

# Building trust and confidence in our reporting



**Data Assurance Summary 2017/18**

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## 1. About this document



We are committed to providing accurate and transparent information. It is critical to us that you, our customers and other stakeholders, have trust and confidence in the information we publish.

Our economic regulator, Ofwat, has set out in their Company Monitoring Framework<sup>1</sup> (“CMF”) their requirements for how we will demonstrate to you that you can have trust and confidence in the information we publish.

As part of the 2017 CMF assessment Ofwat placed us in the “prescribed” category. This was a downgrade from our previous category of “targeted” and has increased the levels of assurance we are undertaking to rebuild trust and confidence.

We demonstrate our increased levels of assurance and how we meet Ofwat’s CMF requirements by publishing the following three documents each year:

- Statement of risks, strengths and weaknesses;
- Assurance plans; and
- Data assurance summary.

In addition, as we are preparing to submit our proposed 5-year business plan to Ofwat in September 2018, we have published:

- Our 2020-25 business plan – reporting risk and assurance.

Further information on our assurance approach, incorporating our revised CMF category, is included in section 2.

### Statement of risks, strengths and weaknesses (“Statement”)

Ongoing engagement with our customers, both directly and through our Customer Challenge Group<sup>2</sup> (“CCG”) has informed us about:

- what matters most to you;
- where we need to improve; and
- where there are concerns over the information we publish.

This information is used to develop our annual Statement in which we detail areas of risk, strength and weakness around our reporting. The Statement also includes our Draft Assurance Plans, which summarise the assurance activities that we propose undertaking on each of the identified areas of risk.

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<sup>1</sup> <https://www.ofwat.gov.uk/wp-content/uploads/2018/06/Company-monitoring-framework-2018-Final-position-paper.pdf>

<sup>2</sup> <https://corporate.thameswater.co.uk/About-us/Customer-Challenge-Group>

We used this insight to develop our Final Assurance Plans for the information we publish.

We published our Statement for 2017/18 on our website in January 2018 ([www.thameswater.co.uk/annualresults](http://www.thameswater.co.uk/annualresults)).

### **Assurance plans**

Our Assurance Plans are developed to focus on the areas that matter most to you by using the insight outlined in our Statement. Furthermore, customers were invited to comment on our Draft Assurance Plans, included in our Statement, which we used to inform our Final Assurance Plans.

For 2017/18, we also engaged 'Britain Thinks' to undertake a survey to proactively gather feedback from customers. The results of the survey can be found on our website ([www.thameswater.co.uk/annualresults](http://www.thameswater.co.uk/annualresults)).

We published our Final Assurance Plans for 2017/18 in March 2018 ([www.thameswater.co.uk/annualresults](http://www.thameswater.co.uk/annualresults)).

### **Data assurance summary** (this document)

The Data Assurance Summary contains a summary of the assurance activities undertaken in respect of all our publications/submissions made in 2017/18, as well as those targeted risk areas, and outcomes of those activities.

This Data Assurance Summary was published in June 2018, following completion of the assurance activities for 2017/18.

### **Our 2020-25 business plan – reporting risks and assurance**

Our customers are at the heart of our business. We want to keep you informed about the reporting risks we face as we develop our 2020-2025 business plan and, importantly what we are doing about them to develop a plan that's right for you.

We want everyone to have confidence that we are building a plan that will deliver for all our customers.

We published our 2020-25 business plan – reporting risks and assurance in June 2018 ([www.thameswater.co.uk/annualresults](http://www.thameswater.co.uk/annualresults)).

## 2. Our assurance approach

### What is assurance?

Assurance consists of all the checks and balances used to ensure our submissions are reliable, accurate, complete and on time.

### Why is assurance important?

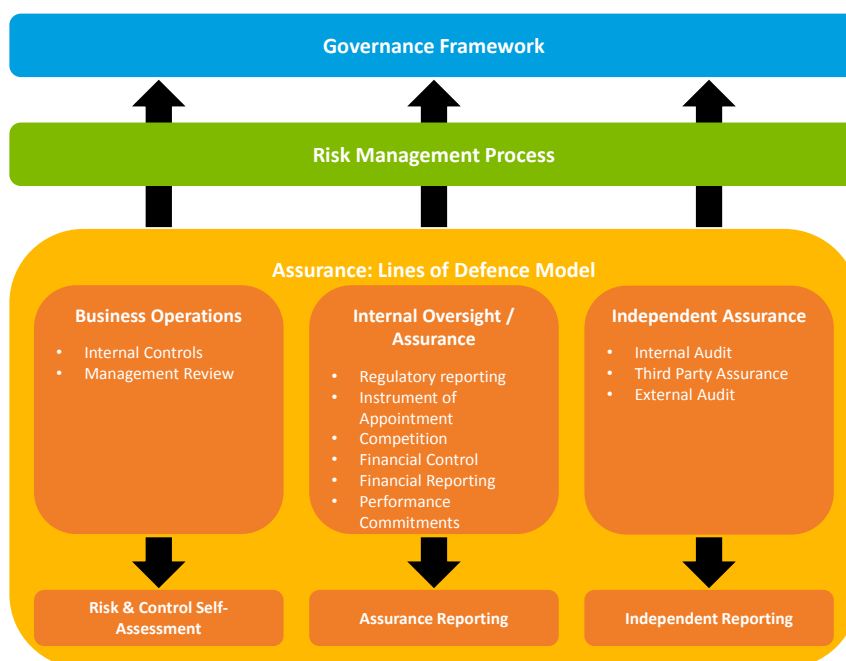
Assurance activities are undertaken to ensure the information we publish is reliable, accurate, complete and on time. This is why we consider it to be a key element in building trust and giving customers and other stakeholders confidence in the information that we publish and provide.

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 revenue that we are allowed to earn. 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 (below) includes three lines of defence which provide continuous and reliable assurance on the information we report and allows us to effectively manage reporting risks.



Source: Thames Water

## Risk assessment

Each publication/submission 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 are reliable, accurate, complete and timely.

## Assurance processes

Our assurance checks and balances achieve three principal objectives:

1. ensure data (information) accuracy, reliability & completeness;
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 for transparency and accessibility.

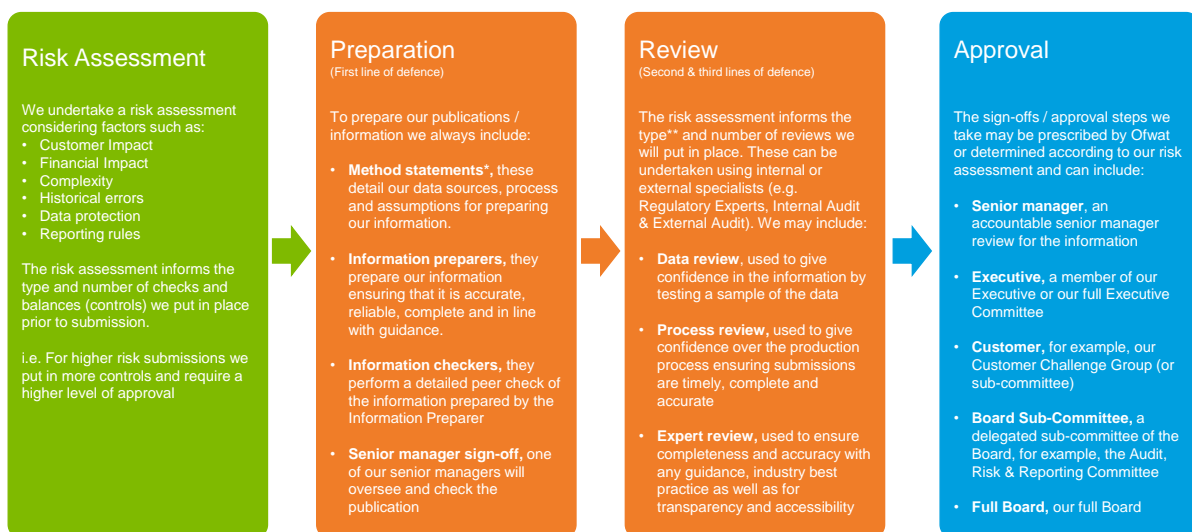
In the context of the CMF, Ofwat look for evidence that we are meeting the high standards of assurance that customers and stakeholders expect. Their 2016/17 assessment considered how well we met or exceeded these expectations. While there were examples of good practice, Ofwat found evidence of behaviour that they considered led to a reduction in trust and confidence in our information.

As a result, in November 2017, Ofwat decided to change our assurance categorisation to “prescribed” status.

We have carefully considered the areas of concern observed by Ofwat, reviewing both our approach and evidence we make available to demonstrate what we are doing to rebuild trust and confidence in our information.

To explain our approach we are re-presenting the checks and balances taken to prepare, review and approve information before submission/publication.

Our refined risk and assurance process is summarised below:



Source: Thames Water

\* Method statements are primarily used where data is published / submitted

\*\* Examples include statutory audit work, assurance and agreed-upon-procedures

### 3. Our assurance activities

The following pages summarise the assurance activities that have been undertaken on both publications and submissions we have prepared in relation to 2017/18, in addition to the targeted risk areas we identified in our Statement for 2017/18. In the next section, we have summarised the outcomes of these activities and highlighted the areas where we may make changes in our controls and processes for 2018/19.

The table below provides an overview of the targeted risk areas as well as other 2017/18 publications and submissions and where to find further details on the associated assurance activities and outcomes in this document.

The ✓'s in the table show the areas we consider to have the greatest underlying risks and therefore where we put the most checks and balances in place.

Targeted risk area/publication/submission		Core assurance activities						Where to find further detail in this document
		Check on quality of information	Internal review	Executive and senior manager review	Oversight functions	Customer and stakeholder involvement	External assurance	
1	Leakage performance reporting	✓	✓	✓	✓		✓	Page 9
2	Sewer flooding performance reporting	✓	✓	✓	✓		✓	Page 11
3	Complex performance commitment reporting	✓	✓	✓	✓	✓	✓	Page 13
4	Cost allocation*	✓	✓	✓	✓		✓	Page 15
5	Forecasting accuracy risk	✓	✓	✓	✓		✓	Page 16
6	Risk that our reporting is not accessible, timely or transparent					✓		Page 17
7	Water resources and bioresources performance reporting	✓	✓	✓	✓	✓	✓	Page 18
8	Cost assessment tables	✓	✓	✓	✓	✓	✓	Page 19
9	Non household retail reporting	✓	✓	✓	✓	✓	✓	Page 20

Targeted risk area/publication/submission		Core assurance activities						Where to find further detail in this document
		Check on quality of information	Internal review	Executive and senior manager review	Oversight functions	Customer and stakeholder involvement	External assurance	
10	Timeliness of communication of identified errors**					✓		Page 21
11	Review of automated calculations**	✓	✓	✓	✓		✓	Page 22
12	Consistency of information between the APR and cost assessment information**							Page 23
13	Outcomes commentary**	✓	✓	✓	✓		✓	Page 24
14	Timeliness of APR reporting**							Page 25
15	Annual report ("AR")	✓	✓	✓	✓		✓	Page 26
16	Annual performance report ("APR")	✓	✓	✓	✓		✓	Page 27
17	PR14 reconciliation tables	✓	✓	✓	✓		✓	Page 29
18	Shadow reporting	✓	✓	✓	✓		✓	Page 30
19	Bioresources market information	✓	✓	✓		✓	✓	Page 31

\*This risk was specifically identified by Ofwat in their Company Monitoring Framework initial categorisation in relation to PR14 submission.

\*\* These risks were identified following Ofwat's 2016/17 Company Monitoring Framework assessment in November 2017.

Source: Thames Water



## 4. Our assurance activities and outcomes

The following tables set out our assurance activities to reduce or eliminate reporting risks identified earlier and the outcomes of those activities. An explanation of what the core assurance activities contain is included in Appendix 1.

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



1) Leakage performance reporting						
Core assurance activities						
Risk category	Check on quality of information	Internal review	Executive and senior manager review	Oversight functions	Customer and stakeholder involvement	External assurance
Accessibility					✓	
Timeliness						
Accuracy	✓	✓	✓	✓		✓
Reliability	✓	✓	✓	✓		✓
Completeness	✓	✓	✓	✓		✓
Transparency	✓	✓	✓	✓	✓	✓
Core assurance activities	What we said we would do (Final Assurance Plan 2017/18)			Progress	What we did (outcomes)	
Check on quality of information	We will create methodologies explaining how we have determined figures, any assumptions made and any manual adjustments made.			●	We have been embedding information integrity declarations from information preparers, information checkers and senior managers.	
Internal review	Internal reviews will be undertaken by competent peer reviewers, managers and senior managers.			●	Key controls were reviewed by our reporting and assurance team as well as ensuring that the checks and balances had been performed.	



Leakage performance reporting continued ...

Core assurance activities	What we said we would do (Final Assurance Plan 2017/18)	Progress	What we did (outcomes)
Customer and stakeholder involvement	<p>We will promote and share our leakage information and our continuing activities with customers through our website: <a href="https://www.thameswater.co.uk/Help-and-Advice/Leaks/Our-leakage-performance">https://www.thameswater.co.uk/Help-and-Advice/Leaks/Our-leakage-performance</a>.</p> <p>We will include detailed commentary around this performance commitment in our 2017/18 year end reporting and, where we have failed to meet our target, what actions we are taking.</p>	●	<p>We are publishing our updated leakage performance each month and includes how we measure leakage, our overall performance and leakage reduction plans.</p> <p>This is also shared with our CCG at monthly meetings.</p> <p>Our customer online survey identified further improvements such as how we present information and avoid jargon.</p> <p>We are continuing to improve accessibility of our reporting and the transparency of the information we report.</p>
External assurance	External assurance will be undertaken by KPMG on the leakage number disclosed in our year end reporting.	●	KPMG reviews identified findings and observations which we addressed. Overall, their testing did not identify inconsistencies with Ofwat guidance.


2) Sewer flooding performance reporting						
Core assurance activities						
Risk category	Check on quality of information	Internal review	Executive and senior manager review	Oversight functions	Customer and stakeholder involvement	External assurance
Accessibility					✓	
Timeliness						
Accuracy	✓	✓	✓	✓		✓
Reliability	✓	✓	✓	✓		✓
Completeness	✓	✓	✓	✓		✓
Transparency	✓	✓	✓	✓	✓	✓
Core assurance activities	What we said we would do (Final Assurance Plan 2017/18)			Progress	What we did (outcomes)	
Check on quality of information	Further year end data checks will be included, for example, additional rainfall analysis from modelling team for incidents with outstanding field investigations as well as peer review sessions by our wholesale department.			●	We have been embedding information integrity declarations from information preparers, information checkers and senior managers.	
Internal review	Key controls will be tested and proper functioning to be corroborated by an Internal Audit review.			○	Key controls were reviewed by our reporting and assurance team.  Internal independent review from internal audit was substituted for external assurance as they offer a higher level of independence.  As noted below, our external assurance provider, KPMG did not identify any inconsistencies.	
Oversight functions	There will be a number of data improvements this year which mainly relate to ensuring completeness of data, embedding new policy on classification of flooding incidents and improving training of field staff and Thames Water feedback loop.			●	We have completed a formal follow-up of our improvement commitments, enabling internal confirmation that we had addressed each improvement area.	

Sewer flooding performance reporting continued ...

Core assurance activities	What we said we would do (Final Assurance Plan 2017/18)	Progress	What we did (outcomes)
Customer and stakeholder involvement	We will continue to use feedback from our customers and stakeholders to make it easier to find performance information on our website.		We published our annual performance report on our website, and continue to improve accessibility of our reporting and the transparency of the information we report.
External assurance	Our external auditor, KPMG, will perform assurance procedures over our sewer flooding performance number for disclosure in our combined 2017/18 Annual Report and Annual Performance Report.		KPMG reviews identified findings and observations which we addressed. Overall, their testing did not identify inconsistencies with Ofwat guidance.

3) Complex performance commitment reporting						
Core assurance activities						
Risk category	Check on quality of information	Internal review	Executive and senior manager review	Oversight functions	Customer and stakeholder involvement	External assurance
Accessibility					✓	
Timeliness					✓	
Accuracy	✓	✓	✓	✓		✓
Reliability	✓	✓	✓	✓		✓
Completeness	✓	✓	✓	✓		✓
Transparency	✓	✓	✓	✓	✓	✓
Core assurance activities	What we said we would do (Final Assurance Plan 2017/18)			Progress	What we did (outcomes)	
Check on quality of information	Assumptions made in calculating performance commitments will be documented in the methodologies. These will also be subject to external review.				<p>We have been embedding information integrity declarations from information preparers, information checkers and senior managers.</p> <p>In addition, we asked KPMG to specifically review our documentation of assumptions made. We have addressed all findings and observations raised.</p>	
Customer and stakeholder involvement	<p>We will have regular communication with our CCG and also engage with our customers through online surveys, questionnaires, workshops and deep dive events to better understand the requirements for our complex performance commitment reporting.</p> <p>We will continue to use feedback from our customers and stakeholders to make it easy for them to find information about our performance.</p>				<p>We regularly report to our CCG with results and observations from our customer engagement activities.</p> <p>We publish our annual performance report which includes performance against all commitments; however, we are continuing to consider what more we could do make this information more accessible.</p>	

Complex performance commitment reporting continued ...

Core assurance activities	What we said we would do (Final Assurance Plan 2017/18)	Progress	What we did (outcomes)
External assurance	<p>KPMG will perform a detailed review over our methodologies and calculations.</p> <p>The underlying data used for calculating performance commitments will be reviewed by KPMG for our year end reporting.</p>		<p>We agreed assurance procedures with KPMG which included a review of our methodologies, consistency with regulations as well as calculation accuracy.</p> <p>KPMG reviews identified findings and observations which we addressed. Overall, their testing did not identify inconsistencies with Ofwat guidance.</p>

4) Cost allocation						
Core assurance activities						
Risk category	Check on quality of information	Internal review	Executive and senior manager review	Oversight functions	Customer and stakeholder involvement	External assurance
Accessibility						
Timeliness						
Accuracy	✓	✓	✓	✓		✓
Reliability	✓	✓	✓	✓		✓
Completeness	✓	✓		✓		✓
Transparency	✓	✓	✓	✓		✓
Core assurance activities	What we said we would do (Final Assurance Plan 2017/18)			Progress	What we did (outcomes)	
Check on quality of information	Regular training updates will be given to management to ensure that allocation assumptions are consistent and in line with Ofwat guidance. Management assumptions will then formally record when they submit allocation information to the central finance team.			●	We have expanded our methodology documentation and information integrity declarations from information providers, information checkers and senior management.	
Internal review	At least annually, we will ask for updates from management regarding the allocation of costs between upstream services. These allocations are subject to review from the central finance team, who will query any allocations that appear unusual.			●	We have introduced additional reviews and considered the allocations for 2017/18 in conjunction with our Price review 2019 (PR19) plans.	
Oversight functions	Manual adjustments and calculations will be performed by the central finance team. These adjustments will be documented within formal templates and reviewed by senior management.			●	We have expanded our methodology and documentation, and introduced additional review procedures.	
External assurance	Our external assurance provider, KPMG, will carry out a detailed review of cost allocations.			●	KPMG reviews identified findings and observations with cost allocations which we addressed. Overall, their testing did not identify inconsistencies with Ofwat guidance.	

5) Forecasting accuracy risk						
Core assurance activities						
Risk category	Check on quality of information	Internal review	Executive and senior manager review	Oversight functions	Customer and stakeholder involvement	External assurance
Accessibility						
Timeliness						
Accuracy	✓	✓	✓	✓		✓
Reliability	✓	✓	✓	✓		✓
Completeness	✓	✓	✓	✓		✓
Transparency	✓	✓	✓	✓		✓
Core assurance activities	What we said we would do (Final Assurance Plan 2017/18)			Progress	What we did (outcomes)	
Check on quality of information	We will clearly record and communicate assumptions made in calculating performance commitments. This will be reviewed by senior management.			●	We have expanded our methodology documentation and information integrity declarations from information providers, information checkers and senior management.	
Oversight functions	We will perform an internal audit of forecasting methodologies.			○	Reprioritisation of internal audit activities resulted in our forecasting being reviewed by our external assurance partner, KPMG. However, this provided a higher level of independence. The outcomes of which are noted below.	
Customer and stakeholder involvement	As soon as we become aware of something that may affect our performance commitments and forecast performance information, we will be open about the issue, communicating with our regulators, customers and stakeholders.			●	We regularly report to our CCG with results and observations about our performance.	
External assurance	External assurance will be obtained from KPMG over our methodologies and calculations.			●	KPMG reviews identified findings and observations which we addressed. Overall, their testing did not identify inconsistencies with Ofwat guidance.	



## 6) Risk that our reporting is not accessible, timely or transparent



Core assurance activities						
Risk category	Check on quality of information	Internal review	Executive and senior manager review	Oversight functions	Customer and stakeholder involvement	External assurance
Accessibility					✓	
Timeliness					✓	
Accuracy						
Reliability						
Completeness						
Transparency	✓	✓	✓	✓	✓	✓
Core assurance activities	What we said we would do (Final Assurance Plan 2017/18)			Progress	What we did (outcomes)	
Customer and stakeholder involvement	<p>We will have discussions with our customers and stakeholders around 'what' and 'how' we report, and we will continue to re-view and challenge how we report information to make sure we provide information that is easy to find and understand. We will regularly engage with external experts 'Britain Thinks' to seek guidance on how to improve our reporting style.</p> <p>We will continue to get feedback from our customers and stakeholders and use the information to respond to their needs, through the use of external experts 'Britain Thinks'.</p> <p>During 2016/17, we worked on improving our customer-facing website to make our reports more accessible, which includes improving the paths to our reports. We will continue to engage with our customers and stakeholders to capture any further improvements needed to the website.</p>			●	<p>There is ongoing development considering how we can present our reporting in a more customer friendly and engaging manner.</p> <p>Further improvement to our website is underway to make information more accessible, timely and transparent.</p> <p>We have designated this as amber as we acknowledge that further improvements can still be made.</p>	

## 7) Water resources and bioresources performance reporting

Core assurance activities						
Risk category	Check on quality of information	Internal review	Executive and senior manager review	Oversight functions	Customer and stakeholder involvement	External assurance
Accessibility						
Timeliness						
Accuracy	✓	✓	✓	✓	✓	✓
Reliability	✓	✓	✓	✓	✓	✓
Completeness	✓	✓	✓		✓	✓
Transparency	✓	✓	✓	✓	✓	✓
Core assurance activities	What we said we would do (Final Assurance Plan 2017/18)			Progress	What we did (outcomes)	
Check on quality of information	Water and Waste finance teams will create methodologies explaining how they have determined their figures, any assumptions made and any manual adjustments made.			●	We have methodology documentation and information integrity declarations from information providers, information checkers and senior management.	
Executive and senior manager review	Regular training updates to management should ensure that allocation assumptions are consistent and in line with Ofwat guidance. Management assumptions will then be formally recorded when they submit allocation information to the central finance team.			●	See target assurance activity number 12 - Consistency of information included between the regulatory accounts and cost assessment.	
External assurance	Our external assurance provider, KPMG, will carry out a detailed review of our reporting and our methodologies.			●	KPMG reviews identified findings and observations which we addressed. Overall, their testing did not identify inconsistencies with Ofwat guidance.	

8) Cost assessment tables						
Core assurance activities						
Risk category	Check on quality of information	Internal review	Executive and senior manager review	Oversight functions	Customer and stakeholder involvement	External assurance
Accessibility					✓	
Timeliness	✓	✓	✓		✓	
Accuracy	✓	✓	✓	✓		✓
Reliability	✓	✓	✓	✓		✓
Completeness	✓	✓	✓	✓		✓
Transparency	✓	✓	✓	✓	✓	✓
Core assurance activities	What we said we would do (Final Assurance Plan 2017/18)			Progress	What we did (outcomes)	
Check on quality of information	Assumptions made in calculating cost assessment data will be documented in detailed methodology statements. These will be subject to external review by KPMG.			●	We have standardised methodology documentation, aligned with Ofwat guidance, which are checked and approved internally then reviewed by KPMG.	
Internal review	Internal reviews will be undertaken by competent peer reviewers, managers and senior managers.			●	We have information integrity declarations from information providers, information checkers and senior management.	
Customer and stakeholder involvement	Open and clear communication with our customers regarding the published cost assessment tables will be included within our year end reporting.			●	We have made it clear in our APR that we are publishing our cost assessment tables, albeit separately to our APR.	
External assurance	<p>KPMG will carry out external assurance over the higher risk cost assessment lines, whilst other, lower risk lines, were subject to internal assurance. We will apply the same assurance processes for certain cost assessment financial data lines, as planned for section 4 of the APR (through specific procedures agreed with our external auditor, KPMG).</p> <p>KPMG will perform a detailed review our methodologies and calculations.</p>			●	<p>A series of tests were developed, agreed and performed to ensure quality, accuracy and compliance with Ofwat reporting requirements.</p> <p>KPMG reviews identified findings and observations which we addressed. Overall, their testing did not identify inconsistencies with Ofwat guidance.</p>	

9) Non household retail reporting						
Core assurance activities						
Risk category	Check on quality of information	Internal review	Executive and senior manager review	Oversight functions	Customer and stakeholder involvement	External assurance
Accessibility					✓	
Timeliness					✓	
Accuracy	✓	✓	✓	✓		✓
Reliability	✓	✓	✓	✓		✓
Completeness	✓	✓	✓	✓		✓
Transparency	✓	✓	✓	✓	✓	✓
Core assurance activities	What we said we would do (Final Assurance Plan 2017/18)			Progress	What we did (outcomes)	
Check on quality of information	Assumptions made in calculating non household costs will be documented in the methodologies. These will be subject to external review by KPMG.			●	We have standardised methodology documentation, aligned with Ofwat guidance, which are checked and approved internally then reviewed by KPMG.	
Internal review	There will be internal review by peers, managers and senior managers.			●	Our non household reporting was prepared, checked and signed-off by senior management.	
External assurance	KPMG will carry out an external review of non household retail reporting.  KPMG have performed a detailed review over our methodologies and calculations in 2016/17 and will continue to do so in 2017/18.			●	KPMG reviews identified findings and observations which we addressed. Overall, their testing did not identify inconsistencies with Ofwat guidance.	

10) Timeliness of communication of identified errors						
Core assurance activities						
Risk category	Check on quality of information	Internal review	Executive and senior manager review	Oversight functions	Customer and stakeholder involvement	External assurance
Accessibility					✓	
Timeliness					✓	
Accuracy						
Reliability						
Completeness						
Transparency	✓	✓	✓	✓	✓	✓
Core assurance activities	What we said we would do (Final Assurance Plan 2017/18)			Progress	What we did (outcomes)	
Check on quality of information	We always endeavour to report with no errors, however, where errors are identified in our reporting, we commit to publishing amendments on our website alongside our original publication, as soon as the error is confirmed.				<p>We've had errors in the past which we have clearly published on our website. For 2017/18 we have included extended commentary on our 2016/17 misstatements. These were identified during our 2017/18 year end process.</p> <p>Should any misstatements be identified in our 2017/18 reporting, we will notify Ofwat and publish on our website.</p>	
Customer and stakeholder involvement	<p>Discussions with our customers and stakeholders around 'what' and 'how' we report remains open, and we will continue to re-view and challenge how we report information to make sure we provide information that is easy to find and understand. We will regularly engage with external experts 'Britain Thinks' to seek guidance on how to improve our reporting style.</p> <p>During 2016/17, we have worked on improving our customer-facing website to make our reports more accessible, which includes improving the paths to our reports. We will continue to engage with our customers and stakeholders to capture any further improvements needed to the website.</p>				<p>We regularly report to and attend CCG with results and observations from our customer engagement activities.</p> <p>There is ongoing development on how we can present our reporting in a more customer friendly and engaging manner.</p> <p>Further improvement to our website is underway to make information more accessible, timely and transparent.</p> <p>We have designated this as amber as further improvements can still be made.</p>	

## 11) Review of automated calculations

Core assurance activities						
Risk category	Check on quality of information	Internal review	Executive and senior manager review	Oversight functions	Customer and stakeholder involvement	External assurance
Accessibility						
Timeliness						
Accuracy	✓	✓	✓	✓		✓
Reliability	✓	✓	✓	✓		✓
Completeness	✓	✓	✓	✓		✓
Transparency						
Core assurance activities	What we said we would do (Final Assurance Plan 2017/18)			Progress	What we did (outcomes)	
Internal review	Further analysis and review of controls will be incorporated to our year end procedures. This includes an additional peer review (in addition to normal review procedures stated above), independent recalculation and additional trend analysis.			●	<p>We undertook internal expert peer reviews along with recalculations and trend analysis.</p> <p>We introduced additional checks and balances in working files as well as competent/technical peer reviews over workings.</p>	
External assurance	Our external assurance provider, KPMG, has always performed a detailed review over our methodologies and calculations, and will continue to do so in 2017/18.			●	<p>KPMG reviews identified findings and observations which we addressed. Overall, their testing did not identify inconsistencies with Ofwat guidance.</p>	

## 12) Consistency of information between the annual performance report and cost assessment

Core assurance activities						
Risk category	Check on quality of information	Internal review	Executive and senior manager review	Oversight functions	Customer and stakeholder involvement	External assurance
Accessibility						
Timeliness						
Accuracy	✓	✓	✓	✓		✓
Reliability						
Completeness	✓	✓	✓	✓		✓
Transparency						
Core assurance activities	What we said we would do (Final Assurance Plan 2017/18)			Progress	What we did (outcomes)	
Check on quality of information	Further analysis will be incorporated to our year end procedures. This includes additional peer reviews (in addition to our normal review procedures) to help identify potential anomalies in information.			●	<p>We have explicitly required senior management to consider and check for consistency between regulatory accounts and cost assessment. All observations made have been addressed.</p> <p>Through our peer reviews we emphasised the importance of interdependencies between items in the cost assessment tables and regulatory accounts.</p>	
External assurance	KPMG will carry out external assurance of the riskier cost assessment lines whilst other lines are subject to internal assurance. We applied the same assurance processes for certain cost assessment financial data lines, as planned for section 4 of the regulatory accounts (through specific procedures agreed with our external auditor, KPMG). This will also be completed for the year 2017/18.			●	<p>We specifically updated our agreed testing processes with KPMG to look for inconsistency across our information.</p> <p>KPMG reviews identified findings and observations which we addressed. Overall, their testing did not identify inconsistencies with Ofwat guidance.</p>	

### 13) Outcomes commentary

Core assurance activities						
Risk category	Check on quality of information	Internal review	Executive and senior manager review	Oversight functions	Customer and stakeholder involvement	External assurance
Accessibility					✓	
Timeliness	✓	✓	✓		✓	
Accuracy	✓	✓	✓	✓		✓
Reliability	✓	✓	✓	✓		✓
Completeness	✓	✓	✓			✓
Transparency	✓	✓	✓	✓	✓	✓

We have captured the assurance activities undertaken over our outcomes commentary within other assurance areas and so we have not repeated them here.

The areas are:

- 1) Leakage performance reporting;
- 2) Sewer flooding performance reporting; and
- 3) Complex performance commitment reporting.



## 14) Timeliness of APR reporting


Core assurance activities						
Risk category	Check on quality of information	Internal review	Executive and senior manager review	Oversight functions	Customer and stakeholder involvement	External assurance
Accessibility						
Timeliness		✓	✓	✓	✓	✓
Accuracy						
Reliability						
Completeness						
Transparency						
Core assurance activities	What we said we would do (2017/18 assurance activity)			Progress	What we did (outcomes)	
Executive and senior manager review	The submission timetable will be reviewed and agreed with senior management concluding with Board approval on 27 June 2018.			●	Board approved the APR on time on 27 June 2018.	
Customer and stakeholder involvement	<p>The submission timetable will be shared with CCG with updates planned for the preceding meetings before publication.</p> <p>The submission approach will be reviewed to avoid confusion between our statutory annual report and regulatory annual performance report.</p>			●	<p>We regularly report to and attend CCG with progress of finalising our 2017/18 annual report.</p> <p>We have combined the AR and APR into a single publication to avoid misunderstanding and confusion.</p>	

15) Annual Report						
Core assurance activities						
Risk category	Check on quality of information	Internal review	Executive and senior manager review	Oversight functions	Customer and stakeholder involvement	External assurance
Accessibility			✓	✓	✓	
Timeliness	✓	✓	✓	✓	✓	
Accuracy	✓	✓	✓	✓		✓
Reliability	✓	✓	✓	✓		✓
Completeness	✓	✓	✓	✓		✓
Transparency	✓	✓	✓	✓	✓	✓
Core assurance activities	What we said we would do (2017/18 assurance activity)			Progress	What we did (outcomes)	
Check on quality of information	We will create methodologies explaining how we have determined figures, any assumptions made and any manual adjustments made.			●	We have been embedding information integrity declarations from information preparers, information checkers and senior managers.	
Internal review	We will carry out internal review by peers, managers and senior managers.			●	Key controls were reviewed by our reporting and assurance team as well as ensuring that the checks and balances had been performed.	
Customer and stakeholder involvement	We will include open and clear communication with our customers regarding our statutory reporting.			●	We regularly report to and attend CCG with results and observations about our reporting.  We have received and addressed comments received from Ofwat on our reporting.	
External assurance	KPMG will audit the statutory accounts and review the entire document to ensure that there is consistency across the document.  KPMG have performed a detailed review our methodologies and calculations in 2016/17 and will continue to do so in 2017/18.			●	KPMG reviews identified findings and observations which we addressed. Overall, their testing did not identify inconsistencies with Ofwat guidance.	

## 16) Annual Performance Report



Core assurance activities						
Risk category	Check on quality of information	Internal review	Executive and senior manager review	Oversight functions	Customer and stakeholder involvement	External assurance
Accessibility			✓	✓	✓	
Timeliness	✓	✓	✓	✓	✓	
Accuracy	✓	✓	✓	✓		✓
Reliability	✓	✓	✓	✓		✓
Completeness	✓	✓	✓	✓		✓
Transparency	✓	✓	✓	✓	✓	✓
Core assurance activities	What we said we would do (Our 2020-25 Business Plan – Reporting Risks and Assurance)			Progress	What we did (outcomes)	
Check on quality of information	Assumptions made in calculating Performance Commitments will be documented in the methodologies. These will be subject to external review by KPMG.			●	We have standardised methodology documentation, aligned with Ofwat guidance, which are checked and approved internally then reviewed by KPMG.	
Internal review	We will carry out internal review by peers, managers and senior managers.			●	We have information integrity declarations from information providers, information checkers and senior management.	
Customer and stakeholder involvement	We will include open and clear communication with our customers regarding our performance against our Performance Commitments in 2017/18.			●	We regularly report to and attend CCG with results and observations about our performance.  We have included pages dedicated to the most significant areas of concern/interest for customers.	



Annual performance report continued ...

Core assurance activities	What we said we would do (Final Assurance Plan 2017/18)	Progress	What we did (outcomes)
External assurance	<p>KPMG will audit sections 1 and 2 of the Annual Performance Report, as mandated by Ofwat. In addition to this, KPMG will undertake specific procedures on sections 3 and 4, as well as additional procedures over our F6A* statement.</p> <p>KPMG have performed a detailed review our methodologies and calculations in 2016/17 and will continue to do so in 2017/18.</p>		<p>KPMG reviews identified findings and observations which we addressed, overall, their testing did not identify inconsistencies with Ofwat guidance.</p> <p>They audited sections 1 and 2 (except for 1f) and undertook agreed upon procedures on sections 3 and 4.</p> <p>They also performed agreed upon procedures over our F6A statement.</p>

\* F6A is an annual Directors statement confirming, for example, that Thames Water has sufficient resources for the coming 12 months

## 17) PR14 reconciliation tables

Core assurance activities						
Risk category	Check on quality of information	Internal review	Executive and senior manager review	Oversight functions	Customer and stakeholder involvement	External assurance
Accessibility					✓	
Timeliness	✓	✓	✓		✓	
Accuracy	✓	✓	✓	✓		✓
Reliability	✓	✓	✓	✓		✓
Completeness	✓	✓	✓	✓		✓
Transparency	✓	✓	✓	✓	✓	✓
Core assurance activities	What we said we would do (Our 2020-25 Business Plan – Reporting Risks and Assurance)			Progress	What we did (outcomes)	
Internal review	Internal reviews will be undertaken by competent peer reviewers, managers and senior managers.				We have standardised methodology documentation, aligned with Ofwat guidance, which are checked and approved internally then reviewed by KPMG.	
External assurance	External assurance will be undertaken by our external assurance providers, KPMG.  KPMG will also perform a detailed review of our methodology statements.				KPMG final testing is underway and observations are being addressed. We expect KPMG to verify that we've addressed all observations prior to publication.  We will submit the PR14 reconciliation tables by the Ofwat deadline of 15 July 2018.	

18) Shadow reporting						
Core assurance activities						
Risk category	Check on quality of information	Internal review	Executive and senior manager review	Oversight functions	Customer and stakeholder involvement	External assurance
Accessibility					✓	
Timeliness	✓	✓	✓		✓	
Accuracy	✓	✓	✓	✓		✓
Reliability	✓	✓	✓	✓		✓
Completeness	✓	✓	✓	✓		✓
Transparency	✓	✓	✓	✓	✓	✓
Core assurance activities	What we said we would do (Our 2020-25 Business Plan – Reporting Risks and Assurance)			Progress	What we did (outcomes)	
Check on quality of information	We will prepare detailed methodology statements in line with Ofwat guidance. These will be subject to internal review and challenge. KPMG are engaged to review the quality of the methodology statements and ensure the accuracy and reliability of reported numbers.				We have standardised methodology documentation, aligned with Ofwat guidance, which are checked and approved internally then reviewed by KPMG.	
External assurance	Representatives from across the business will attend workshops in order to get a more detailed understanding of requirements and practice from across the industry.  A 'horizontal' audit will be performed by Jacobs and KPMG to determine whether consistent approaches were being used across the industry.				KPMG final testing is underway and observations are being addressed. We expect KPMG to verify that we've addressed all observations prior to publication.  We will submit the Shadow Reporting information tables by the Ofwat deadline of 15 July 2018.	

19) Bioresources market information						
Core assurance activities						
Risk category	Check on quality of information	Internal review	Executive and senior manager review	Oversight functions	Customer and stakeholder involvement	External assurance
Accessibility			✓		✓	
Timeliness	✓	✓	✓		✓	
Accuracy	✓	✓	✓	✓	✓	✓
Reliability	✓	✓	✓	✓	✓	✓
Completeness	✓	✓	✓		✓	✓
Transparency	✓	✓	✓	✓	✓	✓
Core assurance activities	What we said we would do (Our 2020-25 Business Plan – Reporting Risks and Assurance)			Progress	What we did (outcomes)	
Executive and senior manager review	Regular training updates will be provided to management to ensure that allocation assumptions are consistent and in line with Ofwat guidance. Management assumptions will then be formally recorded when they submit allocation information to the central finance team.			●	We have standardised methodology documentation, aligned with Ofwat guidance, which are checked and approved internally then reviewed by KPMG.	
External assurance	We will create methodologies explaining how we have determined our figures, any assumptions made and any manual adjustments made. These methodologies will be subject to review by our external assurance provider, KPMG.  Our external assurance provider, KPMG, will carry out a detailed review of cost allocations.			●	KPMG reviews identified findings and observations which we addressed. Overall, their testing did not identify inconsistencies with Ofwat guidance.  We will publish the bioresources market information by the Ofwat deadline of 31 July 2018.	

## 5. 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
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.
Customer and stakeholder involvement	External guidance, challenge and/or review of our submission from customers or customer groups (e.g. Customer Challenge Group).
Executive and senior manager review	This review challenges and assess the accuracy of the submission.
External assurance	A 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.
Internal review	Usually 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.
Methodology statement	This explains the process to produce the submission and includes details of: systems, responsibilities, timings, additional methodologies to complete any calculations required etc.
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.
Peer review	A member of the Thames Water team who is separate from the person who completed the submission but has an understanding of the requirements. They check the submission in detail and any associated commentary to confirm adherence to and adequacy of the method statement. They confirm accuracy through checking inputs, including any management assumptions and reviewing evidence to support entries/statements.

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



## 6. Appendix 2 – Glossary

The following glossary provides descriptions of some of the key terms used throughout this document:

Term	Description
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. In 2016/17 the statutory and regulatory accounts were published in separate reports.
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.
Company monitoring framework	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.
Customer Challenge Group ("CCG")	Independent group of domestic customer, 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.

Term	Description
F6A	<p>A statement by the Directors to confirm that for at least the next 12 months:</p> <ul style="list-style-type: none"> <li>• the company will have available to it: <ul style="list-style-type: none"> <li>- sufficient financial resources and facilities to enable it to carry out the Regulated Activities; and</li> <li>- management resources and systems of planning and internal control which are sufficient to enable it to carry out those functions</li> </ul> </li> <li>• 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.</li> </ul>
Internal audit	<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>
Methodology	<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>
Performance Commitment ("PC")	<p>Outcome performance commitments agreed with Ofwat that reflect customers' views and priorities of service.</p>
Performance commitments	<p>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.</p>
Price control	<p>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").</p>

Term	Description
Upstream service	Ofwat require us to segment our business into upstream services for reporting. This includes retail household, retail non household, abstraction licence, raw water abstraction, raw water storage, raw water transport, water treatment, treated water distribution, foul collection, surface water drainage, highway drainage, sewage treatment, imported sludge/liquor treatment, sludge transport, sludge treatment and sludge disposal.
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.