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## FINAL Assurance Plan 2019/20

March 2020

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## Introduction and Background

### About Affinity Water

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We treat and supply over 900 million litres of water every day so we can ensure that 3.6 million people have high quality drinking water when they need it. We understand that we provide an essential service to households and businesses across our region. It is what drives our ambition to be a trusted, community-focused water company.

But we face a very real challenge to our ability to continue to meet demand in the longer term. We supply water to one of the fastest-growing, most economically active regions in the country. And, while demand is increasing, the amount of available water is decreasing.

At the time of publishing this document, we are facing unprecedented challenges arising from the Coronavirus pandemic. We are following Government health advice to make sure our customers and our employees stay safe, and have put all necessary measures in place to ensure that this advice is followed by everyone. We have invoked our robust business continuity plans so that we can make sure we still supply our water services to all of our customers.

On 3 September 2018, we submitted our five-year business plan for 2020 – 2025 to our regulator. This set out our path for continuing to meet this growing challenge. In developing our plans we undertook an extensive and multi-phased programme of customer and stakeholder engagement to ensure our plan focused on the things that matter most to customers. We engaged with over 15,300 customers and stakeholders and took account of over 5 million day-to-day customer contacts as part of a combined engagement programme.

As a result of what our customers told us, we set out 19 key commitments. These commitments were designed to ensure that we:

- have enough water to meet demand, whilst leaving more water in the environment;
- minimise disruption to customers and their communities;
- provide high quality water that customers trust; and
- offer customers a great service that they value.

In their initial assessment, published on 31 January 2019, Ofwat concluded that our business plan was subject to “significant scrutiny”. They considered that our plan fell

short in a number of areas, although there were some high-quality elements. From 31 January 2019 we worked closely with Ofwat to address their concerns and improve the overall quality of our plan and, therefore, the service we intend to provide to our customers.

On 1 April 2019, we submitted a Revised Plan and set out our responses to Ofwat's initial assessment. We carefully listened to Ofwat's feedback and worked hard on improving our plan in a range of specific areas to deliver even more for our customers and communities. In particular, we revised some of our performance commitments and increased the overall number from 19 to 28, providing more granular commitments to our diverse range of stakeholders. In the course of our customer engagement we established that clear accountability for performance is strongly supported by our customers.

On 18 July 2019 Ofwat published their Draft Determinations (DD) for Slow Track and Significant Scrutiny companies. Ofwat determined that our 1 April 2019 Revised Plan had not fully addressed their concerns and further interventions were proposed. We accepted the majority of interventions, responded to actions where requested and represented on key areas where we believe a different balance of risk, cost and performance is required to deliver good outcomes for customers. Financeability of the DD was an area of major concern. The represented plan we submitted in response to the DD addressed these concerns but still left limited financial headroom. This response was submitted on 31 August 2019.

On 16 December 2019 Ofwat published their Final Determinations (FD) for all water companies. Ofwat accepted our representations on some areas but not others. We formally agreed our FD with Ofwat on 13 February 2020. Our plan is ambitious and challenging, but we are now fully focused on delivering our performance commitments which will improve the service we provide to our customers and improve our environment.

We want to be open with our customers and other stakeholders about our performance against our commitments. We want them all to have trust in our service and confidence in the information we publish about our performance. We encourage customers and other stakeholders to provide feedback at any time about how we are performing.

## About this document

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We regularly publish information on our performance to demonstrate to customers, stakeholders and our regulators the extent to which we are delivering the services expected of us.

This document describes the main assurance activities that we either carry out ourselves or engage third-party providers to carry out independently, so that the information we report to customers, stakeholders and regulators is accurate, transparent, reliable, relevant, complete and up to date. We consider it essential to demonstrate that we report information on our performance that meets these criteria. This is part of our commitment to demonstrate that we take ownership of the information we report.

This Final Assurance Plan 2019/20 sets out the main categories of information we publish and the processes in place to assess and assure that information. In producing and publishing this document we aim to provide transparency around how we support our Board in providing assurance of the information we report.

The water industry regulator, Ofwat, requires companies to provide different levels of assurance to support the information they publish, depending on Ofwat's confidence in the quality of the information that companies produce. Ofwat requires us to publish an assurance plan each year.

In November 2019, we carried out an assessment of the risks, strengths and weaknesses of the systems and processes we have in place to support our Board in providing assurance of the information we report. As a result of this assessment, we published and distributed our draft Assurance Plan 2019/20 and Risks, Strengths and Weaknesses Statement.

Since then we have:

- consulted with our key regulators to discuss the published documents;
- engaged with members of our Customer Challenge Group (CCG) in respect of the documents; and
- asked customers, stakeholders and regulators to provide us their views on the way we assess data and information, and how we present our performance to them.

In this document, we reflect feedback received in respect of our draft Assurance Plan and Risks, Strengths and Weaknesses statement. This plan also addresses areas of concern raised by stakeholders and how we have adapted this final Assurance Plan.

## Our Assurance Plan

### General approach to assurance and information

#### Role of the Board

Our Board has overall responsibility for monitoring the Company's systems of internal control and for reviewing the effectiveness of these systems, including financial, operational and compliance controls and risk management, and is advised by our Audit Committee on these matters. We continue to maintain a multi-layer assurance approach.

#### Role of the CCG

Our CCG has an independent chair and its primary role is to comment on how well Affinity Water considers customers' views and their priorities and how well customer risks are managed in relation to the achievement of our performance commitments. In particular, the CCG's terms of reference include a requirement for them to have access to assurance reports from auditors and scrutinise performance against our performance commitments. They are also expected to comment on and challenge the appropriateness of content and language of relevant customer communication and engagement material across the range of media channels used.

The CCG has also played a significant role in our PR19 business planning programme. The CCG was required by Ofwat to provide "independent challenge to the company and independent assurance to Ofwat on the quality of the company's customer engagement for PR19, and the degree to which this is reflected in its business plan". CCG continued to adopt this role through to Ofwat's final determination, issued in December 2019.

The CCG is required to produce an annual report and present to our Board at least once per year, thus ensuring an independent direct line to Board members.

The CCG's full terms of reference can be found here:

<https://www.affinitywater.co.uk/docs/ccg/CCG-Terms-of-Reference-June-19.pdf>

## Risk Management Framework

We have an established framework for identifying, evaluating and managing the key risks we face. Our aim is to foster a culture in which teams throughout the business manage risks as part of their management of day-to-day operations. We identify, record, assess and manage risks at two levels as follows:

- Strategic Risks – those risks which potentially have a material adverse effect on our business, financial condition, results of operations and reputation; these risks are reported in our Statutory Financial Statements as our “Principal Risks and Uncertainties”
- Operational Risks – those risks which potentially have a material adverse effect on the effectiveness or efficiency of day-to-day business processes.

From Financial Year 2019/20 we are also required by the Corporate Governance Code 2018 to carry out a robust and transparent assessment of our emerging risks.

All of the above risks are recorded in our Risk Registers, assessed, and action plans prepared, if necessary, for further mitigation. Activities against these plans are monitored on an on-going basis. Risks are also regularly re-assessed and ranked by our teams during the year. Strategic and directorate risks are reviewed at least quarterly by our Executive Management Team and Audit Committee. Strategic risks are also reviewed at least twice-yearly by our Board, in particular as part of their approval of our Annual Report and Financial Statements.

The strategic risk register includes the principal regulatory risk of ‘Failure to comply with laws, our instrument of appointment and other recognised standards’. This risk encompasses, amongst other things, the risks managed at directorate level relating to the provision of accurate information to customers, regulators and stakeholders.

## Internal systems and processes

Systems are designed to manage the risk of failure to achieve business objectives (though such risk cannot be completely eliminated), and provide reasonable, but not absolute, assurance against material misstatement or loss. Features of the systems of risk management, planning and controls include:

- a comprehensive suite of internal control procedures across both operational and financial matters, supported by detailed delegated levels of authority;

- an Internal Audit function, the head of which has direct access to the Audit Committee, together with other internal control and assurance resources which monitor compliance with laws, regulations, policies and procedures;
- specialist planning teams retained within the organisation to work on major projects, such as business planning activities, supported by external specialists where appropriate; and
- the use of appropriate fiscal, regulatory and operational external assurance review. The Board approves the company's annual budget and regularly reviews actual performance. All major transactions are reviewed and approved by the Board.

The Company follows the principles of the 'three lines of defence' model, as promoted by the Institute of Internal Auditors and other professional and commercial organisations, as the basis of its assurance process. Assurance is achieved as follows:

#### 1st Line: Management control

Controls are exercised by the operational managers who own and manage risks day to day. Controls form an integral part of systems and processes under the guidance of operational management.

#### 2nd Line: Risk management and peer review

This comprises risk management and compliance functions established by management to help build and / or monitor the first line of defence controls, ensuring they are properly designed, in place and operating as intended.

#### 3rd Line: Internal Audit

Internal Audit provides the Board and senior management with assurance based on a high level of independence and objectivity within the organisation. Internal Audit provides assurance, on a test basis, as to the effectiveness of governance, risk management and internal controls.

Internal Audit prepares an annual plan of reviews, taking into account risks identified in risk registers, and carries out a number of audits each year. Not all areas are reviewed every year. The Internal Audit Plan is approved by the Audit Committee, which also monitors its delivery over the course of the financial / regulatory year. When reviewing processes which include recording and processing of data to be used in regulatory reporting, Internal Audit particularly focuses on ensuring the effectiveness and efficiency of controls to ensure accuracy and completeness of that data.

### External Assurance

We also make use of third-party organisations to provide the Board with external assurance that the information prepared by management is accurate and compliant. This particularly applies to major items such as the Annual Report and Accounts and the annual tariff setting process. The main parties used to provide this assurance are PricewaterhouseCoopers LLP (PwC), who provide assurance on financial data, and Atkins Limited (our Reporter), who provide assurance on engineering and technical data. These contracts are periodically re-tendered and providers may change.

In addition, from time to time we may also use other assurance providers, such as Deloitte, Frontier Economics, Ernst & Young and Oxford Economic Research Associates, on specific issues where management or our Board consider it appropriate.

It should be noted that the three lines of defence model does not always require the controls within the three lines to be performed in strict chronological order. In fact, it is not uncommon for all three to be performed concurrently.

During 2018 and 2019 we expended considerable effort in developing our business plan for 2020 – 2025. Assurance was a critical aspect of this work in order to address Ofwat's methodology requirements which can be summarised as follows:

- All elements add up to a Business Plan which is of high quality and which is deliverable
- Our overall strategy for data assurance and governance processes delivers high quality data
- Our Business Plan will enable us to meet our statutory and licence obligations, now and in the future
- Our Business Plan will deliver operational, financial and corporate resilience over AMP7 and the long term
- Our Business Plan will enable customers' trust and confidence through high levels of transparency and engagement with customers on issues such as our corporate and financial structures

Appendix 11 to our September 2018 PR19 Business Plan detailed the multi-layered approach we adopted for assurance of our plan. Our Board owned the overall strategy for the Business Plan and acknowledged that assurance was a key component in

producing a high-quality business plan and that there was a need for a level of assurance commensurate with risk.

## Compliance

We are subject to a significant number of laws and regulations and we have processes in place, aligned with the three lines of defence model described above, to ensure we comply with them. We are also working on a project to enhance our Compliance Framework by embedding a Legal Obligations Register which maps all of our legal and regulatory obligations, including those relating to regulatory reporting. This will result in greater visibility of individual ownership and accountability for each obligation; prioritisation of key obligations; and a reference point for a cycle of compliance audits. This work is expected to be completed by December 2020.

## Data Insight Project

We are embedding the principles of the Ofgem Data Assurance Guidance (DAG) in our data strategy. The first APR in AMP7 will be assured by reference to this guidance. In the meantime, a project team is working with key data stewards to embed the DAG assessment and CART (Completeness Accuracy Reliability Timeliness) methodology.

## Assurance of reported information

The tables on the following pages describe, for each of the types of information we publish, the main current assurance controls in place so that all information reported is accurate, transparent, reliable, relevant, complete and up-to-date.

Report Categories	Main Risks	Controls / Assurance in Place		
		1 <sup>st</sup> Line (Data providers and management)	2 <sup>nd</sup> Line (Regulation, Financial Control, senior management)	3 <sup>rd</sup> Line (Internal Audit and External Providers)
<p><b>Regulatory Annual Performance Report (APR)</b></p> <p><b>(included within the Annual Report and Financial Statements)</b></p> <p><b>Summarises company performance in the preceding year and meets specific information requirements.</b></p>	<p>Underlying non-financial data is inaccurate or incomplete.</p> <p>Information reported is unclear or misleading.</p> <p>Reporting requirements are not sufficiently well understood by staff resulting in inappropriate reporting methodology.</p>	<ol style="list-style-type: none"> <li>1. A wide variety of day-to-day operational controls is operated to ensure that all transactional data is accurately and completely recorded.</li> <li>2. We have in place well-established responsibilities and accountabilities, policies, methodologies and processes, all of which are subject to frequent self-assessment and independent review by Internal Audit on a cyclical basis.</li> <li>3. Separation of duties is in place wherever possible to ensure that no single individual has complete responsibility for a business process and its constituent controls.</li> </ol>	<ol style="list-style-type: none"> <li>1. Reporting experts in the Regulation team carry out regular detailed reviews of underlying data and information to ensure accuracy and completeness.</li> <li>2. Relevant members of Executive / Senior Management review all information prior to publication or submission.</li> <li>3. The Audit Committee oversees all processes required to produce the Annual Report and Financial Statements, including the Annual Performance Report.</li> <li>4. The Board approves the APR prior to submission.</li> </ol>	<ol style="list-style-type: none"> <li>1. Atkins carry out reviews of methodologies and processes by which non-financial data are produced and information generated. We consider it essential to have this independent review given the penalties and rewards associated with the achievement of performance commitments and the consequent impact on customers' future bills</li> <li>2. PwC carry out an annual audit of the Regulatory Accounting Statements contained within our Regulatory APR. We have a regulatory obligation for our external auditors to confirm that these statements have been presented in accordance with Condition F and the Regulatory Accounting Guidelines issued by Ofwat. These reviews also confirm whether reports are prepared in accordance with relevant guidance and regulatory requirements.</li> </ol> <p>N.B. the assurance work carried out in respect of our Regulatory APR is detailed in the "Data Assurance Summary", published on our website.</p>

## APR Assurance Breakdown

Data	3 <sup>rd</sup> Line Assurance procedures performed
Certificate of adequacy	Review by PwC to enable the reporting of any inconsistencies between the information contained in the certificate and accompanying statement, and either the APR or any information obtained during the course of their audit work.
Tables 1A, 1B, 1C, 1D, 1E, 1F, 2A, 2B, 2C, 2D, 2E, 2F, 2G, 2I, 2J and 2K	External audit by PwC, including RAG5 compliance.
Tables 3A, 3C, 3D, 3S and 4A, 4D, 4L, 4P and 4Q	External review by Atkins of the procedures used to collect and report the information.
Tables 4B, 4C, 4D, 4F, 4G, 4H, 4I, 4J, 4L and 4V, transactions with associated companies and current tax reconciliations	Agreed upon procedures performed by our external auditor, PwC, including checking application of the guidance in the Regulatory Accounting Guidelines, checking application of the methodology statement, checking consistency with other tables within the APR and reviewing the calculation of current year data where numbers do not directly extract from other tables.
RAG5 Audit	PwC perform agreed upon procedures over our compliance with Regulatory Accounting Guideline 5. These procedures include review of the Corporate Services Agreements between group entities and ensuring that recharges are in compliance with the “Guidance for transfer pricing in the water and sewerage sectors (RAG 5.07)”, checking the consistency of the disclosures in the notes in the Annual Performance Report of the Financial Statements, ensuring the wholesale water charges to group entities are in line with the “settlement report” provided by the Market Operator and ensuring the mathematical accuracy of the charges.

Report Categories	Main Risks	Controls / Assurance in Place		
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<p><b>Other Regulatory Reporting</b></p> <p><b>Data and information provided to our main regulators Ofwat, DWI and EA, and to CCWater.</b></p> <p><b>In particular: Performance Commitment / ODI reporting, Guaranteed Standards Scheme (GSS) information, written complaints data, annual data tables, annual tariffs and charges, quarterly reports to CCWater, ad-hoc requests (e.g. casework, response to Ofwat’s “out-in-the-cold” report)</b></p>	<p>Underlying non-financial data are inaccurate or incomplete.</p> <p>Information reported is unclear or misleading.</p> <p>Reporting requirements and the purposes for which submitted information will be used are not sufficiently well understood by staff, therefore reporting methodologies are inappropriate.</p>	<ol style="list-style-type: none"> <li>1. Day-to-day operational controls are operated to ensure that all transactional data is accurately and completely recorded.</li> <li>2. We have in place well-established responsibilities and accountabilities, policies, methodologies and processes, all of which are subject to frequent self-assessment and independent review by Internal Audit on a cyclical basis.</li> <li>3. Separation of duties is in place wherever possible to ensure that no single individual has complete responsibility for a business process and its constituent controls.</li> </ol>	<ol style="list-style-type: none"> <li>1. Reporting experts in the Regulation team carry out regular detailed reviews of underlying data to ensure accuracy and completeness.</li> <li>2. Relevant members of Executive / Senior Management review all information prior to publication or submission.</li> <li>3. Our Audit Committee reviews and our Board approves our annual data tables submissions.</li> </ol>	<ol style="list-style-type: none"> <li>1. Atkins carry out reviews of methodologies and processes by which certain data are produced and information generated for inclusion in regulatory reporting submissions. Again, we consider it essential that we have this independent review of our processes and procedures given the importance of the information provided to customers and regulators. These reviews also confirm whether reports are prepared in accordance with relevant guidance and regulatory requirements.</li> </ol>

### Specific reports in this category

Reports	Description	Assurance
CCW Quarterly Returns	We submit operational performance data to CCWater each quarter. Areas covered include supply interruptions, per capita consumption and complaints. This data is used by CCWater to compile and publish reports comparing water companies' performance. Therefore, it is important that it is complete and accurate.	Quarterly returns are subject to the 1 <sup>st</sup> and 2 <sup>nd</sup> line of defence controls as described in the above table. 3 <sup>rd</sup> line of defence assurance is carried out by Atkins on the annual return.
Delving into Water	We also submit "Delving into Water" reports to CCWater each quarter. These submissions are used by CCWater to compile their annual "Delving into Water" reports to highlight how the various water companies are performing in areas that "really matter to consumers". Again, in order to support the comparability of performance between companies it is vital that the information we provide is complete and accurate.	Quarterly returns are subject to the 1 <sup>st</sup> and 2 <sup>nd</sup> line of defence controls as described in the above table. 3 <sup>rd</sup> line of defence assurance is carried out by Atkins on the annual return.
Discover Water	Discoverwater.co.uk is a dashboard bringing together key information about water companies in England and Wales in one place for customers. The dashboard aims to be a clear and simple source for trustworthy and factual information. Much of the data underlying the dashboard is provided by water companies and it is vital that this data accurately reflects our performance.	Data provided are subject to the 1 <sup>st</sup> and 2 <sup>nd</sup> line of defence controls as described in the above table. All data provided to Discover Water have already been subject to external assurance by Atkins as part of their work on our APR.
Developer Services Levels of Service (LoS) Data	Every month our Developer Services team submits to Water UK its self-certified performance against a number of metrics. Water UK publishes quarterly league tables comparing performance across all water companies. Our Internal Audit team recently carried out a review of this area and recommended that these monthly submissions are subject to independent assurance.	Monthly submissions are subject to: (a) 1 <sup>st</sup> line of defence controls in the form of checks carried out by our Developer Services management team; and (b) 2 <sup>nd</sup> line of defence assurance in the form of independent checks by our Risk and Compliance team.

Report Categories	Main Risks	Controls / Assurance in Place		
		1 <sup>st</sup> Line (Data providers and management)	2 <sup>nd</sup> Line (Regulation, Financial Control, senior management)	3 <sup>rd</sup> Line (Internal Audit and External Providers)
<b>Financial Reporting</b> <b>Regulatory and statutory financial information, submitted to Companies House.</b>	<p>Financial position or performance mis-reported.</p> <p>Underlying financial transaction data are inaccurate or incomplete.</p> <p>Incorrect classification of transactions and balances.</p> <p>Incomplete / unclear notes to the accounts.</p>	<p>1. Day-to-day financial controls over financial transaction recording. Verification applied through delegated authority by managers.</p> <p>2. Senior Finance managers are responsible for ensuring that all accounting processes are aligned to UK Generally Accepted Accounting Practice and relevant requirements of the Companies Act 2006.</p> <p>3. We have in place well-established responsibilities and accountabilities, policies, methodologies and processes, all of which are subject to frequent self-assessment and independent review by Internal Audit on a cyclical basis.</p> <p>4. Separation of duties is in place wherever possible to ensure that no single individual has complete responsibility for a business process and its constituent controls.</p>	<p>1. The Finance team produces monthly management accounts which are reviewed by Executive / Senior Management and the Board.</p> <p>2. The Audit Committee oversees all processes required to produce the Annual Report and Financial Statements, including review of draft reports, and recommends to the Board that they can be signed off.</p>	<p>1. As required by the Companies Act, PwC conduct annual audits of our financial statements in accordance with International Standards on Auditing (UK and Ireland). The objectives of these audits are to confirm that the financial statements give a true and fair view of the state of the Company's affairs, profit and cash flow; that they have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and have been prepared in accordance with the requirements of the Companies Act 2006.</p> <p>N.B. the assurance work carried out in respect of our Annual Report and Financial Statements is detailed in the "Data Assurance Summary", published on our website.</p>

Report Categories	Main Risks	Controls / Assurance in Place		
		1 <sup>st</sup> Line (Data providers and management)	2 <sup>nd</sup> Line (Regulation, Financial Control, senior management)	3 <sup>rd</sup> Line (Internal Audit and External Providers)
<p><b>Direct Customer Communications</b></p> <p><b>Multi-channel communications such as website information, on-line surveys, social media, customer call centre data, operational staff contact, customer billing leaflets, etc.</b></p>	<p>Information provided is inaccurate, incomplete or unclear.</p> <p>Information provided does not meet the needs of customers.</p>	<p>1. Day-to-day controls are in place to ensure that all data are accurately and completely recorded. Data assurance is carried out by operational management.</p> <p>2. We have in place well-established responsibilities and accountabilities, policies, methodologies and processes, all of which are subject to frequent self-assessment and independent review by Internal Audit on a cyclical basis.</p> <p>3. All materials used to communicate directly to customers are developed jointly by our Customer Relations and External Communications teams.</p> <p>4. Separation of duties is in place wherever possible to ensure that no single individual has complete responsibility for a business process and its constituent controls.</p>	<p>1. Reporting experts in the Regulation team carry out regular detailed reviews of underlying data pertaining to regulatory submissions to ensure accuracy and completeness.</p> <p>2. Executive / Senior Management review information prior to publication or submission.</p>	<p>1. Individual communications materials are not typically subject to specific external assurance. However, any underlying data used in such communications will already have been subject to external review by Atkins as part of their assurance work on our APR and other Regulatory Reporting.</p> <p>2. CCG comments on and challenges the appropriateness of content and language of relevant customer communication and engagement material across the range of media channels used.</p>

Report Categories	Main Risks	Controls / Assurance in Place		
		1 <sup>st</sup> Line (Data providers and management)	2 <sup>nd</sup> Line (Regulation, Financial Control, senior management)	3 <sup>rd</sup> Line (Internal Audit and External Providers)
<p><b>Other Stakeholder Information</b></p> <p>Information provided to a range of customer, consumer and local government and other stakeholder groups.</p>	<p>Information provided is inaccurate, incomplete or unclear.</p> <p>Information provided does not meet the needs of relevant stakeholders.</p>	<p>1. Day-to-day controls are in place to ensure that all data are accurately and completely recorded. Data assurance is carried out by operational management.</p> <p>2. We have in place well-established responsibilities and accountabilities, policies, methodologies and processes, all of which are subject to frequent self-assessment and independent review by Internal Audit on a cyclical basis.</p> <p>3. All materials used to communicate directly to customers are developed by our External Communications team in conjunction with other areas of the company dependent upon the nature of the information being reported.</p> <p>4. Separation of duties is in place wherever possible to ensure that no single individual has complete responsibility for a business process and its constituent controls.</p>	<p>1. Reporting experts in the Regulation team carry out regular detailed reviews of underlying data pertaining to regulatory submissions to ensure accuracy and completeness.</p> <p>2. Executive / Senior Management review information prior to publication or submission.</p>	<p>1. Individual communications materials are not typically subject to specific external assurance. However, any underlying data used in such communications will already have been subject to external review by Atkins as part of their assurance work on our Annual Performance Report and other Regulatory Reporting.</p> <p>2. CCG comments on and challenges the appropriateness of content and language of relevant customer communication and engagement material across the range of media channels used.</p>

### Specific reports in this category

Reports	Description	Assurance
Gender Pay Gap Report	<p>Since 2017, as an employer of more than 250 employees, we have been required to publish and report figures about our gender pay gap. We will be publishing our 2019 gender pay report by 3 April 2020.</p>	<p>Reporting is based on data which is subject to stringent 1<sup>st</sup> and 2<sup>nd</sup> line of defence assurance controls embedded in our payroll processes.</p>
Payment Practices and Performance	<p>Since April 2017, large companies and limited liability partnerships have been required to publicly report twice a year on their payment practices and performance, including the average time taken to pay supplier invoices.</p>	<p>Our reports are based on data which is (a) subject to 1<sup>st</sup> and 2<sup>nd</sup> line of defence controls embedded in our Accounts Payable processes, and (b) reflected in our financial statements which are subject to review by PwC as part of their annual external audit.</p> <p>Reports are subject to rigorous checking by senior and executive management.</p> <p>During 2019/20 an internal audit of Accounts Payable was carried out. The scope of this review included external reporting obligations. In their report, our Internal Audit team concluded that they were able to provide assurance in respect of the effectiveness of controls around meeting our external reporting requirements.</p>

Report Categories	Main Risks	Controls / Assurance in Place		
		1 <sup>st</sup> Line (Data providers and management)	2 <sup>nd</sup> Line (Regulation, Financial Control, senior management)	3 <sup>rd</sup> Line (Internal Audit and External Providers)
<p><b>Charges scheme documents, tariff documents, charging arrangements and related information and documents.</b></p>	<p>Information provided is inaccurate, incomplete or unclear.</p> <p>Information provided does not meet the needs of relevant stakeholders.</p> <p>The Company does not properly comply with its legal and regulatory obligations.</p>	<ol style="list-style-type: none"> <li>1. We have in place well-established responsibilities and accountabilities, policies, methodologies and processes covering development of charges, charges schemes and charges arrangements; these are all subject to annual self-assessment.</li> <li>2. Various detailed controls are operated as an inherent feature of processes to develop charges, charges schemes and charges arrangements, designed to ensure the veracity of calculations and compliance with regulatory requirements.</li> <li>3. Separation of duties is in place wherever possible to ensure that no single individual has complete responsibility for a business process and its constituent controls.</li> </ol>	<ol style="list-style-type: none"> <li>1. A Board sub-committee is formed every year to review, on behalf of the Board, the development of tariffs, charges schemes and charges arrangements, and approve any submissions to be made to Ofwat.</li> <li>2. All documents are subject to review by relevant members of our Executive Management Team and senior management prior to publication, to ensure compliance with all relevant legal obligations.</li> </ol>	<ol style="list-style-type: none"> <li>1. Internal Audit carry out an annual review to provide assurance that documented processes and procedures are designed to ensure compliance with all regulatory and legal obligations, and that charges schemes and charges arrangements are developed in line with those processes and procedures.</li> <li>2. Atkins, our Reporter, review forecasts of customer numbers and charges volumes in order to provide assurance that these have been prepared on a reasonable basis.</li> <li>3. PwC assess the computational accuracy of charges forecasts and provide assurance that expected revenue from our charges is in line with the price controls set out in our licence conditions.</li> </ol>

### Specific reports in this category

Reports	Description	Assurance
<p>Board Assurance Statement – Charging Arrangements for New Connections</p> <p>Charges Scheme</p> <p>Compliance Statements – Household Customer Charges</p> <p>Indicative Wholesale Access Charges and Assurance Statement</p> <p>Charging Arrangements for New Connections Services</p> <p>Primary Wholesale Charges – Indicative scope of changes to charges</p> <p>Statement of Significant Changes in Charges for New Connection and New Developments</p> <p>Household Customer Charges - Statement of Significant Changes</p> <p>Wholesale Charges Compliance Statement</p> <p>Wholesale Tariff Document</p>	<p>Each year we publish a number of documents which set out our wholesale charges to water supply licensees who operate in our supply areas; charges for services provided to household customers; and charges to developers for providing new water mains and for connecting to water mains.</p> <p>There are various legal and regulatory requirements covering these documents, summarised by Ofwat in Information Note 19/05.</p>	<p>We established a Board sub-committee to oversee development of the various 2020/21 charges and tariff documents, and the assurance activities operated to ensure compliance with the various legal and regulatory requirements.</p> <p>To support the sub-committee in making its Board Assurance Statement that we had complied with all our relevant legal and statutory obligations, a robust assurance framework was designed to review the end-to-end tariff update process including review of the data collected, update of the tariff models, upload of the final individual tariffs into our billing system and review of our Charges Scheme.</p> <p>Atkins carried out an independent review to ensure that the company has appropriate systems and processes in place to extract and review the data and ensure that the information published in our Indicative Wholesale Charges is accurate. This review included the collected data and our volume consumption and billing forecasts for charging year 2020/21.</p> <p>Overall Atkins concluded that “we can provide assurance on the processes that have been used to derive the base customer information and charge multipliers that have been used in the submission, and do not consider that there are any material risks for the report year”.</p> <p>PwC reviewed our charging model to review the adequacy of the model’s design and overall compliance with revenue forecast. After completing their procedures PwC concluded that “they had found no exceptions”.</p> <p>Our Legal team completed a thorough review of our Household Charges Scheme for 2020/21 and concluded that the document is “complete from a legal perspective”.</p> <p>Our Internal Audit team reviewed the process to upload the final individual tariffs into our billing system and confirmed that the process is fit for purpose.</p>

		<p>In respect of our Charging Arrangements for New Connections Charges (NCCA):</p> <ul style="list-style-type: none"> <li>• Atkins carried out combined methodology and data audits designed to confirm whether: <ul style="list-style-type: none"> <li>○ Affinity Water has appropriate systems, procedures and reporting mechanisms in place to control and meet its NCCA calculation obligations</li> <li>○ Affinity Water understands the accuracy of the data that it is providing, is able to identify where source data may not be appropriate to meet regulatory expectations and uses reasonable assumptions as an alternative.</li> </ul> </li> </ul> <p>On the basis of their work, Atkins concluded that the NCCA document is fit for purpose.</p> <ul style="list-style-type: none"> <li>• TupperS Law reviewed whether: <ul style="list-style-type: none"> <li>○ the Company’s NCCA document complies with its legal and regulatory obligations;</li> <li>○ the Board Assurance Statement complies with the Company’s regulatory obligations; and</li> <li>○ the Board Assurance Statement is legally compliant.</li> </ul> </li> </ul> <p>TupperS Law concluded that our Board could be confident that the required Board Assurance Statement was compliant with the Company’s relevant legal and regulatory obligations.</p> <ul style="list-style-type: none"> <li>• Our Internal Audit department carried out various assurance activities and concluded that: <ul style="list-style-type: none"> <li>○ All rates and other relevant details had been accurately and completely transcribed from the New Connections Master Model to the NCCA document; and</li> <li>○ The NCCA document is well-structured and laid out, and clearly describes the various types of charges within its scope.</li> </ul> </li> </ul>
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Report Categories	Main Risks	Controls / Assurance in Place		
		1 <sup>st</sup> Line (Data providers and management)	2 <sup>nd</sup> Line (Regulation, Financial Control, senior management)	3 <sup>rd</sup> Line (Internal Audit and External Providers)
<p><b>Community-based Reporting</b></p> <p><b>Information provided in respect of our 8 communities.</b></p>	<p>Information provided is inaccurate, incomplete or unclear.</p> <p>Information provided does not meet the needs of relevant stakeholders.</p>	<p>1. Day-to-day controls are in place to ensure that all data are accurately and completely recorded. Data assurance is carried out by operational management.</p> <p>2. We have in place well-established responsibilities and accountabilities, policies, methodologies and processes, all of which are subject to frequent self-assessment and independent review by Internal Audit on a cyclical basis.</p> <p>3. All materials used to communicate directly to customers are developed by our External Communications team in conjunction with other areas of the company dependent upon the nature of the information being reported.</p> <p>4. Separation of duties is in place wherever possible to ensure that no single individual has complete responsibility for a business process and its constituent controls.</p>	<p>1. Reporting experts in the Regulation team carry out regular detailed reviews of underlying data pertaining to regulatory submissions to ensure accuracy and completeness.</p> <p>2. Executive / Senior Management review information prior to publication or submission.</p>	<p>1. Individual communications materials are not typically subject to specific external assurance. However, any underlying data used in such communications will typically already have been subject to external review by Atkins as part of their assurance work on our Annual Performance Report and other Regulatory Reporting.</p> <p>2. CCG comments on and challenges the appropriateness of content and language of relevant customer communication and engagement material across the range of media channels used.</p>

### Specific reports in this category

Reports	Description	Assurance
"Our year in review"	This is an annual performance report published in June / July in respect of the most recently completed financial year. It is designed to explain our performance targets and measures in plain-English and is specifically directed at customers. Performance against our various performance commitments is shown, including breakdowns by community where relevant.	The contents of the performance booklet are reviewed in detail by our Audit Committee and members of our executive and senior management teams. All numbers reported are based on data which has already been subject to detailed review by our external auditors PwC and Atkins.
Monthly Community Performance reports	These reports are published on our website for each calendar month and show, by community, performance against the following performance commitments: affected customers not notified of planned works; number of mains bursts on our network; unplanned interruptions to supply of more than 12 hours; planned works taking longer to complete than notified.	These reports include a note to the effect that all performance figures are unaudited and subject to change. However, the contents are substantially based on data otherwise reported to our Executive Management Team and Board.

## Feedback

In February 2020, the Chair of our CCG wrote to us with a number of comments in respect of the draft Assurance Plan and Risks, Strengths & Weaknesses Statement published in November 2019. Some of these comments were in respect of the content of those documents and we have made relevant amendments in developing this final Assurance Plan. Other comments, concerning our performance reporting, how we assure data and information, etc. are summarised below together with our plans to address them.

Feedback	Response
<ul style="list-style-type: none"> <li>• The Company is encouraged to do more to engage with customers and stakeholders in consultations on performance reporting, for instance through website surveys, emails and social media</li> </ul>	<ul style="list-style-type: none"> <li>• Our plans for AMP7 include an extensive review of what performance means to different groups of customers. Our general consultations with customer will include gathering their views on what matters most to them with regards to performance reporting.</li> <li>• This work will include deep engagement with CCG with regards to visibility and accountability to customers.</li> <li>• We are already doing more to consult with developers and self-lay providers to ensure that we provide them with the best possible service and we will continue to build upon the work already done in this area.</li> </ul>
<ul style="list-style-type: none"> <li>• In respect of our “Year in Review” and monthly community performance reports:               <ul style="list-style-type: none"> <li>○ enhancements are needed to these products, for example establishment of easy to use systems for customers to provide feedback on the performance reported or to challenge and query data themselves</li> <li>○ CCG members in general have concerns with regards to the usefulness and presentation of this information</li> <li>○ the most recent monthly performance report relates to September 2019</li> <li>○ so far, no customer / stakeholder facing annual performance report has been published for 2018/19</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• We are aiming to publish our 2018/19 Year in Review report by end-April 2020.</li> <li>• There is an inherent delay in collating and processing the data for our monthly performance reports. We will be updating our website with more recent reports as soon as possible.</li> <li>• As part of the overall review of customer performance reporting referred to above, we will be assessing the effectiveness of our annual and monthly performance reports, including consultations with customers to determine their views.</li> </ul>

<ul style="list-style-type: none"> <li>In previous years, significant outreach programmes of presentations to stakeholders and customers in different Water Resource Zone (WRZ) community areas were held to explain performance and take questions; this does not appear to have happened in 2019 (for 2018/19 performance)</li> </ul>	<ul style="list-style-type: none"> <li>As referred to above, we will be reaching out to customers early in AMP7 to determine their views on our existing performance reporting and devise a plan to enhance our capabilities and delivery.</li> </ul>
<ul style="list-style-type: none"> <li>Current approach to performance reporting is based on WRZ labels to show performance for different communities; the Company has a lot of insight from research on its community strategy in 2018/19 that the WRZ labels do not resonate with customers; it also presents all the information on a single screen meaning it is quite hard for anyone seeking their local information to find it easily; overall there is an inconsistent approach to the presentation of "local" performance information which ultimately makes it less accessible to and useable by customers and stakeholders.</li> </ul>	<ul style="list-style-type: none"> <li>We acknowledge that the WRZ labels used for our community-focused reporting do not resonate with customers. As part of our review mentioned above we will be considering alternative ways of providing local information which is meaningful and useful for customers.</li> </ul>

We would be pleased to receive feedback at any time with regards to our various performance and assurance documents, how we assess data and information and how we present our performance to customers, stakeholders and regulators.

Please contact us at:

[assurance@affinitywater.co.uk](mailto:assurance@affinitywater.co.uk)