

PR24 Draft Determination Assurance Report 2024

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Anglian Water Services Ltd
Independent Assurance Provider

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1. Terms of Reference & Assurance Approach

Anglian Water Services Limited (Anglian Water) commissioned Jacobs U.K. Limited (Jacobs) to provide independent technical assurance on selected data tables/lines for its RP24 Draft Determination response which Ofwat requires all companies to publish by 28 August 2024. The response is a collection of data and commentary forming Anglian Water's response to the Draft Determination, which includes updated 2023/24 performance information and forecast profiles.

This letter provides a summary of our limited assurance activity relevant to your submission of the data and tables associated with the Price Review 2024 (PR24) Draft Determination (DD) submission.

We had full access to corporate systems to audit how information is extracted and used. We worked on the basis that information in corporate databases is reliable.

1.1 Scope

The scope of our work is defined through the document "Jacobs fee estimate - Anglian Water Draft Determination Assurance v1" dated 29 July 2024. In addition, the scope has been further defined through verbal conversations with Anglian Water. You asked us to review updates to data and tables and complete assurance of the new 'additional' data tables (ADD tables).

The data and tables assured are set out in Table 1. Our assurance is limited to the areas within our scope and is intended to support the Board in making an overall assurance statement to Ofwat as part of the PR24 Draft Determination submission.

Our summary scope is to audit the following areas on a sample basis:

Table 1: Data and tables assured for PR24 draft determination submission.

Table	Table Description
CWW19	Wastewater network+ - WINEP phosphorus removal scheme costs and cost drivers
CW7	smart metering lines for 2022-2030
ADD14	(Bio7) Bioresources - Industrial Emissions Directive scheme costs and cost drivers
ADD15	PR24 Water Industry National Environment Programme (WINEP) - England, Costs & number of actions
ADD17	ADD17 - Wastewater network+ - WINEP / NEP Sanitary parameters scheme costs and cost drivers
ADD19	Growth at STWs scheme costs and cost drivers
ADD20	WINEP storm overflow scheme costs and cost drivers
ADD21	Resilience interconnector schemes
Outcomes	A review of all outcomes tables where changes have been made

1.2 Risk assessment

Our assurance approach differed depending on the type of audit. The first approach was for data tables that Anglian Water has previously submitted to Ofwat for PR24 that have since been updated. The focus on these tables and associated data was;

- Assessing the changes made;
- Compliance with Ofwat guidance;

- The justification and evidence for the changes;
- The governance controls and sign off for these tables; and
- Limited data sampling to check the robustness of the data.

The second approach was for the new ADD tables released by Ofwat for PR24 and for the specific areas where methodologies have been updated since the original PR24 submission. For these tables we applied our standard data table assurance methodology. This included;

- An assessment of the process for generating the data and the methods applied;
- Checking consistency with Ofwat guidance;
- Reviewing the governance and sign off of the data; and
- Limited sampling checks to confirm the accuracy of the data.

We applied a risk score for each item we reviewed in line with the scoring approach below.

Table 2: Risk scoring category for data table audits.

Scoring schedule and colour palette.	
Score	Meaning
A	Low risk – no weaknesses or deviations from methodology in production of data and confidence grade is appropriate (there are no issues/actions identified)
B	Low to medium risk - no material weaknesses or deviations in production of data and confidence grade is appropriate (there are only non-material issues/actions identified)
C	Medium to high risk - material weakness or unjustified deviations (or number of minor ones with material effect) or confidence grade is not appropriate (there is one material issue/action identified)
D	High risk – two or more of: material weakness or deviation (or number of minor ones with material effect) or confidence grade is not appropriate (there are more than one material actions identified)
	Not audited as it was outside our scope

Our assurance is risk and sample based and designed to support your own first and second line assurance activity. We provided detailed feedback to your teams for each item that we reviewed.

1.3 Audit reporting

Audit results have been documented in the Jacobs Assurance feedback reports. Our audit findings are rated as per the risk scoring matrix above. Grey indicates a not applicable audit test.

2. Key findings

2.1 Observations

Based on the Assurance reviews completed to date, there are material actions associated with ADD14 which relate to checking and ensuring the correct data is entered in the data table and the cost is entered in the table in the correct price base.

We identified four material actions with ADD19 relating to consistency of data between the table and the data sources. We also noted that the methodology statement was still in development.

There are also two potential material issues pending resolution as part of the review for ADD21 which relate to implementing the corrections to the tables and the writing of the methodology which at the time of audit were dependent on the Ofwat feedback, which has now been received.

The rest of the actions currently resulting from the reviews are non-material. It should be noted that some reviews are not completed as of the date of issue of this report. These are marked as 'TBC' in the table below.

2.1.1 Specific issues

We identified some issues to which we have alerted the Company at audit and included in the feedback reports. The items of note are detailed below.

Table	Table Description	Audit RAG	Summary findings by exception and/or good performance
CWW19	Wastewater network+ - WINEP phosphorus removal scheme costs and cost drivers	B	<p>There have been material changes to the data in this table, however based on our audits the process appears robust.</p> <p>Opex and Capex cost adjustments have been made in response to Ofwat feedback, and 7 schemes have been removed to align with the latest WINEP snapshot. Our initial audit on 14/08/24 identified some process and data issues, but our sample data checks during the follow-up session on 19/08/24 confirmed that these have all been resolved. Anglian was able to explain the process for all the changes, and a methodology has been produced.</p>
CW7	Smart metering lines for 2022-2030	B	<p>Changes are material but are clearly explained in the commentary. Several non-material actions were identified but based on the audit the process appears robust and data sample checks did not identify any material issues.</p> <p>The end of year APR data for 23/24 differs slightly from the PR24 forecast because the actual number of new meter installations for 23/24 was less than forecast. The 24/25 forecast has been adjusted to offset this so that the 2025-30 forecast still meets the end of AMP target of 1.1m.</p>
ADD14	(Bio7) Bioresources - Industrial Emissions Directive scheme costs and cost drivers	B	<p>During the audit, we found some discrepancies between the data table, C55 and the spreadsheet that the team stated they used to retrieve some reported data. The team explained some cost data are in a different price base (e.g. 24-25) rather than 22-23. Sign off had not been completed.</p> <p>Post audit Anglian updated the table, commentary and provided evidence of 1st level sign off. We confirmed costs have been updated in the table but not the asset sizes. The team stated previously that they have checked the sizes but this cannot be traced back to source. It is considered non-material, but is a minor reporting risk.</p>


Table	Table Description	Audit RAG	Summary findings by exception and/or good performance
ADD15	PR24 Water Industry National Environment Programme (WINEP) - England, Costs & number of actions	B	TBC - no material issues but some non-material actions identified mainly on the commentary for which the team need to provide better information in the table to support each line.
ADD17	ADD17 - Wastewater network+ - WINEP / NEP Sanitary parameters scheme costs and cost drivers	A	At time of the audit, the methodology was not yet written and internal first and second level assurance was not demonstrated within the audit meeting. This would mean the Audit Score would be a D. Following an update on 12/08/2024, the development of the new data request was appropriate and reviewed back to source data within data centres. No further issues identified.
ADD19	Growth at STWs scheme costs and cost drivers	A	<p>The spreadsheet does not undertake calculations, but takes inputs from a number of different sources, including the C55 investment decision making model, and Environment Agency DWF permits. Given this, the focus of this audit was on data sampling to check that data has been correctly inputted from other sources.</p> <p>The majority of data samples found that the data had been entered correctly. However, some potential errors were found, and further data validation will be required for these inputs, which we consider to be material. This includes: -</p> <ul style="list-style-type: none"> operating expenditure population equivalent (PE) served process capacity added to meet expected quality permits (PE) <p>21/08/2024 update: Following a further discussion with the audit team we can confirm that the 2 actions relating to data discrepancies have now been closed. However, as the opex data is still not available and the commentary is being produced, the audit RAG score remains as C.</p> <p>23/08/2024 update: The Opex has now been added to the table and we were able to trace some samples back to source. The commentary was provided before our meeting and takes account of Ofwat's requirements.</p> <p>All material actions are now closed.</p>
ADD20	WINEP storm overflow scheme costs and cost drivers	B	Medium risk issue identified with Cost Driver 5 (relating to how it has been calculated and the impact of amalgamation of CSOs) which has not yet been addressed post audit. This is not material as it not used in calculation of volumes to be reduced. Other issues identified addressed and clarified within methodology and commentary notes.
ADD21	Resilience interconnector schemes	A	<p>The table had been populated based on the assumption that Ofwat would agree with Anglian's interpretation of the guidance in terms of inclusion of schemes in table ADD21 and consequent population of CW8 and CW3 for alignment. The methodology for populating the table is sound and robust however this had not been documented at the time of audit due to the pending Ofwat response. For the same reason no commentary had been prepared either.</p> <p>These two points, along with finalising the inclusion/exclusion of schemes across the three tables for alignment, are the potentially material actions pending the Ofwat response. Given the potential materiality of these issues a score of 'C' was initially awarded.</p>

Table	Table Description	Audit RAG	Summary findings by exception and/or good performance
			<p>Following an update on 12/08/2024, Ofwat has confirmed only resilience interconnectors should be included in ADD21. Therefore this table will not align with CW8 which should only include supply interconnectors. Costs in ADD21 should align with CW3.</p> <p>We confirmed the data table has been updated, methodology and commentary have been produced. The audit RAG has been updated to 'A'.</p>
Outcomes OUT1, OUT2, OUT3, OUT4, OUT5.	A review of all outcomes tables where changes have been made	A	<p>There is a minor difference between OUT1 and OUT4 2023/24 values and APR24 actuals for Unplanned outage as a % of PWPC.</p> <p>There is a minor difference between OUT5 2023/24 values and APR24 actuals for Bathing Waters attaining Excellent status.</p> <p>These differences are non-material but should be checked to confirm the correct numbers.</p> <p>Anglian has investigated and confirmed that figures for both bathing waters and unplanned outage are different to APR 24 due to different definitions from PR19 to PR24:</p> <ul style="list-style-type: none"> Only bathing waters designated before the start of the AMP can be counted. During AMP7 Anglian has had a number of new bathing waters designated, one of which is excellent. This explains the difference we identified. For unplanned outage, currently companies can exclude outages caused by short term water quality issues. At PR24 this exclusion will be removed. The APR reports performance with some outages excluded but OUT4 includes those outages. <p>Anglian provided good evidence to support the above explanations.</p> <p>Forecasts for the updated Outcomes align to the revised profiles and DD principles explained by Anglian.</p> <p>Audit RAG amended from 'B' to 'A'.</p>

2.2 Summary audit statement

We conclude that in relation to the data and tables we reviewed:

- Anglian Water's processes and internal systems of control are appropriate and effective to derive the data and information on which Anglian has based decisions and reasoning for challenging Ofwat's DD.
- The methodologies used for data production are suitable and reasonably evidenced.
- Anglian's processes for reporting the data are in line with the reporting requirements;
- The data has been derived in accordance with Anglian's processes and the reporting guidance and has been subject to 1st and 2nd line assurance, with appropriate sign-offs;
- Anglian Water has updated its business plan forecasts for 2023/24 with actual performance.
- For proposed changes to Outcomes as part of Anglian's response to the DD, Anglian has focussed on the most material issues for the Company.


Assurance Director

Jacobs UK Ltd
23 August 2024

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