

# Risk and Compliance Statement

for 2019/2020

1

2

# Navigating this document

## Contents page

The contents page is linked to every section within this document. Clicking on a specific section will instantly take you to it.

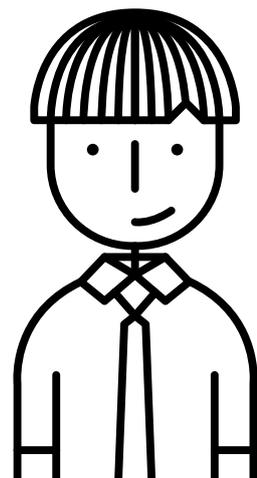
- 1 Click on the contents button to return to the contents page.
- 2 The back button returns you to the last page you visited.
- 3 This button takes you to the previous page.
- 4 This button takes you to the next page.
- 5 'Breadcrumb' navigation allows you to retrace your steps within a section.

3

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.

4

5



# Contents

<b>1.</b>	<b>Section 1 - Board Assurance Statement</b>	<b>05</b>
	This confirms the extent of our compliance with our obligations. It is signed by the Yorkshire Water Services Limited Company Secretary on behalf of the Board.	
<b>2.</b>	<b>Section 2 - Assurance to confirm compliance</b>	<b>09</b>
	Outlines the processes and assurance we have in place to achieve compliance and meet our obligations.	
<b>3.</b>	<b>Section 3 - Independent third line assurance report</b>	<b>17</b>

We have published our Glossary of Terms separately.  
You can view this here: [yorkshirewater.com/reports](https://yorkshirewater.com/reports)

# Introduction

## Purpose and scope of the risk and compliance statement

The uninterrupted supply of sufficient clean, safe drinking water and removal of wastewater is an essential service we provide for our customers. To make sure this is achieved in a way that is safe for all our customers, whilst protecting and enhancing the environment and keeping our colleagues safe and well, we need to comply with a range of regulatory and legal obligations. We recognise that openly reporting our level of compliance with these obligations, and reporting how this has been achieved, is important in building customer confidence.

This statement sets out how we have complied with all our relevant statutory obligations and our Instrument of Appointment (licence), regulatory and performance 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 its obligations.

This statement covers the reporting year 1 April 2019 to 31 March 2020 for all obligations, except for environmental compliance and water quality parameters which cover the calendar year, 1 January 2019 to 31 December 2019.

## 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 the Yorkshire Water Services Limited Company Secretary on behalf of the Board.
- **Section 2:** Outlines the processes and assurance we have in place to achieve compliance and meet our obligations.
- **Section 3:** Independent third line assurance report.

# 1. Board Assurance Statement

# Section 1

## Board Assurance Statement

As the Board of Yorkshire Water Services, we are satisfied that we have 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 internal systems of control to fully meet our obligations.
- We have appropriate systems and processes in place to allow us to identify, manage and review our risks.
- 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 I).
- 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 10 years, to 2030, as set out in our long-term viability statement which can be found in Appendix 4 of our Annual Performance 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 K3.1).
- Made sure that all trade with associate companies in the year has been at arm's length (licence condition I).

- Maintained the investment grade credit rating Baa2 (licence condition I).
- Explained how we link Directors' pay to standards of performance which can be found in our Annual Report and Financial Statements and Appendix 4 of our Annual Performance Report (section 35A of the Water Industry Act 1991).
- Reported in [Table 1](#) of this risk and compliance statement 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 third-line assurance provider, Internal Audit, has reviewed the approach and processes we follow in assessing compliance with our obligations. A copy of their Assurance report 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 Board Leadership, Transparency and Governance Principles.

The Board has reported in detail on our compliance with the Code and the Ofwat Principles in Appendix 4 of the Annual Performance Report.

Further information on our governance is contained within section 7 of the Annual Performance Report. Additional detail is also provided within the Annual Report and Financial Statements. Both reports can be viewed on our reports webpage: [yorkshirewater.com/reports](http://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 wastewater networks.</p>
<p><b>Performance commitments.</b></p> <p><b>For 2019/2020 we have met or exceeded 22 of our 26 Performance Commitments.</b></p>	<p><b>For 2019/2020 we have not met the target for the following four performance commitments:</b></p> <ol style="list-style-type: none"> <li>1. Drinking water quality compliance</li> <li>2. Drinking water quality contacts</li> <li>3. Category 1 and 2 pollution incidents</li> <li>4. Quality of customer service (SIM)</li> </ol> <p><b>Drinking water quality compliance</b> In 2019/2020 we managed to achieve an overall compliance figure of 99.949%, which is slightly lower than last year’s figure of 99.962%. We did not achieve our target of 100% compliance.</p> <p><b>Drinking water quality contacts</b> In 2019/2020 our customers contacted us 6,368 times about the quality of their drinking water.  This was an improvement of 1,596 from 7,964 contacts in 2018/2019. However, we did not achieve our target of 6,108 contacts.</p> <p><b>Category 1 and 2 pollution incidents</b> We were above target for Category 1 and 2 incidents with 7 incidents (all Cat 2) against a target of 0.</p> <p><b>Quality of customer service (SIM)</b> Our overall score this year was 83.2, compared to 84.0 points last year, which means we have not achieved our performance commitment to improve year on year.</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 performance and any actions we are taking in section 4 of our Annual Performance Report.</p> <p><a href="http://yorkshirewater.com/reports">yorkshirewater.com/reports</a></p>

In addition to these known exceptions to achieving our obligations, our annual Control and Risk Self-Assessment process shows an 89% level of compliance. All senior leaders across the Company confirm their team's awareness and level of compliance with our highest risk statutory and regulatory obligations, developing action plans to address any areas of non-compliance in their team. Our process has identified 89% awareness and compliance across all relevant obligations. This is a slight reduction on 2018/2019, due largely to the structural changes in the business requiring colleagues and leaders to become familiar with new processes and new obligations. We have clear company-wide training and induction plans in place to improve awareness of our processes to ensure compliance with the obligations showing the highest risk of non-compliance: Working Time Regulations.

In addition to the company-wide programmes leaders have agreed 196 actions to improve awareness and compliance. Progress in delivering these is monitored by the Risk and Resilience Committee.

### Board Signatures

Signed by the Yorkshire Water Services Limited Company Secretary on behalf of the Board of Directors



**Kathy Smith**

Company Secretary

This statement was approved at a meeting of the Yorkshire Water Board on 8 July 2020 and signed off on its behalf by Kathy Smith, Company Secretary.

# **2. Assurance to confirm compliance**

# Section 2

## Assurance to confirm compliance

### We have a full understanding of all our obligations

Our activities are governed by a range of legislation as well as the requirements of our licence, regulations set by various stakeholders and the performance commitments we make to our customers. It is important that we understand the detail of all these obligations and respond to any changes. To make sure we achieve this, we employ relevant subject matter experts called Legislation Champions to identify new or amended obligations and to translate the requirements into compliant policies and procedures for colleagues to follow. The subject matter experts include, but are not limited to, Legal Services, the Regulation team, Company Secretariat, Financial Services, Health and Safety, Asset and Process Engineers, Environmental Services and Human Resources. If needed, these teams draw on deeper external expertise to ensure that any changes to our obligations are appropriately applied.

### We understand the extent to which we meet those obligations

Compliance with the approved policies and procedures to make sure we achieve our obligations is monitored through our three lines of assurance. This assurance is mapped to make sure we have effective coverage and dynamic escalation of risks and issues. Corrective actions are raised and monitored where weak controls or 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 obligations by completing an annual Control and Risk Self-Assessment (CRSA). The Legislation Champions set out the obligations each team needs to be aware of and comply with. Where senior leaders identify weaknesses, they are required to detail 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 and Resilience Committee, the Yorkshire Water Leadership Team and the Board. The results of the CRSA exercise is triangulated with other sources of assurance: independent technical advisors (Jacobs) test our performance reporting and Internal Audit tests individual judgements on the level of compliance to supporting evidence.

The CRSA outturn for 2019/2020 indicates a high level of compliance within Yorkshire Water at 89%. The obligations with the highest levels of compliance and awareness are environment (95%) and human resources (93%). Work to improve company-wide awareness of and compliance with the Working Time Regulations continues to be a key focus during 2020/2021, as well as maintaining our momentum on General Data Protection Regulation compliance and improving our induction processes.

### We have taken appropriate steps to understand and meet the expectations of our customers and stakeholders and we have designed our services to meet those 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 more than 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.

Over the course of 2019/2020, we continued to adapt the nature of our conversations with our customers and stakeholders. Rather than the traditional approach of talking to customers about what we do as a company, our focus has been on understanding individual lifestyles and how they shape what customers want, need and expect from us. With the help, support and challenge from the Yorkshire Forum for Water Customers, we have been able to develop a much richer understanding of the diversity of Yorkshire's people, their individual needs and how best we meet these now and into the future.

Our Corporate Affairs Team undertakes continuous customer, stakeholder and colleague engagement to inform and shape our day-to-day service delivery and this participation has been crucial to the development of our business and operational planning. The team employs a range of research and wider engagement techniques to ensure customers and stakeholders provide us with the insight to inform and support our ongoing activity. These include:

- An online customer community of more than 1000 customers, representative of the Yorkshire region who take part in regular surveys and discussions on a range of issues.
- An ongoing program of qualitative and quantitative customer research to inform our plans and to test key initiatives, for example during 2019/2020 customers have been central to the development of our customer campaigns and customer experience strategy.
- Continued to work with the Yorkshire Forum for Water Customers who ensure our customers have a fair say in the development of our plans.
- An independent survey of our key stakeholders on their views on Yorkshire Water, how we work with partners and our priorities, to be repeated every two years.
- A stakeholder account management program, with stakeholders assigned an account manager from Yorkshire Water to lead on developing opportunities to work together.
- Political monitoring and sentiment analysis to understand the expectations and priorities of politicians.
- The continuous measurement and reporting of customer and stakeholder reputation management.

In 2019/2020, this engagement with customers and stakeholders has resulted in:

- Yorkshire Water joining the Leeds Anchor Network, a group of organisations including the Local Authority, NHS, universities and colleges who have committed to working together to target procurement, recruitment and service delivery activities to help boost local employment, business growth, skills, incomes, health and wellbeing.
- The instigation of a Yorkshire wide Land Anchor Network, bringing together Yorkshire's biggest landowners to discuss how they can address some of the region's biggest challenges by managing land differently.
- Continued high levels of brand perception & trust and customer satisfaction with the delivery of water and wastewater services.
- The development of a proposal for a 'social contract' based on customer, colleague and stakeholder research which builds on deep local partnerships based on the anchor institutions model.
- An award-winning approach to communicating with customers about water resources and their personal water use, based on in depth customer research.

## We have sufficient processes and systems of internal control to meet our obligations

The Audit Committee monitors the effectiveness and operation of Yorkshire Water's system of internal control on behalf of the Board. Our controls are designed to achieve compliance with obligations and manage the risk of failing to achieve the business objectives we have agreed with our customers and our regulators. The operational policies and procedures which set out these controls are housed in the Integrated Management System or similar repositories and achieve international quality standards for Environmental Management, Quality Management, Occupational Health and Safety and Asset Management.

Three lines of assurance work together to provide confidence to senior leaders and other stakeholders over the adequacy of the design and operation of the controls. The findings from the audit of our 2019/2020 CRSA process are shown in [Section 3](#) of this risk and compliance statement. This confirms that apart from the exceptions noted above, we have a good understanding of the Company's relevant obligations and appropriate systems and processes in place to run the business and identify and manage risks in a way that meets its relevant obligations. The audit made five recommendations, four medium priority and one low priority. All the recommendations have been accepted, and are being worked on. We will include the action we have taken to address these in next year's report. Last year this audit was conducted by our external auditors, Jacobs. We have taken action to improve our assessment by addressing the four recommendations as summarised in [Table 2](#). Last year Jacobs made four recommendations which we have worked hard to implement during the year.

Table 2

Audit recommendation	The action we have taken	Position
<b>2018/2019 Jacobs audit</b>		
1 Handover processes between Legislation Champions need to be improved.	We have created role statements which outline the responsibilities expected of Legislation Champions to improve continuity and improve the handovers between Legislation Champions.	Complete
2 In certain specialist areas it may be necessary to widen the source of expertise beyond Legal Services and the Legislation Champion, to ensure there is a comprehensive understanding of the obligations.	In addition to using external technical advice, Legislation Champions now use peer support and in-house advisory services such as the Internal Audit, Company Secretariat and Asset Standards. Champions also seek clarification and support through the Regulatory Issues Group.	Continuous Improvement
3 Additional checks and controls should be put in place to monitor progress in achieving actions to introduce controls.	<p>We have an integrated assurance map, which records all the second and third line assurance carried out across Yorkshire Water. From this assurance map we can see that assurance is provided across all obligations.</p> <p>The Risk and Resilience committee provide high level oversight, monitoring the implementation of actions at each meeting.</p> <p>Actions to improve control are agreed with Legislation Champions.</p>	Complete
4 The assessment of the range of teams needing to be aware of, and comply with, each obligation should be strengthened to ensure it is comprehensive.	<p>All Legislation Champions were reminded of their role to identify all teams needing to comply.</p> <p>The format and language of the CRSA process has been made clearer to make it easier for Legislation Champions to identify all teams needing to comply.</p>	Continuous improvement

Table 2 continued

Audit recommendation	The action we have taken	Position
<b>2019/2020 internal audit</b>		
1 An additional review should be conducted by Legal Services to confirm that the list of legislation and risk assessments are reasonable. Any changes can then be captured in the CRSA process.	Legal Services will provide assurance over the reasonableness of the obligations and risk assessments.	September 2020
2 A learning review should be conducted at the end of the 2019/2020 CRSA process to ensure there is clarity around the roles and expectations of key stakeholders within the annual CRSA cycle.	A learning review is conducted annually and the agreed improvements are fed into the process for the following year. This is being done in July 2020 through a survey of key stakeholders and interviews.	Continuous improvement
3 To reduce the risk of a single point of failure, a centralised mailbox should be created and communicated to all stakeholders.	A request for a centralised CRSA mailbox has been submitted. This will be completed ahead of the 2020/2021 CRSA process.	September 2020
4 Procedure notes should be held by each Risk Champion.	Updated procedure notes are being shared with each Risk Champion to retain locally as well as being available on the central database.	On-going
5 A suite of communications should be developed, including senior leader sponsorship, to raise awareness of CRSA with key stakeholders and the wider business.	A review of the communication is being undertaken. This will be shared with the new Chief Finance Officer once completed.	On-going

We seek to continually improve the approach to assessing our compliance. In addition to the assurance processes noted above we have an annual “lessons learned” cycle. This involves all Legislation Champions, senior leaders and the teams providing assurance.

**We have appropriate systems and processes in the place to allow us to identify, manage and review our risks. Our risk management process identifies and escalates risk to be managed to the level reported.**

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 make sure that risks, including potential non-compliance with our obligations, are identified and escalated in a timely way to be managed to an appetite at the right level of the business. Our risk management framework and the principal risks to achieving our objectives are detailed in our Annual Report and Financial Statements.

### Regulatory obligations at risk

Based on 2019/2020 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:

- Drinking water quality compliance
- Drinking water quality contacts
- Pollution serious incidents (Category 1-2)
- Measure of customer service (SIM)

### Drinking water quality compliance

Customers in Yorkshire expect that the drinking water we supply is of the highest possible quality. There was a deterioration in performance this year compared to last year (99.949% in 2019 cf. 99.962% in 2018). In AMP7, there is a risk that we will not achieve our target of a Compliance Risk Index score of 0.0 (CRI is the new measure for drinking water quality compliance in AMP7).

### Drinking water quality contact

In 2019/2020 our customers contacted us 6,368 times about the quality of their drinking water. This was a significant improvement from 7,964 contacts in 2018/2019, however, we did not meet our 2019/2020 performance commitment target of 6,108. The reduction was due primarily to fewer discolouration and taste and odour contacts. 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, and serves us well moving into AMP7.

### Pollution Serious Incidents (Category 1-2)

We were above target for Category 1 and 2 incidents with 7 incidents (all Cat. 2) against a target of 0. This was an improvement from 11 incidents recorded in 2018/2019, however, there remains a risk that we will not achieve our AMP7 Pollution Incidents target. To mitigate this risk, this year we published our Pollution Incident Reduction Plan that explains how we will reduce pollutions incidents across our asset base. The plan has a particular emphasis on our sewage network because it accounts for most of our pollution incidents.

[yorkshirewater.com/media/2362/yorkshire-water-pollution-incident-reduction-plan-2020-2025-march-2020.pdf](http://yorkshirewater.com/media/2362/yorkshire-water-pollution-incident-reduction-plan-2020-2025-march-2020.pdf)

### Quality of customer service (SIM)

Our overall score this year was 83.2, compared to 84.0 points last year, which means we have not achieved our performance commitment to improve year on year. SIM has been replaced by C-MeX for AMP7.

### 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. Compliance with the ISO 9001:2015 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 make sure 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 Final Assurance Plan, which can be found here:

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

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

Each year we consult on, and publish our Risks, Strengths and Weaknesses Statement ([yorkshirewater.com/reports](http://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 2019/2020 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 5 of our Annual Performance Report. Our targeted areas are listed below.

- Performance commitments where the target was missed in the previous year
- Performance commitments where we are forecasting a financial incentive reward
- Price control cost allocation
- Customer understanding and awareness of the information we provide
- Effect of our internal SAP programme on our reported information
- Meeting regulatory guidance
- Accuracy of information

## Protecting and enhancing our resilience

Resilience is a priority for us and our customers for many reasons, including:

- The reliability of our essential services is critical to communities, economic growth, environmental protection, and ultimately to human life and livelihoods.
- Our customers highlight resilience as a priority; they tell us how important it is that we provide reliable, safe and affordable water, wastewater and environmental services.
- Our ability to deliver on the commitments we have made to our customers is dependent on our business being resilient.
- Our resilience erodes over time if we do not act together to maintain and enhance it. Climate change, the deteriorating natural environment and ageing infrastructure are some examples of growing pressures we need to respond to.
- We have a range of relevant legal and regulatory duties and commitments which we need and want to comply with.

**“Resilience is 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”.**

*Resilience task and finish group, summary report 2015, adopted by Ofwat*

To help us manage and further enhance our approach, we have developed a whole-business resilience framework that builds on, and adds to, our existing risk management activities. We developed our approach with the support of international resilience experts at Arup and it brings together a range of international best practice tools and processes. Our approach uses latest ‘systems thinking’ which means that we recognise (and have mapped) the complex relationships within the different functions of Yorkshire Water and with external communities and activities. Our approach enables us to quantify our resilience so we can measure and openly report our position over time.

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 the British Standard for Organisational Resilience (65000:2014).

We recently established a Risk and Resilience Committee to ensure a clear, consistent and senior focus on these matters. The Committee is now meeting regularly with a defined forward programme exploring a range of business priorities relating to resilience. The Committee is currently focused on applying our resilience framework to develop and embed the detailed and rigorous processes required to monitor and shape all aspects of Yorkshire Water's resilience.

Managing resilience is a continual and evolving process that touches on every part of our business and the services we provide. We provide details of how we're managing specific elements of resilience throughout this report and also in our Annual Report and Financial Statements (ARFS) which can be found at: [yorkshirewater.com/reports](https://yorkshirewater.com/reports)

Just some examples of our latest progress in protecting and maturing our resilience include:

- Responding to the Covid-19 pandemic by maintaining our services through the initial disruption without the need to furlough staff or ask for financial support from the government. We are now developing our plans to fully recover our activities and we are working to support Yorkshire's long term economic recovery in alignment with other regional priorities such as improved flood resilience, carbon reduction and environmental management. We discuss this in more detail in the Chief Executive's Statement of the ARFS found at the link above.
- Introducing a new Organisational Resilience policy to support our approach. This has recently been formally approved and we are now focused on communicating this to our colleagues and supply partners. The policy will be soon available on the Yorkshire Water website.
- Piloting a globally cutting-edge approach to quantify and economically value the risks we face from climate change, applying our Six Capitals methodology and tools. We discuss this in more detail in the 'Disclosing our climate change risks and strategy' section of the ARFS at the link above.

# **3. Independent third line assurance report**

**Internal Audit  
Compliance Assurance**

**Internal Audit contacts**

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# CRSA

**Audit ref: CS-LGL1/1045**

**Date: 26 March 2020**

<b>Overall assurance rating</b>
<b>Significant assurance</b>

**Data classification: Restricted**

- Select individuals and groups given access on a need to know basis only.
- Store securely and control who has access.
- Encrypt and password protect or use Secure File Transfer when transferring externally.
- Obtain a signed non-disclosure agreement before sharing with third parties.

## CRSA

## Executive Summary

### Overall report rating

This audit provides an overall assessment of **“Significant Assurance”**.

The overall assessment of ‘Significant Assurance’ is based on the completeness, accuracy and relevance of the evidence provided to demonstrate compliance with the requirements of the Control Risk Self-Assessment (CRSA).

### Background

This audit forms part of the 2019/20 audit plan. The CRSA process is conducted annually to ensure that policies, procedures and legislation put in place are met. It also enables Yorkshire Water Services (YWS) and Kelda to have an awareness of where it is compliant and what needs to be done to ensure continued compliance. The CRSA process helps determine risks and the effectiveness of controls put in place to mitigate those risks. While conducting the CRSA is no-longer an obligation the process has been maintained to ensure best practice Risk Management.

### Objectives and scope

This audit has considered the completeness, accuracy and relevance of the evidence provided to demonstrate compliance with the requirements of the CRSA.

This audit has considered whether:

- CRSA processes are effective in capturing new and amended legislative and regulatory requirements
- Management, Risk Champions and Legislation Champions are effectively briefed, and issued with appropriate guidance to ensure consistency of approach
- the self-assessments are signed off by an appropriate person
- there is an effective CRSA action planning and tracking process in place across the company
- appropriate second line checks are undertaken by the Risk & Compliance team to ensure there is effective and accurate reporting of compliance or non-compliance and to enable possible trends and issues to be highlighted and reported on in a timely manner.

### Findings

Overall, the evidence provided to demonstrate compliance with the requirements of the CRSA has demonstrated significant compliance. The self-assessment process, monitoring of actions and appropriate reporting of CRSA outcomes by the Risk & Assurance Analyst are good; they are well documented and well controlled. However, the CRSA process is reliant on the accuracy of the legislation review at the start of the annual CRSA cycle. The CRSA process relies on a number of assumptions, in particular: Legislation Champions are actively keeping up to date with all relevant legislation as part of their day-to-day roles; Legislation Champions and management understand the relevant legislation and are correctly interpreting how it applies to their business area; and the relevant Tier 2 Managers and Directors have the correct information and understanding to give an accurate assessment of their business area’s compliance with the legislation.

Whilst the CRSA process is largely well designed and implemented by the Risk & Compliance Team, it is reliant on Tier 2 Managers completing their self-assessments within the relevant timescales. By the due date for the 2019/20 self-assessment submission, only 64% of returns had been received

## CRSA

(2018/19 cycle: 84%). Of those assessments returned only 52% were fully completed. However, in the week following the deadline, all but one return had been received which has enabled the Risk & Assurance Analyst to commence the analysis stage of the process. We acknowledge the pressures that the business is under currently, but CRSA is a key annual assurance process for the company as a whole. As such, and in the spirit of the company behaviours 'we own it' and 'we are better together', there is an onus on the T2s to promote its importance.

Currently, CRSA queries are directed to the Risk & Assurance Analyst. This creates a single point of failure should queries be missed or the Risk and Assurance Analyst not be available. In addition, Business Units rely heavily on their Risk Champion conducting the CRSA process. This creates a second single point of failure should the Risk Champion have an unplanned absence or move roles.

### Conclusion

We have assigned an overall assurance rating of 'significant assurance' to this report. The self-assessment and reporting phases of the CRSA cycle are considered to be well controlled. Four medium priority actions and one low priority action have been agreed relating to the apparent lack of urgency by the business around returning the CRSA submissions and the need to strengthen the legislation review at the start of the CRSA cycle to ensure a more robust foundation to the rest of the process.

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