

NfP Cost Assessment Auditing from April 2003: The Educational Audit

Our approach to educational audits

The LSC's approach to the first audit under the new contract will be primarily educational, as we recognise that it will take NfP suppliers some time to adapt to a new process. Where issues arise we will provide guidance on the approach to be taken for future work and on any corrective action that may be required.

We will not usually make any reductions to Direct Casework Time ("DCT") at educational audits, with a few limited exceptions set out below. So for example, if time would have been reduced at a full compliance audit due to insufficient evidence of work done on the file, we will not actually apply reductions now but will provide guidance on how the supplier can improve the way they record work done. We will then check that improvements have been made at the next audit.

How will the audit be conducted?

We will aim to select a representative sample of files to audit. We will usually audit 20 files, split across contract categories where a contract is held in more than one category of work. Files will be selected at random from closed and open file lists, although closed files may be preferred where they are available, as they will show a broader range of work.

Our auditor will assess each individual file for compliance with the contract rules and in accordance with the general principles of cost assessment which are set out in the Contract Specification section 6.6 to 6.8.

We will aim to conduct audits and give feedback on-site where this is possible, although we may need to confirm audit findings in writing after the audit.

How will the audit findings be recorded?

Our auditor will complete a Contract Compliance and Costs Assessment Booklet to record findings for each file. The current version of this booklet (version 6) is available for download from this site. We will issue an amended version of this booklet before we begin full compliance auditing (second and subsequent audits under the contract).

At the educational audit the auditor will assess each file and will record his/her findings by completing the booklet, a copy of which will be given to the supplier.

Guide to the costs assessment booklet

The front page records the administrative details of the audit (name of supplier, auditor etc).

The Audit Summary identifies the files that have been audited, the amount of DCT claimed, the amount of any reduction (either notional or actual) and the main reduction codes. The most common reasons for reductions are set out in a code table on the following page.

The Case File Checklist records the contract compliance part of the audit. Each file is audited against a number of questions that relate to specific contract rules. Not all questions will be applicable in every case. Every question will be answered for each file Yes, No or Not Applicable.

The assessment may include an audit of some Specialist Quality Mark requirements (questions 30 onwards on the Case File Checklist) in addition to the contract compliance audit. Questions relating to the SQM are unchanged from previous SQM audits. Where issues relating to these requirements are identified they will be discussed separately with you. Note that the term 'educational' is used to refer to the cost assessment and contract compliance aspects of this audit only and not to any issues that might arise out of any non-compliance with the SQM requirements, which where identified will be subject to the usual corrective action or sanctions.

The next section of the booklet is the Costs Assessment for each file in detail. The auditor will assess every item of work and will group issues under one of three headings:

- 'Actual' reduction to DCT (i.e. reductions made for the reasons detailed below which may be implemented by deducting time from the total DCT for the Schedule period);
- 'Notional' reduction to DCT (i.e. issues raised as observations at educational audit which would be subject to actual reductions at subsequent audits);
- Any additional comments or concerns, which are not subject to reductions of time, claimed (including quality concerns).

The Summary of Findings provides a summary of the main findings identified across the audit sample.

Suppliers will be given a completed copy of the booklet after the audit. Suppliers should read this carefully and ensure that any corrective action required is fully implemented before the second audit, otherwise actual deductions may be made and/or sanctions imposed at that audit and/or subsequent audits.

When will we make 'actual' reductions to DCT at educational audit?

Many of the requirements against which work will be assessed were already contained in the old contract and should already be part of the way in which work is performed. Although the main purpose of the first round of audits is

educational we have stated that we will make **actual** deductions to DCT in limited circumstances where three conditions are met:

Firstly:

Work has been done outside the scope of the Scheme, or
Work has been done outside a uthorised categories or tolerance, or
There is no means assessment on file/the client is ineligible (except Level i work), or
Administrative work has been claimed as DCT, or
Disbursements have been claimed which are over the individual or schedule limit without prior authorisation

Secondly:

Reductions will only be made to work carried out **on or after 1 April 2003**. We may look at cases that began before that date and are either still open at the time of the audit or were closed after 1st April. If there are issues that would have led to deductions had the work been done after 1st April 2003, then we will raise these as observations only to assist you in working towards full compliance in the future. Actual reductions will only ever be made for work done on or after 1st April 2003, which is the date when the new compliance process was introduced.

Thirdly:

We will only make actual reductions where the total of actual reductions that could be made exceeds 10% of the total time claimed on the files assessed.

Example:

20 files are audited, all of which have claims of 10 hours each (total: 200 hours). All the files are for work outside authorised categories or tolerance (for example, Immigration work where no contract is held in Immigration). Over 10% of the time claimed on each file relates to work done on or after 1st April 2003, so that the total reduction is more than 10% of the total time claimed. Outcome: actual reduction will be made on those 20 files only.

We anticipate that actual (as opposed to 'notional') reductions to your Direct Casework Time will be rare at the educational audit stage.

Will we apply any other sanctions at educational audit?

At the educational audit, even if actual deductions are made, it is not our intention to:

- Extrapolate the results to other un-assessed files or casework
- Issue Contract Notices
- Impose Contract Sanctions

However, as stated above, this approach only applies to the new contract requirements, not to any audit against the Specialist Quality Mark.

For further information please contact your LSC regional office.