

**MINUTES OF THE UTILITY REGULATOR AUDIT AND RISK COMMITTEE MEETING ON
21 MAY 2025 IN QUEENS HOUSE, BELFAST & ON MS TEAMS**

Present

Alex Wiseman (Chair)

Claire Williams

David de Casseres

Attending

Rosamund Blomfield-Smith (Board Chair, not Committee member)

John French (Chief Executive)

Peter Russell (Executive Director)

Kevin Shiels (Executive Director)

Paula McCann (Head of Finance and Project Management)

Debbie Quinn (Project Management & Quality Assurance Manager)

Rachel Allister (Finance & Procurement Manager)

Megan Murray (Finance & Governance Analyst)

Andrew Allen (Northern Ireland Audit Office (NIAO))

Tony Doherty (Regulatory Policy Manager) – item 9 only

Brian Mulhern (Director of Networks and Energy Futures)

Chris Telford (SCC Chartered Accountants)

Ian Campbell (Estates, IT & Records Manager) – items 15 & 16 only

Sarah Teer (Head of Private Office) – item 17 only

Apologies

Elaine Cassidy (Director of Price Controls)

1. Welcome and Declaration of Conflicts of Interest

1.1 The Chair welcomed participants and welcomed the new Finance & Procurement Manager and Finance & Governance Analyst. There were no declarations of interest.

2. Minutes of the Previous Meeting (ARC 02-05/25)

2.1 The Committee approved the minutes from the February 2025 meeting.

3. Action Points (ARC 03-05/25)

3.1 All action points that were complete were noted. It was highlighted that four were still in progress and the outcomes will be provided at the next meeting.

3.2 The Committee discussed action number three (now number two) and noted they were content with the legal advice and proposed updates to the Interest Statements, highlighting where individuals have no control over investment decisions, then this would be deemed 'indirect pecuniary interest' and therefore no requirement to register these shareholdings.

The Committee also agreed no further review by Internal Audit was required.

Action	Finalise updates to Board and Staff Interest Statements to reflect legal advice provided.
Responsible	Head of Finance and Project Management

- 3.3 The Committee noted disappointment at the lack of available information at this stage to conduct an analysis of the Ofgem budget for 2025/26. It was noted this will be useful for forecasting purposes and allow for better and more informed communication from the UR.
- 3.4 The actions were approved.

4. Finance Report (ARC 04-05/25)

- 4.1 The Head of Finance and Project Management presented the Finance report which set out the provisional financial position at 31 March 2025. The full year position for 2024/25 resulted in a 5% underspend from the midyear budget. This was mainly driven by salaries and other professional fees not spent as planned due to external dependencies. It was also noted in the update that the accounts included £500k provision for the dilapidation costs in relation to Queens House and £400k associated with JRs, both of which the Committee have been previously made aware of. It was noted that these figures are still subject to change pending the outcome of the audit by NIAO. Further updates on the financial position and reasons for variances were highlighted in the paper presented to the Committee.
- 4.2 The Committee noted the 5%/£1,015k underspend for the full year. The Committee expressed concern that this trend does not continue in the next financial year and queried components of the budget figures. The Committee requested that the 2026/27 budget is set at a realistic but prudent level, particularly regarding salaries to avoid continued underspend. The Head of Finance and Project Management noted the Committee comments and provided an explanation as to why the salaries budget is based on the full staff complement.

Action	2026/27 draft budget to be presented to ARC in February 2026 to include realistic and challenging cost profile to better balance the risks of continued underspend and of overspend. This includes a decision on whether the budget should be based on full staff complement.
Responsible	Finance and Procurement Manager

- 4.3 There were no outstanding debts to report.
- 4.4 There were no reported fraud, or suspected fraud, instances for the year 2024/25.
- 4.5 The Committee were briefed on the Three Dear Accounting Officer (DAO) letters issued since the last meeting.
- 4.6 The Committee approved the finance report.

5. Corporate Risk Register 2025/26 (ARC 05-05/25)

- 5.1 The Head of Finance and Project Management presented the paper for review by the Committee. It was noted there are currently 8 HM and 4 HH risks in the opening register for April 2025 and one new risk (CR10) added.
- 5.2 The Committee discussed Risk CR2, referencing the knowledge transfer and associated procedures/documentation required with similar comments made regarding risk CR8.

Action	Knowledge transfer and documentation/procedures to be added as controls for CR2 and CR8.
Responsible	Risk Owners

- 5.3 The Committee requested that the paper issued to DfE re: '2030 forward thinking' included as control 6 for CR3 should go to Board from a strategic perspective. The Executive Director will follow up on the progress of the report and table for Board discussion in August.

Action	2030 forward thinking paper to be presented to Board at August 2025 meeting.
Responsible	Executive Director of Price Controls, Networks and Energy Futures

- 5.4 The Committee noted the description of the risk for CR8 was limited and that additional wording was required to broaden the scope of the risk and remove duplicate control number 13.

Action	Additional wording to Risk CR8 to include financial and budgetary management. Remove duplicate control number 13.
Responsible	Head of Finance and Project Management

6. Draft 2024/25 Annual Report and Accounts (ARA) (ARC 06-05/25)

- 6.1 The Head of Finance and Project Management presented the paper to the Committee and noted it was in draft form at this stage and still subject to final audit adjustments required from NIAO, but no material issues have been identified at the time of the meeting.

- 6.2 The Committee were advised that legal advice was sought on the appropriate disclosure for the provisions and contingent liabilities in the ARA which is a significant risk area in the audit strategy.

- 6.3 The Committee were made aware of the areas still to be finalised in the ARA which were also disclosed in the paper presented.

- 6.4 The Committee provided positive feedback on the ARA and noted Internal Audit providing "satisfactory" ratings during their work to date.

- 6.5 The Committee challenged the contingent liability disclosure issued by DoF on 'Public Sector Pensions - Injury to Feelings Claims' and the future impact of this on the UR and licence fee holders.

Action	Request a timeline for the outcome of the Public Sector Pensions - Injury to Feelings Claims cases in order to be able to assess the impact to UR.
Responsible	Head of Finance and Project Management.

- 6.6 The Committee also suggested a number of edits required to the contents of the ARA for spelling/grammar etc.

Action	Update ARA with required amendments as proposed by the Committee.
Responsible	Finance and Governance Analyst.

- 6.7 The Committee recommended the ARA be submitted to the Board and was content for the Chief Executive to sign the ARA subject to no material issues or adjustments being identified.

7. HR Update (ARC 07- 05/25)

- 7.1 The Executive Director for HR presented the report with no significant points to note and confirmed this is a routine HR update.

- 7.2 The Committee questioned the large number of current vacancies and how this will be addressed. The Committee were advised that there is active recruitment

ongoing and future events planned to address the vacancies. Some internal moves are not reducing the vacancy count.

7.3 A large recruitment competition for approx. 30 analysts makes up a large proportion of the vacancy count.

7.4 The Committee was content with the update.

8. NIAO Effective ARAC – A Good Practice Guide 2025 (verbal) (ARC 08-05/25)

8.1 NIAO provided an update on the recently published good practice guide and drew attention to the Appendix checklist which is more relevant to NI public bodies than the existing NAO equivalent.

Action	Perform a gap analysis to the NIAO Good Practice Guide for ARAC's to the current UR practices and highlight any areas that should be enhanced (including sustainability) for the September ARC meeting.
Responsible	Finance and Governance Analyst.

8.2 It was confirmed a similar publication will be made available covering cyber security in the form of a best practice guide before the end of the Summer. The Committee were keen to ensure cyber risk is noted as a key consideration in the current operating environment and would like to understand how the UR is prepared for any future cyber issues. A conversation regarding AI followed and how this is currently used in the UR. The Committee were informed that staff are not permitted to use AI generative tools as part of their work, and this is an ongoing discussion at the UKRN as the landscape is changing.

Action	SWOT analysis of use of AI in the UR (including how UR can take advantage of AI) and associated cyber security issues. The Committee would like to visualise future use of AI for the next meeting. To also be discussed at Board.
Responsible	EIR Manager

8.3 The Committee raised the point there is currently no forum to hear about complaints raised. The Committee has requested to be informed of any open and ongoing complaints which can be monitored.

Action	Complaints update paper to be provided at each ARC meeting going forward, similar to the FoI & Raising Concerns update). Details to include a brief description of the complaint, progress, measures taken and any conclusions.
Responsible	CP&E Directorate

9. Vires Update (ARC 09-05/25)

9.1 The Regulatory Policy manager provided a verbal update on the UR vires and the draft amendments currently under review. It was noted the UR have met with the Department for the Economy (DfE) several times recently, but no timeline is currently in place for a decision to be made.

9.2 UR is actively looking for solutions and mindful of maintaining independence.

9.3 It was noted that the vires and ability to recover the costs of the workflow is a separate issue as ultra vires work cannot be recovered through licence fees.

10. Audit recommendations Update (ARC 10-05/25)

- 10.1 The Project and Quality Assurance Manager provided an update that the 5 recommendations from the 2023/24 paper are all on track to be implemented with the final one due to be completed in September 2025.
- 10.2 Licence compliance is 90% complete, this has been outstanding for more than 12 months. There are now 9 recommendations for approval which will be tracked going forward.
- 10.3 There are no other issues to report.

11. Internal Audit (SCC) (ARC 11-05/25)

- 11.1 The Committee received an update on the internal audit progress report with 73% of work delivered in 2024/25. Reasons for delays were discussed and the concern of the Committee at the delays expressed. The Head of Internal Audit is working with the relevant Directorates to get the audits completed before the next ARC meeting.
- 11.2 The Committee noted that all timetable slippages should be noted and approved by the ARC chair.

Action	Internal audit timetable slippages to be approved by the ARC Chair.
Responsible	Head of Internal Audit SCC

- 11.3 The Committee queried the detail of the staff absence graph presented in the Payroll and HR Key Controls (Absence) report and stated it might be useful to separately identify staff on long term absence.

Action	Clarity required on data presented in tables in pages 17 and 18 in the Payroll and HR Key Controls (Absence) report regarding the percentage of staff absences and trends appearing.
Responsible	Head of Internal Audit SCC

- 11.4 The Committee queried whether UR staff are content with all the recommendations made. Internal Audit confirmed that yes, all target dates are achievable and proportionate.
- 11.5 Internal Audit noted their commitment to implement and deliver on the new Global Internal Audit Standards, as referenced in the recent DAO letter, to provide the level of quality assurance required.
- 11.6 The internal Audit Annual Assurance Report 2024/25 was presented with an overall satisfactory opinion issued, which the Committee confirmed was reassuring.

12. Annual Committee Report to Board (2024/25) (ARC 12-05/25)

- 12.1 The Chair presented the report to the Committee. It was noted this has onboarded best practice based on the latest NIAO guidance available.
- 12.2 There were no other comments, and the Committee was content for the report to be issued to Board.

13. Timetable of Business (ARC 13-05/25)

- 13.1 The Head of Finance and Project Management presented the timetable to the Committee. It was noted the bi-annual review has been added. Networks and Energy Futures (NEF) Directorate risk register to be presented at the September ARC meeting.

- 13.2 It was noted the timetable should be cross-referenced to the new NIAO guidance for any gaps and confirmed at the next ARC meeting best practice is in place / determine the frequency of any additions to the timetable that are required.

Action	Deep dive of NEF Directorate risk register to be completed at September ARC meeting.
Responsible	Interim Director, Networks and Energy Futures Utility Regulator

Action	Confirm timetable of business reflects best practice per the checklist updated in NIAO guidance for Audit and Risk Committees. Highlight if anything needs to be added regarding cyber security specifically. Add 'Sustainability update' to timetable for ARC May meetings going forward.
Responsible	Finance and Governance Analyst to update ToB EIR Manager to provide Sustainability update annually at May ARC meetings.

14. Interests, Gifts & Hospitality (Board/Staff)

- 14.1 The Head of Finance and Project Management presented the paper to the Committee and highlighted that the Declaration of Interests information is referenced in the Annual Report and Accounts and published on the UR website.
- 14.2 The Chair noted that his interests were to be updated. A conversation followed about what needs to be disclosed and the need for consistency across all relevant Board members.
- 14.3 The Head of Finance and Project Management highlighted the Policy disclosure requirements and noted that additional disclosure is not required.
- 14.4 There were no points of note regarding gifts or hospitality.

15. Sustainability – Outputs of the sustainability assignment (ARC 15-05/25)

- 15.1 The EIR Manager gave an update on the sustainability assignment and confirmed there are external consultants carrying out a review. This is a three-pronged approach; the sustainability policy, which is high-level and practical, the sustainability working group which will oversee the implementation of the policy and a digital "tracker" for sustainability measures. The tracker will be reliability used from September 2025.
- 15.2 The Board will be updated quarterly on the tracker results and data will also be used to inform the Business in The Community benchmarking survey which allow the UR to hopefully demonstrate sustainability improvements. The tracker will also form the basis for future required reporting disclosures for NI public bodies once they are introduced.
- 15.3 The Committee queried the pre-determined temperature and whether this is appropriate for Millennium House (MH).

Action	Review the appropriateness of the pre-determined temperature at Millennium House.
Responsible	EIR Manager

- 15.4 The Head of Finance and Project Management referenced the FReM guidance regarding sustainability reporting in the Annual Report and Accounts and

highlighted that sustainability is becoming a larger focus in reporting going forward.

- 15.5 The Committee highlighted that all measures should be proportionate to the size of the UR to not unnecessarily burden operations as overall environmental impact of the organisation is low.
- 15.6 The sustainability working group will meet quarterly, at most, and this may reduce once established.
- 15.7 The EIR Manager will report annually on sustainability performance.

16. Business Continuity (verbal) (ARC 16-05/25)

- 16.1 The EIR Manager provided a verbal update on Business Continuity and confirmed the external consultant previously used to report on this area is no longer able to continue, therefore there has been limited progress from the last meeting.
- 16.2 The draft business continuity plan will be revised by the EIR Manager to reflect operations in MH and circulated to SMT. The Security review tender for MH which is planned will hopefully also attract contractors for a dual-lot tender to also address business continuity and finalise the plan. This dual-lot tender is planned to go live soon.
- 16.3 The EIR Manager discussed how cyber security is closely linked to business continuity. The UR have a level of support and assurance from IT Assist, but internal measures are also required. Training modules will go live from the DoF to all staff and ad-hoc guidance is published.

Action	To ensure the NIAO guidelines on cyber security are adequately addressed in the updated business continuity review to be carried out in 2025.
Responsible	EIR Manager

- 16.4 The Committee raised how the UR would handle business disruptions due to our stakeholders/suppliers facing cyber issue themselves. The EIR Manager confirmed this will be included in the work of the contractor to be appointed and will likely be December before an updated report is available.

17. Updates (FOI & Raising Concerns) – only ARC and UR staff present for this (ARC 17-05/25)

- 17.1 The Head of Private Office provided an update on the paper. There are two FOIs in progress and due to complete on time. One FOI required external advice which related to third party data. Consent has been sought to disclose the relevant information.
- 17.2 The Committee was updated on the four active raising concerns included in the paper and progress to date.

18. AOB

- 18.1 The date of the next meeting is 17 September 2025 @ 12.00 pm.
- 18.2 No other matters were raised, and the meeting was concluded.
- 18.3 A closed discussion was being held with ARC and audit representatives after the meeting.