



Data Assurance Summary 2019-20

Building trust and confidence in our reporting



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1. About this document

This Data Assurance summary (“Assurance Summary”) outlines the results of our regulatory reporting assurance processes throughout 2019-20 and details how these processes compare to the Final Assurance Plan 2019-20¹ (“Assurance plan”) that we published in March 2020.

It is one of three documents that we publish during the year to determine and report on our levels of information assurance and how we meet Ofwat’s Company Monitoring Framework² (“CMF”).

These documents are:

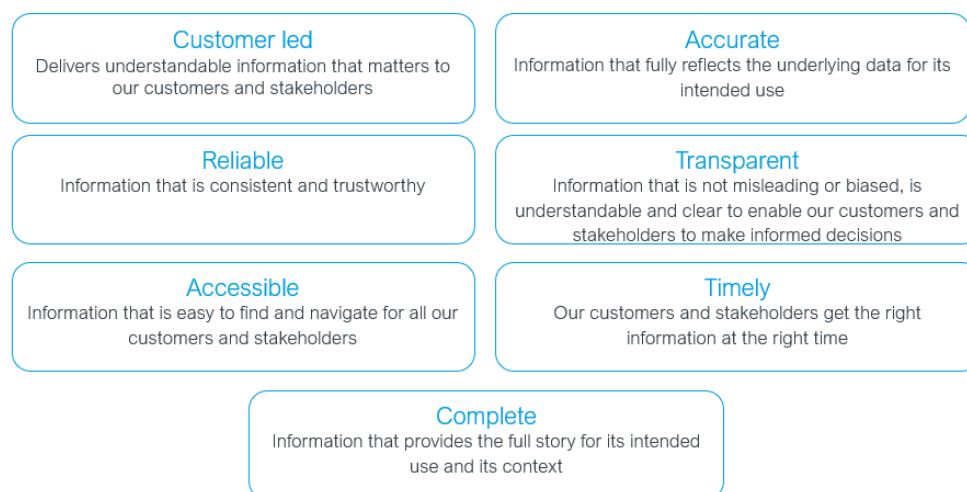
- Assurance plan -detailing the process and procedures that we have in place to minimise the risk of inaccurate or unreliable external reporting;
- Statement of risks, strengths and weaknesses ³ (“Statement”) – our assessment and highlighting of areas of risk reporting that we use to inform our Assurance plan
- Assurance summary (this document) - documenting the assurance activities undertaken in the year.

2. Background

In 2015, Ofwat published the CMF for the current five-year regulatory period 2015-20 (“AMP6”). The purpose of the CMF was to ensure that we provide customers and stakeholders with information that is easy to understand, provides transparency and helps to build trust and confidence in our regulatory reporting. Although Ofwat are no longer conducting CMF assessments, within their information notice 19/04, they expect continued compliance to maintain improvements in reporting and comparability of information across the sector.

To achieve the goals of the CMF, we must ensure that our regulatory reporting has each of the qualities shown in figure 1.

Figure 1: Information qualities



Source: Thames Water

¹ The latest version of our Assurance plan can be found on our website through the following link:

<https://corporate.thameswater.co.uk/about-us/our-investors/annual-results>

² The latest iteration of Ofwat’s Company Monitoring Framework can be found on their website through the following link:

<http://www.ofwat.gov.uk/publication/company-monitoring-framework-final-position/>

³ The latest version of our Statement can be found on our website through the following link:

<https://corporate.thameswater.co.uk/about-us/our-investors/annual-results>

3. Our commitment to customers and stakeholders

It is critical to us that you, our customers and other stakeholders, have trust and confidence in the information we publish.

We will report accurate and reliable information and where we identify any issues, we will:

- Address the issue in a timely manner; and
- Engage with our customers and stakeholders.

We will provide our customers and stakeholders with a clear and transparent explanation of any performance issue.

Where we are at risk of failing to meet our committed level of performance, we will explain how:

- This affects customers; and
- The issue will be addressed.

We will review our Statement and Assurance Plans regularly to address and mitigate any areas of concern.

4. Our assurance approach

Why assurance is important to us

Assurance consists of all the checks and balances used to ensure that the regulatory data we publish is robust, trustworthy and exhibits all the qualities shown in figure 1. By ensuring that all the data we publish has these qualities, customers and other stakeholders can have confidence and trust in the information that we provide.

We report on our performance to Ofwat and explain to customers what is being delivered in return for the money we collect through bills. It is imperative that we take full responsibility for the integrity of the data we collect, analyse, publish and submit.

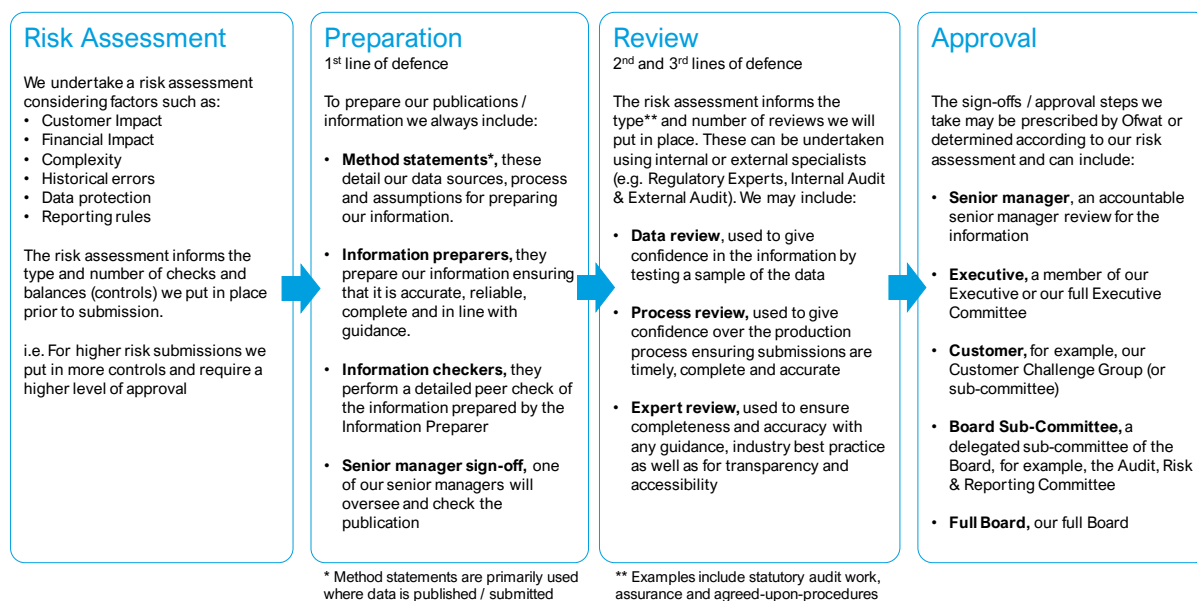
Our assurance framework

Ofwat provide guidance on their assurance expectations/requirements for certain submissions and rely on us making our own judgement for others. Our assurance approach is designed to align with Ofwat's expectations and the strategic direction of our Board for high quality submissions.

Each publication/submission noted in this report, that we produce and share externally, is subject to risk assessment. The risk assessment considers aspects such as customer impact, financial impact, complexity and historical errors. The level of assurance undertaken is guided by results of this risk assessment. Higher risk submissions will have more checks and balances to ensure they have the qualities listed in figure 1.

Our approach to assurance (shown in figure 2) includes three lines of defence which provide continuous and reliable assurance on the information we report and allows us to effectively manage reporting risks.

Figure 2: Our risk assessment and assurance process



Source: Thames Water

5. Our assurance activities and outcomes

The following pages summarise the assurance activities undertaken on the high-risk external publications we listed in our Assurance Plan.

We have assessed these activities against what we planned to do and have concluded that we have not deviated from our planned approach.

An explanation of what the core assurance activities contain is included in Appendix 1.

Interim financial statements

Risk assessment: HIGH

	First line of defence				Second line of defence			Third line of defence			Approval		
	Submission plans	Method statements	Check on quality of information	Senior manager review	Data review	Process review	Expert review	Oversight functions/peer review	Customer / stakeholder involvement	Internal independent assurance	External independent assurance	Executive approval	Board approval
Core assurance activities	✓	✓	✓	✓				✓	✓		✓	✓	✓

What we said we'd do in our 2019-20 Assurance Plan		Status	What we did
Internal review	Internal reviews will be performed to determine whether information included in the interim financial statements is consistent, accurate and complete	●	Our Information Integrity declaration forms (IID) were used to provide positive confirmation of compliance with guidance and accuracy of data
Oversight functions	Peer reviews will be undertaken that consider whether minimum disclosure requirements are being met and where disclosure improvements can be made	●	Technical accounting specialists reviewed disclosure requirements supporting improvements in transparency
Customer and stakeholder involvement	We will continue to use feedback from our customers and stakeholders ensuring that we are reporting on areas that are important to our customers in a clear and transparent way	●	We regularly report to and attend CCG with results and observations about our reporting. We have received and addressed comments from Ofwat on our reporting.
External independent assurance	Our external auditor, PwC, will perform interim review procedures over our interim financial statements and provide a review opinion	●	PwC identified findings and observations which we addressed. Overall, their testing supported accurate and reliable statements and consistency with Ofwat requirements.
Approval	Our executive team, Audit, Risk & Reporting Committee ("ARRC") and our Board will review and approve the interim financial statements prior to publication, acknowledging feedback from the external assurance process	●	We obtained approval from our Executive, ARRC and Board for our interim financial statements.

Key: ● Delivered ● Improvements recommended ● Unresolved reporting risk identified ○ Substitution made

Annual financial statements

Risk assessment: HIGH

	First line of defence				Second line of defence			Third line of defence			Approval		
	Submission plans	Method statements	Check on quality of information	Senior manager review	Data review	Process review	Expert review	Oversight functions/peer review	Customer / stakeholder involvement	Internal independent assurance	External independent assurance	Executive approval	Board approval
Core assurance activities	✓	✓	✓	✓	✓			✓	✓		✓	✓	✓

What we said we'd do in our 2019-20 Assurance Plan		Status	What we did
Internal review	Internal reviews will be performed to determine whether information included in the annual financial statements is consistent, accurate and complete	●	Our Information Integrity declaration forms (IID) were used to provide positive confirmation of compliance with guidance and accuracy of data
Oversight functions	Peer reviews will be undertaken that consider whether minimum disclosure requirements are being met and where disclosure improvements can be made	●	Technical accounting specialists reviewed disclosure requirements supporting improvements in transparency
Customer and stakeholder involvement	We will continue to use feedback from our customers and stakeholders ensuring that we are reporting on areas that are important to our customers in a clear and transparent way	●	We regularly report to and attend CCG with results and observations about our reporting. We have received and addressed comments from Ofwat on our reporting.
External independent assurance	Our external auditor, PwC, will perform an audit over our annual financial statements and provide an audit opinion	●	PwC identified findings and observations which we addressed. Overall, their testing supported accurate and reliable statements and consistency with Ofwat requirements.
Approval	Our executive team, Audit, Risk & Reporting Committee ("ARRC") and our Board will review and approve the annual financial statements prior to publication, acknowledging feedback from the external audit process	●	We obtained approval from our Executive, ARRC and Board for our annual financial statements.

Key: ● Delivered ● Improvements recommended ● Unresolved reporting risk identified ○ Substitution made

Annual performance report (2 pages)

Risk assessment: HIGH

	First line of defence				Second line of defence			Third line of defence			Approval	
	Submission plans	Method statements	Check on quality of information	Senior manager review	Data review	Process review	Expert review	Oversight functions/peer review	Customer / stakeholder involvement	Internal independent assurance	External independent assurance	Executive approval
Core assurance activities	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓

What we said we'd do in our 2019-20 Assurance Plan		Status	What we did
Method statements	Method statements will be prepared by responsible business owners which summarise how the regulatory numbers have been determined and how they satisfy Ofwat requirements. Where judgements have been made, they will be clearly documented.	●	We used standard template method statements, strengthening them if appropriate, to ensure consistency and documentation of how regulatory numbers are prepared for reporting.
Internal review	Internal reviews will be performed to determine whether numbers have been prepared in line with Ofwat guidance and commentary is transparent, focussing on the areas that customers are interested in and provide sufficient narrative around performance.	●	Our Information Integrity declaration forms (IID) were used to provide positive confirmation of compliance with guidance and accuracy of data
Oversight functions	Peer reviews will be performed to ensure numbers presented and associated commentaries are in line with expectations.	●	Our Regulation and Finance teams reviewed the numbers presented and associated commentaries.
Internal independent assurance	The internal Risk, Audit and Assurance Team will perform assurance procedures over low risk assessed lines in sections 3 and 4. These procedures will be identical to those performed by PwC on the high and medium assessed lines.	●	The review was completed with all observations addressed giving confidence that the final reported information should be accurate and reliable.

Annual performance report (2 pages)

Risk assessment: HIGH

	First line of defence				Second line of defence			Third line of defence			Approval	
	Submission plans	Method statements	Check on quality of information	Senior manager review	Data review	Process review	Expert review	Oversight functions/peer review	Customer / stakeholder involvement	Internal independent assurance	External independent assurance	Executive approval
Core assurance activities	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓

What we said we'd do in our 2019-20 Assurance Plan		Status	What we did
External independent assurance	Our external auditor, PwC, will provide an audit opinion over sections 1 and 2 of our Annual Performance Report and will perform assurance procedures over high and medium risk assessed lines in sections 3 and 4. PwC, will also perform assurance procedures over our Director's Sufficiency of Resources Certificate ⁴ . Their review will include consideration of the appropriateness of policies and the output of their work will be in the form of a 'review and recommend' report on our Director's ability to sign the certificate.	●	PwC completed their review without evidence of non-compliance or inconsistency being identified. Their final opinions are included with Annual Performance Report as their Independent Auditor's report and Independent Limited Assurance Report.
Approval	Our executive team, Audit, Risk & Reporting Committee ("ARRC") and our Board will review and the 2019/20 Annual Report and Annual Performance Report prior to publication, acknowledging the feedback from the external assurance process.	●	Our executive team recommended the Annual Report and Annual Performance Report for publication to ARRC on 22 June 2020. ARRC subsequently recommended publication at the Board meeting on 24 June 2020. PwC were in attendance at both ARRC and Board to present the outcomes from their work.

Debt prospectus

Risk assessment:
HIGH

	First line of defence				Second line of defence				Third line of defence			Approval	
	Submission plans	Method statements	Check on quality of information	Senior manager review	Data review	Process review	Expert review	Oversight functions/peer review	Customer / stakeholder involvement	Internal independent assurance	External independent assurance	Executive approval	Board approval
Core assurance activities	✓		✓	✓				✓			✓	✓	✓

What we said we'd do in our 2019-20 Assurance Plan		Status	What we did
Internal review	Internal reviews will be performed to consider completeness and accuracy and ensure consistency of information	●	Internal reviews were completed within our Treasury Team during the preparation of the Debt Prospectus to ensure completeness, accuracy and consistency.
Oversight functions	Peer reviews will be performed to ensure consistency of information	●	The Debt Prospectus was reviewed by our Operational, Finance and Strategy & Regulation Teams to ensure consistency of information and to review data accuracy.
External independent assurance	Our external auditor, PwC, will perform assurance procedures over our debt prospectus, ensuring that information incorporated in the debt prospectus is consistent with other information previously published, e.g. latest financial results. Additionally, they will gain an understanding of performance between that latest published information and a later 'cut-off' date, closer to the publication of the prospectus.	●	PwC completed their review without evidence of non-compliance or inconsistency being identified.
Approval	Our Executive Team and Board will review and approve the debt prospectus prior to publication.	●	The debt prospectus was approved by our Executive Team and a panel of the Board made up of the Chairman, CFO, Non-Exec and Independent Directors.

Key: ● Delivered ● Improvements recommended ● Unresolved reporting risk identified ○ Substitution made

Shadow reporting

Risk assessment:
HIGH

	First line of defence				Second line of defence				Third line of defence			Approval	
	Submission plans	Method statements	Check on quality of information	Senior manager review	Data review	Process review	Expert review	Oversight functions/peer review	Customer / stakeholder involvement	Internal independent assurance	External independent assurance	Executive approval	Board approval
Core assurance activities	✓	✓	✓	✓	✓	✓		✓			✓	✓	✓

What we said we'd do in our 2019-20 Assurance Plan	Status	What we did
Method statements Our operational finance teams will create methodologies explaining how they have determined their figures, any assumptions made and any manual adjustments made.	●	We used standard template method statements, strengthening them if appropriate, to ensure consistency and documentation of how regulatory numbers are prepared for reporting.
Internal review Training has been undertaken to understand the key differences between the current methodologies (2015-2020) and the methodologies that will be relevant in the next regulatory period 2020-25.	○	Internal analysis rather than training was undertaken to understand the key differences between current methodologies and those for the coming regulatory period.
External independent assurance Our external auditor, PwC, will review our method statements and perform assurance procedures over the information included within our shadow reporting submission.	●	PwC completed their review without evidence of non-compliance or inconsistency being identified.
Approval Our Audit, Risk & Reporting Committee ("ARRC") and our Board will review and approve the submission, acknowledging the feedback from the external assurance activities.	●	Shadow reporting was reviewed by ARRC alongside the Annual Performance Report on 22 June 2020. ARRC subsequently recommended publication at the Board meeting on 24 June 2020. PwC were in attendance at both ARRC and Board to present the outcomes from their work.

Charges scheme

Risk assessment:
HIGH

	First line of defence				Second line of defence				Third line of defence			Approval	
	Submission plans	Method statements	Check on quality of information	Senior manager review	Data review	Process review	Expert review	Oversight functions/peer review	Customer / stakeholder involvement	Internal independent assurance	External independent assurance	Executive approval	Board approval
Core assurance activities	✓	✓	✓	✓				✓	✓	✓		✓	✓

What we said we'd do in our 2019-20 Assurance Plan		Status	What we did
Method statements	Method statements are prepared by the relevant business owner	●	We used standard template method statements, strengthening them if appropriate, to ensure consistency and documentation of how regulatory numbers are prepared for reporting.
Internal independent assurance	Internal reviews will be performed to increase confidence in the charges schemes publications	●	Our Internal Audit team undertook a review of our charges to ensure that that preparation activities were fully completed.

Leakage reporting ⁵

Risk assessment:
HIGH

	First line of defence				Second line of defence				Third line of defence			Approval	
	Submission plans	Method statements	Check on quality of information	Senior manager review	Data review	Process review	Expert review	Oversight functions/peer review	Customer / stakeholder involvement	Internal independent assurance	External independent assurance	Executive approval	Board approval
Core assurance activities	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓

What we said we'd do in our 2019-20 Assurance Plan		Status	What we did
Oversight functions	A team to monitor implementation and/or progress against key actions/points raised in the published report has been mobilised.	●	A team, led by our Undertakings Compliance Officer, monitors implementation of actions and is committed to maintaining compliance with our undertaking.
Customer and stakeholder involvement	Our required reporting from the undertaking response took into account the feedback received from both customers, CCG and stakeholders, for example, we will continue to make CCG aware of our monthly leakage reporting as it is published on our website.	●	CCG and Ofwat are kept up to date with our reporting and they provide feedback which we have fully considered and are taking actions to further develop our processes and activities in response.
External independent assurance	In line with the requirements of the undertaken, we engaged an independent monitor to certify our monthly leakage reports and an independent external assurance provider to undertake a six-monthly review of compliance with the undertaking. In addition, the independent monitor has been provided with access to technical assurance support for the calculation of leakage performance.	●	The Independent Monitor, with technical support from PwC, certified our monthly leakage reporting figures. KPMG independently reviewed our compliance with the Section 19 Undertaking and reported back to our Board and Ofwat on their conclusions. To date, they have confirmed that in many areas there is evidence of compliance and that there is no evidence of non-compliance.
Approval	The Executive Team and Board approved the six-monthly report prior to submission. The monthly leakage reporting on our website will continue to be approved by an Executive (or Senior Leadership Team member) prior to publication.	●	The Executive Team and Board approved our six-monthly reports prior to submission. Our monthly reports have been approved by an Executive member prior to publication on our website and sharing with stakeholders.

⁵ This is in line with the Section 19 undertakings, following Ofwat's investigation into our leakage performance

Appendix 1 Assurance activity descriptions

The following table is provided to give clarity on the terms and references used in the assurance activity descriptions:

Assurance term or reference	Description
Submission plans	The submission plan outlines a timeline and accountability for preparation and review of the submission.
Method statement	This explains the process to produce the submission and includes details of systems, responsibilities, timings, additional methodologies to complete any calculations required etc.
Check on quality of information	The preparer (or responsible person) of a submission confirms the quality of the submission that it meets requirements, is prepared following the method statement and is supported by auditable evidence.
Senior manager review	This review challenges and assesses the accuracy of the submission.
Data review	This review is responsible for providing evidence of verification of data and/or gives a level of confidence over on the accuracy of entire return.
Process review	Not responsible for ensuring that returns are complete and accurate but to provide an independent challenge to the process to produce the submission/publication. Including review of the adequacy and effectiveness of the internal control systems to ensure the returns are timely, complete and accurate.
Expert review	Can be external or a member of the Thames Water team who may be a regulatory specialist to conduct an expert review to ensure that submissions are complete, accurate, in accordance with regulatory guidance. They may, at times, also provide support, guidance and assistance with the production of the material.
Oversight functions	A team or individual within Thames Water who has some independence from the business area management teams (such as Internal Audit) to conduct a data or process audit. They ensure accuracy and reliability of the submission through verification of data and/or that there are adequate and effective controls enabling timely, complete and accurate submissions.
Customer and stakeholder involvement	External guidance, challenge and/or review of our submission from customers or customer groups (e.g. Customer Challenge Group).
External or internal independent assurance	An internal or external person or business independent of Thames Water team who may be a regulatory specialist to conduct an expert review, or an independent assurance provider (such as a Professional Services Firm) to conduct a data or process audit. They ensure that submissions are complete, accurate, in accordance with regulatory guidance, accurate and reliable through verification of data and/or that there are adequate and effective controls ensuring timely, complete and accurate submissions.
Executive or Board approval	Executive or Board approval challenges and assesses the submission for all qualities listed in figure 1.

Source: *Ofgem Data Assurance Guidance version 1.3 and Thames Water*

Appendix 2 Glossary of regulatory terms

<p>Agreed upon procedures</p>	<p>Specific procedures carried out by an assurance provider, which have been agreed with the company.</p>	<p>Cost driver</p>	<p>A cost driver is the factor or factors which cause cost to occur. This can be further divided between the driver that causes an activity to occur, and a driver that determines how often it occurs. Costs may vary in relation to the cost driver over the short or longer term, depending on the nature of cost concerned.</p>
<p>Annual Report</p>	<p>A comprehensive report on the company's financial and non-financial activities throughout the preceding year. The Annual Report 2017/18 will include our Statutory and Regulatory accounts.</p>	<p>Customer Challenge Group ("CCG")</p>	<p>Independent group of domestic customers, business customer and environmental representatives to ensure that we continue to be held to account for delivering our commitments and meeting the promises we made to our customers.</p>
<p>Appointed business</p>	<p>The appointed business comprises the regulated activities of the Company which are activities necessary in order for the Company to fulfil the function and duties of a water and sewerage undertaker under the Water Industry Act 1991.</p>	<p>External assurance provider</p>	<p>An independent third party that we procure to provide assurance over certain data/information.</p>
<p>Assurance</p>	<p>Provides confidence and a level of certainty about whether that piece of information or data is correct.</p>	<p>External audit</p>	<p>An external audit of information is carried out by an independent third party, who will express an opinion as to whether the information they have audited is a true and fair reflection of the state of the company's affairs and whether it is in line with relevant statutory and accounting guidelines.</p>
<p>Assurance Plans</p>	<p>A plan of the activities we will carry out to provide assurance on the data/information that we publish.</p>	<p>Internal audit</p>	<p>An internal audit of information is carried out by a team who is independent from those who compiled the information; however, they are not independent of the company. Internal audit consists of specific procedures that assess the accuracy of information being reported and whether the methodology used is appropriate.</p>
<p>Committed Performance Level ("CPL")</p>	<p>In order to measure our progress against our performance commitments, we agreed committed performance levels with Ofwat for each year of the five-year regulatory period. Our committed performance levels are published in our Final Determination.</p>	<p>Methodology</p>	<p>A system of processes and procedures for collecting data and calculating our performance commitment measures. Formal methodologies make sure our approach to reporting performance is consistent. They also determine how we calculate the performance commitment, where and how we apply judgement, and where we rely on systems.</p>
<p>Company Monitoring Framework ("CMF")</p>	<p>Ofwat's framework that sets out the way in which companies must provide and assure performance information to their customers and stakeholders.</p>		
<p>Cost allocation</p>	<p>Cost allocation is the means by which all costs are allocated to appointed and non-appointed businesses, price control units, or specific supplies, works and services, ensuring a fair share of overheads, even where costs cannot be directly attributed to specific activities and associated services.</p>		

Non-appointed business	The non-appointed business activities of the Company are activities that are not necessary in order for the Company to fulfil the function and duties of a water and sewerage undertaker under the Water Industry Act 1991.	Sufficiency of Resources Certificate (condition P certificate)	A statement to confirm that for at least the next 12 months the company will have available to it: sufficient financial resources and facilities to enable it to carry out the Regulated Activities; management resources and systems of planning and internal control which are sufficient to enable it to carry out those functions. Confirmation is also required that all contracts entered into with any associated company include all necessary provisions and requirements concerning the standard of service to be supplied to the Appointee, to ensure that it is able to meet all its obligations as a water and a sewerage undertaker.
Performance Commitment ("PC")	Outcome performance commitments agreed with Ofwat that reflect customers' views and priorities of service.		
Price control	At the 2014 price review Ofwat introduced separate binding price controls. These include wholesale water, wholesale wastewater, retail household, retail non-household and Thames Tideway Tunnel ("TTT"). For the 2019 price review, Ofwat will create two additional price controls –water resources and bioresources (sludge).	Thames Tideway Tunnel	The Thames Tideway Tunnel is a landmark construction project which will protect the River Thames from pollution. London's sewer system is regularly overwhelmed and spills millions of tonnes of sewage into the tidal section of the river every year. The tunnel will tackle the problem of overflows from the capital's Victorian sewers for at least the next 100 years and enable the UK to meet European environmental standards. The Company is responsible for planning, enabling and interface works for the project; The revenue and costs associated with this part of the project are shown in the "TTT" price control unit in the regulatory accounting tables. Bazelgette Tunnel Limited ('BTL') is an independent company un-related to Thames Water Utilities Limited that was appointed in 2015 to construct the Thames Tideway Tunnel.
Retail	This term refers to any water company activities that take place once water has passed to the customer's side of a property boundary. These include billing, payment handling, debt management, meter reading and handling billing related calls.		
Stakeholders	A person, group or organisation that has an interest or a concern in our Company.		
Statement of risks, strengths and weaknesses and draft assurance plans	This is an annual document produced following consultation with our customers and stakeholders. It provides information on what we consider to be our key reporting risks and plans for how we will reduce these risks. Following publication of the Statement of risks strengths and weaknesses and draft assurance plans, further consultation is sought from customers and stakeholder before publication of the Final assurance plans.	Thames Water online community	An online network of our customers who we engage with on a regular basis to obtain feedback on certain publications.
		Wholesale	This term covers all water company activities that take place before water passes the customer's property boundary – resources management, abstraction, treatment, distribution (water and sewer networks), sewage collection, transportation, sewage treatment, sludge disposal and energy from waste.

