

# Portsmouth Water's Data Assurance Summary 2020/21

July 2021





## Who are we?

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 purpose*

**Delivering excellence for our customers, our people, the environment and the communities that we serve.**

*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. These are Excellence, Respect & Integrity.**



# Contents

1. Background	4
2. Summary of Company Approach to Data Assurance	5
3. Governance	9
4. Board Compliance Statement	10
Appendix 1 – Summary of Assurance Findings and Results	11

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# 1. Background

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

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

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

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

The performance information that we publish is based on a range of different data, both operational and financial. We undertake checks on this data to make sure that it is appropriately accurate. Some of this checking is performed by the Company and some is performed by external parties. We call this “Data Assurance”. In addition the Board, Executive Directors and, in some cases, the Customer Challenge Group also review the wider context and explanation in relation to published data (i.e. the information).

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

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

## 2. Summary of Company Approach to Data Assurance

### Planning

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

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

During the period we have been through an extensive process to plan how we would get the right levels of Data Assurance. This has built upon the process that we established and reported on in 2015/16 – 2019/20.

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

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

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

- a) Statement of Risks, Strengths and Weaknesses of our data was published on 30 November 2020. It described our assessment of the data we collect and publish. Stakeholders generally supported our assessment and we responded to any challenges by reviewing and revising our assessments accordingly.
- b) Draft Audit Plan was published on 5 March 2021 and described our detailed approach to data assurance in light of feedback from (a) above.
- c) Final Audit Plan was published on 1 April 2021 and reflected stakeholder feedback and Board approval.

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





As a result of this planning process, together with our external data assurance providers, we have developed an approach to Data Assurance based on a combination of internal and external activities. This approach was considered, challenged and ultimately approved by the Audit Committee and the Board in February 2021.

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

### **Execution**

We have executed our Data Assurance in accordance with the Final Audit Plan, published 1 April 2021 and our other legal audit requirements. We have summarised below the key elements of this activity;

#### ***Internal Data Assurance***

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

#### ***External Data Assurance***

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

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

### Overview of Information

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

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

### Results

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

- Audit opinion from KPMG on the Annual Report and Accounts for Portsmouth Water dated 27 May 2021 on page 72.
- Audit Report by KPMG on the sections 1, 2 & 4 of the Annual Performance Report dated 12 July 2021 on page 106.
- In addition KPMG also reviewed the Company's certificate of sufficiency of financial resources under the company's licence condition (P) dated 12 July 2021.
- Assurance by Jacobs covering the Technical data in our Annual Performance Report published 9 July 2021.
- Assurance by Jacobs covering data for the ODI Report. A link to the full report is given in our ODI report on page 41, published 12 July 2021.
- In addition our Customer Challenge Group also provided an annual report which is included on pages 34 – 38 of the ODI report, published 12 July 2021.

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





The detailed findings of the external assurance providers were presented to the Audit Committee on 27 May 2021. The Company tracks progress against any areas identified for improvement and formally reports to the Audit Committee on progress in November. This forms part of a process of continuous improvement in relation to data quality as part of the Data Assurance cycle.

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

- No material issues were identified.
- The Company has continued to improve its reporting processes and related controls.
- There were no reporting processes which had deteriorated significantly.
- Formal documentation of key reporting processes has shown improvement but elements could still be improved.
- Certain medium and low priority control recommendations.
- The Company has produced an agreed action plan as a result of the Jacobs report.

Appendix 1 provides a more detailed summary of audit findings together with the Company response. In addition to the results of assurance summarised above, in 30 January 2019, Ofwat also provided feedback to the Company as part of the Company Monitoring Framework. The company retained an overall assessment of “targeted assurance” meaning we should not self-certify our data but use experienced third party experts.



## 3. Governance

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

The Audit Committee also meets with KPMG and Jacobs to receive and consider the results of their work, as summarised in section 2 above.

The following summarises the formal approval processes involved;

- a) Statement of Risks, Strengths and Weaknesses of our data was approved by the Executive Team and reviewed by the Board in November 2020 and published on 30 November 2020.
- b) Draft Audit Plan was approved by the Executive Team and reviewed by the Board in February 2021 and published on 5 March 2021.
- c) Final Audit Plan was approved by the Executive Team in March 2021 and published on 1 April 2021.

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

- Annual Report and Accounts - 27 May 2021
- Annual Performance Report - Statements & Responsibilities including statement on Risk & Compliance - signed by Board members - 9 July 2021
- ODI Report - 12 July 2021

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





## 4. Board Compliance Statement

Our Company Monitoring Framework describes our approach to reporting and assurance of information. A summary of the process we followed in 2020/21 to assure the quality of our reporting is set out in the Data Assurance Summary.

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

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

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

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

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

Approved by the Board and signed on its behalf by:

**Helen Orton**  
Finance & Regulation Director

**Michael Coffin**  
Audit Committee Chairman

14 July 2021

## APPENDIX ONE SUMMARY OF ASSURANCE FINDINGS AND RESULTS

We have summarised the key audit findings below;

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

Area	Finding	Impact
<b>Audit opinion</b>	Unmodified	None
<b>Key accounting judgements</b>	Fall within acceptable range	None
<b>Unadjusted misstatements</b>	One with £0.03m credit impact on the “Statement of Other Comprehensive Income” and £0.03m on net pension assets.	Immaterial. Not indicative of systematic failures.
<b>Adjusted misstatements</b>	None	None
<b>Control observations</b>	Significant Control Deficiency 0	The Company has put in place agreed actions in relation to the control observations identified. Of these recommendations, 2 related to opportunities to strengthen IT “leavers” controls, 1 related to the documentation of going concern procedures and 1 related to IT change management.
	Medium Importance Control Deficiencies 3	
	Low Importance Control Deficiencies 1	

### Annual Performance Report – Financial (KPMG)

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

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

Extract from the Jacobs 2021 report. The full version may be found here:-

[www.portsmouthwater.co.uk/news/publications/outcome-delivery-incentives-reports/](http://www.portsmouthwater.co.uk/news/publications/outcome-delivery-incentives-reports/)

### **Reporting methodologies**

We are pleased to confirm that progress has been made since the APR20 audits to document reporting methodologies for Performance Commitments and other data. An example of good practice is the methodology document for Supply Interruptions. We note that some measures and Performance Commitments still lack documented reporting methodologies. The Company is aware of these and we found that some are work in progress.

Some reporting methodologies require updating to reflect recent changes in requirements. For example, the methodology for D-MeX requires an update to include the new NAV metrics. Our Feedback reports provide details of other methodologies requiring updates, and/or where methodologies need to be documented.

Our scope did not include for a full review of all the method statements. The methodologies have only been referred to, to inform the derivation of the reporting data.

### **Internal checks & validation**

We observed some improvement in internal checks and validation (first and second line assurance), however this has not always been applied for all reported information. We note that in these situations our third line assurance has been applied, however the initial internal checks should still be completed.

### **Improvements in process**

For some data we observed significant improvements in the process for deriving data:

- We found a substantial improvement in the extent of supporting evidence for properties at risk of low pressure compared to the previous year. The team had a clear understanding of the data presented, the process was clearly explained, and the Company now has a robust and up to date record of properties at risk of low pressure.
- For mains lengths, the team has completed a significant piece of work to reduce the total length of unknown mains. The newly implemented process has been documented and is technically complex but well understood by the team, providing confidence in the reported numbers.

### **Observations we recommend are addressed in the current year**

In order to build on improvements observed through the APR21 audits, we suggest some areas of focus for the current year:

- Develop reporting methodologies where these are incomplete.
- Update existing methodologies where needed; (e.g. NAV metrics to be added to D-MeX).
- Set out evidence required for audit e.g. Biodiversity Action Plan.
- Implement processes to ensure 1st and 2nd line assurance of processes and data takes place.
- Engage with Ofwat to obtain clarification of Performance Commitment definitions in the FD e.g. Catchment Management (Biodiversity).
- Define “dry commissioning” and “wet commissioning” for the PC to deliver the Havant Thicket reservoir.

### **Conclusion**

Overall, at the end of our assurance work, for the date we covered, and other than where indicated above and in our detailed feedback, we consider:

- Data is competently sourced and processed.
- Data collection and reporting has not been impacted by Covid-19.
- Teams demonstrated good understanding of the Ofwat guidance.
- The reported performance data against the year 1 performance commitment targets are a fair and accurate account of the Company’s performance to 31 March 2021.

As last year, we have been impressed by the open and collaborative approach of your staff.