



Final Assurance Plan

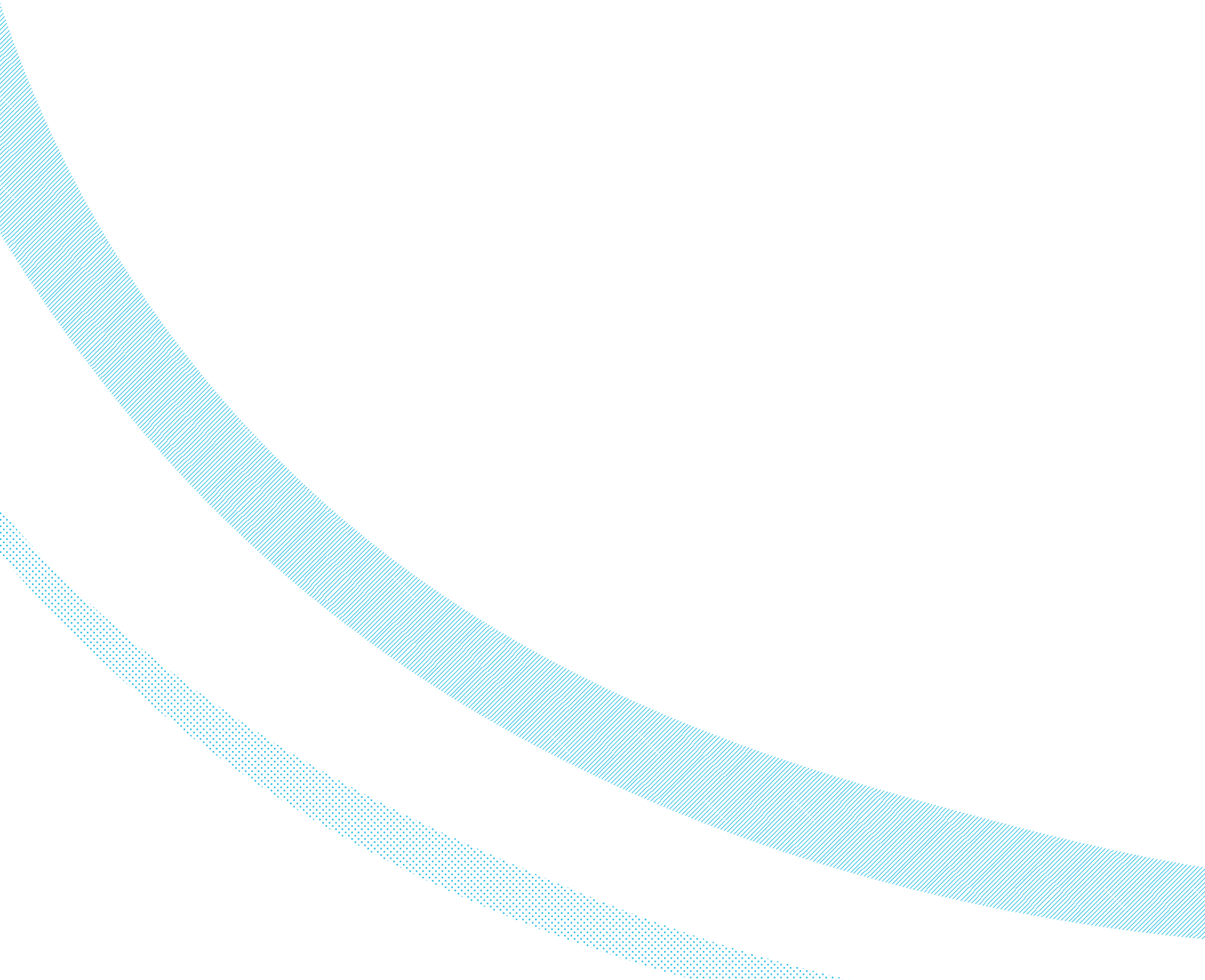
Our assurance programme for our
2023–24 performance information

31 March 2023



from
**Southern
Water** 

The Southern Water logo icon consists of three stylized, overlapping waves in shades of blue, positioned to the right of the word 'Water'.



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1. Introduction

At Southern Water we provide essential water services to 2.6 million customers, and wastewater services to more than 4.6 million customers across Sussex, Kent, Hampshire and the Isle of Wight. We provide water for life to enhance health and wellbeing, protect and improve the environment and sustain the economy.

The purpose of this publication is to set out our assurance plan for our performance reporting in 2023–24. Customers and other stakeholders expect that the information we present to them about our performance is accurate, accessible and fully assured. 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.

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 2020–25 business plan.

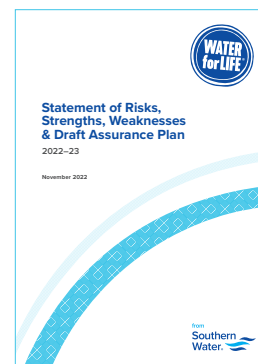
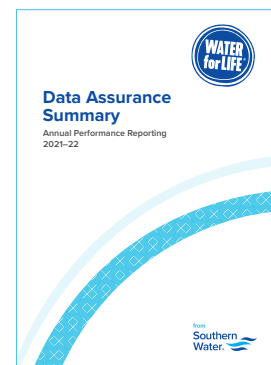
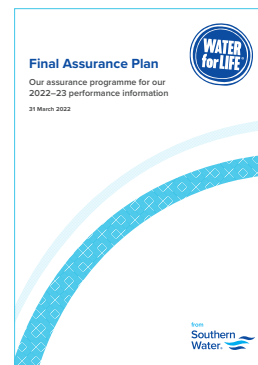
We continue to build a greater level of trust and confidence in our reporting. In addition to our own internal assurance teams and processes, our highest risk performance data is assured by an independent assurer.

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.

This document is one of three 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 our consultation on the Statement of Risks, Strengths and Weaknesses and Draft Assurance Plan;
- Data Assurance Summary (in July with our Annual Performance Report);
- Statement of Risks, Strengths and Weaknesses and Draft Assurance Plan for consultation (published in November).

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



2. Context

The role of our regulators is of paramount importance to the effective operation of the water industry. It is critical that our conversations on performance with 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.

2.1. Ofwat

As part of its agreement on funding for our business plan, our regulator, Ofwat, has set out a number of promises and performance commitments 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.

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 publish it annually.

2.2. Wastewater investigations

As reported previously, Ofwat undertook an investigation into our wastewater reporting between 2013 and 2017 that led to a decision to impose a financial penalty of £3 million on conclusion of the investigation in October 2019. 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 under Section 19 of the Water Industry Act 1991. These cover numerous measures that have been put in place and are being put in place to make sure that the issues identified in the investigation cannot be repeated.

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

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

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 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 summary of our assurance work is uploaded to our website¹, 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 for improved transparency on environmental performance information: southernwater.co.uk/our-performance/environmental-performance.

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

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 it 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.

¹ [Making amends to our customers \(southernwater.co.uk\)](https://southernwater.co.uk)

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

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

These must be in place to enable it to carry out those functions for a period of at least 12 months.

The Assurance Statements also reflect key decision-making points taken during the year, including consideration of the 2023 annual Execution Plan (EP23). This evidence also draws upon information considered by the Audit Committee as part of their activities on behalf of the Board.

External assurance confirms the evidence that the Board made sufficient diligent enquiry as reflected in the Condition P Board Assurance Statements, including:

- Demonstration of diligent enquiry
- Documentation of diligent enquiry in relation to the Execution Plan (EP23);
- Evidence of material provided and requested by the Board to demonstrate diligent enquiry;
- Evidence that statutory and regulatory programmes of delivery are funded and on track; and
- Interviews with three board members (Chief Financial Officer, Chair of Audit Committee and Chair of Health and Safety and Operational Risk Committee) to support the Board Assurance Statements.

3. Continuous stakeholder and customer engagement

3.1 Customer engagement

We constantly engage with our customers and stakeholders and use the insight gathered to inform our plans. For greater assurance and challenge we also engage with our Independent Climate and Advisory Group (ICEG), Customer and Communities Challenge Group and series of Consumer Panels, which include households, businesses, harder to reach audiences and customers of the future.

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 pollution self-reporting, will raise customers' visibility of our 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.

To inform our next five-year business plan we have undertaken an extensive programme of customer research to better understand the needs and requirements of customers both now and into the future.

3.2. Stakeholder and regulator engagement

Drinking Water Inspectorate

We continue to work to improve our drinking water quality performance. However, we do remain an industry outlier on our key performance metrics of Compliance Risk Index (CRI) and Event Risk Index (ERI) compared with the rest of the sector, and further improvement is still required.

We continue our ambitious capital maintenance programme with investment significantly increased and improvements at strategic surface water works, reservoir cleaning and replacement and targeted mains replacement. We recently carried out a strategic review of our four major surface water sites (providing water supplies to 62% of our customers) and are working with the DWI to deliver improvements on these and other sites, including through legal requirements in a series of Final Enforcement Orders (FEO).

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 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.

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 also 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 released the latest Environmental Performance Assessment in its annual report on the environmental performance of the nine English water and sewerage companies in July 2022. Our performance for the 2021 reporting year worsened from two-star in 2020 to one-star in 2021. Our one-star assessment was due to four red metrics; pollution, serious pollutions, treatment compliance and our Supply Demand Balance Index (SDBI). As a company committed to protecting the environment and serving its customers, we are disappointed by the assessment but are striving hard to continue to drive improvements.

We were disappointed with the increase in serious pollution incidents in 2021 and responded to this poor performance with improvements to the operational control centre to identify more swiftly those incidents with the potential to become significant, enabling a more rapid response. We also installed c.23,000 sewer level monitors which again give an early warning of issues.

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 evaluation of our Water Industry National Environment programme (WINEP) delivery continues to improve due, in part, to good collaboration with the EA.

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.

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 is monitored and revised annually, setting out our approach to achieve the targeted reduction in pollution incidents to 80 per year by 2025, and zero pollution incidents by 2040.

The third year of the PIRP was published online after consultation with the EA and assured as part of our 2022–23 Final Assurance Plan. Interventions from year three included cleaning plans covering inlet works, wet wells and the sewer network.

The year four plan has been drafted and includes a number of new approaches including:

- Pump performance testing,
- Combined Sewer Overflow care plans
- Gap analysis and benefits assessment.

We also recognise the concern among stakeholders with our abstractions, particularly from those sensitive chalk streams across the South East. During the last year we have been able to embed a range of improvements into our abstraction reporting; these have been subject to positive response back from the EA.

3.3. Combined Sewer Overflows (CSOs)

The Environment Act 2021 set 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 required the government to publish a plan to reduce sewage discharges from storm overflows and report to Parliament on the progress towards implementing the plan. Defra published their Storm Overflows Discharge Reduction Plan in August 2022.

We know, like all water and wastewater companies, that we have challenges with our Combined Sewer Overflows (CSOs). Our 'Beachbuoy' website² was improved in 2022 and has been used throughout this year's bathing water season, raising awareness of and interest in CSOs. We have established a Clean Rivers and Seas 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 new innovative solutions so we can go further and faster at tackling this issue. To support the work in this area we also carry out internal assurance on our Event and Duration Monitors (EDM) data returns to the EA. This approach reflects our commitment to continuous improvement of our spill data quality.

The most efficient, cost effective and environmentally beneficial way of reducing storm releases is to separate surface water drainage from the sewer system. 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

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.

² <https://www.southernwater.co.uk/water-for-life/our-bathing-waters/beachbuoy>

3.5. Summary of Risks, Strengths and Weaknesses

Our latest risks, strengths and weaknesses exercise was published in November 2022. 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.

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 Final 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 ensuring 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; and

- Management of our workstreams planning for the next five-year business plan period (2025–30), ensuring appropriate governance oversight and assurance.

Southern Water operate a quarterly Executive Risk Committee, Executive Committees (ExCo), Board Audit Committee, Health and Safety Operational Risk Committee and full Board to review and challenge the latest update of our company risks, supported by risk sessions at directorate leadership meetings.

We currently have 12 principal risks that are outlined in our annual report³. Assurance relating to our principal risk areas has been listed on our Final Assurance Plan detailed in Table Two, to ensure that we are prioritising our assurance work where it is most needed in our higher risk areas.

Areas of strength

This section identifies 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 monitor improvements made in areas of risk identified above, and where we are developing strength in our reporting processes. We also rely on assurance to continually improve and embed improvements in our reporting processes.

Improved governance

- Implemented an annual review of Board effectiveness, with an external assessment at least every three years
- Board focus and oversight of risk and assurance activity via our Audit Committee
- 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 and ICEG;
- 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; and
- The embedding of our Modern Compliance Framework (MCF) and Ethical Business Practice.

³ [sw-risks-108-120.pdf \(annualreport2022.com\)](#)

Risk and compliance

- We have improved our enterprise risk management processes and are enhancing our resilience capability which is overseen by our Audit Committee;
- Our ExCo reviews performance and compliance on a monthly basis;
- Our quarterly ExCo, Board Audit Committee, Health and Safety Operational Risk Committee and full Board challenge and update our 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; and
- A continuous improvement programme for annual assurance which includes data returns to Ofwat, the DWI, EA and CCW.
- A strong second-line assurance team who support the wider business to manage assurance engagements and ensure quality of assurance outputs.

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 in the spirit of 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 whilst 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 both the 2021–22 and 2022–23 Final Assurance Plans, and it identified some examples of low maturity in our first line controls. This does not necessarily result in errors in our year-end reporting due to the high degree of control checks and assurance for year-end reporting. Rather, the move to mature more frequent controls 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 also reduces the reliance and time taken on year end control checks and assurance for year-end reporting.

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

Table One – Areas of weakness and mitigating actions

Potential weakness	Action to address
While our process changes and assurance have helped to strengthen our maturity, this continues to need improvement as we started from an immature position.	<p>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.</p> <p>Mid-year assurance continues to monitor progress on our control maturity. Additionally, we have started to implement process and control improvement action plans across the business.</p>
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. Data can be difficult to interpret and use due to lack of common data approach and information strategy for operational and asset data. There are also potential security risks to data access, including an increased threat of cyber security attacks on our network.	<p>A significant IT transformation is taking place and will remain on-going 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.</p> <p>We have established a continual improvement plan to drive a more robust approach to Cyber and Network Security as part of our response to the Network and Information Systems (NIS) Directive.</p> <p>We have implemented a Governance, Risk and Control (GRC) system that will provide a single integrated tool for all second line assurance and audit teams.</p>
An increase in reporting requirements from both our regulators and our customers. These include strategic plan submissions and additional data requests for the next business plan period. We have also noticed that the complexity and volume of Environmental Information Request (EIRs) we receive is increasing year on year.	We have appropriate Board Governance which provides oversight and approval of strategic plan submissions to our regulators. Key milestones for regulatory submissions are factored into our assurance planning to ensure inclusion in our plans. This includes tracking of the reporting requirements from Ofwat that we receive as part of the annual Regulatory Account Guidance (most recently published on 05 February 2023). We follow our three lines of defence approach to flex our assurance resource between internal and external assurance as required.
A need to embed and continuously improve our overall framework for regulatory reporting including training supported by ethical business practices and culture change.	<p>To support development of our MCF we refreshed Our Code of Ethics. This is reviewed annually and was most recently signed off by our Board in October 2022. We have communicated and celebrated this, in association with our existing values, across the business.</p> <p>We continue to improve 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 monitored via our Measures of Culture Dashboard allow us to assess the extent to which our Ethical Business Practices are embedded into our day-to-day working.</p>
Historic behaviours and business practices, and recent operational incidents and events reported in the media, are impacting the company's reputation and brand.	We have established four risk assessed Strategic Action Plans that, through clear performance targets, will support the reduction of some of the highest risks the business faces. The plans cover water quality, waste and environment, customer service and health and safety with underpinning resource plans.
Our ability to develop a robust and effective business plan for 2025–30 is dependent on adequate resource capacity and capability. This is constrained by our financial and operational resources.	Our next five-year business plan (2020–30) activity is well underway overseen by a dedicated Project Management Office. A Board approved delivery plan supports the work needed to ensure submission of a robust plan in October 2023.

4. Our approach to assurance

In our 2022 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 align our assurance to the ‘three lines of defence’ framework for our reporting governance and assurance activity. This helps to assure performance information by applying multiple levels of control.

We apply internal controls and have 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 continuous improvement to support a modern, transparent and ethical compliance framework under our MCF. 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.

4.2. Maturing the control environment

We recognise the need for continued improvement in data quality and our controls environment. The approach to each reporting process is defined to address the individual needs of each process. Identified improvements follow on directly from the mid-year assurance undertaken each year.

Not all reporting processes require the same level of focus, with some requiring a lighter touch review building on recommendations made through previous assurance activity.

For newly-defined reporting processes we undertake an end-to-end review ensuring ownership is defined, processes are in place and data requirements are understood. Audit findings are provided against each reporting process and managed via PentanaMK (our internal audit and action tracking system), or via Riskconnect as we implement our new GRC system.

For established reporting processes, we assess the effectiveness of controls against a series of assessment criteria with a score against our established maturity assessment scale. As part of our process and control improvement work, this matrix was further developed into a model which provides the business with a standardised assessment framework based on the strategic focus, roles and responsibilities, the design of control, monitoring and data quality.

4.3. Types of assurance

While the assurance requirements for our different regulators are different, we have standardised 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 is risk assessed to ensure that work is focused on areas of highest risk.

The different types of assurance that we undertake include:

Controls monitoring and assurance

- Assurance over the operation of specific controls that have been identified within Risk and Control Matrices and Ofwat Compliance Framework documentation;
- Activity can range from control monitoring (the 1st line is operating its controls), through to evidence-based reviews of the effectiveness of control operation; and
- Evidence reviews to ensure effective control can be demonstrated.

Assurance over data reported to regulators

- Assurance over monthly/quarterly/annual/event-based information provided to regulators;
- Mandatory requirement at year-end (Ofwat);
- Best practice and risk-based approach for assurance over reporting to other regulators; and
- Risk based approach to whether assurance provision is internal or external unless otherwise prescribed.

Assurance over regulatory action plans

- Specific assurance activity (internal and external) over action plans that have been agreed with regulators; and
- Activity can be driven from business plans and regulatory enforcement undertakings.

Deep Dive – risk and control maturity

- 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; and
- Can be applied wider than just regulatory reporting and areas for review will be linked to the Register of Obligations and our Enterprise Risk Register.

Themed reviews

- Audits of specific areas of high risk and non-financial regulatory issues
- Derived from analysis of areas of risk and weakness and our on-going stakeholder engagement.

4.4. 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 cycle, with a re-accreditation audit every four years;
- Monitoring Certification Scheme (MCERT) – an EA standard which ensures that our flows monitoring equipment complies with all relevant regulations and best practice; and
- Ofwat Section 19 Undertakings – Embedding change – We recognised that there is an appetite within the company to introduce a quality management system approach to key areas including our environmental monitoring and flow management processes. We have developed our S19 programmes with a focus on improvement of process documentation and tighter document control.

5. Final Assurance Plan for 2023–24

In Table Two we outline the main elements of our Assurance Plan for 2023–24. Our Final Assurance Plan is set out in line with our ‘three lines of defence’ framework of assurance and is also a response to the key risks and areas of weakness highlighted as an output of the

Statement of Risk Strengths and Weaknesses as well as taking on views from our ongoing engagement with regulators, our external assurers and customers. The vast majority of the activity within the Final Assurance Plan is prescribed by our regulators.

Table Two: Final Assurance Plan 2023–24

Alignment to Principal Risks	Risk area	Why?	The assurance we will be doing	Established/new
Compliance, Corporate Affairs AND Delivery	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, ExCo 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>
		<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>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>	

Table Two: Final Assurance Plan 2023–24 continued

Alignment to Principal Risks	Risk area	Why?	The assurance we will be doing	Established/new
Delivery	Business Plan 2025–30 assurance	An assurance workstream has been defined to support development of our business plan for the next five years.	The assurance programme has been defined and is now being delivered. This includes assurance activity from 2022 through to 2024 and is being implemented in accordance with our business-as-usual approach to assurance to ensure good practice.	Started in the 2022–23 reporting year and will continue through to 2024.
	Water Industry National Environment Programme for 2025–30 (WINEP)	Updated version of the WINEP needed for the 2025–30 Business Plan.	External and independent assurance of our options suitability and reliability, and confirmation that the WINEP options development guidance has been followed. Plus overall assurance statement from the Board to the Environment Agency that they are satisfied that WINEP meets requirements, is supported by robust evidence and offers best value.	New
	Drainage and Wastewater Management Plan (DWMP23)	Drainage and Wastewater Management Plans (DWMPs) are a new strategic planning framework for all water and sewage companies. Final plans to be submitted May 2023.	Technical assurance to confirm compliance with Water UK guidance, alignment to PR24 Business Plan and supporting Board statements.	New
	Water Resources Management Plan (WRMP24)	Assurance over final plan.	Technical assurance over the methodology and content of the plan and the data tables (to be published approx. May 2023)	Established approach for plan revised every five years.
Compliance	Ofwat Undertakings	In June 2019, Ofwat issued a notice to impose a penalty on Southern Water following their investigation which highlighted significant failings relating to the management, operation and performance of our wastewater treatments works. As a result, Southern Water has committed to implement a range of financial and non-financial measures ('Undertakings').	Southern Water is required to report progress against Undertakings on a half-yearly basis over the next five years. As referenced earlier, we have designed a detailed assurance plan in response to these Undertakings which are listed on our website. Ongoing assurance will be completed, and progress reported to the Board and Ofwat. We will also be carrying out external assurance of our Condition P licence obligations to satisfy the Undertakings. This assurance is focusing on the assessment of our progress with embedment into 'Business as Usual' practices.	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) and six Final Enforcement Orders (FEOs).	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. Second line assurance is undertaken biannually to confirm and track the implementation of the agreed actions included in the Information Management Undertaking. Thematic assurance for FEOs will developed on a case-by-case basis.	Established approach in place for our S19 Information Management Undertaking with the DWI. New for six FEOs.

Table Two: Final Assurance Plan 2023–24 continued

Alignment to Principal Risks	Risk area	Why?	The assurance we will be doing	Established/new
Compliance	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.	Much of the information provided in the returns comes from our Ofwat Performance Commitments – this data is assured under our APR assurance processes (see above). Where the information falls outside of this, we will undertake second line assurance.	Established approach.
	Carbon Accounting Workbook	This detailed tool calculates our greenhouse gas emissions and other green data. A technical review was carried out previously following updates to the workbook. This will need to continue as there are new requirements within our Annual Performance Report for 2022–23 reporting.	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.	Established
	ESG reporting	Sustainable Investment Bonds – as a result of raising over £1bn 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’.	DNV provide third line assurance on annual basis.	Established
	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.	Second line assurance will be undertaken as part of an annual review of our Ofwat Operating Licence. This will be our third annual review. The review will also support our Condition P annual assurance (as part of the Ofwat Undertakings).	Established
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 S19 Ofwat Undertakings.	Regulatory reports provided to the EA will be subject to first line controls.	Established approach.
	Pollution Incident Reduction Plan	Our PIRP was updated in 2022 and sets out how we intend to 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 annual second line assurance over our PIRP to assess effectiveness of the current plan against meeting our targets.	Established approach.

Table Two: Final Assurance Plan 2023–24 continued

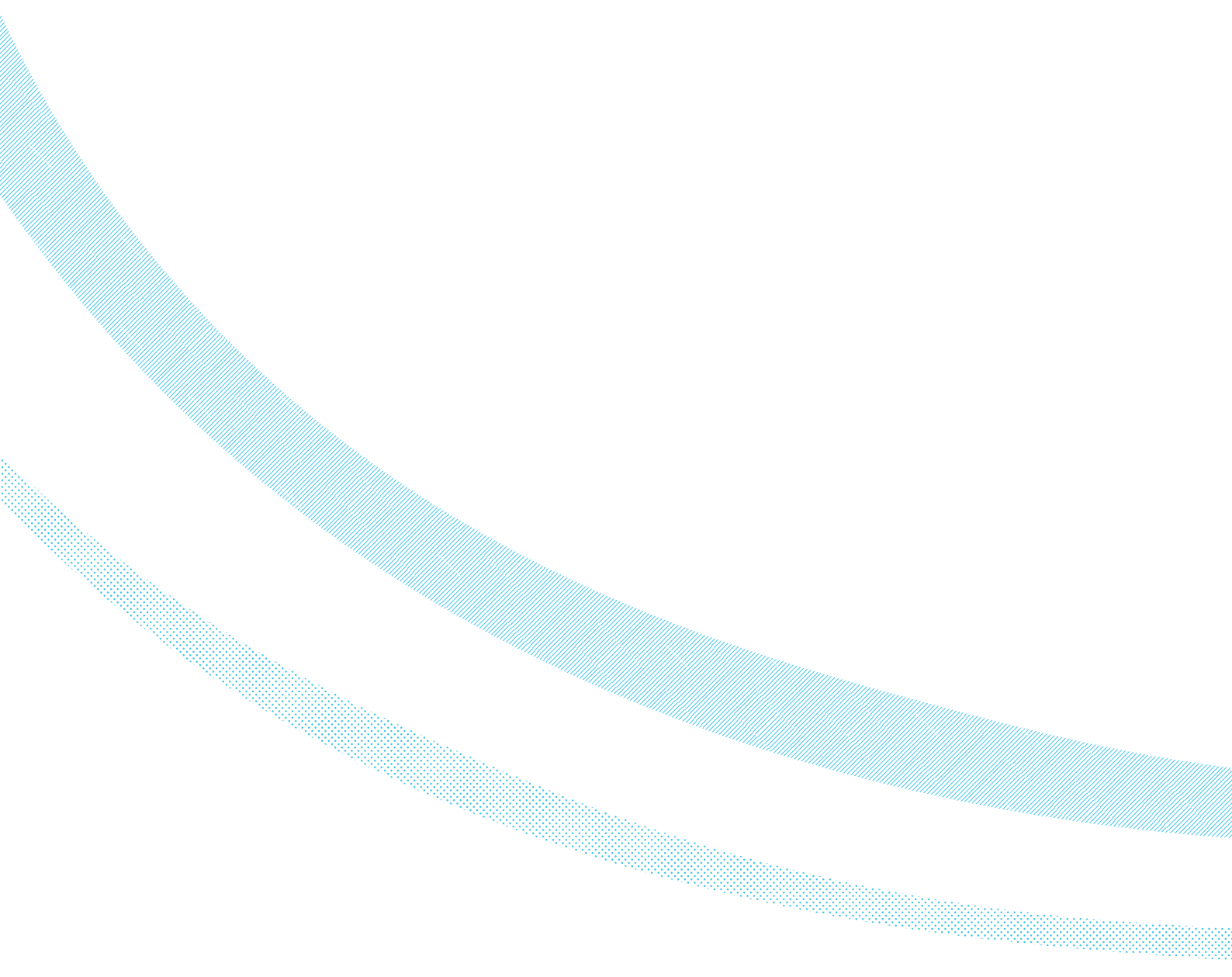
Alignment to Principal Risks	Risk area	Why?	The assurance we will be doing	Established/new
Water	Western Area strategic solution (Water for Life – Hampshire)	We have committed to working with other water companies to address our water resource issues and have several proposed solutions in scope for development. The work is being overseen by RAPID (Regulators' Alliance for Progressing Infrastructure Development) comprising representatives from Ofwat, EA and DWI. 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. 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 2023–24 in line with RAPID milestones.
	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 (see above).	Started in the 2020–21 reporting year and will continue into 2023–24 until final plan submission.
	WRMP19	Annual update to data tables.	Review consistency and accuracy of data reported.	By June 2023.
Customers – Household, Developers and Retailers	Guaranteed Standards Scheme (GSS) missed appointments payments	Previous failures to comply with GSS standards resulted in improvement plan. Second line assurance to review compliance.	Second line assurance on compliance with GSS requirements.	Added for 2022–23 but to be refined for 2023–24.
	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.

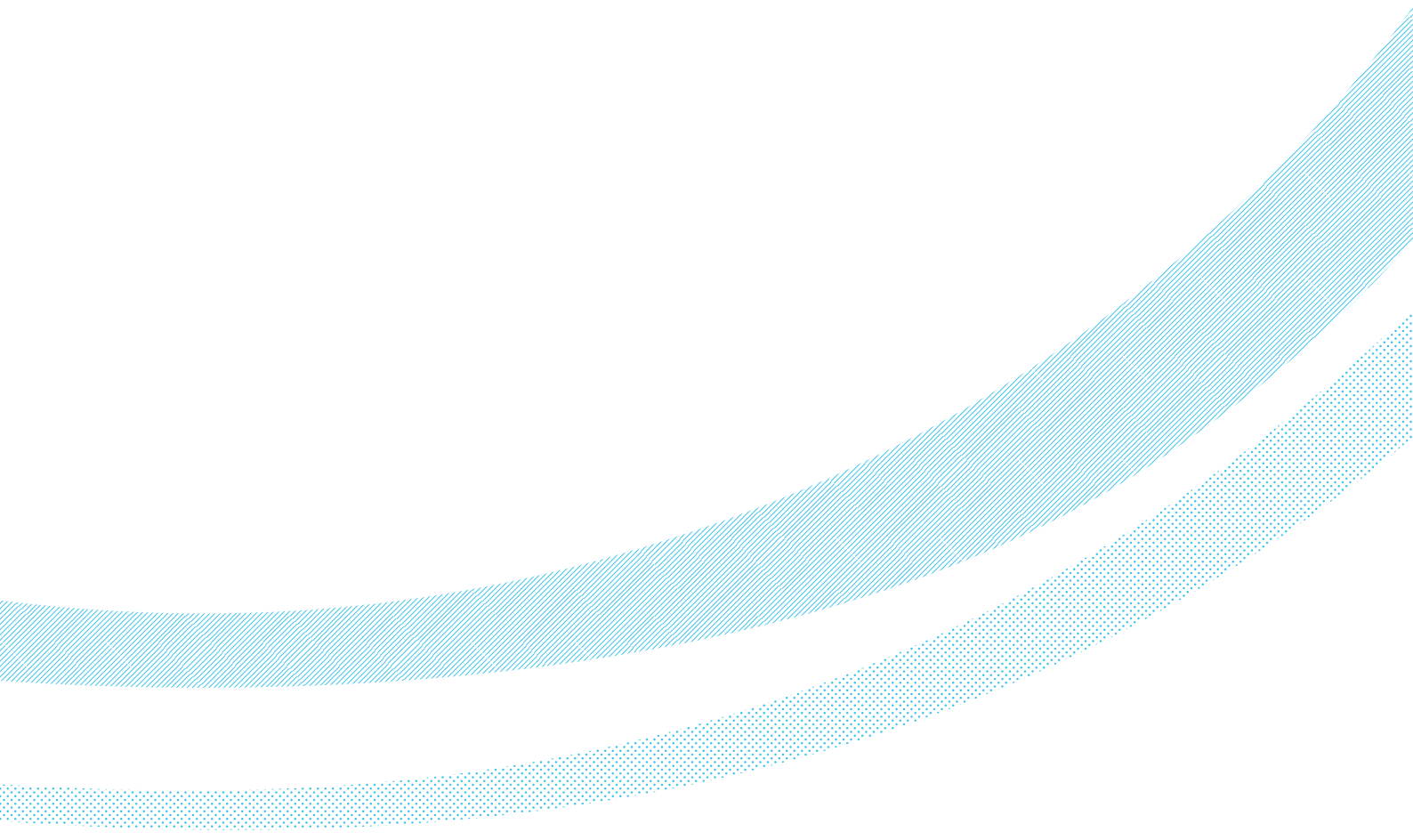
Appendix 1

Changes from the Draft Assurance Plan

Changes from the Draft Assurance Plan

Alignment to Principal Risks	Risk area	What we said we would do in the draft plan	Change	Rationale
Compliance	Reporting to the DWI and DWI Information Management Undertaking.	Ref to Draft FEOs.	FEOs now finalised – clarity provided.	Reflects finalisation of FEOs.
Customers	GSS missed appointments payments.	Omitted from draft plan.	Add assurance details.	Internal assurance commitment.







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You should send any comments to:
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