Carlisle City Council
Report to Audit Committee

Report details

Meeting Date:	28 September 2022
Portfolio:	Finance, Governance and Resources
Key Decision:	Not applicable
Policy and Budget Framework	YES
Public / Private	Public
Title:	Internal Audit Report – Absence Management (Follow-up)
Report of:	Corporate Director Finance & Resources
Report Number:	RD34/22

Purpose / Summary:

This report supplements the report considered on Internal Audit Progress 2022/23 and considers the follow-up review of Absence Management.

Recommendations:

The Committee is requested to

    (i)   receive the final audit report outlined in paragraph 1.1;

Tracking

Executive:	Not applicable
Scrutiny:	Not applicable
Council:	Not applicable

1. Background

1.1. A follow-up audit of Absence Management was undertaken by Internal Audit in line with the agreed Internal Audit plan for 2022/23. The original audit was reported in September 2020, giving partial assurances and 13 recommendations (4 high-graded). The follow-up review performed in 2021/22 (Appendix A) indicates suitable progress was made in this area and provides reasonable assurances and includes 3 medium-graded recommendations.

2. Risks

2.1 Findings from the individual audits will be used to update risk scores within the audit universe. All audit recommendations will be retained on the register of outstanding recommendations until Internal Audit is satisfied the risk exposure is being managed.

3. Consultation

3.1 Not applicable

4. Conclusion and reasons for recommendations

4.1 The Committee is requested to
    i) receive the final audit report outlined in paragraph 1.1

5. Contribution to the Carlisle Plan Priorities

5.1 To support the Council in maintaining an effective framework regarding governance, risk management and internal control which underpins the delivery the Council's corporate priorities and helps to ensure efficient use of Council resources

Contact details:

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Appendices attached to report:

- **Internal Audit Report –Absence Management (Follow-up)– Appendix A**

Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:

- None

Corporate Implications:

Legal - In accordance with the terms of reference of the Audit Committee, Members must consider summaries of specific internal audit reports. This report fulfils that requirement

Property Services - None

Finance – Contained within report

Equality - None

Information Governance- None

Audit follow up of Absence Management

Draft Report Issued: 29TH June 2022

Director Draft Issued: 5th July 2022

Final Report Issued: 12th July 2022

Audit Report Distribution

Client Lead:	HR Manager
Chief Officer:	Deputy Chief Executive
Others:	Chief Executive Head of Workforce Development HR Adviser (Career Grade)
Audit Committee	The Audit Committee, which is due to be held on 28th September 2022 will receive a copy of this report.

Note: Audit reports should not be circulated wider than the above distribution without the consent of the Designated Head of Internal Audit.

1.0   Background

1.1.   This report summarises the findings from a follow up audit of Absence Management. This was an internal audit review included in the 2021/22 risk-based audit plan agreed by the Audit Committee on 15th March 2021.

1.2.   The original audit was carried out in September 2020, resulting in a conclusion of partial assurance and 13 recommendations (4 high). A management action plan was completed detailing agreed actions, responsible manager and implementation dates to address the recommendations (Appendix A). This follow-up report provides an update on progress made against this action plan.

2.0   Audit Approach

Audit Objectives and Methodology

2.1   Compliance with the mandatory Public Sector Internal Audit Standards requires that internal audit activity evaluates the exposures to risks relating to the organisation's governance, operations and information systems.

2.2   A risk based audit approach has been applied which aligns to the five key audit control objectives (see section 4). Detailed findings and recommendations are reported within section 5 of this report.

2.3   The Client Lead was asked to provide an update on progress made implementing the agreed actions. Internal Audit then undertook testing as necessary to confirm that actions have been fully implemented and that controls are working as intended to mitigate risk

Audit Scope and Limitations.

2.4   The original scope was to provide independent assurance over management's arrangements for ensuring effective governance, risk management and internal controls of the following risk areas:

- That absence management is ineffective, resulting in increased sickness negatively impacting on service delivery, finance, reputation and staff morale
- Data used for absence reporting is inaccurate, resulting in poor decision-making
- Loss or breach of sensitive information, resulting in non-compliance with GDPR (attracting investigation and fines)
- Absence recording process is inefficient, resulting in poor value for money.

2.5   It is the responsibility of management to monitor the effectiveness of internal controls to ensure they continue to operate effectively.

2.6   There were no instances whereby the audit work undertaken was impaired by the availability of information.

3.0   Assurance Opinion

3.1   Each audit review is given an assurance opinion intended to assist Members and Officers in their assessment of the overall governance, risk management and internal control frameworks in place. There are 4 levels of assurance opinion which may be applied (See **Appendix D** for definitions).

3.2   Where the findings of the follow up confirm that actions have been successfully implemented and controls are working effectively, the internal audit assurance opinion may be revised from that provided by the original audit.

3.3   From the areas examined and tested as part of this follow up review we consider the current controls operating within Absence Management provide **reasonable assurance** (revised from partial assurance).
Note: as audit work is restricted by the areas identified in the Audit Scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.

4.0 Summary of Recommendations, Audit Findings and Report Distribution

4.1   There are two levels of audit recommendation; the definition for each level is explained in **Appendix E**.

4.2   The previous audit included 12 recommendations (See Appendix A) of which:

- 10 agreed actions have been successfully implemented.
- 3 agreed actions have not been implemented.

4.3   Audit recommendations arising from this audit review are summarised below:

Control Objective	High	Medium
1. **Management** - achievement of the organisation's strategic objectives	-	1
2. **Regulatory** - compliance with laws, regulations, policies, procedures and contracts	-	2
3. **Information -** reliability and integrity of financial and operational information	-	-
4. **Security** - safeguarding of assets	-	-
5. **Value** – effectiveness and efficiency of operations and programmes	-	-
Total Number of Recommendations	**-**	**3**

4.4   Management response to the recommendations, including agreed actions, responsible manager and date of implementation are summarised in Appendix B. Advisory comments to improve efficiency and/or effectiveness of existing controls and process are summarised in Appendix C for management information.

4.5   **Findings Summary:**

Good progress has been made towards further developing a robust and effective absence management process.

A Task and Finish Group was established as planned and a review of absence management undertaken.

The Improving Attendance Policy has been updated with further regular reviews planned. Template forms have also been revised and updated.

Assigned responsibilities and absence trigger points have been clarified.

Absence information is reported to Scrutiny on a quarterly basis.

The Physiotherapy service level agreement has been updated and includes reference to data protection legislation.

Information Governance Manager's questionnaire's now form part of the Occupational Health and third-party contracting processes.

Introducing proportionate oversight arrangements will help to ensure policy adherence and further inform training requirements.

Proportionate training will improve policy adherence and ensure effective use of HR Officer's time.

Document retention periods have been reviewed and agreed. Further work is planned to demonstrate that all items are disposed of in line with the retention schedule.

Periodic service manager reminders will increase the likelihood that personal information relating to absence management is not retained locally.

Further advice from the Council's Data Protection Officer will clarify which forms should include reference to the Council's employee privacy statement.

Comment from the Deputy Chief Executive:

This follow up review of Absence Management is welcomed and the 3 medium recommendations have been acknowledged and will be addressed. The two advisory comments are also noted. It is good to note the progress made since the last review and the hard work of our HR Team – well done.

5.0   Audit Findings & Recommendations

5.1   Recommendation 1 – Policy review

5.1.1   It was previously recommended that the policy should be reviewed on a regular basis and managers should be made aware of any amendments. The agreed management action stated that there would be an initial review with a further review date to be included in the new policy.

5.1.2   The revised Improving Attendance Policy details that the policy was approved and implemented in September 2021. Further Policy reviews are planned every 3 years (though this will be superseded by LGR).

5.1.3   A sample of ten absences were reviewed and policy adherence was found to be mixed, although this is likely to improve following roll-out of training. For example, non-compliance identified includes outcome letter following absence support meeting not sent to HR and old proforma used for return-to-work interview. It is advised that proportionate oversight arrangements are introduced to verify policy adherence and to further inform training requirements.

5.2   Recommendation 2 – Training provision

5.2.1   It was previously recommended that the current training provision should be reviewed to avoid duplication, as well as ensuring any amendments made to the policy are incorporated into future training. The agreed management action stated that training is to be provided once the new policy is developed and approved. The training will be rolled out through management briefing followed by Skill Gate modules, as well as regular Managers' sessions.

5.2.2   Training for managers is under development and consists of two elements: Skill Gate online training and quarterly group training.

5.2.3   Management briefing notes provided reference to the new Improving Attendance Policy although reference to rollout of training is not explicit.

5.2.4   Given the impending Local Government Reorganisation, it is recommended that training methods are both proportionate and effective use of HR Officers' time.

Recommendation 1 – Training methods to be proportionate and effective use of HR Officers' time.

5.3 Recommendation 3 – Consistent and fair Policy approach

5.3.1 It was previously recommended that the policy should be revised to ensure it can deliver a consistent and fair approach, including incorporation of actions to address the issues identified within this audit. The agreed management action stated that a task and finish group has been established, made up of members and HR. The first virtual meeting was scheduled w/c 15th June 2020.

5.3.2 Documents provided confirmed that a Task and Finish Group, made up of Members and HR was established as planned.

5.4 Recommendation 4 – Appropriate and stream-lined responsibilities

5.4.1 It was previously recommended that the current responsibilities should be reviewed to ensure all are still appropriate and stream-lined where possible. Retained responsibilities should be documented in the policy. The agreed management action stated that as per recommendation 3, the policy review will ensure responsibilities are reviewed and made clear in the policy document.

5.4.2 The revised Improving Attendance Policy includes clear responsibilities for Employees, Managers, Directors, HR and Payroll. All Officers are informed of their responsibilities as part of the employee induction checklist requirements.

5.5 Recommendation 5 – Regular, formal communication

5.5.1 It was previously recommended that a process should be adopted to ensure regular formal communication between responsible functions, including maintaining a list of agreed actions. The agreed management action stated that as per recommendation 3, the policy review will ensure clarity of responsibility and trigger points will allow for easier monitoring and action.

5.5.2 The Improving Attendance Policy has a section entitled 'Sickness absence Triggers'. Support meeting and document requirements are detailed where there is absence on more than one occasion or over a specified number of days within a twelve-month rolling period.

5.6 Recommendation 6 – Absence management reporting

5.6.1 It was previously recommended that absence information should be reported to Scrutiny on a more frequent (quarterly) basis when sickness levels rise above target levels (subject to the agreement of the panel Chair). The agreed management action stated that from January 2021 this will be in place – following review and implementation of the new Policy.

5.6.2 Absence information is now reported to Scrutiny on a quarterly basis, following review and implementation of the new Policy.

5.7 Recommendation 7 – Revision of template forms

5.7.1 It was previously recommended that template forms should be revised and consideration should be given to developing a more intuitive electronic process. The agreed management action stated that as per recommendation 3, review of the Policy will ensure new and easier forms & recoding methods. Every attempt will be made to utilise current systems and/ or electronic reporting.

5.7.2 The Improving Attendance Managers Toolkit which includes a significant number of template forms, was found to be revised, updated and aligned to the Improving Attendance Policy.

5.8 Recommendation 8 – Consistent approach to managing individuals

5.8.1 It was previously recommended that monitoring, training and support should be provided to managers to ensure a consistent approach is taken towards managing individuals who have hit key trigger points. The agreed management action stated that as per recommendation 4, review of the Policy will ensure new and easier triggers and the Policy should limit and ambiguity.

5.8.2 The Improving Attendance Policy was reviewed and updated triggers were found to reduce ambiguity.

5.9 Recommendation 9 – Reference to employee privacy statement

5.9.1 It was previously recommended that reference to the employee privacy statement should be included on absence management notification forms. The agreed management action stated that reference is to be made on all forms which share personal information. Wording is to be agreed between the Information Governance Manager and the HR manager.

5.9.2 Forms were found to not include reference to the employee privacy statement. It is advised that management seek further advice from the Council's Data Protection Officer over which forms should include reference to the employee privacy statement.

5.10 Recommendation 10 – Review of retention periods

5.10.1 It was previously recommended that retention periods should be reviewed to ensure they are aligned with all relevant legislation and guidance. The agreed management action stated that retention periods will be reviewed and agreed with the Information Governance Manager and Occupational Health Provider.

5.10.2 Retention periods have now been reviewed and agreed. Although good progress is being made, further work is required to demonstrate that all items are disposed of in line with the retention schedule.

Recommendation 2 – Management to regularly document confirmation of document disposal in line with the retention schedule.

5.11 Recommendation 11 – Information retained in one location

5.11.1 It was previously recommended that a process for ensuring absence information is retained in one location by Human Resources (avoiding duplicate records) should be undertaken, including ensuring information is deleted once it has expired. The agreed management action stated that HR and Payroll are moving to electronic only records. All referrals and absence related data should only be kept by HR and Payroll and revised policy will include sections on data retention.

5.11.2 It has not been possible to verify that there is a process to ensure absence management is only retained by HR and not duplicated in service areas.

Recommendation 3 – HR to periodically remind services that no personal information relating to absence management should be retained locally.

5.12   Recommendation 12 – Service Level Agreement update

5.12.1 It was previously recommended that the service level agreement in relation to Physiotherapy should be updated and include reference to data protection legislation. The agreed management action stated that the service level agreement in relation to Physiotherapy should be updated and include reference to data protection legislation.

5.12.2 The service level agreement was updated to include reference to data protection legislation and agreed in May 2020.

5.13   Recommendation 13 – Information Governance Manager's questionnaire

5.13.1 It was previously recommended that all third parties handling sensitive personal absence data should be required to complete the Information Governance Manager's questionnaire. The agreed management action stated that this will form part of the Occupational Health and third-party contracting processes.

5.13.2 Evidence was provided to verify that Information Governance Manager's questionnaires now form part of the contracting processes.

Appendix A – Original Management Action Plan

Summary of Recommendations and agreed actions (IT General Controls)						
Recommendations	**Priority**	**Risk Exposure**	**Agreed Action**	**Responsible Manager**	**Implementation Date**	**Actioned**
Recommendation 1 – the policy should be reviewed on a regular basis and managers should be made aware of any amendments.	M	Policy becomes outdated. Managers make poorly informed and/or inconsistent decisions.	Initial review to be carried out (see Recommendation 3). Review date to be included in new policy (suggestion likely to be every two years)	HR Manager	31st December 2020.	Y
Recommendation 2 – The current training provision should be reviewed to avoid duplication, as well as ensuring any amendments made to the policy are incorporated into future training.	M	Managers make poorly informed/inconsistent decisions due to insufficient understanding of Policy. Duplication of resource in training provision.	Training will be provided once new policy is developed and approved. Will roll out through VAR Management briefing but then look at Skill Gate modules as well as regular Managers' sessions.	HR Manager and Organisational Development Manager	31st March 2021	N
Recommendation 3 – the policy should be revised to ensure it can deliver a consistent and fair approach, including	H	Inconsistent approach results in failure to manage absences and also potential disciplinary action	Task and finish group has been established made up of members and HR to review.	HR Manager	31st December 2020.	Y

incorporation of actions to address the issues identified within this audit.		and employment tribunals.	First virtual meeting scheduled w/c 15th June 2020			
Recommendation 4 – Current responsibilities should be reviewed to ensure all are still appropriate and stream-lined where possible. Retained responsibilities should be documented in the policy.	M	Responsibilities not appropriately assigned or understood, resulting in inefficient processes.	As Recommendation 3 review of Policy will ensure responsibilities are reviewed and made clear in the policy document.	HR Manager	31st December 2020.	Y
Recommendation 5 - A process should be adopted to ensure regular formal communication between responsible functions, including maintaining a list of agreed actions	M	Teams work in silos and do not maintain consistent roles and responsibilities, reducing in inefficient and inconsistent actions. Resource not focused on agreed priorities.	As Recommendation 3 review of Policy will ensure clarity of responsibility and trigger points will allow for easier monitoring and action.	HR Manager	31st December 2020.	Y

Recommendation 6 – Absence information should be reported to BTSP on a more frequent (quarterly) basis when sickness levels rise above target levels. (subject to the agreement of the Chair of the Panel).	M	Management decisions not made on a timely basis.	Agreed that from January 2021 this will be in place – following review and implementation of the new Policy (subject to agreement from BTSP Chair)	HR Manager	31st January 2021	Y
Recommendation 7 – Template forms should be revised and consideration should be given to developing a more intuitive electronic process.	H	Forms do not provide relevant information of inform appropriate corrective action, resulting in increased absence. Potential issues in the result of disciplinary action. Forms not completed correctly resulting in accurate information.	As Recommendation 3 review of Policy will ensure new and easier forms & recoding methods. Every attempt will be made to utilise our current systems and/or electronic reporting.	HR Manager	31st December 2020.	Y

Recommendation 8 – Monitoring, training and support should be provided to managers to ensure a consistent approach is taken towards managing individuals who have hit key trigger points.	H	Inconsistent approach creating difficulties in the event of disciplinary action. Ineffective/excessive action taken, both of which could contribute to increased absence.	As Recommendation 4 review of Policy will ensure new and easier triggers and policy should limit any ambiguity.	HR Manager	31st March 2021		Y
Recommendation 9 – Reference to the employee privacy statement should be included on absence management notification forms	M	Breach of data protection legislation.	Reference to be made on all forms which share personal information. Wording to be agreed between Information Governance Manager and HR Manager.	Information Governance Manager & HR Manager	31st December 2020.		Y
Recommendation 10– Retention periods should be reviewed to ensure they are aligned with all relevant legislation and guidance	M	Information not retained in line with guidance/legislation	Retention periods to be reviewed and agreed with Information Governance Manager and OH Provider.	HR Manager & Information Governance Manager	31st December 2020 (could be earlier as not dependent on Policy review)		N
Recommendation 11 – A process for ensuring absence information is	H	Increased risk of data breaches, resulting in non-compliance of	HR and Payroll are moving to electronic only records. All referrals and absence related data should only be	HR Manager	31st December 2020 (could be earlier as not		N

retained in one location by Human Resources (avoiding duplicate records) should be undertaken, including ensuring information is deleted once it has expired.		data protection legislation. Wasted resource used to store duplicate records.	kept by HR and Payroll and revised policy will include sections on data retention.		dependent on Policy review)	
Recommendation 12 – the service level agreement in relation to Physiotherapy should be updated and include reference to data protection legislation	M	Third-party provider does not securely retain sensitive council information in line with legislation	The service level agreement in relation to Physiotherapy should be updated and include reference to data protection legislation.	H&S Manager and Legal	31st December 2020 (could be earlier as not dependent on Policy review)	Y
Recommendation 13 – all third parties handling sensitive personal absence data should be required to complete the Information Governance Manager's questionnaire.	M	Third-party provider does not securely retain sensitive council information in line with legislation	This to form part of the OH and third-party contracting processes.	H&S Manager	31st December 2020 (could be earlier as not dependent on Policy review)	Y

Appendix B – Management Action Plan

Summary of Recommendations and agreed actions					
Recommendations	**Priority**	**Risk Exposure**	**Agreed Action**	**Responsible Manager**	**Implementation Date**
Recommendation 1 – Training methods to be proportionate and effective use of HR Officers' time.	M	Improving attendance policy is not being followed because service managers have not received satisfactory training.	Training delivery methods will be reviewed and agreed in conjunction with the Head of Workforce Development to ensure the delivery methods are proportionate taking account of modern delivery methods and the transition to the new authority and likely new absence management policy / procedures.	HR Manager / Head of Workforce Development	31/08/2022
Recommendation 2 – Management to regularly document confirmation of document disposal in line with the retention schedule.	M	Breach of UK GDPR and possibility of sanctions.	HR are in the process of reviewing data held and managing and disposing of data in accordance with the retention schedule. This is a medium-term project underpinned by the requirements of the pending TUPE transfer	HR Manager	31/01/2023
Recommendation 3 – HR to periodically remind services that no personal information relating to absence management should be retained locally.	M	Breach of UK GDPR and possibility of sanctions.	HR has added this requirement to the list of regular reminders to managers which are sent quarterly.	HR Manager	31/07/2023 and quarterly thereafter.

Appendix C – Advisory Comments

Ref	Advisory Comment
5.1.3	Proportionate oversight arrangements will verify policy adherence and further inform training requirements.
5.9.2	Further advice to be sought from the Council's Data Protection Officer over which forms should include reference to the employee privacy statement.

Appendix D - Audit Assurance Opinions

There are four levels of assurance used; these are defined as follows:

	Definition:	Rating Reason
Substantial	There is a sound system of internal control designed to achieve the system objectives and this minimises risk.	The control framework tested are suitable and complete are being consistently applied. Recommendations made relate to minor improvements or tightening of embedded control frameworks.
Reasonable	There is a reasonable system of internal control in place which should ensure system objectives are generally achieved. Some issues have been raised that may result in a degree of unacceptable risk exposure.	Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently embedded. Any high graded recommendations would only relate to a limited aspect of the control framework.
Partial	The system of internal control designed to achieve the system objectives is not sufficient. Some areas are satisfactory but there are an unacceptable number of weaknesses that have been identified. The level of non-compliance and / or weaknesses in the system of internal control puts achievement of system objectives at risk.	There is an unsatisfactory level of internal control in place. Controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified. High graded recommendations have been made that cover wide ranging aspects of the control environment.
Limited / None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.	Significant non-existence or non-compliance with basic controls which leaves the system open to error and/or abuse. Control is generally weak/does not exist.

Appendix E

Grading of Audit Recommendations

Audit recommendations are graded in terms of their priority and risk exposure if the issue identified was to remain unaddressed. There are two levels of audit recommendations used; high and medium, the definitions of which are explained below.

	Definition:
High	Significant risk exposure identified arising from a fundamental weakness in the system of internal control
Medium	Some risk exposure identified from a weakness in the system of internal control

The implementation of agreed actions to Audit recommendations will be followed up at a later date (usually 6 months after the issue of the report).