting a financial incentive penalty (at September 2017 this was forecast to be drinking water quality, drinking water complaints and pollution incidents).
- Performance commitments where we are forecasting a financial incentive reward (at September 2017 this was forecast to be water supply interruptions).
- Cost allocation in the Kelda Group.
- Price control cost allocation.
- Price Review 2019.

## Taking responsibility for resilience: managing our obligations

Our customers have told us that they expect us to deliver safe, affordable water and waste water services, and for us to play our part in protecting and enhancing the natural environment. Our ability to deliver on the commitments we have made to our customers is dependent on our business being resilient. We need the ability to cope with, and recover from, disruption and to anticipate trends and variability to maintain services for our customers and the environment, now and in the future.

As part of our long-term planning we have reviewed how we maintain and further enhance the levels of resilience we provide, and to ensure we meet our resilience duty. We are developing our approach to ensure that we can keep things running well and are responding to future challenges in the most sustainable way.

We do this through:

- Understanding the nature of customer expectations and the future level of demand.
- Embedding systems and controls to understand the risks to achieving these expectations, including changing environmental factors, and using this information to manage our risks effectively.
- Improving our ability to deal with the consequences of unplanned failures or crises.
- Performing a long-term review of our financial resilience as reported in our Annual Report and Financial statements. Here is a link to our reports: [www.yorkshirewater.com/reports](http://www.yorkshirewater.com/reports)

We have recently developed a whole-business resilience framework to help us further enhance our approach. This has been supported by resilience experts at Arup and brings together a range of international best practice tools and processes to develop a system which enables quantification of our resilience over time, and which complements our existing approach to risk management. We have used the framework to complete a business-wide assessment of past, current and future practice against the British Standard. We are currently embedding the regular and ongoing use of our new framework within our standard business governance arrangements to support the process of continual improvement.

To make sure that we are following a best practice approach to resilience across all parts of the business and the essential services we provide, we have aligned our approach to British Standard 65000:2014 Organisational Resilience. We were the first water company to ask the experts at the Cabinet Office Emergency Planning College (EPC) to complete an independent maturity assessment against the standard in Spring 2018 to measure the effectiveness of our current practice and make recommendations for further improvements.

We will be publishing a report on our resilience framework and maturity assessment later in the Summer of 2018.

## Section 3

Jacobs assurance letter

**JACOBS®**

### **Yorkshire Water Technical Assurance Framework**

Yorkshire Water Services

**2017-18 Risk & Compliance**

19 June 2018

Final



2017-18 Risk & Compliance



## Yorkshire Water Technical Assurance Framework

Project No: 672454.AA.18.06  
Document Title: 2017-18 Risk & Compliance  
Document No.:  
Revision:  
Date: 19 June 2018  
Client Name: Yorkshire Water Services  
Client No:  
Project Manager: Andrew Mcgeoghan  
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## Letter of Assurance

19 June 2018

Attention: The Board  
Yorkshire Water  
Western House  
Western Way  
Halifax Road  
Bradford  
BD6 2SZ

### **Subject: 2017-18 Risk and compliance statement – assurance statement**

As set out in IN 18/07 Ofwat requires companies to publish an annual risk and compliance statement, confirming they have complied with all relevant statutory, licence and regulatory obligations and are taking appropriate steps to manage and/or mitigate any risks they face. Companies are required to do this within the context of the Company Monitoring Framework (CMF).

In preparing the statement companies are required to consider their obligations in both legislation and their licences. As with other company information, it is important that stakeholders can have trust and confidence in your risk and compliance statement.

Our review focused on the approach and processes you follow to assess your compliance with your obligations, in particular we concentrated on your Control and Risk Self -Assessment (CRSA) process and documentation. We also provided advice on the content and drafting of your risk and compliance statement which is reflected in the final version of your statement.

As part of our risk based approach we met with Sarah Lubbe to review the CRSA process in her roles as both a member of the Risk and Compliance team, and as a Risk Champion. We also met with three Legal Champions to review their experience of the CRSA sign off process for three obligations - Security of Network and Information Systems, Water Framework Directive and Provision of Trade Effluent Services.

We are aware that you do have processes to manage compliance with other obligations and duties, but that they are not explicitly covered as part of the CRSA process and therefore are not part of your risk and compliance statement. We note that the CRSA process is a Kelda Group Process, and that risk appetite was assessed using a Kelda Group scale. We did not review the process you use to assess whether non-compliance with legislation falls below your risk appetite. Therefore, we did not consider whether the risk threshold and risk appetite was appropriate for the Appointed Business as a whole or for the various Appointed Business price controls.

Our main observations from our assurance activity are as follows; -

- During our review we evidenced that as a company you have established appropriate systems and processes for identifying, managing, mitigating and reviewing risk;
- We observed that you recognise the importance of risk management, and have an established Risk Committee to monitor and manage risk, which is then cascaded through the business;
- In our discussions with Legislation Champions we observed that generally the process was well understood and had been communicated across the business. Where the CRSA process had not been complied with it did not mean that regulations or obligations were not being complied with; and
- Within the CRSA process we observed evidence of horizon scanning to identify new risks, for example, your teams working with DWI & NCSC.

## 2017-18 Risk &amp; Compliance



We note that whilst you have appropriate systems in place, that there remain opportunities for improvement. For example, we observed that: -

- Where there had been a handover in responsibility between legislation champions, the transition between the current and previous Legislation Champion had not gone smoothly. We recommend that you consider if there are any lessons learnt from the handover process which can be used to improve future handovers.
- We found that in some areas the Legislation Champions probably have the most detailed knowledge of the obligations in their respective part of the business. It was not always clear whether the Legal Team would be able to effectively review and challenge their interpretation of the relevant obligations in all areas. For example, we found that the new WFD Legislation Champion had identified that the existing list of environmental obligations was not complete, some obligations had been superseded and the list of obligations required updating. The gaps did not relate to recent legislation, and the list, although signed off in the CRSA process, had not been complete in the prior year. We recommend that in certain specialist areas it may be necessary to obtain challenge from others within the same team.
- For some obligations in the CRSA process there were no visible controls in place, and whilst it is the responsibility of T2s to ensure that controls were put in place we recommend additional checks and controls to monitor progress
- There are some obligations, for example, Competition Act, where whilst the Legislation Champion and CRSA sign off is by a single business area, we discussed that the compliance risk is wider and other areas need to be aware of the obligation and the associated compliance risks. We understand that the legal champion will identify and make the appropriate parts of the business aware of compliance risks as appropriate, but note that documenting details of the awareness risk is not currently part of the CRSA.

As part of our review across the sector we observed that some companies continue to note exceptions, or areas for improvement as part of their annual statements. We understand that you are proposing to report exceptions for 4 performance commitments and for two other obligations. As the risk and compliance statement is not required to be part of the APR for 2017-18 we recommend that you link to the APR where you provide further information on your performance.

**We therefore consider that, other than where indicated otherwise in this letter and/or the feedback we provided:**

- **you have a full understanding of the company's relevant obligations (as you have interpreted the scope required for this exercise); and**
- **you have appropriate systems and processes in place to run your business and identify and manage risks in a way that meets the relevant obligations (as you have interpreted the scope of these).**

Yours sincerely

**Andrew McGeoghan**

**Head of Regulation and Assurance**

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