

# Information notice

IN 19/04 August 2019



This is a formal document that alerts our stakeholders to a change in the way that we regulate the water sector in England and Wales.

## Update on information quality and assurance

We expect companies to provide accurate and easily available information about their performance. This is needed to build and maintain trust with customers - and to allow Ofwat and other regulators to do their job of holding companies to account. Responsibility for providing this information sits with company Boards.

We introduced the company monitoring framework (CMF) in 2015 to encourage companies to conduct high quality assurance of the information that they produce. Through the CMF we assess each of the 17 water companies' approaches to assuring the quality of information they provide about their performance to customers and stakeholders. Since then it has raised standards of company reporting and assurance and there are some good examples of companies embedding assurance requirements within their business practices.

Customers and local communities take an active interest in how their water company is performing. We are evolving our approach to performance monitoring to ensure that we are able to assess companies' performance in the round (including financial and operational performance, company governance and culture). This will be an important element of our new strategy. We will continue to develop the framework for monitoring and assessing company performance through the launch of our new strategy in the autumn and beyond.

In the meantime, we will not publish further CMF assessments, but we will continue to scrutinise and challenge companies' approaches to data quality and assurance of their performance reporting. We do this using a suite of tools including company spot checks, deep dives and requiring companies to address inaccuracies and gaps. This year, as part of the 2019 price review process, we have assessed the quality of information included in companies' business plans, including information on their performance since 2015. Through our new board leadership principles, we are also looking closely at what actions Boards are taking to ensure accurate and accessible information is provided about company performance. As our recent enforcement action shows, we will and do take action where companies fail to provide accurate or transparent information about their business.

Companies need to continue to strive for best practice in their assurance arrangements, and we expect all companies to adopt as a minimum the requirements established by the 'targeted' category under the company monitoring framework. Even those companies in the 'self assurance' category adopted these as best practice. Table 1 sets out these requirements. Further guidance is provided in section 4.5 of the [Company monitoring framework – final position 2018](#). Ofwat may ask companies to provide independent external assurance where inaccuracies, gaps or concerns arise.

**Table 1: Minimum requirements for all companies<sup>1</sup>**

Activity	Detail
Engagement on risks, strengths and weaknesses exercise	<p>Companies, in conversation with stakeholders, are best placed to identify where the risks, strengths and weaknesses arise in providing information that stakeholders want and will trust.</p> <p>Companies should carry out an exercise each year to consider these aspects in order to target areas to improve. This should consider both data assurance and how companies provide assurance to customers more generally. The areas to be targeted may not be those of greatest underlying risk as companies may be able to demonstrate that they already have strengths in these areas. The exercise must aim to take account of stakeholders' views.</p>
Publish risks, strengths and weaknesses statement	<p>Companies should complete and publish statements on their risks, strengths and weaknesses exercise.</p> <p>All statements should be published before 30 November each year.</p>
Publish draft assurance plans	<p>Companies need to complete the risks, strengths and weaknesses exercise before they can publish draft assurance plans. For areas that the exercise identifies that a company should target, it should publish draft assurance plans on its website.</p>
Engagement on assurance plans	<p>Companies should proactively engage with stakeholders, giving them the opportunity to provide comments on draft assurance plans.</p>
Publish final assurance plans	<p>Companies publish final assurance plans, providing responses to any comments they have received.</p>
Other requirements	<p>Companies should provide:</p> <ul style="list-style-type: none"> <li>• transparency on the audit procedures they have put in place in relation to data assurance; and</li> <li>• a summary of the outcome of the data assurance that has been carried out.</li> </ul>

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<sup>1</sup> These are only minimum requirements and it is for companies to work with assurers to provide transparency in an appropriate way that will inform customers and other stakeholders of the assurance that is carried out in order to build trust and confidence, but which does not impede probing questions and speculative feedback that is appropriate between assurers and Boards. This applies to any information a company is required to provide/publish.

Ofwat (The Water Services Regulation Authority) is a non-ministerial government department. We regulate the water sector in England and Wales. Our vision is to be a trusted and respected regulator, working at the leading edge, challenging ourselves and others to build trust and confidence in water.

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August 2019

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