

**Portsmouth Water’s Final Assurance Plan 2018/19**

**24 April 2019**

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**About this document**

The Company are publishing this document one month later than normal having reviewed correspondence from Ofwat that they will not penalise companies that publish their annual assurance plan for 2018-19 by the end of April 2019 in any future company monitoring framework assessment. This has allowed the Company to fully review feedback from all stakeholders on its draft Assurance Plan, and to consider feedback from Ofwat in the Initial Assessment of Plans (IAP) before publishing this our Final Assurance Plan for 2018/19. This is the third and concluding document in the Company Monitoring Process for 2018/19.

The first stage of the exercise was to consult on a Statement of Risks, Strengths and Weaknesses (the “Statement”) and invite comments from customers and other stakeholders on:

* the overall approach to the risk assessment undertaken;
* whether or not they agreed with our assessment of the Risks, Strengths and Weaknesses highlighted in the Statement; and
* which particular Performance Measure was of greatest importance to them

The consultation closed formally on the 20 December 2018. The outputs of this exercise have been used to inform the proposed assurance activities.

Having discussed our process and the Statement with a number of key stakeholders and having regard to written comments received from Ofwat in particular, we have consulted upon our draft Assurance Plan (the “Draft Plan”). The consultation closed on 22 March 2019.

This Final Audit Plan explains what we are proposing to provide assurance against for the information we will publish in our 2018/19 Annual Performance Report, to ensure it is reliable and complete. In this document we consider the assurance in terms of two categories of data; ‘financial’ and ‘non-financial’. Non-financial data in the APR primarily consists of the Performance Measures which are the service level commitments we have made to our customers, whilst financial data is reported on through the audit of the APR Financial tables by the financial auditors.

The data referred to in this assurance plan has been used as part of our Business Plan we submitted to Ofwat in September 2018 and April 2019 and will be used for the next Price Review Period, 2020-25. It is has therefore been important that the performance data underpinning our future plans is well founded and has had appropriate third party assurance so that stakeholders can have trust and confidence in our Business Plan.

The APR is a document required by Ofwat and published annually. It contains both financial and non-financial information and is prepared in line with Regulatory Accounting Guidelines (RAGs) and other guidance published by Ofwat. The financial components of the APR are subject to financial audit by our auditors KPMG in line with UK auditing standards and the RAGs. The non-financial components are assured by our “Reporter”, Atkins.

We would like to thank all of our stakeholders who have commented on the previous two documents. This has allowed us to publish this Final Assurance Plan for the data we will publish on our performance in 2018/19.



**Michael Coffin**

**Non-Executive Director and Chair of Audit Committee**

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**Helen Orton**

**Finance & Regulation Director**

**Who we are**

We have been supplying water to Portsmouth and the surrounding area since 1857. The area supplied by the Company extends through South East Hampshire and West Sussex from the River Meon in the west to the River Arun in the east, encompassing 868 sq. km.

**Our vision**

To supply high quality drinking water whilst providing excellent levels of service for our customers at the lowest price in the country.

**Our values**

Our values underpin how we behave in delivering all aspects of our work. There are Excellence, Respect & Integrity.

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1. **Background**

1.1 We publish our “Annual Performance Report” (APR) which enables stakeholders to assess how we performed against those measures of success that are regarded by our customers as being the most important factors (the “Performance Measures”). Our APR was published for the first time in 2015/16. The targets for the Performance Measures are the commitment the Company made to its customers following extensive customer engagement exercise carried out when we were preparing our business plans for the 2015-2020 period. This document refers to the fourth year of the current Business Plan period, 2018/19.

1.2 The Company recognises the importance of providing information to customers and other stakeholders that is; customer-led, relevant, reliable, complete, accurate and timely. Our ongoing objective is to make information available that is easy to understand and which enables stakeholders to see how we are performing; this helps build trust and confidence in the business.

1.3 In June 2015 Ofwat published guidance, “The Company Monitoring Framework” which formalised the process through which they will oversee that stakeholders can have confidence in companies’ published Performance Measures.

1.4 Ofwat has acknowledged that Companies and their Boards are best placed to identify the risks, strengths and weaknesses associated with providing such information. To allow us to develop a “targeted” assurance plan, in November 2017 we again undertook a risk assessment for all relevant non-financial data that will be contained in the APR. This was an important exercise and was the basis of a Statement of Risks, Strengths and Weaknesses upon which we consulted. The consultation closed on the 20 December 2018.

This document is available on our website at

[www.portsmouthwater.co.uk/news/publications/company-monitoring-plans/](http://www.portsmouthwater.co.uk/news/publications/company-monitoring-plans/)

1.5 The second stage of the exercise was to consult on our draft Audit Plan. This described the audit processes the Company either has or plans to have in place to provide third parties with the confidence that the data we provide is accurate. That consultation closed on 22 March 2019.

Similarly this can be found on our website at

[www.portsmouthwater.co.uk/news/publications/company-monitoring-plans/](http://www.portsmouthwater.co.uk/news/publications/company-monitoring-plans/)

1.6 Having regard to all discussions and comments received, we now publish this Final Assurance Plan to explain how stakeholders can be confident that the data we will report in the 2018/19 Annual Performance Report is of reliable and accurate. The items to be covered by the Audits are shown in Section 5.

**2. Assurance Framework**

2.1 The information that we publish on our performance will be assured by the Board to maintain and build a high level of trust and confidence from our customers and stakeholders. For this to be effective, performance needs to be reported in a clear way and assured to an appropriate level. We adopt a risk-based approach to assurance, using internal and external review, to provide robust challenge and scrutiny of our published performance.

2.2 Supporting this process is an audit framework designed to allow monitoring and evaluation of the various aspects of our performance, to ensure that standards of data quality are being met.

This involves:-

* having appropriate governance arrangements
* close involvement by our Board in the assurance process
* the right level of independence in the process to provide third party review and challenge

This gives assurance to our Board, stakeholders and customers to supports legitimacy as to the level of performance and service that we are providing and reporting.

2.3 We consider that we already have in place robust processes and systems of control that provide the necessary internal assurance in respect of the reliability and completeness of the information published. For each of the Performance Measures, we will continue to apply these. However, in making this assessment we have undertaken robust challenges and sought feedback, as described in Section 1. The following summarises the processes and systems of control in place.

# **Governance Structure**

2.4 Within the business we have well-established governance and accountability processes. This is shown in Figure 1.

**Figure 1 Governance structure**

**Board**

2.5 The Board seeks assurance that risk management systems and processes are identified and risks are managed through the following:

* Monthly performance reports to the Board outlining achievement against Performance Measures and financial results including Totex
* Compliance with standards, guidance and policies
* Assurance from the Audit Committee that the company’s data reporting is accurate, complete, reliable, relevant and timely
* Annual review of the Data Assurance Plan
* Board approval of the Statutory Accounts (which underpin financial aspects of the APR).
* Board Assurance Framework
* Company’s progress against its strategic and corporate objectives.

This allows the Board to sign off the Annual Performance Report

**Audit Committee**

2.6 The Audit Committee has responsibility for the review and approval of reporting information including the annual statutory accounts and the APR.  Following review the Audit committee makes recommendation for approval to the Board.  As part of this responsibility the Committee monitors the effectiveness of internal control processes across the business.

The Committee also has an oversight and approval role with respect to the provision of third party assurance. This primarily relates to the provision of financial assurance by our Financial Auditors (KPMG and Frontier Economics) and non-financial (technical) assurance by the Reporter (Atkins) but also includes other third party assurance generally of a specific technical nature (together the “Assurance Provider”).

The Committee reviews the scope, quality, results, cost effectiveness, independence and objectivity of any Assurance Provider.

The responsibility of the Committee is:

* To assess the qualification, expertise and independence of the Assurance Provider
* To review the nature and scope of the assurance
* To review, with management, the fee and letter of engagement/terms of reference
* To consider the results, findings and recommendations of the Assurance Provider and to make such reports and/or recommendations to the Board as considered necessary
* In the case of recurring appointments to consider the ongoing independence and effectiveness of the Assurance Provider and to make appropriate recommendations to the Board regarding the continuance or re-selection process if considered necessary.

**Management Board**

2.7 Financial and Performance Measures are reported to the Management Board monthly. The Finance department prepare the Financial Performance and signs off the report.

The Regulation department prepares the Performance Measures Report. Part of this monthly process includes reviewing the data from each department. The report is reviewed by the Regulation Manager who signs it off monthly before discussion at Management Board. Discussions are held with data owners on any issues found with the data prior to sign off.

**Finance Department**

2.8 The Finance Department have responsibility for all financial information. The Finance Department prepares the data submitted in our Annual Performance Report working closely with both the Regulation department and individuals in the wider business. The Finance department is also responsible for preparing the accounting separation methodology statement, which is reviewed and approved by the Finance & Regulation Director

**Regulation Department**

2.9 The Regulation Department coordinates the technical data submitted in our Annual Performance Report which contains our key performance indicators. The Regulation Department coordinate the collection of data from all areas of the company which have a key data provider. These data providers are experts in the data from their department and for the majority of the Performance Measures have experience in preparation an annual submission of data. In order to provide robust information into our data reports, we have developed Methodology Statements for most measures which outline the processes and procedures for collecting data and reporting our Performance Measures.

**Data Originator and Management sign off**

2.10 Data from each department is signed off by the data owner and the senior manager from the department. The Regulation department review the data, compare the data to previous years, ensure compliance with definitions and guidance and enquire on the methodology followed and any assumptions made.

**Other relevant information**

2.11 A table setting out each Performance Measure and the sources of assurance is shown in Appendix 2.

2.12 The final detail of the targeted enhanced assurance activities for each relevant Performance Measure will be finalised and documented when we publish our Final Assurance Plan. However, we have included in Appendix 3 some indicative actions which may apply to, and form part of, the Reporter’s Targeted Audit Plan for “High” risk Performance Measures.

**Technical Assurance**

2.12 Our technical auditor, Atkins, is a professional engineer and certifier of regulated activities. Atkins has a good understanding of the water industry and has conducted audits of data for Portsmouth Water since 2013. The Reporter carries out a formal audit of the key performance indicators that will be included in the Annual Performance Report.

2.13 The Regulation department coordinate the Reporter’s audit timetable and ensure key data experts from each department meet with the Reporter. The Reporter examines the source of data, checks calculations and assesses the accuracy and compliance to the data requirements of the reported data. The Reporter then produces a report on each audit carried out. This includes key findings from the audit and a list of any issues found.

2.14 The Lead Auditor attends the Audit Committee before we publish our Annual Performance Report and answers questions raised on the audits and data contained within the Annual Performance Report. He provides assurance on the data contained in the report.

**Financial assurance**

2.15 Financial assurance over the APR is performed by our financial auditors KPMG. Our financial auditors, are a firm of registered auditors with a good understanding of regulated activities for the Water Industry. The assurance activities that they undertake largely leverage the statutory audit process. The assurance provided is in the form of two types of assurance processes;

* **An independent audit report**. This is a publicly available report in a standard format agreed between Ofwat and our external auditors KPMG. The areas covered are set out in the table below, see 4.2.

On an annual basis the financial auditors undertake audit planning and report on the audit approach to the Audit committee based upon UK auditing standards together with the requirements of the Regulatory Accounting Guidelines issued by Ofwat (this is a subset of the annual planning process for Statutory Accounts). They also report by exception on going concern and upon the related licence condition F.

* **Agreed upon procedures over other specified financial information**. This is a report to the Company setting out the results of certain specified procedures covering other tables within the APR. The financial auditors do not form a professional opinion on this work but report their findings leaving management and the Audit Committee to form their own opinion.

To the extent that matters arise in respect of these procedures they would be considered and generally reflected in revisions to the relevant tables. The plan for agreed upon procedures are reviewed by the Finance Director and Audit Committee annually and are revised, to reflect any changes in reporting requirements, new tables, Ofwat feedback from previous years and overall risk assessment.

2.16 The Finance Department coordinate the financial audit timetable and ensure relevant staff members are available to support any audit enquiries. Key findings from the audit and a list of any issues found are discussed with the Finance Director and are reported to the Audit committee. The audit partner attends the Audit Committee before we publish our Annual Performance Report and answers questions raised on the audits and data contained within the Annual Performance Report. This includes a “private” meeting without executive directors present.

**Oversight of financial reporting**

2.17 To the extent that information leverages the underlying financial results this is subject to review at the Management Board and through Monthly Board reporting.

**Systems and controls**

2.18 A significant portion of the financial data reported in the APR is derived from our financial systems. This includes accounting separation analysis. These financial systems are subject to a wide range of systems and controls supporting the accuracy of underlying data. These include but are not limited to;

* Monthly management reporting to management Board and main Board
* Budget setting and review process
* Transactional controls including embedded authorisations and approvals
* Controls in relation to accuracy of coding and allocation of costs to cost centres
* Reconciliations and control account processes
* Analytical review processes

**3. Assurance Activities**

3.1 In January 2019, Ofwat published its assessment of the 2018 Company Monitoring Framework. The performance is assessed across thirteen areas covering both financial and non-financial assurance activities. Whilst it focused on publications relating to the year 2017/18 it also covered the draft Water Resources Management plan, published in March 2018 and Ofwat’s initial assessment of our Business Plan (September 2018).

3.2 In the table below we outline assurance activities undertaken specific to each of the measures reviewed by Ofwat; further discussion on the assessment is given in section 3.4 in particular.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Area** | **Key submission** | **Assurer(s)** | **Publication Date** |
| 1 | Financial monitoring framework | Annual Performance Report | KPMG | July 2018 |
| 2 | Charges engagement  | Publication of Charges Schemes | Atkins,Frontier | January 2018 |
| 3 | Outcomes | Annual Performance Report | Atkins | July 2018 |
| 4 | Water resources management plan and market information | Draft Water Resources Management Plan | Atkins | March 2018 |
| 5 | Long-term Viability Statement | Annual Performance Report | KPMG | July 2018 |
| 6 | Financial Flows | Annual Performance Report | KPMG | July 2018 |
| 7 | Risk & compliance statement | Annual Performance Report | KPMG | July 2018 |
| 8 | Assurance plan | Assurance Plan | - | April 2018 |
| 9 | Cost assessment | Company Business Plan | Atkins |  |
| 10 | Casework\* |  | NA | NA |
| 11 | PR19 Initial assessment of business plans – data consistency | Company Business Plan | Atkins,KPMG | September 2018 |
| 12 | PR19 Initial assessment of business plans – data quality | Company Business Plan | Atkins,KPMG | September 2018 |
| 13 | Wider assurance and information | DWIEANatural England | No explicit third party assurance | Ongoing |

**Third Party Assurers**

3.3 Our third party assurers have been chosen based upon their knowledge of the regulatory framework of the Water Industry.

* Atkins have been the reporter since 2013 and in April 2019 we will retender for this appointment.
* KPMG became the company’s financial auditor in 2017 as a result of a thorough review process.
* Frontier Economics have provided external third party assurance on our Charges during this AMP period.

**4. Feedback from stakeholders**

4.1 This section provides details of our engagement thus far with key stakeholders this year on our Risks, Strengths and Weaknesses report.

4.2 We primarily engage with our stakeholders via our Customer Challenge Group (CCG). The Portsmouth Water CCG was established in 2012 and the group comprises regulators, customer representatives, local government elected members and key stakeholders. We invited all members of the CCG to respond to our Risks, Strengths and Weaknesses consultation, we additionally published the consultation on our website open to the wider public.

4.3 We received a response from one stakeholder, the West Sussex County Council who made some very helpful observations on our approach to identifying Risk, Strengths and Weaknesses in the data we provided. Our draft Audit Plan responded to those comments explicitly.

4.4 In addition to the Risks, Strengths and Weaknesses consultation, on 31 January 2019 Ofwat published its assessment of the 2018 Company Monitoring Framework. Companies are assessed by Ofwat into one of categories as follows:-

* + Self-assurance – a company uses its own discretion to provide assurance beyond the common assurance requirements
	+ Targeted assurance – a company loses discretion on some areas of assurance beyond the common assurance requirements; and
	+ Prescribed assurance – a company loses discretion on many areas of assurance beyond the common assurance requirements.

4.5 In January 2019 we were assessed as “Targeted.” The categorisation has remained the same since 2015. The table shows the classification of the 13 assessment areas made in the year by Ofwat.

|  |  |  |
| --- | --- | --- |
|  | **Area** | **Assessment** |
| 1 | Financial monitoring framework | Meets expectations |
| 2 | Charges engagement  | Meets expectations |
| 3 | Outcomes | Meets expectations |
| 4 | Water resources management plan and market information | Minor concerns |
| 5 | Long-term Viability Statement | Meets expectations |
| 6 | Financial Flows | Meets expectations |
| 7 | Risk & compliance statement | Meets expectations |
| 8 | Assurance plan | Minor concerns |
| 9 | Cost assessment | Meets expectations |
| 10 | Casework\* | Not applicable |
| 11 | PR19 Initial assessment of business plans – dataConsistency | Meets expectations |
| 12 | PR19 Initial assessment of business plans – data quality | Meets expectations |
| 13 | Wider assurance and information | Meets expectations |

4.6 We are not assessed on case work activities, as we have no case work issues with customers for Ofwat to adjudicate upon.

4.7 The Company met most of Ofwat’s expectations on assurance practices as shown above, but Ofwat noted some shortcomings relating to the ‘Water resources management plan (WRMP) and market information’ document and our ‘Assurance Plan’.

4.8 Regarding the ‘Water resources management plan (WRMP) and market information’, this is the first time that it has been included within the company monitoring framework. The primary concern from Ofwat is the lack of evidence of Board Assurance presented in the Draft WRMP document (March 2018). There is now a ‘Board Assurance Statement’ section in our Draft Final WRMP (September 2018) which we will publish in 2019 when we receive approval from Defra. Ofwat also has some concerns surrounding the description of ‘zonal constraints’ and, the values presented in some of the market information tables. We will take the appropriate steps to resolve these issues for the publication of our Final WRMP, and market information.

4.9 Ofwat also raised minor concerns over aspects of the Assurance Plan. Most of the concerns relate to the presentation of information and a request to expand some sections of this document. Furthermore, there was a concern that the scope of the audit report did fully include financial reporting. For our Draft and Final Assurance Plan this year, 2018/19, we have developed the report to cover the concerns raised by Ofwat.

**5. Final Assurance Plan 2018/19**

5.1 Our Annual Performance Report is the primary way that we will document our annual performance and hold ourselves publicly to account. The Annual Performance Report includes:

* The Regulatory Accounts – audited separately by KPMG
* Performance against our ODIs - audited by Atkins
* other information to explain more broadly our performance against other commitments and responsibilities to stakeholders and customers

**Performance Commitments and Outcome Delivery Incentives (ODIs)**

5.2 Our Business Plan for the period 2015–20 made 13 promises to our customers with a clear set of targets to deliver by 2020.

5.3 In addition, our stakeholder engagement exercise in the past have highlighted opportunities to improve reporting in specific areas namely;

* Providing trend performance data, where appropriate
* Providing comparative performance data for key areas;
* Delivering against the National Environment Plan; and
* Reporting on the management of our one Site of Special Scientific Interest at the river Itchen (SSSIs) and the delivery against our Water Resources Management Plan;

5.4 The points 1 to 4 above will be specifically included within the Annual Performance Report and will be reviewed and commented upon by the Reporter (Atkins).

5.5 Detail of the items to be reviewed as part of this year’s Audit are shown in table 2 below.

**Table 2- Proposed Audit Plan (2018/19)**

|  |  |  |
| --- | --- | --- |
| **Assurance Area** | **KPI/ODI Reference / Driver / Source** | **ODI** |
| Serviceability Water Infrastructure | Interruptions to supply (incl. shadow) | Yes |
| Mains bursts (incl. shadow) | Yes |
| Pumping head, communication pipes etc. – activity indicators | No |
| Leakage & PCC | Leakage (incl. shadow) | Yes |
| Properties & Population | No |
| Water Balance (incl. TUBs) | No |
| PCC estimation (incl. shadow) | Yes |
| Customer Service | Written complaints | Yes |
| Escalated written complaints |
| CCWater investigated complaints |
| Unwanted telephone contacts |
| Qualitative satisfaction measure - adequacy of sample |
| Developer Services  | Questionnaire - Formulation and returns | Yes |
| Developer services - compliance with Levels of Service | No |
| Environmental performance | Compliance with abstraction licences | No |
| National Environment Programme | Yes |
| Abstraction Incentive Mechanism (AIM) | No |
| Biodiversity Action Plan | Yes |
| Carbon Accounting incl. Greenhouse gases | Yes |
| GSS and Customer Charter | GSS interruptions and low pressure  | No |
| GSS Appointments  | No |
| GSS Payments  | No |
| Water Savings Activities | Meter Installations and Renewals  | No |
| Water savings initiatives  | No |
| Other audits | Health & Safety  | Yes |
| Open Water - audit of wholesale desk | No |
| Water Regulations - WRSA performance metrics | No |
| Water Quality Contacts and GSS | Yes |
| Social Tariff, Watersure and other programmes of assistance | No |
| Capital Programme | No |

5.6 Our regulatory financial information, including accounting separation and other related disclosures are subject to an independent audit opinion in a format agreed with Ofwat. This covers the financial reporting tables 1A, 1B, 1C, 1D and 1E, the segmental reporting tables 2A, 2B, 2C, 2D, 2E, 2F, 2I and 2J. In addition a report in relation to Condition F is published be exception.

5.7 In addition, further assurance in the form of “agree upon procedures” is obtained in respect of the remaining financial tables.

**6. Next Steps**

6.1 This plan will be published on our website and distributed to our stakeholders. We will provided to Customer Challenge Group for their information.

6.2 Our Annual Performance Review for 2018/19 will then be published by 15 July 2019.

**Appendix 1**

**Outcome of Risk Assessment**

In November 2017 the Company published the outcome of its risk assessment of the data it places in the public domain. This was the subject of the Risk Strengths and Weaknesses consultation.

The grid below shows the ranking we have determined for each of our 25 data items. The degree of audit / assurance we would expect to provide is guided by this assessment. Thus the degree of assurance we expect to provide for say leakage is that might greater than for meter optants.

Our results from our consultation supported our assessment of risk and our Audit Plan, the subject of a third document, will be produced accordingly.



**Appendix 2**

**Sources of Assurance**

We have four levels of review. Our high level performance measures are reviewed at our monthly Board meeting, which the Non-Executive Directors attend, with other performance measures reviewed at the Monthly Management Board Meeting. Internally there is a weekly Operations meeting where certain KPIs are also reviewed.

All of our performance measures are subject to external review. This includes audits undertaken by our technical Reporter. We report performance measures to several bodies including CCWater, Drinking Water Inspectorate, Environment Agency, Health and Safety Executive, Natural England, Ofwat and Water UK.

We also report these to our Customer Challenge Group every six months with updates on specific issues such as leakage as required.

Further, we include data requested by stakeholders in the past. This includes abstraction compliance, levels of service to developers, green-house gases and a number of customer service metrics.

In light of the recent Ofwat data collection exercise we will also report against pumping head as well.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Ref** | **Performance Measure** | **Board** | **Management Board** | **Other review** | **External review** |
| RA1 | Service Incentive Mechanism | Monthly review | Monthly review |  | Reported to CCWater on quarterly basis. Audited by Atkins at the end of reporting year. Reported in Annual Performance Report (APR). |
| RC1 | Developer Survey | Yearly review | Yearly review |  | Reported in APR. |
| RB1 | Per capita consumption | Yearly review | Yearly review |  | Reported to CCWater. Audited by Atkins at the end of the reporting year. Reported in APR and in the Annual Return to the Environment Agency. |
| WA1 | Number of bursts | Monthly review | Monthly review | Reported at weekly Operations meeting | Audited by Atkins at the end of reporting year. Reported in APR. |
| WA3 | Mean Zonal Compliance | Monthly review | Monthly review | Reported at weekly Operations meeting | Reported in Chief Inspectors Annual Report. Reported in APR. |
| WA4 | Number of water quality contacts | Monthly review | Monthly review | Reported at weekly Operations meeting  | Reported in Chief Inspectors Annual Report. Reported in APR. |
| WA5 | Temporary usage bans |  |  |  | Reported in APR and in the Annual Return to the Environment Agency. |
| WB1 | Leakage | Monthly review | Monthly review | Reported at weekly Operations meeting | Reported to CCWater on a 6 monthly basis. Audited by Atkins at the end of the reporting year. Reported in APR and Annual Return to the Environment Agency. |
| **Ref** | **Performance Measure** | **Board** | **Management Board** | **Other review** | **External review** |
| WC1 | Interruptions to supply | Monthly review | Monthly review | Reported at weekly Operations meeting | Reported quarterly to CCWater. Audited by Atkins at the end of the reporting year. Reported in APR. |
| WD1 | Biodiversity | Yearly review | Six monthly |  | Reported in APR. Progress discussed with CCG and Natural England every six months |
| WD2 | Water Framework Directive | Yearly review | Six monthly |  | Reported in APR. Progress discussed with CCG and Natural England every six months |
| WD3 | Carbon commitment to renewables | Yearly review | Electricity consumption reviewed. |  | Audited by Atkins at the end of the reporting year. Reported in APR. |
| WG1 | RoSPA | Accidents reported monthly | Accidents reported monthly |  | Reported to the Health and Safety Executive. Reported in APR. |
| O1 | Abstraction Incentive Mechanism | Yearly review |  |  | Reported in APR. |
| O2 | Optional meters installed | Monthly review  | Monthly review | Reported at weekly Operations meeting  | Reported annually to the Environment Agency. Audited by Atkins at the end of the reporting year. |
| O3 | Abstraction - compliance with licence conditions | Yearly review |  | Reported at weekly Operations meeting | Reported annually to the Environment Agency. |
| O4 | Guaranteed Standards of Service | Monthly review | Monthly review | Reported at weekly Operations meeting | Audited by Atkins at the end of the reporting year. |
| O5 | Watersure  | Yearly review | Monthly review | Reported at weekly Operations meeting | Reported quarterly to CCWater. Audited by Atkins at the end of the reporting year. |
| O6 | Social tariff | Yearly review | Monthly review | Reported at weekly Operations meeting | Reported quarterly to CCWater. Audited by Atkins at the end of the reporting year. |
| O7 | New development – levels of service | Yearly review | Monthly review |  | Reported quarterly to Water UK. Audited by Atkins at the end of the reporting year. |
| O8 | Green House Gas Emissions | Yearly review | Yearly review |  | Audited by Atkins at the end of the reporting year. |
| O9 | Written Complaints by class and cause | Monthly review | Monthly review | Reported at weekly Operations meeting | Reported to CCWater on a quarterly basis. Audited by Atkins at the end of the reporting year. Will be reported in APR |
| O10 | Communication pipes | Yearly review | Yearly review |  | Audited by Atkins at the end of the reporting year. |
| O11 | Meters renewed | Yearly review | Yearly review |  | Audited by Atkins at the end of the reporting year. |
| O12 | Pumping Head | Yearly review | Yearly review |  | Audited by Atkins at the end of the reporting year. |

**Appendix 3**

**Targeted audit plan**

By way of illustration we comment upon our 7 “high” risk performance measures, as identified in our Risk Strengths and Weaknesses consultation. These are per capita consumption, leakage, GSS, Levels of service for Developers, Social tariff, green-house gases and communication pipes.

Per capita consumption

* Review the Company Methodology Statement for appropriateness and completeness
* Compare with the convergence project methodology for this measure.
* Review the calculation of pcc including all elements of the water balance
* Confirm the accuracy of the figure to be reported for pcc.
* Confirm the magnitude of the change in leakage methodology in particular on this measure.

Leakage

* Review the Company Methodology Statement for appropriateness and completeness
* Compare with the convergence project methodology for this measure.
* Confirm the accuracy of the figure to be reported for leakage.
* Confirm the magnitude of the change in leakage methodology as a result of the new methodology.

Guaranteed Standards of Service

* Review the Company processes underpinning GSS
* Report the compliance (or otherwise) of all departments (including payment of the GSS) in this process
* Confirm the accuracy of the value and number of GSS payments made by the Company in the year.

Developer Levels of service

* Review the Company processes underpinning its reporting of LoS
* Report the compliance (or otherwise) of this process
* Confirm the accuracy of the data submitted to WaterUK in the year.

Social Tariff

* Confirm the number of customers on the Social Tariff as at year end
* Confirm the value of the “discount” given in the year
* Comment upon the application of the Company procedures

Greenhouse gases

* Confirm the accuracy of the Company estimate of GHG for the year.
* Confirm the appropriateness of the assumptions underpinning the value
* Confirm adherence to the UKWIR best practice methodology

Communication pipes

* Confirm the accuracy of the Company estimate for communication pipes by material for the year.
* Confirm the appropriateness of any assumptions underpinning the value
* Confirm the accuracy of the GIS records underpinning the analysis.