



Final Assurance Plans – 2017/18

March 2018

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1. About this document



The purpose of our Assurance Plans is to give our customers and other stakeholders trust and confidence in how we report on our performance.

Specifically, this document provides evidence that we:

- have processes and procedures in place to reduce the risk of inaccurate or incomplete reporting in our Annual Performance Report (“APR”); and
- are dealing appropriately with any risks and weaknesses identified in our [Statement of Risks, Strengths and Weaknesses and draft Assurance Plans 2017/18](#) (Statement 2017/18).

More details about our Statement 2017/18 and why we produce Assurance Plans can be found on our website.

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

In addition to publishing reports to comply with legal and regulatory requirements (e.g. interim and annual financial statements and our Annual Performance Report), we produce an annual publication of ‘Our Finances Explained’ (our 4th edition was published in October 2017) and we published our first edition of ‘Our Taxes Explained’ in June 2017. Our group structure and details of our Directors, shareholders, Boards and other committees (including terms of reference) are also available on our website.

Overall, we commit to doing the following:

- report accurate and reliable information and where we identify any issues to:
 - address the issue in a timely manner; and
 - engage with our customers and stakeholders.

- where we are at risk of failing to meet our committed level of performance, we will:
 - provide our customers and stakeholders with a clear and transparent explanation of the performance issue; and
 - explain how the issue will be addressed.

- review our annual reporting risks and Assurance Plans regularly to address and mitigate any areas of concern. We will:
 - prepare and publish our Statement and Draft Assurance Plans annually, which will include the results of our customer and stakeholder consultation and our risk-monitoring framework;
 - respond appropriately to comments on the above; and
 - publish Final Assurance Plans by 31 March each year, dealing with the risks identified in the Statement.

2. What you've told us

We updated our Statement 2017/18 in January 2018. This was open for consultation from our Customer Challenge Group (“CCG”) and customers until the end of February 2018. Since then, we asked an independent company, Britain Thinks, to organise a survey of our customers to find out what they thought of our Statement 2017/18.

Using a combination of open and closed questions, participants of the survey were asked to share their views on several extracts from our Statement 2017/18 with the following objectives:

1. To provide us with insight into customer expectations and desires regarding the Statement 2017/18;
2. To elicit customer feedback on the current format and content of their Statement 2017/18; and,
3. To gauge customers’ ability to understand and engage with the materials included in the Statement 2017/18.

The survey was available to the Thames Water Customer Online Community for 7 days, during which time we received 83 feedback responses. We did not receive any feedback as a result of our open consultation.



We have found this feedback extremely useful and have acted on it for this publication of the Final Assurance Plans.

The feedback received in relation to our Statement 2017/18 will be fed into our next Statement of Risks, Strengths and Weaknesses and Draft Assurance Plans for 2018/19.

We will also be considering our PR19 exercise within our next Statement of Risks, Strengths and Weaknesses and Draft Assurance Plans for 2018/19.

More details about our [Customer online survey results](#) can be found on our website.

3. Final Assurance Plans

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

For further details on our overall assurance approach, please see our [Statement 2017/18](#).

Table 1: Our three lines of defence

	Assurance activity	Description	Example of activity
First line of defence	Internal data accuracy check	A check of accuracy of information at specified intervals	On a 'rolling review' basis, a sample of the information used to calculate performance commitments is compared with the original source data to make sure it is accurate. The Regulatory Reporting team will manage the frequency and extent of the review, which will take place at least once a year.
	Benchmarking	A comparison of our processes and performance measures against industry results and best practice	Results are compared with other companies in the industry to allow us to analyse our performance and assess where we can improve.
	Internal review	Line manager review of methodology, report, calculation and commentary explaining the results in more detail to make sure the information is accurate	Detailed check on regulatory accounting tables by line manager to make sure the numbers are consistent with the commentary and are accurate by comparing across periods and benchmarking.
	Executive and senior manager review	Review of report, calculation, commentary explaining the results in more detail and information to be published to make sure the information is accurate and consistent	Comparison with other performance reports produced and reported within the business. Agree information is in line with expectations for the period.

	Assurance activity	Description	Example of activity
Second line of defence	Customer and stakeholder involvement	Understand how and what our customers would like us to report and the areas of most significance to them	Customer focus groups, regular CCG and stakeholder meetings.
	Self-certification	Specific question in the annual self-certification process relating to the quality of reported financial and non-financial information	Heads of departments must state whether financial and non-financial information has been reported accurately, fully, and on a timely basis, and must have evidence to confirm this.
	Risk-management process	Corporate and operational risk-management process to identify, record, assess and monitor risks	Management identify and record reporting risks and controls to assess the effect and likelihood of inaccuracies. Risks are communicated to senior management when required, at least once every three months. The risk and controls team check whether the business has kept to the risk management process and provide expert help where necessary.

	Assurance activity	Description	Example of activity
Third line of defence	External assurance – ‘agreed upon procedures’ (“AUPs”)	Specific procedures carried out by our external assurance provider, KPMG	AUPs are currently used in a number of areas – they generally specify which tests of original source data are to be carried out to check on the quality of information.
	Internal audit (“IA”) review	Internal audit programme designed to focus on the main risks	Specific procedures carried out to assess the accuracy of information being reported and whether the methodology used is appropriate. Reviews of systems and processes and follow-ups to check that recommendations have been put in place.
	External audit opinion	Audit procedures performed by our independent auditor, KPMG	Compulsory significant audit work, resulting in an audit opinion being issued on whether our APR has been properly prepared and fairly presents the state of the company’s affairs in line with the Regulatory Accounting Guidelines, and specific conditions stipulated under our licence, issued by Ofwat.

Source: Thames Water

4. Our plans for the rest of AMP6 and beyond

The following tables set out our Specific Assurance Plans to reduce or eliminate reporting risks identified in our Statement 2017/18.

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					✓	
Accuracy	✓	✓	✓	✓		✓
Reliability	✓	✓	✓	✓		✓
Completeness	✓	✓	✓	✓		✓
Transparency	✓	✓	✓	✓	✓	✓
2017/18 assurance activities						
We will continue to promote and share our leakage information and are continuing activities with customers through our website: https://www.thameswater.co.uk/help-and-advice/bursts-and-leaks . We will make sure that more detailed commentary around this performance commitment is in our 2017/18 year end reporting where we have failed to meet our target and what actions we are taking.						
We will perform further internal audits to understand and review the process for reporting the measure.						
We will continue to use feedback from our customers and stakeholders to make it easier to find performance information on our website.						
External assurance will be undertaken by KPMG on the leakage number disclosed in our year end reporting. We will include feedback of KPMG's assurance in the commentary section of our year end reporting for this performance commitment.						

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					✓	
Accuracy	✓	✓	✓	✓		✓
Reliability	✓	✓	✓	✓		✓
Completeness	✓	✓	✓	✓		✓
Transparency	✓	✓	✓	✓	✓	✓
2017/18 assurance activities						
External assurance will be performed by KPMG on our year-end sewer flooding performance number as disclosed in our 2017/18 year end reporting.						
Key controls will be tested and proper functioning to be corroborated by an Internal Audit review.						
There have been a number of data improvements this year which have mainly related to ensuring completeness of data, embedding new policy on classification of flooding incidents and improving training of field staff and Thames Water feedback loop.						
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 water and waste departments.						
We will continue to use feedback from our customers and stakeholders to make it easier to find performance information on our website.						

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	✓	✓	✓	✓	✓	✓
2017/18 assurance activities						
KPMG have performed a detailed review over our methodologies and calculations in 2016/17 and will continue to do so in 2017/18.						
Assumptions made in calculating performance commitments are documented in the methodologies. These have been subject to external review by KPMG as detailed above.						
We 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 reporting.						
We will continue to use feedback from our customers and stakeholders to make it easy for them to find information about our performance.						
The underlying data used for calculating performance commitments will be reviewed by KPMG for our year end reporting.						

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
Accuracy	✓	✓	✓	✓		✓
Reliability	✓	✓	✓	✓		✓
Completeness	✓	✓		✓		✓
Transparency	✓	✓	✓	✓		✓

2017/18 assurance activities

Regular training updates are given to management to ensure that allocation assumptions are consistent and in line with Ofwat guidance. Management assumptions are then formally recorded when they submit allocation information to the central finance team.

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 query any allocations that appear unusual.

Our external assurance provider, KPMG, will carry out a detailed review of cost allocations.

Manual adjustments and calculations are performed by the central finance team. These adjustments are documented within formal templates and reviewed by senior management.

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
Accuracy	✓	✓	✓	✓		✓
Reliability	✓	✓	✓	✓		✓
Completeness	✓	✓	✓	✓		✓
Transparency	✓	✓	✓	✓		✓
2017/18 assurance activities						
External assurance will be obtained from KPMG over our methodologies and calculations.						
We will clearly record and communicate assumptions made in calculating performance commitments; This will be reviewed by senior management.						
We will perform an internal audit of forecasting methodologies.						
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.						

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					✓	
Transparency	✓	✓	✓	✓	✓	✓
2017/18 assurance activities						
Discussions with our customers and stakeholders around 'what' and 'how' we report remains open, and we will continue to review and challenge how we report information to make sure we provide information that is easy to find and understand. We regularly engage with external experts 'Britain Thinks' to seek guidance on how to improve our reporting style.						
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'.						
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.						

7) Water resources and bio resources 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
Accuracy	✓	✓	✓	✓	✓	✓
Reliability	✓	✓	✓	✓	✓	✓
Completeness	✓	✓	✓		✓	✓
Transparency	✓	✓	✓	✓	✓	✓
2017/18 assurance activities						
Water and Waste finance teams have created methodologies explaining how they have determined their figures, any assumptions made and any manual adjustments made. These methodologies are reviewed by our external assurance provider, KPMG.						
Regular training updates to management to ensure that allocation assumptions are consistent and in line with Ofwat guidance. Management assumptions are then formally recorded when they submit allocation information to the central finance team.						
Our external assurance provider, KPMG, will carry out a detailed review of cost allocations.						

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	✓	✓	✓	✓	✓	✓
2017/18 assurance activities						
KPMG will give external assurance of the riskier cost assessment lines whilst other lines are subject to internal assurance. We have applied the same assurance processes for certain cost assessment financial data lines, as was applied to section 4 of the APR (through specific procedures agreed with our external auditor, KPMG). This will also be completed for the year 2017/18.						
We will carry out internal review by peers, managers and senior managers.						
KPMG have performed a detailed review our methodologies and calculations in 2016/17 and will continue to do so in 2017/18.						
Assumptions made in calculating performance commitments are documented in the methodologies. These have been subject to external review by KPMG as detailed above.						
We will include open and clear communication with our customers regarding the inclusion of cost assessment tables within our year end reporting.						

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	✓	✓	✓	✓	✓	✓

2017/18 assurance activities

KPMG will carry out an external review of non household retail reporting.

There will be internal review by peers, managers and senior managers.

KPMG have performed a detailed review over our methodologies and calculations in 2016/17 and will continue to do so in 2017/18.

Assumptions made in calculating non household residual costs are documented in the methodologies. These have been subject to external review by KPMG as detailed above.

10) Communication of identified errors to Ofwat and our customers and stakeholders

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					✓	
Transparency	✓	✓	✓	✓	✓	✓

2017/18 Assurance activities

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.

Discussions with our customers and stakeholders around 'what' and 'how' we report remains open, and we will continue to review and challenge how we report information to make sure we provide information that is easy to find and understand. We regularly engage with external experts 'Britain Thinks' to seek guidance on how to improve our reporting style.

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.

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
Accuracy	✓	✓	✓	✓		✓
Reliability	✓	✓	✓	✓		✓
Completeness	✓	✓	✓	✓		✓

2017/18 assurance activities

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.

Further analysis and review of controls has been incorporated to our year end procedures. This includes additional peer review (in addition to normal review procedures stated above), independent recalculation and additional trend analysis.

12) Consistency of information included between the regulatory accounts 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
Accuracy	✓	✓	✓	✓		✓
Completeness	✓	✓	✓	✓		✓
2017/18 assurance activities						
Further analysis has been 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.						
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 was applied to 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.						

5. Our plans to make information accessible, understandable and fit for purpose

In order to improve our customer and stakeholder experience, we launched our new digital platform and website in 2016/17 to provide the foundation to enrich the look and feel, as well as the content of our website. Improving our website is an ongoing process and below are the activities we are expecting to deliver in 2017/18.

Improving our communication with customers			
Qualities of good reporting	2017/18 Plans		Comments
Accessible	Responsive website design and optimisation	The new digital platform is mobile friendly, more responsive and allows easier change, faster turnaround, better insight, and stronger customer engagement.	In 2017/18 we will continue to improve our website by optimising the capabilities that our new platform brings including data analytics. This will involve reviewing and monitoring performance of how our site meets customer needs in four key strands: information architecture, user experience, content design and look & feel.
		Webform improvements to make them simpler to complete, as well as, capturing relevant data only and ensuring the associated customer journey's and communications are improved.	
	Search engine optimisation	We have restructured a number of the site destinations on our website to ensure they are easier to find for our customers. This is an ongoing plan to improve content and navigation through our website.	
Here for customers	We plan to further improve our performance in terms of response times to communicating incidents that affect our customers and updates across a range of channels from social media to web, text message and voice message. We've also established a customer incident management team who are now deployed when we have events to provide direct face to face communications, help and support to customers.		
Understandable	Having a refreshingly clear look	In December 2016 we began the migration of content to a new digital platform. This included a branding update on our website to our new Thames Water branding. The migration programme will continue throughout 2017/18.	
Fit for Purpose	Improved website functionality	We are migrating Online Account Management customer accounts onto our new digital platform. This will allow us to make improvements to customer experience based on improved information and data analytics.	

We are continuously looking for customer and stakeholder feedback on our website in order to inform decisions that we intend to make going forward.

6. Glossary of regulatory terms

Agreed upon procedures	Specific procedures carried out by an assurance provider, which have been agreed with the company.
Annual Report	A comprehensive report on the company's financial and non-financial activities throughout the preceding year. The Annual Report 2017/18 will include our Statutory and Regulatory accounts.
Appointed business	The appointed business comprises the regulated activities of the Company which are activities necessary in order for the Company to fulfil the function and duties of a water and sewerage undertaker under the Water Industry Act 1991.
Assurance	Provides confidence and a level of certainty about whether that piece of information or data is correct.
Assurance Plans	A plan of the activities we will carry out to provide assurance on the data/information that we publish.
Committed Performance Level ("CPL")	In order to measure our progress against our performance commitments, we agreed committed performance levels with Ofwat for each year of AMP 6. Our committed performance levels are published in our Final Determination.
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.
Cost driver	A cost driver is the factor or factors which cause cost to occur. This can be further divided between the driver that causes an activity to occur, and a driver that determines how often it occurs. Costs may vary in relation to the cost driver over the short or longer term, depending on the nature of cost concerned.
Customer Challenge Group ("CCG")	Independent group of domestic 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.
Final determination ("FD")	The conclusion of discussions on the scale and content of the asset management plan for the forthcoming five-year AMP period. It is accompanied by a determination of the allowable adjustment to wholesale price limits for the forthcoming AMP.

<p>F6A</p>	<p>A statement to confirm that for at least the next 12 months:</p> <ul style="list-style-type: none"> · the company will have available to it: <ul style="list-style-type: none"> - sufficient financial resources and facilities to enable it to carry out the Regulated Activities; and - management resources and systems of planning and internal control which are sufficient to enable it to carry out those functions · 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.
<p>Internal audit</p>	<p>An internal audit of information is carried out by a team who is independent from those who compiled the information, however they are not independent of the company. Internal audit consists of specific procedures that assess the accuracy of information being reported and whether the methodology used is appropriate.</p>
<p>Methodology</p>	<p>A system of processes and procedures for collecting data and calculating our performance commitment measures. Formal methodologies make sure our approach to reporting performance is consistent. They also determine how we calculate the performance commitment, where and how we apply judgement, and where we rely on systems.</p>
<p>Non appointed business</p>	<p>The non-appointed business activities of the Company are activities that are not necessary in order for the Company to fulfil the function and duties of a water and sewerage undertaker under the Water Industry Act 1991.</p>
<p>Performance Commitment (“PC”)</p>	<p>Outcome performance commitments agreed with Ofwat that reflect customers’ views and priorities of service.</p>
<p>Performance commitments</p>	<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>
<p>Price control</p>	<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>
<p>Retail</p>	<p>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.</p>

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. Bazelgette Tunnel Limited (‘BTL’) is an independent company un-related to Thames Water Utilities Limited that was appointed in 2015 to construct the Thames Tideway Tunnel.
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.