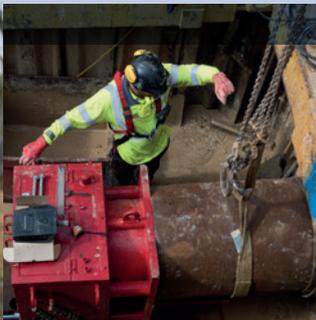


2021/22
Data Assurance Summary



Data assurance summary 2021/22



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In order for customers to want to be supplied by us, we know that we need to provide good quality water, a reliable service and be trusted. We understand that the data and information that we provide to our customers, regulators and stakeholders is of paramount importance.

This document summarises the assurance that we have undertaken during 2021/22 to ensure that we are providing data and information which is reliable, robust and complete.

Our internal controls and board oversight

In 2015/16 Ofwat issued new reporting requirements for the annual performance report which would incorporate a number of tables and information previously contained in the regulatory accounts. For 2020/21 Ofwat significantly restructured the tables and added additional lines. Some additional changes have been introduced for 2021/22. We have included these changes into our annual reporting and have chosen to publish a separate Annual performance report for our regulatory accounts alongside our annual report,

The internal data assurance that we have undertaken for the contents of the annual performance report also covers the contents of our performance microsite performance.southeastwater.co.uk

Our governance and assurance process for the preparation of our annual performance report and performance microsite is based on our well-established systems of internal control for all regulatory and performance reporting and incorporated oversight by the board and scrutiny by the audit and risk committee following reviews by the executive directors, and the requirement for heads of department and/or manager level sign off.

The assurance methodology that we have adopted is in line with our approach set out in our company monitoring framework with the three levels of assurance as described below:

Level 1

- Peer review – data and information must be checked by a separate individual.
- Manager review/sign off – data and information is required to be checked by the line manager responsible for the individual completing the submission.
- Independent review is undertaken of the reporting requirements to ensure all required changes and actions are identified.
- The changes identified are circulated and assigned to an owner.
- Formal review of last year's Ofwat queries and audit issues and circulated to the owners to ensure required actions are adopted.
- Data owners are required to review the auditor's audit notification as a pre-audit check to ensure all areas are compliant and Ofwat's reporting requirements have been covered.

Level 2

Internal review

- Data and process audit – data validity is tested through taking a sample and verifying the data for critical data such as PCs and ODIs.
- The methodology document is reviewed to ensure that the process and internal controls are complete and being followed.
- Any required changes are controlled by the Regulatory Assurance Manager. A log has been maintained to track sign off at all the assurance stages and provide an audit trail to the source data.
- The processes for areas of high risk and importance are reviewed and additional assurance added. For example, all interruption events are separately reviewed and signed off by the manager.

- Internal consistency checks have been undertaken on the data within the annual performance report and against other published documents.
- A master set of APR tables is linked to our source data to provide an audit trail. This is separately managed and controlled.
- Independent review is undertaken to check the tables are populated with the audited data.
- The master set of data tables and submission version is checked manually cell by cell by an independent reviewer and by an automatic electronic lookup. These are used to try to eliminate any input errors arising for the manual entry process required for the submission version of the tables.
- Independent check to ensure all the formatting requirements have been met
- Internal consistency checks on the APR tables with APR commentary.

External review

- Data, process and submission audit – this process is undertaken by an external assurance partner.
- A review of methodology, data sampling and internal controls is undertaken.
- Meetings undertaken with senior managers and those who produce the data to ensure a thorough understanding is obtained. Our external assurance partner, Atkins, attend the pre audit meetings to review preparations for the audits and any potential issues that may arise.
- External consistency checks have been carried out on our APR Tables, by our independent assurance partner Atkins.
- Independent review is undertaken to check the tables are populated with the audited data.

Level 3

- Director/executive approval – final review of submission information.
- Audit and risk committee review.
- Board approval – overall review of assurance and auditing undertaken.
- Discussion and approval of external assurance partner findings.

Annual reporting has a clear ownership structure with relevant managers and head of departments taking ownership of sections of the reporting and supporting material. Each data table has data providers assigned for each line and each section and table has an overarching owner who is a head of department, reporting to an executive director. The data providers are responsible for collecting, compiling and reporting the data to the table owner and the table owner is responsible for reviewing such data.

The board considered and approved the final processes used for the generation of the 2021/22 annual reporting. The audit and risk committee also scrutinised the annual performance report and related narrative, the risk and compliance statement. The internal data assurance that we have undertaken for the contents of the annual performance report also covers the contents of our performance microsite, which is the new format for our PPP report. This committee reported to the board before the board approved the annual reports as listed.

A summary of the performance by the company in 2021/22 against our performance targets including comments and recommendations received from our independent assurance partner, Atkins, were reviewed by the committee. The committee and board also reviewed the annual performance report, the risk and compliance statement and PPP microsite report. Our annual performance tables have been prepared under the scrutiny of our audit and risk committee, which also considered the declarations to be provided under conditions I and K of the Licence, and have been approved by the board.

Our external assurance

As the processes and associated data items are complex and detailed, the board focuses on the process followed to prepare and review data, the robustness and clarity of the reported information, and obtains additional information and analysis from the executive directors. In addition, the board assures itself of the robustness of processes and data by gaining assurance from Atkins.

Atkins role is to assist the board to ensure completeness of the annual reporting, compliance with relevant duties and obligations, and to ensure that the information we provide to demonstrate compliance with our relevant duties and obligations is consistent, comparable, reliable and robust. They presented their summary report and findings to the audit and risk committee which reports into the board.

Details of the work performed by PwC on our annual performance report are provided in the Independent Auditor Report on page 208.

For the current reporting period Atkins has reviewed all of our performance commitments and carried out process audits during the year, as well as the year end audits covering process and performance.

This is done through separate audits for each of the PCs, ODIs and sub measures, enabling additional information to be reviewed on a yearly basis and enable the auditors to provide a more robust challenge. Final audits of the APR tables are then undertaken (Table 3A, 3C, 3D, 3E, 3F, 3H and 3I). The following annual report tables are also assured by Atkins:

- 2B – Totex analysis - wholesale.
- 2C – Cost analysis - retail.
- 4A – Water bulk supply information.
- 4C – Impact of price control performance to date on RCV.
- 4D – Totex analysis - Water resources and water network+.
- 4F – Major project expenditure.
- 4J – Base expenditure analysis - Water resources and water network+.
- 4N – Developer services expenditure – network+.

- 4P – Expenditure on non-price control diversions Atkins also reviewed the following tables included in the Supplementary tables report published alongside our annual report.
- 4L – Enhancement expenditure – water resources & network+.
- 4Q – Developer services – new connections, properties and mains.
- 4R – Connected properties, customers and population.
- 5A – Water resources asset and volumes.
- 5B – Water resources operating cost analysis.
- 6A – Raw water transport, raw water storage and water treatment data.
- 6B – Treated water distribution – assets and operations.
- 6C – Water network+ – mains, communication pipes and other data.
- 6D – Demand management – metering and leakage activities.
- 6F – WRMP annual reporting on delivery – nonleakage activities
- 11A - Operational greenhouse gas emissions.

Following a tender process during the early part of the financial year, PricewaterhouseCoopers LLP (PwC) were appointed as statutory auditor in August 2021. The appointment has been made for an initial five years starting with this year ended 31 March 2022, with the option to extend for a further three years. This term is within current FRC guidance that the audit should be tendered every 10 years.

PwC, has audited the following sections in the APR:

- Section 1.
- Section 2.

PwC have performed agreed upon procedures on the following tables:

- 4B – Analysis of debt.
- 4H – Financial metrics.
- 4I – Financial derivatives.
- 9A – Innovation competition.

The findings from annual audits will be incorporated into the process of updating our company monitoring framework replacement, which has been reviewed and updated as the format is no longer stipulated by Ofwat.

Our teams use the feedback provided by Atkins to ensure the information that is provided is robust and improvements are made where possible, either before finalising our annual reporting or as part of our ongoing enhancements to improve reporting in future years.

A copy of the assurance letter we received from Atkins is appended to this data assurance summary.

Engagement from stakeholders is continually reviewed and processes updated or additional assurance is incorporated to address any concerns. Ofwat's minor concerns raised in their informal feedback is set out in our CMF publication along with the actions to address these concerns. For 2022 we have included feedback from the EA, DWI, CCW and Natural England as well as Ofwat.

Charges schemes

We publish a range of documents each year explaining our wholesale and retail charges and charges schemes. These are published on our website and can be found using the following link:



southeastwater.co.uk/ourcharges

In setting our charges we ensure that they comply with the price controls determined by Ofwat and the charges scheme rules they issued, that our charges are defined following consistent principles and methodologies, and that no undue preference is shown to, and that there is no undue discrimination against, any class of customers or potential customers.

Our board assurance statement for our charges schemes can be found using the link:



southeastwater.co.uk/boardassurance

Our company monitoring framework

In June 2015 Ofwat published guidance on its company monitoring framework. In which it stated:

"The company monitoring framework is a tool to challenge all companies to provide information for customers and stakeholders that is reliable, timely, appropriate to the audience, and for companies to be transparent with customers and stakeholders about the data assurance they put in place."

We have revised the format of Our company monitoring framework, which can be found using the following link:



southeastwater.co.uk/cmfi

Our plans for publishing our future company monitoring frameworks

Ofwat set out in their Information Notice 21/01 that they no longer required companies to fulfil any of the requirements of the CMF. Companies are allowed to choose to continue with some of the specific mechanisms which they employed under the CMF, for example the use of risks, strengths and weaknesses statements. However, Ofwat have no expectation that companies must do so and it will be for boards to determine the approaches which best work for their individual company.

Our board takes full ownership of our approach to the submission and publication of accurate and complete information, and this is outlined in this data assurance summary. We have reviewed the previous format, content and purpose of our March 2021 CMF publication and streamlined this for March 2022 retaining the elements that worked well and were of value to our stakeholders and customers.

Results and effectiveness of our assurance process

Our external assurance partner's letter attached at the end of this document, pages 8 to 9, shows the results and effectiveness that our data assurance policy has had on the quality and accuracy of the data we have submitted.

Oliver Martin
Regulation and Strategy Director
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4th July 2022

Dear Mr Martin,

Assurance Letter for South East Water's 2021-22 Annual Performance Report

Atkins is engaged by South East Water to provide independent assurance on non-financial aspects of the annual reporting activities that South East carries out. This assurance statement encapsulates observations we made during the technical audit of South East Water's Annual Performance Report for 2021/22. This statement is part of a continuous improvement process that has involved detailed consideration of the methodologies and their applications by which South East Water reports on its performance at financial year end.

For the areas we cover and from the information we have been provided with, we conclude that the Company has a full understanding of, and has sufficient processes and internal systems of control to meet, its reporting obligations. We also conclude that the Company has appropriate systems and processes in place to allow it to manage its reporting risks.

Our approach to technical assurance is to draw upon our experiences at previous rounds of audit and to plan in detail who should be present, what information will be covered, where and when. We issue a notification, carry out the audit, provide immediate verbal feedback and a formal feedback summary including requests for further information or clarification with a table of issues raised. The issues from all of the audits and subsequent interactions are compiled into an Issues Log, which is used to manage the resolution of reporting issues before the finalisation of the technical assurance process. This statement reflects the technical assurance position after the iterative process of resolving outstanding issues has concluded.

South East Water has 40 Performance Commitments (PCs), 19 of which have associated underperformance payments and in some cases outperformance payments. As part of our independent assurance of South East Water's annual reporting, we have been engaged to audit the tables and submissions to be published in South East Water's 2021/22 Annual Performance Report and regulatory reporting to other bodies (CC Water, Water UK, Drinking Water Inspectorate, EA).

The areas in scope for this assurance are:

- Data and commentary (where applicable) reported as part of the Annual Performance Report (APR) to Ofwat:
 - Table 3A & 3E - Outcome performance tables (common and bespoke measures)
 - Table 3C – C-MeX
 - Table 3D – D-MeX
 - Table 2B, 2C, 3F, 3H, 3I, 4A, 4C, 4D, 4F, 4L, 4N, 4J, 4P, 4Q, 4R, 5A, 5B, 6A, 6B, 6C, 6D, 6F, 11A Asset and financial data (capex and opex only)
 - ODI model
 - PR19 in-period adjustments models
- The Generic Operator Return (GOR)

Where relevant we have used our understanding gained from assurance activities on:

- Environment Agency – Annual average out-turns
- Guaranteed Standards of Service (GSS)
- UK Government Environmental Reporting of Greenhouse Gases
- Water UK Discover Water data
- Yearly submission to CCW

In a series of at least 60 video enabled meetings from March to June 2022, we carried out combined methodology and data audits designed to confirm whether:

- South East Water has appropriate systems, procedures and reporting mechanisms in place to control and meet its reporting obligations.
- South East Water understands the accuracy of the data that it is providing and is able to identify where specific reported data may not be appropriate to meet regulatory expectations. Many of the items that we audit inherently contain an element of uncertainty, so it is not possible to assure their absolute accuracy.
- The key assumptions and processes that are used to report against South East Water's Performance Commitments are consistent with the way that the target was set for the PR19 Final Determination.
- The methodologies that have been used for reporting of the common metrics are consistent with the technical guidance that has been published by Ofwat, and where there are shortfalls these have been identified appropriately using the Red, Amber, Green classifications provided by Ofwat.

We note that there has been continuous improvement in relation to the Process Manuals and there remain no areas of material deviation from the processes described in the manuals. All of the material errors or areas of non-compliance with reporting standards for common performance metrics that we encountered during our audits were addressed prior to submission. Similarly, South East Water were able to resolve all material errors or non-compliance issues with the Regulatory Accounting Guidelines for all other tables in the Annual Performance Report (APR) that were included within our scope of assurance.

We observed for the leakage (water balance) and low pressure Performance Commitments there are some areas where there is potential for continuous improvement for next year or where risks may emerge. However, we do not believe these have impacted materially upon this APR or our potential to sign-off the Company submission.

We confirm that South East Water has continued to provide us with full and transparent access to its systems and processes, including unrestricted access to all systems, files and documents that we requested from the Company. During the assurance activities, we had free access to the Director of Regulation and his team and the full cooperation of the people responsible for preparing and reporting the 2021/22 APR and regulatory submissions and the supporting information.

Yours sincerely



Doug Hunt

Assurance Lead providing Technical Assurance Services to South East Water