

RD 10/02

**TO REGULATORY DIRECTORS OF ALL
WATER AND SEWERAGE COMPANIES AND
WATER ONLY COMPANIES**

26 March 2002

Dear Regulatory Director

REPORTERS AND AUDITORS JOINT WORKSHOP 18

We held our eighteenth joint workshop with reporters and auditors on 7 March 2002.

The objectives of the workshop were:

- to outline current issues of relevance to attendees;
- for us to explain and discuss with attendees our and other regulators' reporting requirements; and
- for some reporter and auditor colleagues to share their experiences and promote good practices.

The workshop commenced with a review by Philip Fletcher of recent policy developments. He described:

- the outcome of the Interim Determinations at the end of 2001, and the prospects for the autumn of 2002;
- the appointment of non executive advisory directors to our new Board;
- the memorandum of understanding which had been established to clarify the roles and responsibilities of Ofwat and the Ofwat National Customer Council;
- developments in competition, including self lay and access codes.

Attendees raised a number of questions about:

- ministerial requirements and the Periodic Review 04 timetable;
- foreign ownership of the water industry;
- consolidation and economies of scale;
- the impact of majority shareholders and shareholders with interests in several water companies.

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The workshop then discussed the following:

- RAG5.03 audits to be carried out in the summer;
- progress with review of the regulatory accounting guidelines;
- depreciation policies and how these should be reviewed in the June Return;
- working with the Drinking Water Inspectorate;
- capital maintenance framework for delivering sustained serviceability;
- sewer flooding – hydraulic models and properties ‘at risk’.

The afternoon session focused on reporters and auditors sharing and commenting on their approaches and experiences across a variety of reporting/auditing work:

- Jon Bateman, Ian Cartwright Taylor and Ben Haywood Smith described their approaches to reporting on June Returns for companies differing in size and complexity;
- Roger Sawdon, John Holmes, Jeremy Hawkins and Jeremy Long shared their experiences of reporting on company interim determination submissions in 2000 and 2001;
- Justine Allen of RSM Robson Rhodes and Louise Madden of KPMG shared their approaches to auditing RAG5 submissions;
- Jeremy Hawkins described his work on Dwr Cymru/Welsh Water’s procurement plan;
- Ian Cartwright Taylor described his work scrutinising the reports submitted by Thames Water Utilities under its action plan to achieve economic levels of leakage and adequate security of supply;
- Ben Haywood Smith discussed the application of the Urban Pollution Model 2 in Yorkshire;
- David Pharoah discussed his reviews of the work undertaken by Southern Water to implement the Urban Waste Water Treatment Directive.

Yours sincerely

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