

Argyll and Bute Council

Internal Audit Report

May 2021

FINAL

Sickness Absence

Audit Opinion: Substantial

	High	Medium	Low	VFM
Number of Findings	0	2	2	1

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1. Executive Summary

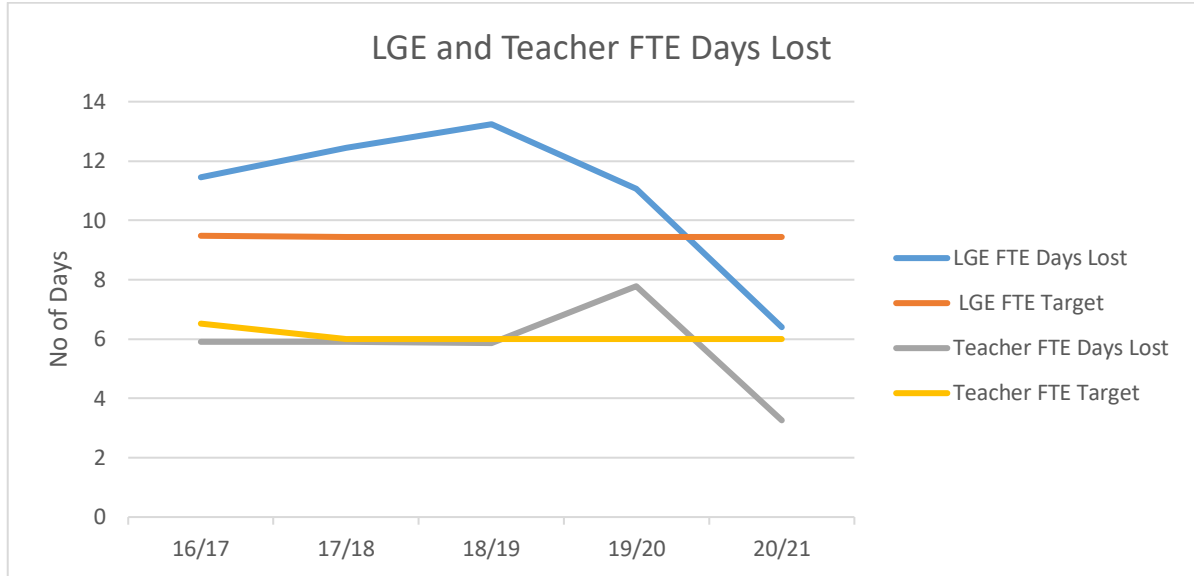
Introduction

1. As part of the 2020/21 internal audit plan, approved by the Audit & Scrutiny Committee in March 2020, we have undertaken an audit of Argyll and Bute Council's (the Council) system of internal control and governance in relation to Sickness Absence.
2. The audit was conducted in accordance with the Public Sector Internal Audit Standards (PSIAS) with our conclusions based on discussions with council officers and the information available at the time the fieldwork was performed. The findings outlined in this report are only those which have come to our attention during the course of our normal audit work and are not necessarily all the issues which may exist. Appendix 1 to this report includes agreed actions to strengthen internal control however it is the responsibility of management to determine the extent of the internal control system appropriate to the Council.
3. The contents of this report have been agreed with the appropriate council officers to confirm factual accuracy and appreciation is due for the cooperation and assistance received from all officers over the course of the audit.

Background

4. Effective implementation of the Council's Maximising Attendance at Work Policy requires managers to actively monitor the attendance levels of their staff on an ongoing basis. Monitoring enables emerging trends to be identified with a view to taking early action to prevent absence/health issues from developing into potentially longer-term problems. Absence due to sickness can be for a number of reasons and the Council approach is that instances of sickness absence are dealt with on an individual basis.
5. Managers should be using monitoring information to identify possible symptoms of stress (work-related or otherwise), motivational/behavioural matters or physical well-being issues that may be causing, or contributing to an employee's absence from work.
6. The Council sickness absence procedures are designed to:
 - support employee wellbeing
 - minimise working days lost
 - ensure the health, safety and wellbeing at work of employees.
7. Exhibit 1 provides a summary of days lost against target due to sickness absence for both LGE staff and teachers in terms of full time equivalents (FTE) over the five year period 2016-2021. Note that the 2020/21 performance is an outlier due to the impact of COVID.

Exhibit 1 – Sickness Absence Days Lost 2016/17-2020/21



Scope

- The scope of the audit was to assess the adequacy and effectiveness of the Council's sickness absence arrangements as outlined in the Terms of Reference agreed with the Human Resources and Organisational Development (HROD) Manager on 18 December 2020.

Risks

- The risks considered throughout the audit were:
 - Audit Risk 1:** robust sickness absence procedures are not in place
 - Audit Risk 2:** monitoring and reporting of sickness absence is not carried out as per established procedures
 - Audit Risk 3:** appropriate sickness absence reporting is not carried out

Audit Opinion

- We provide an overall audit opinion for all the audits we conduct. This is based on our judgement on the level of assurance which we can take over the established internal controls, governance and management of risk as evidenced by our audit work. Full details of the five possible categories of audit opinion is provided in Appendix 2 to this report.
- Our overall audit opinion for this audit is that we can take a substantial level of assurance. This means that internal control, governance and the management of risk is sound. However, there are minor areas of weakness which put some system objectives at risk and specific elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.

Recommendations

- We have highlighted two medium priority recommendations and two low priority recommendations where we believe there is scope to strengthen the control and governance environment. We have also highlighted one recommendation which may lead to more efficient working practice. These are summarised below:

- return to work interviews and attendance review meetings should be carried out
- records of attendance review meetings should be kept and be accessible by HR
- completion of the revised e-learning module 'Maximising Attendance' should be promoted to all staff
- sickness absence targets should be subject to annual review
- review of the effectiveness of the dedicated HR assistants should be carried out to determine if they deliver value for money.

13. Full details of the audit findings, recommendations and management responses can be found in Section 3 of this report and in the action plan at Appendix 1.

2. Objectives and Summary Assessment

14. Exhibit 2 sets out the control objectives identified during the planning phase of the audit and our assessment against each objective.

Exhibit 2 – Summary Assessment of Control Objectives

	Control Objective	Link to Risk	Assessment	Summary Conclusion
CO1	The Council has robust sickness absence procedures	Audit Risk 1	High	The Council has a 'Maximising Attendance at Work Policy' with comprehensive associated procedures and guidance which are readily available on the HUB. An updated Policy "Supporting Attendance at Work was approved by Policy and Resources Committee in May 2021. Roles and responsibilities have been identified and appropriate training is available. Staff should be encouraged to review the e-learning module 'Maximising Attendance'
CO2	Sickness absence is monitored in line with established procedures	Audit Risk 2	Reasonable	The Council has trigger levels which, if exceeded, require intervention by line managers. Return to work interviews had not been recorded as conducted in 53% of periods of absence subject to audit sampling and, for a sample of eight long term absences, there was no record of attendance review meetings being performed. Procedures should be updated to reflect the requirement for managers to record both RTW and attendance review meetings and have them accessible by HR staff. The Council provide an occupational health service for employees and sample testing confirmed this was being utilised where appropriate.

CO3	There are appropriate arrangements for reporting sickness absence	Audit Risk 3	High	The Council regularly reports sickness absence statistics to all appropriate bodies including the Strategic Management Team (SMT), Heads of Service and the Audit and Scrutiny Committee. Sickness targets have not been updated for a number of years. In view of the significant number of days lost by HSCP staff in comparison to Council staff there may be scope for having a dedicated HR assistant for HSCP, however there is currently no mechanism in place for assessing the effectiveness of dedicated HR assistants in relation to improving sickness absence levels. HSCP has recently implemented a major management restructure, which has resulted in a large proportion of NHS managers now being responsible for council staff in the service. Additional support requirements for HSCP will be assessed with a report being prepared for SMT by June 2021.
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15. Further details of our conclusions against each control objective can be found in Section 3 of this report.

3. Detailed Findings

The Council has robust sickness absence procedures

16. The Council is currently drafting a new 'Supporting Attendance at Work Policy' and associated procedures. As these are still in draft the audit focused on the current policy and procedures however cognisance was given to the proposed new documents.
17. A 'Maximising Attendance at Work Policy' (the Policy) was developed by Human Resources (HR), in conjunction with service representatives and trade unions, and implemented in 2012. Supplementary guidance on key elements of the Policy is available to employees and managers.
18. The Policy and associated procedures provide comprehensive guidance to managers and employees on each stage of the sickness absence process. These are freely available via the HUB and include guidance on key areas such as:
- use of the absence line
 - medical fit notes
 - short term and long term absence
 - maximising attendance at work.

19. Responsibility for implementing and complying with the Policy and associated procedures lies with officers at all levels within the Council. The Policy clearly sets out the roles and responsibilities of:
- the SMT
 - heads of service
 - line managers
 - employees
 - HR.
20. Line managers are responsible for managing their employee's attendance in relation to adherence to contracted hours, flexi-time, annual leave and authorising other absence types. This includes:
- ensuring employees submit self certification or medical certificates to support absence
 - keeping in regular contact with employees
 - reviewing absence frequency and/or length of absence to identify need for Stage 1 (informal) or Stage 2 (formal) attendance monitoring.
21. HR oversees the collation and reporting of absence data for the whole council and supports line managers to deal with absence management. Support is also available via online training on the application of relevant policies and HR advice on attendance review meetings and the provision of reasonable adjustments to facilitate an employee's return to work.
22. As part of the corporate induction programme new starts are provided with information on what is expected of them when they are off sick and the processes which their manager will follow on their return to work. An e-learning module entitled 'Maximising Attendance' is available via the HUB. The module covers the Council's policy and the responsibilities of managers and employees. Responsibility lies with individual services to encourage staff to complete the module. At the time of the audit 184 council officers had done so which is low in comparison to total staff numbers. HR have indicated they will review and update the module if necessary in light of the new policy and procedures currently being prepared. Completion of the revised module should be promoted as part of its roll out.

Action Plan 3

23. Absences are recorded on the MyView system and training videos are available on the HUB on how to use MyView.
24. The Council has an agreement with an Employee Assistance Programme to provide a free, and confidential, professional, counselling service to employees. Employees can refer themselves, or be referred by the Council. The Council also offer advice and support to managers who are dealing with difficult or sensitive issues in the workplace.

Sickness absence is monitored in line with established procedures

25. The Council has established sickness absence trigger levels which, if exceeded, require intervention by line managers. A trigger level is defined as a level or frequency of absence over a prescribed period that gives rise for concern. The current trigger levels are:
- 3 or more absences of any length in the last 365 days
 - 10 days or more absence in a 12 month rolling period

- any noted pattern of absence e.g. Mondays and Fridays, or before, or after, leave
 - continuous absence of more than four weeks
 - reason for absence is stress or a similar condition
 - back and/or musculoskeletal related absences.
26. Where a trigger level is exceeded the appropriate line manager is sent an e-mail which instructs them to contact the employee to arrange a review meeting 'to discuss their attendance levels in accordance with the Council's procedures on maximising attendance.'
27. A sample of eleven short term and eight long term absences were reviewed to confirm:
- the employee provided a self-certification (fit note) where then absence was for more than seven calendar days
 - a return to work interview has been carried out
 - attendance review meetings (where appropriate) were carried out
 - occupational health referral was given (where appropriate).
28. Self-certifications had been provided in all relevant instances. We identified that the current procedures don't stipulate when self-certification is required however no audit issue has been raised as this has been corrected in the revised draft procedures.
29. Following every period of sickness absence, a return to work interview should be carried out by the relevant line manager. For the sample of nineteen absences there was no evidence of a return to work interview being conducted in ten cases (six out of the eleven short term and four out of the eight long term absences).

Action Plan 1

30. Procedures stipulate that attendance review meetings should be carried out by the employee's line manager to facilitate the employees return to work. Whilst for short term absences the line manager may not deem this necessary, there was no evidence of any review meetings for the eight long term absences identified within the sample. The procedures should be updated to ensure that all attendance review meetings are properly recorded in the MyView system in the same way that return to work interviews are recorded in MyView.

Action Plan 2

31. Occupational Health Physicians (OHP) provide advice and guidance on the impact of ill health and what steps the Council and/or employee may take. Employee support services are available via an Occupational Health and the Employee Assistance Programme and referral is made where appropriate. OHP is normally relevant to employees on long term sick. Of the eight employees on long term absence reviewed, five had been referred to OHP. For the remaining three the cause of the absence meant referral was not deemed necessary.

There are appropriate arrangements for reporting sickness absence

32. Sickness absence levels against targets is recorded in the Pyramid performance system on a quarterly basis.
33. The procedures state 'targets will be reviewed on at least an annual basis and services are expected to provide year on year improvements in their sickness absence figures'. Targets have not been reviewed within the last three years.

Action Plan 4

34. Sickness absence is reported annually to the SMT. The 2019/20 report highlights that sickness absence cost the Council £3,543,579 in the year and that:
- 11.49 total work days lost per FTE (Council wide) - 3.4% reduction from 11.89 in 2018/19
 - 12.70 total work days lost per FTE (LGE) – 9% reduction from 14.01 in 2018/19
 - 7.97 total work days lost (Teachers) - 39% increase from 5.73 in 2018/19
 - stress/depression/mental health is the most common cause of absence accounting for 30% of work days lost
 - the number of days of short term absence in quarter 1 2020/21 has reduced by 70%
 - HSCP days lost for 2019/20 was 19.85 compared to the Council average of 11.49.
35. As part of a six monthly performance report sickness absence statistics are reported to the Audit and Scrutiny Committee. The report highlights the number of days lost per FTE and the main reason for days lost. In addition it summarises the status of any new relevant initiatives currently being implemented.
36. The Council produce a quarterly report called the 'Health of the Organisation' which is circulated to all Heads of Service and presented to SMT on a six monthly basis. It provides information on:
- % of wage bill spent on sickness absence
 - long term & short term sickness rates
 - number of days lost per top three absence categories (long and short term)
 - % of return to work interviews completed.
37. HR also produce a comprehensive monthly report on sickness absence by service which is forwarded to all Heads of Service. This provides information on:
- employees on long term sick-28 days or more
 - employees on short term sick
 - 10 days or more of sickness in 12 month rolling period
 - 3 or more occurrences of sickness in a 12 month rolling period
 - return to work analysis
 - instances of absence due to stress
 - reason for sickness absence.
38. Line managers can also use MyView to view/run the following reports:
- 3 or more absences in 12 months
 - 10 or more days absence in 12 months
 - return to work interviews complete/outstanding
 - individual absence records.
39. Development & Infrastructure and Education have a dedicated HR Assistant who circulates more detailed sickness absence reports on a monthly basis to Heads of Service. This position has been in place for 8 years and provide more detailed analysis and trends on sickness absence than is contained in the reports referenced at paragraph 38 and a more dedicated support service. The remaining Council services, including the HSCP, are supported via the wellbeing team as part of their day to day duties. A review of the latest sickness absence prepared by HR to SMT noted that HSCP lose a significant number of days due to absence in comparison to the rest of the Council.

40. The HSCP has recently implemented a major management restructure, which has resulted in a large proportion of NHS managers now being responsible for council staff in the service. These managers have had initial induction into HR policies and procedures, but will require additional support to ensure that they are familiar with them. Further benefit to HSCP may therefore be derived by having a dedicated assistant for HSCP, however there is currently no mechanism in place to assess the impact of the current dedicated HR assistants in regard to reducing sickness absence. Therefore it is not possible to determine whether employing a further dedicated assistant would represent good value for money or whether the current dedicated assistants are delivering value for money.

Action Plan 5

Appendix 1 – Action Plan

	No	Finding	Risk	Agreed Action	Responsibility / Due Date
Medium	1	<p>Return to Work Interviews</p> <p>Return to work interviews had not been conducted in 53% of periods of absence subject to audit sampling.</p>	Underlying reasons for absence may not be identified which could result in a further period of absence.	<p>HR will undertake the following actions regarding RTW:</p> <ol style="list-style-type: none"> 1. Contact all services regarding the importance of carrying out RTW interviews 2. Introduce a reminder e-mail after 5 working days to remind line managers that a RTW should be carried out 3. Review the RTW procedure documentation. 	<p>HR Team Leader</p> <p>31 December 2021</p>

Medium	2	<p>Attendance Review Meetings</p> <p>Procedures stipulate that attendance review meetings should be carried out by the employee's line manager to facilitate the employees return to work. No evidence of review meetings being carried out was available for any of a sample of eight long term absences. Procedures should be updated to ensure that all attendance review meetings are properly recorded in the MyView system in the same way that return to work interviews are recorded in MyView.</p>	Failure to record attendance review meetings may lead to absence issues not being properly addressed.	HR will review the mechanism for documenting content of attendance review meetings and recommend a preferred option for automatically populating the documentation into the Myview system	<p>HR Development Team Lead</p> <p>31 December 2021</p>
Low	3	<p>Maximising Attendance e-Learning</p> <p>Only 184 Council officers have completed the e-learning module 'Maximising Attendance. HR will be updating the module to reflect the revised sickness absence policies and procedures. Completion of the revised module should be promoted as part of the roll out of the revised governance documents.</p>	Officers may not be aware of their responsibilities in relation to managing sickness absence.	HR will update the module to reflect the revised sickness absence policies and procedures.	<p>HR Team Leader</p> <p>31 December 2021</p>
Low	4	<p>Review of Absence Targets</p> <p>The sickness absence procedures state 'targets will be reviewed on at least an annual basis and Services are expected to provide year on year improvements in their sickness absence figures'. Targets have not been reviewed within the last three years.</p>	Current targets may either be unrealistic or, alternatively, not appropriately challenging.	HR will engage with Heads of Service and DMTs to review their annual absence performance and agree the next year's targets. This will be reported to SMT/HSCP SLT for final approval.	<p>HR Team Leader</p> <p>31 March 2022</p>

VFM	5	<p>Dedicated HR Assistants</p> <p>Development & Infrastructure and Education have a dedicated HR Assistant for Attendance who circulate reports on a monthly basis to the Heads of Service. The HR assistants provide analysis and trends over time on sickness absence. As there is no mechanism in place to assess the impact of a dedicated HR assistant on levels of sickness absence it is not possible to assess whether they are delivering value for money.</p>	Value for money may not be achieved	HR will review attendance trends and survey Development & Infrastructure and Education services to assess and report to SMT on how effective the dedicated HR assistants have been to their service.	<p>HR Team Leader</p> <p>30 June 2021</p>
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In order to assist management in using our reports a system of grading audit findings has been adopted to allow the significance of findings to be ascertained. The definitions of each classification are as follows:

Grading	Definition
High	A major observation on high level controls and other important internal controls or a significant matter relating to the critical success of the objectives of the system. The weakness may therefore give rise to loss or error.
Medium	Observations on less significant internal controls and/or improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system. The weakness is not necessarily substantial however the risk of error would be significantly reduced if corrective action was taken.
Low	Minor recommendations to improve the efficiency and effectiveness of controls or an isolated issue subsequently corrected. The weakness does not appear to significantly affect the ability of the system to meet its objectives.
VFM	An observation which does not highlight an issue relating to internal controls but represents a possible opportunity for the council to achieve better value for money (VFM).

Appendix 2 – Audit Opinion

Level of Assurance	Definition
High	Internal control, governance and the management of risk are at a high standard. Only marginal elements of residual risk have been identified with these either being accepted or dealt with. A sound system of control designed to achieve the system objectives is in place and being applied consistently.
Substantial	Internal control, governance and the management of risk is sound. However, there are minor areas of weakness which put some system objectives at risk and specific elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
Reasonable	Internal control, governance and the management of risk are broadly reliable. However, whilst not displaying a general trend, there are areas of concern which have been identified where elements of residual risk or weakness may put some of the system objectives at risk.
Limited	Internal control, governance and the management of risk are displaying a general trend of unacceptable residual risk above an acceptable level and placing system objectives are at risk. Weakness must be addressed with a reasonable timescale with management allocating appropriate resources to the issues raised.
No Assurance	Internal control, governance and the management of risk is poor. Significant residual risk and/or significant non-compliance with basic controls exists leaving the system open to error, loss or abuse. Residual risk must be addressed immediately with management allocating appropriate resources to the issues.