SQM Audit Services: Market Engagement

July 2021

Purpose of the Event

The purpose of today's event is to:

- Provide background on the Specialist Quality Market (SQM) auditing service, including changes we intend to make to the way this service is currently delivered

- Canvass your views on specific aspects of the service design that are still under consideration

- Allow prospective bidders an opportunity to submit questions about the service.

Background - Why are we tendering?

- Prior to 2010 the auditing services of the SQM were undertaken internally by the LAA's predecessor, the Legal Services Commission.

- Since 2010, the auditing of the SQM standard has been outsourced to an external audit body and is managed under a license agreement.

- The current SQM audit services contract (i.e. the license agreement) is due to end on 31 March 2022 and services under a new license agreement are required to commence from 1 April 2022

- The LAA is aiming to launch the tender for this service in late Summer.

About the SQM

What is the SQM?

An organisational quality standard owned by the Legal Aid Agency (LAA).

Any legal service provider wanting to tender for a legal aid contract must hold either the SQM standard or the Law Society's Lexcel practice management standard.

It can be obtained by any legal services provider operating a specialist legal service, regardless of whether or not they have a legal aid contract.

Its purpose is to ensure legal service providers are:

- Well managed
- Provide good levels of client care
- Have appropriate systems in place to ensure delivery of good quality advice.
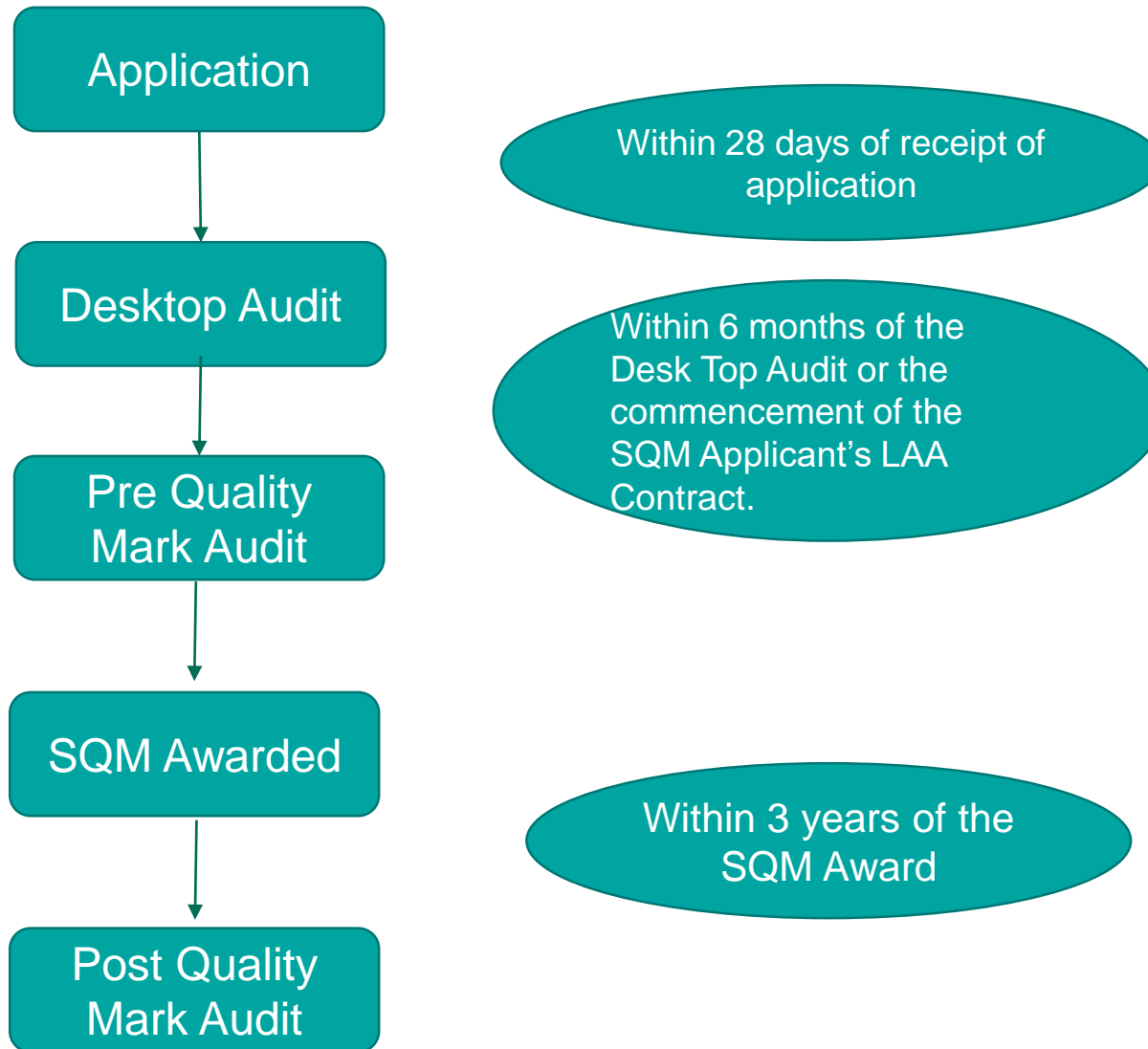
What is the SQM? (continued)

In order to obtain the SQM, SQM Applicants are audited against a set of proxies that look at key elements about how their organisation is run:

- **Access to Service:** Planning the service, making others aware of the service and non-discrimination

- **Seamless Service:** Signposting and referral to other legal service providers

- **Running the Organisation:** The roles and responsibilities of key staff, and financial management

- **People Management:** Equal opportunities for staff, training and development, and supervision arrangements

- **Running the Service:** Case management, independent review of files and feedback to caseworkers

- **Meeting Clients' Needs:** Providing information to clients, confidentiality, privacy and fair treatment, and maintaining quality where someone else delivers part of the service

- **Commitment to Quality:** Complaints, other user feedback and maintaining quality procedures.

SQM Audit Process

The Process

Application

Within 28 days of receipt of application

Desktop Audit

Within 6 months of the Desk Top Audit or the commencement of the SQM Applicant's LAA Contract.

Pre Quality Mark Audit

SQM Awarded

Within 3 years of the SQM Award

Post Quality Mark Audit

Volume of audits

- The volume of applications/audits will vary depending on demand for new accreditations and the audit cycle. The following table sets out information provided to the LAA by the incumbent license holder on the average number of audits undertaken per annum between 2017/18 and 2020/21. These figures may not be indicative of future volumes.

Desktop Audits	46

Pre and Post-Quality Mark Audits						
Number of FTE	**Number of Offices**					
	1-2	**3-6**	**7-10**	**11-15**	**16+**	**Total**
1 FTE	36					**36**
2-6 FTE	188	16				**204**
7-15 FTE	89	12	1			**102**
16-60 FTE	11	16	3	1		**31**
61+ FTE	0	1	1	0	0	**2**
Total	**324**	**45**	**5**	**1**	**0**	**375**

Desktop Audit

- An audit of the SQM Applicant's Office Manual (electronic or hardcopy documents).

- The Desktop Audit should take place within 28 days of receipt of the SQM Application.

- This audit does not require site visits to the SQM Applicant's office.

- The SQM Auditor will be expected to systematically compare the requirements of the SQM standard and the evidence provided by the SQM Applicant.

- Findings from the assessment are logged on the "Desktop Audit Form" and form the basis of the Pre Quality Mark Audit preparatory work.

- An SQM Auditor may refuse the application at this stage if the documentation is:
    - incomplete, or
    - it is clear that the SQM Applicant will need to carry out a substantial amount of work before their procedures begin to comply with the SQM standard.

- A Desktop Audit is Stage 1 of the audit process and does not result in the award of a SQM.

Pre-Quality Mark

- This is an on site Audit at the SQM Applicant's premises.

- The Pre Quality Mark audit should be undertaken within 6 months of:
    - the Desktop Audit being completed; or
    - of the commencement of the SQM Applicant's LAA Contract.

- The SQM Auditor will examine how well the requirements of the SQM are being met and test that they are in effective operation.

- This will be determined through review of relevant policy and strategy documents and an assessment of a number of client files.

- The SQM Auditor will also meet with the some of the SQM Applicant's staff (across multiple offices where required) to discuss procedures and practices.

Pre-Quality Mark - Audit Preparation

This should include reviewing:

The Office Manual **and** Previous assessment reports (if applicable)

Selecting The interview and file sample

and

Drafting The Audit Assessment Plan

Pre-Quality Mark - File Sample

- The number of client files to be sampled and reviewed by the auditor (based on the number of Full Time Equivalent (FTE) staff employed by the SQM Applicant in relation to the delivery of Legal Services):

No. of FTE	Minimum no. of files to be reviewed
FTE 1	8 files
FTE 2-6	15 files
FTE 7-15	25 files
FTE 16-60	35 files
FTE +61	45 files

- The exact mix and volume of files sampled will need to be representative of the profile of the SQM Applicant. File samples must be taken across each office, work area (categories of law) and supervisor.

Pre-Quality Mark - Staff Interviewed

- Staff interviews must include: the Supervisors, Quality Manager(s) relevant fee earners and any new starters/trainees.

| Supervisors | Quality Manager(s) | Relevant Fee Earners |

| New Starters/ Trainees |

- The exact mix and volume of staff interviewed will need to be representative of the profile of the SQM Applicant.

- Interviews must be taken across each office, work area (categories of law) and supervisor.

Pre-Quality Mark - Staff Interviewed (Cont.)

No. of FTE	Minimum no. of staff to be interviewed
FTE 1	1 staff member
FTE 2-6	3 staff members
FTE 7-15	5 staff members
FTE 16-60	10 staff members
FTE +61	15 staff members

Pre-Quality Mark - Multiple Offices

- Where the SQM Applicant has:

    2 offices the Audit should include a visit to the lead office only

    Between 3 and 6 offices, the Audit should include a visit to the lead office and 2 other offices (an exception is where the SQM Applicant is a sole practitioner using between 3 and 6 offices, in which case the SQM Auditor is only required to visit the lead office)

    Between 7 and 10 offices, the Audit should include a visit to the lead office and 2 other offices (an exception is where the SQM Applicant has fewer than 7 FTEs using between 7 and 10 offices, in which case the SQM Auditor should visit the lead office and 1 other office).

    11 to 15 offices, the Audit should include a visit to the lead office and 3 other offices (an exception is where the SQM Applicant has fewer than 11 FTEs using between 11 and 15 offices, in which case the SQM Auditor should visit the lead office and 2 other office).

    16+ offices, the Audit should include a visit to the lead office and 4 other offices (an exception is where the SQM Applicant has fewer than 16 FTEs using more than 16 offices, in which case the SQM Auditor should visit the lead office and 3 other office)

- The selection of the other office(s) to visit should be based on which office undertakes the largest volume of work.

Pre-Quality Mark - Corrective Action

- Any specific action plans or target dates set up by the SQM Auditor to address any quality concerns will form part of the assessment process.

- Once the Pre-Quality Mark Audit has been completed and all Corrective Actions are signed off by the SQM Auditor, the SQM Applicant is granted the full SQM. This is valid for 3 years.

Post-Quality Mark

- This is an on site audit at the SQM Holder's premises.

- This audit is required to take place within 3 years of the Pre-Quality Mark Audit.

- The SQM Auditor will examine ongoing compliance with the SQM requirements and ensure that they are in effective operation.

- This will be determined through review of relevant policy and strategy documents and an assessment of a number of client files. The SQM Auditor will also meet with the some of the organisation's staff (across multiple offices where required) to discuss procedures and practices.

- Progress against specific action plans and target dates set by the SQM Auditor, as part of a previous Audit will also be examined.

- Findings from the Audit are logged using the Audit Record and will form the basis of the Audit Report.

- The same process is followed for the Post Quality Mark Audit as for the Pre-Quality Audit set out earlier.

Remote Audits

- Ordinarily, both the Pre-Quality Mark and the Post-Quality Mark audit must take place onsite

- During the coronavirus pandemic, however, the LAA introduced contingency arrangements enabling Post-Quality Mark audits to be carried out on-site, remotely or through a combination of both. Arrangements are made to reflect the circumstances of individual providers.

- The LAA intends to continue requiring onsite audits for the next SQM license agreement. However, we propose to introduce provisions allowing a remote audit or hybrid approach to be used in exceptional circumstances.

Questions

- **Do you agree that all audits should be carried out onsite unless there are exceptional circumstances?**

- **What are the benefits of allowing some or all aspects of audits to be done remotely? What are the problems?**

Service requirements under the SQM Agreement

Number of Contracts and Contract Length

- We will seek to procure 1 organisation to administer the SQM scheme across England and Wales.

- The service agreement will be in place initially for a 3 year period with the option to extend for a further 2 years (on a 1+1 basis).

Questions

- **Is it reasonable to have a single license holder for SQM auditing services given the volume of audits and nature of services required?**

- **Is 3 years with a potential extension of 2 years the optimal contract length?**

Audit Cycle

- The audit and accreditation of the SQM standard will run on a 3 year cycle.

- Where a SQM Holder is reaccredited, the subsequent 3 year accreditation period begins at the point they pass the audit rather than at the end of the first 3 year accreditation period even if they book their audit early. This is to ensure that a SQM Holder does not go longer than three years between audits.

Question

- **Is it reasonable that each 3 year reaccreditation period begins as soon as a SQM Holder passes their Post-Quality Mark audit?**

Audit Pricing

- As part of the tender, bidders will be required to submit the <u>maximum</u> audit prices that they will charge SQM Applicants and SQM Holders for SQM audits as set out in below.

Application Fee (e.g. Desktop Audit)	Single Fee Chargeable				

Pre-Quality Mark and Post-Quality Mark Audits					
FTE	No. of offices				
	1 – 2	3 – 6	7 – 10	11 – 15	16+
Sole trader	£A				
2-6 FTE	£B	£C			
7-15 FTE	£D	£E	£F		
16-60 FTE	£G	£H	£I	£J	
61+ FTE	£K	£L	£M	£N	£O

- The license holder is permitted to charge less than their maximum rates, for example to win business or manage volumes.

Question

- **Is the LAA's pricing structure a reasonable way of ensuring that SQM Applicants and SQM Holders are charged proportionately for an audit?**

Audit Pricing – Proposed Changes

- The LAA is also considering introducing two ways that SQM Applicants can be offered a discount for audits:

  - Requiring the SQM license holder to offer SQM Applicants and SQM Holders a discounted, delayed and/or spread payments on an exceptional basis due to hardship

  - Requiring the SQM license holder to offer an "early booking discount" for SQM Holders who book their Post-Quality Mark audit where this audit takes place two months before the end of their accreditation period.

Questions

- **Should the LAA require the SQM license holder to offer SQM Applicants and SQM Holders a discounted, delayed and/or spread payments on an exceptional basis in the case of hardship?**

- **Should the LAA require SQM license holder to offer an "early booking discount"?**

Key Aspects of the Service

- The next section of these slides will look at key aspects of the service that the successful SQM license holder will need to undertake to support the core duty of auditing SQM Applicants and SQM Holders against the SQM

- These requirements have been divided into the following headings:
  - Delivering the Service
  - Managing the Service
  - Marketing the Service
  - Service Levels

- The requirements largely replicate those of the current service with any new requirements highlighted.

Delivering the Service

The Licensee will …	Existing or New?
Implement and run an efficient provider registration process throughout the life of the Agreement.	Existing
Provide administrative services of the SQM auditing function	Existing
Provide qualified/skilled auditors with as a minimum the level of experience in performance and compliance auditing outlined in the supporting SQM Audit Guidance document.	Existing
Have sufficient resource capacity to undertake the number of SQM audits and enable new entrants to apply for the SQM	Existing
Schedule audits with minimal level of disruption to SQM Applicants	Existing
Undertake Audits of SQM Holders and SQM Applicants against the SQM Standard in accordance with the Audit process set out in this SQM Agreement.	Existing
Provide the LAA with an Audit Report after every audit and various reports on a monthly, quarterly or annual basis	Existing
Provide the LAA with a monthly high-level management information report summarising key information from certain reports	New

Managing the Service

The Licensee will …	Existing or New?
Implement a helpdesk service that effectively and efficiently deals in the first instance with all SQM related queries, escalating to the LAA only when necessary	Existing
Monitor and record delivery of customer service and training, responses to complaints, and appeals process against the specified requirements and timescales	Existing
Implement a Disaster Recovery and Business Continuity Plan to ensure effective continuation of the Service.	Existing
Implement Information Technology (IT) systems which ensure the integrity and accuracy of information that it will hold about SQM auditing service, including internal and external reporting and accountability processes	Existing
Hold either Cyber Essentials or Cyber Essentials Plus certification	New
Make all information/data held in relation to the Audits available in response to a specific request under Freedom of Information Act 2000 and or the Data Protection Act 1998 within the response time agreed with the LAA.	Existing

Marketing the Service

The Licensee will …	Existing or New?
Produce a marketing plan to promote early audit uptake from potential SQM Applicants	Existing
Provide the current version of the SQM Standard and SQM Guidance on its website	Existing
Provide electronic copies of the SQM standard and guidance upon request, including in accessible formats where reasonably requested	Existing

Service Levels

The Service Levels the Licensee will be required to meet are…
Quality of Audits Undertaken: The Licensee must deliver all Audits in accordance with the terms of the SQM Agreement and produce Audit Reports that are in accordance with the requirements of that Agreement
Accuracy of data collection: The Licensee must ensure that all management information and any other data collected pursuant to the SQM Agreement is reliable and accurate
Completion of Audits: The Licensee must ensure that: • 100% of all Desktop Audits are completed within 28 days of the application, where the SQM Applicant has provided a complete set of documents needed to conduct the Audit. • 100% of SQM Applicants and SQM Holders requesting a Pre Quality Mark or Post Quality Mark Audit should be provided with a selection of dates within 6 weeks of receiving the request. • 100% of SQM Applicants and SQM Holders should receive an Audit Report within 5 working days of the completion of each Audit. • 100% of Audit Reports should be e-mailed to the LAA Contract Manager by 17:00 on the 10th day of the month following that to which the reports relate [**New:** The reporting timelines for this requirement have been amended.] • 90% of Pre Quality Mark and Post Quality Mark Audits are completed within 28 days of the Audit start date and 100% of Audits are completed no longer than 56 days of the Audit start date.

Service Levels (Continued)

The Service Levels the Licensee will be required to meet are…
Management Information – Management Information reports must be received by the LAA within specific timescales
Customer Service: The Licensee must: - Acknowledge a query within 1 working day and provide a substantive answer to 90% of queries made by Current SQM Holders or SQM Applicants relating to the SQM within 5 Working Days, and 100% within 10 Working Days.   - Acknowledge a SQM related complaint within 1 working day and respond to 95% of all SQM-related complaints made within 5 Working Days, and 100% within 10 Working Days.   - Contact the LAA Contract Manager within 1 working day of receiving a query, where the license holder requires clarification from the LAA. The LAA Contract Manager will respond to the license holder within 3 Working Days of receiving the query. The license holder is required to provide a full response within 5 Working Days of receiving clarification from the LAA Contract Manager.   - Contact the LAA Contract Manager with 2 working day where an SQM Holder withdraws from holding the standard, their accreditation lapses, or they fail an audit.

Environmental Impacts and Social Value

- At the moment, SQM accreditation certificates are issued to SQM Applicants on paper
- To reduce the impact on the environment, the next SQM license agreement will be mandating SQM certificates to be issued electronically only

Questions

- **Are there any issues with issuing SQM certificates electronically rather than on paper?**

- **Are there any other ways the SQM service can be improved to benefit the environment or otherwise improve social value?**

Tender

- The LAA intends to issue the tender for the SQM auditing services license agreement in late summer
- It is expected that bidders will be asked to submit all the information needed to assess tenders as part of a single tender response, including:
  - A Selection Questionnaire response
  - Information required as part of any financial assessment
  - Responses to quality award criteria
  - Pricing submission
- Bidders will likely have around 6 weeks to prepare and submit tenders

Question

- **Would 6 weeks be sufficient to prepare and submit a tender?**

THANK YOU

Please remember to return your feedback forms

Legal Aid Agency

Working with others to achieve excellence in the delivery of legal aid