



# Statement of reporting risks, strengths, and weaknesses & our draft assurance plan for 2020-21

November 2020



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## 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, using our assurance and governance framework.

This 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 Framework <sup>1</sup> ("CMF") and Information Notice 19/04 <sup>2</sup>.

These documents are:

- [Statement of risks, strengths and weaknesses \("Statement"\) and consultation on our draft assurance plan \("Draft plan"\)](#) - our assessment highlighting areas of reporting risk that we use to inform our draft assurance plan (this document);
- [Final assurance plan](#) <sup>3</sup> - detailing the process and procedures that we have in place to minimise the risk of inaccurate or unreliable external reporting; and
- [Data assurance summary](#) <sup>4</sup> - documenting the assurance activities undertaken in the year.

This document is split into two sections:

Section	Objective
Statement of risks, strengths, and weaknesses	Assess all our external regulatory reporting and highlights areas of reporting risk that have an impact on our customers and stakeholders.
Draft assurance plan	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.

We welcome and encourage feedback from all our customers and stakeholders on this Statement and our Draft plan.

Any feedback received will be considered and, where appropriate, incorporated into our next publication of this Statement and our Final assurance Plans.

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<sup>1</sup> 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/>

<sup>2</sup> Ofwat are not publishing any further CMF assessments however this information notice expects companies to continue to adopt as a minimum the requirements established by a company in the 'targeted' category <https://www.ofwat.gov.uk/wp-content/uploads/2019/08/CMF-information-notice.pdf>

<sup>3</sup> The latest version of the Final Assurance plans: <https://www.thameswater.co.uk/media-library/home/about-us/investors/our-results/current-reports/assurance-plans-2019-20.pdf>

<sup>4</sup> The latest version of the Assurance summary: <https://www.thameswater.co.uk/media-library/home/about-us/investors/our-results/current-reports/data-assurance-summary-2019-20.pdf>

## How to respond to this consultation

We welcome your views on any aspect of this consultation, and are particularly interested in getting your views on the following questions:

- Do you agree with our risk assessment in our Statement and Draft plan?
- Are there any other risks that should be included within our Statement?
- Are you satisfied with the level of planned assurance provided in our Draft Plan?

Please respond with comments by 31 January 2021. We will reply within 30 days.



### Our contact information

Email: [auditandassurance@thameswater.co.uk](mailto:auditandassurance@thameswater.co.uk)

Alternatively, write to us at:

Risk, Audit and Assurance Team,  
Thames Water Utilities Limited,  
Vastern Road,  
Reading, RG1 8DB.

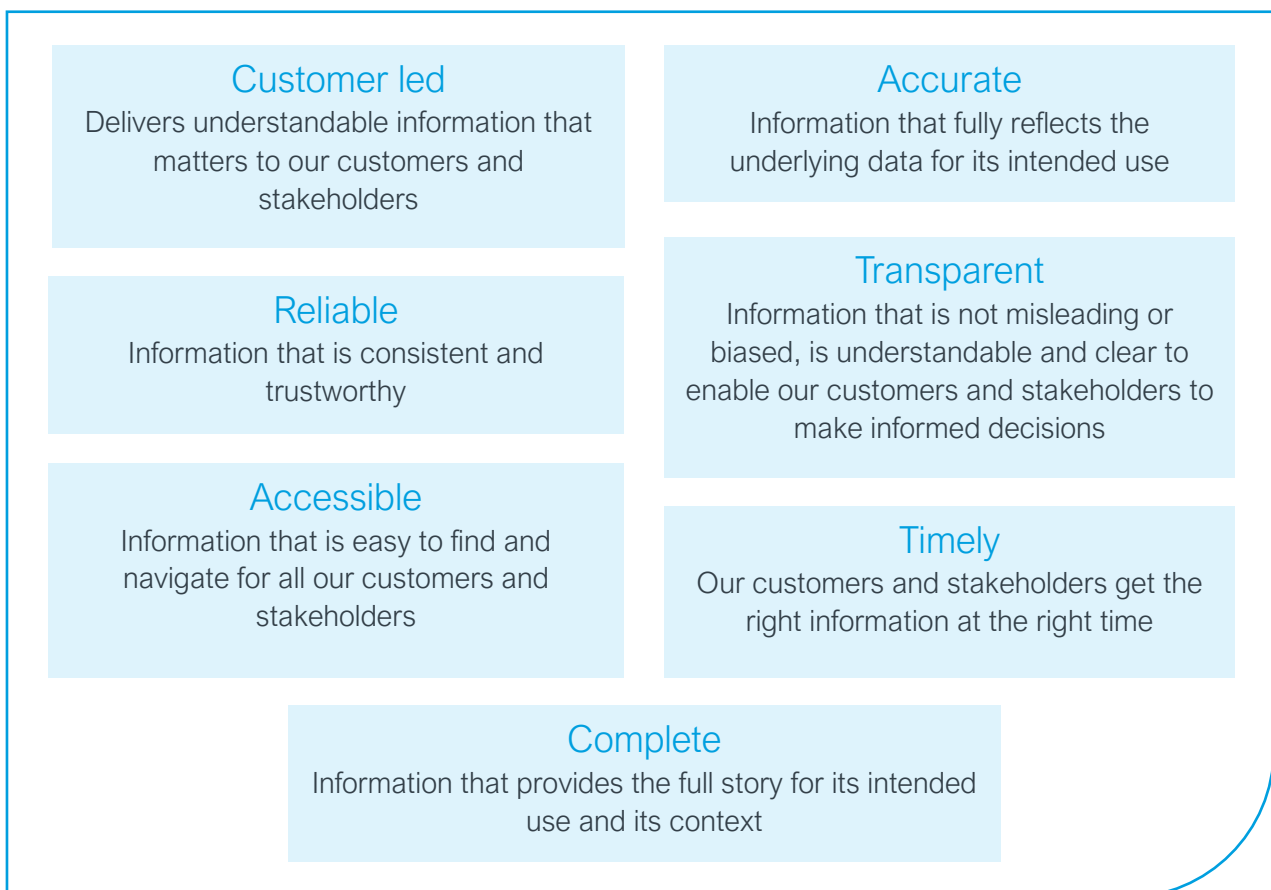
## Background

In 2015, Ofwat published the Company monitoring framework (“CMF”) for the 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<sup>5</sup> 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

<sup>5</sup> <https://www.ofwat.gov.uk/wp-content/uploads/2019/08/CMF-information-notice.pdf>

## Our commitment to customers and stakeholders

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 it means to you.

We commit that we will:

- Report accurate and reliable information and where we identify any issues:
  - Address the issue in a timely manner; and
  - Engage with our customers and stakeholders.
- 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, explain how this:
  - Affects customers; and
  - Issue will be addressed.
- Review our Statement and assurance plans regularly to address and mitigate any areas of concern;
- Prepare and publish our Statement and Draft plan by 30 November each year, which will include the details of our customer and stakeholder consultation and our risk-monitoring framework;
- Ensure our customer challenge group (“CCG”) and our customers are given the opportunity to comment on our plans by e-mail or post;
- Respond appropriately to comments on the above and incorporate and feedback received into the Final assurance plan;
- Publish Final assurance plan by 31 March each year and ensure that the risks identified in the Statement are addressed; and
- Publish our Data assurance summary in summer 2021 to outline the results of our regulatory reporting assurance processes throughout 2020-21, with specific focus on the results of assurance over our reporting within the Combined Annual Report and Annual Performance Report.



## Section 1: Statement of risks, strengths, and weaknesses

### How we identify risks, strengths, and weaknesses in our regulatory reporting

Every year we engage with our customers and stakeholders to assess our key reporting risks. As part of this exercise we consider:

- Existing risks and whether our prior year Assurance plans were successful in reducing those risks to an acceptable level;
- Relevant risks identified through our risk management process which is explained in our Combined Report – Annual Report, Annual Performance Report and Sustainability Report 2019-20<sup>6</sup>;
- Additional reporting risks identified during the previous year;
- New reporting risks identified for the current year; and
- New reporting submission requirements.

We use the results of this assessment to update our Draft assurance plan for the current year to make sure that our 2020-21 submissions have the qualities shown in figure 1.

This assessment is part of an ongoing review process that is illustrated in figure 2.

We are constantly looking to amend and improve our assurance offerings to ensure that it meets the needs of the business, customers and stakeholders.

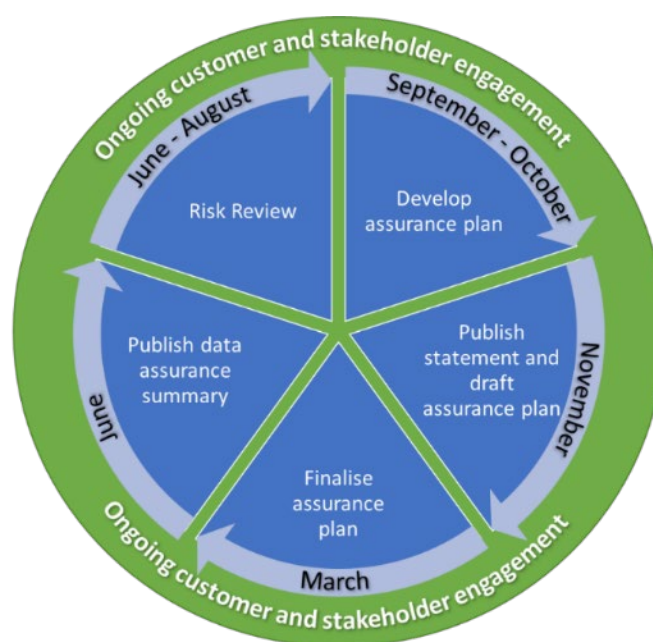


Figure 2: Regulatory reporting process  
*Source: Thames Water*

<sup>6</sup> <https://www.thameswater.co.uk/about-us/investors/our-results>, p66

## Results of our engagement with customers and stakeholders

### Feedback from Ofwat

Ofwat's last assessment of Thames Water under the CMF, published in January 2019<sup>7</sup>, resulted in Thames water being upgraded to the 'targeted' category after making significant improvements in our external reporting.

While we have received no formal feedback from Ofwat since then, we have not been required to publicly restate any aspects of our Annual Performance Report 2019-20.

We are proud of the progress that we've made but are still seeking further improvements.

### Feedback from other stakeholders

In addition to Ofwat, throughout the year we invite feedback on our publications and information from other stakeholders and regulators.

Throughout the year, we have received feedback on our action plans and performance (eg. Investors, CCG etc). However, last year we received no specific stakeholder feedback on the design and contents of our submissions.



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<sup>7</sup> 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/>



## Our identified strengths and weaknesses

As part of our ongoing critical review of our assurance framework, we have considered and documented our strengths and weaknesses against the data qualities that we have identified in figure 1.

Table 1: Our strengths

Strengths	Customer led	Accurate	Reliable	Transparent	Accessible	Timely	Complete
<b>Method statements</b> , we use method statements to record 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.		✓	✓	✓			
<b>External regulatory reporting standard</b> , during the year, we developed an External Regulatory Reporting Standard (the “Standard”) which sets out the processes to be followed by the business to enable compliance with our External Regulatory Reporting Policy (the “Policy”). This supports our vision of being ‘best in class’ by providing our customers and stakeholders with information they can trust, and that is compliant with our statutory and regulatory obligations. It specifies the activities and, where relevant, document templates to be followed.	✓	✓	✓	✓	✓	✓	✓
<b>Submission gateway</b> , during the year, we further improved our existing Gateway Release process to ensure that our external reporting documents receive the right level of senior and independent scrutiny prior to submission.						✓	✓
<b>Information clarity, transparency and accessibility</b> , 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.	✓			✓	✓		
<b>Restatement and updates</b> , when required, during annual performance reporting, and other Regulatory reporting, we restate and provide updates to our reporting promptly on identification of errors or inaccuracies.		✓	✓	✓	✓	✓	✓

Source: Thames Water

Table 2: Our weaknesses

Weaknesses	Customer led	Accurate	Reliable	Transparent	Accessible	Timely	Complete
<p><b>Further improve accuracy</b>, 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.</p>		✓					
<p><b>Enhance submission gateway</b>, our Gateway Release process has increased our confidence that the information we publish and provide is consistent. Although this may not be a specific weakness, this continues to be a targeted area for focus.</p>		✓	✓				✓
<p><b>Being customer led</b>, our customers are at the heart of our business. During our PR19 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 and continue to challenge ourselves on showing and maintaining a line of sight back to the needs and services we provide to customers and society.</p>	✓						

Source: Thames Water

## Section 2: Our draft plan for 2020-21

### Why assurance is important to us

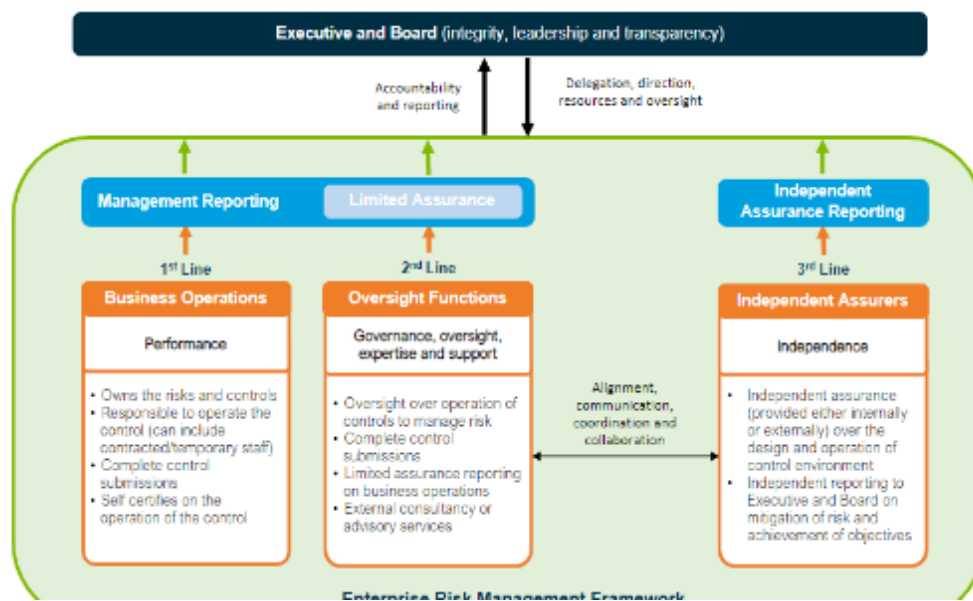
Assurance consists of all the checks and balances used to ensure that the regulatory data we publish is robust, trustworthy and exhibits all the qualities shown in figure 1. By ensuring that all the data we publish has these qualities, customers and other stakeholders can have confidence and trust in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

Our approach to assurance (shown in figure 3) includes three lines which provide continuous and reliable assurance on the information we report and allows us to effectively manage reporting risks.

Figure 3: Our approach to assurance



Source: Thames Water

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 proposed assurance over external publications

In creating our draft plans, we firstly reviewed our prior year assurance activities. The results can be found in our Data assurance summary for 2019-20<sup>8</sup> which we have published on our website.

We then used the assessment detailed in Section 1 to prepare our draft Assurance Plan for 2020-21.

A summary of our Draft assurance plan for 2020-21 can be found in table 3, while further details about each type of assurance activity can be found in appendix 1.

Where we have assessed a publications/submission as high or critical, we present the individual detailed plans, including details about the submission(s) itself, on the following pages.

It should be noted that, during the year, we will receive ad hoc requests for information from Ofwat (and other Regulators) which are not in the table below.

In these instances, we use our risk assessment to determine the assurance checks and balances that need to be in place prior to submission to ensure that our response is on time and of quality.

### Changes from the 2019-20 Final assurance plan

Our Draft assurance plan for 2020-21 includes newly identified high risk submissions relating to our Section 26 Competition Act investigation, Water Resources National framework and Conditional allowances.

Shadow reporting has been removed from the Draft assurance plan as it is not a requirement for AMP7 reporting.

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<sup>8</sup> <https://www.thameswater.co.uk/media-library/home/about-us/investors/our-results/current-reports/data-assurance-summary-2019-20.pdf>

Table 3: Our Draft assurance plan for 2020-21

	Risk assessment	First line				Second line			Third line			Approval	
		Submission plans	Method statements	Check on quality of information	Senior manager approval	Internal/external		Oversight functions/peer review	Customer/stakeholder involvement	Internal independent assurance	External independent assurance	Executive approval	Board approval (including sub-committees)
External publication  Detailed assurance plans for high or critical risk assessed publications can be found from page 14													
Interim financial statements	H	✓	✓	✓	✓			✓	✓		✓	✓	✓
Annual financial statements	H	✓	✓	✓	✓	✓		✓	✓		✓	✓	✓
Annual performance report	H	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Statement of risks, strengths & weaknesses and draft regulatory reporting assurance plan	M	✓		✓	✓			✓	✓			✓	✓
Final regulatory reporting assurance plans	M	✓		✓	✓		✓	✓	✓			✓	✓
Data assurance summary	M	✓		✓	✓		✓	✓	✓			✓	✓ <sup>9</sup>
Accounting methodology statement	M	✓		✓	✓	✓		✓	✓			✓	✓
Debt prospectus	H	✓		✓	✓			✓	✓			✓	✓
Bioresources market information	M	✓	✓	✓	✓	✓	✓	✓	✓			✓	
Water resources market information	M	✓	✓	✓	✓	✓	✓	✓	✓			✓	
Charges scheme	H	✓	✓	✓	✓			✓	✓	✓		✓	✓
Leakage reporting (S19)	H	✓	✓	✓	✓	✓		✓	✓	✓		✓	✓
Competitions Act (S26)	H	✓	✓	✓	✓	✓	✓	✓	✓			✓	
Water Resource National Framework submissions	H	✓	✓	✓	✓	✓		✓	✓	✓		✓	✓
Conditional allowances (FD PR19)	H	✓	✓	✓	✓	✓		✓	✓	✓		✓	✓

Legend: **M** Medium **H** High **C** Critical

<sup>9</sup> The data assurance summary is not explicitly presented to the Board and Executive team. The detail of this report is shared within the year end reports provided by our external assurance provider, currently PwC.

## Our Draft assurance plan for high risk assessed publications

### Interim financial statements assurance plan

	First line				Second line				Third line			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	✓	✓	✓	✓				✓	✓		✓	✓	✓
Why is this a high 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 will we do												
Check on quality of information	Internal reviews will be performed to determine whether information included in the interim financial statements is consistent, accurate and complete.												
Oversight functions	Peer reviews will be undertaken that 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 independent 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.												

Annual  
financial  
statements  
assurance plan

	First line				Second line				Third line			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	✓	✓	✓	✓	✓			✓	✓		✓	✓	✓
Why is this a high 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												
Check on quality of information	Internal reviews will be performed to determine whether information included in the interim financial statements is consistent, accurate and complete.												
Oversight functions	Peer reviews will be undertaken that 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 independent 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.												

Annual  
performance  
report  
assurance plan

	First line				Second line				Third line			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	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓
Why is this a high risk area?	Our annual performance reports are 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.												
Check on quality of information	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 enough narrative around performance.												
Oversight functions	Peer reviews will be performed to ensure numbers presented and associated commentaries are in line with expectations.												
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.												
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 <sup>10</sup> . 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 2021/21 Annual Report and Annual Performance Report prior to publication, acknowledging the feedback from the external assurance process.												

<sup>10</sup> This is in line with the Section19 undertakings, following Ofwat's investigation into our leakage performance



Debt  
prospectus  
assurance plan

	First line				Second line				Third line			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	✓		✓	✓				✓			✓	✓	✓
Why is this a high 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												
Check on quality of information	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 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.												
Approval	Our Executive Team and Board will review and approve the debt prospectus prior to publication.												

# Charges scheme assurance plan

	First line				Second line				Third line			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	✓	✓	✓	✓				✓	✓	✓		✓	✓
Why is this a high 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	The Internal Audit will perform checks to increase confidence in the charges schemes publications.												
Approval	Our Executive Team and Board will review and approve the charges schemes prior to publication.												

## Leakage reporting

Water Industry Act section 19 undertaking assurance plan

	First line				Second line				Third line			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	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓
Why is this a high 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 an 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 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.												
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.												

# Competition

## Act 1998

S26 Investigation

assurance plan

	First line				Second line				Third line			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	✓	✓	✓	✓	✓		✓	✓		✓		✓	
Why is this a high risk area?	In June 2019 Ofwat used powers granted in the Competition Act 1998 to open an investigation of the Company's behaviour in the retail market. To date, the Company has produced 3 responses. These responses are high risk due to, among other considerations; complexity, data requirements, consistency between responses and legal considerations.												
More information	What we will do												
Method statements	Method statements are prepared by the relevant question owner.												
Check on quality of information	Internal reviews will be performed to determine whether numbers have been prepared in line with Ofwat's request and accompanying narrative is transparent and complete.												
Oversight functions	Peer reviews will be performed to ensure consistency of information.												
Internal Independent assurance	The internal Risk, Audit and Assurance Team will perform assurance procedures over all areas including the preparation of data, completeness and consistency of response.												
Approval	A member of the Executive Team approves the report prior to submission.												

National  
framework for  
water resources  
assurance plan

	First line				Second line				Third line			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	▼	▼	▼	▼	▼		▼	▼	▼	▼	▼	▼	▼
Why is this a high risk area?	The National framework for water resources was published in March 2020 and provides the strategic cross company and regional direction to long term water resource planning built on a shared vision <sup>11</sup> . Submissions include Strategic Resource Options (“SRO”), Water Resources South East (“WRSE”), Water Resources Management Plan (“WRMP”) and the Drought Plan.												
More information	What we will do												
Oversight functions	A team will monitor implementation and/or progress against all aspects of the submissions												
Customer and stakeholder involvement	Our submissions will be informed by feedback received from both customers and stakeholders.												
Internal independent assurance	The internal Risk, Audit and Assurance Team will perform assurance procedures to ensure that any joint submission with other Water Companies meets our assurance standards.												
External independent assurance	Third party assurance providers will be engaged where the need is identified through our risk assessments. For example, this may include assurance on technical aspects of the submissions.												
Approval	The Board will be asked to provide a Board Assurance Statement to support most of these submissions. All submissions will be approved to, at least, Executive level.												

<sup>11</sup> The detailed requirements and interdependencies are evolving over time and we anticipate that our assurance plan will need to continuously develop to ensure alignment

Conditional  
allowances  
assurance plan

	First line				Second line				Third line			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	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓
Why is this a high risk area?	As part of the Final Determination for AMP7, Ofwat have provided us with conditional allowances to investigate and mitigate risks to the resilience of water supplies in London and to improve the performance of the London water network. Some of these conditional allowances will be returned to customers unless a number of conditions are met, including a commitment from Thames Water's shareholders to make a substantial contribution to the cost of the improvement works. Approval must be granted at each of five gates during AMP7.												
More information	What we will do												
Oversight functions	A team will monitor implementation and/or progress against all aspects of the submissions.												
Customer and stakeholder involvement	Our submissions will be informed by feedback received from both customers and stakeholders.												
Internal independent assurance	The internal Risk, Audit and Assurance Team will perform assurance procedures over all areas including the preparation of data, completeness and consistency of response.												
External independent assurance	Third party assurance providers have been engaged by Ofwat to provide technical assurance and act as advisors, focusing on providing the best outcomes for customers and the environment.												
Approval	The Board will be asked to provide a Board Assurance Statement to support these submissions.												

## Appendix 1 Assurance activity descriptions

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

Submission plan	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><b>Agreed upon procedures</b></p>	<p>Specific procedures carried out by an assurance provider, which have been agreed with the company.</p>	<p><b>Competition Act S26 undertaking</b></p>	<p>Powers granted to Ofwat under S31 of the Water Industry Act 1991 to allow them to investigate allegations that a company has abused its dominant position in the market.</p>
<p><b>Asset management plan (AMP)</b></p>	<p>A price review period used by Ofwat to set the allowable price increase for consumers. An AMP lasts 5 years. AMP6 covered the period 2015-20. We are currently in AMP7.</p>	<p><b>Control environment</b></p>	<p>A sound system of internal controls designed to contribute to the safeguarding of shareholders' investments; protecting assets; and supporting Directors with their ability to demonstrate compliance with their legislative duties under the Companies Act</p>
<p><b>Annual Report</b></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><b>Committed Performance Level (CPL)</b></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><b>Appointed business</b></p>	<p>The appointed business comprises the regulated activities of the Company which are activities necessary for the Company to fulfil the function and duties of a water and sewerage undertaker under the Water Industry Act 1991.</p>	<p><b>Company Monitoring Framework (CMF)</b></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><b>Assurance</b></p>	<p>Provides confidence and a level of certainty about whether that piece of information or data is correct.</p>	<p><b>Control submission</b></p>	<p>Controls are the checks and balances used to manage risks or opportunities to achieving objectives. A control submission is the reporting of the presence and operation of the checks and balances.</p>
<p><b>Assurance plans</b></p>	<p>A plan of the activities we will carry out to provide assurance on the data/information that we publish.</p>		
<p><b>Board assurance statement (BAS)</b></p>	<p>A signed or approved statement from our Board as evidence that they have complied with regulatory and/or legal requirements for a submission. Depending on the submission, this could range from acknowledging that they have understood the submission and its requirements through to fully endorsing the contents of the submission.</p>		



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.	Leakage performance S19	Signed agreement by the Company (under the Water Industry Act 1991) to improve its management and delivery of leakage activities.
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.	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.
External assurance provider	An independent third party that we procure to provide assurance over certain data/information.	Performance Commitment (PC)	Outcome performance commitments agreed with Ofwat that reflect customers' views and priorities of service.
Gateway	Formal internal process where submissions are independently reviewed to ensure that the submission meets the Company's expected high quality for external publications. The gateway release is evidenced by signed Information Integrity Declarations (IIDs).	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.
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.	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  
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. Bazeltunnel Limited ('BTL') is an independent company un-related 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.

