

REPORT OF THE AUDIT COMMITTEE



To: The Board of the Utilities Regulation and Competition Authority

1. Statutory Framework

The Audit Committee (“the Committee”) hereby presents its tenth report to the Board of the Utilities Regulation and Competition Authority (“the Authority” or “URCA”) for the year ended 31 December 2023 in accordance with the provisions of section 33 of the Utilities Regulation and Competition Authority Act, 2009 (“the URCA Act”). This Report provides details of the work of the Committee in relation to the activities performed by the Committee during the year.

The Committee is governed by and carried out its duties during the period under review in compliance with sections 33 and 39(4) of the URCA Act and follows best practices for the governance of audit committees. The Committee reports that in October 2009 it adopted formal Terms of Reference as its charter, has regulated its affairs in compliance with those Terms of Reference, and has attempted to discharge its responsibilities as stipulated therein.

The Terms of Reference provide that the responsibilities of the Committee include:

- (i) Overseeing the financial reporting and disclosure process of the Authority on behalf of the Board;
- (ii) Monitoring URCA’s choice of accounting principles and policies;
- (iii) Recommending the appointment of URCA’s external auditors, approving the overall audit scope and oversight of their hiring, performance, and independence;
- (iv) Oversight of URCA’s financial compliance, ethics and protected disclosure principles and policies;
- (v) Monitoring URCA’s internal control process;
- (vi) Overseeing the performance of URCA’s internal audit function; and
- (vii) Oversight of risk management policies and practices and discussing the same with URCA’s executive management.

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The Committee is comprised of Ms. Jacqueline Hunt as Chairperson, being an independent registered public accountant appointed by the Board, pursuant to section 33(1) of the URCA Act, the Non-Executive Members of the Board, namely Mr. Randol Dorsett (Board Chairman), Miss. Paula Adderley and Mr. Brian Seymour (appointed to the Board 30 November 2021). The Committee's complement also includes a Secretary to the Committee which is held ex officio by URCA's General Counsel and Secretary to the Board¹.

The Committee also invited URCA's Financial Officer and Internal Auditor to attend Committee meetings as a standard practice. Where circumstances required it, URCA's Chief Executive Officer (CEO) was also invited to attend parts of meetings for briefing or reporting purposes. During the period under review, the Committee held six (6) meetings and had several online exchanges.

Under section 33(2)(c) of the URCA Act, the Committee is required to report to the Board on:

- i. URCA's performance against its Annual Plan; and
- ii. The extent to which URCA's deployment of its financial resources has delivered value for money.

2. Financial Reporting and Audit

The Authority's management has the primary responsibility for:

- (i) preparing the Authority's financial statements;
- (ii) maintaining effective internal control over financial reporting; and
- (iii) assessing the effectiveness of internal control over financial reporting.

HLB Bahamas was appointed as the independent auditing firm for the Authority, having been selected by the Committee after a competitive selection process and approved by Senator the Honourable Ryan Pinder, Attorney General and Minister responsible for relations with URCA, for the annual audits for three years commencing in 2021 with ending periods on 31 December for each year.

The Committee discussed the overall scope and plans for the audit with the Authority's independent auditing firm. The Committee reviewed the Authority's audited financial statements with the independent auditing firm which was responsible for expressing an opinion on the conformity of those audited financial statements with International Financial Reporting Standards. The Committee also reviewed the firm's judgments as to the quality (not just the acceptability) of the Authority's accounting principles; and such other matters as are required to be discussed with the Committee pursuant to the International Standard on Auditing 260 (Communication with Those Charged with Governance), other standards and best practices of corporate governance, and other applicable laws and regulations governing the Authority. In addition, the Committee has discussed the independent auditing firm's independence from the Authority's management and the Authority and considered the compatibility of non-audit services with the independent auditing firm's independence. The Committee also discussed with the independent auditing firm (with and without management present) the results of the firm's examination; their evaluation of the

¹ Mrs. Clara Taylor-Bell served in this capacity for year 2023 until her passing on 23 September 2023. The Committee met for the remainder of 2023 with buttressed support from the URCA Executive team on critical audit matters.

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Authority's internal controls, including internal control over financial reporting; and the overall quality of the Authority's financial reporting and risk management procedures. The Committee was satisfied with the results of the external audit work, which enabled the Committee to formulate its own conclusions to the Board of URCA.

In fulfilling its monitoring and oversight responsibilities, the Committee also reviewed and discussed with management the Authority's audited financial statements for the year ended 31 December 2023, including a discussion of the quality, not just the acceptability, of the accounting principles; the reasonableness of significant judgments; the clarity of disclosures in the financial statements; the results of management's assessment of the effectiveness of the Authority's internal controls; and the independent auditing firm's evaluation of internal controls, including internal control over financial reporting.

The Committee noted that no significant deficiencies with respect to management information systems, accounting procedures and systems of internal control were identified during the 2023 audit.

In reliance on the reviews and discussions referred to above, the Committee recommended to the Board, and the Board approved, that the audited financial statements be included in the Annual Report for the year ended 31 December 2023 and a copy provided to the Minister responsible for relations with URCA.

Deloitte, an independent firm of professional accountants and advisors, was engaged effective 1 June 2022 by URCA, for a one-year period. It is noted that this current internal audit contract was scheduled for completion by July of 2023 but approved for extension to the end of the year 2023. The internal audit work plan for 2023 was reviewed and approved by the Committee. It is the practice of the Committee to meet regularly with the Internal Auditor to discuss the results of audit examinations and to ensure timely remediation of audit findings.

3. Performance against Annual Plan.

The URCA 2023 Annual Report and 2023 Annual Plan provide a review of the projects planned and completed, and identifies projects scheduled for completion in 2023 that were postponed to 2024. The Audit Committee assesses progress on the specific projects and deviations from the proposed plan. In its 2023 Annual Plan, URCA identified seventeen (17) projects that it planned for and targeted to be completed in 2023; ten (10) of these projects were completed in 2023 and six (6) were rescheduled to 2024 and one (1) project was removed from the work plan. Also, one (1) project unplanned was completed in year 2023.

URCA prioritized its projects into three tiers as follows:

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| Tier I | - projects of significant importance and urgency to the regulated sectors; resources were directed to achieve completion during 2023. |
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| Tier II | - also, projects of significant importance to the organisation or the regulated sectors; to be completed in the shortest possible timeframe, though with lower priority than Tier I projects. |
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| Tier III | - projects addressing emerging regulatory or management issues, to be completed as resource availability dictates; also, which are of lower priority than Tier I and II projects. |
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The following tables provide a statistical summary of the completion of projects in relation to the Annual Plan:

Description of Project	T1	T2	T3	# of Projects
Projects brought forward from 2018*	2	0	0	2
Projects brought forward from 2020*	0	0	2	2
Projects brought forward from 2021	0	0	1	1
Projects brought forward from 2022	0	2	2	4
Add: New Projects started in 2023**	0	3	5	8
Total Projects Planned and Targeted for Completion in 2023				17
Less: Projects removed and/or reclassified				(1)
Less: Projects not Completed in 2023***				(6)
All Planned Projects Completed in Current Year				10

* Only includes projects with anticipated completion in 2023

** Not including ongoing projects (with no set completion date) started in 2023

*** Includes projects with anticipated completion after 2023

The above table shows projects that were planned for completion by URCA going back five years. URCA's planning process allows for prioritization of projects according to need and availability of resources. As a result, proposed projects that are of low priority are rescheduled each year with the approval of URCA's Board.

Achievement of targets for 2023 has significantly improved over 2022 from one of sixteen projects were completed in 2022 versus 2023 where more than 59% [10/17] of planned projects have been completed. Projects that remain in progress and carried forward to 2024 although planned for completion in 2023. Projects that remain incomplete and are critical to the organization's impact will be prioritized in 2024.

Details of the 2022 projects planned, completed, and postponed (to 2023) can be obtained from URCA's 2022 Annual Report and 2022 Annual Plan.

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4. Deployment of Financial Resources to Deliver Value for Money

The Committee conducted a review to determine the extent to which URCA's deployment of its resources delivered value for money (VFM Review). The primary objectives of the VFM Review are to:

- provide URCA's Board with independent information and advice about how economically, efficiently, and effectively URCA has used its resources;
- encourage URCA's management to improve their performance in achieving value for money and implementing policy; and
- identify good practice and suggest ways in which URCA's provision of services to its stakeholders and the public could be improved.

The Audit Committee reviewed the resources available and deployed by URCA and considered the extent to which URCA met the needs of the stakeholders that require its services. Stakeholders include the public, licensees, the Government of The Bahamas, and internal stakeholders. URCA delivered "value for money" through the deployment of its available resources to further its administrative, regulatory, and advisory activities. During 2023 URCA's key value-delivering activities included (but was not limited to):

Electronic Communications Sector (ECS)

- Regulation completion, "*Outage Reporting and Mitigation Regulations for the Electronic Communications Sector*".
- A review commenced of the "*Consumer Protection Regulations for the Electronic Communications Sector*", to ensure its continued relevance and effectiveness in safeguarding consumers, with expected completion date March 2024.
- Investigation, final determination and order regarding breach identified for the Bahamas Telecommunications Company Ltd. ("BTC"), of the Comms Act, resulting in a fine totaling B\$209,488.

Electricity Sector (ES)

- Draft regulation completed for the following areas: (i) Guidelines for the Electricity Sector on the Assessment of Fines for Breaches, (ii) Standard for Power Quality and Reliability in Electric Power Systems, (iii) Licensee annual plant and operations inspections, (iv) Technical Standards, and (v) Large-scale self-supply energy generation systems.

General

- Digital Transformation Forum was held in November 2023 for licensees and other stakeholders across multiple sectors to provide input on the need to develop a national ICT Policy to foster development.
- Completion of planned consultations regarding the (1) Review of the Consumer Protection Regulation and (2) Review of the Electronic Communications Sector Policy.
- Consumer awareness visit townhall meetings were held in Exuma, Bimini and Long Island allowing Administrators, Government heads, Licensees and the General public to share concerns and submit complaints.

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The VFM Review includes an assessment of relevant statistics on the activities at URCA that are intended to measure how economically, efficiently, and effectively URCA has utilized its financial resources. By collecting statistical data and comparing activities to objectives, areas requiring improvement can be identified. Management currently utilizes Key Performance Indicators (KPIs) in the areas of Regulatory Affairs, Finance, Human Resources, and Information Technology to measure performance against objectives. Some KPIs are specified by the legislation that governs URCA and they have been used in this assessment.

Following is a summary of the results of the assessment using the KPIs published in the 2023 Annual Report:

Description of Assessment	Assessment
Publication of Annual Plan and Annual Report	URCA met the statutory deadlines specified by Section 41 (1) of the URCA Act for publication of its Annual Plan and Annual Report.
Operational KPI's	URCA' operational KPI performance improved from the prior year.
Financial Performance: Budget versus Actual Revenues and Expenditures for 2022	Overall URCA's operating expenses as a percentage of revenue decreased by 2.5% from 2022 to 2023. Expenses increased due to increase in staff costs, training, travel, provision for doubtful accounts, premises and public relation costs. Both expenses and revenue actuals were significantly under budget. Budgeted revenue impacted by ongoing litigation with a Freeport licensee and expenses over projection of general and administration costs.
Statutory & Regulatory	URCA met the statutory deadlines for processing the 58 new license applications in 2023.
Information Technology	URCA made significant investment in technology in 2021 due to the COVID 19 crisis which continued into 2022. In 2023 URCA hired a full-time IT Officer which resulted in operational efficiencies and a decrease of \$14,343 in 2023 spend versus a \$17,361 spend in year 2022.
Human Resources	The staff turnover rate was relatively low with a decrease of 1.1% experienced in 2023 compared to 2022 (11.2% to 10.4%). The recruitment process for time to fill a position improved in 2023 with the hire of a new Human Resources Manager in August 2023 from 133 days in 2022 to 120 days in 2023.
Consumer Relations	There has been an increase of 475% in total consumer complaints received over the previous year due to increased awareness across all the islands of the Bahamas with townhall meetings carried out. For the complaints received which numbered 115, 91% were resolved, with the balance not yet resolved. The average time taken to resolve complaints improved from 17 days in 2022 to 4 days in 2023.
Finance	Debtor days increased significantly from 21.9 days in 2022 to 80.4 days in 2023. As well Value of Creditor Notes and Adjustments increased in 2023 due to write-off of uncollectible accounts of \$11,063 in 2022 to \$44,335 in 2023.

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Delivery of 'value for money' is impacted by the system of internal controls within an organisation that helps to ensure that resources are effectively and efficiently deployed. The Audit Committee monitors the results of regular internal audit reviews, including management's plans to remediate any control deficiencies. The Committee reviews monthly updates by management regarding remediation of significant findings, and these are periodically validated by the Internal Auditors.

It is the Committee's opinion that the 2023 URCA Annual Report and 2023 Annual Plan present fairly the results of the performance and deployment of resources for 2023.

Respectfully submitted,



Audit Committee Chairperson

August 31, 2024