

Bolsover, Chesterfield and North East Derbyshire District Councils'

Internal Audit Consortium

Internal Audit Report

Authority:	Chesterfield Borough Council
Subject:	Sickness Absence Management
Date of Issue:	5th March 2019
Assurance Level	Limited Assurance
Report Distribution:	Assistant Director – Customers, Commissioning and Change



INTERNAL AUDIT REPORT PAYROLL SYSTEM

Introduction

An internal audit of the Council's sickness absence management and occupational health arrangements has recently been undertaken in line with the Internal audit plan.

Scope and Objectives

The objectives of the audit was to review the following:

- Sickness absence policies and procedures
- Duties and responsibilities of officers and managers
- Pre-employment sickness checks
- Recording of sickness absences
- Adequate use of trigger points
- The use of support services (e.g. Occupational health)
- Review performance monitoring and reporting procedures

During this audit no review of Sickness payments were conducted as this was completed as part of the recent Payroll audit.

Conclusion

The conclusion as a result of the audit it was that the internal controls operating in the system provide **Limited Assurance** (Certain important controls are either not in place or not operating effectively. There is a risk that the system may not achieve its objectives. Some key risks were not well managed), see Appendix 1.

Acknowledgement

The assistance of HR and Support Services staff during the audit is gratefully acknowledged.

Findings and Recommendations

Sickness Absence Policies and Procedures

1. The Council's Managing Attendance policy was approved by the Employment and General Committee on 25th January 2016
2. Review of the Absence management policy established that detailed and comprehensive instruction is provided for the managers, all supporting documents and forms are attached to the policy and that the policy is readily available to all council staff via the Aspire Intranet. In addition to this further guidance has been provided via detailed posts on Aspire on the following areas:
 - Managing Attendance
 - Phased Returns
 - Return to Work Interviews
 - Managing Staff and Difficult Conversations
3. The current sickness reporting procedures require that S1 and S2 forms are completed by managers; these are then passed to support services. The resource link system is then updated and the sickness absence details are transferred on to the BT3 forms to be sent to payroll. Fit notes are also retained with the S1 and S2 forms within support services. Where employees hit sickness triggers it is the manager's responsibility to take further action. During the audit the following issues were identified:
 - Due to support services being spread out across the council departments it was identified that sensitive sickness documents are stored in at least 7 different locations.
 - In each location the document handling is inconsistent, it was evidenced that in some areas all sickness records are stored digitally where as other areas keep physical records of all sickness records.
 - During the audit it was identified that sickness records dated 2003 were retained. Under GDPR guidelines and the council's retention policy only sickness records from the previous 3 years should be kept.
 - Managers are required to maintain a record of their employee's sickness absences and should be aware of when triggers are reached by the employees however managers have to create and maintain their own sickness records as they do not have access to the resource link system, these sickness records are completely unmonitored.
 - Where a manager does not keep adequate records of sickness absences the employee's sickness history would to be requested from support services or HR.
 - Parts of the support services department retain records of sickness to inform the managers when triggers are reached and if any further documents are required. This is not consistently applied across the council.
 - Discussion with two senior support services officers established that they both believed the responsibility for senior management sickness reporting lie with the other officer. This has been resolved as part of the audit.
 - If a manager did not report a sickness absence via an S1 or S2 the absence would be unreported this would be undetectable to support services or HR.

Recommendation	
R1	It should be ensured that a fit for purpose sickness management process be introduced to ensure centralised and consistent record keeping, correct disposal of information and that managers have direct access to sickness information where needed to reduce duplication of records and input errors. (Priority: Medium)

Duties and Responsibilities of Officers and Managers

4. It is detailed within the employment contract that all employees will report sickness in line with the Council's managing attendance policy
5. The new starter induction checklist includes showing all employees how to access the managing absence policy and other essential policies via the Aspire Intranet and allow the employee time to read it.
6. It was identified that a module has been created within the Aspire Learning training system and that face to face absence management training is being provided by HR. The last training session was completed in October 2018 and was attended by 15 people.
7. It was identified that where training is provided all training on absence management is optional.

Recommendation	
R2	Consideration should be given to making the Absence Management training course compulsory for all managers across the council to complete. (Priority: Low)

Pre-employment Sickness Checks

8. A review of the Council's reference form identified that sickness absence history from previous employers is being requested however a conversation with the HR Administrator identified that the majority of employers do not complete this section.
9. Prior to starting employment for the council a health questionnaire is completed by all employees, this is sent directly to COPE (the Council's occupational health partner) who assess the questionnaire and provide the council with a "fit to work" certificate or notify the council of conditions.

Recording of Sickness Absences

10. Testing of 10 employee's sickness records taken from S1 forms was completed, this resulted in 22 sickness occasions being reviewed between April 2018 and January 2019. The following was identified:
 - 21 out of 22 (95%) occasions had S1 and S2 forms completed; the 1 instance which did not had a fit note provided on the first day of absence.
 - All 22 occasions had been correctly transferred to the BT3 forms.
 - 19 out of 22 (86%) had been transferred correctly onto the resource link system.
 - 2 out of the 10 employees returned to work on phased returns, in both these instances the correct documentation was evidenced.

- 8 out of 8 occasions which lasted over 7 days had a fit note to be provided and retained
11. Testing of 5 Sickness occasions identified from the BT3 records between April 2018 and January 2019 was completed. The following was identified:
- 4 out of 5 (80%) occasions had S1 and S2 forms completed.
 - 4 out of 5 (80%) occasions had been transferred correctly to the BT3 form.
 - All 5 Occasions had been correctly transferred to the resource link system.
 - All 3 occasions that were over 7 days long had adequate fit notes provided for the time of absence
12. Testing of 10 employee's sickness records selected from the resource link system was completed. This resulted in 22 further occasions of sickness being reviewed between April 2018 and January 2019. The following was identified:
- 19 out 22 (86%) occasions had S1 and S2 form fully completed, in 1 instance where no S1 had been completed the sickness dates on the S2 form were also incorrect.
 - All 22 occasions had been transferred correctly to the BT3 forms
 - 21 out of 22 (95%) occasions had been input correctly onto the resource link system
 - 2 employees had returned to work on a phased return. Only 1 of these had completed the correct documentation.
 - 7 out of 7 occasions which lasted over 7 days had a fit note provided and retained.
13. In the case of 1 employee tested it was identified that the sickness policy had not been complied with in the following ways:
- The employee had used annual leave days in the middle of a sickness period created 2 long term periods, the policy states:

"An employee who falls sick during the course of annual leave shall be regarded as being on sick leave from the first date of sickness"
 - The employee only contacted their line manager by email during the course of the sickness period, the policy states:

"this [notification of absence] must be in person by phone unless exceptional circumstances prevent the employee from making contact."
14. Over the 3 samples selected a total of 49 absence occasions (from 25 employees) were reviewed cumulative results are listed below:

	Correct	Occasions Tested	% Correct
S1 and S2s completed correctly	44	49	89.8%
BT3s completed correctly	48	49	98.0%
Resource link records correct	45	49	91.8%
Phased return documents	3	4	75.0%
Fit notes provided	18	18	100.0%

Adequate use of Trigger Points

15. Where an employee reaches a trigger point with their sickness absence the manager is required to conduct a Sickness Absence Review Meeting (SAR). The aim of this review is establish any reasons for sickness that may have not been previously disclosed and to identify any issues where the council can help the employee with the return to work. Formal warnings for sickness absence can also be given during these meetings with aim of improving the employee's attendance. Details of the SAR Meeting are passed to the HR Department.
16. During the audit 25 employee's sickness records for 2018/19 were reviewed, this resulted in 49 absence occasions. A comparison of these records to the trigger points set out in the absence policy identified the following:
- 21 out of 49 absence occasions reviewed reached a trigger point as stated in the council's policy.
 - 13 out of 21 (61%) occasions that reached trigger points had SAR Meetings evidenced.
 - 12 out of 21 (57%) occasions that reached trigger points had SAR meeting and issued a formal warning to the employee as detailed in the Council's absence management policy.
17. Where trigger points are reached some support services staff advise the managers however this approach is inconsistent across the council. It should be noted that the Absence Monitoring policy states:
- "HR will provide reports to managers detailing the absence levels in their department and those employees who have hit various trigger points for action."*
18. It was established that where trigger points are reached it is the managers responsibility to identify that the trigger point has been reached and to conduct the SAR meeting. Currently no follows ups are being made by the HR department to ensure that managers complete the SAR meetings and pass the details through.
19. It should be noted that the absence management policy is not being complied with in regard to SAR meetings and trigger points. This was evidenced across the whole of the council including within senior management.

Recommendation	
R3	Consideration should be given to informing managers and following up where trigger points have been reached to ensure that SAR meetings are being completed and that the correct details are recorded. Should this not occur the Council must accept the risk that the policy will not be complied with fully. (Priority: Medium)

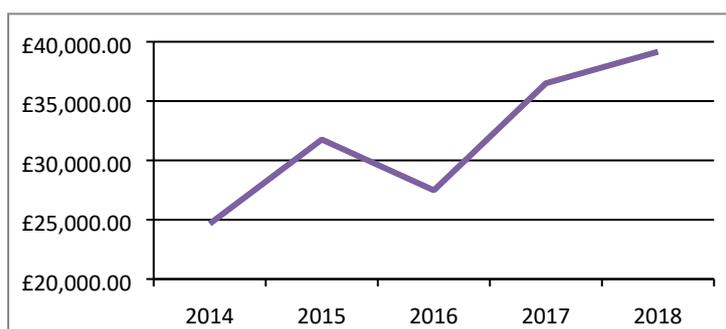
The use of Support Services (e.g. Occupational Health)

20. Where additional support is need by the employee or manager the council has access to an occupational health service (OHS). The referral of an employee to the OHS is based on further trigger points described in the Absence management policy.

21. A review of 25 the employees (49 sickness occasions) tested as part of the audit it was established that 8 employees had reached a trigger to be referred to OHS. In these instances all employees were adequately referred to the OHS as detailed.
22. A conversation with the Procurement and contract law manager established that the council is currently undergoing a procurement exercise to renew the contract for the OHS. It was established that no contract could be evidenced for the current service being provided by COPE.
23. It was established that the cost of occupational health is coded to "Personnel", which is then recharged evenly across the council in proportion to the amount of staff in each area. Over the last 2 years the cost of Occupational health has increased, this is mainly due to the increased use of the service.

Occupation Health Cost

2014	£24,660.31
2015	£31,760.57
2016	£27,480.82
2017	£36,501.45
2018 to P10	£39,157.56



Recommendation

R4	It should be ensured the contract for the procurement of the new occupational health service is completed in line with the council's procurement guidelines (Priority: Medium)
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Review Performance Monitoring and Reporting Procedures

24. It was established that while the HR service was operated by Arvato monthly reports were being compiled and reported to the client officer.
25. A conversation with the Assistant HR Business Partner established that service area reports are being sent to assistant directors on a monthly basis these detail individual sickness absences from the respective month and as a total for the current year.

Recommendation

R5	Consideration should be given to reporting sickness absences to department managers to ensure that the reports being produced are relevant and practical. (Priority: Low)
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26. Currently Sickness absence days and reasons are being reported to the health and safety committee on a quarterly basis.
27. A review of the reports provided for the period April 2018 to January 2019 identified multiple inaccuracies detailed below:
 - The total sickness reported on the Commercial Services report was calculated by adding all individual instances together to be 6,990 days, however the total days on the report stated 7,046 days. The total instances reported on the

housing report, adding all individual instances together, was 2,930 days but the report stated 2,961 days.

- It was evidenced that in some records the calculation for amount of days sickness is inconsistent as detail below:

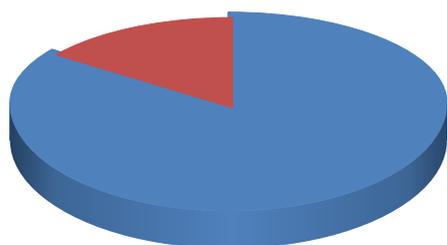
Absence start date	Absence end date	From HR Report		Audit Calculation	
		Total sickness days	Days Since 1st April	Total sickness days	Days Since 1st April
01/02/2018	30/04/2018	118	0	89	30

- It was evidenced that within some records the amounts of days an employee was recorded as absent for was doubled by the resource link system (in some cases quadrupled).
- Where incorrect days are recorded the number of hours of sickness is also affected however it was evidenced that in some case the number of hours reported were incorrect when the number of days was correct. In 1 instance an employee with 0.5 FTE would have had to work 7.5 hours 7 days per week
- It was identified that the sickness reports were not comprehensive as 1 employee from the crematorium was not included on the report when other crematorium employees were included.

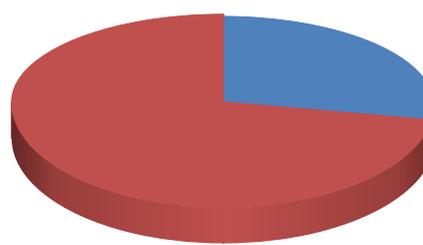
Recommendation	
R6	It is essential that a review of the reports being produced is completed to identify and remedy the cause of the errors being reported to ensure correct and comprehensive reports are produced (Priority: Medium)

28. Using the reports provided by HR and making adjustments to the calculations for days and hours the following was identified:

Long term / Short term sickness, By Occasions

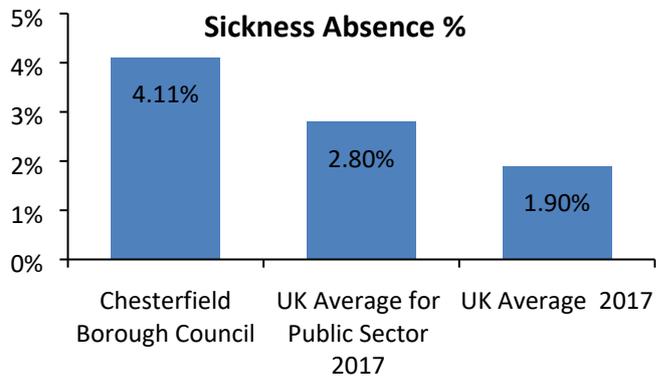


Long term / Short term Sickness, By Hours lost



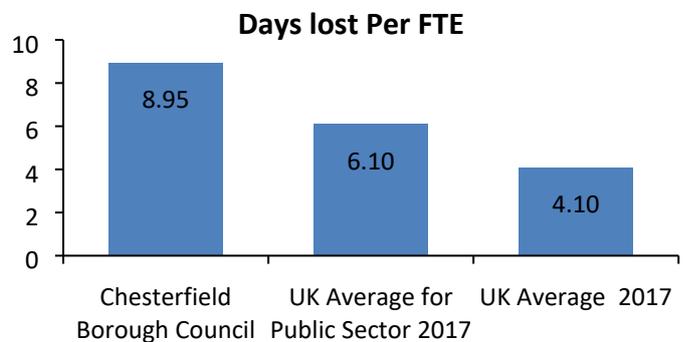
■ Short Term Sickness ■ Long Term Sickness ■ Short Term Sickness ■ Long Term Sickness

Comparison of short term and long term sickness absences between April 2018 and January 2019 identified that while 83.7% of sickness absences were classified as short term sickness this only equated to 27.8% of the overall sickness hours lost by the council. Only 16.3% of the councils total sickness absences were classified as long term sickness however this accounted for 72.2% of the councils total sickness hours lost by the council.



29. A review of the councils overall sickness absence percentage (between April 2018 and January 2019) in comparison with the UK averages for 2017, Released by the Office of National Statistics, established that the overall sickness absence for Chesterfield Borough Council is higher than the national average. (The CBC absence % was calculated using Sickness hours per FTE)

30. Comparison of the total days lost per FTE (Between April 2018 and January 2019) within the council with the UK averages for 2017, released by the Office of National Statistics, established that the council's average is 8.95 days of sickness per FTE, This is higher than the UK averages



31. In addition to this the sickness frequency rate was calculated as 0.73 (Total Sickness occasions in comparison to total number of employees within the council). This shows the average number of sickness periods per employee within the council.

32. The individual frequency rate for the council was calculated as 44.6% (employees who have taken a sickness absence between April 2018 and Jan 2019 compared to total employees in the council). This identifies that 55.4% of council employees have not registered any sickness periods between April 2018 and January 2019)

Appendix 1

Internal Audit Report Internal Audit Consortium Opinion Definitions

Assurance Level	Definition
Substantial Assurance	There is a sound system of controls in place, designed to achieve the system objectives. Controls are being consistently applied and risks well managed.
Reasonable Assurance	The majority of controls are in place and operating effectively, although some control improvements are required. The system should achieve its objectives. Risks are generally well managed.
Limited Assurance	Certain important controls are either not in place or not operating effectively. There is a risk that the system may not achieve its objectives. Some key risks were not well managed.
Inadequate Assurance	There are fundamental control weaknesses, leaving the system/service open to material errors or abuse and exposes the Council to significant risk. There is little assurance of achieving the desired objectives.

Internal Audit Report – Implementation Schedule

Report Title:	Sickness Absence Management	Report Date:	5 th March 2019
		Response Due By Date:	26 th March 2019

	Recommendations	Priority (High, Medium , Low)	Agreed	To be Implemented By:		Further Discussion Required	Comments
				Officer	Date		
R1	It should be ensured that a fit for purpose sickness management process be introduced to ensure centralised and consistent record keeping, correct disposal of information and that managers have direct access to sickness information where needed to reduce duplication of records and input errors.	Medium	Y	K Harley	March 2020		This will be actioned in two phases. Firstly a Project will be established to review end to end processes and make improvements in processes in the short term. Secondly (in parallel) the resourcelink system will be developed to implement automated absence and manager direct input of absence through Myview.
R2	Consideration should be given to making the Absence Management training course compulsory for all managers across the council to complete.	Low	Y	K Harley	June 2019		This will be done.
R3	Consideration should be given to informing managers and following up where trigger points have been reached to ensure that SAR meetings are being completed and that the correct details are recorded. Should this not occur the Council must accept the risk that the policy will not be complied with completely	Medium	Y	K Harley	Sept 2019		The process will be reviewed as part of response to R1.

Recommendations		Priority (High, Medium , Low)	Agreed	To be Implemented By:		Further Discussion Required	Comments
				Officer	Date		
R4	It should be ensured the contract for the procurement of the new occupational health service is completed in line with the council's procurement guidelines	Medium	Y	K Harley	July 2019		OH contract out to tender and closes June 14 th 2019
R5	Consideration should be given to reporting sickness absences to department managers to ensure that the reports being produced are relevant and practical	Low	Y	K Harley	July 2019		There are significant issues with the cognos reporting tool and the data in the system. To meet this recommendation would require a different process to be established. It will be considered as part of response to R1
R6	It is essential that a review of the reports being produced is completed to identify and remedy the cause of the errors being reported to ensure correct and comprehensive reports are produced	Medium	Y	K Harley	Sept 2019		New reports are being implemented as part of the upgrade in Resourcelink and it is hoped this will resolve this issue.

Please tick the appropriate response (✓) and give comments for all recommendations not agreed.

Signed Head of Service:		Date:	
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