

Final assurance plan



Our assurance programme for our performance information

30 March 2020

from
**Southern
Water** 

The Southern Water logo graphic consists of three stylized, wavy lines in shades of blue, positioned to the right of the company name.

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Introduction

The purpose of this publication is to set out our assurance plan for our performance reporting in 2019–20. Customers and other stakeholders expect that the information we present to them about our performance is accurate, accessible and fully assured.

This document sets out the specific assurance activities being undertaken, both internal and external, relating to our performance reporting as well as other information which we have provided to our regulators and stakeholders for the year 2019–20.

In completing our assurance plan we have engaged with our stakeholders and will continue to do so to give confidence in the information we publish and make long-lasting improvements to the way we do things.

This document is one of three relating to assurance that we publish during the year as part of our annual assurance cycle for customers, stakeholders and regulators:

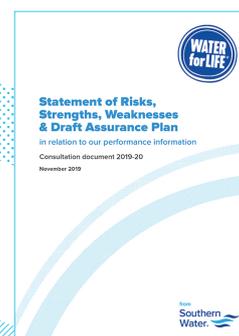
- **Final Assurance Plan** (this document) which takes on board comments from the consultation on the Statement of Risks, Strengths and Weaknesses and Draft Assurance Plan
- **Data Assurance Summary** (in July with our Annual Performance Report)
- **Statement of Risks, Strengths and Weaknesses and Draft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

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

We take full responsibility for the information we publish on our performance and seek to provide confidence to customers and stakeholders through a transparent approach to data assurance. This assurance provides confidence in our reported performance and the delivery of promises made in our 2015–20 business plan.

We continue to deliver a greater level of trust and confidence in our reporting than has been achieved in the past. The assurance activity we undertake around the information that we provide to customers and stakeholders is one of the critical elements we have put in place to secure that trust. In addition to our own internal assurance teams and processes which we strive to continually improve, our highest risk performance data is assured by an independent assurer PricewaterhouseCoopers (PwC), who are completing their fourth year in this role.

As part of our preparations for Asset Management Period 7 (AMP7) we have put in place a new technical assurance framework agreement that will allow us to appoint the most suitable assurance partners to different technical assurance projects.



Regulatory background

We are now entering AMP7 (2020–25). Our Final Determination (FD) was published by Ofwat on 16 December 2019 and sets out a number of promises and performance commitments we 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.

For the period 2015–20, Ofwat, developed its Company Monitoring Framework (CMF) to encourage water and wastewater companies to conduct high quality assurance of the

information companies provide to their customers and stakeholders.

Ofwat are evolving their approach to performance monitoring to ensure they are able to assess companies' performance in the round (including financial and operational performance, company governance and culture). This is an important element of their new strategy launched in Autumn 2019.

In the meantime, Ofwat will not publish further CMF assessments, but will continue to scrutinise and challenge companies' approaches to data quality and assurance of their performance reporting.

Ofwat expect companies to continue to strive for best practice in their assurance arrangements, and they expect all companies to adopt as a minimum the standards shown at Table 1.

Table 1: Ofwat Minimum requirements for all companies

| Activity | Requirement | Comment |
|---|---|---|
| Engagement on risks, strengths and weaknesses exercise | 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 had specific input from our Customer Challenge Group and the Environment Agency around our work on becoming more transparent about our environmental performance. |
| Publish risks, strengths and weaknesses statement | 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 this will be published and available on our website by 30 November. |
| Publish draft assurance plans | 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 this will be published and available on our website by 30 November. |
| Engagement on assurance plans | 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 will proactively seek responses from key stakeholders. |
| Publish final assurance plans | Companies publish final assurance plans, providing responses to any comments they have received. | We publish our final assurance plans on our website each year. |
| Other requirements | Companies should provide: <ul style="list-style-type: none"> transparency on the audit procedures they have put in place in relation to data assurance; and a summary of the outcome of the data assurance that has been carried out. | We publish our Data Assurance Summary on our website each year. |

The latest versions of all the reports referred to above can be found on the Southern Water website.

Wastewater Investigations

The Ofwat investigation that commenced in 2017 has resulted in Ofwat taking enforcement action against us. In October 2019 Ofwat issued a decision to impose a financial penalty of £3 million, details of which were initially published in June 2019. In addition, we have agreed to make significant customer bill rebates, totalling £122.9 million (in 2017–18 prices), between 2020–25, in recognition of our failure to meet the expectations of our customers and wider stakeholders, as well as our regulators. On 8 October 2019 we signed the formal Undertakings pursuant to S19 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.

To ensure that there is a sustained change of culture of the business, we have introduced a number of organisational cultural change initiatives. These include a commitment to deliver a step change in mindset, skillsets, productivity, operational performance, ethical principles and practices, and employee engagement. Work areas include:

- Values: Refresh Southern Water vision, mission and purpose;
- Employee Engagement;
- Management Training;
- Ethical Business Practice;
- Speak up; and
- Employee Incentives.

We completed a refresh of our organisational values in 2019, and have been embedding the revised values across the business. In the same year we also launched our new Code of Ethics, a key element of our work to support ethical business practice. We have worked with the Institute of Business Ethics (IBE) to develop training material including the development of 'dilemma scenarios' which we have used at workshops with our senior management and Board members.

We have promoted ethical behaviour and initiatives on 'Doing the right thing' through communications and other employee engagement events. It is critical that we are able to monitor the impact of these interventions and how these have impacted the values and behaviours of front line staff. As part of our employee engagement survey staff were questioned about ethics and values for our January 2020 Gallup surveys. Analysis of the responses and feedback is providing insight as to areas we can further improve and focus activities. We are aware that cultural change can only be achieved over long periods of time, and are therefore developing measures that can be collectively viewed to provide an indication of the culture of our business. Additionally, we have confirmed that no employee will be rewarded through the achievement of personal objectives where such personal objectives are linked to wastewater compliance unless SWS meets its relevant performance commitments.

Compliance with the Section 19 Undertakings and progress of these actions was reported to Ofwat in our February 2020 Compliance Monitoring Report. They are also subject to a formal assurance regime which will be independently externally assured by PwC, and reported to both our Audit Committee and to Ofwat on a regular basis. The outcome of the first assurance from PwC stated that they agreed with our assessments of compliance with the Undertakings, that we had made good progress so far against our plan and in delivery of the Undertakings.

A set of customer and stakeholder FAQs has been uploaded to our website to provide clear information about the key points raised by the investigation and can be found at [southernwater.co.uk/our-performance/working-with-ofwat-to-make-amends-to-our-customers](https://www.southernwater.co.uk/our-performance/working-with-ofwat-to-make-amends-to-our-customers).

We are also now subject to a Prosecution by the Environment Agency (EA) in relation to the previously reported investigation that started in 2016. Their investigation focuses on the historic performance (2010–15) of a number of wastewater treatment sites in North Kent and the Solent coastal regions. We are also subject to an investigation by the EA in relation to the reporting of relevant wastewater compliance information which is ongoing.

We continue to be under scrutiny from our water quality regulator, the Drinking Water Inspectorate (DWI), and have been the subject of two Final Enforcement Orders – one regarding a final asset improvement scheme and another in relation to water quality sampling and information management. In January 2020 we were able to close the Section 18 Final Enforcement Order for water quality and information management. 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, which commenced in 2018 will continue through 2020 and beyond. 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 with the DWI which formalises this element of our programme.

Condition I Assurance

In order to meet the Licence Condition I Certificate requirements of the Ofwat Section 19 Undertakings the Southern Water Board need to be able to clearly evidence the level of diligent enquiry that the Board has undertaken, to ensure that they are able to demonstrate that the company will have, for at least the next 12 months, sufficient:

- Financial resources and facilities
- Management resources
- Methods of planning and control

To support this process the Southern Water Board will sign-off Condition I assurance statements (similar to the PR19 assurance statements). This will enable the Board to clearly demonstrate they have discharged their responsibilities and have made diligent enquiry into the principal risks facing the wastewater business (to support the Section 19 Undertakings).

In February 2020 Ofwat published new guidance (IN 20/01) on the requirements and expectations for ring fencing certificates (in our case the Condition I statement). The information notice reminds companies of their responsibilities and provides prescriptive guidance on the subject.

The Condition I certification process will be subject to external assurance. The assurance will:

- Consider the Board Assurance Statements
- Review the evidence packs and diligent enquiry statements that support the Board Assurance Statements
- Review Board papers and minutes around the Condition I certificates
- Undertake some questioning, potentially including Board members, around the quality of the evidence supporting the board statements
- Attendance at relevant Board meetings
- Judging the above against the overall requirements of the Certificates and the s19 undertakings requirement
- Providing a report and opinion as required by the s19 undertakings and potentially present their findings to Ofwat

1. Final assurance plan development

We understand the information we share needs to be accessible to all stakeholders and delivered in a clear manner which is relevant and useful. As part of our annual assurance cycle we engaged with our stakeholders to develop our Statement of Risks Strengths Weaknesses and Draft Assurance Plan.

1.1. Summary of risks, strengths and weaknesses

Our latest risks, strengths and weaknesses exercise was published in November 2019.

It highlighted the areas of reporting that have the most significance or are of greatest risk to customers. For these areas, the company will put in place independent external assurance as part of its assurance plans. We are currently in the fourth year of an arrangement with PwC to provide this independent external assurance. In our statement we identified the significant improvements we have already made to the collection, reporting and presentation of our performance information. However, we are fully aware that we need to continue to improve and identified the following risks, strengths and weaknesses in our performance reporting.

Figure 1: Southern Water 2019–20 risks, strengths and weaknesses

Our risks

- Maintaining high-quality regulatory and statutory reporting in an accurate and timely manner.
- Meeting the stringent assurance and reporting requirements for the next five-year business plan, including ensuring action plans that we have agreed with our regulators.
- Continuing to embed effective first and second line assurance across our processes that support regulatory reporting requirements.
- 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.
- Ensuring that the delivery model(s) that we adopt for the commitments we have made are robust.

Our strengths

- Board focus and oversight of risk and assurance activity via our Audit and Risk Committees.
- Our transformation agenda to ensure we are delivering a resilient water future.
- Our internal and external performance monitoring regimes to identify areas of focus and success.
- Improved quality and transparency in respect of our reporting in our Annual Report and on our website.
- Continuous engagement with our stakeholders and regulators.
- The embedding of our Modern Compliance Framework.
- We have a monthly Executive Leadership Team meeting focused on risk and compliance.
- Quarterly Executive Leadership Team risk session to challenge and update our corporate risks.
- Our assurance framework – we have revisited and improved our approach to assurance.
- Robust tracking of assurance and improvement actions.
- A continuous improvement programme for annual assurance which includes data returns to Ofwat, the DWI, EA and CCWater.

Our weaknesses

- Guaranteed Service Standards – our assurance processes have identified the need to make improvements in our processes to ensure compliance with the GSS scheme.
- Changes to our customer delivery model service area should lead to long-term improvements, but there is the challenge of maintaining high levels of performance and reporting whilst changes are embedded.
- Fragility of our information management systems and the complexity of processes which underpin some of our difficulties in reporting our performance.
- Detailed end-to-end process reviews have identified complex data flows which require simplification and additional controls, improvements to IT systems and data accuracy.
- A previous lack of clarity of roles and responsibilities in our first and second lines of assurance.
- A need to reinvigorate our overall framework for regulatory reporting including training supported by ethical business practices and culture change.
- Our communication with customers during major incidents needs to further improve.

2. Our approach to assurance

In our 2019 Statement of Risks Strengths & Weaknesses and Draft Assurance Plan we detailed our approach to assurance in relation to our performance information and acknowledged the importance of accurate information in building trust and confidence.

At Southern Water we have adopted 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 processes in place to mitigate the risk of supplying incorrect or inaccurate information on all our non-financial regulatory reporting. Table 2 describes the activities undertaken by each line of defence. Ultimately, all assurance activity has oversight from the Board and Audit Committee.

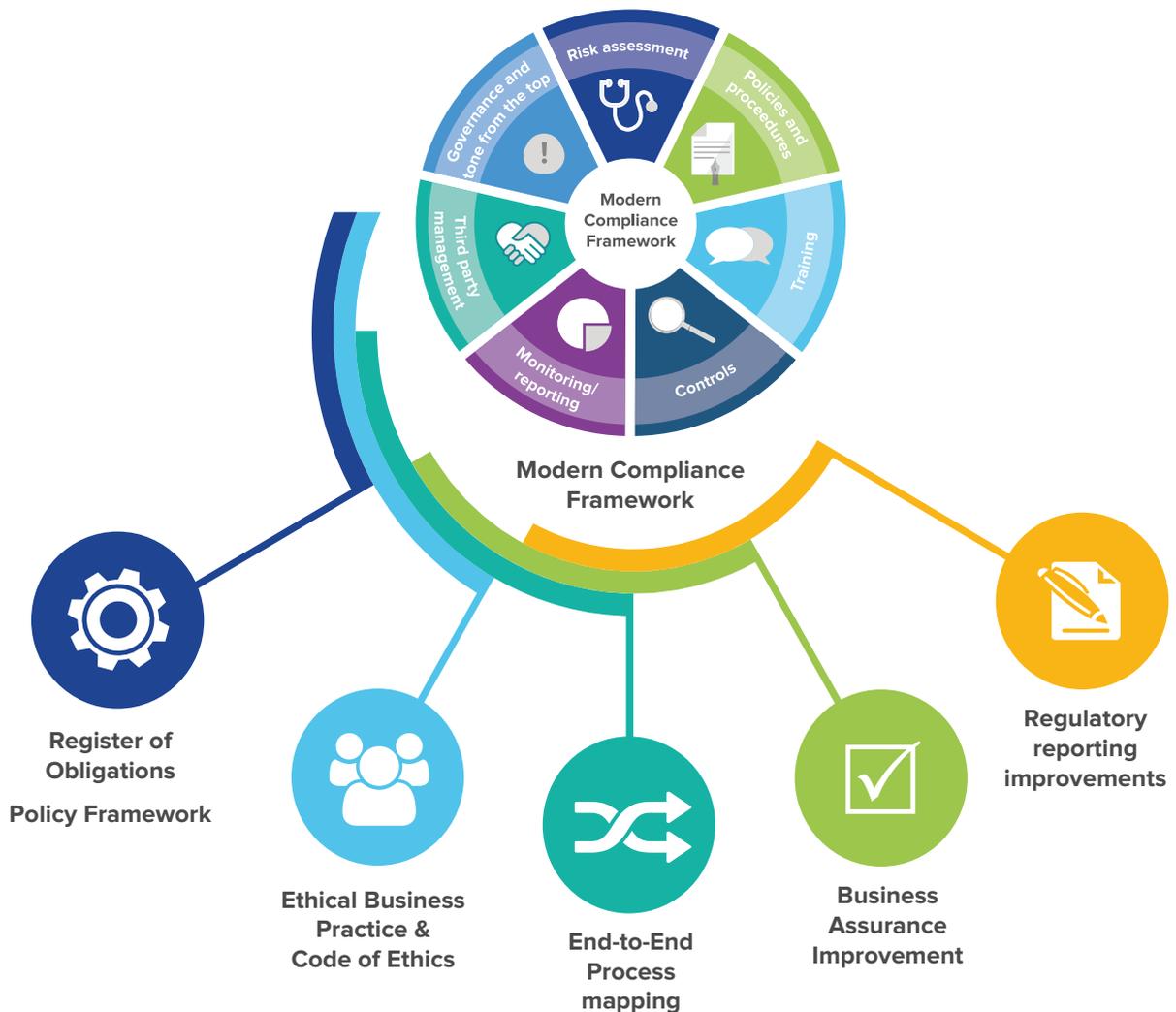
Table 2: Our application of the 'three lines of defence' assurance model

| Lines of defence | Business function | Activities |
|--|---|---|
| First Business operations | Business management processes and controls Operational and financial monitoring and measures | <ul style="list-style-type: none"> • Developing and maintaining sound processes and controls over operations. • Reporting financial and operational performance measures including our performance commitments and other external regulatory measures. • Ensuring data quality and integrity over information. • Assessing changes in risk profiles and implementing mitigating actions. • Integrating all compliance requirements into day-to-day operations and monitoring adherence. |
| Second Oversight functions | Risk and Compliance Directorate Audit and risk subject matter experts | <ul style="list-style-type: none"> • Liaising closely with the wider business to ensure activities are controlled and effectively operated. • Setting policy and procedures. • Ensuring the ongoing challenge, monitoring, assurance and governance of business operations. • Reviewing regular and ad hoc performance reporting. • Identifying risks and enabling risk management processes. • Gathering industry intelligence and linking closely with regulators and stakeholders. • Building compliance and resilience into our water and environmental processes. • Standardising data governance and reporting. |
| Third Independent assurance | Independent assurance providers Internal audit | <ul style="list-style-type: none"> • Completing reviews of processes, control monitoring, data quality and systems through ongoing testing and assurance of key processes using a risk-based approach. • Completing third party risk-based assurance of financial and regulatory accounts and performance information. • Linking closely with first and second lines of defence and activity on issues identified or reported. • Providing independent reports to our Board Audit committee. |

Southern Water’s assurance plans are developed from stakeholder feedback and from our own risk assessments. 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, the EA and CC Water as well as non-financial information to be included in the company’s financial statements. 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 structural and cultural change to support the development of a modern, transparent and ethical compliance framework. In Figure 2 we highlight the activity that has been ongoing and that is driving the improvements we are making in our performance reporting under our Modern Compliance Framework. We have significantly strengthened our performance monitoring capability which underpins the completeness and accuracy of our performance data and provides more confidence in the reporting we publish. This leads to improved assurance with fewer issues being identified and increased trust and confidence in our data.

Figure 2: Performance Improvement under our Modern Compliance Framework



Following on from the completion of our last year-end assurance processes we continued to see varied levels of maturity of business processes.

We recognise the need for continued improvement and within our published Data Assurance Summary (July 2019) we identified that we can make further improvements to ensure that findings are not repeated in future audits; that data quality and our controls environment continue to improve.

A workshop between our in-house 2nd line assurance team (Business Assurance) and our external technical assurer (PwC) identified a wide range of items for potential improvement which have been developed into specific improvement work streams:

- Improving the framework for reporting
- Revised approach to reporting process documents
- Revised approach to data sheets
- Improving engagement by setting expectations of Process and Promise Owners
- Improve discipline around roles, process and timetable
- Improve the assurance approach and ensure the reporting timetable is delivered. Targeted interventions for problem areas identified in previous audits.

To support delivery of the improvements mentioned above, we are currently implementing a number of changes to integrate our approach to reporting process improvement and assurance, including:

- Adopting a single approach to reporting process improvement and assurance across all of our regulators
- Ensuring that our programme of regulatory assurance is proactive and risk based
- Combining internal and external resource to support the risk based programme of process and control improvements, controls monitoring and assurance.

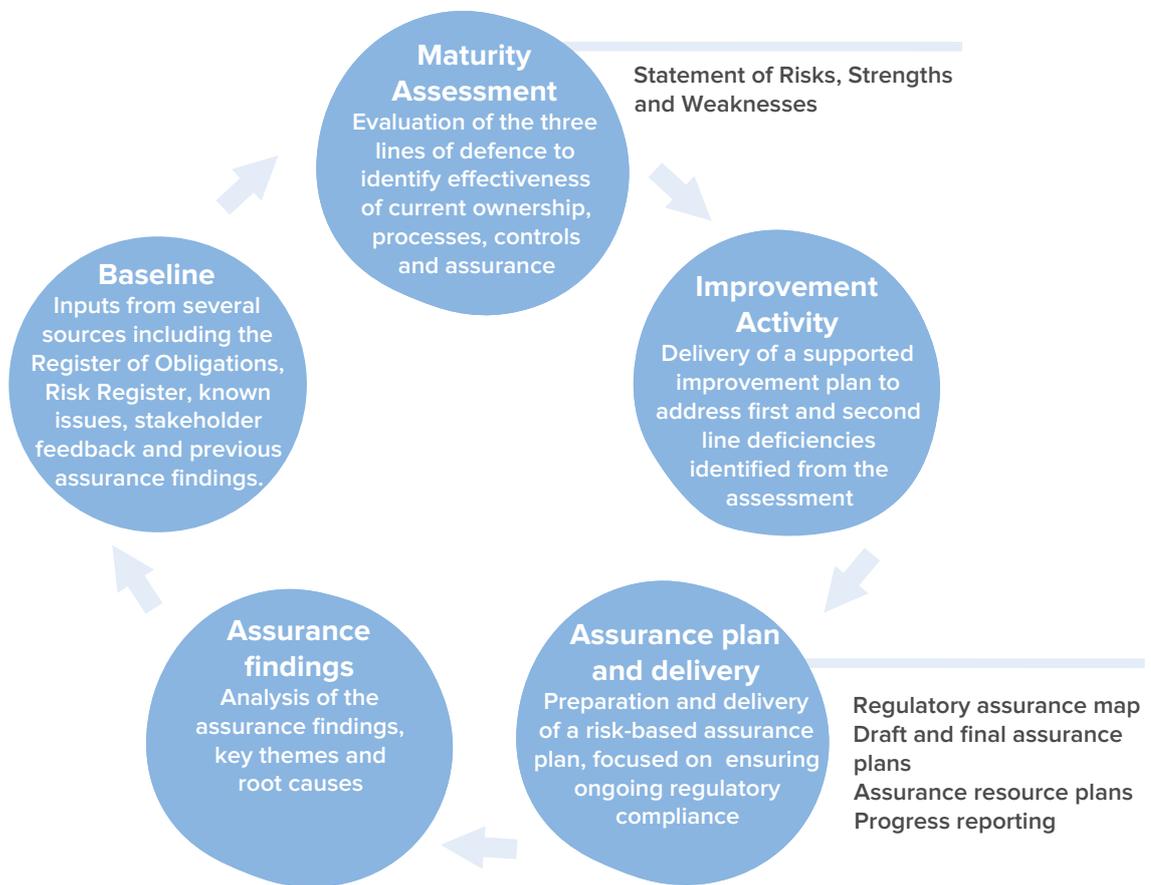
Our aim is to implement a risk based approach to assurance planning that delivers core assurance work required by our regulators and proactively target assurance at emerging areas of risk. The approach includes a continuous improvement process that takes inputs from a number of sources, assesses inherent risk, an assessment of the current level of maturity of our processes, controls and oversight against our three lines of defence and identifies required improvements. Each time a piece of work is completed the assessment can then be updated to understand future assurance requirements.

We have already made considerable improvements to align our reporting across our regulators, in particular: Ofwat, the Environment Agency and the Drinking Water Inspectorate. We will look to ensure that we continuously improve to deliver our assurance vision that we will be operating a risk-based programme of end-to-end process reviews that ensure accurate data provision and effective risk and control ownership by our first line teams.

Our end-to-end process work will be undertaken by our internal assurance specialists, and we will blend this internal assurance with independent external assurance of our reported data. This will ensure our regulators are provided with an independent third line assurance opinion of our data returns.

This moves us from delivering reactive assurance to following a prioritised, risk focused regulatory assurance plan that will underpin our annual plan of assurance and improvement activity. An outline of this approach is shown in Figure 3.

Figure 3: Continuous Improvement approach to assurance planning



3. Final assurance plan

3.1. Assurance plan objective

This part of the document sets out how we have arrived at the assurance work we are planning over our regulatory reporting. We have enhanced our in-house assurance capability during 2019 and we are working with our technical assurance partners to identify and deliver specific improvements to our assurance approach.

At present, our assurance plan reflects that we are reacting well to the requirements of our regulators and proactively considering areas of highest risk and specific, targeted areas and provides ongoing assurance throughout the year.

Figure 4 shows the current key areas of focus for our assurance plan:

Figure 4: Assurance focus 2020–21



3.2. Assurance plan

As outlined in our draft assurance plan, our assurance plans are informed by the findings of our risks, strengths and weaknesses assessment and our stakeholder engagement. In addition, emerging areas of high risk, or on-going issues are reflected in our plan. During the year our regulators may require us to respond to queries and reports. We will consider during the year whether there is a need to do any specific assurance that is required in response to actions and reports from our regulators.

In our draft assurance plan published November 2019, we outlined the different types of regulatory compliance assurance. Whilst the assurance requirements for our different regulators are different we are standardising our 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. Table 3 highlights the different types of assurance that we undertake. Table 4 details our assurance plan. We asked for feedback from our key stakeholders on our Draft Assurance Plan by January 2020. As we did not receive any responses to the consultation, our changes were minimal; these are listed in Appendix 1 together with our rationale.

Table 3: The different types of regulatory compliance assurance

| Controls Monitoring and Assurance | Assurance over data reported to Regulators | Assurance over Regulatory Action Plans | Deep Dive – risk and control maturity | Themed Review |
|---|--|---|--|--|
| <ul style="list-style-type: none"> • Assurance over the operation of specific controls that have been identified within Risk and Control Matrices and Ofwat Regulatory 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. • Evidence reviews to ensure effective control can be demonstrated. | <ul style="list-style-type: none"> • 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. • Risk-based approach to whether assurance provision is internal or external unless otherwise prescribed. | <ul style="list-style-type: none"> • Specific assurance activity (internal and external) over action plans that have been agreed with Regulators. • Activity can be driven from business plans and regulatory enforcement undertakings. | <ul style="list-style-type: none"> • 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. • Can be applied wider than just regulatory reporting and areas for review will be linked to the Register of Obligations and our Corporate Risk Register. | <ul style="list-style-type: none"> • Audits of specific areas of high risk and non-financial regulatory issues. • Derived from analysis of areas of risk and weakness and our on-going stakeholder engagement. |

Table 4: Final assurance plan 2020–21

| Risk area | Why? | The assurance we will be doing | Established/new |
|---|---|--|--|
| <p>Ofwat Annual Performance Report (APR), including Performance Commitments and ODIs; Cost Assessment Tables</p> | <p>We believe customers should be able to trust our reporting of all our non-financial performance information.</p> <p>In our 2015–20 business plan we committed to obtaining third party assurance over our high-risk non-financial 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.</p> <p>This information is published in our Annual Performance report and is detailed in our Data Assurance Summary.</p> | <p>Year-end assurance – external assurance (PwC) 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>PwC will complete an ISAE 3000 limited assurance engagement. The scope of the technical audit will include a conclusion as to whether the information audited has been prepared in accordance with the reporting criteria.</p> <p>As an independent assurance provider, PwC identifies 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 PwC. Low risk testing will be undertaken in-house.</p> <p>The business processes that support our annual reporting are also applied to the Ofwat shadow reporting.</p> | <p>Established process for assuring end of year APR information provided.</p> <p>This will continue for 2019–20 information and into the period 2020–25.</p> |
| <p>Annual Report and Accounts, including financial APR data</p> | <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 is subject to three lines of assurance with our financial auditor, Deloitte, 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> <p>PwC undertake the assurance of the non-financial information that is provided to Ofwat and that is included in the Annual Performance Report.</p> | <p>Established process which will continue taking account of any evolving regulatory requirements.</p> |

Table 4: Final assurance plan 2020–21 continued

| Risk area | Why? | The assurance we will be doing | Established/new |
|--|---|---|--|
| Reporting to the EA | Historic and ongoing investigations into our reporting to the EA means that we are under significant scrutiny over the information we provide. A programme of information management improvements is being delivered as part of our 'Environment+' programme. | All 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. Improvements to our Spill reporting to the EA will be subject to external assurance as part of our Ofwat S19 undertaking. | Established approach |
| Reporting to the DWI | Reporting issues have highlighted the need to improve our reporting to the DWI. This was reflected in a Section 18 Final Enforcement Order on data management. Considerable effort has been made in documenting processes, risks and controls over our reporting and the monitoring of first line controls is being embedded. | We will perform second line assurance over the embedded processes, risks and controls to ensure effective first line controls are operating and that they can be evidenced. All regular reports provided to the DWI will be subject to first line control and will also be the subject of second line assurance. | Established approach |
| Annual Report to CCWater | CCWater 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 APR assurance processes (see above). Where the information falls outside of this we will undertake second line assurance. | Established approach |
| Initial Assessment of Plans (IAP) and Transformation Action Plans | The business has agreed to a range of plans that are reported to Ofwat as a requirement of our AMP7 business plan process: <ul style="list-style-type: none"> • Performance Commitment Monitoring • Incident Monitoring • Resilience • Drainage and Wastewater Management. | Second line assurance is undertaken to provide a maturity assessment over the implementation of the agreed actions, in the Plans. Third line assurance is then undertaken to challenge and confirm the outcome of the second line assurance and report to Ofwat, our Board and Customers. | New for 2019–20 and will continue to be reported through 2020–21 |
| 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 I licence obligations to satisfy the Undertakings. | New in 2019–20 and will continue until 2024. |

Table 4: Final assurance plan 2020–21 continued

| Risk area | Why? | The assurance we will be doing | Established/new |
|---|---|--|--|
| DWI Regulatory enforcement | Southern Water has been subject to a number of enforcement actions with the DWI. This has resulted in a range of actions needing to be completed and evidenced to the DWI. | Second line assurance is undertaken to confirm and track the implementation of the agreed actions, and to ensure progress is aligned to the requirements of the DWI and supported by appropriate evidence. | In place for our S19 Information Management Undertaking with the DWI |
| Western Area Strategic SolutionI | We've committed to working with other water companies to address our water resource issues and have six 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 AMP7 Final Determination states we are required to obtain 'external assurance of data and approaches supported by Board statement'. | The first round of assurance is expected to be completed in the Summer 2020 in support of our first submission to RAPID in September 2020. Our Business Assurance team will procure external assurance resource to ensure this meets the requirements of the Final Determination. | New |
| Preparation of AMP 7 Reporting | Reporting of our AMP7 Performance Commitments (PCs) will be supported by the Ofwat Compliance Framework (OCF) documents describing the process, risks and controls in place to ensure the completeness and accuracy of the information that is provided both monthly to the business and annually to Ofwat in the Annual Performance Report (APR). | Internal assurance to include a review of OCF documented process risk and control design, and operational controls. We will carry out a risk assessment of the new reporting and in high risk areas will undertake end-to-end process assurance over the risks and controls associated with the production of these new measures. | New |
| Themed Review – WWT Compliance, Pollution Spills and Flows | Our year-end assurance activity focuses on the final reported number we report internally and to Regulators. We have identified that some data areas need to have assurance undertaken over the controls (first line) that are in place higher up the data flow process, including where we are dependent on our field staff for initial event recording, or automated event recording. This work will be a key input into end-to-end process work as part of the S19 undertaking with Ofwat. | Assuring the data process from the start will give us additional confidence that the results we publish are accurate and reliable. The assurance approach will be to undertake a deep-dive methodology to document risks and controls and ensure their operation can be evidenced. | New |
| Themed Review – Outage, leakage and supply demand balance | Our regulators have expressed concern over our treatment works outage performance, underperformance against our five year leakage target and potential supply-demand imbalance. We also reported in 2018/19 a reduction in our security of supply index from 100 to 98. They have set expectations that they expect us to meet following the Southern Water WRMP14 2019 annual review. | We will undertake detailed end-to-end process assurance over the risks and controls associated with the production of our outage, leakage and security of supply information, building on work that has previously been undertaken. In addition we will pay particular attention to ensuring compliance with our regulators' action requirements identified in the Southern Water WRMP14 2019 annual review letter. | New |

Table 4: Final assurance plan 2020–21 continued

| Risk area | Why? | The assurance we will be doing | Established/new |
|--------------------------------------|---|---|----------------------|
| Themed Review – Water Quality | We have completed a large amount of work to ensure that our processes risks and controls have been documented in this area and that there is now an effective regime of controls monitoring. This has been reported in detail to the DWI as part of the S18 Final Enforcement Order on Data Management. | We will undertake assurance to ensure that the controls that are now being operated can be evidenced. | New |
| Themed Review – Abstraction | We have identified there is scope to improve our data and compliance with the agreed standards of abstraction measurement, monitoring and reporting to ensure compliance with our abstraction licences and reporting requirements. Our year-end assurance activity focuses on the final reported number we report internally and to Regulators. We will make further improvements to controls for more frequent monitoring and reporting. | Assuring the data process from the start will give us additional confidence that the results we publish are accurate and reliable. The assurance approach will be to undertake a deep-dive methodology to document risks and controls and ensure their operation can be evidenced. | New |
| Themed Review – GSS | Our assurance over the 2018–19 data identified that there is scope to improve our data and compliance with the agreed standards in this area. | We have included within our transformation plan a review of our Customer Charter and the policy, procedures and monitoring in relation to appointments, which will focus on identifying past, current and future compliance with the Guaranteed Service Standards (GSS) regulations and further improving the customer experience. This review is ongoing but has indicated that some appointments have not been made in full accordance with GSS in the current year and in 2018–19; we are extending the review to ascertain whether any prior years are affected. The processing of making GSS payments to all affected customers is in progress and immediate improvements have been implemented to ensure ongoing compliance. We will undertake second/third line assurance over the outcomes of this improvement project and ensure that we can demonstrate ongoing compliance. | New |
| Water Company Charges | Ofwat expects that all water companies are transparent about how they set charges and we are expected to comply with all statutory obligations. Ofwat has issued an Information Notice in this area in October 2019. | We will undertake second line assurance and/or improvement activity to ensure that we are compliant with the requirements of the Information Notice. Previous assurance over water company charges has been provided by an external assurer. | Established approach |

Appendix 1

Changes from the Draft Assurance Plan

Table 4: Final assurance plan 2020–21 continued

| Risk area | What we said we would do in the draft plan | Change | Rationale |
|--|---|--|---|
| Process improvement programme | <p>Our approach is:</p> <ul style="list-style-type: none"> • Work with Process Owners to document their current process and controls • Produce a risk and control matrix to capture risks and controls • Establish a controls monitoring regime to ensure that the documented controls are operated <p>Once this is embedded we can then move to second line assurance over the controls operation. We have worked to this level of maturity in our water quality.</p> | Removed | <p>This primarily relates to improvement work so is not classed as assurance.</p> <p>Where controls are embedded, this will be covered by our themed reviews within the Final Plan.</p> |
| Themed review – customer services | We will undertake second line assurance and/or improvement activity to ensure that the risks and controls associated with the collection of customer contact information is robust and accurate. | Removed | Internal Audit have a planned review of governance over Customer Service so removed to avoid duplication. |
| Bioresources | As Ofwat requires us to publish our annual information relating to the bioresources market, this will be subject to third line external assurance. | Removed | Not required as a separate item as included in the RC20 external assurance engagement. |
| Themed review – C-Mex and D-Mex | We will undertake detailed end-to-end process assurance over the risks and controls associated with the production of these new measures. | Amended as now included under 'Preparation of AMP7 Reporting'. | This is rolled up into the Preparation of AMP7 reporting, where assurance is being undertaken over the high risk process documentation being produced. |
| Preparation of AMP7 Reporting | N/A | Added | As per above note, this will include high risk measures such as C-Mex and D-Mex. |
| Western Area Strategic Solution | N/A | Added | New requirement. |



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You should send any comments to:
regassurance@southernwater.co.uk