



Item 3: Results of Examination and Independence Report from the Service Organization Control (SSAE 16) Auditor

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Discussion Topics

1. ERCOT Examination Overview
2. Audit Approach
3. Auditor Independence

SSAE 16 Examination Overview

Overview

- Statement on Standards for Attestation Engagements (SSAE) No. 16 examinations, also referred to as SOC 1 examinations, are utilized to report on controls at service organizations that are relevant to user entities' internal control over financial reporting.
- The 2015 SSAE 16 examination examined the Settlement Operations and the supporting IT applications and systems for the period of October 1, 2014, to September 30, 2015
- 19 Control Objectives were within the scope of the 2015 examination
- Testing was conducted in two phases: (Q2) April-May 2015 and (Q3) August-September 2015

SSAE 16 Examination Overview

Results

- The 2015 SSAE 16 Examination Report for the Settlement Operations is ready for issuance pending F&A Committee approval
- The report will be issued with an unqualified (“clean”) opinion
- No testing exceptions or deviations were identified

Audit Approach

Audit Team

- The audit team for the ERCOT SSAE 16 Engagement consists of a primary and secondary principal, an audit manager and experienced senior auditors
- The audit report is subjected to a quality assurance checklist, and is reviewed by the senior auditor, audit manager, and two principals prior to release to ERCOT for review and approval. An additional review is performed by operations personnel during the final preparation procedures.

Sampling

- Testing is performed in two phases (Q2 and Q3) and the sampling methodology covers the full 12-month review period.
- Our sampling approach is based on the AICPA's AU 350.

Auditor Independence

- Professional standards require that CPA firms maintain independence in fact and appearance from their clients.
- To meet this requirement, we have implemented the following policies and procedures:
 - Implementation of Quality Control Procedures
 - Education
 - Elimination of all consulting services
 - Prohibition of any direct or materially indirect financial interest in clients by employees or their close relatives
 - Annual independence verification