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# 1 Introduction

Atkins Limited (Atkins) has been appointed by Severn Trent Water as Independent Reporter in accordance with the following Conditions of the Instrument of Appointment and in accordance with the requirements of the Director General of Water Services letter, ref MD 27 of 11 April 1990. Details of Atkins' appointment are contained in a contract agreement signed by Atkins Limited and Severn Trent Water PLC on 10<sup>th</sup> August 2005 (document reference C-51860/CJO/SVT.JR110).

## 1.1 Liaison and co-ordination with company auditors

The Financial Auditors have a separate set of guidance for the Periodic Review; as such we are not required to prepare a formal Terms of Reference with the Financial Auditors, Deloitte. During the auditing period we had informal discussions with the Financial Auditors.

## 1.2 Quality assurance procedures

The Reporter has a defined Quality Plan for audit work with Severn Trent Water, which fits within Atkins Water's Quality Assurance framework. This framework has been independently audited by Lloyd's Register and found to comply with the requirements of BS EN ISO 9001:2000.

## 1.3 Documentation in support of the report

We have used the following documentation to support our report. Details of all documentation supplied to us by the Company are listed in our Summary of Audit Findings. We retain these on our system and they are available for review on request.

We have used the following documentation to support our report. Details of all documentation supplied to us by the Company are listed in our Summary of Audit Findings. We retain these on our system and they are available for review on request.

- ◆ Ofwat's PR09 Final Business Plan Information Requirements.
- ◆ Ofwat's Feedback on our Audit Plan.
- ◆ Clarifications DBP/001 through to DBP/163 and FBP/001 through to FBP/078.
- ◆ The Company's June Returns and Ofwat's queries.
- ◆ The Reporter's June Return submissions.
- ◆ Other companies' June Return submissions.
- ◆ The Company's PR04 Final Business Plan submission and Ofwat's Final Determination.
- ◆ The Reporter's Report on the Company's PR04 Final Business Plan Submission.
- ◆ Ofwat's PR04 Draft Determination and the Company's response.
- ◆ Ofwat's PR04 Final Determination.
- ◆ The Company's AMP4 Monitoring Plan.
- ◆ Reports and other evidence to support the information details in the Company's Final Business Plans.
- ◆ Industry documentation (such as UKWIR and Water UK reports, current Economics reports).
- ◆ Verbal and formal written feedback provided by Ofwat in response to the Severn Trent Water PR09 Draft Business Plan submission

## 1.4 Areas of concern and disagreement

There are no unresolved areas of concern or disagreement between Severn Trent Water and the Severn Trent Water Reporter Team. We have discussed and reviewed our submission with the Company in full.

Although we did discuss minor areas of disagreement, there have not been any significant disagreements in that where we considered the Company's approach had weaknesses, the Company has accepted this and responded accordingly.

## 2 Reporter's audit procedures

### 2.1 Procedures

We have prepared procedures and audit guidelines for use by all audit team members. These are summarised in our Audit Plan submitted to Ofwat in February 2009. These have been applied to all companies being audited by Atkins to ensure consistency of approach. They set out audit requirements, various levels of audit trailing and recommend the proportion of sampling which would be appropriate. We have also used the audits as a vehicle for identifying and suggesting improvements to procedures, based on our own knowledge and perception of best practice.

### 2.2 Review of Severn Trent Water's procedures

Our review of Severn Trent Water's procedures commenced in October 2007, when the Company presented its planning briefs for each area of the Final Business Plan submission.

The Company has developed defined methodologies for all areas of the submission and these have informed our audit work.

### 2.3 Sample Audit Trails

We developed a systematic approach to the numeric audit trails on the basis of the Atkins' procedures, related to Severn Trent Water's data sources and procedures for collation. Audit trails were followed as appropriate based on arbitrary selection of examples from stratified samples. These focused on areas of most risk and were related to the number of sources and data groups associated with each group of related lines. The aim of the sampling is to obtain an overall view of data quality and consistency. The Reporter's opinions are based on the extent of these samples.

### 2.4 Reports and Records

Our records of each audit include audit notes, made at the time, and Summary of Audit Findings, which list the documents reviewed and our observations and conclusions.

These records are stored securely for future reference or independent review.

