



To: Finance & Audit (F&A) Committee
From: Michael Petterson, Vice President Finance & Treasury
Date: November 11, 2013
Re: Item 5 – Annual Committee Self-Evaluation Survey Results

At the September 16, 2013 F&A Committee meeting, Committee members were encouraged to complete and submit the Annual Committee Self-Evaluation Survey.

Attached are the Annual Self-Evaluation Survey results for the Committee's consideration.

ERCOT
Finance and Audit Committee
Annual Committee Self-Evaluation Survey Results (2013)

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.	8	0	0	0	I believe the committee has the right membership with a diverse background to enrich the discussions. Because this is a stakeholder board, all members serve on either F&A or HR. But a smaller committee with more financial experts would be better. Maybe we could meet in a smaller room?
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	0	0	Although I don't remember ever hiring an expert.
3.0	Differences of opinion on issues are resolved to the satisfaction of the committee.	8	0	0	0	Do not occur often, but the individual fee for services vs. common admin fee is a good example.
4.0	Committee members challenge the Chair as appropriate.	8	0	0	0	Alternate opinions and thoughts are readily offered and considered.
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.	7	0	1	0	None.
6.1	Committee members are financially literate, and the committee has determined that it has adequate financial expertise in accordance with its charter.	8	0	0	0	The committee has adequate financial expertise, but not all committee members have a financial background.

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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.	8	0	0	0	<p>Offering training during committee meetings is an effective way to ensure some level of training. Independent training is also still encouraged.</p> <p>Still think there is opportunity for training and continual review of best practices.</p> <p>The scheduled training has been very helpful and hopefully it can be continued in the future.</p> <p>Staff now has a formal education agenda for the year to ensure proper updates on different issues.</p> <p>Training sessions during or before meetings is working well.</p> <p>I like the way we are now being educated on financial matters.</p>
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.	7	0	1	0	<p>Committee looks at performance related to budgetary targets. Not sure that comparison with peers is that extensive.</p> <p>I think variances to budget are adequately explored, and performance to budget is compared. I do not recall any comparison to "peers" and I am not sure that ERCOT even has any peers to which a meaningful comparison can be made.</p> <p>Staff needs to make sure budget variances are always well explained to avoid surprises. I am satisfied this done.</p>
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.	6	0	2	0	<p>Suspect this would happen as needed. Don't recall this happening, but suspect their hasn't been a need.</p>
6.5	The committee discusses significant, complex, or unusual transactions with management and the external auditors.	8	0	0	0	None.

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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.	6	1	1	0	None.
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.	7	1	0	0	None.
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	0	0	0	None.
6.9	The committee commits sufficient time to review, discuss, and consider the financial statements.	8	0	0	0	None.
6.10	The committee makes optimum use of the meeting time allotted.	8	0	0	0	Chair does good job of focusing most discussion on the material matters. Size of committee and number of issues presents some challenges to meeting time management.
6.11	The committee meets with financial management to discuss results reported before finalization.	8	0	0	0	None.
7.0	Committee members have a clear understanding of ERCOT's debt structure and cash management practices.	8	0	0	0	None.
8.0	Committee members receive sufficient details regarding long-term financial planning.	8	0	0	0	None.
9.0	The Committee makes appropriate use of workgroups or task forces to investigate issues defined by the Committee.	5	1	2	0	I do not recall the need for workgroups or task forces in the past; however, if warranted I believe the committee would make use of them. Do not remember using such groups. Until very recently we didn't have any workgroups or subgroups to work with us.
10.0	The committee engages outside experts as appropriate.	7	1	0	0	None.

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11.1	The organization's financial reporting processes are stronger as a result of management's interactions with the committee.	8	0	0	0	None.
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.	8	0	0	0	The committee could use some training about the various categories of internal controls, what they are designed to accomplish and gain comfort that all appropriate risk areas are covered.
11.3	The committee and the board concur with any changes to the committee's internal control oversight mandate.	8	0	0	0	None.
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.	7	0	1	0	There should be continued focus on cyber security. May need more frequent reviews of that issue due to the potential expense in mitigating it. Additional education would be optimal on these issues, but it is good at this point. Members of the committee who have this expertise do additional work in these areas.
12.0	The committee is cognizant of the line between oversight and management, and endeavors to respect that line.	8	0	0	0	None.
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.	8	0	0	0	None.
14.1	The committee does its part to ensure the objectivity of the internal audit team.	8	0	0	0	None.
14.2	The committee provides constructive feedback to the chief audit executive at least annually.	8	0	0	0	None.
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.	8	0	0	0	None.

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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.	8	0	0	0	Thorough review of Internal Audit scope.
15.0	The committee communicates at an appropriate level of detail when informing the Board of its actions.	8	0	0	0	None.
16.0	Committee members receive clear and succinct agendas and supporting written material sufficiently prior to scheduled meetings.	8	0	0	0	None.
17.0	Committee members have adequate opportunities to discuss issues and ask questions.	8	0	0	0	None.
18.0	The frequency of committee meetings is appropriate for the responsibilities assigned to the committee.	8	0	0	0	None.
19.0	Meeting facilities and presentation materials are effective for the conduct of committee activities.	8	0	0	0	Some of materials have been improved to reflect appropriate level of detail while communicating what the committee needs.
20.0	The committee is efficient and value adding.	8	0	0	0	None.
21.0	Please add additional comments, questions and suggestions here.	na	na	na	na	The continued education of the committee on relevant subject is extremely important. ERCOT's business and operating environment is very dynamic, the committee needs to stay informed and educated.