



Final Assurance Plan

Our assurance programme for our
2022–23 performance information

31 March 2022



from
**Southern
Water** 

Contents

3	1. Introduction
4	2. Context
4	2.1 Regulatory background
5	2.2 Wastewater investigations
5	2.3 Condition P Assurance
6	3. Continuous customer and stakeholder engagement
6	3.1 Customer engagement
6	3.2 Stakeholder and regulator engagement
7	3.3 Combined sewer overflows (CSOs)
8	3.4 Final assurance plan development
8	3.5 Summary of risks, strengths and weaknesses
11	4. Our approach to assurance
11	4.1 Continuous improvement approach to assurance planning
12	4.2 Certification to Management System Standards
13	5. Final assurance plan
13	5.1 Assurance plan objective
14	5.2 Types of assurance
19	Appendix 1 Changes from the Draft Assurance Plan

1. Introduction

The purpose of this publication is to set out our assurance plan for our performance reporting in 2022–23.

Customers and other stakeholders expect that the information we present to them about our performance is accurate, accessible and fully assured.

This document sets out the specific assurance activities being undertaken, both internal and external, relating to our performance reporting as well as other information which we have provided to our regulators and stakeholders for the year 2022–23.

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

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

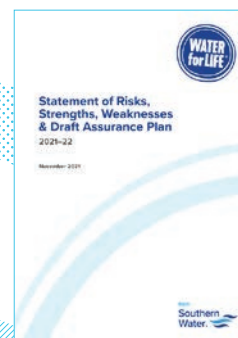
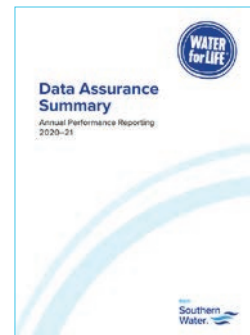
- Final Assurance Plan (this document) which takes on board comments from the Ofwat consultation and our consultation on the Statement of Risks, Strengths, Weaknesses and Draft Assurance Plan
- Data Assurance Summary (in July with our Annual Performance Report)
- Statement of Risks, Strengths, Weaknesses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

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

We take full responsibility for the information we publish on our performance and seek to provide confidence to customers and stakeholders through a transparent approach to data assurance. This assurance provides confidence in our reported performance and the delivery of promises made in our 2020–25 business plan.

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

Our technical assurance framework agreement in place for our five-year Business Plan period (AMP7) allows us to appoint the most suitable assurance partners to different technical assurance projects. KPMG and Jacobs are now completing their second year in this role.



2. Context

2.1 Regulatory background

We have now completed the second year of a new five-year Business Plan period which will take us from April 2020 to the end of March 2025. We continue to deliver on promises and performance commitments we made to our customers. As part of its agreement on funding for our business plan, our economic regulator, Ofwat has set out a number of promises and performance commitments (PCs) that we are required to make to our customers. In addition to ensuring our performance data is transparent and accurate, we also seek to ensure customers and stakeholders can access and understand relevant information.

In October 2021, Ofwat published new guidance in its response to the consultation on regulatory reporting requirements for the 2022–23 reporting year.

We publish our Final Assurance Plan 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	Requirement	Comment
Engagement on risks, strengths and weaknesses exercise	Companies should carry out an exercise each year to consider these aspects in order to target areas to improve. This should consider both data assurance and how companies provide assurance to customers more generally.	Southern Water maintains ongoing dialogue with its customers and stakeholders. Outcomes from these discussions are considered when pulling these documents together. We have had specific input from our Customer Action Group and the Environment Agency around our work on becoming more transparent about our environmental performance.
Publish risks, strengths and weaknesses statement	Companies should complete and publish statements on their risks, strengths and weaknesses exercise. All statements should be published before 30 November each year.	In line with previous years this was published and available on our website on 30 November 2021.
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 2021.
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 will be published and available on our website by 31 March 2022.
Other requirements	Companies should provide: <ul style="list-style-type: none"> transparency on the audit procedures they have put in place in relation to data assurance; and a summary of the outcome of the data assurance that has been carried out. 	We publish our Data Assurance Summary on our website each year. This will be published alongside our Annual Performance report by 15 July 2022.

The latest versions of all the reports referred to above can be found on the Southern Water website at southernwater.co.uk/our-reports.

2.2 Wastewater investigations

As reported previously, Ofwat undertook an investigation 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 I Certificate Assurance Undertaking
- G. Reporting on compliance with the Undertakings

We continue to make progress on all the Undertakings, with some of them now substantially complete. Our focus now moves to embedding the improvements and monitoring the effectiveness of that embedment. We have reduced our wastewater charges to existing customers from April 2020 and have made payments to eligible former customers as part of our customer redress measures in Undertaking A. These have been delivered and were subject to external assurance submitted to Ofwat on 8 February 2022 as part of our progress updates to Ofwat.

Compliance with the Section 19 undertakings is subject to a formal assurance regime which is reported to both our Board and to Ofwat on a regular basis. In our February 2022 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. This assessment is consistent with the findings of our independent third-party assurance which took place in December 2021 and was shared with Ofwat in February 2022.

Additional information on the investigation can be accessed in the Ofwat investigation report, which can be viewed on our website¹. A summary of our assurance work is uploaded to our website², alongside a set of customer and stakeholder FAQs to provide clear information about the key points raised by the investigation.

On 18 November 2021 the Environment Agency and Ofwat announced that they have launched a joint investigation into the operation of wastewater treatment works across our industry. The investigation will look into all water and sewerage companies, and more than 2,000 treatment works around the country. We will continue to be open and transparent and are committed to working with Ofwat and the Environment Agency constructively throughout the course of the investigation.

In March 2022 Ofwat announced that following its assessment of the submissions five water companies are being considered for enforcement cases. Southern Water was not one of them. Ofwat continues to monitor Southern Water's compliance with a package of commitments we made following enforcement action in 2019.

2.3 Condition P Assurance

In order to meet the Licence Condition P Certificate requirements as supplemented by the Ofwat S19 Undertakings, the Board needs to be able to clearly evidence the level of diligent enquiry that the Board has undertaken. To support this process the Southern Water Board signs off Condition P Assurance Statements demonstrating it has discharged its responsibilities and takes accountability for its diligent enquiry into the principal risks facing the business, and most importantly in the context of the S19 Undertakings, the wastewater business. These statements were assured in June 2021 and were signed off by the Board as part of approvals for the Annual Performance Report to Ofwat.

The signed Board Assurance Statements reflect the evidence that the Board has considered to ensure that it is able to demonstrate that the company will have, sufficient:

- financial resources and facilities
- management resources
- methods of planning and control.

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

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

3. Continuous customer and stakeholder engagement

3.1 Customer engagement

In our 2021 Annual Report we outlined our approach to customer and stakeholder engagement in order to create a resilient water future for customers in the South East. Our approach means having the customer at the heart of the organisation through engagement on all our key programmes, continuous dialogue and providing leadership through the support we provide. Over the past eighteen months, we have adjusted our approach to engaging with customers, using digital engagement platforms and online forums to gather insight, which continues to drive our transformation and performance improvement in many areas such as how we engage in our planning, communication and incident management.

We have used innovative approaches such as ‘audience journalism’ where the lead respondent shares key points within their household to feed back insight from whole families and groups of friends. Customer expectations around the reliability of services, the quality of water we supply and the impact our assets have on the environment are a constant theme raised by customers. Ensuring a quick response to issues raised by our stakeholders is also key, whether this is through traditional or digital platforms.

We have also focused on increasing the inclusivity and range of continuous customer insight programmes – launching Water Futures 2050 (our young people’s group) and Water Futures 2030 (our household customer panel) and working with harder to reach audiences, which provide a central hub for members to challenge our strategic plans. These forums are providing a direct link into our leadership teams to tell us what matters most to our customers. These groups enable us to have direct feedback from customers into areas such as our Business Plan for the next five years (PR24), our Water Resources Management Plan (WRMP) and Drainage and Wastewater Management Plan (DWMP).

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

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 Beachbuoy 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 provide additional communications collateral to help our customers understand the issues more clearly.

3.2 Stakeholder and regulator engagement

The role of our regulators – including Ofwat, the Drinking Water Inspectorate (DWI), the Environment Agency (EA), and CCW – are of paramount importance to the effective operation of the water industry. It is critical that conversations on performance between water companies and our customers and other stakeholders are underpinned by accurate information. It is therefore key for us to understand regulators’ concerns and to work with them effectively.

Employees at all levels of the company meet with our regulators routinely to share information. We believe that strong working relationships are crucial to helping us meet our regulators’ requirements, so we are pleased that we are building on our many positive consultations and exchanges with them.

3.2.1 The Drinking Water Inspectorate

We continue regular and open liaison with the DWI on our overall approach to providing wholesome drinking water. We have a varied programme of activity helping to improve our information management systems and process, including a risk-based review of monitoring, procedures, and manual intervention involved in all critical information systems. This package of work commenced in 2018, and a programme of asset and IT improvements designed in cooperation with the DWI has now begun and will continue through to 2025. This work is within the scope of our Section 19 Information Management Undertaking (IMU) with the DWI which formalises this element of our programme.

Progress is being made with the resulting programme of improvements to data management and systems that are required to ensure compliance with the regulations. Key deliverables include a new GIS (Geographic Information

System Mapping) and Operational Asset Management (OAM) system that will allow us to better understand the location and configuration of our infrastructure assets. Both the GIS and OAM programmes are in the design phase and are on track for a phased delivery from the end of the 2022–23 financial year.

On 28 March 2022, the DWI issued a draft Final Enforcement Order (FEO) in relation to our treatment works at Burham for response. The FEO was accompanied by a new Regulation 28(4) Notice for the resilience related items (power and sludge handling).

3.2.2 The 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.

Since Chief Executive Ian McAulay joined in 2017, he has been driving thorough internal reviews of our wastewater business and is leading a major transformation programme which continues to deliver change as we address these historic failures.

In July 2021 the Environment Agency released the Environmental Performance Assessment for 2020 – its annual report on the environmental performance of the nine English water and sewerage companies. Our performance for the 2020 reporting year improved on 2019 to two-star.

As a company committed to protecting the environment and serving our customers, we were encouraged by the assessment but are striving hard to continue to drive improvements. We are 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 challenge of improving bathing water quality seemed impossible 20 years ago. Today, all 83 of our bathing waters meet strict European standards. We have invested and delivered. A total of 78 are rated excellent or good and none is poor.

In 2020 we announced our Pollution Incident Reduction Plan (PIRP), working in partnership with the EA. As part of the plan we have

analysed the challenge in detail and developed a detailed set of interventions to resolve our pollution performance issues. The plan sets out the aim to achieve a reduction in pollution incidents to 80 per year by 2025, and zero pollution incidents by 2040.

The second year of the PIRP was published online after consultation with the EA, and was assured as part of our previous Final Assurance Plan. Interventions from year two include a continuation of the beneficial activities implemented in year one of the PIRP plus top faults and controls measures identified through exhaustive data analysis that was carried out. The third iteration of the plan is due to be published in April 2022.

We also recognise the concern among stakeholders with our abstractions, particularly from those sensitive chalk streams across the South East. We are actively working with government, regulators, Water UK and the water industry to ensure that we learn from others and share our experiences to ensure the most effective approaches are taken.

3.3 Combined sewer overflows (CSOs)

The Environment Act 2021, which was passed into law in November 2021, sets out the requirement for all water companies to 'secure a progressive reduction in the adverse impacts of discharges from storm overflows'. At the same time, the law also requires the government to publish a plan to reduce sewage discharges from storm overflows by September 2022 and report to Parliament on the progress towards implementing the plan. We welcome the strengthening of the Act's requirement, and are actively participating within the industry and proceeding with action and investment to achieve an 80% reduction in storm releases by 2030.

We know, like all water and wastewater companies, that we have challenges with our CSOs. Our 'Beachbuoy' website³ has been improved over the period and has been used throughout this year's bathing water season, raising awareness of and interest in CSOs. We have established a Task Force that will work in tandem with our ambitious investment programme. It will take a cross-sector approach, working with local stakeholders to find innovative practical solutions to cut overflows. Its aim is to find innovative solutions, so we can go further and faster at tackling this issue.

³ <https://www.southernwater.co.uk/water-for-life/our-bathing-waters/beachbuoy>

The most efficient, cost effective and environmentally beneficial way of reducing storm releases is to separate surface water drainage from the sewer system. We know from some preliminary work in the summer that reducing the amount of rainwater run-off from roads and roofs by around 40% would mean an 80% reduction in stormwater releases. It will also continue to protect homes, businesses and other properties from flooding, the vital role storm releases currently provide.

3.4 Final Assurance Plan development

We understand the information we share needs to be accessible to all stakeholders and delivered in a clear manner which is relevant and useful. As part of our annual assurance cycle, we developed our Statement of Risks, Strengths, Weaknesses and Draft Assurance Plan which were published as a consultation in November 2021. The outputs of the consultation, together with any relevant updates, have been captured to produce this final plan for 2022–23.

3.5 Summary of risks, strengths and weaknesses

Our latest risks, strengths and weaknesses exercise was published in November 2021. It highlighted the areas of reporting that have the most significance – or are of greatest risk – to customers. For these areas, the company will put in place independent external assurance as part of its assurance plans.

In our statement we identified the significant improvements we have already made to the collection, reporting and presentation of our performance information. However, we remain committed to continually improving and have identified the following risks, strengths and weaknesses in our performance reporting.

3.5.1 Areas of risk

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

- Maintaining high-quality regulatory and statutory reporting across our commitments in an accurate and timely manner.
- Meeting the stringent assurance and reporting requirements for the current five-year business plan, including assuring action

plans that we have agreed with our regulators around our business plan. This will include ensuring that our assurance approach meets the business and regulatory requirements for the period 2020–25.

- Continuing to embed effective first and second line assurance across our processes that support regulatory reporting requirements helping to embed trust and confidence in the information we report.
- Ensuring we respond in an effective and timely manner to feedback from our regulators both on their concerns and new requirements.
- Meeting the requirements of undertakings or other commitments that we have entered into with our regulators.
- Ongoing transformation within the business and ensuring the continuity in our reporting arrangements.
- Ensuring that the delivery model(s) that we adopt for the commitments we have made are robust.

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

We have identified 13 principal risks that are outlined in our annual report⁴. Risks relating to our assurance work have been listed on our Final Assurance Plan detailed in Table 3 in order of highest to lowest scoring, to ensure that we are prioritising our assurance work where it is most needed. The majority of work on our plan relates to our highest scoring risks, compliance with our regulatory obligations, including outcome delivery incentive (ODI) targets for the 2020–25 business plan period and our approach to the next five-year business planning cycle covering 2025–30 (known as PR24), and wastewater compliance and pollutions targets.

3.5.2 Areas of strength

This section highlights those areas where we have identified strengths within our business that we will continue to build on and that form the basis of building trust and confidence in the information that we provide. We rely heavily on the outputs of our assurance work to identify where we have made improvements and where we are developing strength in our reporting processes. The acquisition of a majority shareholding by Macquarie in 2021 provides both additional capital investment and also a fresh perspective and drive.

⁴ sw-risks.pdf (annualreport2021.com)

Improved governance

- Robust Board level governance on our company culture change programme, monitored via our Culture Dashboard, which is reported on a six-monthly basis to our Board and is now moving into its second year of operation.
- Board focus and oversight of risk and assurance activity via our Audit and Board level committees.
- Southern Water Board signs off Condition P assurance statements as part of its annual approval process of the Annual Report and Annual Performance Report.
- Continuous engagement with our stakeholders and regulators and more collaborative relationships, which include regular updates on compliance and performance with our Water Futures Groups.
- Our internal and external performance monitoring regimes identify areas of focus and success.
- Improved quality and transparency in respect of our reporting in our Annual Report and on our website.
- The establishment of a dedicated function focused on our ESG (environmental, social and governance) credentials.
- The embedding of our Modern Compliance Framework (MCF) and Ethical Business Practice.

Risk and compliance

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

Assurance

- The Board signs off Condition P assurance statements. This process is subject to external assurance and is supported by our Licence of Appointment review.
- We have robust tracking of assurance and improvement actions.
- A continuous improvement programme for annual assurance which includes data returns to Ofwat, the DWI, EA and CCW.

3.5.3 Areas of weakness

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

To support the continuous improvement of our regulatory reporting, mid-year assurance of our Ofwat regulatory reporting was included in the 2021–22 Final Assurance Plan and has identified some examples of low maturity in our first line controls. This should not result in errors in our year-end reporting due to the high degree of control checks and assurance for year-end reporting. Rather it is reflective of the move to mature more frequent controls. This helps to avoid potential risks to accurate reporting of performance within the year by the first line teams, and also helps to better inform business decisions within the year. Improving controls within the year will also reduce the reliance and time taken on year-end control checks and assurance for year-end reporting.

Table 2 considers the mitigating actions we are taking to address each of these areas of weakness.

Table 2: Areas of weakness and mitigating actions

Potential Weakness	Action to address
While our process improvements and assurance has helped to strengthen our maturity, this continues to need improvement as we started from an immature position.	Our process work provides clarity on the roles and responsibility of the first and second lines of defence and these are built into our assurance approach and reporting improvement activity. Focus is given to supporting first line teams in increasing the maturity of their approaches through improved controls as well as increased data automation.
Fragility of our information management systems including our water and wastewater asset data, and the complexity of processes which underpin some of our difficulties in reporting our performance.	<p>A significant IT transformation is taking place and will remain ongoing for some time. Much of this work is subject to our S19 Information Management Undertaking with the DWI and progress is reported on a quarterly basis. In addition, these improvements are part of our Ofwat IAP action plans. We have already started to see some improvements to our asset data following the launch of our new Aspire system.</p> <p>In addition, we are implementing a Governance, Risk and Control (GRC) system that will provide a single integrated tool for all second line assurance and audit teams.</p>
Detailed end-to-end process reviews have identified complex data flows which require simplification and additional controls, improvements to IT systems and data accuracy.	We have completed process mapping of high-risk areas and in response to undertakings with our regulators. As well as identifying potential improvements to processes they are providing clarity on the controls supporting the production of reporting and are facilitating first line control monitoring of the effectiveness of these controls.
A need to reinvigorate our overall framework for regulatory reporting including training supported by ethical business practices and culture change.	<p>To support development of our Modern Compliance Framework we have reviewed and refreshed our Code of Ethics, and have communicated and celebrated this, in association with our existing values, across the business.</p> <p>We continue to develop our reporting and compliance assurance processes, and our learning management system continues to be utilised for targeted training of our compliance approach and for mandatory sign-ups to the Code of Ethics.</p> <p>Metrics to provide a dashboard of the Measures of Culture and a Company Balanced Score Card of performance including Environmental data are now in routine cycles of production and publication. In addition, metrics are being developed to allow us to assess the extent to which our ethical business practices are embedded into our day-to-day working.</p>
Our communication with customers during major incidents is subject to continuous improvement.	Our 2018 Incident Management Action Plan is complete and emergency planning is subject to continuous improvement. We recognise every event presents new challenges and after major incidents we review our response to understand what we could have done differently and implement improvements. We have moved to a continuous improvement cycle for our emergency planning and response.

4. Our approach to assurance

In our 2021 Statement of Risks, Strengths, Weaknesses and Draft Assurance Plan we detailed our approach to assurance in relation to our performance information and recognise the importance of maturing our first line control environment in building confidence in our data quality.

4.1 Continuous Improvement Approach to Assurance Planning

We have adopted the ‘three lines of defence’ framework (Figure 1) for our reporting governance and assurance activity. This helps to assure performance information by applying multiple levels of control.

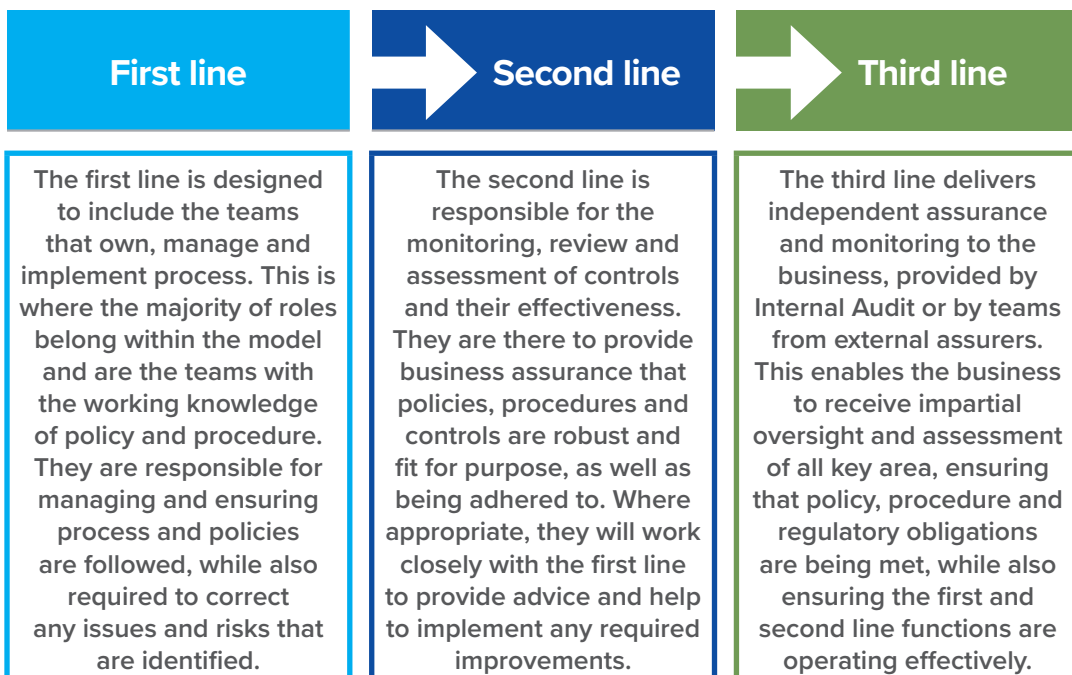
We apply internal controls and have improved processes in place to mitigate the risk of supplying incorrect or inaccurate information on all our non-financial regulatory reporting. Ultimately, all assurance activity has oversight from the Audit Committee and Board.

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

We are committed to driving structural and cultural change to support the development of a modern, transparent and ethical compliance framework under our Modern Compliance Framework. We continue to significantly strengthen our performance monitoring capability which underpins the completeness and accuracy of our performance data and provides more confidence in the information we publish.

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

Figure 1: Our application of the ‘three lines of defence’ assurance model



4.2 Certification to Management System Standards

As part of our overall assurance approach, we have continued to maintain certification for a range of quality systems, including:

ISO 9001 Quality Management – This is the standard for quality management and is applied in our Water Supply areas of the business. This ensures that regular audits are undertaken against an international standard to highlight any areas of non-conformity. These assessments take place twice a year, in April and October, to maintain certification on a three-year rolling programme with a re-certification audit every three years.

ISO 14001 Environmental Management – This provides assurance that our environmental impact is being measured and improved, with re-certification every three years.

ISO 17025 General Requirements for the Competence of Testing and Calibration Laboratories – This standard is a regulatory requirement for us to be able to take representative samples to a high and repeatable standard. It also enables our partner laboratories to demonstrate that they operate competently and generate valid results, thereby promoting confidence in their work. An annual assessment audit is completed in November (for sampling) to maintain our accreditation, on a four-year accreditation audit, with a re-accreditation audit every four years.

MCerts Certification – An Environment Agency standard which ensures that our flows monitoring equipment complies with all relevant regulations and best practice. This is completed as part of the ISO17025 audit process.

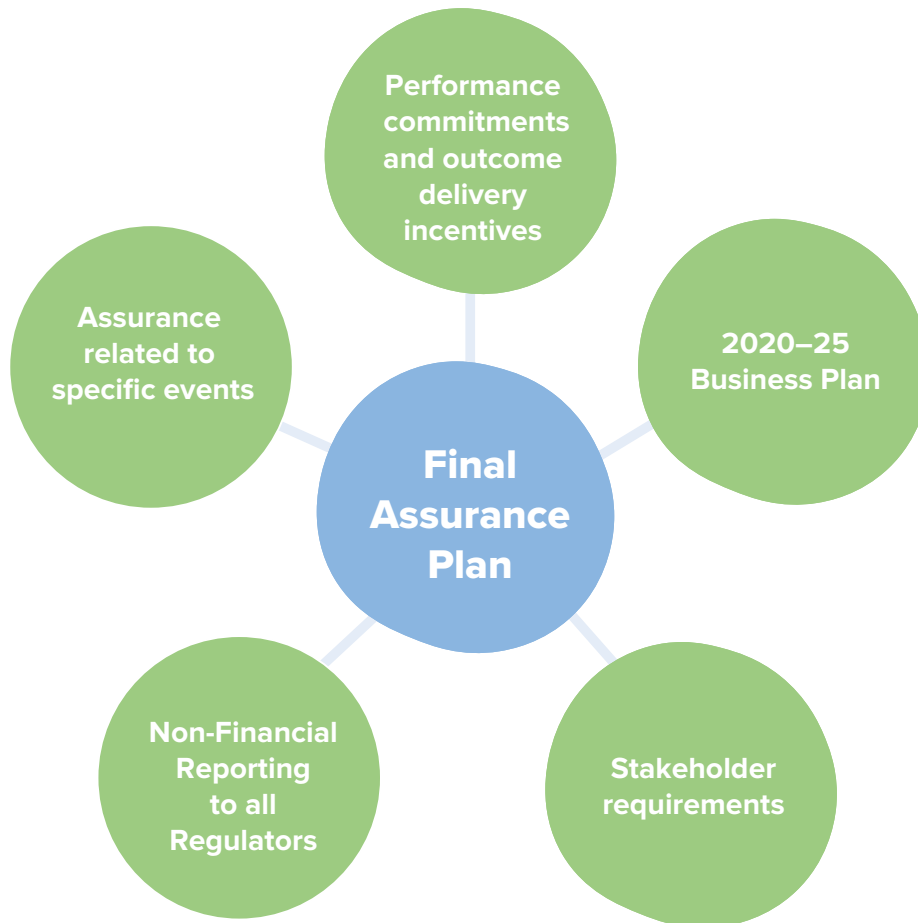
5. Final assurance plan

5.1 Assurance plan objective

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

Figure 2 shows the current key areas of focus for our assurance plan. We consulted on our draft plan during January 2022 and have taken account of comments and feedback to establish our Final Assurance Plan for 2022–23 (Table 3).

Figure 2: Assurance focus 2022–23



5.2 Types of assurance

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

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

The focus of our work is on the provision of risk based second and third line assurance over information that is provided to our regulators and the end-to-end processes that support the collection and analysis of that information. The range of different activity that could be undertaken means that each potential area of work will be risk assessed to ensure that work is focused on areas of highest risk. The different types of assurance that we undertake are shown in Figure 3.

Figure 3: The different types of regulatory compliance assurance

Controls monitoring and assurance	Assurance over data reported to regulators	Assurance over Regulatory Action Plans	Deep Dive – risk and control maturity	Themed review
<ul style="list-style-type: none"> • Assurance over the operation of specific controls that have been identified within Risk and Control Matrices and Ofwat Regulatory Compliance Framework documentation. • Activity can range from control monitoring (the first line is operating its controls) through to evidence-based reviews of the effectiveness of control operation. • Evidence reviews to ensure effective control can be demonstrated. 	<ul style="list-style-type: none"> • Assurance over annual information provided to regulators. • Mandatory requirement at year-end (Ofwat). • Best practice and risk-based approach for assurance over reporting to other regulators. • Risk-based approach to whether assurance provision is internal or external unless otherwise prescribed. 	<ul style="list-style-type: none"> • Specific assurance activity (internal and external) over action plans that have been agreed with regulators. • Activity can be driven from business plans and regulatory enforcement undertakings. 	<ul style="list-style-type: none"> • Consideration of risk and control maturity around our reporting to regulators. • Consideration of the identification of end-to-end risks and controls. • Aim to improve maturity of risk and control identification and evidence. • Can be applied wider than just regulatory reporting and areas for review will be linked to the Register of Obligations and our Corporate Risk Register. 	<ul style="list-style-type: none"> • Audits of specific areas of high risk and non-financial regulatory issues. • Derived from analysis of areas of risk and weakness and our ongoing stakeholder engagement. • Consideration of risk and control maturity around our reporting to regulators. • Consideration of the identification of end-to-end risks and controls. • Aim to improve maturity of risk and control identification and evidence. • Can be applied wider than just regulatory reporting and areas for review will be linked to the Register of Obligations and our Corporate Risk Register.

Table 3: Final Assurance Plan 2022–23

Alignment to Principal Risks	Risk area	Why?	The assurance we will be doing	Established/new
Compliance and Corporate Affairs	Ofwat Annual Performance Report (APR), including Performance Commitments and Outcome Delivery Incentives (ODIs); Cost Assessment Tables	<p>We believe customers should be able to trust our reporting of all our non-financial performance information.</p> <p>Independent external technical assurance providers complete reviews of our regulatory compliance reporting processes and associated data, as well as reporting to our Board, Executive Leadership Team (ELT) and the Audit Committee. This information is published in our Annual Performance Report and is detailed in our Data Assurance Summary.</p>	<p>Year-end non-financial assurance – external assurance and internal assurance.</p> <p>A risk assessment has been completed of all the data that is reported to determine whether assurance will be internally or externally provided.</p> <p>An independent assurance provider will identify its own approach to conducting audits including its own risk assessment and testing methodologies to deliver its conclusions.</p> <p>Testing of the high and critical risk data lines for performance commitments and the cost assessment tables will be performed by an independent assurance provider. Low risk testing will be undertaken in-house.</p> <p>As we develop our approach to regulatory reporting the emphasis will move towards the level of maturity of our control environment.</p>	<p>Established process for assuring end of year Ofwat APR information provided.</p> <p>This will continue for the remainder of the current business plan period.</p>
	RC23 mid-year assurance	<p>Building on findings of the year-end assurance process taking a review at mid-year supports embedment of improvements.</p>	<p>Supporting the ongoing improvement of our regulatory reporting data processes.</p>	<p>Established process.</p>
	Annual Report and Accounts, including financial APR data	<p>We have a statutory obligation to ensure that our financial accounts are robust, accurate and complete.</p> <p>Our Annual Report is the primary way we publish our annual performance information, and it is made publicly available to all stakeholders. The Annual Report includes our statutory accounts and our performance over the year and how this compares against our performance commitments as well as broader information on our commitments and responsibilities to stakeholders and customers.</p>	<p>Methodology and data are subject to three lines of assurance with our financial auditor, Deloitte LLP, performing third line assurance in accordance with the appropriate accounting standards.</p> <p>Our financial auditors will carry out assurance of reported performance data and presentation of information and risks.</p>	<p>Established process which will continue taking account of any evolving regulatory requirements.</p>
	Business Plan 2025–30 (PR24) assurance	<p>A PR24 assurance workstream is being defined as we start to develop our business plan for the next five years (PR24).</p>	<p>We will engage with the PR24 workstream to understand any assurance requirements specifically for the Price Review. This will include assurance activity from 2022 through to 2024 and be implemented in accordance with our business-as-usual approach to assurance to ensure good practice. This will include strategic assurance of the whole plan in addition to technical assurance of specific workstreams, consistent with DWMP, WRMP and WINEP requirements.</p>	<p>New.</p>

Table 3: Final Assurance Plan 2022–23 continued

Alignment to Principal Risks	Risk area	Why?	The assurance we will be doing	Established/new
Compliance	Ofwat Undertakings	In June 2019, Ofwat issued a notice to impose a penalty on Southern Water following its investigation which highlighted significant failings relating to the management, operation and performance of our wastewater treatments works. As a result, Southern Water has committed to implement a range of financial and non-financial measures ('Undertakings').	<p>Southern Water is required to report progress against Undertakings on a half-yearly basis over the subsequent five years.</p> <p>As referenced earlier, we have designed a detailed assurance plan in response to these Undertakings which are listed on our website.</p> <p>Ongoing assurance will be completed, and progress reported to the Board and Ofwat.</p> <p>We will also be carrying out external assurance of our Condition P licence obligations to satisfy the Undertakings.</p> <p>This assurance is now moving into the 'embedment' phase looking at how our capability has been strengthened as a result of the undertakings and a focus on 'business-as-usual' practices.</p>	Established approach and will continue until October 2024.
	Reporting to the DWI and DWI Information Management Undertaking	Southern Water is subject to a S19 Information Management Undertaking (IMU).	<p>All annual data returns provided to the DWI will be subject to first line control and will also be the subject of second line assurance.</p> <p>Second line assurance is undertaken biannually to confirm and track the implementation of the agreed actions included in the Information Management Undertaking. This is also reflected in the Audit strategy that has been submitted to DWI.</p>	Established approach in place for our S19 Information Management Undertaking with the DWI.
	Annual Report to CCW	CCW is the statutory customer representative body for the water industry. We want to ensure that the information provided to them on a quarterly and annual basis is accurate.	<p>Much of the information provided in the returns comes from our Ofwat Performance Commitments – this data is assured under our Annual Performance Report assurance processes (see above).</p> <p>Where the information falls outside of this, we will undertake second line assurance.</p>	Established approach.
	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 will be undertaken as part of an annual review of our Ofwat Operating Licence.</p> <p>The review will also support our Condition I annual assurance (as part of the Ofwat Undertakings).</p>	Commenced in the 2020–21 reporting year and will continue annually.
	Improvement Plans and Transformation Action Plans	<p>Internal assurance will continue with effect from April 2022 covering:</p> <ul style="list-style-type: none"> Resilience Action Plan. Drainage and Wastewater Management Plan. 	<p>Resilience Action Plan: this is due to be completed by the end of 2022. Until then we will continue to monitor plan progress and assess evidence against closed actions.</p> <p>End of programme assessment in Q4 2022–23 to ensure that all actions are embedded in business-as-usual activities.</p> <p>Drainage and Wastewater Management Plan: continue to monitor plan progress and assess evidence against closed actions. Half yearly maturity assessments.</p>	New process reflecting status and maturity of 2019 IAP action plans.

Table 3: Final Assurance Plan 2022–23 continued

Alignment to Principal Risks	Risk area	Why?	The assurance we will be doing	Established/new
Wastewater compliance	Reporting to the EA	Historic and ongoing investigations into our reporting to the EA means that we are under significant scrutiny over the information we provide. A programme of information management improvements is being delivered as part of our 'Environment+' programme.	All regulatory reports provided to the EA will be subject to first line controls. Areas of reporting that have been analysed as higher risk will be subject to second line assurance. Improvements to our spill reporting to the EA will be subject to external assurance as part of our Ofwat Undertaking.	Established approach.
	Pollution incident reduction plan	Our Pollution Incident Reduction Plan was updated in 2021 and sets out how we will achieve a reduction in pollution incidents. This is also crucial to our work to improve our rating in the Environmental Performance Assessment.	We will undertake 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.	Established approach.
	Drainage and Wastewater Management Plan	All water 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 is a new type of plan to the industry, external technical assurance of the level 2 (draft) plan will be undertaken by Jacobs in Summer 2022.	New – in line with guidance from Regulators issued February 2022 (Defra, EA and Ofwat).
Water	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, the EA and the DWI. The funding agreement with Ofwat for 2020–25 states we are required to obtain 'external assurance of data and approaches supported by Board statement'.	Assurance has continued ahead of reporting milestones to RAPID through 2021. The remaining submissions for Gates 3 to 5 will be externally assured ahead of programme completion in Autumn 2024.	Established approach expected to continue into 2022–23 in line with RAPID milestones.
	Drought Plan	We are required to update our Drought Plan every five years as per the Water Industry Act. Technical assurance over our 2022 Drought Plan. Updated draft plan and Statement of Response assured January 2022.	This process will require an assurance of the final plan and the Statement of Response and is expected to take place in April 2022. Timelines will be confirmed by Defra and may extend to June/July 2022.	Commenced in the 2020–21 reporting year and will continue into 2022–23.
	WRSE (Water Resource South East) Regional Plan	Assurance statements are required, using templates provided by WRSE. Jacobs undertook initial assurance of our inputs to WRSE in Q3 2021–22.	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.	Commenced in the 2020–21 reporting year and will continue into 2022–23.

Table 3: Final Assurance Plan 2022–23 continued

Alignment to Principal Risks	Risk area	Why?	The assurance we will be doing	Established/new
Customer	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.	Established approach.
	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.	Established approach.
	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.	New.
Climate Change	Carbon Accounting Workbook	This detailed tool calculates out greenhouse gas emissions and other green data. A technical review was carried out last year following updates to the workbook. This will need to continue as there is now a new requirement to include elements within our Annual Performance Report for 2021–22.	We will engage an external assurer to complete technical assurance of our Carbon Accounting Workbook. This will be carried out as part of our APR year-end process.	Commenced in the 2020–21 reporting year and will continue annually.
	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 took place in the 2020–21 reporting period and will be undertaken by external assurers.	Commenced in the 2020–21 reporting year and will continue annually.
	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.	New.

Appendix 1

Changes from the Draft Assurance Plan

Changes from the Draft Assurance Plan

Alignment to Principal Risks	Risk area	Why?	The assurance we will be doing	Established/new
Compliance and corporate affairs	Business Plan 2025–30 (PR24) assurance	Not included.	We will engage with the PR24 workstream to understand any assurance requirements specifically for the Price Review. This will include assurance activity from 2022 through to 2024 and be implemented in accordance with our business-as-usual approach to assurance to ensure good practice. This will include strategic assurance of the whole plan in addition to technical assurance of specific workstreams, consistent with DWMP, WRMP and WINEP requirements.	New.
Customer	GSS	Not included.	Conduct second line assurance of the accountabilities associated with the GSS standard.	Revised requirement since Draft.
Wastewater and compliance	DWMP	Not included.	External technical assurance of level 2 plan to be undertaken by Jacobs in Summer 2022.	New.
Water	WRMP	Not included.	Legal and technical assurance to be delivered. AG are engaged to undertake this in May 2022. Revised requirement since Draft Jacobs are expected to assure outputs from the WRSE emerging plan and our WRMP24 tables and documents in April/May 2022.	Revised requirement since Draft.



southernwater.co.uk

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