



INTERNAL AUDIT REPORT



ABSENCE MANAGEMENT 2016/17

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ABSENCE MANAGEMENT 2016/17

EXECUTIVE SUMMARY

1. INTRODUCTION AND INTERNAL AUDIT OPINION

The success of Harborough District Council (HDC) is dependent upon employees maintaining the required standards of attendance in order to deliver services effectively. A performance target of less than 7.9 working days per Full Time Equivalent (FTE) was in place during 2015/16, however, an average of 10.16 working days per FTE were lost during the financial year. A major factor in sickness absence during the year was in relation to long-term sickness cases. This audit has been designed to provide management with assurance that there is an appropriate system of absence management in place across the Council and that this is being consistently and effectively applied.

The Council’s Attendance Management Policy and Procedure was published in August 2015 and is available to all staff. Managers are responsible for recording sickness absence on the MyView system in order to provide appropriate information for monthly absence reporting. The audit identified, however, that 25% of absences reported during 2015/16 had not been recorded by managers on the MyView system in accordance with current guidance. A monthly reconciliation is undertaken by Human Resources (HR) to agree all MyView entries to supporting documentation, such as return to work interview forms and fit notes, to identify such unrecorded cases and errors. Although variances and errors identified by HR are being corrected prior to performance reporting, there is a risk that the absence figures may be understated if managers do not comply with the agreed policy and procedures and it also fails to achieve the efficiencies of the intended system by relying on manual checks by HR.

The Council recognises that the return to work interview process is an important part of effective absence management. Following every period of sickness absence, a return to work interview should be carried out by the relevant manager; however, sample testing identified some cases of non-compliance in this area. Although pre-defined trigger points have been established and publicised for dealing with extended or repeated absence, the audit identified that management action had not been taken in 80% of cases where triggers were met in sample testing.

Auditor review of the Quarter 4 Performance Reports confirmed that although absence figures were above target at 7.92 working days per FTE, the figures reported were consistent with those retained on file by HR. The report also confirmed that a number of staff were due to return during Quarter 1 and, on this basis, that performance in relation to absence management may improve during 2016/17.

Based on these findings, the framework of controls currently in place provide **Sufficient Assurance** that the identified risks have been appropriately mitigated. Detailed findings are set out in section 2. The assurance opinion is based upon testing of the design of controls to manage the identified risks and testing to confirm the extent of compliance with those controls, as summarised in the table below:

Internal Audit Assurance Opinion	Direction of Travel				
	N/A				
	Risk	Design	Comply	Recommendations	
H				M	L
Risk 1: Inaccurate or incomplete absence records	Substantial Assurance	Sufficient Assurance	0	1	1
Risk 2: Weak or ineffective arrangements for management and monitoring of sickness absence	Substantial Assurance	Limited Assurance	1	2	1
Total Number of Recommendations			1	3	2



2. SUMMARY OF FINDINGS

Risk 1: Inaccurate or incomplete absence records

Conditions of Employment confirm that employees must comply with the Council's requirements for reporting absence. If employees are unable to attend work through illness, injury or any other reason, they must report it immediately to their manager. A failure without good cause to comply with all the requirements of the Council's absence policies may have the effect of disqualifying employees from sick pay and may also render them liable to disciplinary action.

The Attendance Management Policy and Procedure was published in August 2015 and is available to all staff via the intranet. A standard process for reporting and recording absence has been clearly defined and communicated. Managers are responsible for recording sickness absence on the MyView system in order to provide appropriate information for monthly absence reporting. Auditor review confirmed that of the 299 absence cases reported during 2015/16, 75 cases (25%) had not been recorded on the MyView system in accordance with current guidance. A monthly reconciliation is undertaken by HR to agree all MyView entries to supporting documentation, such as return to work interview forms and fit notes. Although variances and errors are corrected prior to performance reporting, there is a risk that the absence figures reported may be understated if managers do not comply with the agreed policy and procedures. The HR Assistant advised that a training session would be held for all service managers by October 2016 in order to address these issues of non-compliance.

Recommendation 1 addresses this finding.

Leicester City Council (LCC) provides monthly absence reports to HDC as part of the delegated payroll service. The absence reports provided enable HR to analyse data at individual, service and corporate levels. Working days lost due to sickness absence are reported via the TEN performance management system each month and quarterly absence reports are provided to the Executive.

Auditor review of the monthly reconciliation process identified that improvements were required, particularly with regards to the recording of information and the audit trails in place. Variances and errors identified during the reconciliation process are currently highlighted, however, a narrative is not provided in order to confirm what the variance or error relates to. In addition, it was noted that procedures in relation to the reconciliation process required updating. HR advised that the improvements required with regards to the reconciliation process would be in place by May 2016. **Recommendation 2** addresses these findings.

Auditor review of the September 2015 and April 2016 absence report reconciliations confirmed that a total of 48 absences had been reported during the relevant periods. The following issues of non-compliance were identified by HR during the monthly reconciliation process:

- 29% of absences had not been reported via MyView;
- 17% of absences had not been recorded correctly and / or completely on MyView;
- 10% of return to work interview forms were not held on file;
- 4% of return to work interview forms had not been returned to HR in a timely manner; and
- 2% of fit notes had not been provided to HR.

All recording errors identified were corrected prior to performance reporting.



Some Local Authorities undertake quarterly spot checks of staff timesheets in order to provide additional assurance that absence is being reported accordingly and figures are not understated. It is acknowledged that this would incur further resource implications to implement on a regular basis and the Council would need to consider the costs and benefits of doing so. The Council may, however, consider these checks appropriate for particular cases in the future, especially where concerns of non-compliance are identified.

Based upon the audit findings, the assurance rating for the design of controls in respect of this risk is **Substantial Assurance** and the rating for compliance with these controls is **Sufficient Assurance**.

Risk 2: Weak or ineffective arrangements for management and monitoring of sickness absence

The average level of Public Sector absence increased from 7.9 working days per employee in 2014 to 8.7 working days per employee in 2015 (CIPD Annual Summary Report). The Council sets performance targets for managing absence that are challenging in terms of past performance and informed by benchmarked best performance. A performance target of less than 7.9 working days per Full Time Equivalent (FTE) was in place during 2015/16. It was noted that with the exception of May 2015, the monthly FTE target had not been achieved throughout the year, in addition, an average of 10.16 working days per FTE were lost during the financial year. A major factor in sickness absence during the year was in relation to long-term sickness cases. A performance target of less than 7.6 days per FTE is in place for 2016/17.

Auditor review of the Quarter 4 Performance Reports confirmed that although absence figures were above target at 7.92 working days per FTE, the figures reported were consistent with those retained on file by HR. The report also confirmed that a number of staff were due to return during Quarter 1 and that performance in relation to absence management should improve during 2016/17.

The Attendance Management Policy and Procedure is compliant with employment law and was agreed by Unison on 24th August 2015. The Auditor was advised that the Attendance Management Policy and Procedure had been verbally approved by the Head of Paid Service prior to its publication. **Recommendation 3** addresses this finding.

Auditor review of the Attendance Management Policy and Procedure confirmed that all roles and responsibilities have been clearly defined. Matters in relation to sick pay entitlement have been clearly communicated and specific triggers have been established and publicised for dealing with extended or repeated absence.

Following every period of sickness absence, whether self or Doctor certified, regardless of duration, a return to work interview should be carried out by the relevant manager using the appropriate form. Return to work interviews are an important part of effective absence management and encourage early intervention in potentially difficult situations. They also promote open communication and help to establish work plans and priorities when the employee returns to work.

Auditor review confirmed that 299 absence cases were reported during 2015/16. Sample testing undertaken on 15 absence cases confirmed the following:

- 29% of return to work interview forms were not held on file;
- 20% of return to work interviews had not been held within one week of the employee's return in line with the agreed policy;
- 10% of return to work interview forms had not been signed by the employee or manager; and
- 10% of return to work interview forms did not provide details regarding the fit note recommendation or action required. **Recommendation 4** addresses these findings.



If a manager concludes that an employee has reached one of the pre-defined trigger points, they should arrange to meet with the employee to carry out a formal absence meeting. Managers should offer appropriate and reasonable support to employees who are subject to formal attendance management to aid improvements in absence levels or to support an employee in their efforts to return to work.

Absence reports and trigger updates are provided to the HR Business Partners on a monthly basis to enable them to monitor the actions of individual managers. The HR Business Partners meet with managers to discuss the actions taken to date and to advise regarding any further action that may be required.

Auditor review confirmed that 47 employees had reached a trigger point on one or more occasion during 2015/16. Sample testing undertaken on five employees' absence records identified that management action was required for two of the employees on a total of 10 occasions; however, there was a lack of documentary evidence held on file to confirm that appropriate action had been taken on eight of these occasions.

Research shows that taking a proactive approach to actively managing absence has a positive impact in terms of improving attendance and identifying health problems and support needs at an early stage. Early intervention in terms of management support, reasonable adjustments, occupational health or counselling support may help to reduce longer term sickness issues and retain staff at work. Trigger point procedures must be complied with in order for this to be achieved. **Recommendation 5** addresses these findings.

Information provided by the HR Business Partner confirmed that approximately 68% of managers had completed absence management training. The HR Business Partner advised that further briefings on the Attendance Management Policy and Procedure would be taking place throughout the year. ELearning training modules are available to all staff via the intranet, approximately 60% of managers had completed 'Conducting Return to Work Interviews' training between 2010 and 2015 and approximately 11% of managers had completed 'Stress Awareness' training during 2011. The HR Business Partner is currently in the process of arranging a stress awareness training session for all managers. **Recommendation 6** addresses these findings.

Employee support services are available via Occupational Health and the Employee Assistance Programme. Matters in relation to 'Employee Assistance' are detailed on the staff intranet. Well-being Solutions Management Ltd (WSM Ltd) provides all staff with access to a counselling and psychological support and advice service. The HR Manager advised that additional support is also available to staff, depending on individual needs and circumstances. It was noted that a new contract had recently been sought for employee support services in order to improve value for money.

Based upon the audit findings, the assurance rating for the design of controls in respect of this risk is **Substantial Assurance** and the rating for compliance with these controls is **Limited Assurance**.

3. LIMITATIONS TO THE SCOPE OF THE AUDIT

This is an assurance piece of work and an opinion is provided on the effectiveness of arrangements for managing only the risks specified in the Audit Planning Record.

The Auditor's work does not provide any guarantee against material errors, loss or fraud. It does not provide absolute assurance that material error, loss or fraud does not exist.

4. ACTION PLAN

The following Action Plan provides a number of recommendations to address the findings identified by the audit. If accepted and implemented, these should positively improve the control environment and aid the Council in effectively managing its risks.



Action Plan

Rec No.	ISSUE	RECOMMENDATION	Management Comments	Priority	Officer Responsible	Due date
1	<p>A standard process for reporting and recording absence has been clearly defined and communicated; however, Auditor review confirmed that of the 299 absence cases reported during 2015/16, 75 cases (25%) had not been recorded on the MyView system in accordance with current guidance.</p> <p>Although variances and errors are corrected prior to performance reporting, there is a risk that the absence figures reported may be understated if managers do not comply with the agreed policy and procedures. This could lead to ineffective decision making and financial loss to the Council.</p>	<p>Staff should be reminded that all absence must be recorded in accordance with the Attendance Management Policy and Procedure.</p>	<p>Communicated in June through the CMT debrief to service managers.</p>	Medium	HR Manager	<p>Actioned in June 2016 / Reminder to be communicated as necessary.</p>



Rec No.	ISSUE	RECOMMENDATION	Management Comments	Priority	Officer Responsible	Due date
2	<p>Auditor review of the monthly reconciliation process identified that improvements were required, particularly with regards to the recording of information and the audit trails in place. Variances and errors identified during the reconciliation process are currently highlighted, however, a narrative is not provided in order to confirm what the variance or error relates to.</p> <p>Without appropriate audit trails, there is a risk that issues of non-compliance may not be identified and addressed accordingly which could lead to further inefficiencies in the absence management process.</p> <p>In addition, it was noted that procedures in relation to the reconciliation process required updating.</p>	<p>An appropriate audit trail must be in place for the absence reporting reconciliation process in order to address issues of non-compliance and support effective decision making.</p> <p>In addition, procedures in relation to the reconciliation process should be updated to reflect current practice.</p>	<p>This has now been implemented with effect from June 2016.</p> <p>Procedures manual to be updated by December 2016.</p>	Low	HR Manager	<p>Actioned in June 2016.</p> <p>December 2016.</p>
3	<p>The Auditor was advised that the Attendance Management Policy and Procedure had been verbally approved by the Head of Paid Service prior to its publication, but this was not formally evidenced.</p>	<p>The Attendance Management Policy and Procedure should be signed by the Head of Paid Service to confirm that it has been formally approved at the appropriate level.</p>	Agreed.	Medium	Head of Paid Service	End of July 2016.



Rec No.	ISSUE	RECOMMENDATION	Management Comments	Priority	Officer Responsible	Due date
4	<p>Auditor review confirmed that 299 absence cases were reported during 2015/16. Sample testing undertaken on 15 absence cases confirmed the following:</p> <ul style="list-style-type: none"> • 29% of return to work interview forms were not held on file; • 20% of return to work interviews had not been held within one week of the employee's return; • 10% of return to work interview forms had not been signed by the employee or manager; and • 10% of return to work interview forms did not provide details regarding the fit note recommendation or action required. 	<p>Following every period of sickness absence, whether self or Doctor certified, regardless of duration, a return to work interview should be carried out in accordance with the Attendance Management Policy and Procedure.</p> <p>Staff should be reminded of this requirement and issues of non-compliance should be consistently reported to the Corporate Management Team via monthly HR update reports.</p>	Agreed – Issues of non-compliance to be reported from the end of July 2016.	Medium	HR Manager	End of July 2016.

Rec No.	ISSUE	RECOMMENDATION	Management Comments	Priority	Officer Responsible	Due date
5	<p>Auditor review confirmed that 47 employees had reached a trigger point on one or more occasion during 2015/16. Sample testing undertaken on five employees' absence records identified that management action was required for two of the employees on a total of 10 occasions; however, there was a lack of documentary evidence held on file to confirm that appropriate action had been taken on eight of these occasions.</p> <p>Management responsibility in relation to trigger points is clearly defined and communicated in the Attendance Management Policy and Procedure.</p> <p>Managers must comply with the agreed procedures in order to manage absence effectively and to reduce the risk of recurrent short-term absence.</p>	<p>Management should be reminded that appropriate action is required when a trigger point has been reached and issues of non-compliance should be reported to the Corporate Management Team via monthly HR update reports.</p> <p>All issues of non-compliance should be followed up by the relevant HR Business Partner to ensure that appropriate action is taken in accordance with the Attendance Management Policy and Procedure.</p>	<p>Through Business Partner meetings, managers and team leaders will be reminded to follow up on those who trigger in a timely manner and the implication of not doing so.</p> <p>HR Business Partners already follow up issues of non-compliance and advise as necessary. Non-compliance without mitigating circumstances will be highlighted on the monthly HR update to CMT.</p>	High	HR Manager	Ongoing. July 2016.



Rec No.	ISSUE	RECOMMENDATION	Management Comments	Priority	Officer Responsible	Due date
6	<p>Information provided by the HR Business Partner confirmed that approximately 68% of managers had completed Absence Management training. The HR Business Partner advised that further briefings on the Attendance Management Policy and Procedure would be taking place throughout the year.</p> <p>Elearning training modules are available to all staff via the intranet, approximately 60% of managers had completed 'Conducting Return to Work Interviews' training between 2010 and 2015 and approximately 11% of managers had completed 'Stress Awareness' training during 2011.</p>	<p>All employees with responsibility for managing absence should attend appropriate training to ensure that their knowledge and understanding is accurate and up to date.</p>	<p>Workshops and briefings will continue to be held at regular intervals, and those new to people management will be specifically invited to attend the necessary training and development sessions.</p>	Low	HR Manager	Ongoing.

Glossary

The Auditor's Opinion

The Auditor's Opinion for the assignment is based on the fieldwork carried out to evaluate the design of the controls upon which management rely and to establish the extent to which controls are being complied with. The table below explains what the opinions mean.

Level	Design of Control Framework	Compliance with Controls
SUBSTANTIAL	There is a robust framework of controls making it likely that service objectives will be delivered.	Controls are applied continuously and consistently with only infrequent minor lapses.
SUFFICIENT	The control framework includes key controls that promote the delivery of service objectives.	Controls are applied but there are lapses and/or inconsistencies.
LIMITED	There is a risk that objectives will not be achieved due to the absence of key internal controls.	There have been significant and extensive breakdowns in the application of key controls.
NO	There is an absence of basic controls which results in inability to deliver service objectives.	The fundamental controls are not being operated or complied with.

Category of Recommendations

The Auditor prioritises recommendations to give management an indication of their importance and how urgent it is that they be implemented. By implementing recommendations made managers can mitigate risks to the achievement of service objectives for the area(s) covered by the assignment.

Priority	Impact & Timescale
HIGH	Management action is imperative to ensure that the objectives for the area under review are met.
MEDIUM	Management action is required to avoid significant risks to the achievement of objectives.
LOW	Management action will enhance controls or improve operational efficiency.