

Internal Audit Report 2013/2014

Absence Monitoring

Northampton Borough
Council

March 2014

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2	Internal audit work was performed in accordance with PwC's Internal Audit methodology which is aligned to the Public Sector Internal Audit Standards. As a result, our work and deliverables are not designed or intended to comply with the International Auditing and Assurance Standards Board (IAASB), International Framework for Assurance Engagements (IFAE) and International Standard on Assurance Engagements (ISAE) 3000.
4	

Distribution List

For action	Francis Fernandes, Borough Secretary and Monitoring Officer
	Gail Barker, HR Advisory and Change Team, LGSS
For information	Glenn Hammons, Section 151 Officer
	Audit Committee

This report has been prepared by PwC in accordance with our engagement letter dated 08/07/2013.

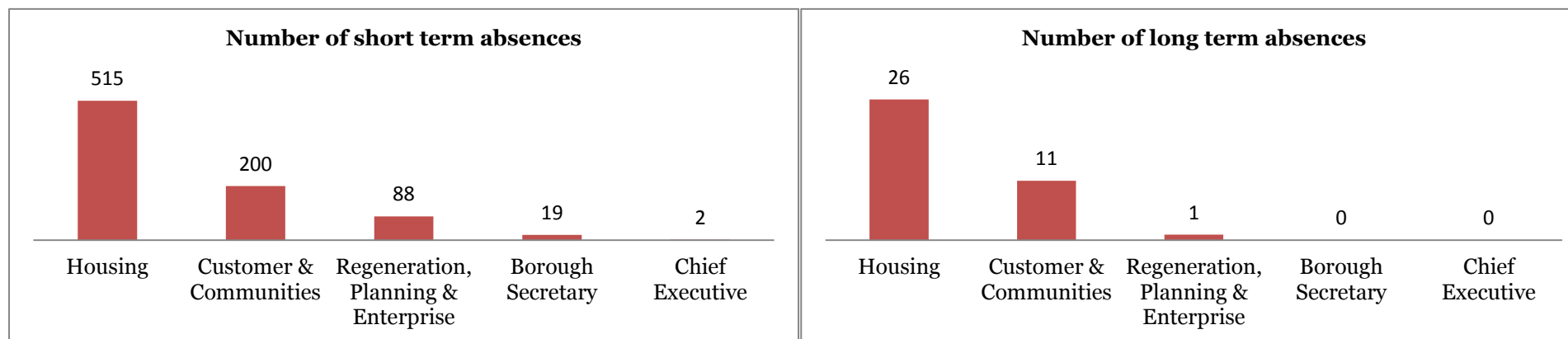
1. Executive summary

Report classification	Trend	Total number of findings					
		Critical	High	Medium	Low	Advisory	
 High Risk (18 points)	N/A - This review has not previously been undertaken	Control design	0	0	1	1	0
		Operating effectiveness	0	1	1	1	0
		Total	0	1	2	2	0

Headlines / summary of findings:

This review was undertaken as part of the 2013/14 internal audit plan. Our review considered the controls and processes in place with regards to staff absence management, monitoring and reporting. We reviewed the current absence policy and tested a sample of both long term and short term absences for compliance with the policy. Our testing outcomes were limited to the information and documents provided by the LGSS Human Resource (HR) team from both the FirstCare system and electronic employee files.

The graphs below illustrate the number of short and long term absences recorded between 01/04/2013 – 31/01/2014 in each directorate:



We identified a number of strengths in the current system:

- A detailed absence policy is in place and is readily accessible to staff.
- Information available to managers is adequate to enable them to monitor staff absence levels at an appropriate level of detail and on a timely basis.

However, the overall high risk rating is attributed to a number of issues identified during the course of the review, the most significant of these relate to the following areas:

- Although a high level of detailed information is available to managers to monitor staff absences, in a high proportion of absence cases tested, there was limited evidence to show that the absence policy had been followed.
- No monitoring procedures are in place to ensure that managers adhere to the absence management policy when multiple short term staff absences occur.
- Absent management training records are limited and the information obtained and discussions held with HR imply low attendance rates.

Overall, we found that although there is a clear policy in relation to absence monitoring, this is not adhered to on a consistent basis. This leaves the Council open to the risk of ongoing high levels of staff absence and the related cost which could be reduced or avoided if the appropriate procedures were undertaken.

2. Detailed current year findings

1. Short term absences: compliance with policy– operating effectiveness

Finding

Reports provided from the FirstCare system of all short and long term absence between 01/04/2013 - 31/01/2014 showed that in total there had been 824 short term absences and 38 long term absences during this period. We reviewed a sample of short and long term absences across all departments for compliance with the procedures set out in the Absence Policy.

Testing of 25 short term absence cases identified the following issues:

- In 22 cases where an alert had been triggered there was no evidence included in the employee's file that an absence meeting had been held.
- In 2 cases although the employee had been absent for over 7 days no evidence that a fit note was obtained is included in the employee's file. In 1 case where a fit note was provided this did not cover the full period of absence.
- In 1 case where evidence of an absence meeting was provided, the meeting was 4 months following the employee's return to work date after the absence which triggered the alert.
- In 1 case the absence was logged on the Return To Work Interview (RTWI) form as not being work related. However a review of the employees HR notes clearly state that this absence is deemed to be work related.
- We observed variances in the quality of the detailed of information provided within the RTWI forms. Example comments included '*10 working days in 12 months - medical absences only*' and '*a trigger has been met and incidents are unrelated*'. These comments do not demonstrate that the causes of multiple absences were appropriately investigated.


Testing of 5 long term absence cases identified the following issues:

- In 2 cases no evidence of an absence meeting being held is included in the employee's HR file.
- In 3 cases no evidence of a fit note being obtained has been included in the employee's HR file.
- In 2 cases where a fit note has been provided this does not cover the full absence period.
- In 4 cases there is no evidence that an occupational health assessment has being completed.
- In 1 case although there was evidence through minutes that an absence meeting was held and action plan set, no evidence has been provided that any further follow up meetings have been held.

Implications

The absence policy is not adhered to resulting in further staff absences and their related costs which could be reduced or avoided if the appropriate procedures were undertaken.

Action plan

<i>Finding rating</i>	<i>Agreed action</i>	<i>Responsible person / title</i>
High 	All short term and long term absence cases should be handled in line with the absence policy and procedures.	Francis Fernandes
	Adherence to the absence policy is part of conditions of employment and applies to all Managers and Team Leaders. The Council will identify a procedure to monitor and test compliance with the policy.	<i>Target date:</i> TBC
	Consideration of appropriate actions for non-compliance will be addressed as part of a wider review of the Council's policy compliance and disciplinary procedures.	
	Evidence should be retained of any actions taken by HR or Management to manage staff absences.	

2. Short term absence monitoring procedures – control design

Finding


HR run bi-monthly reports of all long term absences from the FirstCare system. These are reviewed for any long term absence cases in which HR are not currently involved or aware of and they follow up these cases with managers to ensure appropriate meetings are held with the staff member.

There are currently no monitoring procedures in place to ensure that when a staff member has numerous short term absences and therefore an alert is triggered on the FirstCare system, the appropriate procedures, including absence meetings are undertaken in line with the absence policy.

Implications

Line managers may not monitor and manage short term absences in accordance with the Absence Policy. This may result in further absences that may have been avoided if the absence management procedures had been followed.

Action plan

<i>Finding rating</i>	<i>Agreed action</i>	<i>Responsible person / title</i>
Medium 	Monitoring procedures should be introduced to ensure that when short term absence triggers are met further actions are taken on a timely basis in line with the absence policy.	Gail Barker – LGSS HR (TBC) <i>Target date:</i> TBC

3. Training – operating effectiveness

Finding


Absence management training courses are available to line managers on induction and on a regular basis through workshops run by Organisation and Workforce Development (ODW). Attendance at these training courses is not mandatory.

No record of attendance has been kept of any absence management related training completed by NBC staff since March 2013. ODW have advised that further training sessions were cancelled due to low attendance. Data provided of the training programme held between January and March 2013 suggest only approximately 30% of line managers attended these training sessions.

Implications

Line managers are not aware of or understand their duties in relation to the absence management policy.

Action plan

<i>Finding rating</i>	<i>Agreed action</i>	<i>Responsible person / title</i>
Medium 	Absence management training courses should be provided to all line managers and a record of this attendance should be kept.	Gail Barker (TBC)
		<i>Target date:</i> TBC

4. Absence policy– control design

Finding

The absence policy requires that an absence meeting must be held where a staff member is either absent for 28 days or more consecutively (long term absence) or when a trigger is alerted (short term absence). However, no guidelines are included in the policy of the time frame by which these meetings must be held.

The policy also does not state that minutes must be retained of all absence related meetings and that these should be provided to HR to be kept in the employee's HR file.

Implications

Absence Meetings may not be held promptly after a trigger has been met. This may result in further absence that may have been avoided if absence meetings were held timely.

A full audit trail of absence meetings and other absence management procedures is not retained.

Action plan

Finding rating

Low



Agreed action

The policy should be updated to clearly define the time limit by which absence meetings should be held following a trigger alert.

The policy should be updated to state that all evidence of absence management procedures undertaken, including minutes of absence meetings held, should be provided to HR on a timely basis to be kept within the employee's HR file.

Responsible person / title

Gail Barker

Target date:

31 August 2014

5. Management board challenge – operating effectiveness

Finding

We reviewed Management Board meeting minutes for a sample of 2 months and noted the following:

- In one case minutes provided evidence of discussion of the monthly absence report and acknowledgement of improvements needed, however no actions were included within the minutes to help ensure these improvements are made.
- In the second case minutes included actions discussed relating to absence management procedures, however these were not then included in the formal action plan included within the minutes.

Implications

Although management identify required actions through review and challenge of absence figures, these actions may not be completed.

Action plan

Finding rating

Low



Agreed action

Absence levels should be discussed and challenged at management board level and where required actions are identified, these should be included in a formal action plan to monitor their progress and ensure they are completed.

Responsible person / title

Francis Fernandes

Target date:

Ongoing

Appendix 1. Basis of our classifications





Individual finding ratings

<i>Finding rating</i>	<i>Assessment rationale</i>
<i>Critical</i>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • <i>Critical</i> impact on operational performance (quantify if possible); or • <i>Critical</i> monetary or financial statement impact (quantify if possible = materiality); or • <i>Critical</i> breach in laws and regulations that could result in material fines or consequences (quantify if possible); or • <i>Critical</i> impact on the reputation or brand of the organisation which could threaten its future viability (quantify if possible).
<i>High</i>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • <i>Significant</i> impact on operational performance (quantify if possible); or • <i>Significant</i> monetary or financial statement impact (quantify if possible); or • <i>Significant</i> breach in laws and regulations resulting in significant fines and consequences (quantify if possible); or • <i>Significant</i> impact on the reputation or brand of the organisation (quantify if possible).
<i>Medium</i>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • <i>Moderate</i> impact on operational performance (quantify if possible); or • <i>Moderate</i> monetary or financial statement impact (quantify if possible); or • <i>Moderate</i> breach in laws and regulations resulting in fines and consequences (quantify if possible); or • <i>Moderate</i> impact on the reputation or brand of the organisation (quantify if possible).
<i>Low</i>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • <i>Minor</i> impact on the organisation's operational performance (quantify if possible); or • <i>Minor</i> monetary or financial statement impact (quantify if possible); or • <i>Minor</i> breach in laws and regulations with limited consequences (quantify if possible); or • <i>Minor</i> impact on the reputation of the organisation (quantify if possible).
<i>Advisory</i>	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

Report classifications

The report classification is determined by allocating points to each of the findings included in the report

<i>Findings rating</i>	<i>Points</i>
Critical	40 points per finding
High	10 points per finding
Medium	3 points per finding
Low	1 point per finding

<i>Report classification</i>	<i>Points</i>
 Low risk	6 points or less
 Medium risk	7– 15 points
 High risk	16– 39 points
 Critical risk	40 points and over

Appendix 2. Terms of Reference

Northampton Borough Council

Terms of reference – Human Resources: Absence Monitoring

To: Francis Fernandes, Monitoring Officer
Gail Barker, HR Advisory and Change Team, LGSS

From: Kate Mulhearn, Internal audit manager

This review is being undertaken as part of the 2013/2014 internal audit plan approved by the Audit Committee.

Background

The Council aims to encourage all employees to have full attendance at work and is committed to improving the health and well-being of all employees. From time to time, employees may be unable to attend work due to sickness. It is the Council's policy to support employees who are genuinely sick and unable to come to work.

The guidance and procedures governing staff absence are set out in the Absence Policy. Staff absences are managed and monitored using the First Care system.

A summary of the last 12 months absence rates for Northampton Borough Council (NBC) is shown below. Average statistics for sickness in Local Government are not published, however as an indication of relative levels elsewhere in the public sector the current levels of sickness absence within the Civil Service is 7.6 average working days lost per staff year (source. www.civilservice.gov.uk), significantly less than for NBC.

	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14
Days Lost	10.96	10.68	10.65	10.33	10.22	10.13	10.18	10.21	10.11	10.17	10.24	10.27

Scope

We will review the design and operating effectiveness of key controls in place relating to absence reporting, monitoring and management during the period April 2013 to January 2014.

The sub-processes and related control objectives included in this review are:

Sub-process	Control objective
The Absence policy is approved, communicated and staff are aware of their responsibilities	A detailed absence policy is in place and readily accessible to staff. Managers and staff are aware of the requirements of the policy and their responsibilities e.g. through induction processes and training.
Information reporting and communication	Information available to managers is adequate to enable them to monitor staff absence levels at an appropriate level of detail and on a timely basis. There are clear reporting mechanisms in place. Performance compared to targets is challenged on a regular basis.
Incidence of staff absence are accurately recorded and complete	Procedures are in place to accurately and completely record staff absence.
Monitoring and management of individual staff absence	Staff absence is monitored and managed in accordance with the policy Issues are appropriately escalated and dealt with on a timely basis
Organisational reporting and governance	Absence figures are collated, reported and challenged at board level.

Limitations of scope

The scope of our work will be limited to those areas outlined above.

Audit approach

Our audit approach is as follows:

- Obtain an understanding of the controls and processes for recording, monitoring and managing staff absence through discussions with key personnel and review of policy documentation.
- Identify the key risks of the staff absence.
- Evaluate the design of the controls in place to address the key risks.
- Test the operating effectiveness of the key controls.

Appendix 3. Limitations and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken the review of Absence Monitoring, subject to the limitations outlined below.

Internal control

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods

Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- the degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.



In the event that, pursuant to a request which Northampton Borough Council has received under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the "Legislation"), Northampton Borough Council is required to disclose any information contained in this document, it will notify PwC promptly and will consult with PwC prior to disclosing such document. Northampton Borough Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Legislation to such report. If, following consultation with PwC, Northampton Borough Council discloses any this document or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

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