ARGYLL & BUTE COUNCIL

Internal Audit Section

INTERNAL AUDIT REPORT

CUSTOMER DEPARTMENT	CUSTOMER SERVICES
AUDIT DESCRIPTION	RISK BASED AUDIT
AUDIT TITLE	SICKNESS AND ABSENCE
AUDIT DATE	JUNE 2014

2014/2015

1. BACKGROUND

This report has been prepared as a result of the Internal Audit review of Sickness and Absence within Improvement and HR as part of the 2014/15 Internal Audit programme.

The current Maximising Attendance at Work Policy was developed in 2012 this policy and the associated procedures are being monitored and reviewed to ensure that they continue to meet the Council's aims and principles. With over 36,800 work days lost due to sickness absence and sick pay costing £3.4 million in 2012/2013, the Council are keen to review options with a view to putting in place measures that will improve attendance. The Council has developed a range of initiatives to support employees and aid prevention and reduction of sickness absence. The figures for the period April 2013 – March 2014 are 36,033 work days lost due to sickness absence and sick pay costing £3.1 million, showing a small improvement during the year.

The Council has developed a range of initiatives designed to support employees and prevent and reduce sickness absence levels including Occupational Health, Counselling Service, health improvement policies, flexible and home working arrangements and additional training for managers. They are also developing management information systems which will enable managers to receive detailed reports on the causes of absence and identify any trends that may be evident as well as the concentration of absence at a particular location.

2. AUDIT OBJECTIVES

The Objectives of the Audit are as follows:

- To ensure that the Council's Sickness and Absence Policies and Procedures are up to date.

- To ensure that roles and responsibilities for Sickness Absence management are clearly defined and managed in a consistent manner across the council and employees are aware of their individual responsibilities.

- To ensure that periods of sickness absence are properly recorded and supported by appropriate documentation.

- To ensure that reports on Sickness Absence are received and reviewed regularly, the information is reported accurately and any follow up actions identified are actioned.

3. RISKS IDENTIFIED

IHR04 - Failure to deliver high quality, continually improving, efficient and responsive services:

- Service review changes are not embraced by service users resulting in additional unnecessary demands.

- Insufficient or inaccurate information leads to inefficiencies, duplication and errors.

- Systems and Process do not support Corporate / Departmental requirements.

- Failure to implement Employment Law, Statutory regulations and HMRC guidance in a timely manner.

Audit risk:

- The council does not maintain appropriate sickness and absence policies and procedures resulting in a failure to provide quality services efficiently and effectively.

- Responsibility for Sickness Absence management is not clearly defined and employees are not aware of their individual responsibilities.

- Periods of sickness absence are not properly recorded and not supported by appropriate documentation.

- Sickness Absence is not managed in a consistent manner across the council.

- Reports on Sickness Absence are inaccurate, not received and reviewed regularly and no follow up action is taken.

4. AUDIT OPINION

The level of assurance given for this report is Substantial with the exception of production of statistics which requires improvement.

Level of Assurance	Reason for the level of Assurance given
High	Internal Control, Governance and the Management of Risk are at a high standard with only marginal elements of residual risk, which are either being accepted or dealt with.
Substantial	Internal Control, Governance and the Management of Risk have displayed a mixture of little residual risk, but other elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
Limited	Internal Control, Governance and the Management of Risk are displaying a general trend of unacceptable residual risk and weaknesses must be addressed within a reasonable timescale, with management allocating appropriate resource to the issues.
Very Limited	Internal Control, Governance and the Management of Risk are displaying key weaknesses and extensive residual risk above an acceptable level which must be addressed urgently, with management allocating appropriate resource to the issues.

This framework for internal audit ratings has been developed and agreed with Council management for prioritising internal audit findings according to their relative significance depending on their impact to the process. The individual internal audit findings contained in this report have been discussed and rated with management.

A system of grading audit findings, which have resulted in an action, has been adopted in order that the significance of the findings can be ascertained. Each finding is classified as High, Medium or Low. The definitions of each classification are set out below:-

High - major observations on high level controls and other important internal controls. Significant matters relating to factors critical to the success of the objectives of the system. The weakness may therefore give rise to loss or error;

Medium - observations on less important internal controls, improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system and items which could be significant in the future. The weakness is not necessarily great, but the risk of error would be significantly reduced if it were rectified;

Low - minor recommendations to improve the efficiency and effectiveness of controls, one-off items subsequently corrected. The weakness does not appear to affect the ability of the system to meet its objectives in any significant way.

5. FINDINGS

The following findings were generated by the audit:

- A review of the Maximising Attendance Policy showed that the roles and responsibilities of management and employees are clearly set out within the Policy. The policy is live and continuously updated HR are currently conducting a quick review.

- Live testing with new employees confirmed that they were referred to the Absence Line Reporting Procedure documents, either on the HUB or by provision of paper copies on their first day at work as part of the induction process, this is in line with the Induction Policy.

- The System used to monitor and process sickness and absence is Resource Link with Civica as the document management system. Security measures such as password protection and mandatory fields were evidenced as functioning.

- During testing it was noted that the Council operates an absence line for the reporting of absence. It was noted that data collection for this process is labour intensive and a number of operations are keyed and rekeyed into the system.

- Six instances of short term absence were followed from the initial calls to the absence line, to the inputting of information into Resource Link, then on to the return to work calls and confirmation of receipt of all relevant paperwork. All procedures and guidelines were followed. Return to work interviews took place on the return date for 5 out of the 6, with the last one being completed within the maximum guideline of 5 days. All relevant paperwork was completed and recorded within the system. The performance statistics for 2013-14 showed that of the 4,648 instances of absence from work during the year, 68% received a return to work interview.

- It was noted that the recording of long term absence is labour intensive and requires manual monitoring and inputting of data.

- Documentation required for all types of absence was reviewed and found to be complete and stored within the document management system.

- Figures and statistics for reports are produced via the Cognos report writing tool for Resource Link. The reports are generated using defined parameters and based on returns /data received to date. There is a reporting risk of information not fully reflecting activity /position due to timing issues, information keying delays and in transit delays.

- Production of the data for performance statistics used for written reports to committees and Council regarding sickness figures was found to be labour intensive, involving data extraction, manual analysis and rekeying.

- Reports on sickness absence are received and reviewed regularly. Evidence of follow up actions leading from reports was noted in departmental team meeting minutes.

6. GOOD PRACTICE

A rolling programme of procedural reminders has been implemented by some departments, during their weekly team meetings a procedure or policy is chosen and a brief reminder of the contents is covered.

7. CONCLUSION

This audit has provided a substantial level of assurance with the exception of production of statistics which requires improvement. There were a number of recommendations for improvement identified as part of the audit and these are set out in Appendix 1 and 2. There is one high and three medium recommendations set out in Appendix 1 which will be reported to the Audit Committee. There is one low recommendation which is not reported to the Audit Committee. Appendices 1 and 2 set out the action management have agreed to take as a result of the recommendations, the persons responsible for the action and the target date for completion of the action. Progress with implementation of actions will be monitored by Internal Audit and reported to management and the Audit Committee.

APPENDIX 1   ACTION PLAN

Findings	Risk Impact	Rating	Agreed Action	Responsible person agreed implementation date
1. Production of Statistics		**High/ Medium or Low**		
A review of the production of data for performance statistics and reports to committees and Council regarding sickness figures, found the process to be labour intensive. A number of manual operations take place when extracting data, some data is rekeyed, manually analysed and then entered into another system.	Incorrect figures being reported leading to follow up actions which may be unnecessary. Inefficient use of resource.	High	A review of the current manual provision of statistical information will be undertaken with consideration given to amending production of data via excel and pivot tables to ensure accuracy. This interim process will be in put place until implementation of Leave Management within Resourcelink Phase 4 Project which is due for completion March 2016	**Head of Improvement & HR** **31/12/14 (1st Action interim)** **31/03/16 (2nd Action)**

2. Double Keying		High/ Medium or Low		
Data collection for the absence line is labour intensive and a number of operations are keyed and rekeyed into the system.	Increased risk of input error. Inefficient use of resource	Medium	This will continue on an Interim basis until implementation of Leave Management within Resourcelink Phase 4 Project which is due for completion March 2016.	**Head of Improvement & HR** **31/03/16**
3. Manual Recording				**High/ Medium or Low**
It was found that the recording of long term absence is labour intensive and requires manual monitoring and inputting.	Manual recording is open to human error, omissions and is labour intensive.	Medium	This will continue on an Interim basis until implementation of Leave Management within Resourcelink Phase 4 Project which is due for completion March 2016.	**Head of Improvement & HR** **31/03/16**
4. Production of Reports				**High/ Medium or Low**
The reports are generated within defined parameters and based on returns /data received to date.	Risk of information not fully reflecting activity /position due to timing issues, information keying delays and in transit delays.	Medium	Information generated is for a defined period of time. Future reports to highlight that "**the information reported is for returns/data received to specified date". "May include % error due to timing".**	**Head of Improvement & HR** **31/08/14**

APPENDIX 2 **ACTION PLAN**

Findings	Risk Impact	Rating	Agreed Action	Responsible person agreed implementation date
1. Good Practise		**High/ Medium or Low**		
A rolling programme of procedural reminders has been implemented by some departments, during their weekly team meetings a procedure or policy is chosen and a brief reminder of the contents is covered.	Good Practise is not rolled out across all areas of the Council.	Low	**To be agreed following discussions with regard corporate policy on good practise.**	**To be agreed**

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