



Company Monitoring Framework

Final Assurance Plan 2018/19

March 2019

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Introduction and Background

About Affinity Water

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. While demand is increasing, the amount of available water is decreasing.

On 3 September 2018, we submitted our five-year business plan for 2020 – 2025 to our regulator. This sets 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 focuses 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 are 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 significantly short in a number of areas, although there were some high-quality elements. We have been working 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.

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

About this document

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 those criteria. This is part of our commitment to demonstrate that we take ownership of the information we report.

This final Assurance Plan 2018/19 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. As part of its Company Monitoring Framework, Ofwat require us to publish an assurance plan each year.

In November 2018, 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. In January 2019, Ofwat published their 2018 Company Monitoring Framework reports for all water companies. Ofwat have re-categorised us as "Prescribed". Ofwat raised "minor concerns" in the following categories of their assessment:

- Charges engagement
- Water resources management plan and market information
- Cost assessment
- PR19 initial assessment of business plans – data consistency

Ofwat also raised "serious concerns" with respect to:

- PR19 initial assessment of business plans – data quality

As a result, we reviewed our Risks, Strengths and Weaknesses Statement and published a revised version on 8 March 2019. In the "Ofwat's Assessment" section of

this document, we have captured how we have addressed or are in the process of addressing the minor and serious concerns raised by Ofwat in their Company Monitoring Framework report.

Following publication of our November 2018 Risks, Strengths and Weaknesses Statement, we:

- consulted with our key regulators and offered meetings to discuss the statement;
- engaged with CCG members in respect of the statement; and
- asked customers, stakeholders and regulators to give us their views on the way we assess data and information, and how we present our performance to them.

We have received no feedback from stakeholders in respect of our publications in November 2018 (Risks, Strengths and Weaknesses Statement and draft Assurance Plan 2018/19) and March 2019 (revised Risks, Strengths and Weaknesses Statement). However, we are re-doubling our efforts to seek feedback from all categories of stakeholder in respect of the performance information which we publish, both leading up to and following publication of this final Assurance Plan 2018/19.

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 process.

Role of the CCG

Our Customer Challenge Group (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 the AMP6 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 AMP6 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 will continue to adopt this role until Ofwat's final determination, due in December 2019.

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 three 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"

- Directorate Risks – those risks which potentially have a material adverse effect on the achievement of directorate-level business objectives
- Operational Risks – those risks which potentially have a material adverse effect on the effectiveness or efficiency of day-to-day business processes.

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 are designed into 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 on 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 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 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.

In spite of all of the above, in their initial assessment, published on 31 January 2019, Ofwat concluded that our business plan was subject to “significant scrutiny”. Ofwat considered that our plan fell significantly short in a number of areas, although they did identify some high-quality elements. Since 31 January 2019, we have been working closely with Ofwat to address their concerns and improve the overall quality of our plan, and, therefore, the services we intend to provide to our customers.

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 st Line (Data providers and management)	2 nd Line (Regulation, Financial Control, senior management)	3 rd Line (Internal Audit and External Providers)
<p>Regulatory Annual Performance Report (included within the Annual Report and Financial Statements)</p> <p>Summarises company performance in the preceding year and meets specific information requirements.</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"> 1. A wide variety of day-to-day operational controls is operated to ensure that all transactional data is accurately and completely recorded. 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. 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. 	<ol style="list-style-type: none"> 1. Reporting experts in the Regulation team carry out regular detailed reviews of underlying data and information to ensure accuracy and completeness. 2. Executive / Senior Management review all information prior to publication or submission. 3. The Audit Committee oversees all processes required to produce the Annual Report and Financial Statements, including the Annual Performance Report. 4. The Board approves the Annual Performance report prior to submission. 	<ol style="list-style-type: none"> 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 2. PwC carry out an annual audit of the Regulatory Accounting Statements contained within our Regulatory Annual Performance Report. 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. 3. 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>N.B. the assurance work carried out in respect of our Regulatory Annual Performance Report is detailed in the "Data Assurance Summary", published on our website.</p>

APR Assurance Breakdown

Data	3 rd Line Assurance procedures performed
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		
		1 st Line (Data providers and management)	2 nd Line (Regulation, Financial Control, senior management)	3 rd Line (Internal Audit and External Providers)
<p>Other Regulatory Reporting</p> <p>Data and information provided to our main regulators Ofwat, DWI and EA, and to CCWater.</p> <p>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)</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"> Day-to-day operational controls are operated to ensure that all transactional data is accurately and completely recorded. 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. 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. 	<ol style="list-style-type: none"> Reporting experts in the Regulation team carry out regular detailed reviews of underlying data to ensure accuracy and completeness. Executive / Senior Management review all information prior to publication or submission. Our Audit Committee reviews and our Board approves our annual data tables submissions. 	<ol style="list-style-type: none"> 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. 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.

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 st and 2 nd line of defence controls as described in the above table. 3 rd 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 st and 2 nd line of defence controls as described in the above table. 3 rd 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 st and 2 nd line of defence controls as described in the above table. All data provided to Discover Water has 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 st line of defence controls in the form of checks carried out by our Developer Services management team; and (b) 2 nd line of defence assurance in the form of independent checks by our Risk and Compliance team.

<p>PR19 Business Plan</p>	<p>We submitted our business plan for 2020 – 2025 to Ofwat on 3 September 2018. We also submitted various supporting data tables, some on 3 May 2018, others on 15 July 2018 and the remainder along with our plan submission on 3 September 2018. The Company and its Board was responsible for submitting high-quality business plans which include good assurance and have been put together using good governance processes.</p> <p>Ofwat’s PR19 methodology described six Confidence and Assurance tests that companies had to consider when seeking and delivering assurance.</p>	<p>We adopted a multi-layer assurance process to review and challenge our proposals and develop a final business plan in line with industry best practice.</p> <p>We operated a variety of 1st and 2nd line of defence controls including internal team peer reviews; specialist technical support; and PR19 SteerCo oversight.</p> <p>By way of 3rd line of defence controls we used (a) Atkins for technical assurance of non-financial data; and (b) PwC as our overall assurance partner; in this capacity, they reported to our Board to provide the evidence and information necessary to allow the Board to provide an assurance statement to Ofwat that met its key tests and expectations. Our Internal Audit team also worked closely with PwC to support their work.</p> <p>In light of Ofwat’s feedback in respect of our initial Business Plan submission, we have carried out a thorough review to understand why the above approach did not operate as effectively as it should have done and the changes needed to remedy this. The review identified that we needed to:</p> <ul style="list-style-type: none"> • enhance our control environment, in particular by enforcing single sources of data and strengthening our lock down and change control processes; • improve understanding of how data informs our business planning processes and how data inter-relates; and • improve our overall framework for data governance and adherence to regulatory reporting guidelines.
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<p>WRMP</p>	<p>We submitted our revised draft Water Resources Management Plan (rdWRMP) on 1 March 2019 and we are running a consultation on this plan until 26 April 2019.</p>	<p>The main features of our approach to assurance of our rdWRMP were as follows:</p> <ul style="list-style-type: none"> • A WRMP Committee comprising a mix of non-executive and executive directors; this committee provided oversight and scrutiny of the rdWRMP to ensure it represents the most cost effective and sustainable long-term solution and meets legal requirements and relevant guidelines; the committee reviewed and approved the assurance plan for the rdWRMP • Technical assurance was provided by Atkins with respect to preparation of the rdWRMP and its adherence to the Water Resources Planning Guidelines and the Water Resources Management Plan (England) Direction 2017 • Technical assurance was also provided by Ricardo Energy & Environment of the Strategic Environmental Assessment (SEA); Habitats Risk Assessment (HRA); and Water Framework Directive (WFD) assessment.
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Report Categories	Main Risks	Controls / Assurance in Place		
		1 st Line (Data providers and management)	2 nd Line (Regulation, Financial Control, senior management)	3 rd Line (Internal Audit and External Providers)
Financial Reporting Regulatory and statutory financial information, submitted to Companies House.	<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>	<ol style="list-style-type: none"> 1. Day-to-day financial controls over financial transaction recording. Verification applied through delegated authority by managers. 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. 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. 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. 	<ol style="list-style-type: none"> 1. The Finance team produces monthly management accounts which are reviewed by Executive / Senior Management and the Board. 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. 	<ol style="list-style-type: none"> 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>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 st Line (Data providers and management)	2 nd Line (Regulation, Financial Control, senior management)	3 rd Line (Internal Audit and External Providers)
<p>Direct Customer Communications</p> <p>Multi-channel communications such as website information, on-line surveys, social media, customer call centre data, operational staff contact, customer billing leaflets, etc.</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 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>

Report Categories	Main Risks	Controls / Assurance in Place		
		1 st Line (Data providers and management)	2 nd Line (Regulation, Financial Control, senior management)	3 rd Line (Internal Audit and External Providers)
<p>Other Stakeholder Information</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 published our first gender pay report in April 2018, based on a snapshot of our workforce on 5 April 2017. We are currently working on our 2018 report.</p>	<p>Reporting is based on data which is subject to stringent 1st and 2nd 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 1st and 2nd 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>

Report Categories	Main Risks	Controls / Assurance in Place		
		1 st Line (Data providers and management)	2 nd Line (Regulation, Financial Control, senior management)	3 rd Line (Internal Audit and External Providers)
<p>Charges scheme documents, tariff documents, charging arrangements and related information and documents.</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"> 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. 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. 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. 	<ol style="list-style-type: none"> 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. 2. All documents are subject to review by our Legal Services team prior to publication, to ensure compliance with all relevant legal obligations. 	<ol style="list-style-type: none"> 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. 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. 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.

Specific reports in this category

Reports	Description	Assurance
<p>Charges Scheme Wholesale Tariff Document Charging Arrangements for New Connections Indicative Charging Information Statement of Significant changes Statement of significant Changes – Charges Scheme Charges</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 18/18.</p>	<p>We established a Board sub-committee to oversee development of the various 2019/20 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, we carried out extensive audit work to support the charges setting process, as follows:</p> <ul style="list-style-type: none"> • Atkins carried out an audit of the information used to provide the “charge multipliers” for the Charges Scheme calculations; they concluded that “we can provide assurance on the processes that have been used to derive the base customer information and charge multipliers...and do not consider there are any material risks for the report year”. • PwC reviewed our forecast revenue figures and concluded that “we agreed the total forecast revenue as being no more than the price control revenue as notified to Affinity Water by the Regulator on 12 December 2014” and further that “we found no exceptions”. • Our Internal Audit team focused on reviewing written procedures and the operation of those procedures; they concluded that <ul style="list-style-type: none"> ○ We are able to provide assurance with respect to the effectiveness of systems, procedures and controls used to develop the various charges included in the AWL’s Wholesale Tariff Document 2019/20; Charges Scheme 2019/2020; and Charging Arrangements for New Connections Services 2019/2020. ○ We are satisfied that relevant systems, procedures and controls operated are in line with Ofwat’s Charges Scheme Rules; Wholesale Charging Rules and Charging Rules for New Connection Services.

Report Categories	Main Risks	Controls / Assurance in Place		
		1 st Line (Data providers and management)	2 nd Line (Regulation, Financial Control, senior management)	3 rd Line (Internal Audit and External Providers)
<p>Community-based Reporting</p> <p>Information provided in respect of our 8 communities.</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 based on data reported to and reviewed by our Board and members of our executive and senior management teams.

Ofwat's Assessment

The table below shows the “minor concerns” and “serious concerns” raised by Ofwat in their 2018 Company Monitoring Framework report, published in January 2019 and our responses designed to ensure that these concerns are addressed in future reports and submissions.

Assessment	Response
Charges Engagement – Minor concerns	
<p>Affinity Water has assessed that it had historically been under-recovering the overhead costs of works from developers. It was good that Affinity Water identified and corrected for this issue, though it did suggest that the company had not checked cost-reflectivity over a number of years previously.</p> <p>However, we had concerns arising from a complaint we have received and are still considering regarding the costs Affinity Water uses to calculate the asset payment due to self-lay providers. We have been able to establish from our work to date that Affinity Water did not clearly consult on or explain the detail of how it would implement in practice what is outlined in its charging arrangements.</p>	<ul style="list-style-type: none"> We are establishing a Developer Consultation and Engagement programme to ensure our New Connections charges and their practical implications are well understood by all developers.
Water Resources Management Plan and Market Information – Minor concerns	
<p>We had minor concerns in this area due to the unclear presentation of some data elements in the company's draft water resources management plan and market information. Board assurance was described but we had concerns regarding its effectiveness following an initial regulator submission that did not meet requirements prior to public consultation.</p>	<ul style="list-style-type: none"> In preparing our revised draft WRMP (published for consultation on 1 March 2019), we reviewed and enhanced our assurance strategy and approach; details are included on page 16 above.
Cost Assessment – Minor concerns	
<p>We had minor concerns in this area. All cost assessment tables were complete with no missing data. However, we had to raise several queries to seek explanation for data variances where there was no supporting commentary. Some of these led to 17-18 and historical data corrections.</p> <p>The company's accounting separation methodology was available, however we were</p>	<ul style="list-style-type: none"> Cost assessment tables (tables 4J to 4W) are not required by the RAGs to be included in the APR and so for 2018/19 year-end, we propose taking these out of the APR and publishing them in a separate document on our website by 15 July 2019. This will allow additional time to resolve issues identified by PwC and Atkins in conducting their assurance procedures in respect of these

<p>concerned that many of its cost allocations are still based on management estimate and that the chosen cost allocation methods have not been properly justified. There was also no mention of the assurance that had been undertaken on the accounting separation methodology other than a statement that the accounting separation data can be traced back to the audited accounts through the company's accounting systems.</p>	<p>tables.</p> <ul style="list-style-type: none"> • We are in the process of reviewing cost allocations which were considered to have not been properly justified in our 2017/18 accounting separation methodology statement; for these, we will either identify potential alternative cost allocation methods or provide further detail in our accounting separation methodology statement regarding the bases for estimates. • We will include in our 2018/19 Data Assurance Summary details of the external assurance procedures performed by PwC and Atkins over the cost allocation tables; this will also be referenced in our accounting separation methodology statement.
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PR19 Initial Assessment of Business Plan data consistency – Minor concerns

<p>We found minor issues overall with the consistency of performance and financial data reported in the company's business plan tables with previous data submissions. This was due to material inconsistencies between the company's business plan tables and Annual Performance Report in the area of cost assessment.</p>	<ul style="list-style-type: none"> • Please see below.
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PR19 Initial Assessment of Business Plan data quality – Serious concerns

<p>Overall the business plan falls significantly short of providing sufficient and convincing evidence that the company's PR19 business plan tables including the allocation of costs between business units, information on corporation tax, and the assurance and commentary provided are consistent, accurate and assured.</p> <p>We identified material issues within our assessments of the data tables in the policy areas of cost assessment, risk and return, financial modelling and cross cutting themes (water resources). For example:</p> <ul style="list-style-type: none"> • In cost assessment, there were material variances in one table which had not been prepared in accordance with our guidance and definitions; • In risk and return, the financial ratios included in one of the business plan tables were materially different and in some cases higher, and we were unable to verify how they had been calculated; • In financial modelling, the company's submitted financial model includes a material adjustment for 'Allowed revenue' 	<ul style="list-style-type: none"> • We acknowledge that the data forming part of our September 2018 Plan fell significantly short of Ofwat's expectations for consistency and accuracy, including the allocation of costs between business units, information on corporation tax, and the assurance and commentaries provided. • As a "prescribed" company under the Company Monitoring Framework, we are committed to making the improvements necessary to restore Ofwat's confidence and our ambition is to become a "self-assured" company. • For our Revised Plan we have strengthened the assurance of our data and commentaries by reinforcing the "three lines of defence" approach and providing further advice, guidance and support to those responsible for providing data and preparing commentaries. • PwC and Atkins have provided assurance of the data tables and commentaries for our
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<p>which is not included in the data tables; and</p> <p>In cross cutting themes (water resources), the company did not follow the definition of bilateral entry capacity and confuses it with bilateral trades.</p>	<p>Revised Plan. KPMG have reviewed our internal financial model to correct errors identified from the September 2018 Plan and provide assurance of its consistency with the Ofwat model; KPMG also undertook technical assurance of financial ratios, pay as you go and RCV run-off rates and their supporting explanations.</p> <ul style="list-style-type: none"> • We have carried out a deep-dive review to understand the mistakes we made in our initial submission and ensure that we address them in our Revised Plan; more detail is provided on page 16 above.
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In addition, we are implementing a number of initiatives to enhance customers', stakeholders' and regulators' trust in our service and confidence in the information we publish about our performance.

- We are implementing the data strategy we outlined in our PR19 Business Plan. This strategy will help us achieve our business objectives by making us more data conscious and assuring the quality of data from the point of capture through its lifecycle.
- We are involving customers and other end-users in our digital development programme to help us develop and implement innovative solutions that meet their requirements for information and data.
- We are undertaking a review of content on our website to ensure that all information is useful, up-to-date, accurate, transparent and has been subject to appropriate levels of assurance; we are also introducing internal processes and controls to ensure that those criteria are met on an ongoing basis.

We will carry out another review of risks, strengths and weaknesses with respect to the information we publish and provide to customers, stakeholders and regulators by the end of July 2019.

Feedback

We would be pleased to received 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:

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