



Statement of Risks, Strengths
and Weaknesses
&
Draft Assurance Plans –
2017/18

January 2018 Update

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Foreword

We are committed to providing accurate and transparent reporting on our performance. It is critical to us that our customers are confident that we are monitoring and reporting how well we are delivering our service. Each year we report on how we are performing against the 55 performance commitments we set at the start of this five year regulatory period.

Ofwat, the regulator for the water industry, assesses water companies against the Company Monitoring Framework¹ (“CMF”) on an annual basis and places them in a category of assurance. The categories are:

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

Feedback on our 2016/17 reporting identified two areas where we have not met the standards that Ofwat expects of us in providing confidence to our customers about our ability to deliver, monitor and report performance. Therefore we have been placed in the ‘prescribed’ category, the lowest category of assurance following Ofwat’s review in November 2017.

We are very disappointed with our performance in these areas and we are committed to ensuring our reporting is transparent and accurate to provide trust and confidence on whether the company is achieving its committed level of performance. We also recognise that if commitments are not met, the same level of transparency is required to communicate the reasons for non-accomplishment and what remedial action will be taken.

As a result, we have chosen to publish an updated Statement of Risks, Strengths and Weaknesses (“Statement”) for 2017/18 as the initial phase of improving our reporting to customers. The document that follows contains an updated detailed risk assessment of our reporting risks (page 17) and has been expanded to cover all our external publications (page 35).

¹ <http://www.ofwat.gov.uk/publication/company-monitoring-framework-final-position/>

Ofwat's feedback highlighted the following additional risks for our reporting:

Risk		Risk category						2017/18 comments
		Accessibility	Timeliness	Accuracy	Reliability	Completeness	Transparency	
1	Communication of identified errors to Ofwat and our customers and stakeholders	✓	✓	✓	✓	✓	✓	<p>Our 2016/17 annual performance report included a number of errors which have contributed to our downgrade to 'prescribed' under the company monitoring framework.</p> <p>In 2016/17 we delayed publication of our APR corrections to our website to ensure that we were able to capture all updates in a single publication. Although we believe this aided the transparency of our reporting, we acknowledge that this was not done in a timely manner.</p> <p>We always endeavour to report with no errors, however, where errors are identified in our reporting, we commit to publishing amendments on our website in a timelier manner.</p> <p>For our detailed assurance plan to address this specific risk, please see section 7 of this statement (item 10).</p>
2	Review of automated calculations			✓	✓			<p>A number of the errors identified in our annual performance report for 2016/17 arose from 'follow through' errors included within automated calculations.</p> <p>To mitigate the risk of error in automated calculations going forward, we have incorporated further analysis and review of controls. This includes additional peer review (in addition to normal review procedures), independent recalculation and additional trend analysis.</p> <p>We will continue to have external assurance over all tables in the APR (either through audit, or by specific procedures agreed with our auditors).</p> <p>For our detailed assurance plan to address this specific risk, please see section 7 of this Statement (item 11).</p>

Risk		Risk category						2017/18 comments
		Accessibility	Timeliness	Accuracy	Reliability	Completeness	Transparency	
3	Consistency of information included between the APR and Cost assessment information			✓	✓	✓	✓	<p>We have received feedback from Ofwat that there has been some lack of consistency between our published APR and cost assessment information submitted separately to Ofwat.</p> <p>To improve the consistency of information we have incorporated additional peer reviews (in addition to our normal review procedures) to help identify potential anomalies in information.</p> <p>For the reporting year 2017/18, we will publish our APR along with Cost Assessment information which will further aid comparability and consistency of information.</p> <p>For our detailed assurance plan to address this specific risk, please see section 7 of this Statement (item 12).</p>
4	Outcomes commentary	✓	✓	✓	✓	✓	✓	<p>In our CMF report 2016/17, Ofwat expressed serious concerns with the commentary we published relating to some of the performance commitments that we did not meet, specifically our leakage performance commitment and SOSI.</p> <p>We acknowledge that our commentary surrounding these performance commitments was not as clear or detailed as it could have been.</p> <p>We will endeavour to provide a fuller, more informative explanation of the performance issue, as well as our planned activities and future focus to improve going forward.</p> <p>For our detailed assurance plan to address the reporting risks surrounding our outcomes, please see section 7 of this Statement (items 1, 2 & 3).</p>
5	Timeliness of APR reporting		✓				✓	<p>Our Customer Challenge Group (CCG) has expressed concerns that the separate publication of our Annual Report and APR does not provide sufficient transparency for customers and stakeholders to scrutinise our company performance and financial information. This has been echoed by Ofwat</p>

Risk	Risk category						2017/18 comments
	Accessibility	Timeliness	Accuracy	Reliability	Completeness	Transparency	
							<p>in their CMF report for 2016/17.</p> <p>For 2017/18, we have committed to publish our Annual Report and APR within one single document.</p> <p>For our detailed assurance plan to address the timeliness of our reporting, please see section 7 of this Statement (item 6).</p>

Source: Thames Water

This Statement of Risks, Strengths and Weaknesses is offered for consultation. It is important to us that you have the opportunity to tell us what you think about our reporting and the Statement of Risks, Strengths and Weaknesses and associated Assurance Plans to enable us to focus on what matters to you. Please see page 9 for details of how to respond.

1. About this document



The purpose of this document is to set out and seek views on our proposed Statement of Risks, Strengths and Weaknesses (“Statement”) and Draft Assurance Plans. This document will be used to direct assurance over our regulatory reporting.

The Statement highlights areas of “targeted” risk which we believe are of most interest to our customers and stakeholders. The aim of the Statement is:

- to build upon our knowledge and findings detailed in the 2016/17 statement;
- to evaluate the risks applicable in 2017/18;
- to focus on ways we can improve how we report on our performance to our customers and stakeholders; and
- to continue to develop our Assurance Plans and action plans for the remainder of AMP6, and beyond.

The purpose of our Draft 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.

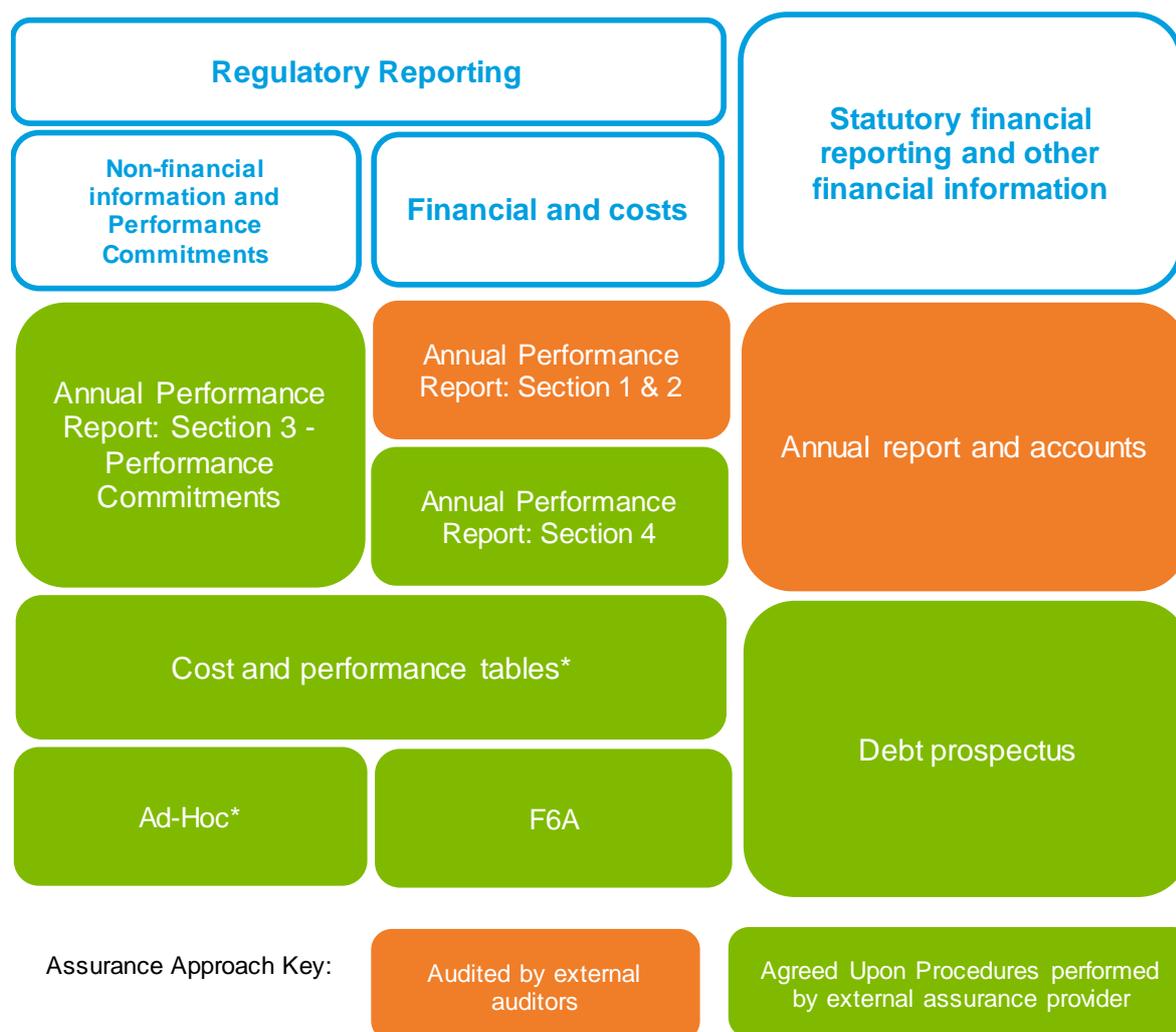
Overall, we commit to doing the following:

- 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 Statement and Draft 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.

Assurance Overview

We obtain external assurance on many of our key publications. This includes both external audits and agreed upon procedures audits. Our external assurance framework remains in place and will continue to be in operation going forwards.

Figure 1: Our External Assurance Framework:



*a risk assessment is carried out to determine whether certain AUP's are performed by internal audit

A further breakdown of our assurance activities over our publications can be found on page 35.

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.

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

2. How to respond

We welcome and encourage feedback from all our customers and stakeholders on the Statement and our Draft Assurance Plans. In particular, we welcome your views on the following questions:

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

Please respond with comments by 28 February to regulatoryreporting@thameswater.co.uk and we will aim to reply within 30 days.



Alternatively, write to us at:
Regulatory Reporting Team,
Thames Water Utilities Limited, 2nd Floor East,
Vastern Road,
Reading,
RG1 8DB.

3. Background

In 2015, Ofwat published the Company Monitoring Framework² (“CMF”) for the regulatory period 2015-20 (“AMP6”). The purpose of the CMF is 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 performance reporting. An additional aim of the CMF is to enhance comparability of information across the sector.

To achieve these goals, we must ensure that the information we provide has each of the qualities shown in figure 2.

Figure 2: Qualities we aim to achieve:



Source: Thames Water

In preparation for AMP6, we engaged with our customers and stakeholders to find answers to the following questions:

- What were their current concerns about the information reported?
- Exactly what information did they want reported?
- How would they use this information and was it detailed enough to be fit for purpose?

This process enabled us to identify 55 Performance Commitments (“PC”). Our APR summarises how we have performed against these targets (Please refer to Table 3A in our APR)³ and provides more detailed information on our regulatory financial performance (sections 1, 2 and 4 of our APR).

² <http://www.ofwat.gov.uk/publication/company-monitoring-framework-final-position/>

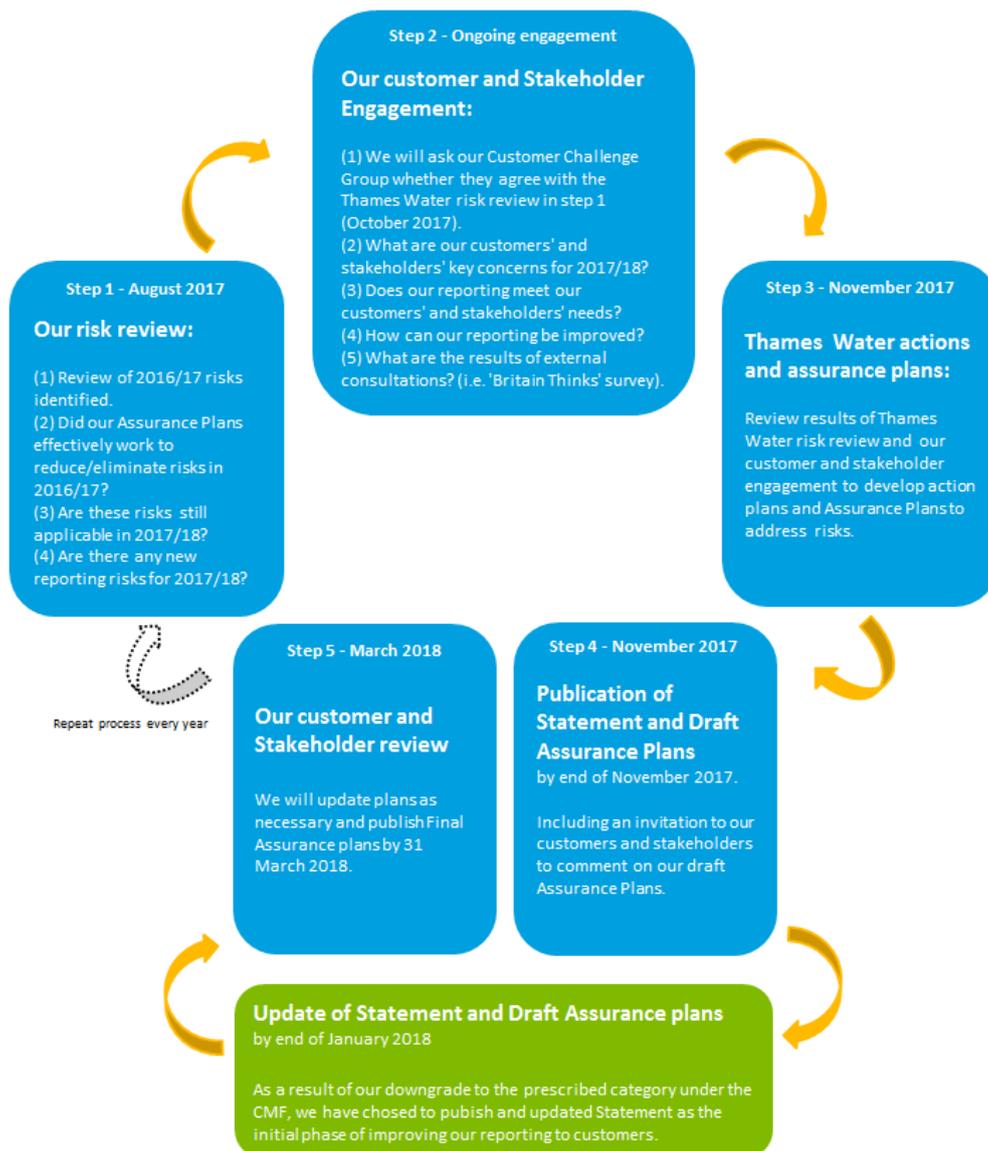
³ <https://www.thameswater.co.uk/ourperformance>

4. Our assurance approach

Our engagement approach

To assess our key risks, strengths and weaknesses, we have adopted the following approach to engage with our customers and stakeholders.

Figure 3: Our engagement approach:



Source: Thames Water

Our approach has allowed us to:

- consider reporting risks identified in 2016/17 and confirm whether our Assurance Plans were successful in reducing those risks to an acceptable level;
- assess our reporting risks for 2017/18; and

- c) update our Assurance Plans to make sure that our information is accurate, reliable and complete (Final Assurance Plans to be published by 31 March 2018).

Results of our engagement process

A 'Britain Thinks' survey undertaken in April 2017 on our Annual Performance Report 2015/16 has helped to identify some key themes that we can use to improve our performance reporting going forward.

5.1 How should information be presented to customers and stakeholders to make it **accessible, understandable** and **fit for purpose**?

Our customer and stakeholder engagement and the results of the 'Britain Thinks' Survey have highlighted a number of recommendations, in particular:

- inclusion of a prominent and attractive link to performance reporting on the customer facing homepage of our website which will improve accessibility to our documents;
- offering a range of ways and depths to view performance data e.g. visual outputs, an overview dashboard, links to detailed information to keep information interesting to our customers and stakeholders; and
- information must be credible e.g. using clear comparisons and delivering all sides of the story to ensure transparency.

We have noted that the information published through our website has not been easily accessible in the past and we have therefore undertaken a digital re-platforming exercise to improve our website. In 2016/17, we launched our new digital platform and website to provide the foundation to enrich the look and feel, as well as the content, to improve our customer and stakeholder experience.

The conversation with our stakeholders remains an open one where we will continue to review and challenge '*what*' and '*how*' we report in order to provide performance information that is easy to understand and navigate, provides transparency and helps to build trust and confidence.

5.2 How do we ensure that this information is **accurate, reliable** and **complete**?

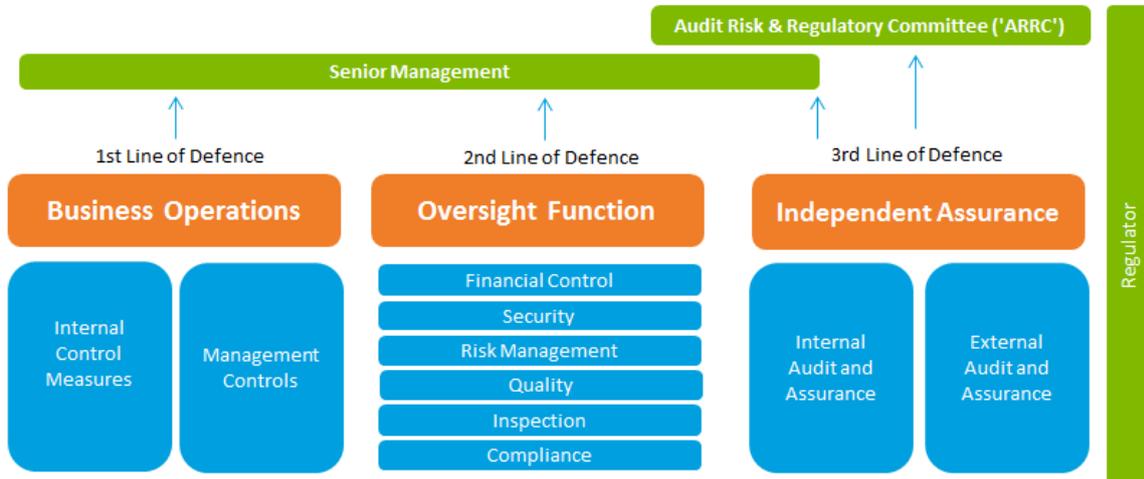
Accurate and reliable information that is complete and easy to understand is an essential part of building trust and confidence in our performance reporting.

Our process for reporting on our performance in AMP6 allows us to monitor and evaluate information to make sure that we are achieving high standards of quality.

Overall assurance approach

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.

Figure 4: Our assurance approach

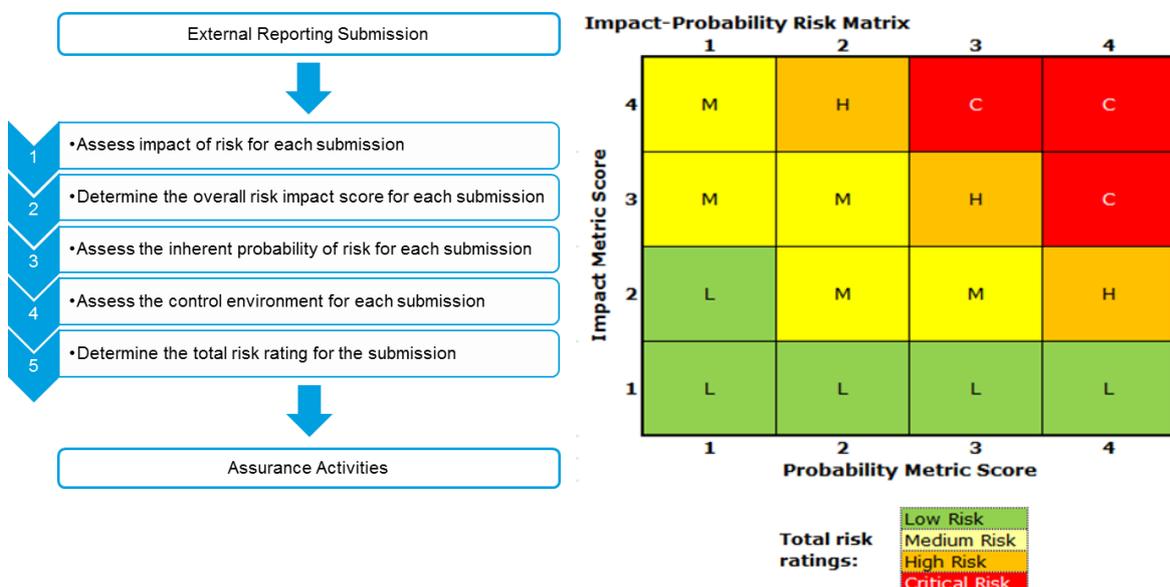


- 1 Operational managers own and manage risks. They are also responsible for putting in place actions to deal with process and control deficiencies.
- 2 Management establishes various functions, including risk management and keeping to legislation, regulation and policies, to help build and monitor the first line-of-defence controls.
- 3 Auditors provide the governing body and senior management with assurance based on independence and objectivity

Source: Thames Water

Section 6 of this report (Draft Assurance Plans) explains specific assurance activities within our three lines of defence in more detail. We have used the Ofgem Data Assurance Guidance (DAG) to inform our decision making. Each submission is risk assessed and scored on an impact-probability matrix. A higher total risk score drives higher levels of assurance, with key areas of risk driving detailed scope.

Figure 5: Our risk assessment



5. Risks, Strengths and Weaknesses

Summary of Risks

The result of our engagement with our customers and stakeholders and our internal risk review process is a list of the key ('targeted') areas of risk that arise in reporting performance information, (shown in Table 1).

Table 2 highlights the additional reporting risks identified arising from the feedback we received from the Ofwat's Company Monitoring Framework report (published in November 2017).

Table 1: Targeted risk areas

The '✓'s in the table show the areas that we consider to have the greatest underlying risks.

Risk	Risk category						2017/18 comments
	Accessibility	Timeliness	Accuracy	Reliability	Completeness	Transparency	
1 Leakage performance reporting	✓	✓	✓	✓	✓	✓	<p>Our mitigation activities detailed in our Draft Assurance Plans are deemed to reasonably reduce the reporting risk surrounding leakage performance. We have noted that further development is required to continue to involve and educate customers and stakeholders; we feel that this relates to reporting on all of our complex performance commitments generally.</p> <p>Having missed our leakage target for the first time in 11 years in 2016/17, we understand that there is an increased focus around the reporting of our performance.</p> <p>As leakage is of high importance to our customers and stakeholders, we have concluded that this item should remain as a 'targeted risk' to ensure that we continually seek to improve our reporting and engage with our customers frequently to make sure that we are meeting their needs.</p>
2 Sewer flooding performance reporting	✓	✓	✓	✓	✓	✓	<p>Having missed our sewer flooding target in recent years, we understand that there is an increased focus around reporting of our performance. Therefore, due to the nature of the risk, this remains as a 'targeted' risk for 2017/18.</p>

Risk		Risk category						2017/18 comments
		Accessibility	Timeliness	Accuracy	Reliability	Completeness	Transparency	
3	Complex Performance Commitment reporting	✓	✓	✓	✓	✓	✓	Timeliness of PC reporting is important for our customers and stakeholders. We will therefore keep this item within the 'targeted risks' table for 2017/18, and will continue to engage with our customers and stakeholders about this topic, during the initial stakeholder engagement phase.
4	Cost Allocation*			✓	✓	✓	✓	Due to ongoing developments of reporting requirements and that any potential misallocation of costs would have significant impact on information reported in general, our conclusion is to keep this as a risk in 2017/18.
5	Forecasting accuracy risk (new Ofwat guideline to provide a forecast of the end of AMP6 value and reward/ penalty for each PC, as part of our Annual Performance Report)			✓	✓	✓	✓	<p>We have noted during completion of our Draft Assurance Plans that where the target measure is set for the end of the AMP period (that is, 2020), it may not be possible to assess the measure accurately (and it may be out of context) part way through the AMP.</p> <p>Given that we are currently in the third year of the AMP period, we are not required to forecast the end of AMP6 where there is uncertainty and amounts cannot be reliably estimated. Therefore, we do not consider forecasting accuracy risk to be of particular concern during 2017/18 however, we note that this will gain prominence the closer we get to the end of AMP 6.</p> <p>We have therefore kept this item as a risk for 2017/18.</p>
6	Risk that our reporting is not accessible, timely or transparent	✓	✓				✓	<p>In 2016/17, we launched our new customer-facing website. The improvements to the website included new branding, more accessible links and an improved layout.</p> <p>We are continuously looking for ways to improve our website through our customer and stakeholder engagement and therefore this remains as an ongoing 'targeted' risk.</p>
7	Water Resources and Bio Resources performance reporting			✓	✓	✓	✓	In 2016/17, new reporting requirements were introduced for Water Resources and Bio Resources in anticipation of these being new price controls in AMP7.

Risk		Risk category						2017/18 comments
		Accessibility	Timeliness	Accuracy	Reliability	Completeness	Transparency	
								<p>Due to the new reporting requirements we believe there is increased risk surrounding the following:</p> <ol style="list-style-type: none"> 1) Heightened risk of misallocation of costs between price controls 2) Potential for misinterpretation of regulatory accounting guidelines 3) Comparison to the Final Determination 2014 ("FD14") will become more complex as it will require disaggregation of information where there are new price controls not in the FD. This could make it more difficult to nearly explain performance in the future.
8	Cost assessment tables	✓	✓			✓		<p>Ofwat have confirmed that companies must externally publish the cost assessment tables for the year ending March 2018 to assist their work on PR19.</p> <p>The cost assessment tables are complex in nature and therefore detailed narratives will be essential to make sure that the information reported is customer led and transparent.</p> <p>2017/18 is the first year we will be reporting in this way and therefore this is a new 'targeted' risk for this year.</p>
9	Non-household retail reporting				✓	✓	✓	<p>In 2016/17 we announced the sale of our non-household business to Castle Water on 1 April 2017. During 2017/18, we will still be reporting some residual non-household costs within our reports.</p> <p>We will maintain honest and open communications with our customers and stakeholders to ensure the residual non-household costs are disclosed clearly.</p> <p>This is a new 'targeted' risk in 2017/18, following the completion of the sale of our NHH business.</p>

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

Source: Thames Water

Table 2: Additional risk areas

The '✓'s in the table show the areas that we consider to have the greatest underlying risks.

Risk		Risk category						2017/18 comments
		Accessibility	Timeliness	Accuracy	Reliability	Completeness	Transparency	
1	Communication of identified errors to Ofwat and our customers and stakeholders	✓	✓	✓	✓	✓	✓	<p>Our 2016/17 annual performance report included a number of errors which have contributed to our downgrade to 'prescribed' under the company monitoring framework.</p> <p>In 2016/17 we delayed publication of our APR corrections to our website to ensure that we were able to capture all updates in a single publication. Although we believe this aided the transparency of our reporting, we acknowledge that this was not done in a timely manner.</p> <p>We always endeavour to report with no errors, however, where errors are identified in our reporting, we commit to publishing amendments on our website in a timelier manner.</p> <p>For our detailed assurance plan to address this specific risk, please see section 7 of this statement (item 10).</p>
2	Review of automated calculations			✓	✓			<p>A number of the errors identified in our annual performance report for 2016/17 arose from 'follow through' errors included within automated calculations.</p> <p>To mitigate the risk of error in automated calculations going forward, we have incorporated further analysis and review of controls. This includes additional peer review (in addition to normal review procedures), independent recalculation and additional trend analysis.</p> <p>We will continue to have external assurance over all tables in the APR (either through audit, or by specific procedures agreed with our auditors).</p> <p>For our detailed assurance plan to address</p>

Risk		Risk category						2017/18 comments
		Accessibility	Timeliness	Accuracy	Reliability	Completeness	Transparency	
								this specific risk, please see section 7 of this Statement (item 11).
3	Consistency of information included between the APR and Cost assessment information			✓	✓	✓	✓	<p>We have received feedback from Ofwat that there has been some lack of consistency between our published APR and cost assessment information submitted separately to Ofwat.</p> <p>To improve the consistency of information we have incorporated additional peer reviews (in addition to our normal review procedures) to help identify potential anomalies in information.</p> <p>For the reporting year 2017/18, we will publish our APR along with Cost Assessment information which will further aid comparability and consistency of information.</p> <p>For our detailed assurance plan to address this specific risk, please see section 7 of this Statement (item 12).</p>
4	Outcomes commentary	✓	✓	✓	✓	✓	✓	<p>In our CMF report 2016/17, Ofwat expressed serious concerns with the commentary we published relating to some of the performance commitments that we did not meet, specifically our leakage performance commitment and SOSI.</p> <p>We acknowledge that our commentary surrounding these performance commitments was not as clear or detailed as it could have been.</p> <p>We will endeavour to provide a fuller, more informative explanation of the performance issue, as well as our planned activities and future focus to improve going forward.</p> <p>For our detailed assurance plan to address the reporting risks surrounding our outcomes, please see section 7 of this Statement (items 1, 2 & 3).</p>
5	Timeliness of APR reporting		✓				✓	Our Customer Challenge Group (CCG) has expressed concerns that the separate publication of our Annual Report and APR does not provide sufficient transparency for

Risk	Risk category						2017/18 comments
	Accessibility	Timeliness	Accuracy	Reliability	Completeness	Transparency	
							<p>customers and stakeholders to scrutinise our company performance and financial information. This has been echoed by Ofwat in their CMF report for 2016/17.</p> <p>For 2017/18, we have committed to publish our Annual Report and APR within one single document.</p> <p>For our detailed assurance plan to address the timeliness of our reporting, please see section 7 of this Statement (item 6).</p>

Source: Thames Water

6. Draft assurance plans

The following table provides further details of our three lines of defence mentioned on page 13.

Table 3: 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 Customer Challenge Group 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 an external assurance provider	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 an independent third party	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

7. 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 section 5.

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 continue to promote and share our leakage information and 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 APR where we have failed to meet our target and what actions we are taking.						
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 easy to find performance information on our website.						
External assurance is undertaken on the leakage number disclosed in our APR. We will include feedback of our external assurance in the commentary section of our APR relating to 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 is performed on our year-end sewer flooding performance number as disclosed in the APR.

Key controls tested and functioning as corroborated by green Internal Audit report.

There have been a number of data improvements this year which have mainly been in relation 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 have been included, for example, additional rainfall analysis from modelling team for incidents with outstanding field investigations and Opco peer review sessions.

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.						
Continue to use feedback from our customers and stakeholders to make it easy for them to find information about our performance.						
Review of the underlying data used for calculating performance commitments will be reviewed by KPMG through the APR audit of 2017/18.						

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 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.

External assurance provider to 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 of our methodologies and calculations.

Clearly record and communicate assumptions made in calculating performance commitments, which will be reviewed by senior management.

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

Finance teams have created methodologies explaining how they have determined their figures, any assumptions made and any manual adjustments made.

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.

External assurance provider to 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

We 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 APR (through specific procedures agreed with our external auditor, KPMG). This will also be completed for the year 2017/18.

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.

Open and clear communication with our customers around the inclusion of cost assessment tables within the APR.

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

Carry out an external review of NHH reporting.

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 auditor 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 APR 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.						
We 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 APR (through specific procedures agreed with our external auditor, KPMG). This will also be completed for the year 2017/18.						

8. Our plans to make our 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.

9. Our assurance over external publications

The following table shows our external publications along with the current assurance applied based on our three lines of defence model discussed in section 6. The assurance approach for each publication is reviewed on an annual basis, or as required and takes into account current conditions, including the CMF status (now prescribed).

Table 4: Our assurance over external publications:

External Publications	Our Assurance									
	First Line of Defence				Second Line of Defence			Third Line of Defence		
	Internal data accuracy check	Benchmarking	Internal Review	Executive & Senior manager review	Customer & Stakeholder involvement	Self-Certification	Risk management process	External assurance	Internal audit review	External audit opinion
Annual Performance Report Section 1 & 2	✓	✓	✓	✓		✓	✓		✓	✓
Annual Performance Report Section 3 & 4	✓	✓	✓	✓		✓	✓	✓	✓	
Cost Assessment Tables	✓		✓	✓		✓	✓	✓	✓	
APR electronic tables	✓		✓	✓		✓	✓	✓	✓	
Consultations relating to APR/cost assessment	✓		✓	✓						
Data Assurance Summary	✓	✓	✓	✓		✓	✓	✓	✓	
Risk & Compliance Statement	✓	✓	✓	✓		✓	✓	✓	✓	
Accounting Methodology Statement	✓	✓	✓	✓		✓	✓	✓		
Statement of risks, strengths and weaknesses and assurance plans	✓	✓	✓	✓	✓	✓	✓		✓	
Assurance Plan (Final)	✓	✓	✓	✓	✓	✓	✓		✓	
Year End Financial Statements	✓	✓	✓	✓		✓	✓		✓	✓
Interim financial statements	✓	✓	✓	✓		✓	✓	✓	✓	✓
Debt prospectus	✓		✓	✓			✓	✓		
PR19	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Shadow Reporting	✓		✓	✓			✓	✓		
Bioresources Market Information	✓		✓	✓			✓		✓	
Charges Scheme	✓		✓	✓	✓				✓	
Casework (information to Ofw as required) *	✓		✓							

* ad hoc requirements - therefore assurance is determined on a case by case basis