

Regulatory assurance manual

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Regulatory Assurance Manual

Purpose

As part of Ofwat’s light touch regulation it reduced the burden of work it required of the companies. However, as part of its company monitoring framework it placed responsibility on each company for the governance and assurance of the information we provide to our customers and other stakeholders. To meet this obligation we have carried out a risk-based review of the assurance strengths & weaknesses of the information and data we provide to customers and stakeholders.

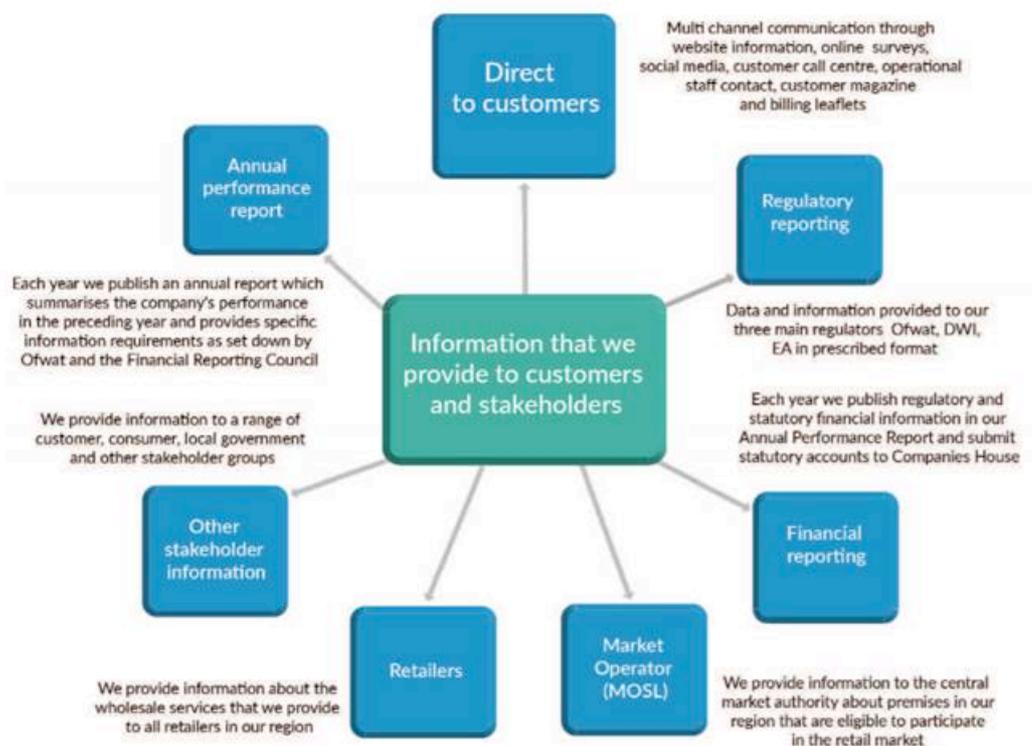
We give information to individual customers on a day to day basis as well as providing business information to other stakeholders. They have the right to receive relevant, timely, accurate and reliable information and by providing it to a consistently high standard we build trust and confidence in everything we do.

The purpose of this manual is to provide a framework for staff to use to ensure we provide the appropriate level of assurance for all information that we provide. This manual will form part of the documentation reviewed by external auditors annually to provide an opinion on the status of our assurance processes. The outcome of this audit will result in updates to our published information assurance statement and any improvement actions will be included in the following year’s information assurance plan.

The outcome of the audit will form part of the assurance provided to the Audit Committee.

Scope

There are five main areas where we externally provide information and data to our customers and other stakeholders.



This manual provides the approach for assessing the appropriate level of assurance required for each form of information and data provided to our customers and other stakeholders. These include formal published documents, regular data submissions to regulators and adhoc day-to-day information provided to customers.

The Wessex Water Partnership

Central to our engagement with customers and stakeholders is the Wessex Water Partnership which brings together a range of stakeholders and whose key roles are:

- i. monitor and report on Wessex Water's delivery of all aspects of the final regulatory settlement from the perspective of its customers, including scrutinising and assessing its delivery against its outcomes and measures of success
- ii. provide advice and challenge Wessex Water on any proposal to share outperformance with customers over and above the requirements of the regulatory settlement
- iii. provide advice and challenge the company on policy areas such as customer engagement, customer service, affordability, tariffs and the company's preparation for the next price review.
- iv. acting as the central focus for the company engagement with stakeholders and customers in the preparation of annual Information assurance statements and resulting plans as part of Ofwat's process for 'Company monitoring framework – final position'

The Partnership supported by the Catchment and Futures Panels will scrutinise and assess Wessex Water's delivery against all outcomes and associated performance commitments set out in the business plan 2015-20.

The Partnership will also assess the company's overall eligibility for rewards or penalties according to the final regulatory settlement having taken into account the views of the Catchment Panel on environmental outcomes.

The Partnership will publish its advice to the company Board on whether performance commitments are being met and whether any financial rewards or penalties are due.

The previous Customer Scrutiny Group had full access to the company's Reporter, from an independent engineering consultancy firm. In addition, it had a member with a similar technical background responsible for report writing recruited by the Chair. We would expect similar arrangements to be in place for the Partnership and will provide suitable funding for this, but will in addition bolster this access to independent expertise on regulatory and corporate finance when reviewing items which may require the reopening of price limits.

Objectives

To provide a quality assured system for the compilation of information or data provided to our customers and other stakeholders based on the principles of ISO 9001.

To provide our Board and Auditors with confidence in the accuracy of information provided to our customers and other stakeholders.

To act as a reference and training guide for staff involved in compilation and understanding of the processes required.

Responsibilities

Assurance roles

Roles that are involved in the process of reviewing and seeking assurance that the information reported is accurate.

WWSL Board – Overall responsibility for the sign off of the RAM.

WWSL Audit Committee – Review the content of the RAM to ensure they are satisfied that the submission is reliable, accurate and complete. The RAM is annually reviewed and approved by the Audit Committee.. Responsibility for ensuring a sufficient audit programme to enable sign off and regular auditing of the RAM process.

External Technical Auditor– Responsible for independent technical audit and sign off of data in the Annual Review including the Annual Performance Report submissions and the internally collated data tables.

External Financial Auditor – Responsible for independent audit and sign off that the financial elements of Wessex Water submissions in particular the Annual Review including the Annual Performance Report and the interim results. They ensure the submissions meet Ofwat's reporting requirements such as relevant accounting guidelines and consistency with statutory accounts.

Internal Audit Manager – Fulfil internal audit programme.

Director of Risk & Investment – Overall responsibility for the compilation and submission of the RAM and the Annual Review & Accounts. Chair management review of RAM process.

Information provider roles

Roles that are focused on the collation, summarising and publication of performance of the business.

Responsible Managers: The Director & Head of Departments who are responsible for each separate information, which will be determined by the Director responsible for the area of information being provided, the default being the Director of Regulation and Reform if multiple departments are involved.

Owners – Responsible for ensuring that data submitted is complete, reliable and accurate, including sign-off of the self-certification forms.

Compilers – Authors for the tables and commentaries and assessment of data confidence grades.

Originators – Responsible for the adequacy of source data.

The Framework

The framework is to be used by the Responsible Managers to assess each set of information to be provided to our customers and other stakeholders. Much of our information is provided on a day-to-day business as usual basis such as in correspondence with our customers on billing and operational queries through the call centre.

Assurance level	Format & roles	Certificate	Sign-off	Audit
1. Full external	Text & Tables: owner, originator, compiler	Yes	Board	Specific external & Audit Committee
2. Full Internal	Text & Tables:owner, originator, compiler	Yes	Director	Regular Internal
3. Director	Text & Tables: originator, compiler	Yes	Director	Risk-based internal
4. Business as Usual	Mixed: originator	No	Head of Dept	On request

Examples of the types of information that would require each level of assurance are:

1. Full External: Formal published submissions and/or where Board assurance statement is required, eg. Annual Review, Interim Results, Business Plan, Charges Schemes.
2. Full Internal: Regular information required to be published across the sector which is expected to be high profile or be submitted to customers, eg. Developers Quarterly report
3. Director: Regular information required to be submitted only to other stakeholders (not customers) for their use only, eg. Monthly DWSP data submissions. Ad hoc requests for information from regulators to enable policy formulation and/or responding to queries on previous submissions.
4. Business as usual: adhoc day-to-day information provided to customers or other stakeholders.

If the responsible managers are not certain of the appropriate assurance level they are to discuss this with the Head of Internal Audit and the Director of Risk & Investment and if necessary escalated to Directors' to decide.

Documentation

All information should be based on as a minimum a process flow diagram or text description of how it is sourced which should be included in quality management documentation. For full external and internal assurance levels specific documentation will need to be prepared in support of the submission. As the business transitions to Office 365 and sharepoint it is expected that all information submissions and associated certificates, flow charts etc will be stored under version control on sharepoint. The responsible managers will ensure that all documents are saved in the location agreed with the Director of Risk & Investment / Head of Internal Audit.

Data quality

Information that is required to be provided to our customers and other stakeholders may vary in its consistency for various reasons. To recognise that we continue to use the confidence grades originally applied to June Return data in order to make visible the level of certainty we have in each piece of data. See appendix 1 for the confidence grades.

Certification

An important element of our self-assurance is the use of certificates for the key members of staff to sign to acknowledge their role in the compilation of the information and that each individual believes the information to be correct. Specific formal wording is included to ensure that the individuals are responsible for the information. Each individual has the chance to qualify the information they are signing for by stating this on the certificate. The purpose of these certificates is to provide confidence to the Directors, Audit Committee and Board to support their assessment and sign-off of the information.

Certification by compilers, owners and originators will make reference to the confidence grades attributed, and in some instances (for instance following a regulatory requirement) a minimum acceptable level of confidence grade will be predefined by the Head of Internal Audit / Director of Risk and Investment.

Certificates are to be hardcopy printed and successively manually signed and dated by originators, compilers and owners and where appropriate with qualifying comments added. Certificates are then scanned and retained electronically in the appropriate corporate network or sharepoint site.

The Head of Internal Audit provides appropriate wording & validation for the certificates and is responsible for reviewing the completeness of certificates and any qualification comments.

Full External Audited assurance process

The more substantial publications that require full external audit will have their own process. The main example is that used for the Annual Review (including Ofwat's Annual Performance report) and also for the interim results. This is documented in Appendix 2 where the overall term Annual Review is used. Other major submissions will have a detailed process prepared separately for example as part of the Business Plan.

Management Review

Team headed up by the Director of Risk & Investment to confirm adequacy of Regulatory Assurance Manual management system and the functionality of the Regulatory Reporting WorkSpace. Additionally, as part of their review they confirm improvements and changes needed.

An annual meeting is arranged to consider Ofwat, auditor, internal feedback and new reporting requirements and where appropriate, draw up action plans to improve confidence grades used in the data tables.

Training

The Director of Risk & Investment is responsible for ensuring adequate awareness and understanding of the Regulatory Assurance Manual process.

Table Owners are responsible for ensuring that Table Compilers and Originators are provided with adequate training in the data gathering procedures to ensure competence. Competence is demonstrated through results of audits by the External Technical and Financial Auditors.

Audits

External Audit

The External Technical Auditor provides an Audit Plan agreed with the Director of Risk and Investment and will carry out audits of relevant data tables and supporting processes with the Table Compilers and of the performance data. They also provide an Assurance Statement to the Audit Committee on the audits that they have undertaken on the each formal submission and the associated data tables.

The Financial Auditor ensures financial tables match statutory and regulatory accounts and will provide assurance to the audit committee through a management letter. Audits are primarily focussed on key financial outputs and measures.

Findings from all audits are considered at management reviews and tabled where appropriate at WWSL Board and Management Teams.

Internal Audit

The Internal Auditor undertakes an overview role in the preparation of the data tables. Specific audit of areas of the data tables are undertaken where set and agreed by the Audit Committee.

Flowcharts

The RAM flow chart covers the high level framework for determining the most appropriate assurance level to apply to an information or data publication.

More detailed guidance on completion of formal submission data tables can be found in the flowcharts for each table in their relevant table area on the WorkSpace.

Revision history

Regulatory Assurance Manual

Issue	Date	Description	Prepared by
1	March 2016	Replaced v4 of the Regulatory Reporting Manual with new document created to reflect the need for a framework for all information and data submissions.	Neil Wilson
1.1	April 2016	Minor updates to text to reflect feedback from March Audit Committee	Neil Wilson
1.2	September 2016	Updated job titles.	Neil Wilson

Appendix 1 –Submission Data Table Confidence Grade Assessment Matrix

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	A	B	C	D
Reliability (Ofwat Definition)	Sound textual records procedures, investigations or analysis properly documented and recognised as the best method of assessment.	As A but with minor shortcomings. Examples include old assessment, some missing documentation, some reliance on unconfirmed reports, some use of extrapolation.	Extrapolation from limited sample for which Grade A or B data is available.	Unconfirmed verbal reports, cursory inspections or analysis.
Process and Documentation	Source data to regulatory submission process is fully understood in detail (including automated activities, data transfers and analysis logic). The data inputs, repositories (systems) and outputs are clearly identified and linked. Processes are formally documented in a clear and consistent format and are subject to approval and Document Change Management.	Mostly formalised and documented process but not detailed in places. Possible to trace information in the regulatory submission back to the source data.	Process is not understood as a whole. Some components not documented. Missing clear handoffs and details (including automated activities).	Process is not confirmed or documented or documentation is not current and/or is aspirational.
Data Validation and Assurance (Including 3 rd party provided data if applicable).	Full Data Quality Audit undertaken as part of source data to regulatory submission process with retrospective corrections completed within the reporting period. Documented evidence and sign off available of the checking that has been done.	Validation of source data to regulatory submission process carried out regularly. Documented evidence available of the checking that has been done.	Data validation only undertaken in line with reporting timeline. No retrospective data infill undertaken or possible.	No data validation undertaken prior to analysis. Source data is taken at face value.
Process Automation	Fully automated process with no manual data manipulation/intervention needed to produce final report. Documented and owned logic (scripts and/or spreadsheet formulae) available describing systemised methodologies, which are covered by controlled maintenance procedures.	Mixture of automated and manual process. Some manual data manipulation but spreadsheet controls in place.	Mixture of automated and manual process. Some data manipulation, extrapolation and assumptions being used. Data may be taken from several different systems.	Fully manual process involving much data manipulation and assumptions being used.
System Reliability	Enabling system(s) have high integrity with no incidents of outage and are fully available to support timely data capture, validation and analysis.	Some minor incidents of system crashing or being unavailable for a very short period of time. Substantive recovery.	Several Minor incidents of system crashing or being unavailable for a short period of time. Partial recovery of data resulting in some missing data. Possibly some system issues that adversely affect the reliability of the data.	Several incidents of system crashing or being unavailable for a short period of time. Data unrecoverable resulting in missing data. Possibly some system issues that adversely affect the reliability of the data

Accuracy	1	2	3	4	5	6	X
	+/- 1%	+/- 5%	+/- 10%	+/- 25%	+/- 50%	+/- 100%	Accuracy outside +/- 100% or otherwise incompatible
Quantitative Approach	If the data has been subject to a statistically representative sample audit (either internally or externally) then it should be relatively straightforward to assign an accuracy band based upon the audit results.						
Qualitative Approach	In the absence of audit results, Data Providers should adopt a more qualitative approach whereby they consider the size of error suggested by the band in the context of the reported data or performance. For example, if we are reporting say 10,000 properties at risk of sewage flooding or 10,000 written complaints received, an error of +/- 5% represents 500 properties (or complaints) either way. Given the knowledge of the associated reporting methodology and the assumptions embodied within it, the question should be asked whether this number of erroneous or missing data entries is possible or feasible. Data Providers should document their considerations accordingly.						

Appendix 2 Annual review - full external audit assurance process

Foreword

As part of the PR14 price review Ofwat created a company monitoring framework by which it assessed the assurance that companies must put in place to demonstrate to customer and other stakeholders that the information provided is accurate and reliable.

One of Ofwat's new requirements is for companies to produce an Annual Performance Report which provides specific information on progress and delivery of customer outcomes, service levels, transparent cost information and financial performance. This Annual Performance Report will form part of the Annual Review 2016 publication for the first time.

In addition, the company has decided to continue the internal collation of some of the original regulatory reporting data in the format of the old June Annual Return data tables. This data is used for business planning purposes and as the source of statements made in the Annual Review. The Company retains a Technical Auditor to confirm the data included in these data tables and in the Annual Review is accurate and to provide assurance that the statements made in the Annual Review come from an audited source.

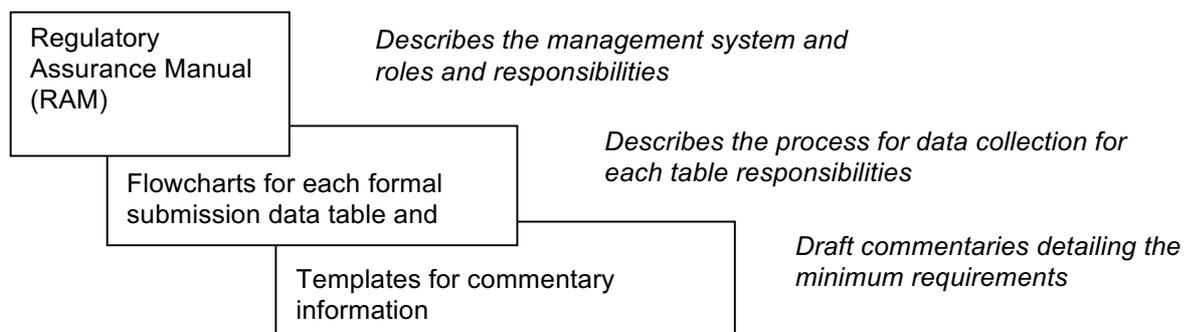
A timetable for each year's production of the Annual review and associated data tables is produced at the commencement of each year's process and is maintained on the Regulatory Reporting SharePoint WorkSpace site:

<https://workspace.wessexcloud.net/eanda/regreport/SitePages/Home.aspx>

Critical success factors

- Accuracy of the data tables
- measured by Auditor feedback and also number of queries against each data table.
- Audit Committee satisfaction with the approach to enable sign off with minimal or no queries.
- Decreased hours spent on completing the data tables through better processes in collecting information.
- Ease of a new starter to understand the process and the data tables

Structure



Verification, Quality Assurance and Risk and Compliance Statement

In producing the Annual Review and data tables and ensuring the information therein is reliable, accurate and complete we pay keen attention to our performance reporting and verification procedures.

The process and quality assurance procedures we apply are consistent with the other documents requiring full external audit and are detailed in Appendix 3.

This includes our approach to the review of the Annual Review by both the Audit Committee and full Board in order to achieve sign-off of the Compliance Statement.

The following table outlines the overall reporting structure

DATA FLOW	The Board/Audit Committee ↑	RISK AND COMPLIANCE STATEMENT
	Accountable Executive Member ↑	ACCOUNTABLE MANAGERS
	Programme Manager (where applicable), Table Owner ↑	DATA PROVIDERS (Typically responsible for providing source data, completing data tables and associated commentaries)
	Data Compilers ↑	KPI data collated by Business Performance section from multiple data sources.
	Source Data Originator(s) ↑	

Document Control

The data tables have been compiled via a collaborative WorkSpace:
<https://workspace.wessexcloud.net/eanda/regreport/SitePages/Home.aspx>

The performance commitment data is collated by the Business Performance team sourcing data from multiple areas across the business.

This Regulatory Assurance Manual details the steps and procedures involved in the compilation of the Annual Review and data tables is published on the WorkSpace as a reference document and is reviewed annually.

A Table of data table responsibilities also appears on the WorkSpace giving details of table owners, compilers, data originators and the External Technical Auditor responsible for the table. The table is reviewed and updated to record changes in responsibilities.

Tables, commentaries, Ofwat reporting requirements for each individual table, and sign-off certificates can all be found within the relevant table numbers area on the WorkSpace. Tables, commentaries and certificates are updated and saved by table compilers and owners using a version update control approach. A sign-off certificate for the performance commitment data collated by the Business Performance section is also retained.

Signed copies of the certificates scanned and held on the collaborative WorkSpace.

The Board Overview and associated documents are held within a separate tab on the WorkSpace.

Documents relating to the Annual Review compilation process: management reviews, Auditors' terms of reference, plans and report will be held within the Annual Review process area of the WorkSpace.

All electronic data shall be stored on the company's WorkSpace which is subject to disciplined back up procedures. Personal hard drives should not be used.

All data will be held for a minimum of ten years.

Procedure to track Audit changes and feedback – post submission to Audit Committee

The data tables / commentary Change Log will commence when the table (including any changes agreed by the auditors) have been signed off by the auditors. This sign-off will record the sharepoint version number of the table signed off by the auditor. The table compiler will be responsible for ensuring that the auditor is aware of all changes made to the document since first access was provided to the auditor. The data table / commentary Change Log will then be completed by table owners/compiler to record any changes made to the data tables up to the point that the tables are submitted to the Audit Committee and then up to the time that the annual review is published.

A Change Log is maintained after the second draft of the Annual review is circulated to the Audit Committee and is made available to the Audit Committee highlighting any significant changes prior to final sign-off by the Audit Committee and Board .

Sharepoint version control will be used throughout to ensure the detail of changes is maintained.

Appendix 3- Verification and Quality Assurance for full external and internal submissions

Verification and Quality Assurance

The process and quality assurance procedures we apply in producing each of our formal regulatory submissions are as follows:

- all staff contributing to the submission are reminded of their obligation to provide information that is reliable, accurate and complete in accordance with MD209, as well as the criminal penalties in s206 Water Industry Act 1991
- source data is compiled by a named individual and verified by either a relevant director, general manager or head of business unit
- these individuals certify that the information has been obtained from a recognised data source and has been accurately compiled
- the information is then challenged by the Director of Regulation and Reform or the Director of Risk and Investment, or the Financial Controller depending upon where the data originates
- where challenge leads to concern or where there are outstanding issues we consider whether the matter should be reviewed by internal audit
- Procedures supporting the provision of performance data are also subject to a rolling programme of audits by internal audit as agreed by the Audit Committee.

Each year the submission will be reviewed by the Audit Committee at a meeting at which both the External Technical and Financial Auditors will be present and to which they have submitted Assurance Reports. The Audit Committee where appropriate will make recommendations to the WWSL Board on their approval of the submission. The Audit Committee address four questions:

- whether the processes set out in the manual had been followed
- whether all relevant information, as defined by the Companies (Audit, Investigations and Community Enterprise) Act 2004, had been disclosed to the team preparing the submission and to the auditors
- whether the executive directors and managers involved had any concerns over the integrity, reliability or completeness of the information contained in the submission
- whether the auditors had any concerns about the process and quality assurance systems used by the company, or about the integrity, reliability or completeness of the information contained in the submission.

The Committee will report to the Board as follows:

- the Committee was satisfied that the processes and internal systems of control had been applied and were effective in meeting Ofwat's requirements
- the executive management present had confirmed that to the best of their knowledge all necessary information had been made available to the submission team and to the audit staff
- the External Technical and Financial Auditors had both confirmed that they had been provided with all the information they had asked for and believed they needed
- Each of the members of the Audit Committee and the WWSL Executive Directors present at the Audit Committee meeting will confirm that they had complied with

their obligations under the Companies (Audit, Investigations and Community Enterprise) Act 2004.

The Audit Committee will consider that, although much of the submission has been based on direct extracts from transactions that had occurred, some information has been based on estimates. These estimates have been made in good faith but, as with any statistically derived estimates, 100% accuracy cannot be guaranteed. Where data was limited and/or estimates have been made then this has been disclosed within the submission data table commentaries.

Overall, the Audit Committee will consider if the submission has been prepared honestly and diligently, in accordance with the Company's procedures and Ofwat's requirements. Appropriate independent checks have been carried out by the relevant executive directors, senior management, internal audit, and the External Technical and Financial Auditors. Estimates have been made on a transparent basis, consistently with prior years except where otherwise stated.

The auditors will both confirm that they have no concerns over the processes used or the information contained in the submission.

At the WWSL Board meeting any director who had not attended the Audit Committee meeting should each confirm that they have complied with their obligations under the Companies (Audit, Investigations and Community Enterprise) Act 2004. The Board should be satisfied that the Compliance Statement can be given subject to the caveats referred to therein. The Chairman of the Board will sign the Compliance Statement.

Appendix 4 Formal External Audit assurance process summary

