

MALDON DISTRICT COUNCIL

INTERNAL AUDIT REPORT

SICKNESS AND ABSENCE MANAGEMENT
AUGUST 2023

Design Opinion	● Substantial
Design Effectiveness	● Substantial

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DISTRIBUTION

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BDO LLP APPRECIATES THE TIME PROVIDED BY ALL THE INDIVIDUALS INVOLVED IN THIS REVIEW AND WOULD LIKE TO THANK THEM FOR THEIR ASSISTANCE AND COOPERATION.

REPORT STATUS

Auditor(s):	Maggie Quigg
Dates work performed:	24 July 2023 - 17 August 2023
Draft report issued:	29 August 2023
Final report issued:	31 August 2023

EXECUTIVE SUMMARY

CRR REFERENCE: R31

Design Opinion



Substantial

Design
Effectiveness

Substantial

Recommendations



SCOPE

BACKGROUND

- ▶ The effective management of sickness absence is in the interests of both the Council and their staff, and robust sickness absence policies can, if implemented properly, help improve attendance at work, the health and wellbeing of staff and ultimately customer services.
- ▶ Sickness is monitored through a number of KPIs and managed by Human Resources (HR) and recorded on FreshService whereby absence is manually recorded with all staff having a return-to-work call following their absence. Levels of sickness were found to reduce during the pandemic, however, spiked again after with levels now returning to pre-pandemic levels.
- ▶ The Bradford score is used to aid in monitoring and reporting sickness levels and is recorded on HR Select. The Bradford factor is a formula that allows organisations to apply a relative weighting to employee unplanned sickness. It multiplies the number of separate instances of absence by the total number of days of absence of an employee.
- ▶ The Council has recently reviewed its Hybrid Working Policy which includes details on mental health, taking breaks, protocols, and team meetings.

AREAS REVIEWED

The following areas were covered as part of this review:

- ▶ We reviewed the Council's Sickness Absence management Policy and any supporting guidance documents to assess whether these were appropriate. Ensuring that it clearly advises employees and line managers on their responsibilities regarding notifying the Council of absence and uploading the information on FreshService in a timely manner.
- ▶ We reviewed the arrangements in place to support, guide and advise line managers on how to undertake effective return to work interviews and manage long-term sickness absence amongst staff.
- ▶ We reviewed 15 episodes of staff sickness to ascertain whether data was recorded correctly in FreshService, whether return-to-work interviews were completed, and medical notes were obtained.
- ▶ We reviewed 5 long-term sickness absence cases which triggered the Bradford score above 126 to assess whether adequate contact had been maintained with the employee and steps were taken to support a timely return to work.
- ▶ We reviewed key performance indicator reporting on sickness absence rates and assess whether adequate information was provided to identify issues and trends were discussion and if clear actions plans had been discussed where performance is below target.



AREAS OF STRENGTH

- ▶ The Council's Sickness Absence management Policy clearly outlines the employee and line managers responsibilities for the management of short and long-term sickness absence.
- ▶ HR provide employees and line managers with clear training and guidance for manager roles and their fundamental responsibilities that they should carry out when supporting their employees. Each training module/guidance provided on induction to managerial positions covers clear objectives and support networks and systems where the line managers can gather more information.
- ▶ Due to the information being held centrally by the HR team, the HR team have a clear overview of their responsibilities that is outlined in the Sickness Absence management Policy. They also have oversight and update payroll on the whether the employee has returned to work and depending on the complexity of the absence case there is a process of escalation within the HR team.
- ▶ In all the 15 sickness absence cases tested as part of this review, they all had the required documentation present to confirm compliance with the process/policy, apart from one minor exception for one employee who had left the Council. The exceptions had sufficient explanations and actions plans that were considered regarding their sickness at the bottom of the employees return to work form and we deem this sufficient not to raise a recommendation. For example, for this employee, because they had left the Council, a return to work could not be completed.
- ▶ Each of the medical certificates were provided when the employee returned to work and an end date was recorded in the system. Therefore, this suggests that managers were using the system effectively and in accordance with the 'Managing Attendance Policy and Procedure'.
- ▶ Return to work interviews also included detailed information whether the manager completed a stage 1,2 or 3 interview and relayed actions plans and steps forward for that employee.
- ▶ Bradford reports were sent to the line managers monthly to ensure they could appropriately have oversight of the employees to manage their absence and the actions carried forward.
- ▶ The Council maintain a balanced score card which provides detailed analysis on long term/short term sickness for the last two financial years, which allows for appropriate monitoring and trend analysis. In addition, an action log is maintained alongside the scorecard which includes the responsible officer and target date to ensure timely implementation and monitoring by the executive leadership team.
- ▶ The executive leadership team meet every 6 weeks to review the balance scorecard and KPI related to long term/short term sickness. Monthly and quarterly statistics on sickness and absence are reported to management, which is discussed and is reported in the senior management performance reporting area of SharePoint. We noted no areas of poor performance during our review however discussions with the HR specialist advised that these areas would be reported to the PGA Committee if applicable. Overall, we found the leadership team have appropriate oversight of sickness and absence data at the Council which allows for follow up and escalation in areas that are identified as concerns.



AREAS OF CONCERN


- ▶ From our review of the 'Managing Attendance Policy and Procedure' it was last reviewed in May 2022, however, has not been approved/ratified by the appropriate Committee since 2016. As specified on the front of the document control sheet it is only reviewed when there are legislation changes and has not been updated to specify who approved this policy and the review frequency. (Finding 1 - Low)



CONCLUSION

- ▶ We have identified one finding which we assessed as low priority.
- ▶ We identified a number of areas of good practice such as, guidance/advice provided to line managers on how conduct return to work interviews, sickness absence data being recorded accurately in the FreshService system, return to work interviews being conducted in a timely manner and effective monitoring and oversight of sickness and absence across the Council.
- ▶ However, we identified an area of concern which requires improvement, including the ratification of the 'Managing Attendance Policy and Procedure'.
- ▶ We have identified one finding which we assess as low priority.
- ▶ Overall, we have concluded that there is substantial assurance over the design and operational effectiveness of the controls in place at the Council relating to the management of sickness absences, with one low finding raised.

DETAILED FINDINGS

1 Management Attendance Policy and Procedure documentation should clarify authority of approval and review frequency	
TOR Risk:	The Council do not have a Sickness Absence Management Policy and/or it does not clearly outline employee and line manager responsibilities for managing both short and long-term sickness absence.
Significance	 Low



FINDING

From our review of the Management Attendance Policy and Procedure we found that it was last reviewed in May 2022 as the Council removed use of accrued leave during phased return and had not been ratified since 2016. In addition, the supporting documentation 'Managing Attendance Policy and Procedure - Managers toolkit' was last reviewed in 2016 and has not been reviewed in alignment with the 2022 review of the 'Managing Attendance Policy and Procedure'.

For both documents, the control sheet had blank sections in the 'approved by' and 'review frequency' areas which did not specify which authority approved this policy and specified that the next review date is only as required by legislative changes. The toolkit should also be updated and reviewed when the policy is reviewed to reflect if any changes are needing to be implemented to the toolkit.

If the Council's Management Attendance Policy and Procedure and is not ratified by the appropriate committee upon review, there is the risk of non-compliance with regulations and standards. In addition, if supporting documentation is not reviewed in accordance with the policy this has the risk of confusion, inconsistency and misalignments have the potential to cause misunderstandings, compliance issues and difficulty in implementation.



RECOMMENDATION

- 1.1 The Management Attendance Policy and Procedure needs to be ratified by the appropriate committee since the changes were made in 2022 and communicated to staff to ensure accurate practices across the Council. The Council should outline on the document control sheet which authority approved this policy and outline a review frequency.
- 1.2 The Management Attendance Policy and Procedure - Managers Toolkit should also be reviewed in alignment as required for when The Management Attendance Policy and Procedure is reviewed to ensure that supporting documentation is consistent.



MANAGEMENT RESPONSE

- 1.1 The policy will be ratified and made available to all staff and the control sheet updated.
- 1.2 The toolkit will be reviewed at the same time as review of the policy takes place to ensure consistency.

Responsible Officer:	Annette Cardy
Implementation Date:	Sept 2023

APPENDIX I - DEFINITIONS

LEVEL OF ASSURANCE	DESIGN OF INTERNAL CONTROL FRAMEWORK		OPERATIONAL EFFECTIVENESS OF CONTROLS	
	FINDINGS FROM REVIEW	DESIGN OPINION	FINDINGS FROM REVIEW	EFFECTIVENESS OPINION
Substantial	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

RECOMMENDATION SIGNIFICANCE

High	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

APPENDIX II - TERMS OF REFERENCE



KEY RISKS

Based upon the risk assessment undertaken during the development of the internal audit operational plan, through discussions with management, and our collective audit knowledge and understanding the potential key risks associated with the area under review are:

- ▶ The Council do not have a Sickness Absence Management Policy and/or it does not clearly outline employee and line manager responsibilities for managing both short and long-term sickness absence.
- ▶ Guidance/Advice is not provided to line managers on how to conduct return to work interviews and manage long-term staff sickness absence.
- ▶ Sickness absence and the return-to-work date is not recorded accurately leading to staff payroll not being adjusted based on the absence period.
- ▶ Sickness absence is not recorded and managed in line with the Sickness Absence Management Policy leading to inconsistent processing of sickness absence across the Council.
- ▶ Return to work interviews are not conducted in a timely manner following an employee returning from sickness absence and records of the discussion are not kept.
- ▶ KPIs are not reported to management, with clear action plans where performance is below target, leading to inadequate monitoring of sickness absence across the Council.



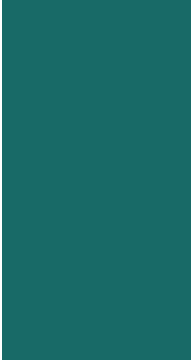
SCOPE & APPROACH

The following areas will be covered as part of this review:

- ▶ We will review the Council's Sickness Absence Management Policy and any supporting procedure notes to assess whether these are appropriate and clearly advise employees and line managers on their responsibilities regarding notifying the Council of absence and uploading information.
- ▶ We will review the arrangements in place to support, guide and advise line managers on how to undertake effective return to work interviews and manage long-term sickness absence amongst staff to assess whether the support structures are adequate.
- ▶ We will review a sample of episodes of staff sickness to ascertain whether data was recorded correctly, whether a return-to-work interview was completed and whether sufficient escalation was taken where appropriate. We will include long-term sickness cases within our sample to ascertain whether adequate contact was maintained with staff during the period of absence.
- ▶ We will review management reporting on sickness absence to assess whether adequate information is provided to management to support effective monitoring and oversight of performance. Where performance is below the target level, we will review action plans in place to support improved performance.

The scope of the review is limited to the areas documented under the scope and approach. All other areas are considered outside of the scope of this review. However, Internal Audit will bring to the attention of management any points relating to other areas that come to their attention during the course of the audit.

We assume for the purposes of estimating the number of days of audit work that there is one control environment, and that we will be providing assurance over



controls in this environment. If this is not the case, our estimate of audit days may not be accurate. It is intended that this audit will be completed through a combination of remote working and onsite meetings and testing, based upon the most effective way of carrying out the work.

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