



# Statement of Risks, Strengths, Weaknesses and Draft Assurance Plan

2023–24

November 2023

from  
**Southern  
Water** 

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# Introduction

**At Southern Water we provide essential water services to 2.7 million customers, and wastewater services to more than 4.7 million customers across Sussex, Kent, Hampshire, and the Isle of Wight.**

We provide water for life to enhance health and wellbeing, protect and improve the environment and sustain the economy.

This document presents the findings of our Risks, Strengths and Weaknesses review and Draft Assurance Plan for our performance reporting in relation to the 2023–24 financial year and for some annual reporting for the 2023 calendar year. Both are key elements of our annual assurance cycle.

Following historic failings in the quality of our reporting to our regulators, we continue to embed our programme of improvements to ensure our regulators and other stakeholders can trust the data that we report.

This has been a particular area of focus for us over recent years because we discovered in 2016 that we had not been living up to our own expectations in relation to our regulatory reporting to Ofwat. To help to secure this confidence,

we use assurance to thoroughly test information we publish in a manner that is independent and verifiable. Our Board, via the Audit Committee, oversees this process through the governance and assurance framework.

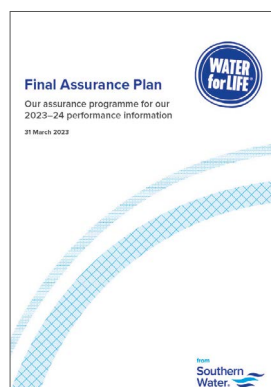
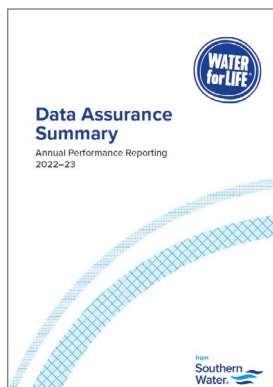
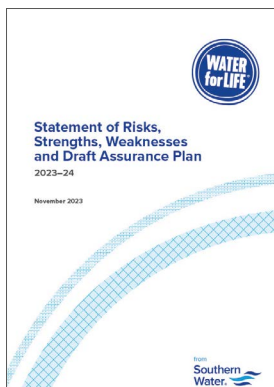
This consultation document sets out our initial assessment of where assurance will be most important in the 2024–25 reporting year. We welcome views on this and in particular: what regulatory information is most important to our customers; the level of risk associated with that information; and whether our proposed assurance plans are appropriate to mitigate those risks.

We aim for the assurance that we perform and commission to provide our internal and external stakeholders with sufficient comfort over the robustness and quality of the information that we report.

This document is one of three documents relating to assurance that we publish during the year as part of our annual reporting:

- Statement of Risks, Strengths and Weaknesses and Draft Assurance Plan for consultation (published in November).
- Final Assurance Plan (March) which takes on Board comments from the consultation on the Statement of Risks, Strengths and Weaknesses and Draft Assurance Plan.
- Data Assurance Summary (in July in parallel with our Annual Performance Report).

All three documents focus on the quality of our information reporting and governance. They can be found at [southernwater.co.uk/our-reports](https://southernwater.co.uk/our-reports).



# 1. How to respond to this consultation

## We welcome your views.

If you would like to respond to this consultation, please answer the following questions after reading this document:

- Q1:** Are there any risks or areas of concern that you feel have not been identified and that should drive our assurance plan?
- Q2:** Does our plan provide sufficient assurance to our identified areas of risk? If not, what improvements could we make?
- Q3:** Do you have any other comments?

The consultation will remain open until 31 January 2024.

Responses can be emailed to [regassurance@southernwater.co.uk](mailto:regassurance@southernwater.co.uk) or can be sent to our Head of Risk and Assurance at:

Risk and Compliance Directorate  
Southern House  
Yeoman Road  
Durrington  
West Sussex  
BN13 3NX.

## 2. Context

### The role of our regulators is of paramount importance to the effective operation of the water industry.

It is critical that our conversations on performance with our customers and other stakeholders are underpinned by accurate information. It is therefore key for us to understand regulators' concerns and to work with them effectively.

#### 2.1. Ofwat

As part of its agreement on funding for our business plan, our regulator, Ofwat has set out a number of promises and performance commitments that we are required to make to our customers. In addition to ensuring our performance data is transparent and accurate, we also seek to ensure customers and stakeholders can access and understand relevant information.

We publish our assessment of our Risks, Strengths, and Weaknesses as a matter of good practice. There is no regulatory requirement for us to do so, however, we have continued to do so in accordance with the requirements set out by Ofwat (Appendix B).

#### 2.2. Wastewater investigations

As reported previously, Ofwat undertook an investigation into our wastewater reporting that led to a decision to impose a financial penalty of £3 million. In addition, we agreed to make significant customer bill rebates, totalling £122.9 million (in 2017–18 prices), between 2020 and 2025. On 8 October 2019 we signed formal Undertakings pursuant to Section 19 of the Water Industry Act 1991 relating to the numerous changes we have put in place, and are putting in place, to ensure that the issues identified in the investigation have been stopped and cannot be repeated.

The undertakings contain a wide range of corrective actions and interventions across seven themes:

- A. Customer redress measures;
- B. Technical review of wastewater treatment works;
- C. Organisational compliance process measures;
- D. Organisational cultural change measures;
- E. Ensuring transparency;
- F. Condition I certificate assurance undertaking and
- G. Reporting on compliance with the undertakings.

Compliance with the Section 19 undertakings is subject to a formal assurance regime which is reported to both our Board and to Ofwat on a regular basis. In our August 2023 update to Ofwat we were able to report that the actions arising to ensure compliance have either been completed or are on track to be fulfilled within the relevant time frame in the five-year period of the Undertakings. Our focus is now on embedding the improvements and monitoring the effectiveness of that embedment.

Additional information on the investigation can be accessed in the Ofwat investigation report, which can be viewed on our [website](#)<sup>1</sup>. A summary of our assurance work is uploaded to our [website](#)<sup>2</sup>, alongside a set of customer and stakeholder FAQs to provide clear information about the key points raised by the investigation.

We delivered plans for improved transparency on environmental performance information on our [dedicated website](#).

The information available includes pollution incidents, wastewater flow and spill reporting, wastewater treatment works final effluent compliance, regional bathing water compliance results, carbon emissions and river levels.

<sup>1</sup>Notice-of-Ofwats-proposal-to-impose-a-penalty-on-Southern-Water-Services-Limited-1.pdf

<sup>2</sup>Making amends to our customers (southernwater.co.uk)

### 2.3. Condition P assurance

In order to meet the Licence Condition P Certificate requirements of the Ofwat Licence of Appointment and the Section 19 undertakings, the Southern Water Board needs to be able to clearly evidence the level of diligent enquiry that the board has undertaken, to ensure that it is able to demonstrate that the company will have sufficient:

- financial resources and facilities;
- management resources; and
- systems of planning and internal control.

The Southern Water Board signs off Condition P assurance statements. These enable the Board to clearly demonstrate it has discharged its responsibilities and has made diligent enquiry into the principal risks facing both the wider business and the wastewater business (to support the Ofwat Section 19 undertakings).

The Condition P certification process was subject to external review of Assurance Statements from our external auditor Deloitte LLP.

The external assurance to support the discharging of our Condition P obligations also acts as key evidence for our Board Assurance Statement on the accuracy and completeness of data. While not specifically assured by independent assurers, the Board Assurance Statement draws from evidence that has been provided by our external auditors and our technical assurers.

### 2.4. Our Business Plan for the Period 2020–2025

We are now in the penultimate year of our five-year Asset Management Period (AMP7) which will take us from April 2020 to end of March 2025. Our Final Determination was published by Ofwat on 16th December 2019 and sets out a number of promises and performance commitments we are making to our customers. In addition to ensuring our performance data is transparent and accurate, we also strive to ensure that our customers and stakeholders can access and understand our performance.

We will ensure that we can effectively report our performance against these and have identified the risks and controls that we have adopted to support the provision of accurate information about our performance.

The development of these processes has commenced, and a key aspect of our regulatory assurance work will be auditing these processes and ensuring that effective risks and controls have been identified and have been embedded within our reporting cycles.

### 2.5. Our Business Plan for the Period 2025–2030

On 2 October 2023, we submitted our latest business plan for the five-year Asset Management Period (AMP8) which will take us from April 2025 to end of March 2030. This has also been published on our website: **Our plans 2025–30**.

Our assurance strategy for the PR24 Business Plan is an evolution of our work on PR19, learning lessons from that submission and integrating improvements from our current processes. It focused on making sure that the information we submitted and the narrative we provided was robust, accurate and evidence based. We drew on our established relationships with our AMP7 assurance partners, Jacobs and KPMG as well as PwC, and Sia Partners with the programme of internal and external assurance covering the content of the plan, final versions of chapters and technical annexes, and data tables.

We established a series of Assurance Points at significant milestones tracked by the PR24 Project Management Office. Our PR24 assurance approach has been focused on the testing criteria set in Ofwat's methodology and the Board's strategic choices as to the direction and ambition of our Business Plan. To deliver our PR24 assurance programme we expanded the use of our existing assurance framework to ensure PR24 outputs were subject to appropriate internal and external review.

The approach to assurance is based on the following principles:

- Built on the Three-Lines of Defence model.
- Rooted in our BAU approach to assurance.
- Be risk-based – focusing effort in areas of highest risk to the price review.
- Following our integrated approach – including both a strategic level assurance across the Business Plan and technical assurance of the individual supporting workstreams.
- Ensuring technical assurance on core workstreams and cross-cutting themes, aligned with but significantly more extensive than established BAU monthly and annual regulatory reporting.
- Alignment to Ofwat's focus on Long-term Delivery Strategies – as well as sector and wider good practice.
- All assurance contributes to and supports in evidence-based Board Assurance Statements to support the submitted Business Plan.

- Provision of assurance letters by assurers to support the Board sign off process and to be part of the submission, with a confirmation on the scope of work and the confirmation of closure of all outstanding and material assurance recommendations.

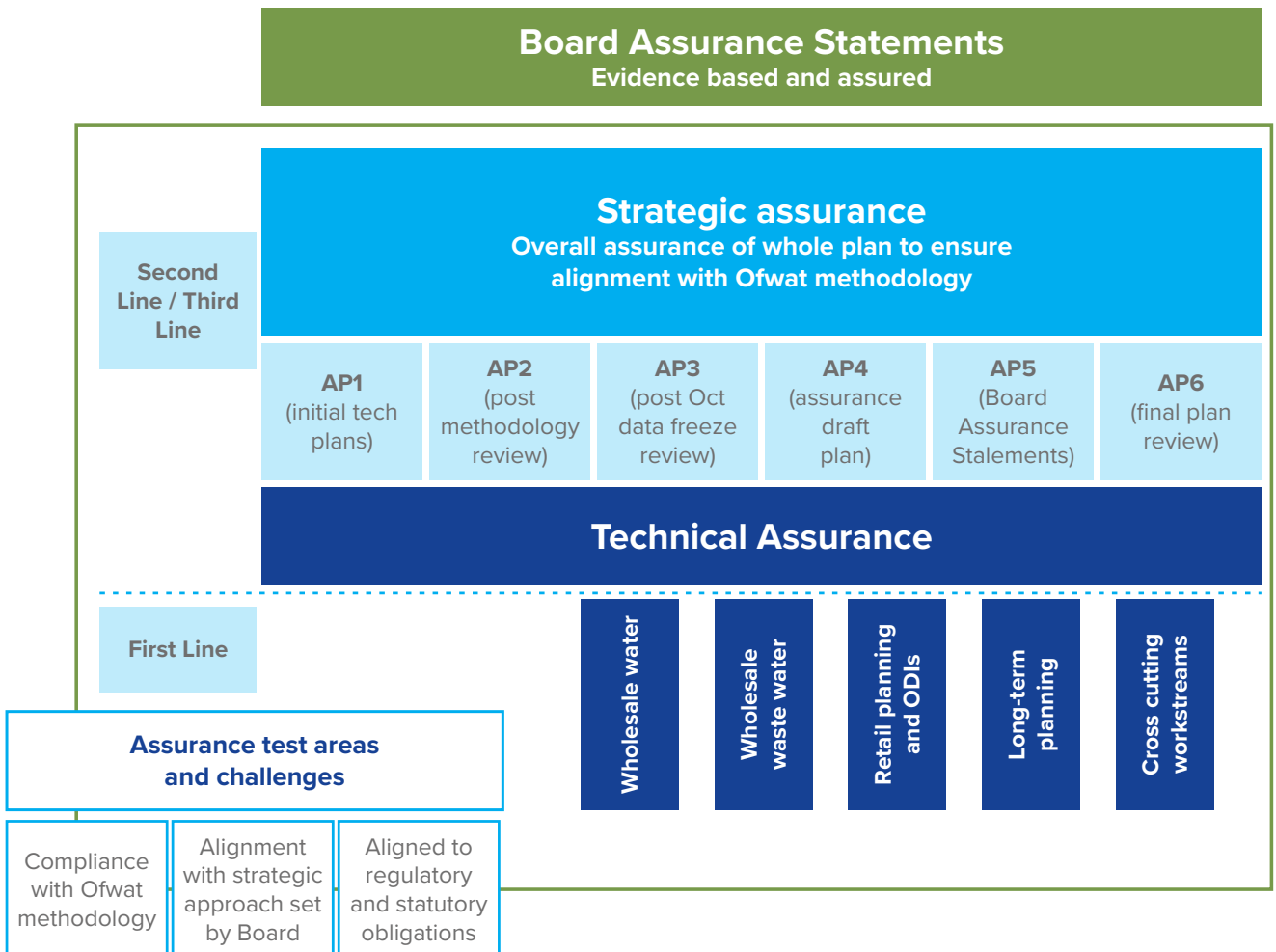
Our PR24 assurance programme consisted of 56 separate items of assurance on the main PR24 programme. This was distinct to the additional technical assurance that supported related regulatory submissions for the Water Resources Management Plan (WRMP), Drainage and Wastewater Management Plan (DWMP), Water Industry National Environment Programme

(WINEP) and to the Drinking Water Inspectorate (DWI), all of which were subject to extensive assurance to support Board approval.

Our Board was actively engaged and scrutinised the assurance processes we adopted. The Board participated in approving the PR24 assurance strategy in April 2022 and had visibility of any risks to the provision of accurate and complete data and information.

The assurance process has supported the Board to challenge our plan, assure itself that the plan delivers long-term resilience, is of high quality, and responds to the evidence from extensive customer involvement and engagement.

**Figure 1: Our PR24 Assurance Process**



# 3. Continuous customer and stakeholder engagement

## 3.1. Customer engagement

Having emerged from the COVID-19 pandemic, which dominated all our lives for the first two years of this current AMP period, we have subsequently been faced with a cost-of-living crisis, caused by the rapidly escalating cost of energy, food, and other household goods. We know how tough things have been for many of our customers during this period.

Assurance of our Business Plan 2025–30 customer engagement activity, conducted by Sia, has provided us with confidence that the company’s customer engagement and research meet the standards for high-quality research and any other relevant statements of best practice and has been used to inform our Business Plan and Long-Term Delivery Strategy. We have had visibility of the outputs of engagement with more than 20,000 customers, providing a rich and robust insight into the needs of current and future customers. We have engaged deeply with our customers about their wishes and priorities. They expect us to be much more than providers of clean water and removers of wastewater. They say, and we accept, that we have a critical role in safeguarding the unique environment of our region. Customer insight on acceptability testing helped identify three areas where customers want to see real ambition for storm overflows, pollutions, and leakage.

We continue to work collaboratively with other water companies and our regulators across the South East on future resource options and behaviour change. We also worked with Water Resources South East – an alliance of the six water companies in our region – to share data and gain a more complete picture of the situation in the South East. Meanwhile, we have researched how customers reacted to solutions by water companies further afield.

## 3.2. Stakeholder and regulator engagement

### 3.2.1. Drinking Water Inspectorate

We have regular and close working arrangements with the DWI. This includes regular and open liaison with the DWI on our overall approach to providing wholesome drinking water. We have a varied programme of activity helping to improve our information management systems and process, including a risk-based review of monitoring, procedures, and manual intervention involved in all critical information systems.

This package of work commenced in 2018, and a programme of asset and IT improvements designed in cooperation with the DWI has now begun and will continue through to 2025. This work is within the scope of our Section 19 Information Management Undertaking (IMU) with the DWI which formalises this element of our programme. The resulting programme contains a package of actions to assess and address the risks to data management and improve systems that are required to ensure compliance with the regulations.

Key deliverables include a new GIS (Geographic Information System Mapping) and Operational Asset Management system that will allow us to better understand the location and configuration of our infrastructure assets. Risk reviews were completed, and governance of programme delivery is underway consisting of monthly working group meetings, biannual steering group, and biannual internal assurance reporting.

An assurance and governance process has been developed and submitted to the DWI. The assurance looks at our compliance with the IMU commitments and statutory requirements. The assurance which commenced in July 2020 was completed internally by the (second line) Risk and Assurance team and is being repeated at six monthly intervals in January and July each year. We are required to submit annual progress reports to the DWI by 31 March each year until 2025.



### 3.2.2. Environment Agency

Like other wastewater operators, in the normal course of operations we occasionally face investigations by the Environment Agency (EA) regarding wastewater matters following incidents. In addition to those, the company was subject to a detailed investigation regarding breaches at some of our wastewater treatment works during the period 2010–15. It resulted in us being fined £90 million in July 2021. We continue to deliver change programmes to address these historic failures.

The EA continues to investigate the failures covered by the Ofwat investigation referred to above and is conducting a sector-wide investigation into flow compliance.

The EA recently released the Environmental Performance Assessment (EPA) for 2022 in its annual report on the environmental performance of the nine English water and sewerage companies. The end-of-year performance report outlines that we have improved our environmental performance rating from one star in 2021 to two star in 2022. As a company committed to protecting the environment and serving our customers, we were pleased with the improvement in the assessment, and we will continue to drive through the changes necessary to positively impact our performance.

We remain industry leading in our approach to self-reporting of pollution incidents that is helping improve the transparency of how we identify and act when things go wrong. The EA has recognised this, in particular of discharges, spills and pollutions during storm conditions. This is underpinned by detailed analysis of all pollutions and spills as part of improvements implemented. This continued good performance and EA feedback is evidence of how embedded our pollution reporting improvements have become. The EA also recognised improvements in pollutions and treatment and overall reduction in risk across the assets. Continuation of work in these areas will support improved future performance.

Increased monitoring is essential to improve our wider environmental performance and to achieve a significant reduction in the use of storm overflows. We continue to invest in improvements to the timeliness and accuracy of our data.

Event Duration Monitors (EDMs) remain an important part of monitoring the quality of our waters and providing accurate information on sewage discharges. We fully support the Government's aim of having EDMs installed at 100% of storm overflow sites and are continuing to make progress with EDMs installed at 98% of our sites. This has translated to over 90% availability with effective monitoring – in line with Ofwat reporting methodology. We are working actively to update our coverage on the final 14 overflows not currently covered by an EDM; each of these are proving difficult due to their location but are being worked through in due course. We are also planning to expand our EDM coverage on Beachbuoy to include all storm overflows by the end of March 2024.

Our Beachbuoy tool provides near real-time information about storm release activity near coastal bathing waters through an interactive map, pop ups and release table. This 24/7 reporting provides information about any release and its frequency. We regularly listen to feedback from our Beachbuoy User Group which includes councils, campaign groups and bathing water users. Following feedback, we released an upgrade to Beachbuoy in September 2022 to account for tidal conditions. The system now uses extensive tidal modelling to work out whether a bathing water will be impacted by a storm release. Bathing waters will now only show a red flag on the online tool, if the modelling determines that it will be impacted.

To ensure transparency, all storm releases are still recorded in the data table on Beachbuoy and when the bathing water icon is clicked, all associated outfalls will indicate if any have released. To speed up our notification to the public, we have improved our processes to confirm whether a release is genuine/not genuine. We are planning to include all storm overflows in Beachbuoy by the end of March 2024.

## 4. Risks, strengths and weaknesses

In developing our approach to identifying our risks, strengths, and weaknesses we consider a range of factors and assess their impact on our customers, our stakeholders, and our business as a whole.

In order to continue to build confidence that we can deliver on the commitments we have made to our regulators and customers we publish our Assurance Plan (in draft and final versions) to ensure that our critical regulatory commitments are at the core of our assurance approach.

### 4.1. Areas of risk

This section sets out those areas where either data errors, or other failures or oversights could have the greatest impact on our customers, and in turn on their trust and confidence in us. These are the areas which we will continue to focus on in our Draft Assurance Plan:

- Maintaining high-quality regulatory and statutory reporting across our commitments in an accurate and timely manner;
- Meeting the stringent assurance and reporting requirements for the current five-year business plan, including ensuring action plans that we have agreed with our regulators around our business plan. This will include ensuring that our assurance approach meets the business and regulatory requirements for the period 2020–25;
- Continuing to embed effective first and second line assurance across our processes that support regulatory reporting requirements, helping to embed trust and confidence in the quality of information we report;
- Ensuring we respond in an effective and timely manner to feedback from our regulators both on their concerns and new requirements;
- Meeting the requirements of undertakings or other commitments that we have entered into with our regulators;
- Ongoing transformation within the business and ensuring the continuity in our reporting arrangements;
- Level of public scrutiny on transparency of data which has also led to an increase in Environmental Information Requests (EIR) from the media, the general public and environmental stakeholder groups;
- Providing appropriate challenge, assurance and monitoring of our published Turnaround Plans;
- Ensuring that the delivery model(s) that we adopt for the commitments we have made are robust; and
- Management of our workstreams planning for the next five-year business plan period (2025–30), ensuring appropriate governance oversight and assurance

Southern Water operate a quarterly Executive Risk Committee to review and challenge the latest update of our company risks, supported by risk sessions at directorate leadership meetings.

We currently have twelve principal risks that are outlined in our annual report<sup>3</sup>. Principal risks relating to our assurance work have been listed on our Draft Assurance Plan detailed in Table 3, to ensure that we are prioritising our assurance work where it is most needed in our higher risk areas.

<sup>3</sup> sw-risks-108-120.pdf (annualreport2023.com)

## 4.2. Areas of strength

This section identifies those areas where we have identified strengths within our business that we will continue to build on and that form the basis of building trust and confidence in the information that we provide. We rely heavily on the outputs of our assurance work to monitor improvements made in areas of risk identified above, and where we are developing strength in our reporting processes. We also rely on assurance to continually improve and embed improvements in our reporting processes.

### 4.2.1. Robust Governance

- Board focus and oversight of risk and assurance activity via the Southern Water Board, Audit Committee, Health & Safety and Operational Risk Committee, and ESG Committee;
- Southern Water Board signs off Condition P assurance statements as part of its annual approval process of the Annual Report and Annual Performance Report;
- Continuous engagement with our stakeholders and regulators and more collaborative relationships, which include regular updates on compliance and performance with our Water Futures Groups;
- Our internal and external performance monitoring regimes identify areas of focus and success;
- Improved quality and transparency in respect of our reporting in our Annual Report and on our website;
- The establishment of a dedicated function focussed on our ESG (environmental, social and governance) credentials;
- The embedding of our Modern Compliance Framework (MCF) and Ethical Business Practice; and
- Regular scrutiny of our published Turnaround Plans, supported by our regular governance process and quarterly scrutiny of the plans at our quarterly Executive Risk Committee.

### 4.2.2. Risk and compliance

- We have improved our enterprise risk management processes and are enhancing our resilience capability which is overseen by our Board Audit Committee;
- Our Executive Committee reviews performance and compliance on a monthly basis;
- Our quarterly Executive Risk Committee challenge and update our risks, supported by risk sessions at directorate leadership meetings; and
- Our risk management approach has been applied to our approach to regulatory reporting; this includes action plans to support achieving low levels of risk appetite in this area as mandated by the Southern Water Board.

### 4.2.3. Assurance

- The Board signs off Condition P assurance statements. This process is subject to external assurance and is supported by our Licence of Appointment review;
- We have robust tracking of assurance and improvement actions;
- A continuous improvement programme for annual assurance which includes data returns to Ofwat, the DWI, EA, and CCW; and
- A strong second-line assurance team who support the wider business to manage assurance engagements and ensure quality of assurance outputs.

## 4.3. Areas of Weakness

We now have robust governance, assurance, and risk management arrangements in place on an ongoing basis. Our processes highlight points of detail which we address through continuous improvement, to enhance the robustness of our data and the quality of information we provide to customers and stakeholders. The business is dealing with a wide range of operational pressures, managing core activities whilst at the same time trying to deliver business transformation.

Table one considers the mitigating actions we are taking to address each of these areas of weakness.

**Table one: Areas of weakness and mitigating actions**

Potential weakness	Action to address
<p>Fragility of our information management systems including our water &amp; wastewater asset data, and the complexity of processes which underpin some of our difficulties in reporting our performance. Data can be difficult to interpret and use due to lack of common data approach and information strategy for operational and asset data. There are also potential security risks to data access, including an increased threat of cyber security attacks on our network</p>	<p>A significant IT transformation is taking place and will remain on-going for some time. Much of this work is subject to our S19 Information Management Undertaking with the DWI.</p> <p>We have established a continual improvement plan to drive a more robust approach to Cyber and Network Security as part of our response to the NIS Directive.</p> <p>We have already started to see some improvements to our asset data following the launch of our new Aspire spill reporting system. We have completed process mapping of high-risk areas and in response to undertakings with our regulators.</p> <p>We have implemented a Governance, Risk and Control (GRC) system that provides a single integrated tool for all second line assurance and audit teams.</p>
<p>An increase in reporting requirements from both our regulators and our customers. We have also noticed that the complexity and volume of Environmental Information Request (EIR)s we receive is increasing year on year.</p>	<p>We have appropriate Board Governance which provides oversight and approval of strategic plan submissions to our regulators. Key milestones for regulatory submissions are factored into our assurance planning to ensure inclusion in our plans. We follow our three lines of defence approach to flex our assurance resource between internal and external assurance as required.</p>
<p>A need to embed and continuously improve our overall framework for regulatory reporting including training supported by ethical business practices and culture change.</p>	<p>To support development of our Modern Compliance Framework we have reviewed and refreshed Our Code of Ethics, and have communicated and celebrated this, in association with our existing Values, across the business.</p> <p>We continue to improve our reporting and compliance assurance processes, and our learning management system continues to be utilised for targeted training of our compliance approach and for mandatory sign-ups to the Code of Ethics.</p>
<p>Historic behaviours and business practices, and recent operational incidents and events reported in the media, are impacting the company's reputation and brand.</p>	<p>Our emergency planning is subject to continuous improvement. We recognise every event presents new challenges, and after major incidents, we review our response to understand what we could have done differently and implement improvements. This area continues to be a focus of improvement for the business.</p>

# 5. Our approach to assurance

## 5.1. Continuous improvement approach to assurance planning

At Southern Water we align our assurance to the 'three lines of defence' framework for our reporting governance and assurance activity. This helps to assure performance information by applying multiple levels of control.

We apply internal controls and have improved processes in place to mitigate the risk of supplying incorrect or inaccurate information on all our non-financial regulatory reporting. Ultimately, all assurance activity has oversight from the Audit Committee and Board.

The Audit Committee monitors the integrity of our non-financial information reported by the company in fulfilment of its regulatory, legal, and environmental obligations. This includes information required by Ofwat, the DWI and the EA. The assurance plans are approved by the Audit Committee, which is responsible for overseeing and challenging the effectiveness of our approach.

Southern Water is committed to driving continuous improvement to support the embedment of a modern, transparent, and ethical compliance framework under our Modern Compliance Framework. We continue to significantly strengthen our performance monitoring capability which underpins the completeness and accuracy of our performance data and provides more confidence in the information we publish.

## 5.2. Maturing the control environment

We recognise the need for continued improvement in data quality and our controls environment. The approach to each reporting process will be defined to address the individual needs of each process. Not all reporting processes will require the same level of focus, with some requiring a lighter touch review building on recommendations made through previous assurance activity. Audit findings will be provided against each reporting process and managed via PentanaMK (our internal audit and action tracking system), or via Riskconnect as we implement our new Governance, Risk and Control (GRC) system.

Over the last six years, we have delivered a programme of process and control improvements – which is still ongoing. These have been focused on key data returns to Ofwat, the Drinking Water Inspectorate (DWI) and the Environment Agency (EA) and include improvements in our reporting control environment.

Our work over the last two years has focused on the maturity of first-line controls – reflecting the embedment and maturity of our reporting capability. We have seen improvements in the

quality of our reporting to the DWI, the EA and Ofwat. These improvements are part of an ongoing programme that will continue through the current Business Plan period and beyond.

## 5.3. Types of assurance

Whilst the assurance requirements for our different regulators are different, we have a standard approach to the way we prioritise and plan assurance across all our non-financial regulatory reporting across our main regulators:

- Ofwat;
- The Environment Agency (EA);
- The Drinking Water Inspectorate (DWI);
- The Consumer Council for Water (CCW).

The focus of our work is on the provision of risk based second- and third-line assurance over information that is provided to our regulators and the end-to-end processes that support the collection and analysis of that information. The range of different activity that could be undertaken means that each potential area of work will be risk assessed to ensure that work is focused on areas of highest risk.

The different types of assurance that we undertake include:

### Controls monitoring and assurance

- Assurance over the operation of specific controls that have been identified within Risk and Control Matrices and Ofwat Compliance Framework documentation;
- Activity can range from control monitoring (the 1st line is operating its controls), through to evidence-based reviews of the effectiveness of control operation; and
- Evidence reviews to ensure effective control can be demonstrated.

### Assurance over data reported to regulators

- Assurance over monthly/quarterly/annual/event-based information provided to regulators;
- Mandatory requirement at year-end (Ofwat);
- Best practice and risk-based approach for assurance over reporting to other regulators; and
- Risk based approach to whether assurance provision is internal or external unless otherwise prescribed.

### Assurance over Regulatory Action Plans

- Specific assurance activity (internal and external) over action plans that have been agreed with Regulators; and
- Activity can be driven from business plans and regulatory enforcement undertakings.

**Deep Dive – risk and control maturity**

- Consideration of risk and control maturity around our reporting to regulators;
- Consideration of the identification of end-to-end risks and controls;
- Aim to improve maturity of risk and control identification and evidence; and
- Can be applied wider than just regulatory reporting and areas for review will be linked to the Register of Obligations and our Enterprise Risk Register.

**Themed reviews**

- Audits of specific areas of high risk and non-financial regulatory issues; and
- Derived from analysis of areas of risk and weakness and our on-going stakeholder engagement.

## 6. Draft Assurance Plan for 2024–25

Following both our risk-based review and external/internal engagement, we propose the following areas to be subject to a greater level of assurance.

In Table Two we outline the main elements of our Draft Assurance Plan for 2024–25.

Our assurance plan is set out in line with our ‘three lines of defence’ framework of assurance and is also a response to the key risks and areas of weakness highlighted as an output of the Risks, Strengths and Weaknesses report, as well as taking on views from our ongoing engagement with regulators, our external assurers, and customers.

**Table 2: Draft Assurance Plan 2024–25**

Alignment to Principal Risks	Risk area	Why?	The Assurance we will be doing	Established/new
Compliance, Corporate Affairs and Delivery	Ofwat Annual Performance Report (APR), including Performance Commitments and Outcome Delivery Incentives (ODIs); Cost Assessment Tables	<p>We believe customers should be able to trust our reporting of all our non-financial performance information.</p> <p>Independent external technical assurance providers complete reviews of our regulatory compliance reporting processes and associated data, as well as reporting to our board, Executive Leadership Team (ELT) and the Audit Committee. This information is published in our Annual Performance Report and is detailed in our Data Assurance Summary.</p>	<p>Year-end non-financial assurance – external assurance and internal assurance.</p> <p>A risk assessment has been completed of all the data that is reported to determine whether assurance will be internally or externally provided.</p> <p>An independent assurance provider will identify its own approach to conducting audits including its own risk assessment and testing methodologies to deliver its conclusions.</p> <p>Testing of the high and critical risk data lines for performance commitments and the cost assessment tables will be performed by an independent assurance provider. Low risk testing will be undertaken in-house.</p> <p>As we develop our approach to regulatory reporting the emphasis will move towards the level of maturity of our control environment.</p>	<p>Established process for assuring end of year Ofwat APR information provided.</p> <p>This will continue for the remainder of the current business plan period.</p>
	RC25 mid-year assurance	Building on findings of the year-end assurance process taking a review at mid-year supports embedment of improvements.	Supporting the ongoing improvement of our regulatory reporting data processes and will support our regular quarterly reporting to Ofwat.	Established process.
	Annual Report and Accounts, including financial APR data	<p>We have a statutory obligation to ensure that our financial accounts are robust, accurate and complete.</p> <p>Our Annual Report is the primary way we publish our annual performance information, and it is made publicly available to all stakeholders. The annual report includes our statutory accounts and our performance over the year and how this compares against our performance commitments as well as broader information on our commitments and responsibilities to stakeholders and customers.</p>	<p>Methodology and data are subject to three lines of assurance with our financial auditor, Deloitte LLP, performing third line assurance in accordance with the appropriate accounting standards.</p> <p>Our financial auditors will carry out assurance of reported performance data and presentation of information and risks.</p>	Established process which will continue taking account of any evolving regulatory requirements.

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**Table 2: Draft Assurance Plan 2024–25 continued**

Alignment to Principal Risks	Risk area	Why?	The Assurance we will be doing	Established/new
Delivery	Business Plan 2025–30 (PR24) assurance	A PR24 assurance workstream has been defined as we continue to develop our business plan for the next five years (PR24).	We will continue engaging with the PR24 workstream to understand any ongoing assurance requirements specifically for the Price Review. This will be implemented in accordance with our business-as-usual approach to assurance to ensure good practice.	Commenced in the 2022–23 reporting year and will continue through to 2024.
	WRMP24	Assurance over revisions and inputs to the draft plan and the final plan.	Technical and legal assurance over the methodology and content of the plan and the data tables in June 2024.	Established approach.
Compliance	Ofwat Undertakings	In June 2019, Ofwat issued a notice to impose a penalty on Southern Water following their investigation which highlighted significant failings relating to the management, operation and performance of our wastewater treatments works. As a result, Southern Water has committed to implement a range of financial and non-financial measures ("Undertakings").	Southern Water is required to report progress against Undertakings on a half-yearly basis over the next five years.  As referenced earlier, we have designed a detailed assurance plan in response to these Undertakings which are listed on our website.  Ongoing assurance will be completed, and progress reported to the Board and Ofwat.  We will also be carrying out external assurance of our Condition P licence obligations to satisfy the Undertakings.  This assurance is focusing on the assessment of our progress with embedment into "Business as Usual" practices.	Established approach and will continue until October 2024.
	Reporting to the DWI and DWI Information Management Undertaking	Southern Water is subject to a S19 Information Management Undertaking (IMU) and a draft Final Enforcement Order (FEO).	All annual data returns provided to the DWI will be subject to first line control and will also be the subject of second line assurance.  Second line assurance is undertaken biannually to confirm and track the implementation of the agreed actions included in the Information Management Undertaking.  Thematic assurance for FEOs will be carried out by first line teams.	Established approach in place for our S19 Information Management Undertaking with the DWI.
	Annual Report to CCW	CCW is the statutory customer representative body for the water industry. We want to ensure that the information provided to them on a quarterly and annual basis is accurate.	Much of the information provided in the returns comes from our Ofwat Performance Commitments – this data is assured under our Annual Performance Report assurance processes (see above).  Where the information falls outside of this, we will undertake second line assurance.	Established approach.
	Carbon Accounting Workbook	An Ofwat requirement aligned to the APR submission, this detailed tool calculates our greenhouse gas emissions and other carbon data.	We will engage an external assurer to complete technical assurance of our Carbon Accounting Workbook. This will be carried out as part of our APR year-end process.	Established.

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**Table 2: Draft Assurance Plan 2024–25 continued**

Alignment to Principal Risks	Risk area	Why?	The Assurance we will be doing	Established/new
Compliance continued	ESG reporting	Sustainable Investment Bonds – as a result of raising over £1bn of sustainable bonds, one of the mandatory requirements is to report to our investors on an annual basis and provide them a report annually on the impact their investment has had on our ESG (environmental, social and governance) credentials, this is known as an ‘impact report’.	The first report for Southern took place in the 2020–21 reporting period by external assurers. External assurance to take place annually.	Established.
	Ofwat Operating licence	We have a wide range of obligations to meet as part of our Ofwat licence to operate. We want to ensure that we can demonstrate that our activities as a business align to these requirements.	Second line assurance will be undertaken as part of an annual review of our Ofwat Operating Licence. This will be our fourth annual review. The review will also support our Condition P annual assurance (as part of the Ofwat Undertakings).	Established approach.
Wastewater and compliance	Reporting to the EA	Historic and ongoing investigations into the company from the EA means that we are under significant scrutiny over the information we provide. A programme of information management improvements has been delivered as part of our S19 Ofwat Undertakings.	Regulatory reports provided to the EA will be subject to first line controls. Areas of reporting that have been analysed as higher risk will be subject to second line assurance. <ul style="list-style-type: none"> <li>• Annual Total Daily Volume (TDV) Flow Data</li> <li>• EDM Return – Stormwater &amp; EO Spills – Annual – Emergency</li> <li>• EDM Return – Stormwater &amp; EO Spills – Annual – Storm</li> <li>• Stormwater &amp; EO Spills – Bathing Waters – Storm</li> <li>• WwTW Effluent &amp; Groundwater Annual Reporting</li> <li>• WwTW OSM Annual Summary Report</li> <li>• Wastewater OSM Sample Programme</li> <li>• Wastewater UWWTR Sample Programme</li> <li>• Landfill Regs Routine Reporting – Leachate, Gas &amp; Groundwater monitoring data (across three works)</li> <li>• Daily abstraction of all sites (inc WTW) – Annual Return</li> <li>• Biosolids to Land</li> <li>• Supply/Demand Balance</li> </ul> Improvements to our spill reporting to the EA will be subject to external assurance as part of our Ofwat Undertaking.	Established approach.
	Pollution incident reduction plan	Our Pollution Incident Reduction Plan is updated annually and sets out how we will achieve a reduction in pollution incidents. This is also crucial to our work to improve our rating in the Environmental Performance Assessment.	We will undertake annual second line assurance over our Pollution Incident Reduction Plan to assess effectiveness of the current plan against meeting our targets.	Established approach.

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**Table 2: Draft Assurance Plan 2024–25 continued**

Alignment to Principal Risks	Risk area	Why?	The Assurance we will be doing	Established/new
Water	Western Area Strategic Solution (Water for Life – Hampshire)	We have committed to working with other water companies to address our water resource issues and have several proposed solutions in scope for development. The work is being overseen by RAPID (Regulators' Alliance for Progressing Infrastructure Development) comprising representatives from Ofwat, EA and DWI. The funding agreement with Ofwat for 2020–25 states we are required to obtain "external assurance of data and approaches supported by Board statement".	Assurance has continued ahead of reporting milestones to RAPID. The remaining submissions for Gates 3 to 5 will be externally assured ahead of programme completion in Autumn 2024.	Established approach expected to continue into 2024/25 in line with RAPID milestones.
	WRMP19	Annual update to data tables.	Review consistency and accuracy of data reported	Established approach. By June 2024.

## Appendix A – Maturity Assessment Framework

Score	1 – Immature	2 – Developing	3 – Standard	4 –Mature	5 – Advanced
Definitions	<b>Basic – initial or reactive state.</b> Some awareness of shortfalls. Plans are not in place to rectify the position.	<b>Reactive but repeatable.</b> Partially defined. Analysis has been applied; aware of shortfalls but mitigation is reactive not planned or embedded.	<b>Defined needs improvement.</b> Analysis applied for a baseline position, recognised that improvement is needed, and a plan is in place. Established line of sight from analysis through to mitigations, and outcomes.	<b>Managed and controlled.</b> Activity follows good practice, is clearly defined, and documented. There is evidence that it is applied systematically and consistently with a more manual process.	<b>Optimised and efficient.</b> The approach is highly digitised and automated within a system to provide effective capability.
Strategy	<ul style="list-style-type: none"> <li>Controls are considered desirable but are not fully defined</li> <li>Leadership supports control operation</li> </ul>	<ul style="list-style-type: none"> <li>It is recognised that processes and controls are needed in the preparation of regulatory data, to ensure it is reliable, accurate and complete</li> <li>Processes and methodologies are understood, and some controls have been implemented in response to issues or feedback from assurers</li> </ul>	<ul style="list-style-type: none"> <li>Heads of Function, Process Owners and Data Providers are committed to operating appropriate controls to manage risks</li> <li>Risks and the different types of control that could be used to manage those risks are understood</li> <li>Improvements to controls are made without requiring direct feedback from assurers</li> </ul>	<ul style="list-style-type: none"> <li>A comprehensive set of controls has been implemented to manage known risks</li> <li>Evidence of the operation of the controls is collected and routinely reviewed by Heads of Function</li> <li>There is regular review of the controls which is used to drive improvement</li> </ul>	<ul style="list-style-type: none"> <li>There is a clear approach to ensure data is reliable, accurate and complete in the future</li> <li>Improvement plans are defined, resourced, and monitored</li> </ul>
Roles and responsibilities	<ul style="list-style-type: none"> <li>Roles and responsibilities are identified for some parts of the process</li> </ul>	<ul style="list-style-type: none"> <li>Individuals have been formally recorded for the production, approval and assurance of data</li> <li>The roles of first, second, and third lines of assurance are understood</li> </ul>	<ul style="list-style-type: none"> <li>Named individuals own their responsibilities and are accountable for ensuring data is reliable, accurate and complete</li> <li>There are no issues with segregation of duties or absence cover</li> </ul>	<ul style="list-style-type: none"> <li>A change process operates e.g., supporting changes in personnel</li> <li>Named individuals make regular review of controls, as well as subsequent updates to the controls (if applicable)</li> <li>They routinely liaise about operation of controls and management of known risks</li> </ul>	<ul style="list-style-type: none"> <li>Named individuals monitor digitised and automated systems for errors, to ensure the systems are effective at providing capability required, as well as continuing to meet the intended purposes for controls and management of risks</li> </ul>
Policies, processes and procedures	<ul style="list-style-type: none"> <li>There is an awareness of policies, processes, and procedures in place</li> </ul>	<ul style="list-style-type: none"> <li>Processes and procedures are documented and generally understood. This is backed up from data sources e.g., mandatory training records</li> <li>Data sources have been identified and are understood</li> </ul>	<ul style="list-style-type: none"> <li>Processes and procedures fully comply with reporting requirements</li> <li>Gaps and areas of improvement are understood and there is a plan to address them</li> </ul>	<ul style="list-style-type: none"> <li>Processes are mapped from source with a clear understanding of functional handovers and risks</li> <li>All risks and assumptions are fully exposed</li> </ul>	<ul style="list-style-type: none"> <li>There is full alignment of processes across functions and dependencies</li> <li>Processes and procedures are continuously improved</li> </ul>

## Appendix A – Maturity Assessment Framework

Score	1 – Immature	2 – Developing	3 – Standard	4 – Mature	5 – Advanced
Definitions	<b>Basic – initial or reactive state.</b> Some awareness of shortfalls. Plans are not in place to rectify the position.	<b>Reactive but repeatable.</b> Partially defined. Analysis has been applied; aware of shortfalls but mitigation is reactive not planned or embedded.	<b>Defined needs improvement.</b> Analysis applied for a baseline position, recognised that improvement is needed, and a plan is in place. Established line of sight from analysis through to mitigations, and outcomes.	<b>Managed and controlled.</b> Activity follows good practice, is clearly defined, and documented. There is evidence that it is applied systematically and consistently with a more manual process.	<b>Optimised and efficient.</b> The approach is highly digitised and automated within a system to provide effective capability.
Control Design	<ul style="list-style-type: none"> <li>There are some regular documented checks of data linked to reporting objectives</li> </ul>	<ul style="list-style-type: none"> <li>All controls are documented, linked to reporting objectives and reviewed by management</li> <li>Where appropriate, independent audit is undertaken</li> </ul>	<ul style="list-style-type: none"> <li>Key risks have been identified and controls have been designed to manage these risks</li> <li>Controls are embedded in operations and are routinely tested and reviewed</li> <li>There is a plan to automate controls</li> </ul>	<ul style="list-style-type: none"> <li>The majority of controls are preventative</li> <li>Controls and review are embedded in business-as-usual activity</li> <li>Some controls are automated</li> </ul>	<ul style="list-style-type: none"> <li>Controls are technology driven, preventative</li> <li>There is real time exception reporting within the first line</li> </ul>
Data quality	<ul style="list-style-type: none"> <li>Data and controls are managed manually</li> </ul>	<ul style="list-style-type: none"> <li>Standard systems are used which may require manual intervention</li> <li>Evidence of control operation for key controls is retained</li> <li>An assessment of data automation options has been made</li> </ul>	<ul style="list-style-type: none"> <li>Standard systems are used which don't require manual intervention</li> <li>There is a plan to automate controls/ data</li> <li>Assessment demonstrates that simple data/controls do not need to be automated</li> </ul>	<ul style="list-style-type: none"> <li>High level of automated controls/ data implemented</li> </ul>	<ul style="list-style-type: none"> <li>There is a roadmap to continuously improve automated controls/data based on changing technology</li> </ul>
Monitoring and metrics	<ul style="list-style-type: none"> <li>Controls are rarely measured and monitored to assess effectiveness in managing risk</li> </ul>	<ul style="list-style-type: none"> <li>Controls are assessed reactively and manually when issues with data are identified or feedback from audits is received</li> </ul>	<ul style="list-style-type: none"> <li>There is a basic set of measures to assess the effectiveness of controls</li> <li>These measures are periodically reviewed</li> </ul>	<ul style="list-style-type: none"> <li>Controls are routinely assessed to ensure they are effectively managing risk</li> </ul>	<ul style="list-style-type: none"> <li>Digitised and automated systems support routine continuous monitoring and analysis</li> </ul>

## Appendix B – Ofwat requirements for all companies

Activity	Requirement	Comment
<b>Engagement on risks, strengths, and weaknesses exercise</b>	Companies should carry out an exercise each year to consider these aspects in order to target areas to improve. This should consider both data assurance and how companies provide assurance to customers more generally.	Southern Water maintains ongoing dialogue with its customers and stakeholders. Outcomes from these discussions are considered when pulling these documents together. We have ongoing work with stakeholders, community groups and customer insight programme every day. For greater assurance and challenge we also engage with: <ul style="list-style-type: none"> <li>our Independent Climate &amp; Advisory Group (ICEG)</li> <li>Customer and Communities Challenge Group</li> <li>A series of Consumer Panels – which include households, businesses, harder to reach audiences and customers of the future</li> </ul>
<b>Publish risks, strengths, and weaknesses statement</b>	Companies should complete and publish statements on their risks, strengths, and weaknesses exercise. All statements should be published before 30 November each year.	In line with previous years, it will be published and available on our website by 30 November 2023.
<b>Publish draft assurance plans</b>	Companies need to complete the risks, strengths, and weaknesses exercise before they publish draft assurance plans. The Draft Assurance Plan should include any areas that are targeted based on this exercise.	In line with previous years, it will be published and available on our website by 30 November 2023.
<b>Engagement on assurance plans</b>	Companies should proactively engage with stakeholders, giving them the opportunity to provide comments on draft assurance plans.	Our Draft Assurance Plan includes details of how to respond to the document and we proactively seek responses from key stakeholders. The responses we receive are incorporated into our Final Assurance Plan.
<b>Publish final assurance plans</b>	Companies publish final assurance plans, providing responses to any comments they have received.	We publish our final assurance plans on our website each year and they will be available on our website by 31 March 2024.
<b>Other requirements</b>	Companies should provide: <ul style="list-style-type: none"> <li>transparency on the audit procedures they have put in place in relation to data assurance; and</li> <li>a summary of the outcome of the data assurance that has been carried out.</li> </ul>	We publish our Data Assurance Summary on our website each year. This will be published alongside our Annual Performance Report in July 2024.

[southernwater.co.uk](http://southernwater.co.uk)

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