



Portsmouth Water's Data Assurance Summary 2016/17

July 2017

Data Assurance Summary

1. Background

Our shared industry vision for the water sector is one where customers, stakeholders and wider society have trust and confidence in vital water services.

As a water company we are committed to being accountable to customers and stakeholders for delivering high quality services. We report information about our performance in a number of different ways including our Statutory Accounts, the Annual Performance Report and an annual report covering our Outcome Delivery Incentive measures (ODIs).

We recognise that having information that is easy to understand and accurate helps everyone have trust and confidence in our performance.

Our Board takes overall responsibility for the quality and transparency of the information that we provide on our performance. The Company continues to review what information our customers and other stakeholders want and need on an ongoing basis. We do this through direct consultation and by considering other feedback such as feedback from our regulators.

The performance information that we publish is based on a range of different data, both operational and financial. We undertake checks on this data to make sure that it is appropriately accurate. Some of this checking is performed by the Company and some is performed by external parties. We call this “Data Assurance”.

It is important that we take a proportionate approach to how much assurance we need over this data and we also want to be transparent about how we get an appropriate level of confidence over the accuracy and completeness of data that we present.

Our approach to Data Assurance is described in the next section.

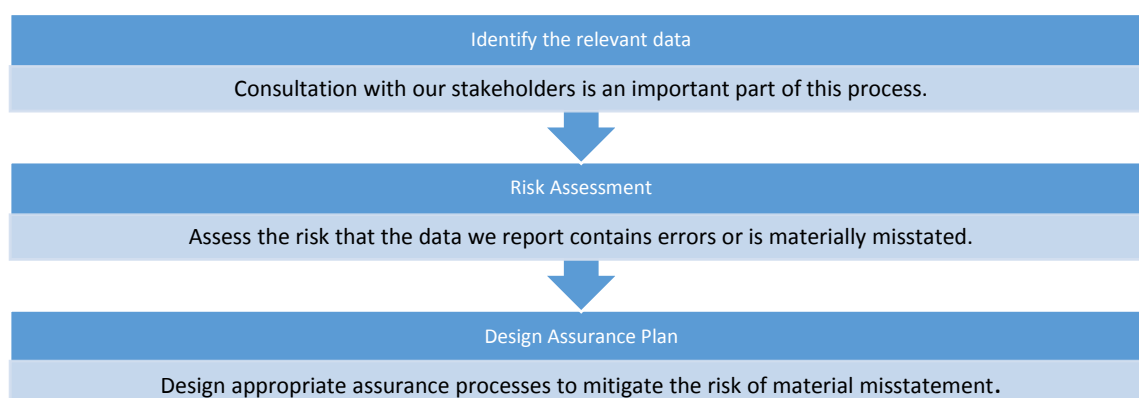
2 .Summary of Company Approach to Data Assurance

Planning

Our overall objective is to ensure that we report information that is relevant, reliable, complete, accurate and timely. When we consider how much data assurance we are likely to need we assess the risk that the data we report contains errors or is materially mis-stated.

To do this we look at the different types of data that we report and consider what might cause errors or omissions in that data; we assess the risk of that data not reflecting actual performance.

The steps involved in the process are set out in the diagram below.



During the period we have been through an extensive process to plan how we would get the right levels of Data Assurance. This has built upon the process that we established and reported on in 2015/16. Data Assurance activities include both those performed by the Company and by independent external parties.

For operational (non-financial) data we have achieved this through a process of publishing and consulting on our approach as part of our Company Monitoring Framework. For financial data (such as our Annual Report & Accounts and the financial elements of the Annual Performance Report) this is covered by the regulatory standards set out for Auditors.

The Company consulted with stakeholders on the following three documents:-

- a) Statement of Risks, Strengths and Weaknesses of our data was published on 30 November 2016. It described our assessment of the data we collect and publish. Stakeholders generally supported our assessment and we responded to any challenges by reviewing and revising our assessments.
- b) Draft Audit Plan was published on 15 February 2017 and described our detailed approach to data assurance in light of feedback from (a) above.
- c) Final Audit Plan was published on 24 March 2017 and reflected stakeholder feedback and Board approval.

As a result of this planning process, together with our external data assurance providers, we have developed an approach to Data Assurance based on a combination of internal and external activities. This approach was considered, challenged and ultimately approved by the Audit Committee and the Board in February 2017.

Execution

We have executed our Data Assurance in accordance with the Final Audit Plan, published 24 March 2017 and our other legal audit requirements. We have summarised below the key elements of this activity;

Internal Data Assurance

The Company has clear lines of responsibility for ownership of data, with data owners being responsible for compiling, checking and reporting the data. This is then subject to review, challenge and approval by a Senior Manager who in turn reports to a Director. Finally all data tables are further reviewed by the Regulation Manager and the relevant Executive Director as part of the annual reporting process. All annual reporting is also subject to extensive Audit Committee and Board scrutiny and this is summarised below under "Governance".

External Data Assurance

External audit work is performed on both financial information as part of the Annual Report and Accounts audit and on operational and financial data reported through the Annual Performance Report and Annual ODI report. This work is undertaken by professionally qualified and appropriately experienced independent organisations.

Financial data is reported on by our financial auditors Saffery Champness, a firm of Chartered Accountants and Registered Auditors. Operational data is reported on by Atkins, a firm of Engineering Consultants with significant experience in the Water Industry.

Results

Our Data Assurance activities were completed satisfactorily and did not identify either any material misstatements or omissions. The following external assurance reports were provided and are included in publically available documents as noted:-

- Audit opinion from Saffery Champness on the Annual Report and Accounts for Portsmouth Water dated 1 June 2017 on page 52
- Audit Report by Saffery Champness on the sections 1, 2 & 4 of the Annual Performance Report dated 26 June 2017 on page 63.
- In addition Saffery Champness also signed a certificate of sufficiency of financial resources under the company's licence condition (F6A)
- Assurance by Atkins covering data for the ODI Report. The summary of this work is set out on page 4 of the ODI report and the full final report is included on pages 41-43, published 12 July 2017
- In addition our Customer Challenge Group also provided an annual report which is included on pages 7-9 of the ODI report, published 12 July 2017.

These reports are all publicly available and included on the Company's website.

The findings of the external assurance providers were presented to the Audit Committee on 25 May 2017. The Company tracks progress against any areas identified for improvement and formally reports to the Audit Committee on progress in November. This forms part of a process of continuous improvement in relation to data quality as part of the Data Assurance cycle.

The key observations from our external assurance providers, discussed at the Audit Committee and Board were as follows;

- No material issues were identified.
- The Company has continued to improve its reporting processes and related controls.
- There were no reporting processes which had deteriorated significantly.
- Formal documentation of key reporting processes could be improved.
- The following items were considered worthy of specific comment to the Audit Committee;
 - Per capita consumption – where some of the assumptions in the methodology mean there is a high degree of uncertainty in the reported data.
 - Leakage – the relatively simple approach to calculation of leakage results in a higher uncertainty relative to other approaches in the reported data.
 - Logging of customer contacts – some recommendations relating “continuous improvement” of processes were made
 - Water balance calculations – a spreadsheet reference error was identified resulting in an immaterial change to the 2015/16 figure
 - GSS events – areas for improving the transparency of processes to identify potential GSS events for contractors

The Company also commissioned an early review of operational compliance with the market Operational Code. Whilst no significant findings were raised the relatively manual nature of many processes was noted as a possible area of risk. We continue to keep this under review.

In addition to the results of assurance summarised above Ofwat also provided feedback to the company in 2016 as part of the Company Monitoring Framework. Whilst the company retained an overall assessment of “targeted assurance” one area of Ofwat’s assessment to the Data Assurance Summary was identified as having “serious concerns”.

The Company reviewed and addressed each of the observations made by Ofwat as part of our process of continuous improvement and will continue to carefully consider and respond to any further regulatory feedback.

3. Governance

At each stage of the Data Assurance cycle there is full engagement and oversight at the Audit Committee and Board level with the Board taking overall responsibility for approval of information published by the Company as part of reporting processes.

The Audit Committee also meets with Saffery Champness and Atkins to receive and consider the results of their work, as summarise in section 2 above.

The following summarises the formal approval processes involved;

- a) Statement of Risks, Strengths and Weaknesses of our data was approved by the Board in December 2016.
- b) Draft Audit Plan was approved by the Board in January 2017
- c) Final Audit Plan was approved by the Board in February 2017

In addition the following key documents are approved and signed at the Board level;

- Annual Report and Accounts - 25 May 2017
- Annual Performance Report – Statements & Responsibilities including statement on Risk & Compliance – signed by Board members – 12 July 2017
- ODI Report – 12 July 2017

As also noted above the CCG are given an opportunity to review and comment on the documents above and the CCG provided a statement as part of the annual ODI report. We consider this is an important element of external scrutiny.

4. Board Compliance Statement

Our Company Monitoring Framework describes our approach to reporting and assurance of information. A summary of the process we followed in 2016/17 to assure the quality of our reporting is set out in Data Assurance Summary.

For the preparation of this statement we have considered compliance with our statutory, regulatory and Licence obligations, particularly those considered by our annual reviews as set out above.

Our annual reviews have not identified any material derivation from or non-compliance with these obligations and to the best of the Board's knowledge after reasonable enquiries Portsmouth Water has complied in all material respects with these obligations and is taking appropriate steps to manage and / or mitigate the risks it faces.

In making this statement we have taken account of the other statements made in compliance with our obligations under conditions F and K of our licence and under section 35A of the Water Industry Act 1991.

Based on the scope and outcome of the review processes detailed in this statement and in our annual financial and regulatory reporting the Board of Portsmouth Water are able to confirm that:-

- Considers it has a full understanding of, and is meeting, its obligations and has taken steps to understand and meet customer expectations.
- Has satisfied itself that it has sufficient processes and internal systems of control to meet its obligations and
- Has appropriate systems and processes in place to allow it to identify, manage and review its risks.

Approved by the Board and signed on its behalf by:



Mike Kirk
Chairman



Neville Smith
Managing Director

12 July 2017