

## **Provider Audits** **Frequently Asked Questions**

**The**  
**Early Years**  
Team

Please find below useful questions and answers regarding provider audits of the early years entitlements funding.

**Q1. Why are funded providers audited?**

Taken from the DfE's Model Agreement, and reflected in the local Provider Agreement, the LA can carry out checks and/or audits on providers to ensure compliance with the requirements of delivering the early years entitlements. In acting financially prudently, and in delivering good practice to ensure this public money is accounted for, the LA will conduct regular audits on all providers on the Directory of Providers. The Statutory Guidance states that LA's should ensure that providers are aware of the LA policy in the area in which they operate in relation to reclaiming funding when a child is absent from a setting and Nottingham City complies with this through the detail in the Provider Agreement.

**Q2. What information is audited?**

In line with the Provider Agreement, the audit process includes checks to ensure:

- Funding is being passed on in the form of an early years entitlements place at no cost to parents (showing as 'no charge' on the invoice)
- Invoices to parents are clear and transparent
- Parents have adequate information about the early years entitlements
- Claims for funding are accurate and supported by an up to date signed Parent Agreement
- The register is accurate for the children claimed for.

**Q3. How will providers know if they have been selected for audit?**

Audits can be based on current and previous terms and so even if a provider doesn't have currently have any funded children they may still be chosen. Providers will receive a letter via email from the Early Years Funding Team. A selection of providers are picked each term at random, or identified through any potential concerns for example; parental complaints, headcount claims being inaccurate on a number of occasions or failure to inform the Early Years Team of relevant changes. Providers will be informed if they are being audited due to a concern. Providers will be given 2 weeks to send in the requested documentation.

**Q4. What should providers do if they can't scan or send the documents via email as requested?**

If providers are unable to scan or send documents via email, please contact [earlyyears@nottinghamcity.gov.uk](mailto:earlyyears@nottinghamcity.gov.uk) ahead of the deadline so the Team can offer appropriate support.

**Q5. What if the provider can't meet the deadline for submitting information?**

The two week deadline should be adequate time to send documents in. However, if providers feel they are going to struggle to meet the deadline, please contact [earlyyears@nottinghamcity.gov.uk](mailto:earlyyears@nottinghamcity.gov.uk) ASAP to discuss this.

**Q6. What if providers do not have the documents required for audit?**

As per the Provider Agreement, all documents requested should be used by the provider in order to meet the statutory requirements and must be kept for a minimum of 5 years in case of an audit. If the documents are not available, please contact [earlyyears@nottinghamcity.gov.uk](mailto:earlyyears@nottinghamcity.gov.uk) for further discussion as this may be a breach of the Agreement and require further investigation.



## The Early Years Team

**Q7. What if the attendance of one of the audited children is below the 85% expected threshold?**

When providers are informed about an audit, they are given the chance to inform the Early Years Team in advance of any known attendance issues and what they are related to, for example, safeguarding, SEND or any other reasons and the audit will take this into account. If the Team are not made aware of any attendance issues and the audit identifies children falling below the expected attendance, further information may be requested and the provider may be invoiced for part of the identified child's funding allocation. The Team take all reasons into account and endeavour to keep invoices at a minimum and any potential invoices will be explained fully at the feedback meeting.

**Q8. Does the LA claim funding back for children who have attended below the 85% threshold?**

Based on resources available, it is at the discretion of each LA how to manage their audit process and Nottingham City LA considers it to be financially prudent and good practice for the funding to follow the child and not double fund children or empty places, using audits to ensure this and account for this public funding appropriately. 85% attendance is the locally agreed threshold and is considered a reasonable level when it comes to reclaiming funding for attendance below this. The LA are as flexible as possible with this, giving providers the opportunity to share any potential attendance issues for children, and the reasons for this, at the beginning of each audit, before the registers are reviewed, so each child can be considered on a case by case basis.

The LA may reclaim funding if the child has attended for less than 85% of the hours claimed for the term being audited. This means that approximately 2 weeks of the term can be used for absences without any financial implications for the provider. Where funding needs to be reclaimed following an audit, each child this applies to is considered on a case by case basis and the LA uses as much discretion as possible in these situations. For example, the LA may use its discretion to claim back up to the 85% attendance threshold, rather than recovering the full claim. So, where a provider has claimed 180 hours for a child, 85% of this would require them having attended for 153 hours over the term. If they have only attended 110 hours, the LA would use its discretion to only reclaim funding for the 43 hours to take them back to the 85% threshold, rather than reclaiming the actual 70 hour difference.

Since the COVID-19 Pandemic, between March 2020 – March 2024, the LA has not reclaimed funding from any provider following an audit in support of provider's re-establishment and re-settlement following a time when occupancy levels varied massively and settings needed to close at short notice due to COVID cases in staff and/or children or national guidance. This isn't a position that can be financially sustained in the long term and the LA will start to reclaim funding following audits, if applicable, from Summer Term 2024 onwards.

**Q9. Providers have to plan and ensure staffing, which comes at a cost, even if those children don't then turn up, so aren't providers losing money for the child's non-attendance if the LA claim funding back?**

There are circumstances where providers can retain a deposit to cover some of these costs and by applying the 85% threshold of attendance at audits, the LA are complying with statutory guidance by ensuring providers are not penalised for short term absences of children through withdrawing funding and using discretion where absence is recurring or for extended periods taking into account the reason for the absence. Please also refer to the latest Provider Agreement.



## The Early Years Team

**Q10. What if the provider cannot afford to pay an invoice?**

It is important to remember that this is government funding which is required to be monitored and correctly allocated. If the provider is unable to pay the invoice in full then it can be agreed with the Funding Team for the amount to be deducted from future payments or East Midland Shared Services (EMSS) can be contacted to request a payment plan.

**Q11. What if it is identified the provider's paperwork is out of date or unclear?**

The Team will feed this back to the provider at the feedback meeting and identify how this can be improved moving forward.

**Q12. What will happen at the feedback meeting?**

Providers will meet with a colleague in the Funding Team will go through the audit findings in detail and give providers a chance to ask any questions. The Team aim to hold the meeting during office hours, but will try and accommodate any requests for late meetings where possible. The provider will also receive written feedback of the audit following the meeting. The feedback meeting may be face to face or on MS Teams.

**Q13. Can providers refuse an audit?**

No. As per the Provider Agreement that has been signed; *'Providers should maintain accurate financial and non-financial records relating to the early years entitlement places and should give Nottingham City Council access on reasonable notice to all financial and non-financial records relating to early years entitlement places funded under this Provider Agreement, subject to confidentiality restrictions.* The audit process is not something to worry about, it is just to ensure government funding is being currently allocated and relevant supporting documentation is in place.

**Q14. How often will providers be audited?**

This depends upon the outcome of the audit and can range from every 2 -3 years, this is subject to change if any issues are brought to the attention of the Early Years Team.

**Q15. Where can more information on audits be found?**

Please refer to the Auditing and Compliance Section of the latest Provider Agreement.