

A large circular graphic composed of various white line-art icons on a teal background. The icons include a person with a headset, a cloud with circuit lines, a "net zero" label with a leaf, a water drop with a checkmark, a target, a water tap with a drop, a person at a presentation board, a hand holding a water drop, a globe with a thermometer, a group of people with an upward arrow, a leaf, a person silhouette, a water drop with a scale, and a glass of water. The central text is surrounded by these icons, which are connected by a dashed circular line.

APPENDIX
SES114
EXTERNAL
ASSURANCE -
MOTTS

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PR24 draft determination - assurance of representations

28 August 2024

Dear Paul,

Background

Ofwat sets maximum wholesale and domestic retail prices for water services. It has published its draft determination of prices for 2025-2030, inviting consultation responses and company representations on its proposed decisions and expenditure allowances, by 28 August 2024.

This report sets out our scope and approach, findings and assurance statement, carried out under our “engineering and technical assurance services – lot 2” contract with you.

Scope

You asked us to review changes made to four business plan tables since Ofwat’s PR24 draft determination. Your changes included:

- replacing forecast 2023-24 performance with the outturn data from APR24,
- corrections or adjustments resulting from Ofwat’s query process,
- updating forecasts in response to APR24 data and Ofwat’s draft determination.

I have appended a list of the table lines audited.

Assurance tests

We applied a sub-set of the tests we used for your PR24 business plan, to the extent that they applied to the changes made. We used those to draw conclusions about the following four points:

1. Is there evidence that a clearly defined methodology has been applied to populate the values in the tables?
2. Are there Internal governance processes (including evidence) to support the values reported in the tables.
3. Has the table/line been completed in line with Ofwat guidance?
4. If the table/line uses data that is used elsewhere, is it consistent?

We also proposed a test to record links to APR tables that might not have been covered above. Apart from the update to 2023-24 to APR24 outturn data, the limited number of changes meant that no further links to other tables were identified and hence the test was not used.

I have appended a table showing how the tests were informed by our audit questions.

Findings

We found minor errors requiring attention, such as changes in one table line not being fully replicated to dependent tables, all of which were addressed.

For greenhouse reductions (table OUT4 line 24-31, feeding into OUT1 line 6) we saw that you have made corrections to the carbon model and included 2023-24 APR outturn, but otherwise retained your forecast of likely emissions reduction.

We observed minor inconsistency between table CW6 lines 18 and 20 (lead, and other materials communication pipes replacement) and the updated replacement strategy, this was corrected after audit.

Regarding business demand and PCC, SES has identified inconsistencies between the population of OUT4 and OUT1 which they have addressed through overwriting the OUT1 cells and retaining their original business plan submission forecast, updated for APR24 actuals.

We recommended updating method statements, to act as a post-submission “corporate memory” of the basis of the changes.

Evidence supporting the values in the tables:

You showed that 2023-24 values were updated using the audited APR24 data. Other updates were supported by appropriate data and calculations.

Internal governance to support the evidence and values in the tables:

We observed that:

- updated tables were subject to an internal review and approvals process,
- the Board was actively engaged in decision-making for the updates process.

Completion of the tables in line with Ofwat guidance:

We observed reference to the Ofwat PR24 draft determination response guidance. We observed some uncertainty on the interpretation of the guidance for the table OUT1, as regarding ‘best estimate’ data vs the adoption of Ofwat draft determination performance commitment values, since Ofwat’s proposed values are not supported by your evidence and modelling at this stage.

Consistency with other tables:

We observed that the changes sampled were copied through to dependant tables.

Assurance statement

To the board of SES Water

We audited changes to four technical tables of your PR24 business plan, during August 2024, under our engineering and technical services contract with you. We used video calls, together with desktop reviews of some supporting evidence.

We were given free access to people and information as necessary to complete our work. Our opinion is based on sampling carried out during compilation of the tables, after which your change control process managed any post-audit updates you may have made to finalise the tables.

In my professional opinion, based on and to the extent disclosed by our sampling carried out and as described in this report, we found no material deficiencies in:

1. evidence supporting the values in the tables,
2. internal governance to support the evidence and values in the tables,
3. completion of the tables in line with Ofwat guidance,
4. consistency with other tables.

Apart from the update to 2023-24 to APR24 outturn data, the limited number of changes meant that other links to APR tables did not fall within the scope of the audits.

Yours sincerely,

Dr Andrew Heather
Technical assurer

Document record

Issue	Date	Author	Checker	Approver	Purpose
1	23 Aug 2024	AIJ Heather	R Pittock-Cowan	H Marshall	First issue.
2	27 Aug 2024	AIJ Heather	J Burke	H Marshall	Minor corrections.
3	28 Aug 2024	AIJ Heather	R Pittock-Cowan	H Marshall	Update to OUT1 commentary.

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Appendix

List of tests applied:

Test	Informed by
Evidence supporting the values in the tables,	Data acquisition is part of a quality-controlled process. Corporate systems are used to gather and store data, with managed change control to protect data integrity.
Internal governance to support the evidence and values in the tables,	Are there any material risks or issues that may impact the consistency or accuracy of reporting? The calculations follow the business process/method statement. The systems, controls and processes in place are adequate to provide consistent and accurate data and information. The table has been signed off by the data owner, responsible persons and approver
Completion of the tables in line with Ofwat guidance,	The calculations can be replicated. Is the data supported by audit trails, confirmed by sampling (at least 3 samples) The reported performance been calculated in accordance with the latest PR24 definitions/requirements
Consistency with other tables.	Assess whether the table impacts on or impacts other DD data tables and check that they are internally consistent;

List of table lines audited:

Table	Title	Line	Title
CW3	Enhancement expenditure - water resources and water network+	106-117	Lead, and other materials communication pipes replacement
CW6	Water network+ - Mains, communication pipes and other data	18-27	Lead, and other materials communication pipes replacement
OUT1	Overall outcome performance - Performance commitments	6	Operational greenhouse gas emissions
OUT4	Underlying calculations for common performance commitments - water and combined	24-31	Operational greenhouse gas emissions, business demand