

## PTE financial viability graduated information and monitoring arrangements

Our monitoring and assurance system for PTEs, and our information requirements, depends upon each PTE's size and risk rating.

We risk assess all PTEs who receive \$2 million or more of TEC funding, and any PTE that comes to our attention as warranting a financial review, on a five point scale (A to E). PTEs classified as being of greater risk (D or E) are asked to provide additional and more frequent financial information. These PTEs are likely to be funded subject to an agreed action plan with the TEC or in some cases, where the level of risk is material, will not be funded. We will also monitor PTEs that receive a Poor financial viability rating (risk category C) more closely.

PTEs are expected to self-assess against the prudential financial standards and take action where warranted to meet and exceed the minimum standards on an ongoing basis. We require those PTEs receiving less than \$2 million in TEC funding to have their financial accounts reviewed by an independent chartered accountant and to provide us with the reviewer's report and an attestation as to whether the PTE meets the minimum standards for both the reviewed accounts and for the forecast year. We will select a sample of these PTEs to assess each year, based on various risk factors. Where an assessment is to be undertaken we will write to the PTE outlining the information requirements.

The table below sets out the information, monitoring and assurance requirements for each PTE risk category:

TEC funding	TEC risk rating	Meets prudential standards	Annual accounts	Accounts audited/reviewed	Prospective information	Action plan	More frequent monitoring
Greater than \$4 million	High risk (D) or Extreme risk (E)	Usually not	Yes	Audit	Budgets plus other requested information	Yes	Yes, as specified by the TEC
	Poor (C)	Yes	Yes	Audit	Budgets plus other requested information, if required	Not generally required	Yes, six monthly or as otherwise required
	Strong (A) or Adequate (B)	Yes	Yes	Audit	Budgets	No	No
Between \$2 million and \$4 million	High risk (D) or Extreme risk (E)	Usually not	Yes	Audit	Budgets plus other requested information	Yes	Yes, as specified by the TEC

	Poor (C)	Yes	Yes	Review	Budgets plus other requested information, if required	Not generally required	If requested
	Strong (A) or Adequate (B)	Yes	Yes	Review	Budgets	No	No
Less than \$2 million	High risk (D) or Extreme risk (E)	Usually not	Yes	Review plus attestation based on latest accounts and prospective information. In some cases the TEC may request a full audit	Budgets plus other requested information	Yes	Yes, as specified by the TEC
	Poor (C)	Yes	If requested	Review plus attestation based on latest accounts and prospective information	Budgets plus other requested information, if required	Not generally required	If requested
	Strong (A), Adequate (B), or not assessed	Yes	If requested	Review plus attestation based on latest accounts and prospective information	Budgets	No	No

### **Additional information requirements**

An action plan will be required if the minimum prudential financial standards are not met or a PTE is risk graded (D) or (E). This will be a document agreed between the directors/trustees of the PTE and the TEC. PTEs will be required to perform the actions outlined in the plan, and this will become a condition of ongoing funding.

Where there is an identified level of risk a PTE may be asked to supply other financial information. This may include, but would not be limited to: monthly cashflow forecasts, latest management accounts, and updated funding and/or EFTS information.

PTEs may be able to seek a review of their financial assessment if there are circumstances which bear on their financial viability; for example, to take account of a recent capital contribution or post balance date event.