



**INTERNAL AUDIT  
FINAL REPORT**

**Title: Sickness Absence Policy**

**Report Distribution**

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Draft Issued: 18<sup>th</sup> November 2008

Final Issued: 8<sup>th</sup> December 2008

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## EXECUTIVE SUMMARY

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### Introduction

The authority has a Sickness Absence Management Policy in place. The policy outlines the methods adopted to manage sickness absence, the key aims being:

- To ensure there is a consistent approach to sickness absence management across all Departments,
- To ensure that each individual case is dealt with fairly with due regard to individual circumstances,
- To confirm that unless there is evidence to the contrary every occasion of absence is considered to be genuine.

Any abuse of the sickness absence scheme is dealt with under the appropriate disciplinary / conduct procedures. This active method of performance management is designed to assist the council in achieving its Key Performance Indicator for sickness absence, which for the year 2007-08 was set at 9.5 days, Full Time Equivalent (FTE).

The outturn figure for 2007-08 was reported, as at 31<sup>st</sup> March 2008 of 10.85 (FTE). This represents an approximate cost of £352,786 to the authority.

The policy, along with a Managers Guide and supporting documents, is available on the authority's intranet site. Training on the policy and supporting guidelines are delivered to all managers as required.

Heads of Services receive monthly monitoring reports for incidents of sick absence within their respective Department. These reports identify individuals reaching defined trigger points, and which require management review and action.

### Principal Findings

	High	Medium	Low
Number of recommendations	0	3	1

The detailed findings and associated recommendations are provided in the second part of the report. The medium risk recommendations relate to:

- A lack of central recording and monitoring of individuals reaching trigger points outlined in the Sickness Absence Management policy.
- The relevance and usefulness of the reporting format and content as perceived by end users.
- Lack of specification criteria and data validation / verification tests to confirm the accuracy and completeness of the COGNOS sick absence reports.

**Assurance Statement**

Internal Audit can provide **limited assurance** with respect to the adequacy and effectiveness of controls deployed to mitigate the risks associated with the areas reviewed.

## **INTRODUCTION**

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### **Objective & Scope**

The purpose of the audit review was to ensure the authority has a comprehensive sickness absence management policy, which is consistently applied across the organisation, and that supporting performance information is complete, accurate and consistent with the issued guidelines.

The key risks associated with the system objectives are:

- Inadequate reporting arrangements for sickness absence and inconsistent application of the policy across the authority, resulting in
- Failure to minimise sick absence costs,
- Potential litigation costs,
- Poor service delivery,
- Inaccurate performance reporting.

The control areas included within the scope of the review are:

- Management arrangements of the sickness absence policy and procedures,
- Appropriateness and effectiveness of management reporting, both centrally and within respective departments,
- Review of the consistency of application of the policy across the authority,
- Completeness and accuracy of performance measures and adherence to published guidelines.
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This audit report is presented on an exception basis. The detailed findings include only those areas where controls should be enhanced to improve their effectiveness and mitigate the risks that affect the authorities objectives for the system reviewed.

### **Acknowledgement**

A number of staff gave their time and co-operation during the course of this review. We would like to record our thanks and appreciation to all the individuals concerned.

## DETAILED FINDINGS

Observation	Risks	Recommendation	Management's Response
<p><b>Recommendation 1 - Trigger Points (Central Monitoring)</b>  <b>Level of Risk - Medium</b></p>			
<p>Monthly monitoring reports are provided to all Heads of Service, outlining incidents of sickness in each Department. These reports identify individuals progressing through each trigger point in the absence process.</p> <p>Managers are required to review each instance of individuals progressing through trigger points and record the action taken and submit these details to Personnel.</p> <p>A sample of absences at each trigger point was reviewed. A number of examples were identified where no details were submitted to personnel regarding the action taken.</p> <p>Following the previous audit review (IAR0607-23), issued in July 2007, in an effort to maintain central control, an exception report identifying new individuals hitting the trigger points has been introduced. Departments are emailed details of individuals hitting respective trigger points. Examination of the reports showed that they were not up to date.</p> <p>This is a fundamental control, which requires central monitoring to ensure compliance and consistency with approved policy.</p>	<p>Inconsistent application of the sick absence management policy, resulting in potential litigation and failure to minimise sick absence costs.</p>	<p>Central records should be kept up to date with management action received and recorded in the application of the policy.</p> <p>Instances of management failure to record and report action taken should be identified and followed up.</p> <p><b>Action: Janet Brothwell – Head of Customer Services &amp; Organisational Development</b></p>	<p><b>Management Comment:</b>  Sickness absence is reported to SMT on a monthly basis and Heads of Department are regularly reminded about the need to, and importance of, submitting details of action taken to improve absence levels.</p> <p><b>Planned Corrective Action:</b>  An 'escalation procedure' is to be introduced whereby the Head of Customer Services &amp; Organisational Development will notify the Deputy Chief Executive of those departments that fail to submit absence management information.</p> <p><b>Timescale:</b>  Ongoing</p>

Observation	Risks	Recommendation	Management's Response
<p><b>Recommendation 2 - Performance Measurement Reports</b>  <b>Level of Risk - Medium</b></p>			
<p>Heads of Service receive monthly reports, which are then distributed to senior managers for monitoring and recording action and examining the performance in respect of sickness absence. Report details include:</p> <ul style="list-style-type: none"> <li>• 3 trigger reports,</li> <li>• Monthly summary,</li> <li>• Year to month summary (12 months)</li> <li>• Analysis of short and long term absence,</li> <li>• Current month sickness and includes cost (sick pay).</li> </ul> <p>In reviewing the content and purpose of the monthly sick absence reports, anecdotal evidence was provided by a selection of report recipients. The general consensus was that the reports are not user friendly, with several managers choosing to rely on their own departmental / section records.</p> <p>Specific issues were identified with respect to the 3 trigger reports, whereby individuals appear first on the stage 3 report, before working their way backwards through stage 2 and then on to stage 1.</p>	<p>Inaccurate performance measure and inconsistent for comparison.</p>	<p>Personnel should consult with the end users of the sick absence reports to identify issues and concerns. Upon completion of the consultation the format and structure of the reports should be reviewed in line with end user requirements.</p> <p><b>Action: Janet Brothwell – Head of Customer Services &amp; Organisational Development</b></p>	<p><b>Management Comment:</b>  Departmental management teams have already been consulted as a consequence of the last audit report. There have been meetings with personnel specialists to look at how to use the information.</p> <p><b>Planned Corrective Action:</b>  The introduction of Office 2007 will provide opportunities to improve the format. A further review after implementation will be undertaken, which may require additional consultancy support to achieve the desired outcome.</p> <p><b>Timescale:</b>  31<sup>st</sup> July 2009</p>

Observation	Risks	Recommendation	Management's Response
<p><b>Recommendation 3 - Performance Measurement (Completeness &amp; Accuracy)</b>  <b>Level of Risk - Medium</b></p>			
<p>The BVPI 12 performance indicator conforms to government guidance and is described as the measure of working days lost due to sickness absence. The calculation is programmed on the computer and obtained in the form of a report. It is measured in FTE's and excludes agency, maternity and paternity leave and non-permanent staff. Sick pay is reported on the monthly report for each respective month.</p> <p>A system report was obtained for the year ending April 2008, identifying 10.60 FTE days lost to sickness (BVPI12 indicator). A manual calculation was carried out to verify the accuracy of this figure. The manual calculation gave an FTE figure of 10.00 days for the corresponding period.</p> <p>The issues identified as the potential cause of the discrepancy include:</p> <ul style="list-style-type: none"> <li>• Calculation of part time hours,</li> <li>• Sick absences spanning reporting periods.</li> </ul> <p>The BVPI performance data is derived from the COGNOS report writing software. Consultants were commissioned to write the</p>	<p>Inaccurate performance measure and inconsistent for comparison.</p>	<p>A review of the reported sick absence figure should be undertaken to confirm its accuracy and completeness.</p> <p>When commissioning consultancy work, a detailed specification should be completed. The product should not be accepted until detailed data validation / verification tests have been undertaken, confirming delivery of the product to specification.</p> <p><b>Action: Janet Brothwell – Head of Customer Services &amp; Organisational Development</b></p>	<p><b>Management Comment:</b>  A specification was issued at the time of commissioning the work. This was the Audit Commission definition of BVPI12. This document contained sufficient information on how to calculate absence in accordance with the Audit Commissions requirements. It is not considered that any further specification was required.</p> <p>The new system was validated against the previous in-house system and no evident discrepancies were identified. The errors subsequently found were as a consequence of running the new system over time – and would not have been revealed at the time of verification.</p> <p><b>Planned Corrective Action:</b>  It is recognised that specifications are required for any system. This is normal practice and will continue. To validate existing data a sample section will be manually calculated and compared to the outputs of the reporting tool.</p> <p><b>Timescale:</b>  Ongoing</p>

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<p>COGNOS reports in line with BVPI12 requirements.</p> <p>Internal Audit were unable to obtain any written specification for the consultancy work. In addition, no evidence was obtained that data validation / verification tests had been completed to confirm the accuracy of the reported figures prior to the reports going live.</p>			
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Observation	Risks	Recommendation	Management's Response
<p><b>Recommendation 4 - Sickness Recording (SC1 Forms)</b>  <b>Level of Risk - Low</b></p>			
<p>Sickness reporting and recording processes are documented. The employee should report on the day of sickness to his/her manager, who note and record details. On return from sickness, an SC1 form is completed or a medical certificate obtained for longer periods of sickness.</p> <p>Departments forward their sick return for the month together with the SC1 and medical certificate to payroll for input to the payroll system and payment of Statutory Sick Pay (SSP). This is usually for the previous month, and therefore sickness is recorded in arrears.</p> <p>Testing a sample of sick absence returns and supporting documents was carried out for the period of April to May 2008. Several instances were identified where the SC1 forms were not received by payroll.</p>	<p>Inadequate reporting and recording arrangement for sick absence and inconsistency with the sick policy.</p>	<p>A reminder should be issued to all departments to ensure that they apply the absence policy consistently by ensuring that they complete all relevant SC1 and forward these payroll along with the sick returns.</p> <p><b>Action: Janet Brothwell – Head of Customer Services &amp; Organisational Development</b></p>	<p><b>Management Comment:</b> Recommendation Agreed.</p> <p><b>Planned Corrective Action:</b> An email will be sent to all HoS with this advice.</p> <p><b>Timescale:</b> 31<sup>st</sup> December 2008</p>

**ANNEX A****Risk & Assurance – Standard Definitions**Audit Recommendations

Audit recommendations are categorised, depending upon the level of associated risk, as follows:

Level	Category	Definition
1	<b>High</b>	Action is essential to manage exposure to fundamental risks.
2	<b>Medium</b>	Action is necessary to manage exposure to significant risks.
3	<b>Low</b>	Action is desirable and should result in enhanced control or better value for money.

Assurance Statement

Each report will provide an opinion on the level of assurance that is provided with respect the risk emanating from the controls reviewed. The categories of assurance are as follows:

Category	Definition
<b>No</b>	The majority of the significant risks relating to the area reviewed are not effectively managed.
<b>Limited</b>	There are a number of significant risks relating to the area reviewed that are not effectively managed.
<b>Substantial</b>	The risks relating to the objectives of the areas reviewed are reasonably managed and are not cause for major concern.

### **What Happens Now?**

The final report is distributed to those involved with discharging the recommended action, the Head of Finance, Audit Commission and, where applicable, the relevant Heads of Service.

A synopsis of the audit report is provided to the authority's Audit Sub-Committee. Internal Audit will carry out a follow-up exercise approximately six months after the issue of the final audit report. The on-going progress in implementing each recommendation is reported by Internal Audit to each meeting of the Audit Sub-Committee.

### **Any Questions?**

If you have any questions about the audit report or any aspect of the audit process please contact the auditor responsible for the review or Vince Rimmington, Resource Services Manager on telephone number 0115 9013850 or via e-mail to [vince.rimmington@gedling.gov.uk](mailto:vince.rimmington@gedling.gov.uk)