

Performance Reporting 2019/20
Strengths and Weaknesses Statement
Draft Assurance Plan
December 2019
anglianwater

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1 Draft Assurance Plan

Our objective is to report our performance in a way which satisfies the needs of customers and other stakeholders. This requires us to do two things: (1) produce performance data which stakeholders can rely on for accuracy and completeness; and (2) present our data in a way which stakeholders can understand, using their preferred communications media. The purpose of this document is to set out what we have done – and propose to do - towards these goals.

The document is in two parts:

The first part relates to the work we propose to do to ensure data reliability. It summarises the analysis we have undertaken of the risks to data reliability and the controls we have in place to reduce these risks. It sets out the work we propose to do to provide the assurance about our 2019/20 data that stakeholders require.

The second part is about how we present our information. It describes our understanding of how stakeholders use our existing performance reports and how we present our performance information to suit their communication preferences.

This is a consultation document and we invite feedback from stakeholders on our proposals. We explain how stakeholders can give their views on this draft assurance plan at the end of the document.

This document should be read in conjunction with a suite of documents we have published about our performance reporting:

Our Outcomes Reporting Policy - This policy sets out our principles on transparency, engagement, assurance and data quality risk assessment. It also sets out our commitments on how we will apply those principles in practice.

Our Outcomes Delivery Incentives - This explains the performance framework within which we operate and the Outcomes Delivery Incentives (ODIs) which apply to us during the period 2015-20.

Our Assurance Framework – this sets out in detail the approach that we take to assessing and assuring the information that we publish. Key points of our assurance framework are that:

- Our assurance activities are guided by an assessment of the risk to data quality
- Assurance is obtained in a variety of ways, of which the contribution of third party assurance providers is only one.

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The scope of this draft assurance plan covers the following:

- Information we will provide to stakeholders in our Annual Performance Report (APR) for 2019/20. This includes our regulatory accounts and reports on performance against our Outcome Delivery Incentives (ODIs)
- The information we will publish to encourage the development of markets in water resources and bioresources
- The information we will publish on our 2019/20 charges.

Feedback from stakeholders on our performance reporting

We invite feedback from stakeholders by phone or via the stakeholderfeedback@anglianwater.co.uk mailbox. We have received none in the last 12 months.

In previous years Ofwat provided feedback on our annual reporting through its assessment under the Company Monitoring Framework. In July Ofwat announced that it would no longer make such assessments so we have had no formal feedback on our 2018/19 reports. As is normal, Ofwat sought further information and clarification on our 2019 APR through its query process. These queries did not reveal any errors in our numbers and we had to make no changes to the tables that we published on 12 July. We made one edit to the current tax reconciliation table in the notes to the APR.

Our corporate culture and governance

Our risk assessment approach leads us to consider risks associated with individual data-reporting processes and the specific controls that are in place to deal with them. It is important to remember, however, that these controls take place within a company with its own culture and governance which itself provides a blanket control for many risks.

The culture of any organisation is defined by the values stated by the organisation and the knowledge, skills and attitudes of its employees. It is evident in the way those values, knowledge, skills and attitudes are made real in the actions and behaviours of its employees. It can be described as 'the way the organisation conducts its business'.

Culture is highly relevant to the assurance process because it sets the expectations of the business for accurate information. In a positive information culture the following statements may be said:

- A high value is placed by the top leadership on accurate information and transmitted to individuals throughout the organisation
- Resources are allocated to ensuring information accuracy
- Provision of high quality information is rewarded
- Individuals at all levels have a starting assumption that information is a corporate asset that must be valued
- It is acceptable to be honest about errors.

Whereas other controls focus on checking and correcting errors, in a positive corporate culture errors are less likely to arise because individuals create, record and transmit information completely and accurately as part of the way they work. Whereas other controls are laid over the top of the information-reporting process, the cultural controls are embedded within it. Whereas other controls might be occasional or periodic, culture is ongoing and permanent. Because of these characteristics, corporate culture can be described as the first line of defence against inaccurate information.

The culture of an organisation is both defined and reinforced by its governance – the framework of rules, policies, procedures and bodies that it has put in place to enable the smooth conduct of its business, ensure it complies with its responsibilities and manage its risks.

In the context of data assurance, we regard the following elements of Anglian Water's culture and governance as strengths:

- Our management board has approved an Information Charter – a set of statements about the value of high quality information and principles for how we will manage it in the organisation.
- One of the leadership behaviours we expect of all our business leaders is that 'I demonstrate honesty and integrity'. This behaviour is written into our Leadership Behaviours Framework
- We maintain a stable, qualified and experienced base of employees who understand the value attached to data quality and the processes that generate the data for their area of responsibility. We ensure they have the competencies and resources to apply the processes effectively
- We encourage employees to raise concerns about inaccurate information or suggest improvements to processes which will raise information quality. In extreme cases individuals can report concerns through our whistle blowing procedure
- Regular reviews of performance are conducted throughout the business from board level to individuals. Particularly relevant reviews include those undertaken by the Management Board, the Strategic Priorities Board, the Water Quality Group and the Policy Advisory Committee. Data quality is demanded by these groups for the effective discharge of their responsibilities
- Our data and processes are regularly audited by third parties, including Internal Audit, quality regulators, financial auditor and other assurance providers
- The language of risk is commonplace in the business and we assign resources according to risk levels. We maintain a comprehensive register to identify and quantify risks and document and evaluate risk mitigation measures. The top tier of the risk register is regularly reviewed by the Board Audit Committee and management board and there are regular reports to the Board which focus on our approach to the management of key risks
- A monthly financial control monitoring process provides assurance that our important key financial controls are operating properly, and that we can rely on the integrity of the financial information produced by our accounting system. We also have an annual self-certification control process which requires senior managers to make an assessment of the adequacy of financial

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and operational controls for their business units, as well as certifying compliance with relevant legal requirements such as data protection and anti-bribery laws

- Following the publication of the Annual Performance Report we conduct a debrief with the principal data and internal assurance providers to review the strengths and weaknesses in the reporting process
- The covenants we have entered into with lenders to obtain competitive financing include obligations to comply in all material respects with all laws and regulations to which we are subject, including those relating to data quality. A large group of directors and senior managers provide monthly written confirmation of compliance for their areas for responsibility
- A programme of internal audits is approved and overseen by the Board Audit Committee to assess the adequacy of risk management processes. The results of these audits – conducted by PWC – are reported to the Board Audit Committee, which ensures that actions arising from internal audits are completed
- Certified Business Management Systems (BMS) have been established to reinforce the management of risks associated with many areas of our business and compliance with obligations. Areas covered by BMSs include water and water recycling operations, capital investment delivery and Health and Safety management. Audits of compliance with the requirements of these systems are conducted internally and by our third party certifiers (LRQA).

Results of our detailed risk assessments and Draft Assurance Plan

This section sets out the results of the detailed risk assessments we have undertaken around specific data publications for 2019/20 and the assurance activities we propose to undertake in response.

1. Annual Performance Report

The data in scope of the risk assessment process described in this section are all of the non-financial data we report to stakeholders in the Annual Performance Report (APR), as specified by the Regulatory Accounting Guidelines. We adopt a separate approach to the financial data.

Results of our assessment exercise around the risk to data quality

The matrix below shows the results of our risk assessment for the 353 data we assessed. As explained in **Our Assurance Framework**, the overall risk to data quality depends on the **impact** of data inaccuracy and the **likelihood** of it occurring, within the likely range of error. The scores we assign to each of these dimensions for each piece of data combine to determine the overall position on the matrix for that data.

Almost certain	0	0	0	0	0
Likely	1	2	2	0	0
Possible	28	13	48	2	28
Unlikely	19	22	48	30	12
Rare	31	21	23	8	15
	Insignificant	Minor	Moderate	Major	Critical

We group the 25 possible impact / likelihood combinations into 5 **risk ratings**, which are colour coded in the matrix. The table below summarises the number of data points that are assigned against each risk rating:

Risk rating	Number of data lines in this category
No material concerns	99
Low	107
Medium	75
High	32
Critical	40

In the appendix we list the data lines which rate as Critical or High. The majority relate to the water balance items (including leakage) and the assessment of serviceability (the ability of our assets to continue to deliver a standard level of service).

Using the risk ratings to inform our assurance activities

We use the risk ratings to direct and focus our assurance activities and governance requirements. Naturally, data with Critical risk ratings will attract a higher level of assurance activity and governance requirements than those where we think there are No Material Concerns. The table below shows the minimum assurance activities and governance that we apply to data for each risk rating:

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Risk rating	Governance	Assurance
Critical	Management Board directors to sign off data when published	A minimum of one external audit to be carried out by an external assurance provider annually
High	Management Board directors to sign off data when published	A minimum of one internal audit to be carried out annually, and an external audit to be carried out at least every three years
Medium	Head of Business Unit to sign off data when published	A minimum of one internal audit to be carried out annually; options for external audits retained
Low	Line approver to sign off data when published	A minimum of one internal audit to be carried out at least every three years
No material concerns	Line approver to sign off data when published	No requirement for internal or external audit unless specific concern of business need is identified

This table determines the *minimum* level of assurance and governance which must be applied for each risk rating and we may decide to apply additional levels to particular data items. For example, we require all ODIs to be signed off by management board members, irrespective of the risk rating we have assigned to them.

Our draft assurance plan for the APR

Our assurance programme for non-financial aspects of our APR comprises two stages. Our 'in-year' audits take place before the year end and focus on the data-creation process while our 'year-end' audits focus on the data that we intend to publish in our APR.

As described above we select data to be included in our audit programme based on the risk ratings which arise from the risk assessment process. Having selected our data, we then allocate them across the in-year and year-end programmes.

Stage 1 'In-year' assurance reviews

We select data to be included in our in-year audit programme based on the following factors:

- The risk rating arising from the risk assessment process
- The number of years since the last external and internal audits
- The pre-determined assurance criteria set out above.

The terms of reference of the reviews vary, but typically include the following:

- Review the company's methodologies and procedures for identifying, analysing and recording data and, on a sample basis, the application of those methodologies and procedures
- Provide an opinion on the adequacy of the methodologies and procedures adopted by the company to provide reliable information
- Alert the company to any material areas of concern or weakness observed
- Check the currency and accuracy of APR procedures and any associated local procedures / work instructions
- Seek understanding of the upstream processes which generate data and the controls in place for ensuring the reliability of those data. Test where possible
- Where applicable, review the recommendations of previous audits and test completion of agreed actions.

The areas we propose to be subject to detailed 'in-year' assurance reviews in 2019/20 are listed below.

Connected Properties	Discharges and Consents
Length of Mains	Metering
Odour Complaints	Population
Volumes Collected	Water Service Facilities
Water Sources	Water Treatment Works
Water Quality Contacts	Water Pressure
Discharges and Consents	Length of Sewers
Length of Mains	Outputs- Water
Treated Water	Wastewater Properties Billed

We propose that these reviews will be carried out by a combination of Halcrow, our independent third party assurance provider, and employees of Anglian Water (who are independent of the processes being reviewed), before the end of March 2020.

Stage 2 'year-end' assurance reviews

We propose that our year-end assurance reviews are focussed on our Outcome Delivery Incentives (ODIs). We will invite Halcrow to review the data we intend to report against these performance commitments. We will include in the scope of these reviews other, related lines of the APR.

The terms of reference of the year-end reviews typically require the following:

- Check that data stated in the tables is supported by audit trails which are reliable, accurate and complete.

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- Check that suitable commentary is provided which explains performance.
- Confirm that the confidence grades are appropriate and supported by evidence.
- Confirm that changes from previous submissions have been adequately explained.

All the data lines in scope for this programme are grouped together in the following subject areas:

Environmental Compliance- Water	Per property consumption
Reactive mains bursts	Outputs- Water
Water Infrastructure	Water non-infrastructure
Sewerage Infrastructure	Sewerage Non-infrastructure
Water supply interruption	Environmental Compliance- Wastewater
Sewer Collapses	Unplanned Outages
Security of Supply Index- Dry year annual average	Security of Supply Index- Critical period (peak demand)
Water Quality Indicators	Wastewater Quality Indicators
Sewage Treatment Works	Properties at risk of persistent low pressure
Leakage- three year average	Sewer blockages
Properties flooded internally- three year average	Properties flooded externally- three year average
Internal flooding (overload and other causes)	Percentage of population supplied by a single supply system
Percentage of sewerage capacity schemes incorporating sustainable solutions	

Financial APR data

The financial tables of the APR will be prepared in accordance with the Regulatory Accounting Guidelines issued by Ofwat and will be subject to review by the company's independent auditors, Deloitte, to ensure compliance with Condition F of our Instrument of Appointment. Our Statutory Accounts will be prepared in accordance with the International Financial Reporting Standards (IFRS) and will also be subject to audit by Deloitte.

In addition to the external audits conducted by Deloitte, our financial controls are reviewed throughout the year by our Internal Auditors, PwC. A financial controls self-assessment process also provides assurance that key financial controls are operating on a monthly basis.

Our goal is to produce an APR which is completely free of errors. For the 2018-19 APR we introduced data science solutions to help us to identify unexplained variances, trends and potential errors, and we reduced the reliance on spreadsheets by using an automated reporting tool. The plan for the 2019-20 APR is to refine and extend the use of these tools to further strengthen the control environment.

2. Water Resources market information

We propose to publish updated versions of our water resources market information tables early in 2020, following finalisation of our Water Resources Management Plan (WRMP).

Tables 2-8 of the water resources market information are populated with data taken directly from the WRMP. There is an existing assurance requirement for the WRMP, and therefore the data for tables 2-8 is assessed as low risk, relating to transposition risk. We propose that this will be managed through an audit process by an external assurance provider to confirm the data transfer and sign-off by the Head of Business Unit.

Table 1 comprises 16 lines, of which 13 lines we have assessed as **low** risk, and the data is derived from the WRMP. We propose that these lines will be managed through an audit process by an external assurance provider to confirm the data transfer and sign-off by the Head of Business Unit.

Lines 11, 15 and 16 we have assessed as **high** risk given the reliance third parties will place on the data and thereby the potential impact from data inaccuracy. We propose these are subject to specific assurance procedures by Halcrow.

3. Bioresources market information

In July we will publish five tables of information about our bioresources assets and activities and submit to Ofwat a report on our sludge trading activity. To provide assurance on these tables we propose to invite Halcrow to confirm, through appropriate testing, the following:

- Data stated in the tables are supported by audit trails which are reliable, accurate and complete
- Resultant data can be reconciled to other reported information (e.g. APR)
- Draft submission is compliant with Ofwat's guidance and addresses feedback (if any) from the 2018 publication
- Methodologies are documented, compliant with internal reporting requirements and assumptions are reasonable
- Changes from previous 2018 publication are adequately explained.

4. Charges information

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We recognise that there is a risk around the quality of data used to calculate the allowed revenue and then calculate the charges required in order to recover that revenue in the charging year. We have assessed this risk as **medium**. To manage this risk and support the Board's statement of assurance, we propose to engage our financial auditor to undertake agreed procedures the scope of which are to (i) confirm the allowed revenue for the charging year and (ii) confirm that the charges proposed recover this revenue.

Presenting our performance

We know from research that stakeholders like to access information about our performance in a variety of ways. Informed stakeholders are aware of what they can access via our APR or annual report and accounts, both of which are published on our company website. The majority of customers and other stakeholders are more likely to receive performance information via less formal channels. The most important of these are social media platforms, which we use extensively to push performance data and consumer messages. Frequently the content we use in these bite-sized messages is drawn from our formal published reports.

Our performance portal

Our research tells us that stakeholders state they are interested in our performance but are not active in searching for performance information. In response to this, we created a web portal in 2017 to present our performance in a new and engaging way. This portal became the landing site for users seeking Anglian-specific information from WaterUK's Discover Waters website. The purpose of this portal was to set out background information about our performance commitments and report how we are performing against them. As well as showing performance in the previous financial year, we update the portal within the year to show current progress. The portal provides us with a platform to promote pieces of content from our APR, bringing them to new audiences who will not necessarily have read our APR. Our monitoring of the number of daily visits to the portal reveals very low levels of internet traffic, which calls into question the cost-benefit of maintaining the portal and we are reviewing its continued use.

We will continue to seek ways to provide our performance information in a transparent, easy-to-find format for those stakeholders who look for it. We will also work to direct people to the information and actively push relevant information to different stakeholder groups. We will do this through a number of communications channels, to reflect the different ways people say they prefer to receive information.

Responding to this consultation

We welcome feedback from stakeholders on the ways we ensure the reliability of our information and how we present our performance. You can contact us in any of the following ways:

- email: Stakeholderfeedback@anglianwater.co.uk
- call: 03457 91 91 55

We undertake to share the feedback we receive and explain how we have responded to it.

Once we have considered stakeholders' views on our risk assessment process we will publish our final assurance plan.

On 15 July 2020 we will publish our 2019/20 Annual Performance Report. This will include the results of our assurance work in Our Assurance Statement.

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Appendix

Data lines rated as Critical risk for data quality in our risk assessment

- Burst Mains- 1 line
- Greenhouse Gas- 3 lines
- Interruption to Supply- 1 line
- Serviceability-8 lines
- Sewer Activity- 4 lines
- Water Balance and Leakage- 20 lines
- Water Properties Billed- 3 lines

Data lines rated as High risk for data quality in our risk assessment

- Connected Properties- 3 lines
- Flooding- 5 lines
- Length of Mains- 1 line
- Outputs Water- 3 lines
- Population- 2 lines
- Security of Supply- 2 lines
- Sewage Treatment Works- 10 lines
- Single Supply- 1 line
- Sludge Production- 1 line
- Sludge Transport- 2 lines
- Water Balance and Leakage- 2 lines

