

REDACTED



INTERNAL AUDIT FINAL REPORT

CHIEF EXECUTIVE DEPARTMENT

SICKNESS MANAGEMENT

Issued to: Head of HR Business, Systems & Reward,
Director of HR and Customer Services,
Assistant Director, HR, Organisational Development,
Head of Finance ECS and Corporate (Final only)

Prepared by: Principal Auditor

Reviewed by: Head of Audit and Assurance

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Report No.: CEX/04/2022

REVIEW OF SICKNESS MANAGEMENT

INTRODUCTION

1. This report sets out the results of our audit of Sickness Management. The audit was carried out as part of the work specified in the six-monthly Internal Audit Plan for 2022-23, agreed by the Audit and Risk Management Committee. The controls we expect to see in place are designed to minimise the Council's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be addressed by management.
2. The purpose of the Managing Employee Ill Health Procedure 'is to set out the framework within which the ill health of employees will be managed in a proactive manner, in order to minimise productive time lost to the Council as the employer and to protect the health and safety of each individual employee. It also aims to ensure a consistent and transparent process, balancing both the needs of the individual and those of the Council'.
3. This audit review concentrated on sickness absences of varying types across the Council and the associated processes and documentation. The audit included determining the level of awareness of the 'Managing Employee Ill Health Procedure' and attendance of those with line management responsibilities, at the mandatory Sickness Management training.
4. Thirty cases were selected over financial years 2021/22 and 2022/23. We could not test all samples due to line managers not being identified on the HR System or there being a change in line management. Efforts were made to contact all relevant line managers, but this was not possible in 3 cases.
5. The impact of sickness absence can be demonstrated from the table overleaf that relates to the 12 month period from November 2021 to November 2022:-

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Department	Total Working Days Lost	Total Working Days Lost per FTE
Chief Executive's	999.15	6.14
People	7099.00	7.89
Place	2014.59	6.11
Total	10112.74	7.26

6. We would like to thank everyone contacted during this review for their help and co-operation.

AUDIT SCOPE

7. The original scope of the audit was outlined in the Terms of Reference issued on 22nd June 2022.

8. We reviewed and tested the following key risks:

- High staff absence or turnover leading to operational difficulties with service delivery.
- Increased costs arise due to temporary staff cover together in addition to sickness pay.
- Non-compliance to legislation resulting in cases being taken to employment tribunals.
- Managers and staff are not aware of their responsibilities for sickness arrangements, leading to further employment tribunal cases.
- Return to work processes are not in place and consistently applied across the Council.
- Reporting of sickness absences may not be consistent in all areas resulting in inaccurate staff records and sickness absences.
- Accurate and up to date sickness management information is not available to effectively determine the current levels of sickness absence.

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AUDIT OPINION

9. Our overall audit opinion, number and rating of recommendations are as follows.

AUDIT OPINION	
Reasonable Assurance	(Definitions of the audit assurance level and recommendation ratings can be found in Appendix B)

Number of recommendations by risk rating		
Priority 1	Priority 2	Priority 3
0	5	3

SUMMARY OF FINDINGS

10. We observed some areas of good practice and sound controls:

- Managers were confident in knowing who to contact, in the event that they needed help or guidance.
- The majority of managers contacted were aware of the Managing Employee Ill Health Procedure and the responsibilities for both them and the employee.
- Managers were confident to keep in touch with members of staff during of sickness absences by various methods.

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- Recommendations made by Occupational Health were found to have been actioned by line managers and this was operating well.
- A sickness management update has recently been provided at a Managers Briefing.

11. Our review highlighted the following areas for further development:

- The 'Managing Employee Ill Health Procedure' is dated January 2020 with no planned review date; other relevant procedures are dated pre-pandemic and therefore require updating to ensure alignment with current desired practice.
- We found through testing that not all staff with line management responsibility had completed the mandatory sickness management training. Managers who have completed the training may need to attend refreshers to update their knowledge.
- Data held on the HR Management system in relation to line managers was not always complete and up to date.
- Current KPIs for sickness management had no target in place.
- Return to work forms had not been completed in a few cases and other cases could not be tested due no line manager being detailed or there being a change of manager.
- Contract monitoring documentation should have the agreed timescales for actions detailed.
- For the majority of our sample of sickness absences, the system entry had been made after the end date of absence however there is no complete audit trail available to determine whether prior entries had been made and then deleted, in order to establish the cause of the issue.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

12. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised, together with management's responses and timescales for implementation. Appendix B details the definition of the audit assurance and priority ratings.

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1. Procedures, Policies & Guidance Documentation**Finding**

The following documents and procedures are all held on SharePoint with links from the Transform page, with the HR Policies & Procedures.

Managing Employee Ill Health Procedure

This procedure was last updated in January 2020. There is no planned review date detailed within the document.

Although the sickness management process involves monitoring of trigger points, the policy itself does not refer to 'triggers'. The procedure itself does not mention the triggers of over 20 + days of sickness absence or 5 or more occasions of sickness absence.

HR Consultancy advised that some sickness absences, such as Covid and maternity related absences do not result in triggers. However, these exceptions are not detailed in any procedures.

The link to the Self Certification Form within the procedure did not work.

One manager who was contacted as part of this review advised that they had been employed since 2015 and were not aware of this procedure and would not know how to locate it.

Managers interviewed explained how they kept in touch with absent employees however it was not always clear how this contact was documented.

Managing Ill Health Quick Guide

This guide is dated March 2009 and there is no planned review date detailed within the document.

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Return To Work Form & Guidance

The Return To Work Form is dated September 2019 and the Return To Work Guidance for Managers is dated July 2017. It should be noted that the triggers are referred to in this guidance detailing the over 20+ days of sickness absence or 5 or more occasions of sickness absence.

We found through sample testing, that return to work forms were not always completed and some managers were not aware that they had to be completed for all sickness absences. Some managers will upload the return to work forms onto the HR System or hold the forms within the service area.

Self Certification Form

This form details that it was last reviewed in August 2020. There is no planned review date detailed.

Risk

Some managers may not fully understand their responsibilities which may result in the correct process not being followed and an employee being treated unfairly such as not making reasonable adjustments.

Recommendation

The Managing Employee Ill Health Procedures and all associated forms and guidance should be reviewed and updated as detailed above.

- (i) The Managing Employee Ill Health Policy should refer specifically to the triggers and detail the agreed trigger points.
- (ii) Links to documents within the procedure should be updated for ease of access. Consideration should be made to all related documents and guidance to be appendices to this procedure at the next planned review.

Rating

Priority 2

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<p>(iii) To assist managers, the procedure document should summarise the sickness management process by way of a flowchart detailing the key stages.</p> <p>(iv) All documents should include a planned review date.</p>	
<p><u>Management Response and Accountable Manager</u></p> <p>Head of HR Business, Systems & Reward, to review policy and forms and update where appropriate.</p> <p>There is now a HR Induction, introduced in 2022, for new employees and managers who join LBB which covers details such as where to find policies and procedures as well as giving an overview of the responsibilities of managers in managing sickness. HR Consultancy proactively contact managers where staff are close to or hitting sickness triggers to support them through the process.</p> <p>Covid is recorded as sickness for all purposes including the sickness management triggers but of course every case is considered/managed on the individual circumstances.</p>	<p><u>Agreed timescale</u></p> <p>June 30th 2023</p>

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2. Sickness Management Training

Finding

HR Workforce Development organise Sickness Management Training for all managers. This course is mandatory and is run quarterly. HR Workforce Development will invite all new managers to attend this course at the next available date. All staff with line management responsibilities are expected to attend.

During the audit, a list of those managers that were booked on the next sickness management training on 12/12/22 was requested and provided.

However, some managers interviewed stated that they had not completed the mandatory training. Some managers could not recall whether they had attended this training, as it had been some time since completion. One manager also advised that they were not aware of this training or the Managing Employee Ill Health Procedure and also advised that they had previously had to take a case to an employment tribunal.

Risk

Managers do not meet their responsibilities, follow appropriate processes or make appropriate decisions. This could lead to an employee being treated unfairly, increasing the risk of employee relations issues.

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<p><u>Recommendation</u></p> <p>HR should investigate how the best available information on relevant staff for the training can be sourced, for example through systems reports showing those with direct reports, structure charts or those on the ‘Managers Briefing’ distribution list.</p> <p>HR should investigate how attendance at mandatory training can be monitored, with exceptions followed up. This could be done through individual Departments, or completion of mandatory training could form part of appraisals and objective setting.</p> <p>HR should determine a policy on refresher periods for mandatory sickness management training. This could be completed when the policies and procedures in Recommendation 1 have been updated.</p>	<p><u>Rating</u></p> <p style="text-align: center;">Priority 2</p>
<p><u>Management Response and Accountable Manager</u></p> <p>HR are able to identify which posts manage employees and therefore can identify managers to cross reference those that have attended the Managing Ill Health course.</p> <p>Assistant Director, Organisational Development.</p>	<p><u>Agreed timescale</u></p> <p>June 30th 2023</p>

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3. HR Management System**Finding**

Sample testing identified that information held on the HR system with regard to line managers was found to be incomplete or information not necessarily available to HR Consultancy.

For cases reviewed for the 2021/22 financial year, there were 3 instances where no line manager was detailed on the system for that individual employee. There were also 2 cases where there had been a change in line manager. One of these members of staff remains as a current employee.

For cases reviewed in the 2022/23 financial year, there were one case where no manager was identified and two cases where the incorrect line manager was detailed.

HR advised that the reason for no manager being detailed 'is because the post to post hierarchy works on active posts so if an employee has been terminated they are no longer an active post holder and therefore there is no manager to show'.

There also be a number of reasons for no manager being detailed, for example, long term sickness of the employee, the manager leaving or moving post or possibly utilising agency staff to cover a post.

Risk

HR Management information held is not robust, up to date and reliable, which may result in decisions being made on incorrect data.

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<p><u>Recommendation</u></p> <p>Data held on the HR Management System should be regularly reviewed to ensure the correct information is held in respect of line managers to ensure that any data transfer to the HR system is accurate, up to date and robust.</p> <p>Managers should be reminded to advise HR Consultancy of any changes to line management responsibilities within their service.</p> <p>(This should be read in conjunction with Finding 2).</p>	<p><u>Rating</u></p> <p style="text-align: center;">Priority 2</p>
<p><u>Management Response and Accountable Manager</u></p> <p>The HR database is regularly reviewed and updated when HR are advised of changes. Information is also readily available to managers to review in HR Self Service but HR will remind managers of their responsibility to inform of any establishment changes and other changes in a timely manner.</p> <p>Where a manager has left the organisation and the post has not yet been filled, the post will show as vacant but any information regarding teams can be viewed by the grandparent post. If a manager is on long term absence we can set up delegations so that information can be managed by another manager.</p> <p>Head of HR Business, Systems & Reward</p>	<p><u>Agreed timescale</u></p> <p>June 30th 2023</p>

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4. Key Performance Indicators (KPIs)

Finding

The current KPIs in relation to sickness management are set out below:-

- 1) Average number of days absence per employee
- 2) Average days - less than 20
- 3) Average days - 20+
- 4) Cost of sickness

There are no targets for these KPIs which are reported quarterly to COE. This used to be provided to Committee, but a decision was made some years ago that a target for sickness was no longer required. Management advised that the KPI reporting is benchmarked against the public sector and local government, but evidence of this was not provided.

We requested information in respect of how the KPIs are calculated. HR advised that these are run from a standard report which is direct from the HR Management System.

The table below provides a summary of the KPIs detailed above reported to COE.

KPI's	Target	2020/21	2021/22	2022/23 to September
1) Average number of days absence per employee	Not Set	5.6 days	7.2 days	3.4 days
2) Average days less than 20	Not Set	1.7 days	2.1 days	1.16 days
3) Average days 20+	Not Set	3.6 days	7.7 days	2.34 days
4) Cost of sickness	Not Set	£934,000	£1,271,184	£394,000

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<p><u>Risk</u></p> <p>Without meaningful targets in place, actual performance cannot be consistently measured.</p>	
<p><u>Recommendation</u></p> <p>HR should determine whether any meaningful targets can be put in place for the following KPIs for the next financial year (2023/24):</p> <ol style="list-style-type: none"> 1) Average number of days absence per employee 2) Average days - less than 20 3) Average days - 20+ 4) Cost of sickness 	<p><u>Rating</u></p> <p style="background-color: #90EE90; padding: 2px; display: inline-block;">Priority 3</p>
<p><u>Management Response and Accountable Manager</u></p> <p>HR do complete regular benchmarking exercises with London Councils, including absence data, and that information can be used as part of ongoing comparisons. HR also keep up to date with data from CIPD etc to keep abreast of information relating to sickness absence levels across different industries.</p> <p>We will review and consider targets for the next financial year as set out in the recommendation.</p> <p>Head of HR Business, Systems & Reward.</p>	<p><u>Agreed timescale</u></p> <p>June 30th 2023</p>

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5. Contract Monitoring**Finding**

A contract is in place with Contractor A, the Council's Occupational Health Provider. The contract period is April 1st 2020 to March 31st 2024. The annual cost of the contract is £37,107 and the total cost for the contract period is £148,428.

We requested copies of the scheduled dates for contract monitoring meetings and contract monitoring minutes. There was no schedule of dates for the planned meetings as it was confirmed by the Head of HR Business, Systems & Reward that at the meetings the next meeting date will be agreed.

Contract monitoring minutes were provided over the last 12 months for the following dates:-

26/01/22
23/03/22
20/09/22
13/12/22

Actions contained within all the minutes had no timescales for completion. The meeting on 26/1/22 did not agree the previous minutes and confirm that all previous actions had been completed.

Risk

Contract monitoring may not be effective leading to unnecessary costs, referrals and delays in appointments.

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<p><u>Recommendation</u></p> <p>The process of contract monitoring should be reviewed and updated. All actions should have an agreed timescale for completion.</p>	<p><u>Rating</u></p> <p>Priority 3</p>
<p><u>Management Response and Accountable Manager</u></p> <p>Regular contract monitoring with Contractor A is undertaken but the Head of HR Business, Systems & Reward will review and update to make it clearer in minutes of meetings the actions and agreed timescales.</p>	<p><u>Agreed timescale</u></p> <p>June 30th 2023</p>

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6. Return To Work Forms	
<p><u>Finding</u></p> <p>For the sample tested, a return to work form had not been completed or was not available, in three cases in respect of the 2021/22 financial year and in five cases in the 2022/23 financial year.</p> <p>Guidance to managers is not fully clear as to where information should be stored and some gaps in information are likely to be due to changes in line manager, with documents not shared with subsequent line managers. Amongst the line managers interviewed, there was not a consistent approach in completing, submitting, retention and storage of these forms.</p> <p><u>Risk</u></p> <p>Return to work meetings do not take place which could result in a lack of understanding of the sickness absence. Assumptions may be made that the employee is fit to return to work, when they may need additional support or adjustments. This may result in further absences.</p>	
<p><u>Recommendation</u></p> <p>Managers should be reminded that return to work meetings should take place for all occasions of sickness absence and the return to work form should be completed and a copy passed to the employee.</p> <p>Guidance should be updated to detail the expectations on retention and storage to provide consistency. This will also assist future managers to be able to access these documents in the event that the line manager completing the form moves roles or leaves the organisation.</p>	<p><u>Rating</u></p> <div style="border: 1px solid black; background-color: #ffcc00; padding: 5px; display: inline-block;">Priority 2</div>

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<u>Management Response and Accountable Manager</u>	<u>Agreed timescale</u>
<p>The HR Induction as well as the Managing Ill Health training both address the need for Return to Work Interviews to take place. We will provide further clarity to managers regarding the expectations on them to complete these.</p>	<p>June 30th 2023</p>
<p>Head of HR Business, Systems & Reward</p>	

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7. Audit Trail	
<p><u>Finding</u></p> <p>The audit trail of sickness entries for five selected employees appeared to show that sickness was rarely entered on the first date of absence. The time period for data entry was typically one to two weeks after the first day of sickness and, in 7/9 instances, after the end date of sickness.</p> <p>However, HR advised that ‘if a sickness period has been deleted by the manager and re-entered, the system does not show the date the sickness was initially recorded’. Therefore we cannot confirm whether sickness was entered late or whether an original entry was deleted and re-entered.</p> <p><u>Risk</u></p> <p>If sickness absence entries are not entered timely on the system, this could result in incorrect pay and the absence not being managed appropriately.</p> <p>In the absence of a full audit trail, changes to employee records do not show all changes to personal data and which officer completed or initiated the change.</p>	
<p><u>Recommendation</u></p> <p>HR should establish whether an audit trail of changes and entries can be retained on the forthcoming HR system.</p>	<p><u>Rating</u></p> <div style="border: 1px solid black; background-color: yellow; padding: 2px; display: inline-block;">Priority 2</div>

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<u>Management Response and Accountable Manager</u>	<u>Agreed timescale</u>
<p>The HR System is changing to a new system from April 2023 and information relating to entry of absences and the dates of entry will be reviewed to check on auditing functionality.</p>	<p>June 30th 2023</p>
<p>Head of HR Business, Systems & Reward</p>	

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8. Reason For Sickness Absence	
<p><u>Finding</u></p> <p>Analysis of data for Q1 2022/23 and the 2021/22 financial year highlighted that</p> <ul style="list-style-type: none"> • In Q1 2022/23, 10 out of 330 absences did not have a sickness reason entered • In 2021/22, 17/1245 absences did not have a sickness reason entered <p>The gaps in this information are highlighted on reports produced by HR but had not been followed up.</p> <p><u>Risk</u></p> <p>Effective monitoring cannot be undertaken to determine whether the absences were also related to previous, or subsequent, absences.</p>	
<p><u>Recommendation</u></p> <p>HR should identify gaps in data submitted by managers from existing reports and raise the small number of exceptions with individual line managers.</p> <p>HR should investigate whether system controls for the forthcoming replacement system, can enforce sickness absence reason entries.</p>	<p><u>Rating</u></p> <div style="border: 1px solid black; background-color: #90EE90; padding: 2px; display: inline-block;">Priority 3</div>

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<u>Management Response and Accountable Manager</u>	<u>Agreed timescale</u>
HR will make providing a sickness absence reason mandatory in the new system from April 2023.	April 30 th 2023.
Head of HR Business, Systems & Reward	

OPINION DEFINITIONS

Assurance Level

Assurance Level	Definition
Substantial Assurance	There is a sound system of control in place to achieve the service or system objectives. Risks are being managed effectively and any issues identified are minor in nature.
Reasonable Assurance	There is generally a sound system of control in place but there are weaknesses which put some of the service or system objectives at risk. Management attention is required.
Limited Assurance	There are significant control weaknesses which put the service or system objectives at risk. If unresolved these may result in error, abuse, loss or reputational damage and therefore require urgent management attention.
No Assurance	There are major weaknesses in the control environment. The service or system is exposed to the risk of significant error, abuse, loss or reputational damage. Immediate action must be taken by management to resolve the issues identified.

Recommendation ratings

Risk rating	Definition
Priority 1	A high priority finding which indicates a fundamental weakness or failure in control which could lead to service or system objectives not being achieved. The Council is exposed to significant risk and management should address the recommendation urgently.
Priority 2	A medium priority finding which indicates a weakness in control that could lead to service or system objectives not being achieved. Timely management action is required to address the recommendation and mitigate the risk.
Priority 3	A low priority finding which has identified that the efficiency or effectiveness of the control environment could be improved. Management action is suggested to enhance existing controls.