



Item 12: Results of 2012 Committee Self-Evaluation Survey

Committee Chair

**Finance & Audit Committee Meeting
ERCOT Public
January 14, 2013**

ERCOT

Finance and Audit Committee

Results of 2012 Committee self-evaluation survey

Question Number	Survey Question	Response Count				Comment
		Yes	No	Not Sure	Skipped	
1.0	Does the committee have the appropriate number of members? The committee should not be so large that its ability to operate efficiently and effectively is reduced; its members' ability to raise issues is hampered; or it is difficult to get a quorum when a time-sensitive issue arises.	9	0	0	0	Somewhat large, but not surprising given the size of the Board.
2.0	Committee members demonstrate their objectivity during meetings through behaviors such as driving agendas, rigorous probing of issues, consulting with other parties, and hiring experts, as necessary.	8	0	1	0	Members need to commit to ongoing training regarding duties as member of F&A committee to a non-profit. It sometimes appears that certain members do not review the background materials prior to the meeting.
3.0	Differences of opinion on issues are resolved to the satisfaction of the committee.	8	0	1	0	Members don't always agree and are willing to voice and debate opinions.
4.0	Committee members challenge the Chair as appropriate.	8	0	1	0	Committee members work very much as a team and are not shy about sharing opinions or questions. Frequently. Chair effectively leads but does not attempt to "direct" outcomes.
5.0	The committee charter is used as a document to guide the committee in its efforts, and to help guide the committee's agenda.	9	0	0	0	Repeatedly. This is driven mostly by staff.
6.1	Committee members are financially literate, and the committee has determined that it has adequate financial expertise in accordance with its charter.	9	0	0	0	
6.2	Committee members participate in some form of continuing education to stay abreast of changes in the financial accounting and reporting, regulatory and ethics areas.	5	0	4	0	Staff makes some continuing education available to committee members; however, I do not know if committee members actually participate in any continuing education. I know that some of us do, but I have no knowledge about others on the committee. Can only speak for myself. The staff has undertaken the responsibility to include educational materials in the background materials, and the membership to the NACD helps. I am better educated than last year at this time. Suspect this is happening, but don't know for sure. It is tracked? Maybe schedule or suggest targeted training relevant to ERCOT.

ERCOT
Finance and Audit Committee
Results of 2012 Committee self-evaluation survey

Question Number	Survey Question	Response Count				Comment
		Yes	No	Not Sure	Skipped	
6.3	The committee understands how the organization's performance compares with its budgetary targets and its peers, and how management plans to address any unfavorable variances.	8	0	1	0	May be a little light on peer comparisons. Would be good to spend a bit more time on "peer" comparisons. We don't spend enough time on what our "Peers" are doing.
6.4	The committee discusses the initial selection of or changes in significant accounting policies used in developing the financial statements, the reason for and impact of any changes in policy, and reasons alternative treatments were not adopted.	9	0	0	0	
6.5	The committee discusses significant, complex, or unusual transactions with management and the external auditors.	8	0	1	0	I am not sure if any of these have come up, but I do not recall discussing any in recent years. Nodal fee and funding is a historical example. I would like to comment that a specialized sub-group of individuals from the committee typically tackles some of these issues and brings back their finding to the committee level for discussion.
6.6	The committee understands which areas represent high risk for material misstatement of the financial statements, and discusses assumptions and approaches used with management and the external auditors.	8	0	1	0	I am not aware of any such discussions in recent history; however, there may not have been any material changes to the assumptions. Would be good to make sure the high risk elements are specifically identified, as well as assumptions/approaches. The development of enterprise risk management is under way. Need to keep a focus on credit risk.
6.7	The committee forms its own view of the risk of material misstatement due to fraud, discusses with management and the external auditors their views on the risk of material misstatement due to fraud, and is comfortable that any differences in views can be reconciled.	8	0	1	0	Fraud is imbedded in overall discussions of risk; I don't recall the committee forming its own, independent view of fraud risk and then attempting to reconcile with management and external auditors views.
6.8	The committee fully understands significant changes in financial statements from prior years and from budget, and is provided with sufficient, reliable evidence to support variances.	8	1	0	0	The variance information is appropriately detailed and if additional detail is required, staff is prepared to supply. We are not doing enough to understand why we are spending money on Outside Services.
6.9	The committee commits sufficient time to review, discuss, and consider the financial statements.	9	0	0	0	I do not feel that the committee spends a lot of time on the financial statements; however, since ERCOT is a nonprofit the amount of time is appropriate.
6.10	The committee makes optimum use of the meeting time allotted.	9	0	0	0	Well run meetings.

ERCOT

Finance and Audit Committee

Results of 2012 Committee self-evaluation survey

Question Number	Survey Question	Response Count				Comment
		Yes	No	Not Sure	Skipped	
6.11	The committee meets with financial management to discuss results reported before finalization.	9	0	0	0	
7.0	Committee members have a clear understanding of ERCOT's debt structure and cash management practices.	9	0	0	0	
8.0	Committee members receive sufficient details regarding long-term financial planning.	7	0	2	0	Yes, but long term at ERCOT is 3 years. The officers understand more than committee members. However, that system works!
9.0	The Committee makes appropriate use of workgroups or task forces to investigate issues defined by the Committee.	8	0	1	0	Credit Work Group is an example. I don't recall needing any special workgroups or task forces in recent past, but committee has used this approach when needed. I don't recall that we have ever used workgroups or task forces.
10.0	The committee engages outside experts as appropriate.	9	0	0	0	Oliver Wyman on credit is an historical example.
11.1	The organization's financial reporting processes are stronger as a result of management's interactions with the committee.	9	0	0	0	
11.2	The committee understands and agrees with the board on which categories of internal control it oversees. Categories include integrity of financial reporting; compliance with laws and regulations; and operational efficiency and effectiveness.	9	0	0	0	Committee training on key responsibilities is essential for any new members. Refresher/overview once per year is probably a good idea for returning/experienced members
11.3	The committee and the board concur with any changes to the committee's internal control oversight mandate.	8	0	1	0	I have not seen this issue come up.
11.4	The committee understands the current high-risk areas - including information technology and computer systems - in the categories of controls it oversees, as well as how management addresses those areas.	9	0	0	0	IT and cyber security need to become areas where we devote more attention. Committee knows IT is high risk, but most members do not have expertise in this area.
12.0	The committee is cognizant of the line between oversight and management, and endeavors to respect that line.	9	0	0	0	Good to remind members of this distinction. Could be part of annual responsibility overview/refresher for returning/experienced members. Yes, however, I would like to hear managements' view.
13.0	The committee conducts executive sessions in a manner that offers a "safe haven" to the individual, while at the same time asking tough and necessary questions, evaluating the answers, and pursuing issues that might arise to a satisfactory resolution.	9	0	0	0	
14.1	The committee does its part to ensure the objectivity of the internal audit team.	9	0	0	0	
14.2	The committee provides constructive feedback to the chief audit executive at least annually.	9	0	0	0	

ERCOT

Finance and Audit Committee

Results of 2012 Committee self-evaluation survey

Question Number	Survey Question	Response Count				Comment
		Yes	No	Not Sure	Skipped	
14.3	The committee receives sufficient detail regarding material issues and complaints brought forward which relate to the company's fraud, ethics or accounting practices.	9	0	0	0	The concerns/ethics channel is an effective way to vet complaints that have been filed.
14.4	The committee has developed the scope of work to be done by the independent auditor and by the internal audit department based upon a reasoned review of the risks or exposures to the company.	9	0	0	0	
15.0	The committee communicates at an appropriate level of detail when informing the Board of its actions.	9	0	0	0	
16.0	Committee members receive clear and succinct agendas and supporting written material sufficiently prior to scheduled meetings.	9	0	0	0	
17.0	Committee members have adequate opportunities to discuss issues and ask questions.	9	0	0	0	
18.0	The frequency of committee meetings is appropriate for the responsibilities assigned to the committee.	9	0	0	0	2013 schedule seems more appropriate. The officers of the committee carry a heavy load between meetings.
19.0	Meeting facilities and presentation materials are effective for the conduct of committee activities.	9	0	0	0	
20.0	The committee is efficient and value adding.	9	0	0	0	
21.0	Please add additional comments, questions and suggestions here.	na	na	na	na	If the BOD meetings continue to be completed early in the day, we might consider going back to the one day format with Committee meetings in the morning with the BOD meeting following at 10:00 AM.