

Final Internal Audit Report

Sickness Absence Management

June 2017

Distribution: Executive Director Resources (Final Only)
 Director of Human Resources
 Head of Human Resources Policy Pay and Employee Relations

Assurance Level	Recommendations Made	
Substantial Assurance	Priority 1	0
	Priority 2	4
	Priority 3	1

Status of Our Reports

This report ('Report') was prepared by Mazars Public Sector Internal Audit Limited at the request of the London Borough of Croydon and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, we have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

The Report was prepared solely for the use and benefit of the London Borough of Croydon and to the fullest extent permitted by law, Mazars Public Sector Internal Audit Limited accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

Please refer to the Statement of Responsibility set out in appendix 3 of this report for further information about responsibilities, limitations and confidentiality.

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1. Introduction

- 1.1 Croydon Council has a Sickness Absence Management Policy, outlining the procedures in place for the monitoring and reviewing of sickness absence.
- 1.2 Between April 2015 and March 2016, the Council lost on average 6.36 days per Full-time equivalent, equating to a total of 16,576 days.
- 1.3 This audit is being undertaken as part of the agreed Internal Audit Plan for 2016/17.

2. Key Issues

Priority 2 Recommendations
1. Examination of a randomly selected sample of 15 sickness absence cases within the last 12 months from the three departments (each exceeding 7 days in duration), confirmed that in 12 out of 15 cases, evidence of a fit note was not sighted on One Oracle.
2. Examination of a randomly selected sample of 15 sickness absence cases within the last 12 months from the three departments, confirmed that in seven out of 15 cases, evidence of a return to work interview was not sighted on One Oracle.
3. At the time of the audit, sickness panels were not taking place in the People and Place departments.
4. It was established that there is currently no reporting on sickness absence to the Corporate/Executive Leadership Teams.

The priority 3 recommendation is detailed under item 4 below.

3. Actions and Key Findings/Rationale

Control Area 3: Self-Certifications and Supporting Documentation		Detailed Finding/Rational
Priority	Recommendation 1	
2	Managers should be reminded to record acknowledgment of 'fit to work' notes on One Oracle. Regular reports should be run to track and address non-compliance.	<p>Both Legislation and the Council's sickness absence policy state that all sickness absences over seven days must be supported by a 'fit to work' note. This should be provided upon return to work and fit notes should be recorded on One Oracle.</p> <p>Examination of a randomly selected sample of 15 sickness absence cases (each exceeding 7 days in duration) within the last 12 months from the three departments identified that in 12 out of 15 cases, evidence of a fit note was not sighted on One Oracle.</p> <ul style="list-style-type: none"> For the five sickness absence cases selected in Resources, acknowledgment of 'fit to work' notes had not been recorded for three individuals. For the five sickness absence cases selected in Place, acknowledgment of 'fit to work' notes had not been recorded for any of the individuals. For the five sickness absence cases selected in People, acknowledgment of 'fit to work' notes had not been recorded for four individuals. <p>Where sickness absence is not supported by 'fit to work notes', there is a risk that the Council is in breach of Government legislation and that staff do not comply with Council policy. There is also the risk that the Council is unable to properly account for, understand and manage sickness absence.</p>
Management Response	Agreed/Disagreed	Responsible Officer
We will investigate whether system reports can be set up to highlight these instances, which we will then regularly circulate to relevant managers.	Agreed	Head of Human Resources Policy Pay and Employee Relations
		Deadline
		31 July 2017

Control Area 3: Self-Certifications and Supporting Documentation			
Priority	Detailed Finding/Rational		
2	<p>The Council's sickness absence policy states that when an employee returns to work after a sickness absence, a 'return to work' interview must be conducted. Ideally this should be done on the day of return to work (or as close to the return date as reasonably possible). The interview should be recorded on One Oracle.</p> <p>Examination of a randomly selected sample of 15 sickness absence cases within the last 12 months from the three departments confirmed that in seven out of 15 cases, evidence of a return to work interview was not sighted on One Oracle.</p> <ul style="list-style-type: none"> For the five sickness absence cases selected in Resources, return to work interviews had been recorded on One Oracle for all individuals. For the five sickness absence cases selected in Place, return to work interviews had not been recorded on One Oracle for any of the individuals. For the five sickness absence cases selected in People, return to work interviews had not been recorded on One Oracle for two individuals. <p>Discussion with the Head of Human Resources Policy Pay and Employee Relations established that given the increasing numbers of return to work interviews not being completed and recorded onto One Oracle, an ad-hoc report had been run to quantify these numbers within the last year. Going forward, the intention is to run these reports on a monthly basis.</p> <p>Where return to work interviews do not take place and/or are not recorded, there is a risk that staff are in breach of Council Policy. There is also the risk that the Council is unaware of returning employees and action plans for returning staff are not put in place where necessary, leading to continued hardship for employees in the workplace.</p>		
	<p>Recommendation 2</p> <p>Managers should be reminded of the need to conduct return to work interviews and record these on Oracle.</p> <p>Monthly reports should be run to track and address non-compliance.</p>		
Management Response	Agreed/Disagreed	Responsible Officer	Deadline
We will run the ad hoc system reports and circulate to relevant managers on a regular basis.	Agreed	Head of Human Resources Policy Pay and Employee Relations	31 July 2017

Control Area 4: Management Reporting, Monitoring and Action plans			
Priority	Recommendation 3	Detailed Finding/Rational	
2	Management should ensure that sickness panels, chaired by a Director, occur on a regular basis (at least quarterly) within the Place and People Departments.	<p>In order to help ensure that sickness is being consistently and appropriately managed by Officers and to detect and manage patterns of sickness, sickness panels should be in place that regularly meet to review the management actions taken for sickness at certain trigger points.</p> <p>It was confirmed that the HR Advisors for Resources, People and Place Departments run reports highlighting all sickness absence cases which have hit trigger points and those that are open ended sickness, which are then submitted to directors. However, while sickness panels have been taking place for the Resources Department, these have not been taking place for the People or Place Departments.</p> <p>Where sickness panels do not take place, there is a risk that open ended sickness is not addressed and that staff with absence/s that have reached the trigger points are not properly assessed and appropriate action/s are not taken.</p>	
Management Response		Agreed/Disagreed	Responsible Officer
Agreed.		Agreed	Head of Human Resources Policy Pay and Employee Relations
		Deadline	31 July 2017

Control Area 4: Management Reporting, Monitoring and Action Plans			
Priority	Recommendation 4	Detailed Finding/Rational	
2	Sickness Absence should be reported to the Corporate Leadership Team and the Resources Department Leadership Team on a regular basis.	<p>In order to help ensure that senior management is properly informed about the levels of sickness within the Council and, for instances of absence that reach trigger points, that appropriate actions to manage these are being taken, it is necessary to have proper reporting.</p> <p>While it was confirmed that sickness absence is reported to the Place and People Departmental Leadership Teams, it is not currently reported to the Resources Department Leadership Team, although a range of indicators is being developed. Sickness absence is not currently reported to the Corporate/Executive Leadership Teams.</p> <p>Where there is insufficient management reporting to senior management, there is a risk that senior management is unaware of key issues regarding sickness absence that potentially impact upon the Council's resources and ability to achieve organisational objectives.</p>	
Management Response		Agreed/Disagreed	Responsible Officer
This will be actioned.		Agreed.	Head of Human Resources Policy Pay and Employee Relations
			Deadline 31 July 2017

4. Priority 3 Recommendation

Agreed Action/s	Detailed Finding/Rational
<p>Management should ensure that policies and procedures are regularly reviewed, with the date of last review evidenced.</p>	<p>Examination of the policies and procedures on the Council's intranet identified that these were either out of date, or the date of last review was not evidenced:</p> <ul style="list-style-type: none"> • Fit note guidance - no evidence of last review • Sickness absence management guidance - evidenced as last reviewed in December 2014 • Sickness absence management procedure - evidenced as last reviewed in May 2014 • Sickness absence management policy - evidence as last reviewed in May 2014 • Return to work form - evidence as last reviewed in July 2014 <p>Where policies and procedures are not regularly reviewed, there is a risk that staff members adhere to outdated policies and procedures, leading to possible breaches of Council policy and government legislation.</p>

TERMS OF REFERENCE

Sickness Absence Management

1. INTRODUCTION

- 1.1 Croydon Council has a Sickness Absence Management Policy, outlining the procedures in place for the monitoring and reviewing of sickness absence.
- 1.2 Between April 2015 and March 2016, the Council has lost on average 6.36 days per Full-time equivalent, equating to a total of 16,576 days.
- 1.3 This audit is being undertaken as part of the agreed Internal Audit Plan for 2016/17.

2. OBJECTIVES AND METHODOLOGY

- 2.1 The overall audit objective is to provide an objective independent opinion on the adequacy and effectiveness of controls/processes around Sickness Absence Management.
- 2.2 The audit will for each controls / 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 The audit will include the following areas:

Control Areas/Risks	Recommendations Made		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Legislative, Organisational and Management Requirements	0	0	1
Recording of Sickness	0	0	0
Self-Certifications and Supporting Documentation for Sickness	0	2	0
Management Reporting, Monitoring and Action plans	0	2	0

DEFINITIONS FOR AUDIT OPINIONS AND RECOMENDATIONS

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 recommendations 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.

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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