

2022/23

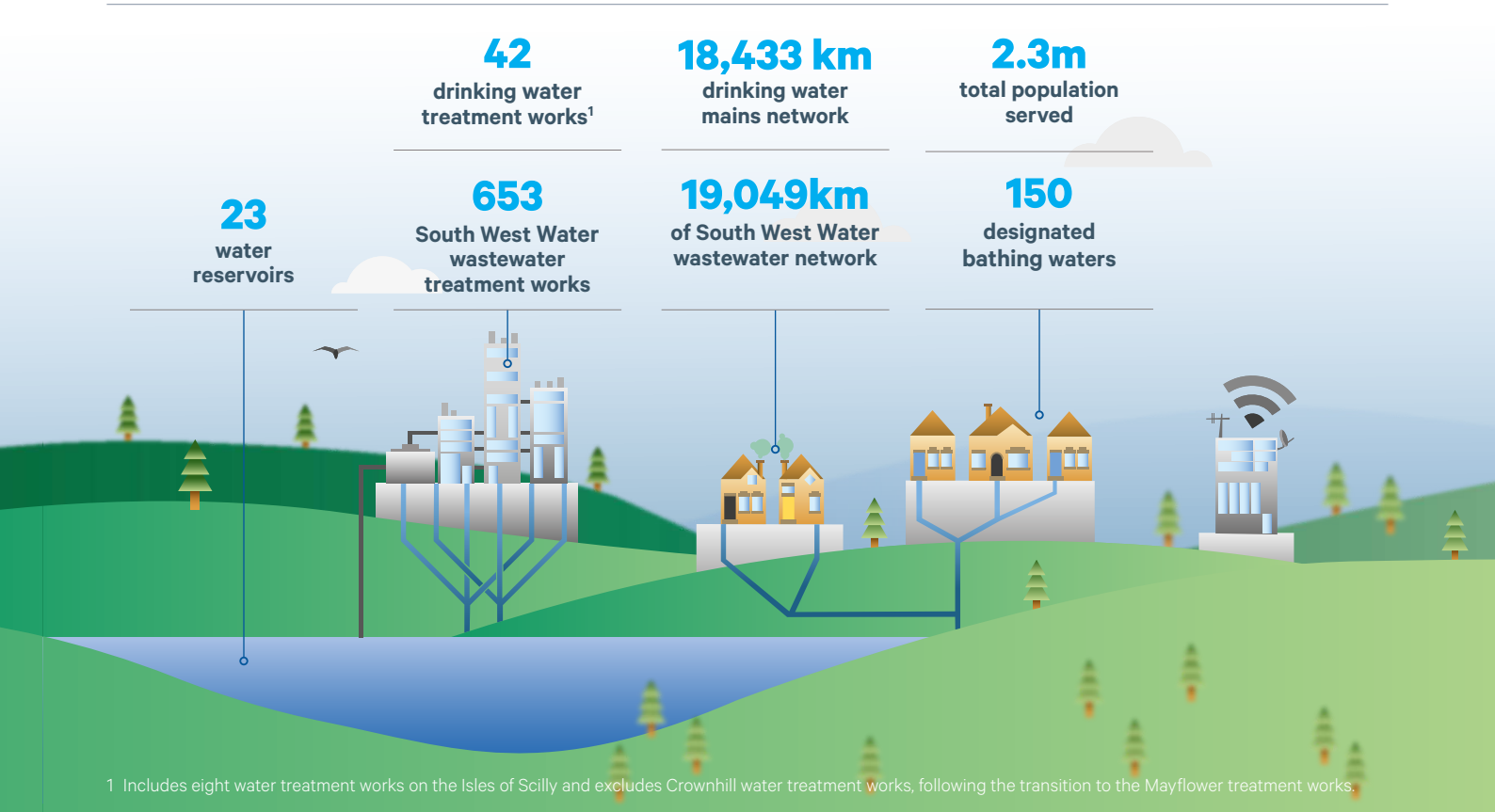
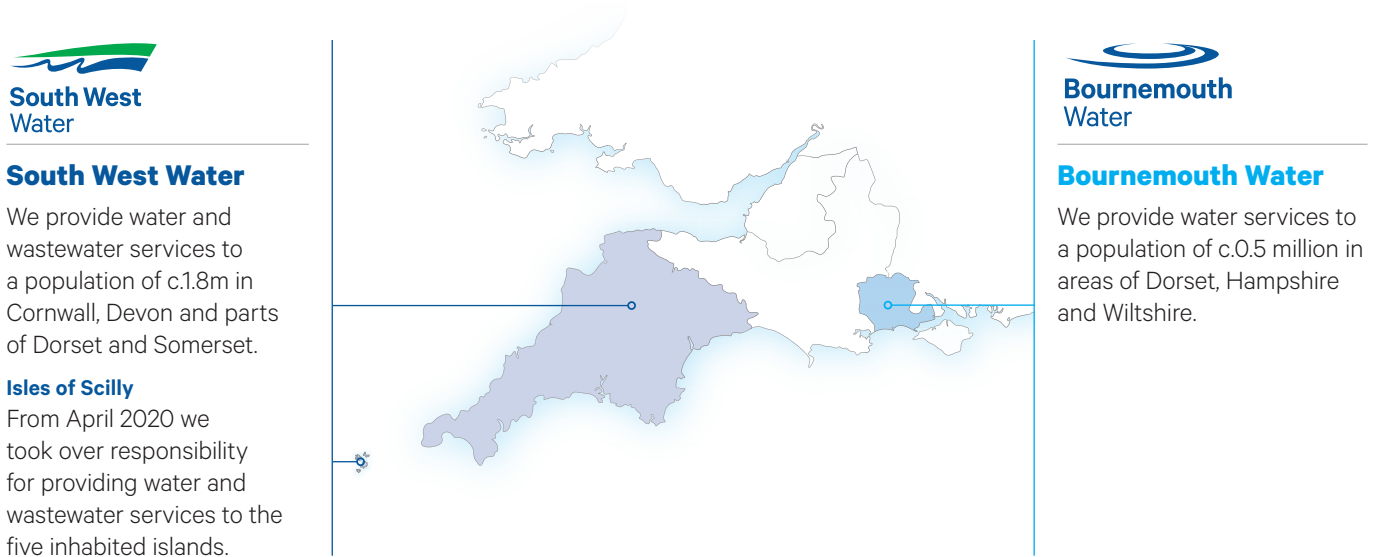
Risks, Strengths and Weaknesses Statement
and Final Assurance Plan



Welcome

South West Water is the combined entity covering the original South West Water and Bournemouth Water areas. Both identities have been retained by the Company in their original operating areas. There are now performance commitments in place for 2020-25 spanning both areas. From April 2020, we also took over services for customers on the Isles of Scilly.

We recognise the importance of customers and other stakeholders understanding what they can expect from us and being able to place trust and confidence in the data, information and publications we provide, based on a thorough assessment of areas of risks, strengths and potential weaknesses.



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Executive Summary

Our vision

Our vision is 'Bringing water to life'

Our values



Trusted

We do the right thing for our customers and stakeholders.



Collaborative

We forge strong relationships, working together to make a positive impact.



Responsible

We keep our promises to our customers, communities and each other.



Progressive

We are always looking for new ways to improve and make life better.

Our purpose

Our purpose is: Bringing water to life – supporting the lives of people and the places they love for generations to come.

Our Risks, Strengths and Weaknesses Statement and Assurance Plan

At South West Water we recognise how important it is for all our customers and stakeholders to have trust and confidence in the information we report, on the services we provide and how we provide them.

Although the Risks, Strengths and Weaknesses (RSW) Statement and Assurance Plan process are no longer required by the regulator, we believe that both are important in ensuring continued transparency and trust over the information that we provide to our customers and wider stakeholders in respect of our performance.

The continued commitment to undertaking both the RSW and Assurance Plan activities and publishing the outcomes detailed within this document aligns with the Company's Vision, Values and Purpose which are central to everything that we do.

This year we are publishing a combined RSW Statement and Assurance Plan to more clearly demonstrate the link between our RSW assessment and those items we consider to be Significant Areas for Assurance in our Assurance Plan.

Executive summary continued

The Company manages its risks through a mature and embedded risk-based framework. This framework ensures processes exist for the identification, mitigation and monitoring of operational, financial, technological and other risks we face and manage (see page 05), including those risks relating to the validity, accuracy and completeness of information we publish and submit. Key risks, controls and mitigations are recorded in a comprehensive risk register and reviewed at appropriate intervals.

The RSW process that has been undertaken helps to inform and continuously improve our approach: focusing on the reliability of information we provide, its usefulness as well as its format and style to ensure that we continue to report information that our customers and stakeholders have confidence in. It aims to identify the key risk areas relating to this goal.

Pages 05 to 07 summarise the analysis we have undertaken in the process and in identifying the risks to data validity, accuracy and completeness, in line with stakeholder expectations.

The RSW exercise identified the following risk areas pertaining to data we publish, submit or hold:

- Environmental impacts and environmental data published and requested
- Strategic publications that need to be thoroughly assured, consistent and meet the expectations of stakeholders
- Ongoing reporting risk, given the variety and amount of regular reporting which customers and stakeholder expect from us
- Data Security risks including risks to the data we hold.

These risks have then been used to identify the areas for significant assurance in updating our Assurance Plan.

We believe that the Assurance Plan is an important process in helping to ensure that details of the assurance we perform in key areas is available and communicated clearly, openly and transparently to stakeholders. We publish the plan on our website alongside other core documents concerning our performance.

The Assurance Plan utilises South West Water’s long-established Integrated Assurance Framework, which incorporates a robust ‘three lines model.’ This framework is applied flexibly to areas where assurance is required, considering both the risk that the information or data may be incorrectly reported and the appropriate options for assurance.

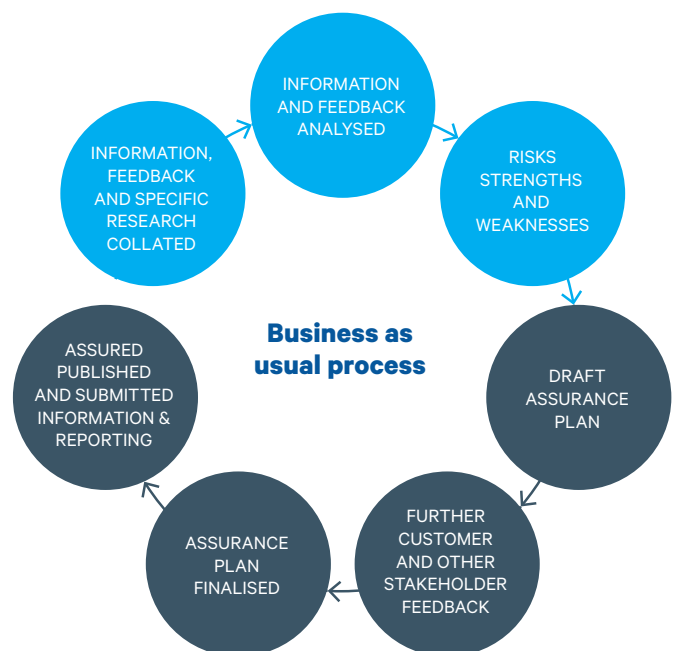
The Risk, Strengths and Weaknesses assessment and Assurance Plan form part of the Company’s broader risk management processes which identifies those Principal and functional level risks which are inherent in our business activities, and the associated mitigation measures which we discuss in our annual reporting. The assessment forms part of an ongoing process of continual improvement concerning information we provide.

For 2022/23 we have reassessed our significant areas for assurance in line with the risks to our data identified in the RSW process. These nine areas relate to the broader four risk areas identified (left) and include a broader area of wastewater environmental data, recognising the increasing amounts of external focus on this area and data requirements. This area includes data relating to combined sewer overflows, pollution incidents as well as beach and river water quality.

We have also included a new area focusing on significant strategic publications (including those which are important to long term planning).

We committed in our Annual Performance Report (July 2021) to placing additional focus on drinking water quality and leakage. We have included additional focused measures in these areas within our overarching ‘Performance Commitments’ significant area for assurance.

Previous significant areas for assurance have been combined where the nature of the risk and assurance proposed is similar, however in the summaries of assurance (pages 10 to 22) we have included non-exhaustive lists of the key data published/ submitted that each area covers.



Risks, Strengths and Weaknesses Statement

Risks, strengths and weaknesses approach

Our established approach ensures that we engage with a variety of internal and external stakeholders to inform the identification of our risks, strengths and weaknesses associated with the provision of information that our customers and stakeholders want and can trust, enabling us to effectively target areas for improvement.

This statement combines the risks, strengths and weaknesses across our areas of operation (South West Water, including Bournemouth Water, and from April 2020, the Isles of Scilly).

Information sources

A consistent methodology is applied to the identification, evaluation and management of risks across the Company, including those in respect of information and data that we publish. This methodology considers both the likelihood of the risk occurring and the potential impact across a range of factors.



There are many sources of information from which to identify the potential risks, strengths and weaknesses associated with the information and data that we publish, all of which have informed the data themes set out in this document. Information and feedback comes from both internal and external sources throughout the year, and we proactively seek customer feedback. Improvement is a continuous process at South West Water and feedback received from all sources is used to strengthen our processes in respect of the provision of data.

The key sources of information are detailed below:

Corporate risk assessment and horizon scanning

The Company operates a mature and robust risk management process which is aligned to South West Water’s strategic priorities. This framework forms a key part of our governance structure ensuring that there is robust review, challenge and assurance over the management of both our current and emerging risks and opportunities, including those relating to information and data that we publish.

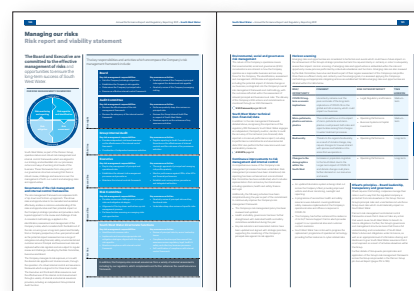
Where information and data risks are identified we seek to reduce and mitigate these to within our desired risk appetite, which has been established by the Board.

Risk is managed through the operation of a robust internal control environment which is aligned to the “three lines of defence” model. The Board, via the Audit Committee, obtains comfort over the effectiveness of the internal control environment through ‘deep dives’ into specific risk areas and the reporting of outcomes from a variety of internal and external assurance providers, including an independent internal audit function. Horizon scanning is also undertaken to obtain early visibility of emerging risks and how they could impact on the strategic objectives of the Company.

On an annual basis we report our principal risks within our Annual Report and Financial Statements as well as our Annual Performance Report and Regulatory Reporting (both available online at southwestwater.co.uk/report2021). These reports describe the principal risks along with how they are being managed or mitigated in line with the Board’s risk appetite and incorporates the consideration of risks and mitigating action associated with the information and data that we publish.

Specific risk assessment processes consider the risks concerning the information we provide to our stakeholders, whether as part of annual reporting or at other times.

These risk assessments ensure that appropriate levels of assurance are obtained in respect of this information.



Risks, Strengths and Weaknesses Statement continued

Annual reporting

We report annually on our performance through our Annual Performance Report, and we also publish summary Annual Performance Report (available online at southwestwater.co.uk/report2021) so that our customers can understand how we are performing, and Ofwat can have confidence that we are delivering on our regulatory commitments to customers. This is a key activity which demonstrates our transparency.

Performance reporting is a continual process of improvement as we use the data to make management decisions on a daily basis, as well as for informing monthly reports to the Board. Our technical auditors, Jacobs, were requested to audit and assure the reported performance commitment and Outcome Delivery Incentive (ODI) metrics which are derived from internal company data.

Highlights from their audit opinion in July 2021 included:

- Performance information reported at 31 March 2021 was accurate, reliable and complete
- Reporting of corporate and operational data, subsequent reporting into the Annual Performance Report and sign off by Senior Managers and Directors maintained high standards which provides confidence in the information
- Levels of compliance with South West Water's internal requirements and definitions of performance commitments and ODIs in the 2019 Final Determination have remained high in all functions
- Progress with the ODIs is reported monthly through the Directors' Report which is reviewed by the Executive Management and ODI Committee which demonstrates thorough governance. Specific performance data may also be reported more frequently.
- Information has been combined for the South West and Bournemouth regions, where appropriate. Isles of Scilly information has been integrated into reported information, where appropriate, with limited exceptions that would have a trivial impact.

The technical auditor's report identified a number of minor matters and non-material observations in specific areas, which we are taking into account for future periods.

Customers and stakeholders

We have a wide variety of regular communication channels with our customers and stakeholders:

- Monthly customer tracking surveys
- Daily communication through South West Water's local contact centre and social media, analysed for trends and hot topics
- Ongoing targeted customer research, for example in service improvement through co-creation workshops and post-event customer surveys following events such as supply interruptions, and affordability surveys to measure the effectiveness of our water poverty initiatives
- Community events to reach out to customers with affordability issues or in vulnerable circumstances led directly to the development of our Affordability Toolkit to provide additional support to customers who need help accessing our affordability schemes and priority services register
- Regular meetings with regulators: Ofwat, Drinking Water Inspectorate and Environment Agency; as well as CCW, the statutory customer representative group
- Regular meetings with the Company's independent customer challenge group – the WaterShare+ Customer Advisory Panel. All meeting minutes are publicly available on our website
- From 2021 as part of the WaterShare+ framework, customer AGMs – an industry first. All minutes are available on our website.
- Investor engagement through interim and preliminary results announcements and shareholder meetings available on our parent company's website.

In addition to our regular feedback processes, we also conducted a significant programme of customer and other stakeholder engagement in developing our Green Recovery proposals (see southwestwater.co.uk/greenrecovery).

We use the feedback received from customers and stakeholders to improve the information provided.



Key stakeholders



Risks, Strengths and Weaknesses Statement continued

Summary of the risk, strengths and weaknesses assessment outcomes

Our engagement with customers and other stakeholders, as well as our internal risk assessment and annual reporting procedures (summarised on pages 05 and 06), have been considered in the round and the following information and data risk areas have been identified based on the collective feedback obtained, which reflect those priority areas associated with the information and data that we publish. These data risk areas will form the basis of the areas for assurance detailed within our Assurance Plan.

• Environmental aspects data

The impact water companies have on the Environment is increasingly prioritised by our customers, the public and our other stakeholders. There is therefore both an increased focus on data already available/published and an increasing demand for additional data in areas such as storm overflows.

Engagement through our Green Recovery Plan as well as other feedback confirmed this prioritisation and we have committed to increased monitoring to all of our network, deploying Event Duration Monitors (EDMs) on all remaining storm overflows by December 2023, which will improve the completeness of data available. It will be important to ensure the transparency and accuracy of this expanded dataset.

• Strategic publications

Over the next 12-24 months, South West Water will publish an extensive range of key strategic publications, which will be key to setting long term planning for the Company and for the region in respect of water related matters as well as contributing to wider strategy in the water industry.

These publications include updated long term Climate Change Adaptation, Drought, Water Resources Management and Drainage Plans as well as updates to our more immediate Pollution Incidents Reduction Plan and Leakage Plan.

It is important that our customers can continue to trust the information and data contained in these publications and there will be a robust assurance approach which is aligned with other data that we publish.

• Ongoing regulatory, statutory and financial reporting

Regularly reported data from across South West Water remains a priority to our customers and other stakeholders.

In the 2020-25 regulatory period, South West Water has more performance commitments than in previous periods covering an extensive set of performance data across our operations. These will also now be supplemented by additional commitments in line with our Green Recovery plan.

Consistency and transparency of other regular reporting whether regulatory, statutory or financial also continues to be identified as a priority.

• Data security

Cyber risks continue to appear to increase in their scale and customers are increasingly aware of, and interested in, risks to their data.

There are a range of inherent potential security risks due to the range of data that we hold which could compromise the integrity of data we publish and the security of customer and other stakeholder data that we hold.

Targeted areas in our Assurance Plan are aligned to these risk areas. See page 09 for the link between these risk areas identified and the specific areas for assurance.

Assurance Plan

Our integrated assurance approach

South West Water has a mature, risk-based integrated assurance framework which is fully embedded into our governance structures and reflects our values of being ‘trusted’ and ‘responsible’ in the way we carry out our business.

This integrated assurance approach ensures an appropriate balance of assurance is applied dependent on the assessed risk and complexity of assurance requirements. The integrated assurance approach includes:

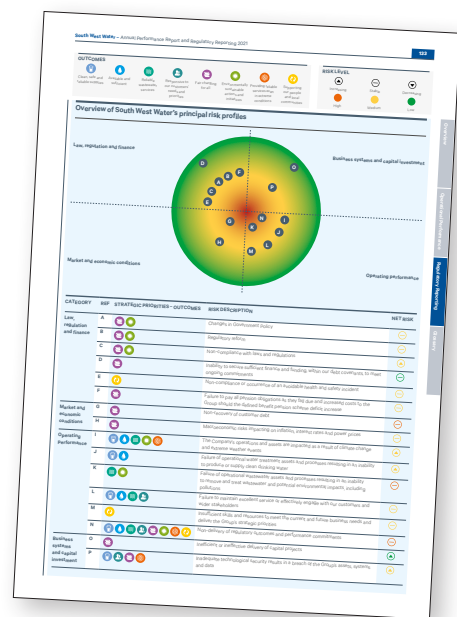


The integrated assurance framework is applied to all areas of the business, including all significant areas for assurance identified in this Assurance Plan and key projects as they arise. The mix of assurance methods used is reviewed by the South West Water Audit Committee, which is responsible for ensuring a robust and comprehensive internal control framework is in place to support Board assurance and compliance requirements.

The South West Water Board recognises the importance of meeting the Company’s statutory, licence and regulatory obligations and believes that the Company is aware of and adequately understands these obligations and has met them in all material respects as a diligent company.

This Assurance Plan details key assurance key activities that the Board will oversee and our annual reporting will lay down further detail on the outcome of these assurance activities and the Board’s conclusions.

We have reviewed the outcomes from the Risks, Strengths and Weaknesses assessment alongside our risk management processes and the Principal risks that the Board have identified. As a result, the Board has identified the following targeted areas for assurance (for which Assurance Plans are laid out in pages 10 to 22).



Assurance Plan continued

Risk area identified in RSW exercise	Specific area for assurance
Environmental aspects data	1. Wastewater environmental data (including pollution and storm overflow information)
	2. Projects and data submissions
Statutory and strategic publications	3. Statutory and strategic publications
Ongoing data reporting	4. Our 2021/22 reported performance commitments (published in July 2022 following assurance)
	5. Regulatory, statutory and financial reporting
	6. Annual tariffs and charges
	7. Environmental, Social and Corporate Governance (ESG) reporting
	8. The Government £50 contribution
Data security	9. Data protection and security

Significant areas for assurance continued

Environmental aspects data

1. Wastewater environmental data

(including pollution and combined sewer overflow information)

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What is the key data published/submitted?

- Pollution incidents data (including their category/impact)
- Other metrics included in the Environmental Performance Assessment
- Data concerning wastewater permit compliance (including full flow to treatment, overflow and final effluent quality data)
- Beach water quality monitoring data (including the Safer Seas and River service and BeachLive)
- Data requested by third parties under the Environmental Information Regulations.

Why is it significant?

Stakeholders and the wider public are increasingly interested in the impact of water companies' wastewater operations. This interest includes data that we already publish and provide externally, such as beach water quality information on a day-to-day basis and annually reported information such as pollution incident data.

The increased interest also stretches to areas where to date information has not been complete or has not been collated across the industry. For example, South West Water recognises the increased public interest in discharges from storm overflows. Storm overflows are legal discharges from the wastewater collection network that occur in very wet weather to prevent flooding of homes and businesses.

South West Water is proactively seeking a step change in this area as demonstrated through the c.£11m additional funding received through the Green Recovery Initiative focused specifically on storm overflows which includes the acceleration of event duration monitors (EDMs) installation by December 2023 and the completion of an inland bathing water pilot by March 2024. These initiatives will ensure further important data is available in this area, including real time information which can be monitored by operational teams. It will therefore be even more important to ensure that assurance procedures surrounding this enhanced level of wastewater environmental data is thorough and robust.

We hold a variety of environmental information, which we are required to provide to third parties in the event of a valid request for the data under the Environmental Regulations. Therefore it is important that we ensure the data we provide is as complete and accurate as possible.

Specific assurance plan

In line with our values, assurance occurs throughout the Company and an enhanced governance structure has been established to ensure commitments are delivered.

All pollution incidents are investigated and a full root cause analysis is performed. Second line audits occur at our sites, including Environmental ISO Management System audits, which consider matters such as validation and calibration of relevant equipment.

Our Environmental Compliance team undertake operational reviews of flow and spill data daily, identifying asset performance issues and liaising with operational staff to ensure any problems at a site are rectified. Every overflow that has been recorded is checked individually using a computer software program that utilises multiple signals from our sites. Quality checks are carried out to ensure spill data is accurately recorded.

Our Environmental Performance Team monitors data daily, with all overflows being checked and any performance issues which require rectification are flagged to operational staff or partners to be rectified. Other issues are investigated and put forward into our asset management systems for proactive intervention.

The Storm Overflow Task Group is chaired by the Operations Director – Wastewater and is responsible for reviewing all key aspects associated with storm overflows.

Further assurance over permit compliance is provided through 2nd line Risk and Compliance site-based assurance reviews as part of ISO14001 (Environmental Management) and MCERTS (flow monitoring) requirements, which includes validation and calibration of flow meters. ISO14001 and MCERTS management systems are also subject to independent external audits and permit compliance is integral to these.

The third line Pennon Group independent Internal Audit function also review systems, processes and controls to mitigate South West Water's key risks including permit compliance.

Significant areas for assurance continued

Environmental aspects data

1. Wastewater environmental data continued (including pollution and combined sewer overflow information)

REVISED
FOCUS

Specific assurance plan continued

The Group Executive, chaired by the CEO, meets fortnightly and receives a scorecard from the Operations Director – Wastewater. This scorecard includes extensive reporting from across the wastewater operations and environmental targets including treatment works compliance, flow monitoring data, pollutions performance and delivery against our Pollution Incidents Reduction Plan and storm overflows. Details of the root causes are reviewed for potential non-compliances as well as any mitigations or investments needed to address these.

The Board then receives detailed updates specifically related to our environmental performance, particularly focused on our Pollution Incidents Reduction plan and storm overflows.

We are also challenging ourselves to improve our reporting and oversight in this area through our newly established Compliance Group which will seek to review our reporting, risk management and regulator engagement.

Environmental information requests are overseen by a team independent of the data owners within the business, who oversee the process and review data provided to ensure it is as accurate and thorough as possible and provided in a timely manner in line with the regulations. For transparency, where necessary they will include any noted limitations (and potential inaccuracies) of the data.

Integrated assurance framework elements used

1st line

- Enhanced governance structure, including new Storm Overflow Task Group
- 24 hour data and service centre
- Environmental Compliance and Environmental Performance Team review of flow and spill data for accuracy, problems identified and for required mitigations
- Senior Leadership led 'Pollutions Board'
- 24/7 service centre for CSO rapid identification and response

2nd line

- Root cause analysis/investigations of all pollution events
- ISO 14001 (Environment) and MCERTS (flow monitoring) management system audits
- Review of environmental performance and EDM data prior to annual publication
- Dedicated team oversight and reviews of Environmental Information requests
- Newly established Compliance Group

3rd line

- Pennon Group independent Internal Audit – in line with key risks including permit compliance aspects
- Technical auditor review of published pollutions data
- Pennon Group Independent audit of storm overflows in 2021/22 and the area will continue to feature in the Group Audit Plan
- Independent data review of regulatory submissions in respect of other wastewater data

Significant areas for assurance continued

Environmental aspects data

2. Projects and data submissions

(including the Green Recovery programme)

What is the key data published/submitted?

- The data published and submitted in significant projects and submissions including those relating to the business planning process.
- Recent examples and submissions anticipated in the near future include our Green Recovery submission and data published during its implementation.

Why is it significant?

South West Water participates in a number of projects requiring assurance, whether as part of the long-term regulatory framework or projects which require a rapid response.

Recently this has included South West Water's application to support the Government's initiative referred to as "building back greener" resulting in a c.£82m of additional and advanced environmental projects.

During 2022/23, it is possible further significant new projects will emerge as well as the need to report data in respect of the implementation of our Green Recovery Plan.

Specific assurance plan

Significant projects are managed by the Executive and the Board, who oversee and challenge the plans/outputs. We engage our technical and financial external assurers as appropriate for each project.

We establish governance for all significant projects and consider our third party assurance arrangements for each project in line with our Integrated Assurance Framework.

Integrated assurance framework elements used

1st line

- Rigorous project management approach
- Regular Board reporting

2nd line

- Independent internal review
- Central Regulatory review of technical data

3rd line

- Pennon Group Internal Audit
- Jacobs audit and challenge of technical data submitted
- Review of financial data /modelling

Significant areas for assurance continued

Statutory and strategic publications

3. Statutory and strategic publications

NEW

What is the key data published/submitted?

- Climate Change Adaptation Plan
- Drinking Water Management Plan
- Drought Plan
- Drainage Plan
- Water Resources Management Plan
- Data input into the Regional Water Resources Group Publications and the Water Resources Regional Plan
- Strategic Resource Operation Gateway submissions.

Why is it significant?

Over the next 12 - 24 months, South West Water will be publishing a number of significant strategic documents. These documents include a large number of documents which will form the basis of long term planning, including our business plan for 2025-30 and therefore will be important in setting the basis for our objectives over that period.

The planning documents cover matters such as long term planning for water resources in the region and submissions concerning plans to operate water resources on a strategic basis with other partner companies within the industry as well as plans for drainage, drought conditions and our climate change adaptation plan.

It is important that data in these plans/publications is robust, consistent, and aligned with the Company's strategic direction.

A timeline of key publications has been included below.

Specific assurance plan

Long term strategic publications are overseen by the Board, who challenge the plans/other documents. We engage technical experts to provide review and assurance of the data as required.

Integrated assurance framework elements used

1st line

- Rigorous project management approach
- Regular Board reporting

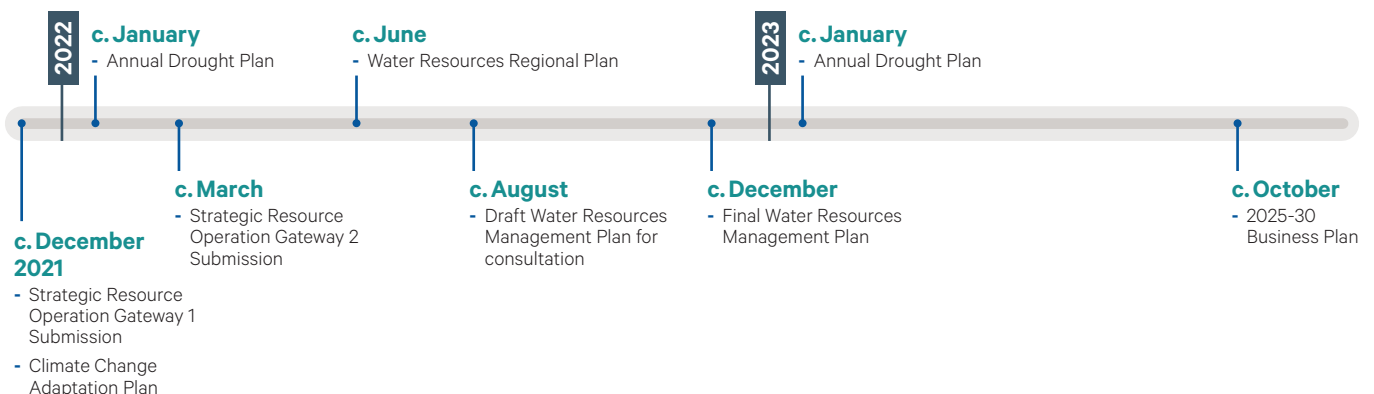
2nd line

- Independent internal review
- Central Regulatory review in the context of the suite of publications and plans

3rd line

- External assurance for key data included in the plans/publications
- Pennon Group Internal Audit
- Independent check for national security sensitive information

Key statutory and strategic publications timeline



Significant areas for assurance continued

Ongoing data reporting

4. Our 2021/22 reported performance commitments

(published following assurance in July 2022)

What is the key data published/submitted?

- All of South West Water's performance commitments which formed part of South West Water's 2020-25 business plan
- Further performance commitments identified in the Green Recovery plan.

Areas of particular focus

- Drinking water quality data
- Leakage, per capita consumption and water resources data.

(note: pollution incidents data is included within the wastewater environmental data significant area for assurance)

Why is it significant?

South West Water's 2020-25 business plan targeted 44 'performance commitments' to deliver customer and other stakeholder priorities. The commitments were developed following extensive consultation and an assessment of the value customers place on the improvements which influence the amount the Company is allowed to charge customers. Outperformance of some of the commitments results in financial rewards, with penalties for underperformance, through our Outcome Delivery Incentives (ODIs).

There is a significant range of rewards and penalties available to South West Water for 2021/22, the second year of the 2020-25 regulatory period and is greater than it was in previous regulatory periods. In the first year of the regulatory period, although South West Water was on track with the majority of its targets, operational issues resulted in underperformance for a limited number of key performance commitments.

In addition to the performance commitments identified in our business plan, our successful Green Recovery plan has identified five further key areas where we are performing additional or advance investment to support the environmental recovery over the next few years. Additional commitments in respect of these schemes are now being included in this significant area for assurance.

Drinking water quality data has been identified within this area for particular focus, given the supply of clean, safe and reliable drinking water continuing being the number one priority for household and business customers alike. In addition to the clear need for data internally on a day-to-day basis, the accuracy of data which is included within the Compliance Risk Index (CRI) and Event Risk Index (ERI) is important to ensure stakeholders can appropriately compare our performance in these industry-wide metrics.

Leakage and per capita consumption data have also been identified as an area for particular focus due to a focus on operational performance aspects and in particular the alignment of views of customers and other stakeholders in the importance of reducing leakage levels. Leakage data as well as per capita consumption data (which are key metrics for where water we distribute ends up) are therefore both key items of data for stakeholders.

Specific assurance plan

All performance commitments are reported within the Annual Performance Report which is published annually in July. The performance commitment data is initially provided alongside a methodology, explaining how the data is collated, and a narrative commentary by the relevant departments within South West Water. This follows departmental reviews, sense checks and explicit challenge and sign-off of the data by the departmental management.

All of the performance commitment data is subject to assurance provided by the external technical auditor, Jacobs (in addition to any additional internal 2nd line assurance deemed appropriate).

The level and extent of assurance applied to each performance commitment is determined by a risk assessment of how prone each reported commitment may be to error, the level of customer and regulatory interest and the associated financial or reputational impact as well as any other assurance performed upon the data. We continue to employ a more thorough deep dive approach in areas of heightened risk.

As a minimum for each commitment, the external technical auditor has access to all relevant management, methodologies, data and processes and will vigorously challenge the performance, related information and commentary for the year. This includes the challenge of the inter-linked components of leakage and Per Capita Consumption. Following the audit and completion of any follow up actions, management (including Directors) will sign off the final position and commentary. The technical auditor will also confirm to the Board that audit actions have been resolved or an appropriate action plan is in place prior to the Board 'sign off' of the Annual Performance Report.

Significant areas for assurance continued

Ongoing data reporting

4. Our 2021/22 reported performance commitments continued

(published following assurance in July 2022)

Specific assurance plan continued

Within the Annual Performance Report, Jacobs publish a summary of the assurance they perform upon performance commitments they have undertaken as well as a summary of the results of that assurance.

Audits performed by the Pennon Group Internal Audit function also includes a number of performance commitment areas.

Drinking water quality data is available internally to identify issues with quality. Our drinking water is sampled by staff independent of the operational drinking water team and is analysed by South West Water's laboratories, which have rigorous procedures and controls in place which align with our ISO17025 (Testing and calibration laboratories) accreditation.

In addition to the year end procedures in line with other performance commitment data, a Pennon Group Internal Audit focusing on processes associated with drinking water quality will be performed as part of the 2022/23 internal audit plan.

Leakage and Per Capita Consumption data is also subject to internal review and the annual technical external audit procedures. In addition data and control systems are one of the focuses of our targeted leakage action plan, increasing the network monitoring and innovative combined smart meters. Enhanced internal ongoing reviews of leakage performance are also underway.

Integrated assurance framework elements used

1st line

- Ongoing performance reviews and monthly reporting within teams and senior management, including formal Executive ODI Group
- Departmental certification and 'sign off' of submitted data
- Process and culture formed on quality management principals
- Executive led Drinking Water Quality and Leakage Groups

2nd line

- Risk and Compliance internal audits
- Ongoing programme of water quality sampling

3rd line

- Pennon Group Internal Audits (including a specific drinking water quality audit)
- Jacobs technical auditors (and EY for financial data performance commitments). Dialogue between Jacobs and EY to ensure completeness
- SGS ISO auditors, including ISO 9001:2015 (Quality), ISO 14001:2015 (Environmental) and ISO 50001: 2011 (Energy) certifications
- UKAS ISO 17025 audits

Significant areas for assurance continued

Ongoing data reporting

5. Regulatory, statutory and financial reporting

What is the key data published/submitted?

- Annual Performance Report and Regulatory Reporting
- Summary Performance Report
- Discover Water data submission
- Regulatory returns and significant consultation responses
- Bioresources market information
- Water resources market information
- South West Water Annual Report and Financial Statements (as well as information relating to South West Water in the Pennon Annual Report and Accounts)
- Health and safety data including the long term injury frequency rate.

Why is it significant?

Annual Regulatory Reporting (data and Company assertions, statements and commentary required by Ofwat to be reported in the company's Annual Performance report) which is published alongside the Annual Performance Report and Regulatory Report is an annual requirement of our regulator, Ofwat. The document is prepared in accordance with Ofwat's Regulatory Accounting Guidelines (RAGs), which ensures the Regulatory Reporting is prepared in a consistent manner across all water companies.

Our Summary Performance Report will continue to be considered important as a user-friendly summary of the operational performance sections of our Annual Performance Report. Information available at the Discover Water website (published by Water UK) is another user-friendly source of key information presented in an accessible manner with comparability across the industry.

Regulatory returns and other significant consultation responses can provide key information supporting the ongoing development of the sector.

The Annual Report and Financial Statements provide financial and other information about the Company's activities in accordance with International Financial Reporting Standards and the Companies Act 2006. This makes the format and basis of preparation of the information consistent with annual reporting of all other large UK companies.

Specific assurance plan

Responsibilities for completing tables and associated commentaries to be shown alongside the tables, within Regulatory, Statutory and Financial reporting are delegated to the relevant management team within South West Water. A thorough internal verification of the information reported is performed within the relevant teams. The completed tables and associated commentaries are provided to the auditors and all of the relevant management are made available to the auditors. In line with statutory requirements, the Board reviews and approves this and publishes a sign-off alongside the reporting.

All tables within the Regulatory Reporting section of the Annual Performance Report are subject to audit procedures or other assurance procedures (which are summarised within the Annual Performance Report) performed by South West Water's statutory financial auditor EY, or the Company's technical auditor, Jacobs.

EY perform an audit on sections of the Regulatory Reporting where a formal 'audit opinion' is required by Ofwat. These sections include baseline level of historical cost financial information aligned to price controls and further disaggregation of revenue and costs which allow stakeholders to review Company performance against the Final Determination. The audit opinion is on the fair presentation of these sections of the Regulatory Reporting and that they have been properly prepared.

Other non-financial sections of the regulatory reporting, include current performance commitments, which are discussed on pages 14 to 15. Other financial information includes analysis of expenditure at a more detailed level. Whilst there is no specific regulatory requirement for this data to be externally assured we have nonetheless agreed a set of assurance procedures with the statutory auditor (EY) and the technical auditor (Jacobs) to ensure that the information is assured to a similar level as our performance commitments and can be relied upon by stakeholders.

Our Summary Performance Report will again include balanced commentaries against our outcomes and be fully verified by Jacobs, whose scope will explicitly include a review for bias within the document. Jacobs also review our Discover Water submissions for consistency.

Significant areas for assurance continued

Ongoing data reporting

5. Regulatory, statutory and financial reporting continued

Specific assurance plan continued

Regulatory returns and consultation responses are subject to procedures in line with our Integrated Assurance Framework, dependent on the size and scale of the data required to be submitted. As a minimum these are all reviewed and approved at the Executive level.

The Annual Report and Financial Statements are subject to an extensive programme of internal and external assurance. South West Water's financial processes and procedures are rigorous, robust and subject to extensive management scrutiny and internal review as well as being an integral component of the independent Group Internal Audit plan.

South West Water's Executive Management and Statutory Board reviews the Company's financial position and performance on a monthly basis, and there is a thorough process of validation to ensure that annual and monthly financial reporting is in line with the underlying financial systems and transactions.

Our external auditor, EY, audits the annual report and financial statements. Their audit plan is reviewed annually by the Audit Committee, who are actively engaged with the external auditor. The Audit Committee has policies in place to ensure that the external auditor acts independently and effectively - for example the external auditor is not used for non-audit services, except where the fees are not material and the external auditor is best placed to provide those services.

Integrated assurance framework elements used

1st line

- Extensive Management oversight
- Delegated Manager review of data submitted
- Published Board sign-off of Regulatory Reporting
- Compilation of Summary Performance Report and Discover Water submission from Annual Performance Report and Regulatory Reporting

2nd line

- Internal independent verification of data included within the Regulatory Reporting
- Monthly review of financial performance and position by the Board

3rd line

- EY audit of the Annual Report and Financial Statements and sections 1 and 2 of Regulatory Reporting overseen by the Audit Committee
- EY and technical audit assurance procedures on sections 3 to 9 of Regulatory Reporting
- Pennon Group Internal Audit – programme includes regular risk based audits of financial systems, processes and internal controls
- Technical auditor review of the Summary Performance Report and Discover Water data submissions

Significant areas for assurance continued

Ongoing data reporting

6. Annual tariffs and charges

What is the key data published/submitted?

- Annually published charges (including indicative wholesale charges, final wholesale and end user charges, average bill information, bill affordability information, access prices, developer services and NAV tariffs and the special agreements register)
- Billing data and bills.

Why is it significant?

The bills paid by our domestic customers and the wholesale charges paid by non-household customers in our areas are determined by the tariffs and charges published in January and February each year. These tariffs and charges are set in line with the Company's business plan and a number of other constraints, including a pledge that the price differential between our two operational areas following the merger will be maintained.

It is important that the customers can have confidence that the bills which they receive reflect the published charges schemes and that those charges schemes have been through a sufficiently rigorous assurance process to ensure the constraints have been met.

During the year, South West Water will be planning for and publishing wholesale, end user household, developer services as well as New Applicant and Variation tariffs and charges for 2023/24. We applied the same assurance measures for 2022/23 tariffs and charges which were published in January 2022.

The Covid-19 pandemic has placed additional challenges to macro-economic forecasts as well as in forecasting future customer volumes, which is a factor setting wholesale charges in line with the regulatory model. Over the two years non-household and household volumes in our region have varied from the normal pattern as customer demand has varied. (Inflation has also recently increased to levels higher than in recent years and this is likely to see consequential increases in bills and therefore a greater importance for impact strategies aligned to affordability challenges).

There is an increased focus on tariffs and charges in the area of developer services and a number of ongoing industry-wide activities concerning future developer services charging arrangements. There is therefore heightened importance in the underlying data in this area.

Specific assurance plan

The Company meets with representative customer groups throughout the year to ensure that the structure of South West Water's charges remains the most appropriate for customers in our areas. The calculation of the tariffs and charges within this structure, which comply with the constraints in place, utilises a model developed by an external specialist.

Internally there is a process of sign-off for all variable inputs into the model and of forecasts and expert judgements used. KPMG perform a set of procedures mutually agreed with South West Water, reflective of risks which may result in tariffs and charges not meeting the constraints discussed above.

KPMG focus on:

- identifying whether inputs to South West Water's model agree to underlying sources
- replicating key calculations to ensure the model is operating correctly
- checking that the tariffs and charges comply with key constraints and guidelines
- checking that the revenues from the model outputs are in line with the approved business plan.

External assurance is supplemented by 2nd line internal procedures and this work includes a cyclical review of non-primary (including unregulated) charges.

Significant areas for assurance continued

Ongoing data reporting

6. Annual tariffs and charges continued

Specific assurance plan continued

The Board sign an explicit Statement of Assurance alongside publication of the charges schemes in January and February each year (as well as for earlier publications, such as indicative wholesale charges) confirming, amongst other things, that in the Board's opinion the Company's processes and internal systems of control ensure that the data and information contained in the Charges Schemes meet the Company's obligations.

In particular, we are ensuring that modelling of demand changes due to the impact of Covid-19, is subject to detailed challenge and assurance.

We continue to work towards the final tariffs with our Board and have engaged external experts to help forecast possible macro-economic impacts, specifically for our region, arising from Covid-19 and Brexit.

Integrated assurance framework elements used

1st line

- Sign-off of submitted inputs to the tariffs and charges model
- Utilisation of a model developed by an external specialist

2nd line

- 2nd line internal validation and assurance

3rd line

- Assurance work performed by KPMG upon a set of procedures mutually agreed to be reflective of risks present

Significant areas for assurance continued

Ongoing data reporting

7. Environmental, Social and Corporate Governance (ESG) reporting

What is the key data published/submitted?

- ESG information in annual reporting
- Gender pay gap reporting
- Net Zero reporting
- TaskForce on Climate-Related Financial Disclosures (TCFD) reporting
- Responding to vulnerable customers.

Why is it significant?

South West Water provides essential services in the areas it operates and is one of the higher profile companies in the South West. There is an increasing focus on how large companies' impact upon the environment and society, with particular focus on their corporate governance.

South West Water aims to demonstrate continual improvement in each of these areas and has committed to participating in the Government's 'Green Recovery' scheme supporting employment and the environment following the impacts upon the economy of Covid-19. As part of this South West Water is also planning to introduce a new commitment in respect of energy usage. Our reporting in respect of TCFD requirements and our Net Zero plan is continually evolving.

Customers and many other stakeholders, including investors and regulators, are showing an increasing interest in the ESG performance of South West Water and the Pennon Group. ESG reporting in the Group and Company Annual Report has increased in recent years and South West Water will provide expanded greenhouse gas reporting data in its Annual Performance Report ahead of the requirement to do so.

The Company, as part of the Pennon Group, has also published Gender Pay Gap information in line with its normal timetable, despite temporary relaxations in timetables by the Government in recent years.

Specific assurance plan

Annual reporting (whether South West Water or Pennon reporting). This audit programme will be expanded this year to include additional focus on the greenhouse gas information South West Water is committing to publish in its Annual Performance Report (even though this is ahead of the required deadline).

We continue to review assurance performed in line with our Integrated Assurance Framework in evolving areas such as TCFD and Net Zero reporting.

Further assurance work is performed on other submissions, such as Gender Pay Gap and CEO pay gap reporting, by the 2nd line Risk and Compliance function.

Integrated assurance framework elements used

1st line

- Full internal verification exercise on data and statements made in annual reporting

2nd line

- Extensive customer engagement to establish priorities as part of business planning
- Risk and Compliance audit (including Gender Pay Gap and CEO pay gap)

3rd line

- Technical audit of ESG reporting (including voluntary greenhouse gas reporting)

Significant areas for assurance continued

Ongoing data reporting

8. The Government £50 contribution

What is the key data published/submitted?

- Data utilised in determining which customers are eligible for the Government's £50 contribution and data submitted to Defra in proceeding with the payments.

Why is it significant?

Eligible customers in the South West Water supply area have been receiving an annual £50 contribution towards their bill from central UK Government since April 2013. South West Water receives the contribution from the Government and the contribution is directly passed onto customers by South West Water in the form of a £50 discount on customers' bills (pro-rated for bills relating to periods of less than a year).

The scheme will continue during 2022/23. South West Water receives no financial benefit from the payment and it is important that customers and Government can have confidence that the whole reduction reaches customers and that the contribution is received only by those who are eligible.

Specific assurance plan

The £50 contribution is automatically applied to all domestic customer bills within our billing system (this is pro-rated, where bills reflect a period of less than a year).

At the commencement of the £50 contribution scheme, South West Water performed a review of all customers' account classifications (as domestic or business) to ensure that everyone entitled to receive the contribution did so and equally, so that the Government Contribution is only received by those customers the Government has defined as eligible.

South West Water's domestic retail function has a specific compliance team overseeing the billing system and matters relating to Customer Service. The Pennon Group Internal Audit also perform a cyclical annual audit of our billing systems.

South West Water and the Department for Environment, Food and Rural Affairs (DEFRA) have also engaged PwC to perform a quarterly audit of the scheme. This audit includes PwC reviewing a sample of payments made to ensure that they have been correctly applied and that the classification of accounts within South West Water systems remains appropriate.

Note: PwC also perform statutory audit work in a fellow-group subsidiary, and both the Audit Committee and PwC have confirmed that there is no conflict of interest).

Integrated assurance framework elements used

1st line

- Management review and oversight of process

2nd line

- Domestic retail Compliance team review

3rd line

- Pennon Group Internal Audit of South West Water's billing systems
- Quarterly audit performed by PwC of the Government £50 Contribution process

Significant areas for assurance continued

Data security

9. Data protection and security

What is the key data published/submitted?

- This significant area for assurance cuts across the business and key data which is important to be protected and kept securely. It also covers potential risks to the integrity of data we publish and submit due to cyber risks.

Why is it significant?

Various reports continue to indicate that attempts to commit cybercrime are increasing. South West Water maintains residential customer details as well as some data in respect of businesses to which it acts as the wholesale water supplier.

Following high-profile incidents with other companies, customers are increasingly aware of and interested in risks to their data.

It is also important for South West Water to maintain the security of its operational networks to ensure the security of critical national infrastructure, ensuring the continued supply of drinking water as well as treatment of wastewater.

Specific assurance plan

South West Water maintains an Information System with extensive controls to mitigate the risks in respect of data protection and security. The Company has appointed a specific Data Protection Officer as well as maintaining a Data Protection/Security Governance Group.

The corporate IT system is certified to the international standard ISO 27001 – Information Security Management, and there is a dedicated Information Security team who oversee mitigations and controls that are in place as part of the system. A programme on internal and external audit is performed on the system and controls.

There is a Company wide Information Security policy and the Information Security team have provided briefings to other departments to ensure the culture supports the objectives of data protection and security. The Company conducts regular penetration testing to test the security of the system.

In respect of the operational network, South West Water has performed extensive work in line with the Network and Information Security (NIS) directive, including the completion of audits performed by an external specialist and Group Internal audit. South West Water also engages annual external auditors under the Security and Emergency Measures Directive (SEMD).

Integrated assurance framework elements used

1st line

- Dedicated data protection officer
- Data Protection/Security Governance Group
- Information Security Policy

2nd line

- Internal audit in line with ISO 27001
- Penetration testing

3rd line

- Group Internal Audit (including specific Information Security audits)
- External audits in line with the NIS Directive and SEMD

Continual improvement

South West Water seeks to continually improve in all areas of its operations. All of the performance commitments within the 2020-25 business plan are aimed at improving performance across the period or for continued excellent performance where high levels are already achieved. These performance commitments are all in customer priority areas.

Wherever possible South West Water uses the results of assurance work performed to drive continual improvement and actively seeks the opinions of internal and external assurance providers concerning improvements that can be made.

Continual improvement is also a core concept of the ISO accreditations and certifications. South West Water has currently chosen to adopt and has achieved accreditation/certification against the following standards:

- ISO 9001:2015 – Quality Management Systems
- ISO 14001:2015 – Environmental Management Systems
- ISO 17025:2017 – Testing and Calibration Laboratories
- ISO 27001:2013 – Information Security Management
- ISO 50001:2011 – Energy Management Systems.

These systems comprise sets of policies and procedures to ensure that South West Water:

- meets customer and stakeholder requirements such as the identified performance commitments which are customer priorities (ISO 9001:2015)
- effectively handles environmental issues mitigating the Company's impact on the environment (ISO 14001:2015)
- competently obtains samples and through the laboratories generates valid results providing confidence in South West Water's quality and compliance data (ISO 17025:2017)
- systematically manages its sensitive data, ensures business continuity and reduces the likelihood and impact of a security breach (ISO 27001:2013)
- delivers best practices in its management of energy (ISO 50001:2011).

The ISO standards are audited under a comprehensive programme of internal audit and a regular external audit provided by SGS, an accredited ISO certifying company.

South West Water's operations are also subject to cyclical risk based internal audits performed by the independent Pennon Group Internal Audit function, reporting to the Audit Committee.

Following a significant period of external assurance activity South West Water has an open dialogue with the assurance providers to review the activity, to confirm its appropriateness and to seek ways of continually improving the approach and processes for future assurance.

South West Water has been recommended for certification in line with ISO55001 – Asset Management, following external audits. This will also be integrated into South West Water's processes for assurance during 2022/23.



Accredited to
ISO/IEC 17025:2017

The consultation

The consultation

The consultation has now concluded.

The plan was published on our website, circulated internally to relevant employees and invitations to participate have been emailed to key stakeholders, especially where feedback has been received in the past, including assurance providers.

Amendments made to the plan following the consultation

In January the South West Water Board considered the results of the consultation process and approve this Final Assurance Plan following limited amendments in line with the consultation. These included:

- Inclusion of assurance work in respect of National Security Sensitive Information within significant area for assurance 3
- Clarification of inter-linked assurance in respect of leakage and per capita consumption in the specific assurance plan for significant area for assurance 4
- Other minor changes for clarity.

Annual reporting

We have reviewed and concluded the documents we publish in this phase of the year (the Risks Strengths and Weaknesses Statement and Assurance Plan) and concluded, that even without a regulatory requirement to do so, they remain beneficial exercises for the Company to undertake and informative documents to publish. We have made similar conclusions concerning the Summary Performance Report

From July 2021, we integrated the Summary Assurance Report into the Annual Performance Report and Regulatory Reporting, and will do so again this year.

2022/23 timeline



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