



Reporting on our performance: Final Assurance Plans – 2016/17

16 March 2017

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1 Purpose

The purpose of our Assurance Plans is to give customers and others with an interest in our business (stakeholders) trust and confidence in how we report on our performance. Specifically, this document provides assurance 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.

2 Assurance approach

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

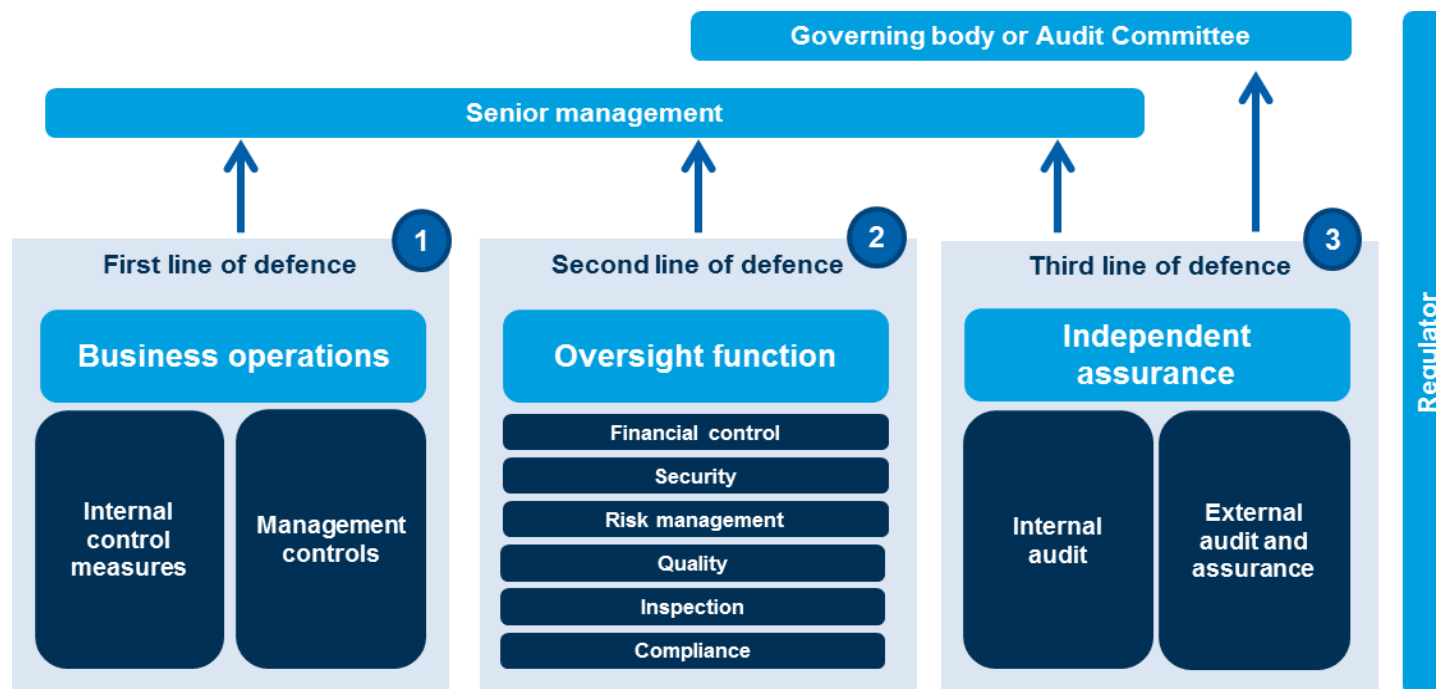
Our Board is accountable for the quality and transparency of information we publish on our performance.

Our AMP6 Outcomes Reporting Policy (see note 1 below) sets out our policy for reporting our performance against the delivery of our AMP6 outcomes, including the assurance work we will carry out. These are set out in table 3A of our APR. This policy reduces the risk to customers and stakeholders of inaccurate or misleading reporting on our performance. It places the responsibility firmly on us to make sure our customers can trust and have confidence in the information we publish.

Our process for reporting on our performance in AMP6 allows us to monitor and evaluate the various aspects of our performance to make sure that we are meeting standards of quality. Our approach to assurance (figure 1) consists of three lines of defence which provide continuous and reliable assurance on the way we report outcomes and allows us to effectively manage important risks.

¹ [AMP6 Outcomes Reporting Policy - March 2015](#)

Figure 1: Our approach to assurance



- 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.

For a description of the nature and extent of our assurance activities, please see figure 2.

As part of our assurance process and in line with Ofwat guidance we are committed to the following:

- We will prepare and publish a Statement of Risks, Strengths and Weaknesses each year, which includes the results of customer and stakeholder consultation and our risk-monitoring framework.
- We will publish draft Assurance Plans and:
 - consult with customers and stakeholders;
 - respond appropriately to comments; and
 - demonstrate that we have adequately identified any areas of concern as part of our risks, strengths and weaknesses exercise.
- We will publish Assurance Plans each year, dealing with the risks identified in the Statement of Risks, Strengths and Weaknesses.
- We will publish, at least once a year, an update on how we are delivering the plans and make available a summary of the outcome of assurance work we have carried out.
- We will review our Statement of Risks, Strengths and Weaknesses at least every year and make sure this review includes open, honest and regular involvement with customers and stakeholders.
- We will update our Assurance Plans so that we deal with any new or changing risks identified through AMP6.

Figure 2: Assurance activity

	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.
	Internal review	Line manager's review of methodology, report, calculation, commentary explaining the results in more detail and information to be published 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 story being told in the commentary and are accurate by comparing with previous 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.

Figure 2: Assurance activity continued

	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	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 every quarter (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.

Figure 2: Assurance activity continued

	Assurance activity	Description	Example of activity
Third line of defence	External assurance – ‘agreed upon procedures’ (AUPs)	Specific procedures carried out by an auditor	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	Full audit	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 issued by Ofwat.

3 Statement of Risks, Strengths and Weaknesses

You can find the [Statement of Risks, Strengths and Weaknesses](#) (Statement) on our website. It sets out:

- how we involved our customers and stakeholders;
- how we have responded to risks identified in 2016/17; and
- the main risks associated with reporting on our performance and any strengths that reduce these risks or any weaknesses.

3.1 Involving customers and stakeholders

We involved our stakeholders to make sure the way we report our performance meets their needs, and responded to any concerns they have.

To report in the best way for our stakeholders, we identified two tasks:

1. **What** we should be reporting, helped directly by what stakeholders feel is important.
2. **How** we should be presenting this information to make it accessible to stakeholders. Ofwat (the body that regulates the water industry) have issued some guidance which provides a general framework for our annual performance reporting. It is up to us to decide how best to reflect stakeholders' needs within this reporting framework.

3.2 Risks, strengths and weaknesses

We have a number of strengths and internal controls that help reduce areas of risk around our performance reporting.

If residual risks and weaknesses remain, we have developed targeted assurance as set out in our Assurance Plans (section 5) to give stakeholders confidence that we are looking at these areas thoroughly and appropriately.

We have given 'specific assurance' plans to each residual risk and weakness we identified in the Statement of Risks, Strengths and Weaknesses.

4 Our commitment to stakeholders

You can trust and have confidence in the information we report

We will do the following:

- Report accurate, reliable information and, where we identify any issues, we will:
 - deal with the issue in a timely way;
 - involve customers and stakeholders; and
 - review our risks and Assurance Plans regularly and make sure they reduce the effects of any areas of concern.
- If we are at risk of failing to meet our performance commitment, we will:
 - be open about the issue;
 - give customers and stakeholders a clear explanation of the issue; and
 - explain how we will deal with the issue.

5 Assurance Plans

Our Assurance Plans (below) set out the core assurance activities and the targeted assurance activities as detailed in the 2015/16 Assurance Plans. We have allocated a red, amber or green rating to these targeted assurance activities and provided details within the evidence section, along with a conclusion for 2016/17.

Where targeted reporting risks remain in our Statement of Risks, Strengths and Weaknesses, we have assessed the additional assurance.

Risk category

For the purpose of these plans, risk is defined as follows:

Risk occurs when published information does not meet the following criteria:

- Customer-led: we have collected feedback and views to report in the best way for our customers and stakeholders
- Accurate: recorded information reflects underlying data so that it is fit for its intended use
- Accessible: appropriate communication channels have been used to meet the needs and preferences of customers and stakeholders
- Timely: customers and stakeholders get the right information at the right time
- Reliable: information is consistent and trustworthy
- Complete: information is comprehensive enough to be fit for its intended use
- Transparent: information is not misleading or biased and allows customers to make informed decisions

5.1 Targeted Risks remaining in 2016/17 (first identified in 2015/16)

Reporting on our Leakage Performance

Risk that information about our performance commitment (see the glossary for an explanation of performance commitments) on leakage is inaccurate, unreliable and not communicated openly.

This risk is driven by:

- how complex the leakage calculation is;
- use of judgement, for example decisions based on weather predictions; and
- manual inputs and complex system interfaces (data passing between computer systems).

These factors increase the risk of the information being inaccurately reported.

(Customer priority)

Core assurance activities							2016/17 Conclusion
Risk category	Check on quality of information	Internal review	Executive and senior manager review	Oversight functions	Customer and stakeholder involvement	External assurance	
Accessibility					✓		Our mitigation activities as detailed in our Assurance Plans are deemed to reasonably reduce the reporting risk surrounding leakage performance.
Accuracy	✓	✓	✓	✓		✓	
Reliability	✓	✓	✓	✓		✓	
Completeness	✓	✓	✓	✓		✓	
Transparency	✓	✓	✓	✓	✓	✓	
Specific assurance activities proposed in Assurance plan 2015/16						Activity included in Assurance Plans 2016/17	
Activity	Progress	Evidence					
Continue to involve and educate customers and stakeholders	●	We are committed to informing our customers and stakeholders through a comprehensive education programme and our dedicated 'bursts and leaks' section of the website. As noted by the CCG, our education programmes are focussed on children's education and therefore we feel that more progress is required to deliver a broader education programme.				Yes	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. As leakage is of high importance to our customers we have concluded that this item should remain as an ongoing 'targeted risk' to ensure that we continually seek to improve our reporting and engage with our customers frequently to check that we are meeting their needs.
Our Outcomes Reporting Policy (published March 2015 on our website) sets out our policy for reporting performance against our AMP6 outcomes	●	Our Outcomes Reporting Policy details how we will report on our performance during the five years to 2020. We are committed to adopting the principles documented within, for all reports and publications produced during AMP6.				Yes	
Further internal audits in 2016 to review action taken and to review the process for reporting the measure	●	During 2016/17, we undertook a detailed risk assessment at OpCo level to review our leakage performance reporting. This risk assessment allowed us to refine our methodologies and enhance the quality of our data going forward.				Yes	
Continue to get feedback by consulting customers and stakeholders and use that feedback to make it easier for them to find information on our performance	●	We have regular communication with our CCG and also engage with customers through online surveys, questionnaires, workshops and deep dive events.				Yes	
Residual Risks and Weaknesses: Customers and stakeholders can misinterpret published results due to lack of clarity Customer and stakeholder accessibility - make it easier for customer and stakeholders to find performance information on our website							For 2016/17 we have continued to perform the ongoing specific assurance activities detailed above with the aim to improve our customer engagement and education further.

Reporting on our sewer flooding performance

Risk that information about our performance on sewer flooding (Customer priority) is incomplete, inaccurate or unreliable due to:

- reliability of data recorded at the sites; and
- complex system interfaces.

Risk that customers and contractual partners do not understand the different types of flooding and how they relate to our performance commitments.

Risk of incomplete information in our sewer flooding history database.

Core assurance activities							2016/17 Conclusion
Risk category	Check on quality of information	Internal review	Executive and senior manager review	Oversight functions	Customer and stakeholder involvement	External assurance	
Accessibility					✓		Our mitigation activities as detailed in our assurance plans are deemed to reasonably reduce the reporting risk surrounding sewer flooding performance.
Accuracy	✓	✓	✓	✓		✓	
Reliability	✓	✓	✓	✓		✓	
Completeness	✓	✓	✓	✓		✓	
Transparency	✓	✓	✓	✓	✓	✓	
Specific assurance activities proposed in Assurance plan 2015/16						Activity included in Assurance Plans 2016/17	
Activity	Progress	Evidence					
Our Outcomes Reporting Policy sets out our policy for reporting performance against our AMP6 outcomes	●	Our Outcomes Reporting Policy details how we will report on our performance during the five years to 2020. We are committed to adopting the principles documented within, for all reports and publications produced during AMP6.				Yes	In 2015/16 a deep dive exercise highlighted issues regarding the completeness of sewer flooding data. In response to this we have further strengthened our controls, including checking all new records in our job- management system daily and carrying out a monthly review of all new additions to our sewer flooding history database. We are also working to develop and put in place a sustainable longer-term package of staff, process and system changes to deliver accurate and complete sewer flooding information through 'business as usual' processes, combined with improved levels of information controls.
Continue to involve and educate customers and stakeholders	●	We are committed to informing our customers and stakeholders through a comprehensive education programme. As noted by the CCG, our education programmes are focussed on children's education and therefore we feel that more progress is required to deliver a broader education programme.				Yes	
Continue to use feedback from customers and stakeholders to make it easy to find performance information on our website	●	We have regular communication with our CCG and also engage with customers through online surveys, questionnaires, workshops and deep dive events.				Yes	
Further internal audits in 2015/16 to review action taken and further review the process for reporting the measure	●	We have completed our internal review of the 15,599 records which were potentially affected and identified 2,365 incidents which were potentially due a GSS payment and 1,775 additional internal SFOC incidents which would have been reportable under AMP5 guidance.				Internal review completed in 2015/16.	Due to completeness findings detailed above, and significance within customer priorities, conclusion is to keep item within the 'targeted risks' table in 2016/17 .
We have strengthened our controls in the short term, including checking all new records in our job- management system daily and carrying out a monthly review of all new additions to our sewer flooding history database	●	From our findings, we have made a total of 1,795 GSS payments to the value of £736,570 and also made a payment of £210,328 to our Trust Fund to reflect those 295 customers who could not be located. To prevent this issue from recurring in future we have adopted the following:					
We are now working to develop and put in place a sustainable longer-term package of staff, process and system changes to deliver accurate and complete sewer flooding information through 'business as usual' processes, combined with improved levels of information controls	●	1) Added in two additional layers of verification checks 2) Re-trained over 550 employees to date (the vast majority, with the residual due to sickness or holiday) 3) Completed our first iteration of the Compliance Manual which captures existing controls and drives a programme of continuous improvement in flooding data. 4) System fixes are underway with system replacement due in the Summer of 2017.				Long term and new ongoing assurance activities included in 2016/17 Assurance Plans.	
Residual Risks and Weaknesses: Customers and stakeholders can misinterpret published results due to lack of clarity Customer and stakeholder accessibility - make it easier for customers and stakeholders to find performance information on our website System residual risks remain until full system replacement takes place in 2017							For 2016/17 we have continued to perform the ongoing specific assurance activities detailed above with the aim to progress our amber activities to green.

Reporting on other complex performance commitments

As part of the 2014 Price Review we carried out extensive customer consultation, which resulted in our eight outcomes and 55 performance commitments. 'Complexity' can relate to the number of steps or system interfaces that source data has to go through before it is reported as a performance commitment, or the level of judgement used during that process. There is a risk that complexity will lead to inaccurate, unreliable and incomplete information. (See Appendix 1 on page 24 for a table of performance commitments which are considered complex.)

Core assurance activities							2016/17 Conclusion
Risk category	Check on quality of information	Internal review	Executive and senior manager review	Oversight functions	Customer and stakeholder involvement	External assurance	Our mitigation activities as detailed in our assurance plans are deemed to reasonably reduce the reporting risk surrounding other complex performance commitments. We have noted during completion of our assurance plans that timeliness of PC reporting is significant for customers and stakeholders; We will therefore keep this item within the 'targeted risks' table for 2016/17 in order to seek consultation during initial stakeholder engagement phase.
Accessibility					✓		
Timeliness					✓		
Accuracy	✓	✓	✓	✓		✓	
Reliability	✓	✓	✓	✓		✓	
Completeness	✓	✓	✓			✓	
Transparency	✓	✓	✓	✓	✓	✓	
Specific assurance activities proposed in Assurance plan 2015/16						Activity included in Assurance Plans 2016/17	For 2016/17 we have continued to perform the ongoing specific assurance activities detailed above and are investigating how we can improve the timeliness and accessibility of PC reporting.
Activity	Progress	Evidence					
Carry out an external review of methodologies and calculations	●	KPMG have performed a review over our methodologies and calculations in 2015/16 .				Yes	
Clearly record and communicate assumptions made in calculating performance commitments	●	Assumptions made in calculating performance commitments are documented in the methodologies. These have been subject to external review by KPMG as detailed above.				Yes	
Put in place controls following review of existing risks and processes	●	During 2015/16, we undertook a detailed risk assessment at OpCo levels to review our performance commitment reporting. This risk assessment allowed us to refine our methodologies and enhance the quality of our data going forward.				Detailed risk assessment completed in 2015/16	
Train those who prepare and review information	●						
Further internal audits in 2016 to review action taken and the process for reporting the measures	●						
Continue to use feedback from customers and stakeholders to make it easy for them to find information about our performance	●	We have regular communication with our CCG and also engage with customers through online surveys, questionnaires, workshops and deep dive events.				Yes	
Carry out an external review of underlying data quality in source systems and controls	●	Review of the underlying data used for calculating performance commitments was reviewed by KPMG through the APR audit of 2015/16.				Yes	
Residual Risks and Weaknesses: Residual risks remain surrounding the timeliness and accessibility of PC reporting to customers and stakeholders							

Allocation of Costs

Risk of misallocation of costs between price controls – wholesale water, wholesale waste, retail household and retail non-household.

Not keeping to the Competition Act and Regulatory Accounting Guidelines.

Lack of comparison with final determination (see the glossary) due to revenue, operating and capital spending being allocated incorrectly or judgement required on the allocation method applied.

Core assurance activities							2016/17 Conclusion
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	✓	✓	✓	✓		✓	
Specific assurance activities proposed in Assurance plan 2015/16						Activity included in Assurance Plans 2016/17	Our mitigation activities as detailed in our assurance plans are deemed to reasonably reduce the reporting risk surrounding allocation of costs for accuracy, reliability and completeness. Due to ongoing developments of reporting requirements and that any potential misallocation of costs would have significant impact on information reported in general, conclusion is that this is kept as a risk in 2016/17.
Activity	Progress	Evidence					
Continue to monitor and benchmark quarterly (once every three months)	●	We have put policies in place to complete Quarterly FD monitoring and annual benchmarking against other companies in the Water industry. Quarterly benchmarking of our internal performance (year on year analysis) is being developed through our work with operating companies detailed below.				Yes	
Clearly record and communicate assumptions made when allocating costs	●	We deliver 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.				Yes	
Regularly review and update judgements	●	At least annually, we 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.				Yes	
External assurance provider carries out a detailed review in 2015/16 of cost allocations	●	Our cost allocations have been reviewed by KPMG in 2016.				Yes	
Clearly record manual adjustments and calculations	●	Manual adjustments and calculations are performed by the central finance team. These adjustments are documented within formal templates and reviewed by senior management.				Yes	
Work with operating companies, and review by operating companies	●	We are developing robust systems to improve the way that we report internally, which will enable higher quality review and variance analysis.				Yes	
Residual Risks and Weaknesses: Judgement involved in allocating costs, particularly indirect overheads across operating companies, which has complicated the review of opco performance. Manual inputs outside of automated processes							For 2016/17 we have continued to perform the ongoing specific assurance activities detailed above and in particular the development of robust systems to improve internal reporting.

Forecasting accuracy risk

Risk of inaccurate, unreliable and incomplete forecast performance information which could mislead customers and stakeholders during the AMP due to complex performance commitments, judgements involved, new disclosure requirements and future events outside our control. 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.

Core assurance activities							2016/17 Conclusion	
Risk category	Check on quality of information	Internal review	Executive and senior manager review	Oversight functions	Customer and stakeholder involvement	External assurance		
Accuracy	✓	✓	✓	✓		✓	Our mitigation activities as detailed in our assurance plans are deemed to reasonably reduce the reporting risk surrounding forecasting accuracy risk.	
Reliability	✓	✓	✓	✓		✓		
Completeness	✓	✓	✓	✓		✓		
Transparency	✓	✓	✓	✓		✓		
Specific assurance activities proposed in Assurance plan 2015/16							Activity included in Assurance Plans 2016/17	
Activity	Progress	Evidence						
Carry out an external review of methodologies and calculations	●	To date, we have not included forecasting information within our methodology statements because we are currently only in the 2nd year of AMP6 and therefore forecasted information is not required by Ofwat.				Yes	We have noted during completion of our 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. Given that we are currently in the second year of the AMP period, we are not required to forecast the end of AMP6 value and reward/penalty for each PC and therefore, do not consider forecasting accuracy risk to be of particular concern during 2016/17 however, we note that this will gain prominence the closer we get to the end of AMP 6. We have therefore kept this item as a risk in 2016/17.	
Clearly record and communicate assumptions made in calculating performance commitments	●	Our calculations and assumptions of in period performance commitments have been reviewed through agreed upon procedures with KPMG and are clearly documented within our methodology statements.						
Internal audit of forecasting methodologies	●	Leading into year 3 of AMP6, we will be using our knowledge of the performance commitments to further develop our methodology statements to include forecast information.						
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 are committed to being refreshingly clear, open and honest with our customers and stakeholders. Going forward, we acknowledge that we must develop our understanding of reporting our performance commitments, to ensure that information is communicated effectively to customers and stakeholders.				Yes		
Residual Risks and Weaknesses: Judgement involved when forecasting and making assumptions Events outside of our control							For 2016/17 we have continued to perform the ongoing specific assurance activities detailed above with the aim to progress our amber activities to green.	

Risk that reporting is not accessible, transparent or timely

Risk of failure to report information at the right time and in the right way to customers and stakeholders. Risk that the format and presentation of our performance information is unclear, inaccessible and difficult to understand. There is a further risk that we fail to communicate clearly and tell customers about our performance, which could result in action by our regulator, dissatisfied customers and a failure to uphold our reporting commitments made in our AMP6 Business Plan and Outcomes Reporting Policy. There is also a risk that the performance results we report are not consistent or are out of context, and as a result could mislead and dissatisfy customers, as well as a risk that we are not following industry 'best practice'.

Core assurance activities							2016/17 Conclusion
Risk category	Check on quality of information	Internal review	Executive and senior manager review	Oversight functions	Customer and stakeholder involvement	External assurance	
Accessibility					✓		Our mitigation activities as detailed in our assurance plans are deemed to reasonably reduce the risk that reporting is not accessible, clear, transparent or timely and does not reflect context.
Timeliness					✓		
Transparency	✓	✓	✓	✓	✓	✓	
Specific assurance activities proposed in Assurance plan 2015/16						Activity included in Assurance Plans 2016/17	
Activity	Progress	Evidence					
Continue to involve and listen to our customers and respond to their needs	●	We have regular communication with our CCG and also engage with customers through online surveys, questionnaires, workshops and deep dive events.				Yes	<p>During 2016/17 we have engaged with external experts to seek guidance on how to improve our reporting style.</p> <p>We have concluded that this item should remain as an ongoing 'targeted risk' to ensure that we continually seek to improve our reporting and engage with our customers frequently to check that we are meeting their needs.</p>
Continue to educate customers and stakeholders	●	We are committed to informing our customers and stakeholders through a comprehensive education programme and our CSR section of the website. As noted by the CCG, our education programmes are focussed on children's education and therefore we feel that more progress is required to deliver a broader education programme.				Yes	
Customer experience -- our digital team will work on the best methods to communicate with customers	●	Our digital replatforming team have developed a new platform for all customer facing websites which went live in Autumn 2016. These developments will significantly improve customer accessibility and facilitate further improvement of the information we communicate going forward. Please see Appendix 4 of the Statement of Risks, Strengths and Weaknesses 2016/17 for further details.				Yes	
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	●						
Continue to get feedback from customers and stakeholders and use that feedback to make it easier for them to find information about our performance	●	We have regular communication with our CCG and also engage with customers through online surveys, questionnaires, workshops and deep dive events.				Yes	
Residual Risks and Weaknesses: What information our customers would like reported, and how, is constantly changing Having to keep up to date with constant advances in communications, for example Twitter and Facebook, and the most appropriate media not being used Risk of context being misinterpreted Customer and stakeholder accessibility – make it easier for customers and stakeholders to find performance information on our website							For 2016/17 we have continued to perform the ongoing specific assurance activities detailed above with the aim to progress our amber activities to green.

5.2 New Risk Identified in 2016/17

Reporting Risk in relation to Water Resources and Bio Resources

Risk that performance reporting in relation to Water Resources and Bio Resources is incomplete, inaccurate, unreliable and not communicated in a transparent way. Due to the new reporting requirements for 2016/17 we believe there is increased risk surrounding the following:

- 1) Heightened risk of misallocation of costs between price controls
- 2) Potential for misinterpretation of regulatory accounting guidelines
- 3) Comparison to the Final Determination (FD) will become more complex as it will require aggregation of information where there are new price controls not in the FD.

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	✓	✓	✓	✓		✓

Specific assurance activities proposed in Assurance plan 2016/17

Residual Risks and Weaknesses:	Activity included in Assurance Plans 2016/17
Judgement involved in allocating revenue and costs, particularly indirect overheads across operating companies, and identification of the correct boundaries for Water Resources and Bio Resources	Continue to monitor and benchmark against the FD with increased focus on the impact of Water Resources and Bio Resources
	Clearly record and communicate assumptions made when determining allocations to Water Resources and Bio Resources
	Regularly review and update judgements against the latest Ofwat guidance
Manual inputs outside of automated processes	Clearly record manual adjustments and calculations

6. Appendices

Plain English Campaign's Crystal Mark does not apply to Appendix 1.)

Appendix 1: Table of performance commitments

Water

Water

		Type	Same data source as AMP5	Same calculation as AMP5	Complexity (Low(L), Medium(M), High(H))
'Trust, easy, care'					
WA1	Written Complaint Resolution (Water)	R	Y	Y	L
WA2	Written Complaints per 10,000 properties (Water)	R	Y	Y	L
WA3	Customer Satisfaction (Water)	R	Y	Y	L
WA4	Water Efficiency	FP(A)	NEW	NEW	H
WA5	CSL Repair Service	R	Y	NEW	H
'Providing a safe and reliable water service'					
WB1	Asset Health Water Infrastructure	FP	Y	NEW	H
WB2	Asset Health Water Non-Infrastructure	FP	Y	NEW	H
WB3	Drinking water quality compliance	FP	Y	Y	L
WB4	Inadequate (Low) Pressure Performance (DG2)	R	Y	Y	M
WB5	Average Interruption to supply (> 4 hours only)	FPR	Y	NEW	H
WB6	Security of Supply Index (SoSI)	FP	Y	Y	H
WB7	Security and Emergency Measures Direction	FP(A)	Y	NEW	H
WB8	Flooding Resilience	FPR(A)	Y	NEW	H
'Limiting environmental impact'					
WC1	Greenhouse Gas Emissions (Water)	R	Y	NEW	H
WC2	Leakage Level	FPR	Y	Y	M
WC3	Abstraction Incentive Mechanism	R	NEW	NEW	TBA
WC4	Customer Education (Water)	R	Y	NEW	L
WC5	Compliance with Environmental Regulations (Water)	FP(A)	Y	NEW	M
'Providing value for money'					
WD1	Net Energy Imported	R	Y	NEW	M

Key: Type: R=Reputational, FP= Financial - Penalty only, FPR=Financial - Penalty and Reward, (A)=Calculated at end of AMP

Waste

Waste

		Type	Same data source as AMP5	Same calculation as AMP5	Complexity (Low(L), Medium(M), High(H))
'Trust, easy, care'					
SA1	Written Complaint Resolution (Waste)	R	Y	Y	L
SA2	Written Complaints per 10,000 properties (Waste)	R	Y	Y	L
SA3	Customer Satisfaction (Waste)	R	Y	Y	L
'Providing a safe and reliable wastewater service'					
SB1	Asset Health Wastewater Non-Infrastructure	FP	Y	NEW	M
SB2	Asset Health Wastewater Infrastructure	FP	Y	NEW	H
SB3	Properties protected from flooding	FPR(A)	NEW	NEW	H
SB4	Internal Flooding Incidents - Other Causes	FPR	Y	Y	H
SB5	Ha. disconnected - sustainable drainage schemes	FPR(A)	NEW	NEW	M
SB6	Compliance with SEMD advice notes	FP(A)	Y	NEW	H
SB7	Sites made resilient to future extreme rainfall events	FP(A)	Y	NEW	M
SB8	Lee Tunnel (inc Shaft G) - Deliver Scheme	FP	Y	Y	M
SB9	Deephams STW - Deliver Scheme	FP	Y	Y	L
'Limiting environmental impact'					
SC1	Greenhouse Gas Emissions (Waste)	R	Y	NEW	H
SC2	Category 1 - 3 pollution incidents (inc consented)	FPR	Y	Y	M
SC3	STW discharge compliance	FP	Y	Y	L
SC4	Water bodies improved or protected	R(A)	NEW	NEW	L
SC5	Satisfactory sludge disposal	R	Y	Y	L
SC6	Customer Education (Waste)	R	Y	NEW	L
SC7	Modelled reduction in properties affected by odour	FPR	Y	Y	H
SC8	Compliance with Environmental Regulations (Waste)	FP(A)	Y	NEW	M
SC9	EA schemes – P-removal	FPR(A)	NEW	NEW	L
'Providing value for money'					
SD1	Energy imported – Energy exported	R	Y	NEW	M

Key: Type: R=Reputational, FP= Financial - Penalty only, FPR=Financial - Penalty and Reward, (A)=Calculated at end of AMP

Retail

Retail

		Type	Same calculation as AMP5	Complexity (Low(L), Medium(M), High(H))
RA1	Minimise the number of written complaints received from customers	R	NEW	L
RA2	Improve handling of written complaints by increasing 1st time resolution	R	NEW	L
RA3	Improve customer satisfaction of retail customers - charging and billing service (internal CSAT monitor)	R	NEW	L
RA4	Improve customer satisfaction for retail customers - operations contact centre (internal CSAT monitor)	R	NEW	L
RA5	Increase the number of bills based on actual meter reads (in cycle)	R	NEW	L
RA6	Service Incentive Mechanism (SIM)	FPR	NEW	L
RB1	Implement new online account management for customers supported by web-chat	FP	NEW	L
RC1	Increase the number of customers on payment plans	R	NEW	L
RC2	Increase cash collection rates	R	NEW	L

Key: Type: R=Reputational, FP= Financial - Penalty only, FPR=Financial - Penalty and Reward, (A)=Calculated at end of AMP

Note: Performance commitments are new but calculated in line with previous internal measures

Thames Tideway Tunnel

Thames Tideway Tunnel

		Type	Same calculation as AMP5	Complexity (Low(L), Medium(M), High(H))
T1A	We will limit the extent of delays on the overall programme timeline - Successful procurement of the Infrastructure Provider	R	NEW	L
T1B	We will limit the extent of delays on the overall programme timeline - Thames Water will fulfill its land related commitments in line with the TTT programme requirements	R	NEW	L
T1C	We will limit the extent of delays on the overall programme timeline - Completion of category 2 and 3 construction works and timely availability of sites to the IP	FP	NEW	L
T2	We will engage effectively with the IP, and other stakeholders, both in terms of integration and assurance	R	NEW	L
T3	We will engage with our customers to build understanding of the Thames Tideway Tunnel project. We will liaise with the IP on its surveys of local communities impacted by construction	R	NEW	L

Key: Type: R=Reputational, FP= Financial - Penalty only,
FPR=Financial - Penalty and Reward, (A)=Calculated at end of AMP

7. Glossary of regulatory terms

Asset Management Plan (AMP) – A five-year plan agreed with Ofwat to manage water and wastewater assets. AMP5 covers the period April 2010 to March 2015. AMP6 covers the period April 2015 to March 2020.

AMP 6 Business Plan – A document summarising our wholesale and retail plans for the period 2015 to 2020. We have developed our plans to deliver the outcomes that our customers and stakeholders have told us that they want.

The Competition Act 1998 – is the current major source of competition law in the United Kingdom, along with the Enterprise Act 2002. The act provides an updated framework for identifying and dealing with restrictive business practices and abuse of a dominant market position.

Final determination – This is Ofwat's decision on the price controls for our retail and wholesale activities for a five-year period. The current price controls operate from 1 April 2015 to 31 March 2020 and the company must calculate charges over this period that are within the price controls. The final determination also provides details on our performance targets and financial incentives over the same period.

Methodology – a system of processes and procedures for collecting data and calculating our performance commitment measures. Formal methodologies make sure our approach to reporting performance is consistent. They also determine how we calculate the performance commitment, where and how we apply judgement, and where we rely on systems.

Ofwat – The name used to refer to the Water Services Regulation Authority (WSRA). The WSRA acts as the economic regulator of the water industry.

Performance commitments – We are committed to delivering outcomes that reflect our customers' views and provide services that are safe and reliable, and bills that are affordable. These outcomes are supported by 55 associated performance commitments (PCs) that identify our committed level of performance under each outcome. Financial incentives apply to 27 of these PCs, and we will be penalised if our performance doesn't meet the level we have committed to. On 10 PCs, we demonstrated that our customers were willing to pay for improved performance and supported us being able to earn a reward for our performance. The remaining performance commitments have an impact on our reputation if the performance level we have committed to is not met.

Regulatory Accounting Guidelines – The accounting guidelines for regulatory accounts issued, and amended from time to time, by Ofwat.

Upstream services – The elements of the water and sewerage services that do not directly involve the customer, that is, those activities related to abstracting or collecting water and sewerage, and treatment and distribution.