

Appendix

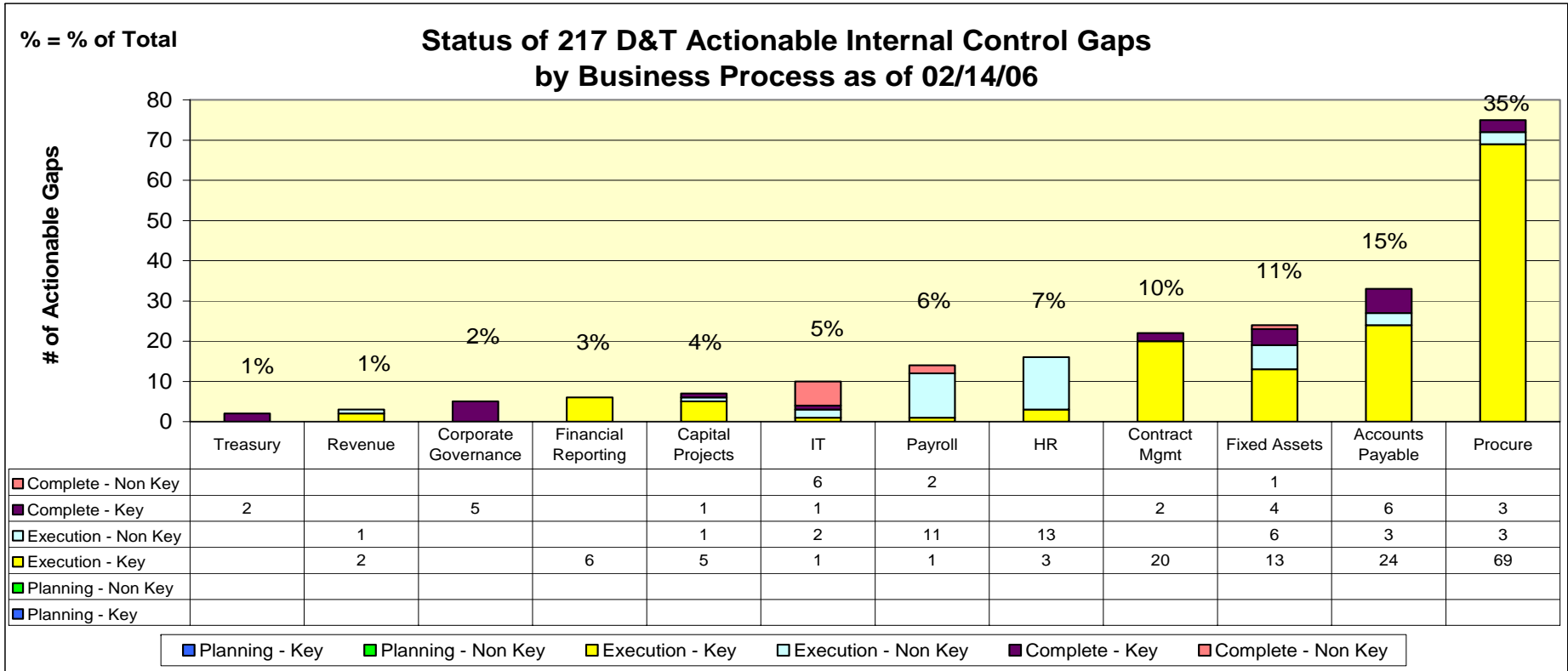


F&A Committee Yearly Schedule

| Finance & Audit (FA) Committee Yearly Schedule | | | | | | | | | | | | |
|--|-----------|---|----|-----------------------------------|---|---|---|--|---|---|---|---|
| Calendar of Topics for Review & Consideration over the Fiscal Year | | | | | | | | | | | | |
| Purpose: To help the Board, through the FA Committee, provide oversight of internal control and help Management anticipate and plan for FA Committee expectations | | | | | | | | | | | | |
| Legend: A = annually; E = each meeting; AN = as necessary | | | | | | | | | | | | |
| | Frequency | | | Planned Meeting | | | | | | | | |
| | A | E | AN | Quarter | | | | | | | | |
| | | | | <i>(specific monthly mtg TBD)</i> | | | | | | | | |
| <table border="1"> <thead> <tr> <th></th> <th>1</th> <th>2</th> <th>3</th> <th>4</th> </tr> </thead> </table> | | | | | | | | | 1 | 2 | 3 | 4 |
| | 1 | 2 | 3 | 4 | | | | | | | | |
| Finance & Audit Committee Issues | | | | | | | | | | | | |
| Report results of annual independent audit to the | √ | | | | √ | | | | | | | |
| Appoint the independent auditors for upcoming year | √ | | | | | √ | | | | | | |
| Approval of independent auditor fees for upcoming | | | | | | √ | | | | | | |
| Report of external auditor pre-approval status/limits | √ | | | | √ | | | | | | | |
| Approve the Guidelines for Engagements of External auditors for Other Services (preapproval policy) | √ | | | √ | | | | | | | | |
| Review Finance Audit Committee charter | √ | | | √ | | | | | | | | |
| Elect officers and confirm financial qualifications | √ | | | √ | | | | | | | | |
| Approve audit committee meeting planner for the upcoming year, confirm mutual expectations with management and the auditors | √ | | | | | | √ | | | | | |
| Perform Finance & Audit committee Self Assessment | | | | | | | √ | | | | | |
| Review the procedures for handling reporting | √ | | | | √ | | | | | | | |
| Approve minutes of previous meeting | | √ | | √ | √ | √ | √ | | | | | |
| Report monthly matters to the Board (chair) | | √ | | √ | √ | √ | √ | | | | | |
| Other Members of Management | | | | | | | | | | | | |
| Review conflict of interest and ethics policies | √ | | | | √ | | | | | | | |
| Financial Management | | | | | | | | | | | | |
| Review and approve ERCOT Annual Report | √ | | | √ | | | | | | | | |
| Assessment of internal control environment and systems of internal controls | √ | | | | | √ | | | | | | |
| Review and approval of annual operating budget | √ | | | | | √ | | | | | | |
| Review and approval of Financial, Investment and Credit policies | √ | | | | | | √ | | | | | |
| Independent Auditors | | | | | | | | | | | | |
| Results of annual audit (including required communications) | √ | | | | √ | | | | | | | |
| Review scope of annual financial audit | √ | | | √ | | | | | | | | |
| Required written communication and discussion of independence | √ | | | √ | | | | | | | | |
| Internal Auditor/Risk Assessment | | | | | | | | | | | | |
| Approve scope of internal auditing plan for upcoming year | √ | | | | | | √ | | | | | |
| Assessment of the adequacy and effectiveness of the Internal Audit staff | √ | | | | | | √ | | | | | |
| Review EthicsPoint activity | | √ | | √ | √ | √ | √ | | | | | |
| Review summary of significant audit findings and status relative to annual audit plan | | √ | | √ | √ | √ | √ | | | | | |



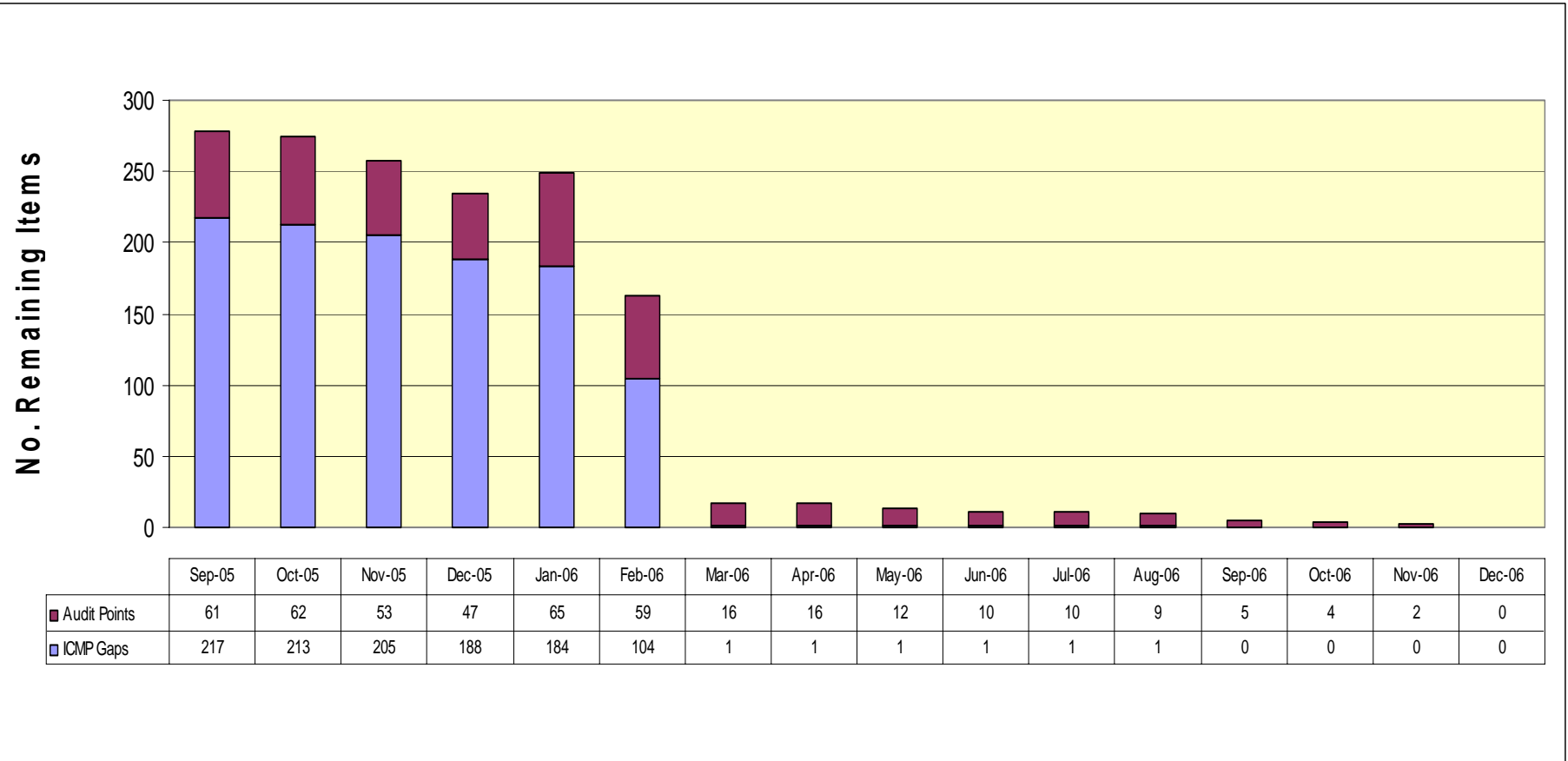
Actionable Internal Control Gaps - Status



CHANGES FROM PRIOR REPORT on 12/06/05 - Increase/(Decrease):

| | Treasury | Revenue | Corporate Governance | Financial Reporting | Capital Projects | IT | Payroll | HR | Contract Mgmt | Fixed Assets | Accounts Payable | Procurement | Total |
|---------------------|----------|---------|----------------------|---------------------|------------------|-----|---------|----|---------------|--------------|------------------|-------------|-------|
| Complete - Non Key | - | - | - | - | - | 3 | - | - | - | - | - | - | 3 |
| Complete - Key | - | - | - | - | - | - | - | - | 1 | - | - | - | 1 |
| Execution - Non Key | - | - | - | - | - | (3) | - | - | - | - | - | - | (3) |
| Execution - Key | - | - | - | - | - | 1 | - | - | (1) | - | - | - | - |
| Planning - Non Key | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Planning - Key | - | - | - | - | - | (1) | - | - | - | - | - | - | (1) |

Projected Audit Point & ICMP Gap Progress



Completion Status By Audit – 2004-05 Points

