



# **Portsmouth Water's Data Assurance Summary 2019/20**

**July 2020**

## 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 reliable, timely, easy to understand and appropriate to the audience helps everyone have trust and confidence in our performance. By information we do not mean just data but also the way in which this is presented and explained. This includes, wherever possible, the provision of comparative information.

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". In addition the Board, Executive Directors and, in some cases, the CCG also review the wider context and explanation in relation to published data (i.e. the information).

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.

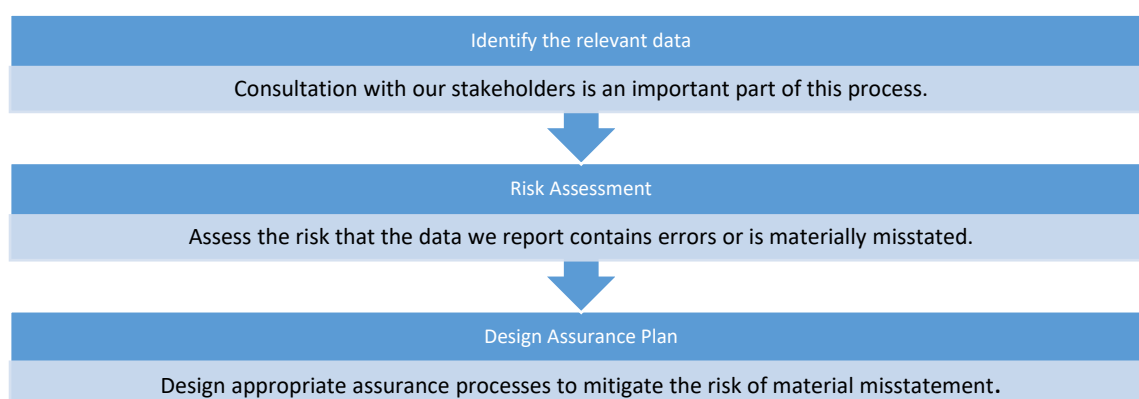
## 2 .Summary of Company Approach to Data Assurance

### **Planning**

Our overall objective is to ensure that we report information that is relevant, reliable, complete, accurate, understandable, objective 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 misstated.

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 – 2018/19. Data Assurance activities include both those performed by the Company and by independent external parties. As we noted in Section 1 we also complete work to ensure that the overall information provided tells a balanced, understandable, objective and consistent message.

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 together with the Regulatory Accounting Guidelines published by Ofwat.

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

- a) Statement of Risks, Strengths and Weaknesses of our data was published on 29 November 2019. 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 accordingly.
- b) Draft Audit Plan was published on 6 March 2020 and described our detailed approach to data assurance in light of feedback from (a) above.
- c) Final Audit Plan was published on 6 April 2020 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 2020.

It should be noted that in some limited circumstances the assurance plan may need to be revised. This is primarily where guidance, methodology or reporting requirements change. In these instances any minor changes are considered and approved by the Finance and Regulation Director, who has an experienced assurance background. Any more significant changes are approved by the Board. There were no changes this year.

### ***Execution***

We have executed our Data Assurance in accordance with the Final Audit Plan, published 6 April 2020 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 KPMG, a firm of Chartered Accountants and Registered Auditors. Operational data is reported on by Jacobs, a firm of Engineering Consultants with significant experience in the Water Industry.

#### Overview of Information

In order to gain confidence that the data, together with its form of presentation and related narrative, reflects a fair, balanced, consistent and transparent position the following are undertaken;

- Full reporting documents, both data and related narrative, are reviewed and commented upon by our external assurance providers. Whilst this does not always form part of their assurance process it does provide a level of comfort that the information presented is consistent and balanced.
- Full reporting documents are reviewed and commented upon by relevant senior managers, the Executive Directors and the Board. The Board challenges the presentation, balance and transparency of the information provided.
- The CCG reviews, and provides a report on the information provided in relation to ODI performance.

## **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 KPMG on the Annual Report and Accounts for Portsmouth Water dated 11 June 2020 on page 66
- Audit Report by KPMG on the sections 1, 2 & 4 of the Annual Performance Report dated 25 June 2020 on pages 90-92.
- In addition KPMG also signed a certificate of sufficiency of financial resources under the company's licence condition (P) dated 25 June 2020.
- Assurance by Jacobs covering the Technical data in our Annual Performance Review published 25 June 2020.
- Assurance by Jacobs covering data for the ODI Report. The summary of this work is set out on page 5 of the ODI report and the full final report is included on page 47, published 13 July 2020
- In addition our Customer Challenge Group also provided an annual report which is included on pages 10-14 of the ODI report, published 13 July 2020.

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

The detailed findings of the external assurance providers were presented to the Audit Committee on 28 May 2020. 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.
- Generally the Company has a good reporting processes and related controls.
- There were no reporting processes which had deteriorated significantly.
- Formal documentation of key reporting processes could be improved.
- Certain medium and low priority control recommendations
- The Company has produced an agreed action plan as a result of the Jacobs report.

Appendix 1 provides a more detailed summary of audit findings together with the Company response.

In addition to the results of assurance summarised above, in January 2019, Ofwat also provided feedback to the Company as part of the Company Monitoring Framework. The company retained an overall assessment of "targeted assurance" meaning we should not self-certify our data but use experienced third party experts.

### 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 KPMG and Jacobs 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 Executive Team and reviewed by the Board in November 2019.
- b) Draft Audit Plan was approved by the Executive Team and reviewed by the Board in February 2020
- c) Final Audit Plan was approved by the Executive Team and reviewed by the Board in April 2020

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

- Annual Report and Accounts – 11 June 2020
- Annual Performance Report – Statements & Responsibilities including statement on Risk & Compliance – signed by Board members – 25 June 2020
- ODI Report – 13 July 2020

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 2019/20 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 condition P 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:



**Helen Orton**  
**Finance & Regulation Director**



**Mike Coffin**  
**Audit Committee Chairman**

**13 July 2020**

## Appendix 1

### Summary of Assurance Findings and Results

We have summarised the key audit findings below;

#### Statutory Audit Finding – Annual Report and Accounts (KPMG)

Area	Finding	Impact
Audit opinion	Unmodified	None
Key accounting judgements	Fall within acceptable range	None
Unadjusted misstatements	One with an income statement impact of £0.1m. One with a balance sheet reclassification of £0.4m	Immaterial. Not indicative of systematic failures.
Adjusted misstatements	None	None
Control observations	Significant Control Deficiency 0  Medium importance Control Deficiencies 4  Low importance Control Deficiencies 6	The Company has put in place agreed actions in relation to the control observations identified. Of these recommendations, 7 related to opportunities to strengthen IT access controls and segregation of duties. Of the remaining 3, 1 related to the documentation of the review of pension assumptions, 1 related to journal approval 1 related to the review of IT security policy.

#### Annual Performance Report – Financial (KPMG)

Area	Finding	Impact
Audit opinion over sections 1 & 2	Not modified	None
Agreed upon procedures report on financial elements of section 4	With respect to procedures, no exceptions were found.	None



## Non-financial APR and ODI report (Jacobs)

Area	Finding	Company response
SME knowledge	Your staff have become highly knowledgeable in key performance areas and you have a high reliance on these individuals to produce performance data and bring it to the APR. In many cases there is a single-point of failure risk	This is acknowledged and we have already put in place a programme to further document processes and procedures to mitigate this risk.
Methodology Statements	There is limited documentation of the processes and methodologies and you often rely on the knowledge of the data owners.	This is acknowledged and we have already put in place a programme to further document processes and procedures to mitigate this risk.
Data Assessments	Of the 33 data assessments Jacobs made, 30 were B 'low to medium risk' and one was A 'low risk'. This indicates we identified no material issues with your proposed data. At the end of our assurance work there remained two assessments of C 'medium to high risk' which indicates we identified material issues.	Those items classified as C were unplanned outage and low pressure, which are both AMP7 ODIs.  They were reviewed in preparation for reporting next year. They do not affect the performance reporting by the Company in 2019/20.
Checks and controls	There is a general lack of internal independent 1 <sup>st</sup> and 2 <sup>nd</sup> line assurance.	This is disappointing as our processes already have such reviews by managers. We will re-inforce our processes this year.
Records and systems	There is a heavy reliance on paper records and locally saved information. Reporting risk would be reduced if it were stored centrally.	This point is noted. We have a project looking at key data in the business. We will include this reporting process in that project for 2020. The automation of data will improve the quality of evidence and hence the reporting thereof.
Confidence grades	Other companies have continued to use confidence grades for KPIs even when not required as part of the submission.	This point is noted and we agree it would be worthwhile re-instating the confidence grades methodology adopted by Ofwat up to 2011.
Line of sight	Much of the data is prepared for inclusion in the APR etc. but this is managed by the Regulation Manager. This presents a risk that the data could be reported incorrectly against the wrong tables / lines.	This is a risk. Many of the data owners are not aware where their data is published. We will consider how we mitigate it in the course of the next year.