



Data Assurance Summary

Annual Performance Reporting
2022–23

from
**Southern
Water** 

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Introduction

This document sets out the scope and results of our assurance activities for reporting our performance in 2022–23. It should be read in conjunction with our Annual Report and Financial Statements 2022–23 and our Annual Performance Report 2022–23, which provide full details of our performance during the year.

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

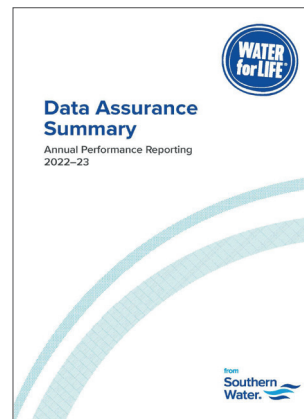
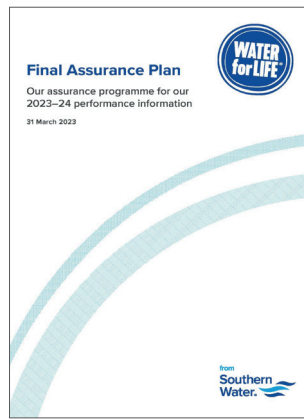
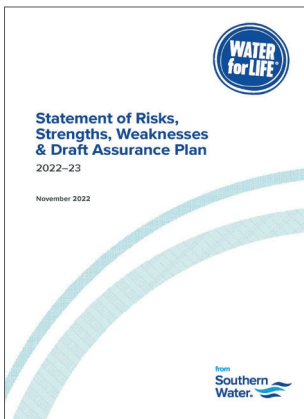
- Data Assurance Summary (in July in parallel with our Annual Performance Report)
- Statement of Risks, Strengths and Weaknesses and Draft Assurance Plan for consultation (published in November)
- Final Assurance Plan (March) which takes on Board comments from the consultation on the Statement of Risks,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

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 our performance information and seek to take a transparent approach to data assurance. This assurance provides confidence in our reported performance and the delivery of promises made in our Business Plan 2020–25.

We continue to build a greater level of trust and confidence in our reporting. In addition to our own internal assurance teams and processes, our highest risk performance data is assured by an independent assurer.

Our technical assurance framework agreement in place for our business plan period 2020–25, allows us to appoint the most suitable partners to different technical projects. KPMG and Jacobs are now completing their third year in this role.



Summary of opinion

· We are pleased that internal and external
· assurance processes did not identify any material
· issues in the data reported or the processes and
· controls underpinning our Annual Report and
· Financial Statements and our Annual Performance
· Reporting in 2022–23.

· Both our financial auditor, Deloitte LLP (Deloitte)
· and our technical assurer, KPMG, have provided
· independent opinions which we have published.
· In line with the Final Assurance Plan; KPMG, as
· our independent non-financial assurer, completed
· the limited assurance (under ISAE (UK) 3000)
· of selected Performance Commitments (PCs)
· and Outcome Delivery Incentives (ODIs). The
· independent opinion of our technical assurer
· can be found in Section 3 of the Annual
· Performance Report and in line with Ofwat's
· RAG 3.12, the remaining regulatory tables from
· the Annual Performance Report are published at
· **southernwater.co.uk/our-reports**.

Context

Regulatory background

We have completed the third year of the 2020–25 five-year business plan. We continue to work on delivering promises and performance commitments we made 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.

In March 2023 Ofwat published its latest information notice IN 23/03 around expectations for annual performance reporting 2022–23. In line with last year’s approach, Ofwat expect companies to provide a risk and compliance statement, appropriately signed off, alongside their 2022–23 Annual Performance Reviews.

The notice also included a number of data requests to be submitted alongside the annual performance report; however these are not subject to Board assurance.

We publish our Data Assurance Summary as a matter of good practice. There is no regulatory requirement for us to do so. However, we have continued to do so in accordance with the requirements previously set out by Ofwat (Table 1).

Table 1 – Our minimum assurance standards

Activity	Previous 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 Water Futures 2050 (a young person’s group) and our Water Futures 2030 (a new household customer panel) 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 was published and available on our website on 30 November 2022.
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 was published on our website on 30 November 2022.
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 included details of how to respond to the document. We proactively sought responses from key stakeholders. The responses we received were incorporated into our Final Assurance Plan.
Publish final assurance plans	Companies publish final assurance plans, providing responses to any comments they have received.	In line with previous years, this was published and available on our website by 31 March 2023.
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 this document on our website each year. This will be published alongside our Annual Performance report by 15 July 2023.

Licence of Appointment Review and Condition P assurance

In January 2023 we completed our annual assessment of compliance with our company Licence of Appointment. The review provides a key-evidence base and additional assurance for our Board Assurance Statement, our Ring-Fenced Certificate (required under Condition P of our Licence of Appointment), and the assurance requirements of the undertakings agreed with Ofwat in 2019 in connection with historical misreporting of our wastewater performance (our Section 19 Ofwat undertakings (see below)).

Overall the assessment found that the business has in place processes and evidence to demonstrate compliance with the Licence. Our maturity assessment is that our compliance with the terms of Licence of Appointment is adequate. Overall, the business has in place processes and evidence to demonstrate compliance with the Licence for all 21 key conditions.

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

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

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

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

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

Wastewater investigations

As reported previously, Ofwat undertook an investigation between 2017 and 2019 into our wastewater reporting that resulted in enforcement action being taken against us. This led to a decision to impose a financial penalty of £3 million. In addition, we agreed to make significant customer bill rebates, totalling £122.9 million (in 2017–18 prices), between 2020 and 2025. On 8 October 2019 we signed formal Undertakings pursuant to Section 19 (S19) of the Water Industry Act 1991 relating to the numerous changes we have put in place, and are putting in place, to ensure that the issues identified in the investigation have been stopped and cannot be repeated.

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

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

We continue to make progress on all the Undertakings, with most of them now substantially complete. Our focus now moves to embedding the improvements and monitoring effectiveness.

Compliance with the Section 19 Undertakings is subject to a formal assurance regime which is reported to our Board and then to Ofwat on a regular basis. In our February 2023 update to Ofwat we were able to report that the actions arising to ensure compliance have either been completed or are on track to be fulfilled within the five-year period of the undertakings. Our focus is now on monitoring the effectiveness of embedded business-as-usual processes and implementation of further improvements.

A key element of our undertakings is covered in Theme E – ensuring transparency. Work in this area has included work on our beachbuoy¹ spill notification application, and our environmental performance information on our website.

A summary of our assurance work in relation to our S19 undertakings is uploaded to our website², alongside a set of customer and stakeholder frequently asked questions to provide clear information about the key points raised by the investigation. We delivered plans

¹ Beachbuoy (southernwater.co.uk)

² Making amends to our customers (southernwater.co.uk)

for improved transparency on environmental performance information: southernwater.co.uk/our-performance/environmental-performance.

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

Environment Agency

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

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

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

The assessment of the SDBI water supply resilience measure increased from “red” in 2021 to “green” in 2022. In addition, our discharge compliance measure also increased from “red” to “amber”. The improvement in both these measures moved our assessment from one star to two star.

The two-star rating includes the EA's assessment on the number of total pollution incidents and the number of serious (category 1 and 2) pollution incidents, both of which have been assessed as a “red” rating. We are disappointed with the level of significant pollution incidents within 2022 (albeit an improvement on 2021) and continue to respond with extensive improvements in the way we operate. This includes changes made in our operational control centre to more quickly identify incidents with the potential to become significant, enabling a more rapid response.

The reported number of 358 total (category 1-3 pollution incidents) in the EPA assessment include a number of “retrospective pollutions” which we understand other companies may not have reported as part of this process. We are keen to ensure that the figures being assessed in the EPA exercise are comparable to those from other companies.

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

We provide a significant amount of data to the Environment Agency about the performance of our assets, our abstraction and management of water and any wastewater or sewage discharges we make into rivers, streams and coastal waters. We are committed to transparent reporting of high-quality data that can be trusted by our customers, stakeholders and regulators.

During 2022–23, assurance has been undertaken by our teams across a number of processes in the following areas for the EA:

- Storm and emergency overflow spills
- Daily flows
- Programming of our final effluent sampling
- Environmental Performance Assessment
- Annual return for abstraction licencing
- Groundwater and Final Effluent monitoring
- Supply Demand Balance Index
- Pollution Incident Reduction Plan (PIRP).

Drinking Water Inspectorate

We have a varied programme of activity helping to improve our information management systems and process. This package of work started in 2020, and a programme of asset and IT improvements designed in cooperation with the Drinking Water Inspectorate (DWI) has now begun. It will continue through to 2025. On conclusion of this activity, we will be better able to link our asset, network, customer and water quality data. We are required to submit annual progress reports to the DWI by 31 March, each year until 2025. This work is within the scope of our Section 19 Information Management Undertaking (IMU) with the DWI, which formalises this element of our programme.

As in previous years we have carried out comprehensive assurance on the data quality and accuracy of the inputs to the water quality sampling programme and the outputs for the annual return submitted to DWI. This data is a key component to the delivery of comprehensive water quality monitoring and includes internal assurance on the following inputs:

- Water supply zones
- Volumes into supply
- Asset list
- Process flags and source water

The outputs of the sampling programme were checked to ensure that:

- All assets (water supply works, water supply reservoirs and break pressure tanks) and water supply zones are included.

And that the treated and raw water information tables (annual details, site supply, site details and raw water) that are sent to DWI accurately reflect the relevant inputs.

Engaging our customers and stakeholders

In our Annual Report 2022–23 we outline our approach to customer and stakeholder engagement in order to create a resilient water future for customers in the South East. We constantly engage with our customers and stakeholders and use the insight gathered to inform our plans. Our Customer and Communities Challenge Group provides expertise and challenge on our proposed business plans, while our Independent Climate and Environment Group provides specialist, technical challenge and advice on our environmental performance and strategy.

We also developed a series of customer panels so we can work more closely with different audiences and better understand their perspectives. This has included a panel of households, businesses, future customers, those in vulnerable circumstances and leaders who can represent communities from more diverse cultures. These customers become informed through continuous engagement and scrutiny of our plans. We then run engagement sessions that include these informed customers and our executive and leadership teams. This provides open challenge directly to decision makers and helps put the customer at the centre of what we do.

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

Being open, honest and transparent is key to building and maintaining trust and legitimacy. As well as reporting openly, this means setting out commitments to our stakeholders and delivering on them. True transparency, for example through our Beachbuoy spills service or through high levels of self-reporting of pollution events, will raise customers' visibility of what we are doing to address the issues we face. As a result, we are working hard to help our customers understand the issues, and to give more visibility of key improvement programmes to support our performance.

Our Statement of Risks, Strengths and Weaknesses

In November 2022 we published a written consultation on our Statement of Risks, Strengths and Weaknesses and a Draft Assurance Plan for 2023–24 which considered our customers' and stakeholders' views, along with our own internal risk assessment. Our assurance plan set out how we proposed to respond to the risks we identified. We asked for our stakeholders' views about our proposals. The responses we received during the consultation were used to shape our Final Assurance Plan for 2023–24, which was published in March 2023 on our website [southernwater.co.uk/our-reports](https://www.southernwater.co.uk/our-reports).

Our approach to assurance

Following past failings in the quality of our reporting, we continue to embed our programme of improvements to ensure our regulators and other stakeholders can trust the data that we report. These improvements have been led by our Risk and Assurance team, which is ensuring compliance reporting to our regulators is subject to sustained internal review and assurance.

In our 2023–24 Final Assurance Plan published in March 2023, 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 (Appendix 1). This helps to assure performance information by applying multiple levels of control.

We apply internal controls and have improved processes in place to mitigate the risk of supplying incorrect or inaccurate information on all our non-financial regulatory reporting. Appendix 1 describes the activities that are being undertaken by each line of defence. Ultimately, all assurance activity has oversight from the Board and Audit Committee.

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

Regulatory reporting embedment strategy and process maturity

We are committed to defining a consistent approach across all assurance activities focusing on maturing and improving our internal controls environment. A key area of this work is its application to regulatory reporting.

We strive to ensure the implementation and embedment of improved processes within teams operating across the company.

The last year is the completion of our third year-end assurance processes since the introduction of the new suite of processes to support our Ofwat non-financial performance information – Ofwat Compliance Framework (OCF). The outputs and recommendations from the KPMG technical assurance of this process have demonstrated continued improvements being made across the board, with increased stakeholder engagement, continued focus on the quality of internal documentation and increased focus on first line controls. However, there is often insufficient documentation of the controls mentioned in the process documentation to evidence them taking place. This has been observed by our second line

assurance teams and the KPMG technical assurers and highlights the need to ensure we have an integrated approach to process improvement across teams for all our regulatory reporting. As part of the end-of-year assurance programme, a number of priority areas for further improvement have been identified.

This delivers a risk-based approach to assurance planning that delivers core assurance work required by our regulators and proactively targets assurance at areas of higher risk and emerging areas of risk. The approach includes continuous improvement taking inputs from a number of sources. It includes an assessment of the current level of maturity of our processes and controls against our three lines of defence, assesses inherent risk and identifies required improvements. Each time some work is completed, the assessment can be updated to understand future assurance requirements.

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 1.

Figure 1 – Continuous improvement approach to assurance planning



Our 2022–23 assurance

Assurance overview

In the publication of this document we seek to be transparent about our performance, and our processes, by publishing accurate, timely, stakeholder-friendly information. We agree that it is important that we continue to review what information our customers and other stakeholders want and need. We know we are accountable for the quality and transparency of the information we provide on our performance.

Ofwat require us to adopt a proportionate and transparent approach to the data assurance we carry out to give confidence to you, our customers and stakeholders in the information we publish.

Our objective is to provide credible assurance about our ability to deliver, monitor and report performance so that our stakeholders will have trust and confidence in us.

Assurance of our 2022–23 annual reporting

Our annual reporting is the primary way that we publish our annual performance information, and it is made available publicly to all stakeholders. It includes our:

- Statutory accounts – audited separately by Deloitte (Annual Report and Financial Statements)
- Annual performance and how this measures against our commitments (Annual Performance Report).

For 2022–23 Deloitte has audited sections 1 and 2 of the Annual Performance Report according to Ofwat’s scope of work and audit requirements. Deloitte also reviewed the Long-Term Viability Statement as part of its year-end statutory audit. It carried out its audit and reported its opinion and findings to the Audit Committee. It provided an unqualified audit opinion that can be found in our Annual Report. In addition, Deloitte is undertaking assurance over our Condition P statements in line with guidance provided by Ofwat that this is completed by our external auditor.

We engaged KPMG to undertake limited assurance (under ISAE (UK) 3000) for selected non-financial information (for the duration of our five-year business plan period 2020–25. For the 2022–23 reporting year, non-financial information was assured of selected Performance Commitments (PCs) and Outcome Delivery Incentives (ODIs), focusing on checks undertaken for completeness, accuracy and validity of the underlying data. KPMG’s limited opinion can be found in Section 3 of the Annual Performance Report.

Any issues identified during year-end assurance will be a key focus for follow-up and improvement in 2023–24. While we have made progress in some areas, we need to continue to work to embed changes throughout the organisation. In addition, we are making data assurance a continuous activity, rather than just an end-of-year process.

Significant areas of assurance

1 – Performance commitments

<p>Why is it significant?</p>	<p>We believe customers and other stakeholders should be able to trust our reporting of our non-financial performance information and committed to obtaining third-party assurance over this information throughout this business plan period. We have completed the third year of delivery of our Business Plan 2020–25; limited assurance under ISAE (UK) 3000 is undertaken on a risk assessed basis, provided by KPMG as our technical assurer.</p> <p>Reporting of our Business Plan 2020–25 Performance Commitments (PCs) is supported by the Ofwat Compliance Framework (OCF), which explains how the data reported to Ofwat in the Annual Performance Report (APR) are collated, the risks associated with the collection of the data and the controls that are operated to mitigate these risks.</p> <p>Our non-financial assurers (KPMG) highlighted the continued improvements in our Ofwat reporting processes following their 2021–22 Technical Audits as well as areas where further improvements could be made. To support this continued improvement, mid-year assurance of our Ofwat regulatory reporting was included in our Final Assurance Plan and has been carried out by the Southern Water Risk and Assurance team.</p>
<p>Outline assurance process</p>	<p>The level and extent of the assurance applied to each PC is determined by a risk assessment that considers the likelihood of data misstatement, the impact associated with the data and the outcomes of previous assurance activity.</p> <p>For 2022–23 we undertook an internal mid-year assurance review of eight processes which had been identified as areas for improvement last year. This review built on the 2019 mid-year assurance review of first line controls completed by our previous non-financial assurers (PwC), and also considered feedback from the year-end reviews. At year-end all critical and high-risk performance commitments (as defined by management) are subject to limited assurance under ISAE (UK) 3000 by our independent technical assurer KPMG with medium and lower risk areas assured or verified internally by our Risk and Assurance team. The focus of the internal assurance is to check that the data provided is accurate and aligned to regulatory requirements. As part of the assurance process, risks and controls have been assessed for their effectiveness.</p>

Assurance results

RC23 Mid-year:

The 2022 mid-year assurance review assessed the maturity of key first line controls. This approach was consistent with that followed by PwC in 2019 and feedback provided by KPMG at 2021–22 (RC22) year-end.

Our review identified that two of eight processes assessed were less mature; both had recently changed ownership. A two-year improvement plan has been defined to support the business increase maturity over their reporting process risks and controls and aims to ensure that reliable, accurate and complete regulatory data can be produced efficiently, across all first line teams throughout the year, reducing reliance on second line assurance and the year-end checks and controls.

RC23 Year-end:

KPMG has issued an unqualified limited assurance ISAE (UK) 3000 opinion over selected PCs in Section 3 of our Annual Performance Report.

Good practices:

KPMG noted that that management has continued to embed accountability and ownership of key processes surrounding the non-financial information within the APR. In particular, Promise and Process Owners were engaged with our assurance process and the Risk and Assurance team provided an effective facilitation role. This year's assurance work identified improvements in the non-financial performance data, specifically:

- a continuing positive cultural shift in relation to engagement, ownership and accountability for regulatory reporting risks;
- there were no material misstatements in relation to higher profile/risk performance commitments, in particular wastewater treatment works compliance, pollution incidents, leakage and the water balance.
- co-ordination by the Risk and Assurance team of Microsoft Teams meetings, data sharing and escalation of queries/issues has worked effectively.
- overall the business was better prepared for the assurance process.

As the company continues on its journey focused on the quality of its reporting, the approach to assurance will be able to focus and start relying more on the effective design and operation of the control environment (which will help to reduce the volume of substantive testing required).

1 – Performance Commitments (continued)

Assurance results

Themes for improvement

A continued focus on the quality of supporting information was noted in the current year. Recommended improvements include addressing bandwidth of some key individuals and reduction in the reliance on manual data processes. The common theme across all areas is the need to maintain engagement from the business. High quality process documentation, clear methodologies and an efficient/timely process around data production is key to reporting complete and accurate non-financial information.

Process documentation

Although control focus continues to increase across the business, there are areas where improvements are needed in documentation of the controls to evidence them taking place. To further improve the quality of the process documentation, more detail is required around key regulatory definitions and SWS's interpretation of these.

Methodology

The quality of process documents, in particular of the higher risk/profile performance commitments was of a good standard. Recommendations to ensure further improvements were associated with changes in methodology in process documents being captured to sufficient level of detail.

Process improvements

There were some delays in provision of data supporting a small number of areas some of which were new for management in AMP7 (2020–25) or where methodology and approach change decisions had not been made. Delays were caused largely by a highly manual data extraction and collation process. We are working to increase the extent to which data processes can be automated to reduce the need of manual interventions. Examples of where we know we have reporting enhancements to embed include:

- Developer services – non financial information
- Leakage and the Water Balance
- Water Asset reporting.

Other improvements

Across the board we are improving how we understand, assess and manage controls, record assumptions and manage data version control across all our regulatory reporting is being undertaken as part of a two-year improvement plan, largely focused on our first-line teams (i.e. at the point of data production).

2 – Ofwat Section 19 undertakings assurance

<p>Why is it significant?</p>	<p>In June 2019, Ofwat issued a notice to impose a penalty on Southern Water following their s203 investigation, which highlighted significant failings relating to the management, operation and performance of its wastewater treatments works (WwTW). As a result, Southern Water has committed to implement a range of financial and non-financial measures ('the undertakings') pursuant to Section 19(1)(b) of the Water Industry Act 1991, as well the implementation of a Wastewater Action Plan. It is required to report its progress against these undertakings and the Wastewater Action Plan to Ofwat on a half-yearly basis over the period October 2019 to October 2024.</p>
<p>Outline assurance process</p>	<p>Southern Water has engaged with its technical assurance partners (PwC and KPMG) to deliver assurance over its half-yearly reporting to Ofwat, over the progress made in its undertakings and the Wastewater Action Plan. The following undertakings are in the scope of the Section 19 notice and the associated assurance plan over the next five years:</p> <ul style="list-style-type: none"> 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 P (previously Condition I) certificate assurance undertaking; and G. Reporting on compliance with the undertakings.

Assurance results

Condition P assurance (June 2022)

We engaged Deloitte to complete the review of Assurance Statements supporting our Condition P certificate in June 2022. Deloitte found that the Condition P statement was supported by evidence, with the interviewed Board members demonstrating diligent enquiry. During the assurance, Deloitte identified six findings, two of which were addressed prior to the finalisation of the Board statements in June 2022. The remaining four have remained in the statement as we considered them immaterial. The assurance report was submitted to Ofwat 08 August 2022.

Deep dive six (June 2022) and seven (December 2022)

We engaged KPMG to undertake the deep dive six review in June 2022 and round seven in December 2022. During both of these engagements our assurer focused mainly on undertakings:

- B. Technical review of wastewater treatment works;
- C. Organisational compliance process measures
- D. Organisational cultural change measures.

In our both August 2022 and February 2023 update to Ofwat we were able to report that the actions arising to ensure compliance have either been fulfilled or are on track to be fulfilled within the relevant time frame in the five-year period of the Undertakings. Our focus now moves to embedding the improvements by progressing our embedment plans and monitoring the effectiveness of that embedment.

Both rounds of external assurance highlighted a significant number of effective practices, with our embedment being assessed as 'on track'. We do expect to be able to evidence improvement of maturity of embedment at the next round of assurance when planned improvements will come to fruition.

The assurers also identified some areas for improvement and these recommendations will remain a focus for the business, and our progress against these will to be reviewed at the next round of external assurance. Our independent external assurer concluded that we continue to make good progress in meeting the requirements of the Undertakings.

Our work to strengthen the management of permit and flow compliance has been a key focus for Southern Water for several years, at least since the EA investigations came to our attention in 2016 and is a key tenet of our Undertakings. We have been working hard to continue to strengthen our processes to ensure flow compliance.

As part of this Deep Dive KPMG assured our arrangements that monitor our environmental compliance with a review of the control environment applied to the production of our 2022 and 2023 final effluent sampling programme. This also included a review of how we manage no flow events. Their assurance did not identify any issues. We can report that the final effluent sampling programme for 2023 was submitted, on time, to the EA after the assurance had concluded.

3 – Other assurance completed

Significant areas for assurance	Rationale	Assurance activity	Results
Annual assurance of the Annual Report and accounts incl. APR financial data	<p>We have a statutory obligation to ensure that our financial accounts are robust, accurate and complete.</p> <p>Our Annual Report is the primary way we publish our annual performance information, and it is made publicly available to all stakeholders. The annual report includes our statutory accounts and our performance over the year and how this compares against our performance commitments as well as broader information on our commitments and responsibilities to stakeholders and customers.</p>	<p>Methodology and data are subject to three lines of assurance with our financial auditor, Deloitte LLP, performing third line assurance in accordance with the appropriate accounting standards.</p> <p>Our financial auditors will carry out assurance of reported performance data and presentation of information and risks.</p>	As in previous years, this was completed by our financial auditor, Deloitte LLP.
Business Plan 2025–30 (PR24) assurance	An assurance workstream has been defined to support development of our business plan for the next five years.	<p>The assurance programme has been defined and is now being delivered, comprising internal second line assurance and external third line assurance.</p> <p>The Assurance programme will run from 2022 through to 2024 and is being implemented in accordance with our business-as-usual approach to assurance to ensure good practice.</p>	All assurers have been procured and the initial phases have been completed.
Reporting to the DWI and DWI Information Management Undertaking	Southern Water is subject to a S19 Information Management Undertaking (IMU).	<p>All annual data returns provided to the DWI are subject to first line control and the subject of second line assurance.</p> <p>Second line assurance is undertaken biannually to confirm and track the implementation of the agreed actions included in the IMU. This is also reflected in the IMU Audit strategy that has been submitted to DWI.</p>	Annual assurance on reporting metrics was completed with no material issues identified.
Annual Report to CCW	CCW is the statutory customer representative body for the water industry. We want to ensure that the information provided to them on a quarterly and annual basis is accurate.	<p>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).</p> <p>Where the information falls outside of this, we will undertake second line assurance.</p>	This work was completed on time in June 2022.
Ofwat Operating licence	We have a wide range of obligations to meet as part of our Ofwat licence to operate. We want to ensure that we can demonstrate that our activities as a business align to these requirements.	<p>Second line assurance is undertaken as part of an annual review of our Ofwat Operating Licence.</p> <p>The review also supports our Condition 1 annual assurance (as part of the Ofwat Undertakings).</p>	Completed in January 2023.

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3 – Other assurance completed – continued

Significant areas for assurance	Rationale	Assurance activity	Results
Improvement Plans and Transformation Action Plans	Internal assurance will continue with effect from April 2022 covering: <ul style="list-style-type: none"> Resilience Action Plan and Drainage and Wastewater Management Plan. 	Resilience Action Plan (RAP) – End of programme assessment in Q4 2022–23 to ensure that all actions are embedded in business-as-usual activities. Drainage and Wastewater Management Plan (DWMP) – continue to monitor plan progress and assess evidence against closed actions. Half yearly maturity assessments.	DWMP assurance was completed in advance of external technical assurance in March 2023. RAP capability assessment completed.
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 is subject to second line assurance. Improvements to our spill reporting to the EA was subject to external assurance as part of our Ofwat Undertaking.	2022 EDM Return Storm and Emergency Overflow Bathing Season assurance – complete and return submitted by 31 October 2022 due date. WwTW Daily Flow Annual Report, OSM Annual Summary Report and Storm and Emergency Overflow EDM Annual Return assurance – complete and return submitted in February 2023. Effluent and Groundwater Monitoring, and Sludge Quantity and Quality return assurance – complete and return submitted in March. Abstraction Annual Return and Supply Demand Balance Index (SDBI) assurance – complete and return submitted to the EA on 28 April and 19 May 2023.
Themed Review – Pollution incident reduction plan	Our pollution incident reduction plan is updated annually and sets out how we will achieve a reduction in pollution incidents. This is also crucial to our work to improve our rating in the Environmental Performance Assessment.	We undertake second line assurance over our Pollution Incident Reduction Plan to assess effectiveness of the current plan against meeting our targets. This will be completed on an annual basis.	Assurance was completed in December 2022 to assess the effectiveness of current plans to deliver targeted reductions in pollution incidents.
Drainage and Wastewater Management Plan	All Water and Sewage Companies will publish their initial DWMPs in 2023, which will then adhere to a five-year review cycle consistent with WRMP and Ofwat's Price Review processes.	As this was a new type of Plan to the industry, external technical assurance of the level two (draft) plan was undertaken by Jacobs.	Jacobs' phase one technical assurance in progress, completed August 2022. Final phase was completed prior to publication in May 2023.

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3 – Other assurance completed – continued

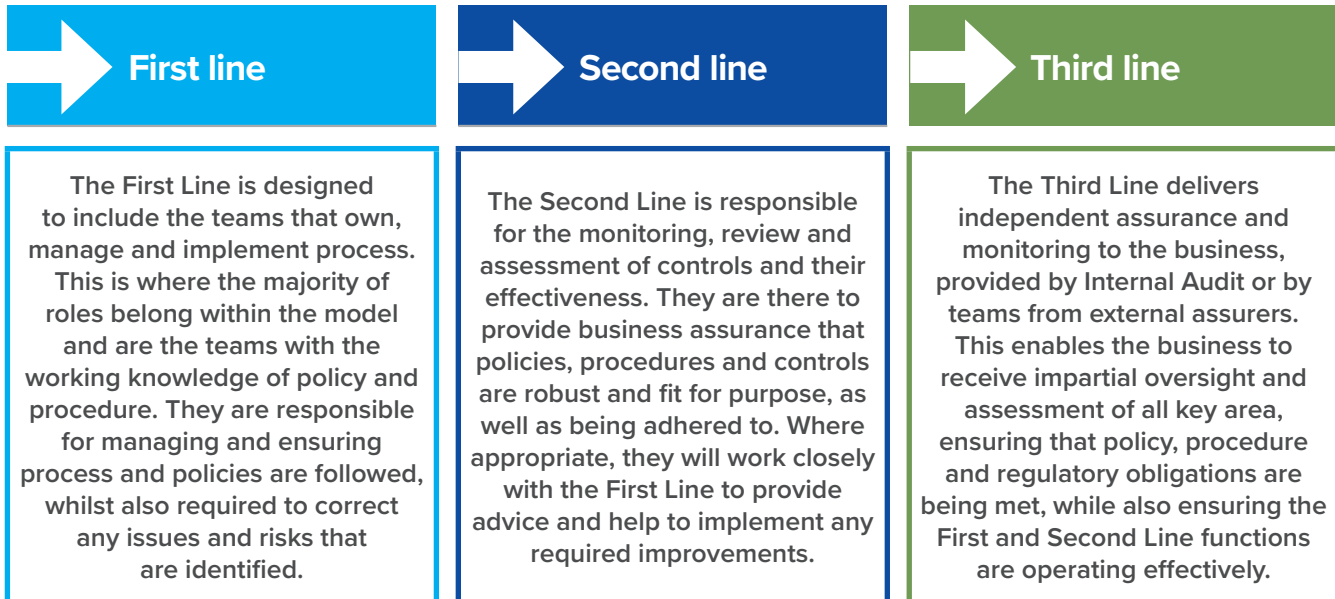
Significant areas for assurance	Rationale	Assurance activity	Results
Western Area Strategic Solution (Water for Life – Hampshire)	We've committed to working with other water companies to address our water resource issues and have several proposed solutions in scope for development. The work is being overseen by RAPID (Regulators' Alliance for Progressing Infrastructure Development) comprising representatives from Ofwat, EA and DWI.	Assurance has continued ahead of reporting milestones to RAPID through 2021. The remaining submissions for Gates 3 to 5 will be externally assured ahead of programme completion in Autumn 2024.	Assurance completed in line with RAPID milestones.
Drought Plan	We're required to update our Drought Plan every five years as per the Water Industry Act. Technical assurance was required over our 2022 Drought Plan.	This process will require an assurance of the final plan and the Statement of Response.	Jacobs' technical assurance was completed in August and September 2022.
WRSE (Water Resource South East) Regional Plan	Assurance statements are required, using templates provided by WRSE.	Confirmation of the Assurance processes is required over the data provided for regional modelling and therefore input to the regional plan. Assurance of company specific WRSE model outputs to be defined and will input to WRMP24.	Second line assurance took place on the Data Tables.
Water Resource Management Plan	WRMP is updated on a five-year review cycle, consistent with the Ofwat business planning process and is therefore not included in each year's assurance plan.	Jacobs assured technical outputs from the WRSE emerging plan and our WRMP24 tables and documents.	Assurance of revised draft completed in September and early October. Assurance continued in 2023–24 to final submission.
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.	Assurance over water company charges is provided by an external assurer.	Technical assurance undertaken in January 2023.
Developer Services Charges	These are the charges we make to our developers. This can include charges for connecting to our networks or laying new pipes on development sites. Charges need to be published by end of January and require sign off by our Board.	Assurance over our developer charges is provided by an external assurer.	Assurance undertaken in January 2023.

3 – Other assurance completed – continued

Significant areas for assurance	Rationale	Assurance activity	Results
GSS	A recommendation from assurance completed by Internal Audit in 2021 identified a need for additional second line assurance.	Conduct second line assurance of the accountabilities associated with the GSS standard.	Assurance took place in February 2023.
Carbon Accounting Workbook	This detailed tool calculates our greenhouse gas emissions and other green data. Data is assured externally on an annual basis ahead of publication in our Annual Report.	The reporting processes and calculations are being updated and therefore we will engage an external assurer to ensure our source updated data, methodology and outputs remain accurate.	Technical assurance was completed by our assurance Partner Jacobs in 2022 with no material issues identified.
ESG reporting – Sustainable Bond	Sustainable Investment Bonds – As a result of raising over £1 billion of sustainable bonds, one of the mandatory requirements is to report to our investors on an annual basis and provide them a report annually on the impact their investment has had on our ESG (environmental, social and governance) credentials, this is known as an ‘impact report’.	The first report for Southern is taking place in the 2020–21 reporting period and will be undertaken by external assurers.	Assurance of KPIs completed by DNV in November 2022 and their report published here: southernwater.co.uk/media/8253/sustainable-bond-impact-report-assurance-statement-2022.pdf .
ESG reporting – TCFD	Task Force on Climate-related Financial Disclosures (TCFD) – mandating of this disclosure is to be enacted via the following regulation: Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2021. Coming into force 6 April 2022.	Carry out review of material provided as part of Southern Water Annual Review. 2022–23 will be the first year this information has been provided. Legislation requires internal governance processes that are the same or substantially similar to those used for financial reporting.	Assurance was included in the Deloitte assurance of the strategic report and financial statements.

Appendix 1 – Three Lines of Defence Model

Our application of the ‘three lines of defence’ assurance model





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