



## Risk and compliance statement guidance (printable)

We expect each company to produce a yearly risk and compliance statement which should set out how they have complied with their relevant statutory, licence and regulatory obligations. This is one of our key regulatory tools and will allow companies to demonstrate their accountability to their customers and demonstrate to us that they are complying with their obligations.

This document sets out guidance for companies in preparing their risk and compliance statement.

Companies' risk and compliance statements are part of our risk-based approach to regulation. You can find more detail about our approach to regulation in ['Regulatory compliance – a proportionate and targeted approach'](#)

### The coverage of the risk and compliance statement

The purpose of the risk and compliance statement is for the company to confirm that it has complied with **all** its relevant statutory, licence and regulatory obligations that have not been confirmed by other processes, and is taking appropriate steps to manage and/or mitigate the risks it faces.

We have set out a number of areas that we consider companies should take into account in preparing their risk and compliance statements. We only refer to areas where we are the relevant enforcement authority.

So, we expect the statement to confirm that the company:

- considers it has a full understanding of, and is meeting, its obligations and has taken steps to understand and meet customer expectations
- has satisfied itself that it has sufficient processes and internal systems of control to fully meet its obligations. Where the company considers it is unable to provide such a statement, it should state that this is the case and explain why it is unable to do so
- has appropriate systems and processes in place to allow it to identify, manage and review its risks. Where any material or potential material risk is identified, the statement should set out the steps the company is taking or will take to manage and/or mitigate those risks. (Materiality to be decided by the company.)

In preparing their risk and compliance statements, each company should be aware of the obligations in legislation and their licences that they must comply with. These include requirements such as:

- confirming that it has sufficient financial and management resources (licence condition F6A)
- confirming that there are sufficient rights and assets available to enable a special administrator to run the business (licence condition K)
- ensuring that trade with associates is at arm's length (licence condition F6)
- publishing a statement explaining any links between directors' pay and standards of performance (section 35A of the Water Industry Act 1991)
- maintaining an investment grade credit rating (licence condition F6A.6)

We also expect companies to report by exception if delivery of outputs is materially different to their final determination. This would only apply to outputs not covered by the key indicators (for example, requirements to deliver specific schemes).

In some circumstances, companies' obligations extend to providing formal written compliance statements (such as the statement required by section 35A of the Water Industry Act 1991 and the licence condition F6A certificate). We do not expect companies to duplicate confirmation of compliance, but rather that they will use their risk and compliance statements to fulfil these other requirements to certify compliance.

The only exception is for requirements related to charging, such as those in licence conditions B (tariffs in line with price limits) and E (undue preference and discrimination). We consider that the most appropriate time to certify compliance with charging requirements is with the principal statement. So, we are retaining a separate compliance statement for those requirements.

## **Submission of the risk and compliance statement**

Companies are to send us a signed copy of their risk and compliance statement by no later than 15 July each year (covering the previous year April-March). They must also send a link to the location of their statement on their website to [riskandcompliance@ofwat.gsi.gov.uk](mailto:riskandcompliance@ofwat.gsi.gov.uk).