



To: Finance & Audit (F&A) Committee
From: Vickie Leady, ERCOT Assistant General Counsel and Assistant Corporate Secretary
Date: December 1, 2014
Re: Item 6 – Annual Committee Self-Evaluation Survey Results

At the October 13, 2014 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 & Audit Committee Annual Self-Evaluation (2014)		Yes	No	Not Sure	Comments
1.	Does the committee have the appropriate number of members? The committee should not be so large that: <ul style="list-style-type: none"> ▪ its ability to operate efficiently and effectively is reduced ▪ members' ability to raise issues is hampered ▪ it is difficult to get a quorum when a time-sensitive issue arises 	6		1	<p>The committee has a good mix of expertise which helps enrich discussions.</p> <p>The committee has the right number of members to ensure divergent opinions and perspectives to be heard. It is also broad enough to ensure expertise/experience on a wide range of issues that the committee addresses.</p> <p>There are times when a vote is difficult because of absences. The process and the decision process are fine; it is only an issue when voting.</p>
2.	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.	7			I don't remember ever needing to hire an expert.
3.	Differences of opinion on issues are resolved to the satisfaction of the committee.	7			
4.	Committee members challenge the Chair as appropriate.	7			The committee members freely state their opinions may, at times, be contrary to those of the Chair. The Chair also makes a point to draw out all opinions within a discussion.
5.	The committee charter is used as a document to guide the committee in its efforts, and to help guide the committee's agenda.	6	1		I don't think anyone other than staff ever refers to the charter other than as required.
6.	Committee members are financially literate, and the committee has determined that it has adequate financial expertise in accordance with its charter.	7			<p>The committee does have financial expertise, but due to hybrid nature of a large Board, not all members have financial expertise.</p> <p>There is good expertise with the committee.</p> <p>I don't think we refer to the charter.</p>



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7.	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	1	1	Education sessions in conjunction with committee meetings have been good.
8.	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			Over the past year the tools by which the committee views organizational targets has improved. It is encouraging that the committee members take an active role in continually looking for ways to improve the delivery of such information to the Board. Management has been very helpful and engaged in this process. Although I marked yes, I do not believe performance is compared to peers. Of course I am not sure that ERCOT has any peers, since the structure of other ISOs is vastly different that ERCOT's. We don't compare much with our "peers".
9.	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.	7			This kind of change rarely happened. When appropriate. However, it could always benefit from more education. Yes, but this does not occur often.
10.	The committee discusses significant, complex, or unusual transactions with management and the external auditors.	7			Good example is the committee's probing of credit policy in light of cap changes.
11.	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	The progress made on enterprise risk assessment has been very good this year.



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12.	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.	6		1	
13.	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.	7			
14.	The committee commits sufficient time to review, discuss, and consider the financial statements.	7			
15.	The committee makes optimum use of the meeting time allotted.	7			The meetings are well run and allow focus on issues which require added attention.
16.	The committee meets with financial management to discuss results reported before finalization.	6		1	I do not recall doing this review.
17.	Committee members have a clear understanding of ERCOT's debt structure and cash management practices.	7			
18.	Committee members receive sufficient details regarding long-term financial planning.	7			
19.	The committee makes appropriate use of workgroups or task forces to investigate issues defined by the committee.	6	1		
20.	The committee engages outside experts as appropriate.	6		1	We would if warranted. Don't know what would be appropriate.
21.	The organization's financial reporting processes are stronger as a result of management's interactions with the committee.	7			
22.	The committee understands and agrees with the board on which categories of internal control it oversees. Categories include: <ul style="list-style-type: none"> ▪ Integrity of financial reporting ▪ Compliance with laws and regulations ▪ Operational efficiency and effectiveness 	7			Including information security.
23.	The committee and the board concur with any changes to the committee's internal control oversight mandate.	7			



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24.	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.	6		1	Don't know what others on the committee think or understand.
25.	The committee is cognizant of the line between oversight and management, and endeavors to respect that line.	7			
26.	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.	7			
27.	The committee does its part to ensure the objectivity of the internal audit team.	7			
28.	The committee provides constructive feedback to the chief audit executive at least annually.	7			
29.	The committee receives sufficient detail regarding material issues and complaints brought forward which relate to the company's fraud, ethics or accounting practices.	6		1	
30.	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.	7			
31.	The committee communicates at an appropriate level of detail when informing the Board of its actions.	7			
32.	Committee members receive clear and succinct agendas and supporting written material sufficiently prior to scheduled meetings.	7			ERCOT staff does a great job preparing materials for the committee.
33.	Committee members have adequate opportunities to discuss issues and ask questions.	7			
34.	The frequency of committee meetings is appropriate for the responsibilities assigned to the committee.	7			
35.	Meeting facilities and presentation materials are effective for the conduct of committee activities.	7			
36.	The committee is efficient and value adding.	7			



ERCOT Finance & Audit Committee Annual Self-Evaluation (2014)		Yes	No	Not Sure	Comments
37.	Please add additional comments, questions and suggestions here.	2	3		The committee is effective and managed well by the Chair. I am very pleased with the work performed by the committee. 2 – no response.