

Our APR Assurance Framework 2025

anglianwater

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1 Purpose of this document

Anglian Water provides a wide range of information to its stakeholders about its assets, activities and performance. Stakeholders have a reasonable expectation that they can rely on that information in making judgements about the company and that the information forms the basis for honest and open conversations about the company's performance. In other words, they expect assurance that the information is true.

The purpose of this document is to describe Anglian Water's assurance framework. It seeks to:

- Describe what we mean by assurance and, importantly, to explain the limits of assurance
- Set out what we do to decide how much assurance to provide and what form that assurance should take
- Describe our risk assessment process, which helps us to target our assurance efforts
- Provide the answer to any stakeholder who asks, 'why should I believe the information you are telling me?'
- Provide important background information to our assurance plans.

We publish this document in compliance with the Outcomes Reporting Policy that we first published in September 2015. This is a revised version of the document we first published in November 2015.

2 What is meant by an assurance framework?

Our assurance framework describes how we work to reduce the risk that the information we provide to customers does not meet expected standards of quality. It describes how we assess the risk to data quality and how we tailor our assurance in response to those risk assessments.

We define assurance to be confirmation by a party making an assertion that the assertion is true, within the range of likely error specified. The basis of the assurance will vary but may require the involvement of an assurance provider, who does not have to be external to the company but should be independent from the party making the assertion. There is a cost to assurance, which means that a framework is required to ensure we apply assurance in the most effective manner.

3 Who needs it?

The focus of our assurance framework is our stakeholders. In making judgements about Anglian Water, stakeholders need to have confidence that they can rely on the information we provide. They also need to understand the limits of the assurance we are providing.

Our list of stakeholders includes, but is not limited to:

- Customers - ours and those of other companies seeking to make comparisons

- Bodies acting on behalf of customers, including the Consumer Council for Water and our Customer Engagement Forum
- Our economic regulator, Ofwat
- Our quality regulators, the Drinking Water Inspectorate (DWI) and Environment Agency (EA)
- Rating agencies, who assess the risk of investing in our company
- Owners of, and investors in, the company.

4 Why is it important?

The information we provide to customers and other stakeholders is used by them to make judgements about Anglian Water. For example:

- Customers compare the quality of our services with those provided by other utility providers and other water and sewerage companies
- Ofwat determines the rewards we have earned (or penalties we must pay) against its regulatory incentives, such as those for outcome delivery and cost performance
- Ofwat uses our regulatory accounting information to assess future costs and evaluate options for market reform
- Investors use a range of information about the company to assist investment decision-making.

These examples illustrate that the reliability of information is central to assessing legal compliance, making commercial decisions and determining the level of customer bills. The importance of reliable information is reflected in the enforcement powers given to Ofwat. These include the power to fine water companies up to 10 per cent of their annual turnover for failing to comply with their licence obligations to provide reliable information.

Our assurance framework is also important to the management of Anglian Water. The objective of management is to achieve improvements in customer service levels while improving efficiency. Doing so successfully depends on the availability of reliable data and other information.

5 Where is this framework applied?

The process described in this document is applied formally to the non-financial lines of the Annual Performance Report (APR) that we publish to stakeholders after every financial year. The financial information in the APR is subject to separate assurance arrangements prescribed by Ofwat or statute. The principles of the process apply to any information submissions provided to stakeholders by Anglian Water and are applied less formally to any of those.

6 Our risk assessment process

The cost of providing the fullest range of assurance measures for every item of information which we publish would be too high and not justified by the benefit. We therefore have a framework which tailor our assurance activities to the level of risk that there may be error. This is consistent with our overall approach to managing operational, financial and compliance risk across the business.

Our risk assessment forms the foundation of our assurance planning, with the highest risks receiving the highest level of assurance, and is itself subject to external assurance via LRQA for our ISO 9001 Quality Management Systems.

Our definition of risk is the established one, which calculates risk as the probability, or likelihood, of an event occurring multiplied by the impact, or significance, of its occurrence. This calculation ensures that likely events with high consequences receive greater attention than unlikely events with little impact. This can be simply described as 'Risk = Likelihood x Impact'.

Our risk assessment process involves quantifying both likelihood and impact for every measure in scope. Our approach involves the following steps:

- We identify the information in scope – a line in the APR
- For each piece of information, we assess the impact which would follow from mis-reporting. Impact scores range from 1 (low) to 3 (high). Scores are assigned by individuals with expert knowledge of the economic regulation framework using the guidance below:

1	2	3
All lines in the APR are assigned an minimum impact rating of 1. If there are no additional risks, other than the standard expectation that it must be correct on the first reporting, then the line will be assigned a 1	Error on this line would be embarrassing but would not make media headlines or lead to any regulatory sanctions. It would be unlikely to lead to any financial impact.	Give this score to any lines that <ul style="list-style-type: none"> - Is a PC or contributes to the calculation of a PC - is used in an Ofwat cost model (or could potentially be used in future for a costmodel) - relates to a performance measure which is of particular value to stakeholders - relates to outputs deliverable under the regulatory contract

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- For each measure in scope we quantify the overall likelihood of error occurring, by scoring each of four questions in the table below. The overall likelihood score is the sum of the four individual scores.

Score	1	2	3
Changes from prior year	There have been no changes to reporting requirements, the process used to generate data or personnel involved	Changes have been made but the risk that these introduce to the process are deemed to be small	Changes have been made and introduced a material risk to the process (any new line should receive this score)
Quality of controls over the data-generating process	Controls are good and well evidenced	Some missing controls or evidence of imperfect application	Controls are poor, incomplete or are not being applied
Evidence of past errors	There is no record of errors in the process of compiling the final figure	A less material error within the last three years or a major error in the last five years	A material error was made in the last three years or a less material error in the last year
Reliance on assumptions	No reliance on assumptions, all data are measured. No sampling	Either there is high confidence in the assumptions made or the assumptions do not significantly affect the reported figure. There may be sampling but the samples are robust	Heavy dependence on one or more assumptions that could be materially inaccurate. Samples are small and not necessarily representative

- We obtain the overall risk score for each line by multiplying the impact core by the total likelihood score. Using the table below, we convert the risk score to one of five overall risk ratings. Applying this approach, each measure is categorised as Low, Medium, High or Very High.

Total risk score	Risk rating
1-10	Low
11-16	Medium
17-21	High
21+	Very High

Conducting the risk assessment is not a one-off process. We review our assessment periodically.

7 Using our risk assessment to determine our assurance plans

The risk ratings show us where the greatest risks to final information quality lie and direct our assurance effort. The table below shows how we translate our risk ratings into minimum external assurance requirements and requirements for governance around data sign-off.

Risk rating	Governance	Assurance
Very High	Executive Committee member to sign off data when published	An audit to be carried out by an external assurance provider annually
High	Head of Business Unit to sign off data when published	An audit to be carried out by an external assurance provider annually
Medium	Head of Business Unit to sign off data when published	An audit to be carried out by an external assurance provider at least once every three years
Low	Line approver to sign off data when published	Option for external audit retained

Where we don't engage an external assurance provider as the basis for our assurance we rely on the controls within our corporate culture and governance to provide the confidence we require to submit information into the public domain.

8 Delivering our assurance plans

We have a range of options for delivering our assurance plans. As outlined above, we apply these based on the risk rating. The options include:

- Anglian Water employees conducting reviews in parts of the business where they don't normally work
- Commissioning audits by the company's Internal Audit team
- Commissioning audits or completion of procedures by third party organisations
- Audits by the certifiers of our Quality Management Systems.

The benefits of third party assurance include the following:

- They can challenge behaviours and practices that employees of the company have come to regard as normal
- They can suggest improvements to processes based on their knowledge of industry good practice
- In comparison to reviews carried out by employees of the company, they may feel more able to question and challenge
- Stakeholders are likely to place greater reliance on the assurance provided compared to that provided by the company's internal activities.

We employ a range of third parties as part of our assurance process, including the following:

- Our board appoints a financial auditor who conducts a range of audits and procedures to test the quality of our financial information. This work may be specified by company law or regulatory direction or unilaterally by the company. Our financial auditor is Deloitte
- A programme of internal audits is approved and overseen by the Board Audit Committee to assess the adequacy of risk management processes. The results of these audits are reported to the Audit Committee, which ensures that actions arising from internal audits are completed
- We employ an external assurance provider who conducts audits of our non-financial information. Our main external assurance provider is Jacobs but we also use others for particular topics
- The firm which certifies our quality management systems, BSi, conducts periodic surveillance audits to ensure our certifications are still valid. Every three years they conduct an even more comprehensive audit of each system to renew the certification.

We strongly value the contribution of third party reviews in providing assurance. However we are clear that such reviews are only one way of providing assurance and our assurance plans may include other forms of assurance.

9 Limits to assurance

Assurance is about providing a level of certainty that a piece of information is correct. While we can state some information with absolute certainty, the majority is subject to a margin of error. What matters is that the information is sufficiently good to enable stakeholders to have a fair and reasonable view of our performance. The amount of assurance activity we carry out is determined by the need to achieve this position efficiently. The risk assessment ensures that we get the most value from the assurance work that we carry out.

10 Sharing the results of our assurance work

We publish a summary of the assurance work we have carried out every year in our APR as the Data Assurance Summary. We also publish there an Executive Summary of the work which has been carried out by our independent assurance provider.

Our Board publishes an annual statement on the completeness and accuracy of the data and information it has supplied in the year, including a description of the factors it takes into account in making that statement. This statement is also published annually in our APR.

11 Feedback

We welcome feedback from stakeholders on our Assurance Framework. You can contact us in any of the following ways:

- email: Stakeholderfeedback@anglianwater.co.uk
- call: 03457 91 91 55.

We undertake to share the feedback we receive and explain how we have responded to it.