



2019/20 Regulatory Reporting

Statement of Reporting Risks, Strengths and Weaknesses
&
Consultation on our Draft Assurance Plans

November 2019

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Foreword

Our customers are at the heart of our business. We want to keep you informed about how we are performing – and expect to perform – throughout the year and what this means for you.

As a business, we are subject to significant external interest, from both our customers and a wide range of other stakeholders. In order to address their needs and aid understanding of our business and the industry in which we operate, we are committed to being open and transparent about our business, performance, finances and governance. To facilitate this, we publish a number of documents each year.

We will continue to engage with our customers and stakeholders to ensure that our publications address their needs.

This Statement of Risks, Strengths and Weaknesses is offered for consultation. It is important that you have the opportunity to tell us what you think about our reporting along with the Statement of Risks, Strengths and Weaknesses and associated Assurance Plans.

With open, ongoing, two-way dialogue, we can use insight to adapt our reporting to meet the needs of our customers and help us deliver our vision: ‘Here for you, in a changing world’.

Background

In 2015, Ofwat published the Company Monitoring Framework¹ (“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. An additional aim of the CMF was to enhance 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.

As part of the CMF, Ofwat have previously assessed companies on an annual basis and placed them in a category of assurance. The categories are:

- Self Assured - The Company has demonstrated consistently that customers and other stakeholders can place trust and confidence in the information that it provides;
- Targeted - The Company did not consistently meet the high standards that customers and other stakeholders expect; and
- Prescribed - The Company did not instil sufficient confidence about their ability to deliver, monitor and report performance.

Following Ofwat’s assessment of our 2017/18 reporting in January 2019, we were placed in the ‘targeted’ category, having made significant improvements in our regulatory reporting since 2016/17.

In August 2019, Ofwat published an information notice² that announced they will no longer publish a formal assessment of performance under the CMF. We continue to recognise the importance of the CMF approach and continue to strive for ‘best in class’ reporting.

¹ 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/>

Figure 1: Information qualities:



Source: Thames Water

² The latest information notice regarding Ofwat’s Company Monitoring Framework can be found on their website through the following link: <https://www.ofwat.gov.uk/wp-content/uploads/2019/08/CMF-information-notice.pdf>

About this document

The objective of this document is to show how we are ensuring that we produce robust regulatory reporting, that customers and stakeholders can have trust and confidence in, under our assurance and governance framework.

To achieve this objective, this document is split into two sections: the Statement of Risks, Strengths and Weaknesses (“Statement”) and draft Assurance Plans for 2019/20.

The Statement assesses all of our external regulatory reporting and highlights areas of reporting risk that have an impact on our customers and stakeholders. The aim of the Statement is:

- to build upon our knowledge and findings detailed in the 2018/19 Statement and from our 2018/19 reporting;
- to evaluate the regulatory reporting risks applicable in 2019/20; and,
- to focus on ways we can improve how we report on our performance to our customers and stakeholders.

The purpose of our Draft Assurance Plans is to provide evidence for our customers and stakeholders that we:

- have processes and procedures in place to reduce the risk of inaccurate or incomplete external reporting; and
- are dealing appropriately with any risks identified in our Statement.

Our Draft Assurance Plans are open for consultation and we welcome your views on them. Further details on how to give feedback are provided in our “How to respond” section.

Overall, we commit to doing the following:

- report accurate and reliable information and where we identify any issues to:
 - address the issue in a timely manner; and
 - engage with our customers and stakeholders.
- where we are at risk of failing to meet our committed level of performance, we will:
 - provide our customers and stakeholders with a clear and transparent explanation of the performance issue;
 - explain how this affects customers; and
 - explain how the issue will be addressed.
- review our Statement and Assurance Plans regularly to address and mitigate any areas of concern. We will:
 - prepare and publish our Statement and Draft Assurance Plans annually, which will include the details of our customer and stakeholder consultation and our risk-monitoring framework;
 - respond appropriately to comments on the above; and
 - publish Final Assurance Plans by 31 March each year, incorporating any customer feedback on our Draft Assurance Plan as well as ensuring that the risks identified in the Statement are addressed.
- publish our Data Assurance Summary in June 2019 to outline the results of our regulatory reporting assurance processes throughout 2018/19, with specific focus on the results of assurance over our reporting within the Combined Annual Report and Annual Performance Report.

How to respond

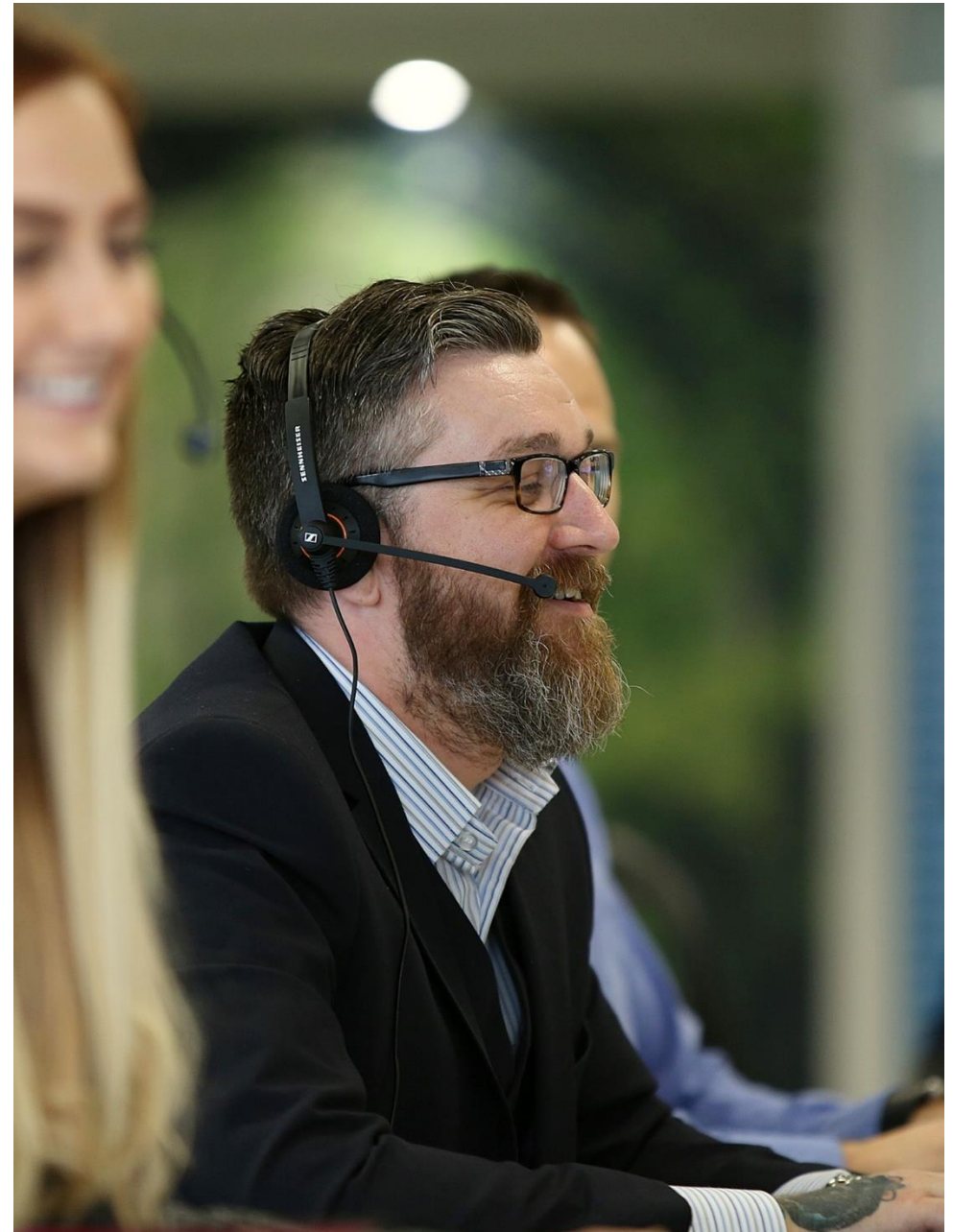
We welcome and encourage feedback from all our customers and stakeholders on the Statement and our Draft Assurance Plans. This feedback will be considered and where appropriate, incorporated into our next publication of the Statement and our Final Assurance plans. In particular, we welcome your views on the following questions:

- 1) Do you agree with our risk assessment in our Statement and Draft Assurance Plans?
- 2) Are there any other risks that should be included within our Statement?
- 3) Are you satisfied with the level of planned assurance provided in our Draft Assurance Plans?

Please respond with comments by 31 January to regulatoryreporting@thameswater.co.uk and we will reply within 30 days.

Alternatively, write to us at:

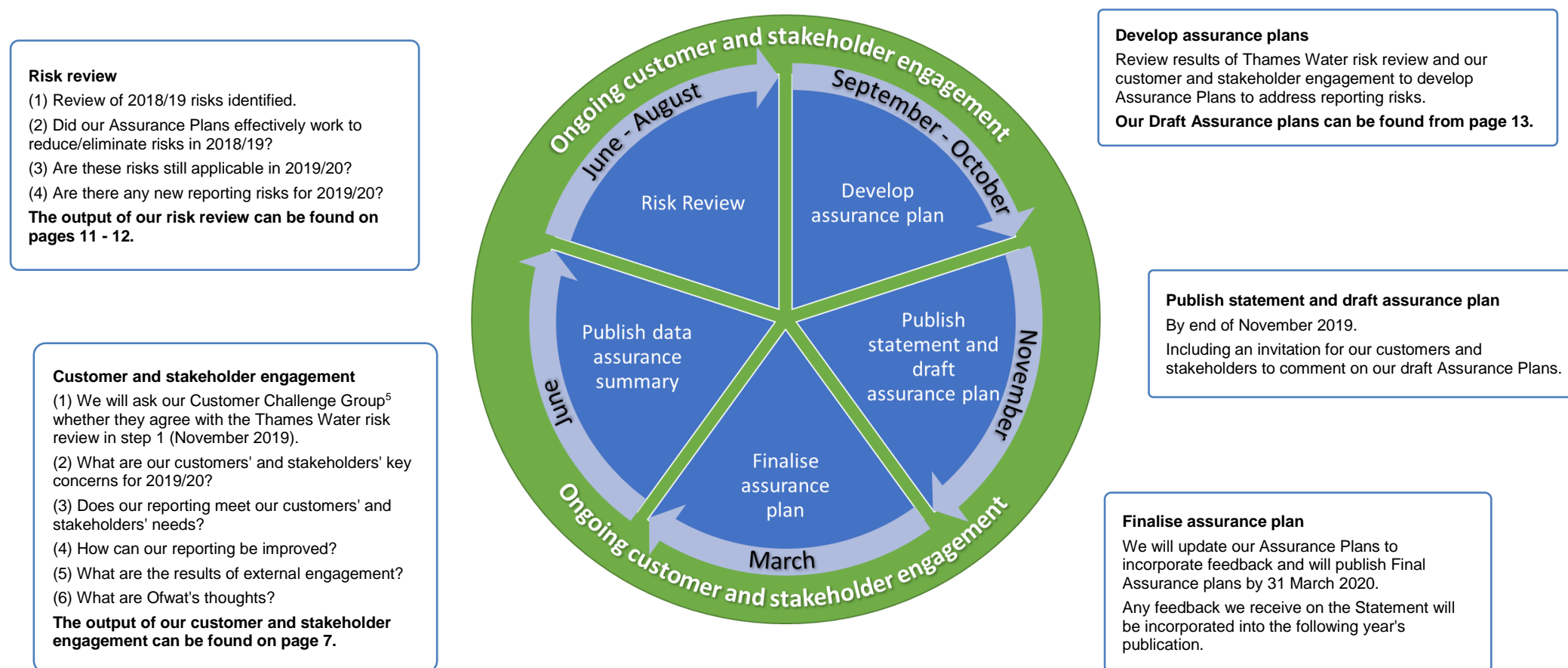
Regulatory Reporting Team,
Thames Water Utilities Limited, 2nd Floor East,
Vastern Road,
Reading,
RG1 8DB.



Our process for identifying areas of strengths and weakness in our regulatory reporting

To assess our key reporting risks, every year we engage with our customers and stakeholders. We consider reporting risks identified in 2018/19 and confirm whether our Assurance Plans were successful in reducing those risks to an acceptable level. We then assess our reporting risks for 2019/20 and update our Assurance Plans to make sure that our information has the qualities shown in figure 1 (final Assurance Plans to be published by 31 March 2020).

Figure 2: Regulatory reporting process



Source: Thames Water

Results of our risk review and engagement with customers and stakeholders

Results of our risk review

In creating our Statement and draft Assurance Plans, we firstly assessed the outcome of prior year assurance activities. Our Data Assurance Summary 2018/19 contains a summary of the assurance activities undertaken in respect of all our publications/submissions made for 2018/19, as well as those over our targeted risk areas, and the outcomes of those activities. Our [Data assurance summary](#) for 2018/19 can be found on our website.

Feedback from Ofwat

Ofwat's latest assessment of Thames Water under the CMF, published in January 2019³, resulted in Thames water being upgraded to the 'targeted' category after making significant improvements in our external reporting.

We are proud of the progress we've made over the past two years but are still seeking further improvements. There were two areas that Ofwat expressed minor concerns for in January 2019:

- 1) **Water resource management plan ("WRMP") and market information** - Ofwat noted internal inconsistencies of the presentation of leakage reduction within our draft WRMP. This metric was also subject to a late change in policy which raised concerns about the quality of Board assurance and involvement.
- 2) **Risk and Compliance Statement** - Ofwat noted that our risk and compliance statement did not contain specific mention of our failure to meet leakage targets.

³ Ofwat's latest assessment of Thames Water under the CMF can be found here: <https://www.ofwat.gov.uk/wp-content/uploads/2019/01/Individual-company-report-TMS.pdf>

Feedback from other stakeholders

In addition to Ofwat, throughout the year we receive feedback on our publications and information from other stakeholders and regulators. We've received the following feedback during the year:

- We are improving the accessibility of our information.
"(Thames Water) is improving documentation to clearly show how water saved in MI/d from leakage reduction activities is accounted for ...",
Victoria Borwick, Independent Monitor of leakage performance reporting
- Our investors and suppliers told us that we need to continue our open dialogue through our information and maintain our focus on clear and honest communication. We recognise this applies equally to all our customers and wider stakeholders.
- Financial Reporting Lab team and investors identified Thames Water as providing good disclosure over cash generation within Groups⁴.

⁴ The lab is part of the Financial Reporting Council (FRC) and reported in September 2019: <https://www.frc.org.uk/getattachment/0689ba0c-2a23-4850-b0b9-8bec52938cce/Disclosures-on-the-sources-and-uses-of-cash-Final.pdf>

Strengths

Data reliability, we have established documentation through our method statements for recording how we calculate figures we report. We have further developed our internal guidance on these placing more emphasis on recording any assumptions or methodology choices we make and reasons behind any decisions or choices.

Accessibility of information, our diverse customer and stakeholder base means that the way we present information must meet the needs of the user. Our 'Finances Explained' and 'Monthly Leakage Performance Reporting' are examples where we are continually challenging ourselves to make our information clear, transparent and readily accessible.

Transparency, one of our targeted areas last year was to do with our timeliness when communicating our errors. During both of business plan submissions and annual performance reporting we have restated and provided updates to our reporting promptly on identification of errors or inaccuracies.

Weaknesses

Data accuracy, by comparison to the volume of data and information we publish we have a high level of accuracy. However, we recognise that we still make mistakes and continue to strive for even greater levels of accuracy. Our processes are there to minimise errors but there is still room for improvement.

Data consistency, the continuation of our Gateway Release⁵ process has increased our confidence that the information we publish and provide is consistent. Our internal OneThames improvement programme further highlighted the importance of consistency across our business for the benefit of our customers and stakeholders. Although this may not be a specific weakness, this continues to be a targeted area for focus.

Being customer led, our customers are at the heart of our business. During our business planning process we undertook extensive customer research which underpinned our decision making. This was reflected in the priorities we put forward, however, much of our information published and provided is driven by regulatory or legislative requirement. We recognise that this reporting is essential but continue to challenge ourselves on showing and maintaining a line of sight back to the needs and services we provide to customers and society.

⁵ See figure 4

Our assurance approach

What is assurance?

Assurance consists of all the checks and balances used to ensure that the regulatory data we publish is robust, trustworthy and exhibits all of the qualities shown in figure 1.

Why is assurance important?

By ensuring that all of the data we publish has the qualities shown in figure 1, customers and other stakeholders can have confidence and trust in the information that we provide.

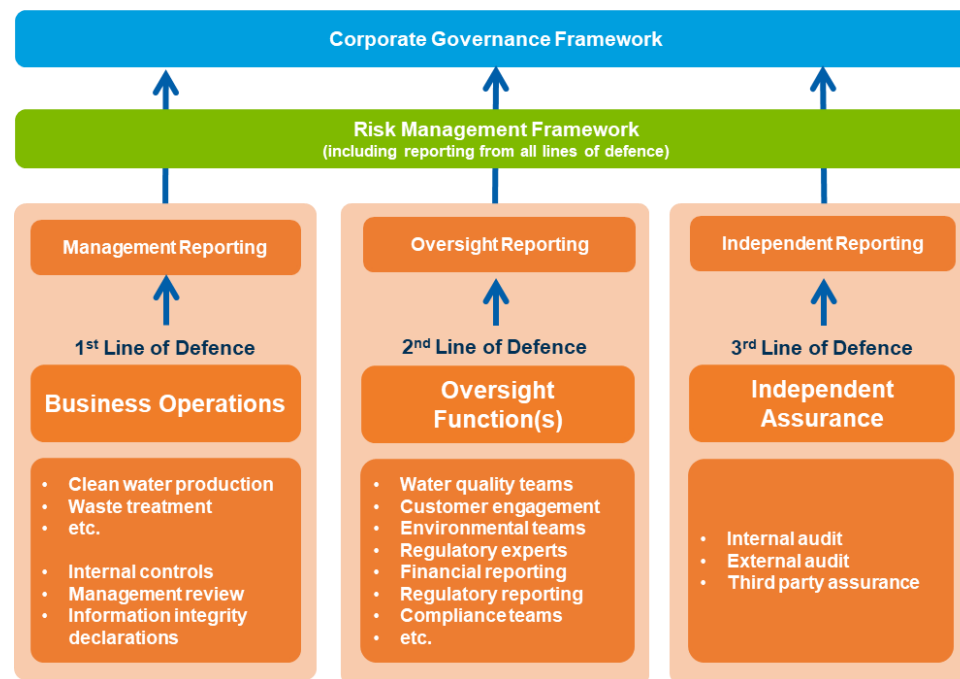
It also enables Ofwat to effectively carry out its role as our regulator. To achieve this we report on our performance and explain to customers what is being delivered in return for the money we collect through bills. It is imperative that we take full responsibility for the integrity of the data we collect, analyse, publish and submit.

Ofwat provide guidance on their assurance expectations/requirements for certain submissions and rely on us making our own judgement for others. To guide our assurance approach we have designed our assurance plans to align with Ofwat expectations and the strategic direction of our Board for high quality submissions.

Our assurance framework

Our approach to assurance (shown in figure 3) 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 3: Risk Management Framework:



Source: Thames Water

Risk assessment

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.

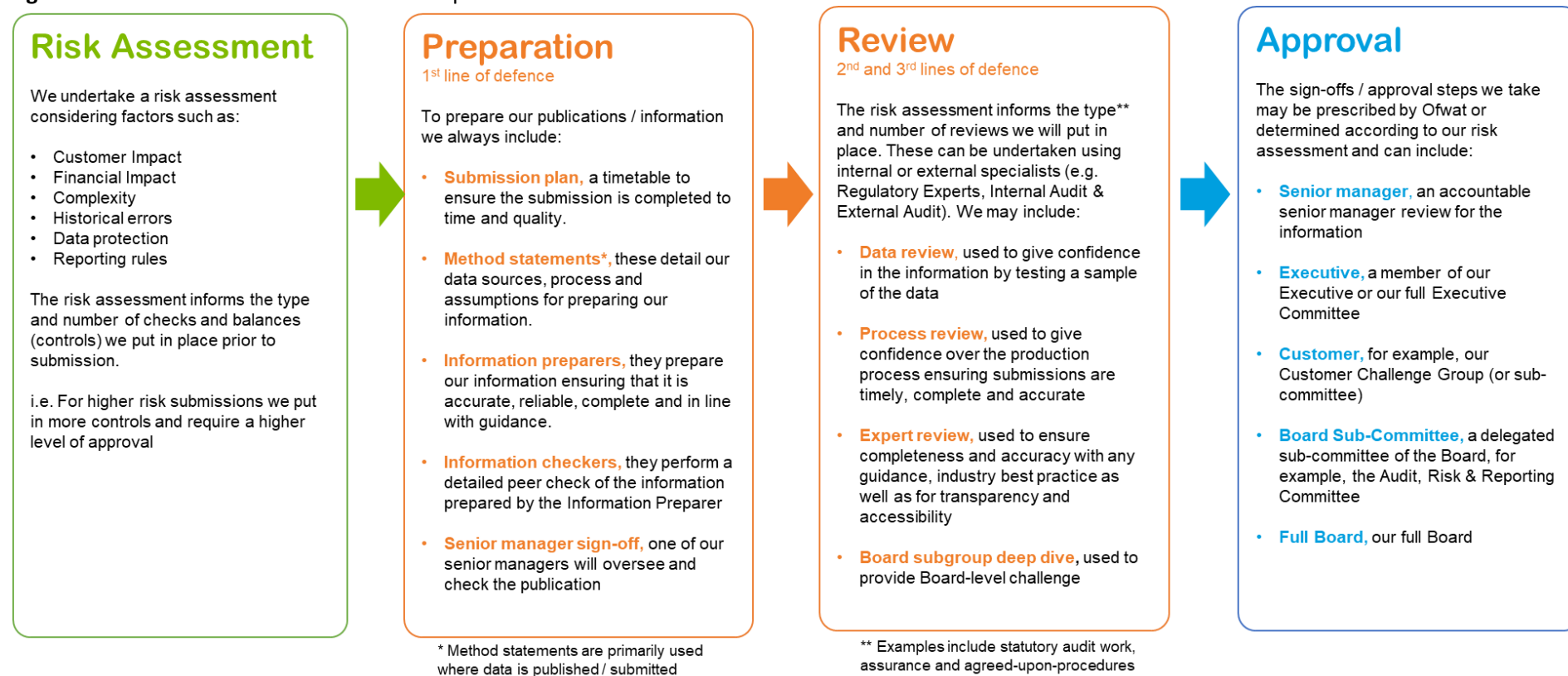
Our represented risk and assurance process is summarised in figure 4.

Assurance processes

Our assurance checks and balances achieve three principal objectives:

- 1) ensure data (information) accuracy, reliability, completeness and timeliness;
- 2) ensure that our checks and balances have been undertaken properly; and
- 3) challenge and evaluate our information against guidance, industry best practice, as well as ensuring that information is transparent, accessible and customer led.

Figure 4: Our risk assessment and assurance process



Source: Thames Water

Our assurance over external publications

Table 1 provides an overview of our external publications/submissions along with the current assurance applied based on our three lines of defence model. The assurance approach for each publication is reviewed on an annual basis, or as required, and takes into account current conditions, including the current CMF status (targeted 2018/19). An overview of the purpose of each publication/submission can be found on page 20.

For publications/submissions attracting a high or critical risk assessment outcome, we have presented our individual assurance plans from page 13.

During the year we also receive requests for information, for example, responding to Ofwat's request for information regarding Effective Markets in November 2019. In these instances we use our risk assessment to determine the assurance checks and balances we put in place prior to ensure our response is on time and to quality.

Table 1: Our assurance over external publications

Submissions/publications	Risk Assessment Outcome	Our Assurance Framework												
		First line of defence				Second line of defence				Third line of defence			Approval	
		Submission plans	Method statements	Check on quality of information	Senior manager approval	External / Internal review			Oversight functions / peer review	Customer and stakeholder involvement	Internal independent assurance	External independent assurance	Executive approval	Board approval
Data review	Process review					Expert review								
Interim financial statements	H	✓	✓	✓	✓				✓	✓		✓	✓	✓
Annual financial statements	H	✓	✓	✓	✓				✓	✓		✓	✓	✓
Annual performance report	H	✓	✓	✓	✓	✓	✓		✓	✓		✓	✓	✓
Statement of risks, strengths & weaknesses	M	✓		✓	✓				✓	✓			✓	✓
Assurance plans (final)	M	✓		✓	✓			✓	✓	✓			✓	✓
Data assurance summary	M	✓		✓	✓			✓	✓	✓			✓	✓ *
Accounting methodology statement	M	✓		✓	✓				✓			✓	✓	✓
Debt prospectus	H	✓		✓	✓	✓	✓		✓			✓	✓	✓

Submissions/publications		Risk Assessment Outcome	Our Assurance Framework												
			First line of defence				Second line of defence				Third line of defence			Approval	
			Submission plans	Method statements	Check on quality of information	Senior manager approval	External / Internal review			Oversight functions / peer review	Customer and stakeholder involvement	Internal independent assurance	External independent assurance	Executive approval	Board approval
Data review	Process review	Expert review													
Bioresources market information		M	✓	✓	✓	✓		✓	✓	✓			✓	✓	
Water resources market information		M	✓	✓	✓	✓	✓	✓	✓	✓				✓	
Shadow reporting		H	✓	✓	✓	✓	✓		✓				✓	✓	✓
Charges scheme		H	✓	✓	✓	✓	✓		✓		✓	✓		✓	✓
Leakage reporting (section 19 undertaking)		H	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓

*whilst the data assurance summary is not explicitly presented to the Board and Executive team, the detail of this report is shared within year end reports provided by our external assurance provider, currently PWC.

	<u>Total Risk</u>
Low	L
Medium	M
High	H
Critical	C

Our draft assurance plans

1) Interim financial statements

	Core assurance activities												
	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 and stakeholder involvement	Internal independent assurance	External independent assurance	Executive approval	Board approval
Core assurance activities	✓	✓	✓	✓				✓	✓		✓	✓	✓
Why is this a targeted risk area?	Our financial statements are relied on by our customers, shareholders and stakeholders to assess the financial health and overall management of our business. They are complex and require combining information from multiple systems and business areas.												
More information		What we will do											
Internal review	Internal reviews will be performed to determine whether information included in the interim financial statements is consistent, accurate and complete												
Oversight functions	There will be a number of peer reviews that will consider whether minimum disclosure requirements are being met and where disclosure improvements can be made												
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												
External assurance	Our external auditor, PWC, will perform interim review procedures over our interim financial statements and provide a review opinion												
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.												

2) Annual financial statements

	Core assurance activities												
	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 and stakeholder involvement	Internal independent assurance	External independent assurance	Executive approval	Board approval
Core assurance activities	✓	✓	✓	✓				✓	✓		✓	✓	✓
Why is this a targeted risk area?	Our financial statements are relied on by our customers, shareholders and stakeholders to assess the financial health and overall management of our business. They are complex and require combining information from multiple systems and business areas.												
More information	What we will do												
Internal review	Internal reviews will be performed to determine whether information included in the interim financial statements is consistent, accurate and complete												
Oversight functions	There will be a number of peer reviews that will consider whether minimum disclosure requirements are being met and where disclosure improvements can be made												
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												
External assurance	Our external auditor, PWC, will perform an audit over our annual financial statements and provide an audit opinion												
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.												

3) Annual performance report

	Core assurance activities												
	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 and stakeholder involvement	Internal independent assurance	External independent assurance	Executive approval	Board approval
Core assurance activities	✓	✓	✓	✓	✓	✓		✓	✓		✓	✓	✓
Why is this a targeted risk area?	Our annual performance reports is relied on by our customers, Ofwat and stakeholders to assess the performance of our business. The APR shows our ability to deliver on our commitments, compliance with our legal and regulatory obligations and enables industry wide comparison. The APR is a complex document pulling information together from multiple sources, systems and business areas.												
More information													
	What we will do												
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.												
Internal review	Internal reviews will be performed to determine whether numbers have been prepared in line with Ofwat guidance and whether commentary is transparent, focussing on the areas that customers are interested in and provide sufficient narrative around performance.												
Oversight functions	Peer reviews will be performed to ensure numbers presented and associated commentaries are in line with expectations.												
External 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 sections 3 and 4. Our external auditor, PWC, will also perform assurance procedures over our Director’s Sufficiency of Resources Certificate. This is in line with the Section 19 undertakings, following Ofwat’s investigation into our leakage performance. 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.												
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.												

4) Debt prospectus

	Core assurance activities												
	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 and stakeholder involvement	Internal independent assurance	External independent assurance	Executive approval	Board approval
Core assurance activities	✓		✓	✓	✓	✓		✓			✓	✓	✓
Why is this a targeted risk area?	The debt prospectus is used by potential debt providers to ensure they have the information they need. This includes how debt is raised, payment terms and information about the company. It must be prepared in line with stock exchange requirements for raising public debt.												
More information													
	What we will do												
Internal review	Internal reviews will be performed to consider completeness and accuracy and ensure consistency of information												
Oversight functions	Peer reviews will be performed to ensure consistency of information												
External 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.												
Approval	Our executive team and Board will review and approve the debt prospectus prior to publication.												

5) Shadow reporting

	Core assurance activities												
	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 and stakeholder involvement	Internal independent assurance	External independent assurance	Executive approval	Board approval
Core assurance activities	✓	✓	✓	✓	✓	✓		✓			✓	✓	✓
Why is this a targeted risk area?	Shadow reporting is when we measure and report our performance on certain performance commitments which will not be effective until the next regulatory period. They must be calculated in line with new standard guidance from Ofwat, which can mean using new or different data from previous reporting. Inaccuracies, errors or misinterpretation of guidance could affect our readiness for reporting in the next regulatory period.												
More information													
What we will do													
Method statements	Our operational finance teams will create methodologies explaining how they have determined their figures, any assumptions made and any manual adjustments made.												
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.												
External assurance	Our external auditor, PWC, will review our method statements and perform assurance procedures over the information included within our shadow reporting submission.												
Approval	Our Audit, Risk & Reporting Committee (“ARRC”) and our Board will review and approve the submission, acknowledging the feedback from the external assurance activities.												

6) Charges scheme

	Core assurance activities												
	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 and stakeholder involvement	Internal independent assurance	External independent assurance	Executive approval	Board approval
Core assurance activities	✓	✓	✓	✓	✓			✓	✓	✓		✓	✓
Why is this a targeted risk area?	There are three charges schemes which customers, retailers, developers and stakeholders rely on. These are our wholesale charges scheme, retail charges scheme and new connections charges scheme. The charges schemes are subject to both regulatory guidance and statutory responsibilities (e.g. Competition Act compliance).												
More information													
What we will do													
Method statements	Method statements are prepared by the relevant business owner												
Internal independent assurance	Internal reviews will be performed to increase confidence in the charges schemes publications												

7) Leakage reporting (Water Industry Act section 19 undertaking)

	Core assurance activities												
	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 and stakeholder involvement	Internal independent assurance	External independent assurance	Executive approval	Board approval
Core assurance activities	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓
Why is this a targeted risk area?	Under section 19 of the Water Industry Act we agreed to a formal undertaking to improve our leakage performance. Failure to meet the requirements of the undertaking could lead to enforcement action. The undertaking also prescribes the appointment of both and independent monitor and obtaining third party independent assurance over compliance.												
More information		What we will do											
Oversight functions	A team to monitor implementation and/or progress against key actions/points raised in the published report has been mobilised.												
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.												
External 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.												
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.												

Overview of external publications/submissions

Submission/publication	Purpose of submission/publication	Nature of requirement	Frequency of publication
Interim financial statements	Half-yearly financial statements and associated commentary summarising performance for the first six months of the financial year (1 April to 30 September)	Legal/statutory	Annually
Annual financial statements	Annual financial statements and associated commentary summarising performance for the financial year (1 April to 31 March)	Legal/statutory	Annually
Annual Performance Report (APR)	Annual regulatory accounts summarising performance for the year prepared in accordance with Ofwat's Regulatory Accounting Guidelines (RAGs). The APR includes, but not limited to: <ul style="list-style-type: none"> Directors Sufficiency of Resources Certificate, Statement to confirm that for at least the next 12 months from the date of signing, the Company has sufficient financial and management resources, and systems of planning and control to deliver its statutory obligations as a water and sewerage undertaker. Risk & Compliance Statement, Statements to confirm that the Company has an understanding of its obligations 	Regulatory	Annually
Statement of risks, strengths & weaknesses	CMF requirement: overview of our reporting/targeted risks for certain regulatory/legal submissions/publications and proposed assurance procedures over these	Regulatory	Annually
Assurance plans (Final)	CMF requirement: summary of how we will assure our regulatory/legal submissions/publications	Regulatory	Annually
Data assurance summary*	CMF requirement: summary of results of our assurance plans	Regulatory	Annually
Accounting methodology statement	RAG requirement: overview of how we have allocated costs in our APR	Regulatory	Annually
Debt prospectus	Document providing an overview of the group, performance and risks for debt investors	Legal	Annually
Bioresources market information	Information to inform others who wish to participate in a competitive market about our bioresources activities	Regulatory	Annually
Water resources market information	Information to inform others who wish to participate in a competitive market about our water resources activities	Regulatory	Annually
Shadow reporting	Performance for certain performance commitments calculated in line with new, standard guidance which will not be effective until the next regulatory period	Regulatory	Annually (until March 2020)
Water resources management plan	Overview of how we intend to ensure we have adequate water resources to deliver our services to customers in the future	Regulatory	Every five years
Charges scheme	An overview of our charges	Regulatory	Annually
Leakage reporting (Water Industry Act Section 19 undertaking)	To ensure we meet our leakage obligations, we have made a legal commitment to Ofwat to put in place robust systems and processes and keep customers informed of our performance on a regular basis.	Regulatory	Monthly leakage reporting & Bi-annual compliance reporting

All of the above are published on our website, with the exception of the shadow reporting submission and the six monthly section 19 leakage compliance reporting which are provided to Ofwat only.

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*

Glossary of regulatory terms

Agreed upon procedures	Specific procedures carried out by an assurance provider, which have been agreed with the company.
Annual Report	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.
Appointed business	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.
Assurance	Provides confidence and a level of certainty about whether that piece of information or data is correct.
Assurance Plans	A plan of the activities we will carry out to provide assurance on the data/information that we publish.
Committed Performance Level ("CPL")	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.
Company Monitoring Framework ("CMF")	Ofwat's framework that sets out the way in which companies must provide and assure performance information to their customers and stakeholders.
Cost allocation	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.
Cost driver	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.
Customer Challenge Group ("CCG")	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.
External assurance provider	An independent third party that we procure to provide assurance over certain data/information.
External audit	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.
Internal audit	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.
Methodology	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.
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.
Performance Commitment ("PC")	Outcome performance commitments agreed with Ofwat that reflect customers' views and priorities of service.
Performance commitments	We are committed to delivering outcomes that reflect our customers' views and provide services that are safe and reliable, and bills that are affordable. These outcomes are supported by 55 associated performance commitments (PCs) that identify our committed level of performance under each outcome. Financial incentives apply to 27 of these PCs, and we will be penalised if our performance doesn't meet the level we have committed to. On 10 PCs, we demonstrated that our customers were willing to pay for improved performance and supported us being able to

	earn a reward for our performance. The remaining performance commitments have an impact on our reputation if the performance level we have committed to is not met.
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).
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.
Sufficiency of Resources Certificate (condition P certificate)	<p>A statement to confirm that for at least the next 12 months:</p> <ul style="list-style-type: none"> - the company will have available to it: <ul style="list-style-type: none"> o sufficient financial resources and facilities to enable it to carry out the Regulated Activities; and o management resources and systems of planning and internal control which are sufficient to enable it to carry out those functions <p>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. This is required under Condition P of our Instrument of Appointment.</p>
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 unrelated to Thames Water Utilities Limited that was appointed in 2015 to construct the Thames Tideway Tunnel.
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.