



# **SURREY COUNTY COUNCIL**

## **INTERNAL AUDIT REPORT**

**Follow-Up Audit of Absence Management**  
**2015/16**

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**SEPTEMBER 2015**

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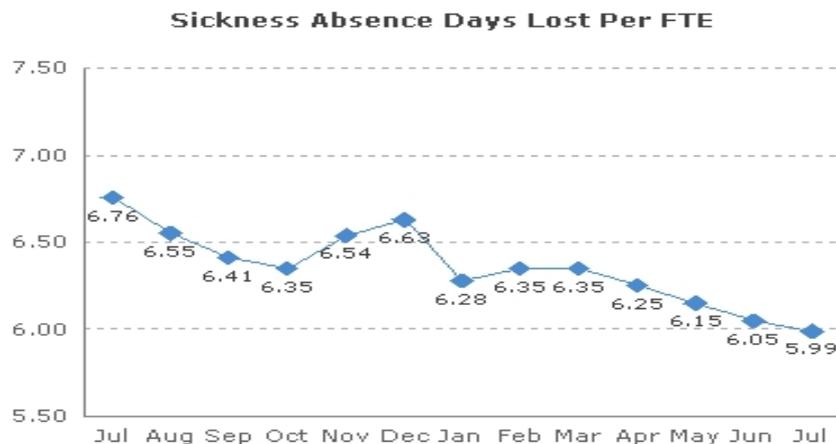
<b>Glossary:</b>	SCC - Surrey County Council
	FTE - Full-Time Employee
	WR - Workforce Report

**Audit opinions:**

<b>Effective</b>	Controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.
<b>Some Improvement Needed</b>	A few specific control weaknesses were noted; generally however, controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.
<b>Significant Improvement Needed</b>	Numerous specific control weaknesses were noted. Controls evaluated are unlikely to provide reasonable assurance that risks are being managed and objectives should be met.
<b>Unsatisfactory</b>	Controls evaluated are not adequate, appropriate, or effective to provide reasonable assurance that risks are being managed and objectives should be met.

## 1. INTRODUCTION

- 1.1 The latest Surrey County Council (SCC) Workforce Report (WR) dated July 2015 and published on the S-Net portal, includes a graph which shows the twelve month rolling average figure for sickness absence days lost per full-time employee (FTE) excluding schools. Graphs for each Directorate can be found at Annex A1.



- 1.2 The graph shows a downward trend, indicating that the twelve month rolling average days lost per FTE has reduced from 6.76 in July 2014 to 5.99 in July 2015. A supporting schedule to the report states the number of days lost through sickness in the twelve months up to 31 July 2015 as 70,131 with a cost of £6.513m.
- 1.3 An Internal Audit report on Absence Management was published in February 2015. The report highlighted a number of anomalies with the accuracy of sickness absence data and made a number of recommendations aimed at improving absence management. The recommendations covered better use of management information, increased monitoring by line managers actively supported by the HR team, and improved training.
- 1.4 This follow-up review of Absence Management was specifically requested by the Audit & Governance Committee. The review was carried out in line with the Terms of Reference included at Annex A2. This report sets out the findings of the review and an agreed Management Action Plan in response to the audit recommendations can be found at Annex B.

## 2. WORK UNDERTAKEN

- 2.1 The auditor held discussions with members of the HR Management team to ascertain what progress had been made towards implementing the points raised in the Management Action Plan arising from the February 2015 audit. The discussions covered recent initiatives taken by HR management to promote more proactive absence management, to provide more useful management reports, and to train managers in use of the absence monitoring dashboard.
- 2.2 Line management's use of the absence dashboard was analysed to consider whether there was evidence of more frequent monitoring since the previous audit.
- 2.3 Absence reason codes were analysed, particularly to assess whether the use of the Z1 "awaiting management decision" code had been barred, as recommended previously.
- 2.4 Sickness absence data for twelve months (August 2014 to August 2015) was obtained from the WR. A staff listing was also obtained and cross-referenced to the sickness data. From this, teams for which no sickness absence had been reported were identified. Such teams were contacted and because initial responses indicated that

some sickness was being recorded on SAP but not reported, sickness data for the same period was obtained directly from SAP and compared to the WR data.

- 2.5 Sickness data was analysed in detail to identify potential data integrity issues.

### 3. OVERALL AUDIT OPINION AND RECOMMENDATIONS SUMMARY

- 3.1 The overall opinion following this audit is **Some Improvement Needed**.
- 3.2 A few specific control weaknesses were noted; generally however, controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.
- 3.3 **Recommendations analysis:** There is one high priority recommendation, one medium priority recommendation and one low priority recommendation arising from this review. Details are summarised in the table below:

Rating	Definition	No.	Para. ref.
High	Major control weakness requiring immediate implementation of recommendation	1	5.11
Medium	Existing procedures have a negative impact on internal control or the efficient use of resources.	1	5.12
Low	Recommendation represents good practice but its implementation is not fundamental to internal control.	1	5.13
<b>Total number of audit recommendations</b>		3	

### 4. MANAGEMENT SUMMARY

- 4.1 Since the publication of the original audit report in February 2015, HR Management has taken positive action to encourage more proactive absence management across all service areas. The auditor expects the initiatives to improve the effectiveness of absence management and the accuracy of data used for reporting purposes. Given that HR Management's efforts are still "work in progress", it is too early to see widespread improvement but there are some positive indicators. For example, management use of the absence dashboard has increased and use of the Z1 reason code ("awaiting management recording") has recently been eliminated.
- 4.2 The risk of staff failing to record absence is recognised by HR Management and a new suite of management reports has been commissioned to identify exceptions and help mitigate this risk. Audit tests identified two organisational units with zero absence rates whose managers admitted to not recording sickness correctly.
- 4.3 Testing also revealed that some genuine absence data input to SAP is failing validation controls and is therefore not feeding through to the Absence Dashboard or the WRs. This has affected three percent of staff in the past twelve months. Action is required to find a means ensuring that genuine absence data is captured and processed through to the WRs.
- 4.4 Some long term absences which pre-date or post-date the twelve month rolling period, are included in the average absence data. This impacts on the average absence day figure but has been approved by HR management to allow managers better visibility of individual long term absence.
- 4.5 In view of the findings of the Internal Audit review, which are set out in more detail in section 5 below, the audit opinion is: **Some Improvement Needed**.

## 5. FINDINGS AND RECOMMENDATIONS

### 5.1 Accuracy of Workforce Report Sickness Data

#### Findings

- 5.2 According to information provided by the Organisational Information team, there were (as at 12 August 2015) 9,546 staff employed by SCC. Additionally there were 2,396 bank staff available to work on an hourly-rated call-off basis.
- 5.3 The data populating the WRs indicated that 5,416 permanent staff (56.7%) had some sickness absence in the previous twelve months. The reported data excludes leavers' data and has done so since August 2013. It is questionable whether the SCC workforce is likely to have over 43% of staff with no sickness absence for twelve months, however the auditor is satisfied that current initiatives by HR Management will lead to any disproportionately high or low absence rates to be challenged and investigated. HR Management is also exploring the possibility of employing a "First Day Absence" company who staff would call when reporting sick. Sickness data would be input directly to a database and could potentially give more assurance that all absence data is captured.
- 5.4 The total number of absence days reported on the WR (excluding bank staff) was 69,640. Using the data provided, the auditor prepared a list of organisational units that had not reported any sickness absence in the past twelve months. Results, in order of work days available in the period, were as follows:

Organizational Unit	Days Available	Manager Comment
CSF Operations Team	3,868	Lack of resource
BUS Pensions Administration Team	3,000	Pending input to SAP
CC Community Partnership Team East	2,400	Data incorrect
CC Community Partnership Team West	2,176	Data incorrect
CSF Social Care Admin - West 1	1,696	Data incorrect
CSF Social Care Admin - West 2	1,399	Data incorrect
CC Business Support Team 1a	1,350	Data incorrect
CSF CYW - Reigate & Banstead	1,125	Process misunderstood

- 5.5 The auditor discussed the data with the managers of the units listed above. Two managers (both of whom worked in the Services for Young People) admitted that sickness data had not been recorded correctly. However another manager produced evidence that sickness had been input to SAP but not included on the WR. The auditor therefore obtained information from SAP to ascertain the extent of data input that had not been reported.
- 5.6 Evidence indicated that in the twelve month period up to mid-August 2015, sickness absence data affecting 294 out of 9,546 staff (3.1%) had been input to SAP but not processed through to the WRs. Further investigation indicated that SAP had not recognised these inputs as they had failed data validation controls, for example where sickness was recorded on a day which was not scheduled to be a work day. Consequently the data was not processed further and did not appear on the WRs.
- 5.7 The comparison of data also highlighted that for certain individuals, reported sickness absence data was higher in the WRs than in SAP. This was because periods of current long term sickness which started before the twelve month rolling period were included in the WR day count. So for example, one member of staff had 546 reported absence days because his entire absence period (01/04/13 to 31/05/15) was included in the WR count. The Organisational Information Team Leader commented that the inclusion of such data had been previously agreed by HR management to give managers better visibility of staff's long term sickness records.

Risks

- 5.8 Some genuine sickness absence data may not be reported because data input fails system validation controls.
- 5.9 The practice of including long-term absence days outside the rolling twelve month period may result in marginal overstatement of average absence days.
- 5.10 There may be a number of line managers, particularly in Services for Young People, who either do not understand the process for recording sickness data or claim that they do not have the necessary resources to manage sickness.

Recommendations

- 5.11 HR Management, in conjunction with IMT, should conduct a review of absence data which is input to SAP but which does not get processed through to the Business Warehouse or the Absence Dashboard and is therefore not reported in the WR. **(High)**
- 5.12 Confirmation is sought from senior HR management that sickness days from outside the twelve month period should continue to be included in the absence count. **(Medium)**
- 5.13 Whilst it is expected that HR's current initiatives will ultimately address all areas, priority should be given to advising managers in Services for Young People. **(Low)**

**5.14 Basis of calculating Average Day Absence per FTE.**Findings

- 5.15 The auditor requested the methodology and/or formula used to calculate the "average days absence figure" and was provided with a guidance note (BV12). The Organisational Information Team Leader and the IMT Business Intelligence Specialist were not able to demonstrate to the auditor how each month's figures had been calculated in the Business Warehouse database. The auditor was advised that the formula was built into the program code and it would take some time to extract detailed calculations. It was pointed out that the SAP formula was widely used by other organisations and that results had been previously tested and deemed acceptable by the HR Leadership Team.
- 5.16 In conclusion, the auditor was unable to verify the reported figures but accepts that the SAP program used to generate the results is likely to be reliable.

**5.17 Progress on Implementation of Original Management Action Plan**Findings

- 5.18 The HR management team has responded positively to recommendations made in the previous audit report and has gone further by introducing a number of extra initiatives. Details are summarised as follows:

Agreed Management Action	Progress
HR team will prompt managers via email regarding levels of sickness.	In April 2015, HR Advisors commenced a programme of quarterly meetings with all senior managers specifically to encourage more proactive use of the HR sickness dashboard. Email prompts will be scheduled after the first round of visits has been completed.

Managers will be prompted to check the dashboard when their team is in the “amber” or “red” in terms of absence. Senior managers will update their Heads of Service.	This aspect of control is covered in the programme of meetings mentioned above.
A discussion will take place at the leadership network regarding managers taking ownership of absence management.	A meeting attended by a range of senior managers was held on 9 February 2015. A presentation and discussion on absence management was included on the agenda.
Strategic HR Relationship managers will share the findings of the report to DLTs to ask them how they can take any agreed recommendations forward and what HR will be available for them.	Strategic HR Managers have discussed sickness absence with DLTs. One of the actions will be to revisit sickness absence targets for 2015.
HR Advisors will continue to support managers on accessing the dashboard at team meetings and to go over absence cases.	As mentioned above, HR Advisors have already started to visit many teams to promote more effective absence reporting and monitoring. Follow-up dashboard training is arranged where necessary.
HR coordinators will run regular reports and highlight with management teams areas of low reporting to gather insight into what they do and to share this information.	Four separate reports have been specified and prototypes have been produced by IMT. Production of these is pending Ops and IMT approval, but the HR team is confident that these will be approved.
HR will liaise with Shared Services to see if the Z1 option can be discontinued.	The Z1 option has not been discontinued to avoid loss of historic data but it has been re-titled “Do Not Use”. Recent data demonstrates that use of Z1 has been eliminated.
Discontinuation of Z1 data needs to be investigated further to consider the effect on previous data.	No longer applicable - see above.
Employee/Manager's induction training will cover sickness absence and use of the dashboard.	A video and user guide on how to use the absence dashboard has been prepared and will be incorporated into the new manager's e-learning package with effect from October 2015.
Links to be sent to new starters automatically for training on use of the portal and how to self serve and record sickness.	Links are not sent but details of how to log into the portal are covered in the Induction programme.
Continual Improvement Board to recommend suitable standard and drive performance around this.	The Continual Improvement Board has not recommended standards but is monitoring monthly results closely.

## 5.19 Line Management Use of the Absence Dashboard

### Findings

5.20 User penetration reports provided by the Organisational Information Team indicated that use of the Absence Dashboard is on the increase.

	Sept – Nov'14	Dec'14 – Feb'15	Mar – May'15
No of visits	1110	1191	1685
No of Users	159	176	193

5.21 These positive indicators are evidence that the current drive to promote use of the absence dashboard is starting to take effect.

## 5.22 Analysis of Reason Codes

### Findings

5.23 One of the recommendations made in the original audit report was the barring of the “awaiting management reason” code as this affected the ability to analyse reasons for staff sickness absence. In August 2015 the code was re-titled “Do Not Use” to force staff to record a valid reason code. Analysis of absence reason codes for the past twelve months confirm that the use of the Z1 code was almost eliminated in August 2015.

Month	Incidence of Z1
Sept 14	7.1%
Oct 14	6.4%
Nov 14	6.9%
Dec 14	7.0%
Jan 15	6.6%
Feb 15	7.1%
Mar 15	7.1%
Apr 15	7.8%
May 15	7.8%
Jun 15	8.2%
Jul 15	6.3%
Aug 15 (part-month)	0.6%

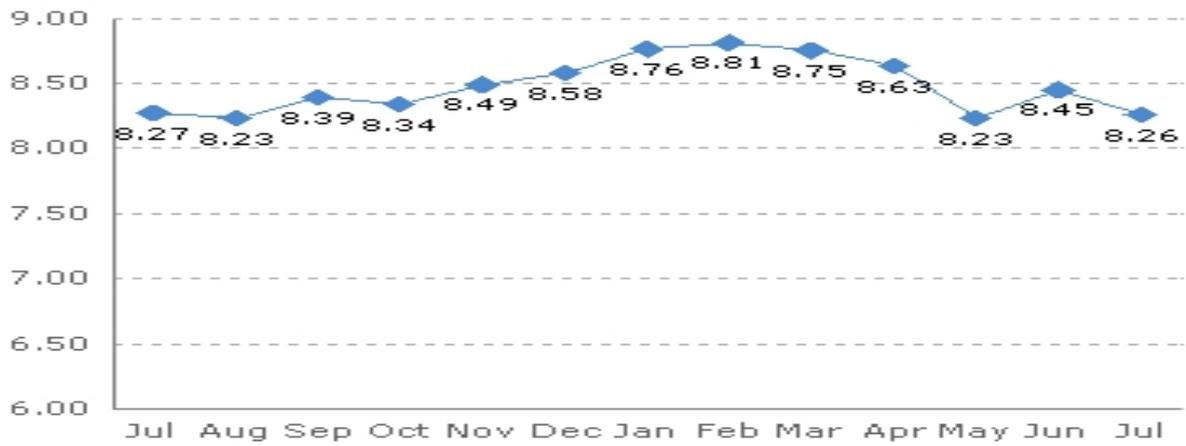
## 6. ACKNOWLEDGEMENT

6.1 The assistance and cooperation of all the officers involved in the completion of this audit is greatly appreciated.

**Sickness Absence Days Lost per FTE by Directorate**

**Annex A1**

**ASC Sickness Absence Days Lost Per FTE**



**BUS Sickness Absence Days Lost Per FTE**



**C&C Sickness Absence Days Lost Per FTE**



**CEX Sickness Absence Days Lost Per FTE**



**CSF Sickness Absence Days Lost Per FTE**



**E&I Sickness Absence Days Lost Per FTE**



## TERMS OF REFERENCE

### Follow-up Audit: Absence Management 2015/16

#### BACKGROUND

An Internal Audit report on Absence Management was published in February 2015. There was one high priority recommendation and two medium priority recommendations, all aimed at improving the accuracy of data relating to sickness absence.

Human Resources (HR) management agreed to implement a number of action points to encourage better recording and monitoring of sickness absence data. These included giving clearer instruction, training and guidance to managers, encouraging ownership of data and better use of the management dashboard, and enforcing more accurate coding of sickness absences.

The overall audit opinion for the audit was "Some Improvement Needed". In April 2015, the Audit & Governance Committee asked Internal Audit to provide a report on progress against the management action plan and to include information on absence rates in individual departments. This is due for presentation at the meeting scheduled for 28 September 2015.

The Surrey County Council (SCC) WR for June 2015 indicates that the average number of days lost through sickness per full-time employee was 6.05.

#### PURPOSE OF THE AUDIT

The purpose of this follow-up audit is to seek assurance that appropriate arrangements have been made to implement the agreed actions.

It will ascertain the extent of implementation of the three main recommendations previously reported to the Audit & Governance Committee.

An updated audit opinion will be given based on the findings of the follow-up review.

#### WORK TO BE UNDERTAKEN

This audit will involve:

- Ascertaining what actions the HR team have taken since the audit to prompt and encourage managers to take ownership for recording and monitoring sickness absences.
- Identifying what training has been arranged to help ensure that sickness absences are recorded and monitored correctly.
- Ascertaining whether HR management are reviewing sickness absence data to highlight potential data integrity issues to line management.
- Reviewing line management's use of the SAP management dashboard to consider whether the levels of monitoring have improved.

- Assessing whether there have been any noticeable improvements in data integrity and the reliability of reported absence statistics.
- Identifying the reported rates of sick leave by department, and making observations on their accuracy.

A detailed analysis of sickness absence data will be performed to identify any data integrity issues. An analysis of individual manager use of the SAP management dashboard will also be carried out. The period under review will be May and June 2015.

## OUTCOMES

The findings of this follow-up audit will form a report to SCC management, with an overall audit opinion on the effectiveness of arrangements in place and recommendations for improvement if required. Subject to the availability of resources, and the agreement of the auditee, the audit will also seek to obtain an overview of arrangements in place for:

- Data quality and security;
- Equality and diversity;
- Value for Money; and
- Business continuity.

The outcome of any work undertaken will be used to inform our future audit planning processes and also contribute to an overall opinion on the adequacy of arrangements across the Council in these areas.

## TIMESCALES

Audit fieldwork will commence in the week commencing 3 August 2015, and it is anticipated that the findings and any further recommendations arising from this review will be reported to the Audit and Governance Committee on 28 September 2015.

## REPORTING ARRANGEMENTS

Auditor:	John Edwards, Lead Auditor
Supervisor:	Simon White, Audit Performance Manager
Reporting to:	Carmel Millar, Director of People and Development



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