CROYDON

Final Internal Audit Report

Staff Sickness

May 2024

Assurance Level	Issues Identified	
Limited	Priority 1	0
	Priority 2	7
	Priority 3	1

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1. Introduction

1.1. Employee attendance is crucial to the delivery of services provided by the London Borough of Croydon ("Council"), with the Council also having a responsibility to assist their members of staff with sickness absence management.

1.2. Sickness absences, both long term and short term, should be effectively monitored and documented to highlight instances of improvement or otherwise within teams, as well as monitoring the effectiveness of the workforce.

1.3. The Council's Human Resources (HR) department is responsible for the development and oversight of the Managing Sickness Absence policy (2021) and Procedures (2019). It was advised that these are live documents with the policy last updated in June 2022 to accommodate the change in legislation to expand the list of healthcare individuals who can issue fit notes.

1.4. The management of staff sickness within the Council is a decentralised system, with responsibility for the processing of absence delegated to line managers. This includes the receipt of notification for the absence, the return-to-work discussion and the monitoring of absence trigger points, such as the multiple absences and long-term sickness. However, where additional support is needed for return to work after long periods of absence, the line manager may work with the HR team to ensure that staff members are provided with adequate support to fulfil their roles effectively. Where reasonable adjustments are required, these are raised by the relevant line manager with assistance from the allocated HR representative.

1.5. For each sickness related absence, the member of staff is required to notify their line manager on their first day of sickness (and periodically from that date) and inform them of their estimated return to work. At the end of the absence, the individual and relevant line manager are required to complete a 'Return-to-Work' discussion to assess the reasoning for the absence and whether the Council can implement measures to prevent a further absence. The line manager must then record the absence through the MyResources system to allow for the payroll function to adjust salary payments where required and to monitor future absences against pre-agreed trigger points.

1.6. Whilst this review and testing were performed remotely, most of the relevant documents required to complete the review were obtained (other than where records that were held by line managers were not provided due to a lack of engagement).

1.7. This audit was undertaken as part of the agreed Internal Audit Plan for 2023/24. The objectives, approach and scope are contained in the Audit Terms of Reference at Appendix 1.

2. Key Issues

Priority 2 Issues
Testing of 12 short term absences undertaken between 1 August 2022 and 31 July 2023 noted that in nine instances, the Council was unable to provide copies of a completed Return-to- Work form. **(Issue 1)**
Testing of a sample of 12 individuals where five or more absences were identified between 1 August 2022 and 31 July 2023 identified two instance where the absences were incorrectly recorded in MyResources, two instances where a formal review meeting had not been completed as the line managers were unaware the trigger points had been reached, one instance where the formal review meeting took place one month after the point of trigger and one instance where the Council was unable to provide evidence of a review meeting taking place due to the relevant manager not responding. **(Issue 2)**
While formal review meetings were not required to be completed for long term absences if the manager felt that it was not necessary, these instances and reasonings were not recorded. Therefore, the Council was unable to distinguish between cases of non-compliance and decisions being made to not have the formal review meetings. **(Issue 3)**
Testing of a sample of ten individuals, who had undertaken a long-term sickness-related absence between 1 August 2022 and 31 July 2023, identified that in four instances the Council was unable to provide evidence of a medical note being received. **(Issue 4)**
Whilst a referral to Occupational Health is to be completed at the line manager's discretion for employees who return to work after a long-term sickness, reasoning is not required to be formally recorded where a line manager has elected to not make a referral. **(Issue 5)**
The Heads of HR for SCRER, ASC, and ACE confirmed that it is the responsibility of the line manager to implement any reasonable adjustments to help employees to return to work, with the assistance of an HR representative where required. However, no documentation was required to be completed or uploaded to the MyResources system and therefore monitoring of adjustments to be implemented was not undertaken. **(Issue 6)**
No formal procedure documents or terms of reference were in place to confirm the roles and responsibilities of the recently formed directorate sickness panels. Furthermore, discussions and outcomes of panel meetings were not formally documented and KPIs relating to staff sickness were not in place at the time of the internal audit. **(Issue 7)**

The Priority 3 recommendation is included under item 4 below.

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Detailed Report

3. Actions and Key Findings/Rationale

Control Area 2: Recording and Processing of Staff Sickness

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 1
2	To review the Sickness Absence Management Policy and Procedure in relation to 'self-certifying' absence to make the means of recording absence clearer. To check MyResources functionality for self-certifying. Reminding managers to undertaken return to work meetings and record on the system. Look into whether the system can auto generate auto messages for managers when sickness absence hits a trigger to include a reminder of action for managers to take around the return to work and return to work discussion.	**Expected Control** Guidance published on the Gov.uk site, "*Taking Sick Leave*" states that if an employee is absent for less than seven days, then they can self-certify their absence. The Council's Managing Sickness Absence procedure document states that "*Managers must have a return-to-work discussion with their staff as soon as possible following their return from any spell of sickness absence…Managers must record the return-to-work discussion on MyResources to ensure that a record is kept to assist further monitoring and review.*" **Finding** The Heads of HR for SCRER, ASC, and ACE advised that a return-to-work form is required to be completed by the relevant line manager and retained for oversight purposes. The absence is then required to then be input into the MyResources system to record the absence and, if appropriate, amend the payroll. Review of the Managing Sickness Absence Policy and procedure documents (dated 2021) noted that line managers are responsible for the completion of the relevant forms and collation of medical notes through the MyResources system to evidence the Return-to-Work discussion. Testing of 12 short term absences (i.e. less than seven days) that occurred between 1 September 2022 and 31 August 2023, selected from a report generated by MyResources, identified that in nine cases, the Council was unable to provide evidence

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of a completed Return-to-Work form. Of these nine cases, the following issues were identified:

- For six cases, the Council was unable to provide a copy of a completed Return-to-Work form as the form was not on the system and the managers did not respond to requests to provide the forms;

- For three cases, the relevant line manager stated that they were not required to complete a Return-to-Work form if they had access to the MyResources system. It was evidenced that the MyResources system included a statement that the "form should only be used where the manager has no access to MyResources."

Review of the MyResources system noted that this did not record the date of notification provided by the relevant member of staff nor did it allow for staff to self-certify their absence. The Heads of HR for SCRER, ASC, and ACE confirmed that the system does not have this functionality. Therefore, a Return-to-Work form is required to be completed in order to retain self-certification from the staff member who was absent.

Risk

Where multiple methods for recording staff sicknesses are in place that are not detailed within the Managing Sickness Absence Policy, there is a risk of inconsistent management of staff sickness across departments.

Where notification and self-certification of a sickness absence is not formally documented by the relevant member of staff, there is a risk that the Council will be unaware of inappropriate sick leave or unable to provide adequate support to staff due to a lack of oversight of sick leave.

Responsible Officer	Deadline
Heads of HR & Managers	July 2024

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Priority	Action Proposed by Management	Detailed Finding/Rationale – Issue 2
2	Look further into how MyResources can improve reporting on incidences of absence for managers self-service. Look into whether the system can auto generate messages for managers when sickness absence hits a trigger to include a reminder of action for managers to take. Reminders to managers at DMTs and through sickness panels on recording absence correctly, acting on triggers, and documenting sickness absence management.	**Expected Control** The Council should have a process in place for identifying frequent staff sickness absences and for liaising with relevant members of staff to ascertain the reasons for this. Consideration for a formal review meeting should be undertaken by the line manager and be documented where an unusually high frequency or length of absences is identified. **Issue/Finding** The Managing Sickness Absence Policy defines the multiple absences trigger point as five instances of sickness within a continuous 12-month period. The Heads of HR for SCRER, ASC, and ACE confirmed that a decentralised process was in place for the monitoring of multiple absences, with responsibility delegated to each of the main departments. Further discussion noted that monitoring of the trigger points was mainly completed by the relevant line managers, with the Managing Sickness Absence Policy stating that managers should "consider initiating formal action under [the] policy". Testing of a sample of 12 individuals where five or more absences were identified between 1 August 2022 and 31 July 2023, selected from a report generated by MyResources, identified the following: • For four instances, evidence of a formal review meeting was provided; • For one instance, no formal review meeting was completed as the individual's condition had been reclassified as a disability and therefore meetings took place as per the Disability Policy;

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- For one individual, while five sickness absences were recorded, the line manager stated that a formal review meeting was not completed as two of these instances were for pre-approved medical appointments;

- For two instances, no formal review meeting took place as the line managers were unaware that the trigger point had been reached and there was no automatic reminder or central report;

- For two instances, no formal review meeting was completed despite the trigger being met. The line managers stated that the trigger was met as they had incorrectly recorded absences, such as the same absence being split into two separate periods on the MyResources system;

- For one individual, a formal review meeting was completed over one month from the point of trigger. Three more absences had occurred prior to the meeting taking place; and

- For one individual, the Council were unable to provide evidence of a formal review meeting taking place as meetings are not recorded on the MyResources system and there was a lack of engagement from the relevant line manager.

Risk

Where absences are not sufficiently monitored to determine whether a trigger point has been met, there is a risk that members of staff who have undertaken multiple absences will not receive sufficient support to assist with their return to work or sufficient scrutiny will not be undertaken to determine why multiple absences occurred.

Where a formal review meeting is not completed, or consideration is not appropriately documented, there is a lack of evidence to demonstrate that the manager has been duly diligent.

Where an inconsistent approach to the recording of staff absence is taken, there is a risk that trigger points may be met but not investigated.

Responsible Officer	Deadline
Heads of HR	July 2024 and ongoing

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Control Area: Long Term Sickness and Referral to Occupational Health

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 3
2	Further look into the system generating auto messages to managers during and at the end of long-term sickness absence. Monitoring long term absence and management action at directorate sickness panels.	**Expected Control** The Managing Sickness Absence procedure document states, *"Where an employee is away long-term, the manager will arrange a review meeting. The meeting allows the manager to remain in contact with the employee and to discuss and receive more information about the absence. The outcome of all attendance review meetings must be confirmed in writing."* **Issue/Finding** The Council's Managing Sickness Absence Policy defines long term sickness absences as those longer than 20 days, with the member of staff required to provide notification of the need for long term absence to their line manager at the earliest available time. On return to the office, the Policy states that a formal review meeting to discuss the absence should be completed at the discretion of the relevant line manager, with a letter issued to the member of staff to outline any reasonable adjustments raised and the content of the meeting. However, while the meeting does not need to be completed if the manager feels that it is not necessary, justification for why the meeting was not completed was not required to be formally recorded. Therefore, the Council is unable to distinguish between non-compliance as opposed to a decision not to have the meeting. Testing of a sample of ten individuals who had undertaken a long-term sickness related absence between 1 August 2022 and 31 July 2023, selected from a report generated by MyResources, identified the following: • For five individuals, evidence of a formal review meeting having taken place was provided;

		• For two individuals, an initial formal meeting was not completed for the period tested as the individuals left (one retired and one resigned) the Council during the absence; and
		• For three individuals, the Council were unable to obtain evidence of a formal review meeting due to a lack of engagement from the relevant line managers.
		In addition, one line manager within the Council stated that the MyResources system was ineffective at recording shift worker absences. This had led to one individual's sickness pay being incorrectly calculated because of the MyResources system inaccurately calculating the long-term sickness period. As a result, the individual had been underpaid.
		Risk
Responsible Officer	**Deadline**	Where a formal review meeting is not completed, or consideration sufficiently documented, there is a risk that a member to staff returning to work after a long-term absence may not receive sufficient adjustments leading to potential continued absences in the future.
Heads of HR	June 2024 and ongoing	Where long term absence periods are not effectively recorded through the MyResources system, there is a risk that staff members may be unfairly penalised.

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Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 4
2	Further look into the system generating auto messages to managers upon 8th day of absence (and monthly?) to request that a fit note is obtained and filed for employees on long term sick leave. Message to include a reminder of how to record (save) the fit note on MyResources. Continue to monitor long term absence and obtaining/recording of fit notes through directorate sickness panels.	**Expected Control** The Managing Sickness Absence Procedure document states that, *"absences can be self-certificated (first seven days) or medically certificated (day eight onwards)."* In addition, the *Taking sick leave* Government guidance states that, *"Employees must give their employer a fit note if they've been ill for more than seven days in a row and have taken sick leave. This includes non-working days, such as weekends and bank holidays."* **Issue/Finding** The Managing Sickness Absence Policy and Procedure documents state that if an individual is currently undertaking a long-term sickness absence (i.e. eight or more days), then a medical note should be obtained and provided to the line manager to confirm that they are unable to return to work for the period covered. Medical notes should then be retained on the MyResources system to evidence compliance. Testing of a sample of ten individuals who had a long-term sickness related absence between 1 August 2022 and 31 July 2023, selected from a report generated by MyResources, identified that for four individuals the Council was unable to provide copies of the medical notes for the absences.

Responsible Officer	Deadline	**Risk**
Heads of HR	June 2024 and ongoing	Where a medical note is not provided by a member of staff and retained on the MyResources system in line with the Managing Sickness Absence policy, there is a risk that the Council will be unable to identify and address periods of inappropriate absence.

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Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 5
2	Look into whether the system can generate auto messages to remind managers to consider whether to refer to OH, signposting how to refer to OH and document as part of the return-to-work discussion. Monitor through cases brought to directorate sickness panels. Raise at DMT / Service level.	**Expected Control** As part of the Return-to-Work discussion, the Managing Sickness Absence Procedure states that the manager should, "*Consider whether or not to refer the case to Occupational Health.*" **Issue/Finding** A review the of Managing Sickness Absence procedure outlined that occupational health referrals should be made to establish the extent to which an employee's ill health may impact their ability to work. The Heads of HR for SCRER, ASC and CYPE, and ACE confirmed that this is a preferred step but noted that each case can be unique and therefore should be at the line manager's discretion. However, consideration is not required to be formally documented where a line manager has elected to not make a referral. Testing of a sample of ten individuals who had a long-term sickness related absence between 1 August 2022 and 31 July 2023, selected from a report generated by MyResources, identified that for three individuals, the Council was unable to confirm whether a referral was made due to lack of engagement from the relevant line managers. While referrals could be saved on the MyResources system, HR do not require managers to do so and therefore managers are responsible for maintaining adequate records. **Risk** Where consideration for an Occupational Health referral is not formally documented or completed, there is a risk that the Council will be unable to evidence that appropriate steps were taken or considered while determining steps to implement to accommodate members of staff returning to work or long-term sickness.

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Responsible Officer	Deadline	Where referrals are not saved on the MyResources system, no central oversight of referrals is possible, and records may be lost if the line managers leave the Council.
Heads of HR / All Managers	current and ongoing	

Control Area: Application of Reasonable Adjustments

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 6
2	Look into whether the system can generate auto messages to remind managers to consider and discuss reasonable adjustments as part of return-to-work discussions, signposting to further information, support. Monitor through directorate sickness panels.	**Expected Control** The Managing Sickness Absence Procedure document outlines that as part of the Return-to-Work process, managers should, "*consider whether any reasonable adjustments need to be put in place and take all reasonable steps to find out whether the employee has a disability.*" As a form of best practice, reasonable adjustments should be formally documented to evidence considerations implemented by the Council to assist a returning member of staff and allow for them to complete their role. **Issue/Finding** The Managing Sickness Absence Policy and Procedure documents state that it is the responsibility of the line manager to carefully consider whether a reasonable adjustment is required for an individual to return to work within the Council. Adjustments outlined within an Occupational Health report should be considered and brought in if required. The Heads of HR for SCRER, ASC and CYPE, and ACE confirmed that it is the responsibility of the line manager to implement adjustments, with the assistance of a HR representative where required. However, no documentation was required to be completed or uploaded to the MyResources system and therefore monitoring or reporting of the implementation of adjustments was not formally undertaken.

Responsible Officer	Deadline	Risk
Heads of HR / Managers	June 2024 and ongoing	The Council may be unaware of reasonable adjustments implemented to assist a member of staff or potentially fail to implement a reasonable adjustment where required. This could lead to a discrimination case arising against the Council

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Control Area: Monitoring and Reporting

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 7
2	Each directorate to agree terms of reference for sickness panels particular to their services (Note that approach to Sickness panels varies across services according to needs of the service).	**Expected Control** As a form of best practice, the Council should have in place a clear reporting and monitoring process for the review of staff absences. **Issue/Finding** The Heads of HR for SCRER, ASC and CYPE, and ACE confirmed that the Council had moved to a decentralised system over the previous 12 months and as part of this had elected to set up staff sickness panels for each of the six directorates. The purpose of these sickness panels was to review trigger points being met and to discuss potential cases of sickness absences that required further investigation. At the time of internal audit fieldwork, no formal procedure notes or terms of reference had yet been in place to confirm the roles and responsibilities of panels or the required frequency of meetings and no reporting had been completed. In addition, the Heads of HR for SCRER, ASC and CYPE, and ACE confirmed that discussions and outcomes of the panel meetings were not formally documented. The Heads of HR interviewed also confirmed that there were no KPIs in place relating to staff sickness.

Responsible Officer	Deadline	
Heads of HR / DMTs / Managers	June 2024 and ongoing	**Risk** Where the role and responsibilities of sickness panels are not clearly defined, with KPIs reported and discussions minuted, there is a risk of inadequate scrutiny and oversight of staff sickness absences.

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4. Priority 3 Issues

Agreed action	Findings
Control Area: Legislative, Organisation and Management Requirements **Action proposed by management:** Review the sickness policy with the view to strengthening reference to sickness absence monitoring responsibilities for managers. Look into system capabilities for further informing and reminding managers of their sickness absence monitoring responsibilities. **Responsible Officer:** Heads of HR **Deadline:** June 2024 and ongoing	**Expected Controls** The Council have in place a set of policy and procedure documents that outline the expectations and processes for the management of staff sickness. **Issue/Findings** The Council had in place a Managing Sickness Absence Policy and Managing Sickness Absence Procedures. Review of the policy and procedure documents confirmed that these outlined the roles and responsibilities of members of staff in relation to recording their staff sickness absences and undertaking follow up meetings where a trigger point has been met. However, the Policy did not outline the monitoring responsibilities that line managers have in relation to their staff absences. **Risk** Where policy and procedure documents do not provide a clear outline of monitoring requirements for managers, this could lead to an inconsistent approach being taken by managers in regard to staff absences.

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AUDIT TERMS OF REFERENCE

Staff Sickness

1. INTRODUCTION

1.1 Employee attendance is crucial to the delivery of the services required by the Council, with the Council also having a responsibility to assist their members of staff with sickness absence management. The Council's Human Resources department are responsible for the management of the sickness policy and the practices outlined, including ensuring that absences are appropriately recorded by the relevant line manager. Where additional requirements are needed for return to work after long periods of absence, the line manager may work with the Human Resources team to ensure that staff members are provided with adequate support in order to fulfil their roles effectively.

1.2 Sickness absence, both long term and short term, should be effectively monitored and documented to highlight instances of improvement within teams, as well as monitoring the effectiveness of the workforce.

1.3 This audit was part of the agreed Internal Audit Plan for 2023/24.

2. OBJECTIVES AND METHOD

2.1 The overall audit objective was to provide an objective independent opinion on the adequacy and effectiveness of controls / processes.

2.2 The audit for each control / process being considered:

- Walkthrough the processes to consider the key controls;
- Conduct sample testing of the identified key controls, and
- Report on these accordingly.

3. SCOPE

3.1 This audit, focused on staff sickness, was undertaken as part of the 2023/24 Internal Audit Plan. The specific scope included the following areas and recommendations:

Control Areas/Risks	Issues Raised		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Legislative, Organisational and Management Requirements	0	0	1
Recording and Processing of Staff Sickness (short and long term)	0	2	0
Return to Work	0	0	0
Long Term Sickness and Referrals to Occupational Health	0	3	0

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Control Areas/Risks	Issues Raised		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Application of Reasonable Adjustments	0	1	0
Monitoring and Reporting	0	1	0
Total	**0**	**7**	**1**

Definitions for Audit Opinions and Identified Issues

In order to assist management in using our reports:

We categorise our **audit assurance opinion** according to our overall assessment of the risk management system, effectiveness of the controls in place and the level of compliance with these controls and the action being taken to remedy significant findings or weaknesses.

🟢	Full Assurance	There is a sound system of control designed to achieve the system objectives and the controls are constantly applied.
🟡	Substantial Assurance	While there is basically a sound system of control to achieve the system objectives, there are weaknesses in the design or level of non-compliance of the controls which may put this achievement at risk.
🟠	Limited Assurance	There are significant weaknesses in key areas of system controls and non-compliance that puts achieving the system objectives at risk,
🔴	No Assurance	Controls are non-existent or extremely weak, leaving the system open to the high risk of error, abuse and reputational damage.

Priorities assigned to identified issues are based on the following criteria:

Priority 1 (High)	Fundamental control weaknesses that require immediate attention by management to action and mitigate significant exposure to risk.
Priority 2 (Medium)	Control weakness that still represent an exposure to risk and need to be addressed within a reasonable period.
Priority 3 (Low)	Although control weaknesses are considered to be relatively minor and low risk, still provides an opportunity for improvement. May also apply to areas considered to be of best practice that can improve for example the value for money of the review area.

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Statement of Responsibility

We take responsibility to the London Borough of Croydon for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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