



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 2024 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), Mrs. Paula Adderley-Wilmott (Deputy Chairman) and Mr. Brian Seymour (appointed to the Board 30 November 2021). The Non-Executive Members of the Board were reappointed for a continuing term commencing 1 July 2024 for additional three-year term ending 30 June 2027.¹ 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 Board.

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.²

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

¹ On 1 July 2025 an additional non-Executive Member was appointed to the URCA Board in the person of Mrs. Christina Davis-Justin. The appointment is for an initial period of three (3) years.

² HLB Bahamas was engaged to audit URCA's 2022–2024 financials but the firm was dissolved on 11 October 2024 following the death of a partner. Former HLB Bahamas partners Ms. Shoneva Abraham and Ms. Rae Turnquest accepted the firm's continuing obligations to URCA and agreed to complete the audited financials for the year ending 31 December 2024.

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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 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 2024, 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 2024 audit.

In reliance on the reviews and discussions referred to above, the Committee recommended to the Board. The Board accepted the Committee's recommendation and approved that the audited financial statements be included in the Annual Report for the year ended 31 December 2024 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 July 2023 by URCA, for a one-year period. It is noted that this current internal audit contract was approved for extension to the end of the year 2025.

URCA also hired a Chief Internal Auditor as of 4 March 2024, to develop an internal audit department within URCA, to increase effectiveness of the function and reduce reliance on an external provider. The internal audit work plan for 2024 was reviewed and approved by the Committee. It is the practice of the Committee to meet regularly with the Internal Audit Team to discuss the results of audit examinations and to ensure timely remediation of audit findings.

3. Performance against Annual Plan.

The URCA 2024 Annual Report and 2024 Annual Plan provide a review of the projects planned and completed, and identifies projects scheduled for completion in 2024 that were postponed to 2025. The Audit Committee assesses progress on the specific projects and deviations from the proposed plan. In its 2024 Annual Plan, URCA identified forty-six (46) projects that it planned for and targeted to be completed in 2024; thirty (30) of these projects were completed in 2024 and sixteen (16) were rescheduled to 2025.

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3. Performance against Annual Plan. – continued.

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 2024.
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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	0	0	1	1
Projects brought forward from 2022	0	0	2	2
Projects brought forward from 2023	1	3	2	6
Add: New Projects started in 2024*	1	12	24	37
Total Projects Planned and Targeted for Completion in 2024				46
Less: Projects not Completed in 2024**				(16)
All Planned Projects Completed in Current Year				30

* Not including ongoing projects (with no set completion date) started in 2024

** Includes projects with anticipated completion after 2024

The above table shows projects that were planned for completion by URCA going back to 2018 due for completion in year 2024. 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 2024 has significantly improved over 2023 from ten of seventeen projects were completed in 2023 versus 2024 where more than 65% [30/46] of planned projects have been completed. Sixteen projects remain in progress and have been carried forward to 2025 although planned for completion in 2024. Projects that remain incomplete and are critical to the organization’s impact will be prioritized in 2025.

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Details of the 2024 projects planned, completed, and postponed (to 2025) can be obtained from URCA's 2024 Annual Report and 2024 Annual Plan.

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 2024 URCA's key value-delivering activities included (but was not limited to) the following industry sectors:

Electronic Communications Sector (ECS)

- Regulation, "*Outage Reporting and Mitigation Regulations for the Electronic Communications Sector*".
- Revisions were made to "*Consumer Protection Regulations for the Electronic Communications Sector*". The updated consumer protection measures were focused on safeguarding infrastructure, personnel and the environment.

Electricity Sector (ES)

- Draft regulation work continued from year 2023 for the following areas:
 - (i) Accounting separation guidelines for Public Electricity Suppliers - Strives to implement regulatory framework for public electricity suppliers to maintain separate accounts for generation, transmission, and supply services for tariff setting.
 - (ii) The regulatory framework for utility-scale renewable generation - This framework aims to facilitate the development of renewable generation by utility scale operations

Liquefied Natural Gas Sector (LNGS)

- *LNG Facility Construction, Operation, or Modification Regulations* - Provides guidelines for construction, ongoing operation and modification of facilities.
- *Liquefied Natural Gas Road Transport Regulations* - Details the standards and practices for safe and efficient transportation of gas by road.
- *Liquefied Natural Gas Ship-to-Ship Handling Operations Regulations* - Outlines the standard practice and procedures when handling equipment during operations with a focus on safety and lowering risk.

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- *Licenses, Regulations and Codes for the Natural Gas Sector* – Outlines the body of regulatory support to implement the licensing regime of the Natural Gas sector.

[Note: The Electricity Sector and Liquefied Natural Gas Sector both operate within URCA’s Utilities and Energy Sector under the direction of the Director, Utilities and Energy.]

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 2024 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 2024	Overall URCA’s operating expenses as a percentage of revenue decreased by 11% from 2023 to 2024. Expenses increased due to higher professional fees and employee benefits. Both expenses and revenue actuals were significantly under budget. Budgeted revenue remains impacted by ongoing litigation with Freeport licensees and expenses over projection of general and administration costs.
Statutory & Regulatory	URCA met the statutory deadlines for processing the 48 new license applications in 2024.
Information Technology [ICT]	The ICT spending increased from \$326 in 2023 to \$629 in 2024, per employee, to upgrade computer devices which were either outdated or underperforming. As well, the increased investment aimed to bolster productivity, cybersecurity and remote working infrastructure.
Human Resources	During 2024, the metrics used for Human Resources [HR], were revised to better align with the objectives and strategic focus of URCA. The new metrics indicate that \$5,079 was the annual spend on training and learning per employee, average staff tenure 6.3 years, and average recruitment cost of \$18,467.
Consumer Relations	There has been an increase of 11% in total consumer complaints received over the previous year. For the complaints received which numbered 129, 91% were resolved, with the balance not yet resolved. The average time taken to resolve complaints increased from 4 days in 2023 to 29 days in 2024, due to nature, complexity and availability of information to investigate complaint .

Finance	Debtor days decreased significantly from 80.4 days in 2023 to 28.6 days in 2024. As well Value of Creditor Notes and Adjustments decreased in 2024 due to higher write-off of uncollectible accounts of 42 accounts in 2023 to 6 accounts in 2024, due to removable invoices associated with statute barred accounts 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 2024 URCA Annual Report and 2024 Annual Plan present fairly the results of the performance and deployment of resources for 2024.

Respectfully submitted,



Audit Committee Chairperson

24 September, 2025