Sickness related absence
Chartered Institute of Internal Auditors

Sickness absence can have a big impact on both performance and costs to the organisation and therefore needs to be managed in a consistent, supportive and effective way so that operational and service levels are maintained.

This guidance will help you plan an internal audit of your organisation’s sickness related absence procedures.

What is sickness related absence?

Sickness absence is non-attendance at work which may be through illness or through injury that has occurred either on-the-job or outside of work. Sickness absence can be classified as:

- short-term sickness absence (less than a week).
- repeated short-term sickness absences which may follow a pattern.
- long-term sickness absence lasting several weeks or more.
- planned - in some cases, sickness absence may not be unplanned; there may be cases where an employee is having an operation, for example, and has planned the date in advance.

Why is sickness related absence important?

The cost to the organisation of sickness absence can be a significant cost both in direct and indirect costs for example:

1. Salary costs for the person who is absent.
2. Costs of replacement staff (overtime payment, temporary works).
3. Administrative costs of managing absenteeism (management and HR).
4. Reduced productivity.
5. Reduced quality of goods/services (fatigue, understaffing, experience).
6. Poor morale amongst employees who have to take on extra work/responsibilities to cover absent coworkers.

In the Chartered Institute of Personnel Management’s (CIPD) 2014 Annual Absence Management survey report in which 518 UK organisations participated (representing 1.4m employees) the top five causes of sickness absence for manual and non-manual employees were identified as:
<table>
<thead>
<tr>
<th>Minor illness (colds, flu, stomach upsets and headaches)</th>
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<tr>
<td>Back pain</td>
<td>Musculoskeletal injuries</td>
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<td>Stress</td>
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<td>Back pain</td>
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<td>Home/family responsibilities</td>
<td>Recurring medical conditions</td>
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The average number of day’s absence per employee was identified as 6.6 days, down 1 day on the previous year’s figures. The survey also found that the highest level of absence was within the public sector and non-profit sectors and the lowest in the private sector, with the tendency for levels to increase with the size of the organisation regardless of the sector.

Two thirds of work time lost was due to short term absence (up to 7 days) and one fifth due to long term absence (+4 weeks). The cost of absence overall showed the median cost per employee to be £609, with little change over the last few years.

**How can organisations approach sickness related absence?**

1. **Policies and procedures**
   The organisation should put in place policies and procedures if these are not already in existence. It can be useful to discuss these with union representatives/staffing groups before finalisation and publication. The aim being to ensure that absence is managed in a consistent, supportive and effective way so that operational and service levels are maintained. The policy should include:
   - Details of various contractual sick pay terms and its relationship with statutory sick pay.
   - How employees inform the organisation when they are not able to attend work.
   - The frequency and methods of contact between the absent employee and the employer.
   - Documentation that is required e.g. self-certificate form and/or a fit note from the doctor.
   - The purpose of return to work interviews.
   - An explanation of triggers towards disciplinary action.
   - An explanation that reasonable adjustments may be appropriate to assist the employee in returning/continuing to work.
   - Information on the fact that the organisation reserves the right to require employees to attend an examination by a company doctor/occupation health and (with the individual's consent) to request a report from the employee’s doctor.

2. **Training**
   Train line managers in managing sickness absence, undertaking return to work interviews and recognising the signs of stress. Return-to-work interviews can help identify short-term absence problems at an early stage. They also provide managers with an opportunity to identify underlying
issues which might be causing the absence and enable them to provide support and advice or seek help from the Human Resources department.

Managers are in an ideal position to recognise warning signs and symptoms of employee stress. By working proactively to resolve problems at an early stage the impact can be reduced for both the individual and the workplace.

3. Monitoring system
Put in place systems and processes to record, monitor and measure sickness absence enabling the organisation to:

• Establish how much sickness absence is costing the organisation.
• Identify trends e.g. short term sickness absence, repeated short term absence that follows a pattern or long term sickness absence.
• Use the data to gain an understanding of issues/potential issues e.g. employees general physical condition, working conditions including working conditions including health and safety standards, levels of stress, and harassment and bullying) and family or emotional problems, or mental health issues other than stress.
• Look at measures that can be put in place to support employees with health problems.
• Focus on employee well-being and health promotion.

4. Contact strategy
Keep in contact with absent employees and plan with them for their return to work, including:

• phased return to work
• amended duties
• altered hours
• workplace adaptations
• flexible working

Following return to work it may be appropriate to arrange regular one-to-one reviews, to discuss progress, support and any problems.

5. Access to treatment
Provide access to professional or other advice and treatment to help employees, e.g. occupational health, insurance, counselling programmes etc.

6. Control risks
Control any risks to employees from work activities, especially those with continuing poor health.

7. Wellness strategy
Look at implementing employee wellness strategies that includes not only physical wellbeing but also psychological, social and environmental. The logic behind this approach being that healthier, happier employees will be more able and motivated to go to work each day.

Legislation affecting sickness absence
When considering sickness absence there is a wide range of legislation in place. Employers need
to be aware of their responsibilities in this area.

**Employment Rights Act 1996**
To adopt fair procedures before dismissing employees on grounds of sickness absence

**Employment Act 2002 (Dispute Regulations) 2004**
To adopt statutory minimum dismissal, disciplinary and grievance procedures.

**Disability Discrimination Act (DDA)**
Disabled employees are protected by the DDA. It requires that reasonable adjustments are made to disabled employees’ working arrangements or conditions to ensure that they are not treated less favourably than other employees. Employees whose injury or poor health persists may be eligible for DDA protection.

**Health and Safety at Work etc. Act (HSWA) 1974**
Employers have responsibilities under the Health and Safety at Work Act to protect employees, after they return to work, if they have become more vulnerable to risk because of illness, injury or disability.

**Data Protection Act 1998 (DPA)**
Sickness absence data that is collected, processed and stored must comply with the DPA. Where an absence record contains specific medical information relating to an employee’s physical or mental this is deemed sensitive data and organisations must satisfy the statutory conditions for processing such data.

**Medical Records Act 1998**
An employer may have access to reports provided by a medical practitioner which are in connection with employment providing the employee gives consent and other requirements are adhered to.

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**Potential risks and responses**

1. **High levels of sickness absence.**

**Potential impact**
- Reduced productivity.
- Increased costs.
- Poor staff morale.
- Reduced quality of products/services.
- Increased customer complaints.
- Reduced profitability.

**Potential response**
- Documentation of policies and procedures.
- Clear communication and training regarding policies and procedures.
- The establishment of recording and monitoring arrangements.
- Set a target for reducing absence.
- Reports are regularly produced and reviewed by management.
- Understanding the causes of absence, and if there is anything the company can do to reduce
2. Unfair or inconsistent application of sickness absence process.

**Potential impact**
- Potential for abuse.
- Loss of motivation and loyalty of employees.
- Performance levels fall.
- High staff turnover.
- Industrial tribunal.

**Potential response**
- Documentation of policies and procedures.
- Clear communication and training regarding policies and procedures.
- Regular review by HR and independent assurance from internal audit.
- The establishment of recording and monitoring arrangements.

3. Records of absence forms and return to work forms are not completed/retained for all staff.

**Potential impact**
- Potential for abuse.
- Inaccurate statutory sickness claims/ payments made.
- Legal prosecution leading to fines and compensation.
- Employees are overpaid as their time is not captured as absent due to sickness.

**Potential response**
- Documentation of policies and procedures.
- Clear communication and training regarding policies and procedures.
- Checks undertaken to time recording systems.
- Reports produced for circulation to managers for checking/authorisation.

4. Line managers do not have the appropriate experience and training to manage absences.

**Potential impact**
- Poor staff morale.
- Loss of motivation and loyalty of employees.
- Performance levels fall.
- High staff turnover.
- Legal prosecution leading to fines and compensation.

**Potential response**
- Training is provided to all new managers recruited and those promoted internally on policies, procedures and legislation.
- Periodic update training is provided when there are changes to policies, procedures, legislation.
5. A failure to comply with employment legislation.

Potential impact
• Legal prosecution leading to fines and compensation.
• Damage to the organisation's reputation.
• Industrial tribunal.

Potential response
• HR defines and updates policies and procedures that are legally compliant.
• HR monitor changes in legislation assess impact, communicating and implement changes to policy and procedures.
• Using employment law advisors and experts to clarify the need for compliance, as appropriate.
• Regular training and re-training of staff who are involved in the sickness absence process.
• HR involved in the sickness absence process to ensure application of policy and procedures.

What can internal audit do?

The decision to include sickness absence management within the internal audit plan will be determined by a number of factors:

• Where sickness absence fits into the wider view of risk exposures. It may be useful to look at it in conjunction with other human resource risks in areas such as recruitment, staff turnover, grievances and customer complaints to determine whether it should feature within a wider internal audit review of human resources.
• Problems that may have occurred in the past.
• Changes in personnel and systems.
• The level of management supervision and assurance.
• High levels of absence.

1. Identification and review of risks in this area
Internal audit can provide assurance that risks in relation to sickness absence have been adequately identified looking at for example:

• Whether sickness absence has been included on risk registers, particularly the strategic risk register? If so is it seen as a central risk i.e. human resources or cascaded across departmental/business unit risk registers?
• Where departmental/business units are including risks does this mean it is a fragmented problem lacking in coordination?
• Are risk management processes in this area working effectively – identification, evaluation and reporting of risks is complete and accurate?
• Do the responses appear appropriate to the risks identified?

2. Provide assurance
Internal audit can also review how well risk responses are working by performing a range of compliance and substantive tests. This may involve considering how well the organisation's policies and procedures have been applied to reduce the potential impact of risks and whether or not defined
outcomes have been achieved. For in-house internal audit functions the knowledge and application of the organisation’s process should provide a good starting point for an audit review.

Internal audit can evaluate the whole process by conducting a ‘walk through’ of the procedure with consideration of the overall efficiency and effectiveness and how information is captured.

Internal audit can also carry out detailed testing on the controls that reduce high impact, high likelihood risks.

3. Review assurance providers
Internal audit may find that there are other parts of the organisation, including HR management and Health and Safety, who are providing assurance and information upon the mitigation of risks. Where this takes place internal audit can review the reliability of the assurances and reports that are given. Practice advisory 2050-3 provides detailed guidance on how to rely on the work of other assurance providers.

4. Data
Ensuring a range of standard data, where appropriate is also being used to identify sickness absence issues. e.g. staff leavers, employee engagement surveys, etc.

- What action is being taken from the regular collection of data?
- Is there other data that could be collected to support sickness absence issues?
- Is there some overview of all of this data that might identify or highlight further issues or areas where sickness absence levels are low which can be shared across the organisation?
- What information is provided to top management on sickness levels and actions taken to monitor and manage those, including trend analyses?

5. Add value
Contributing to improvement workshops and discussions for instance, highlighting where changes are required to mitigate risk based on their knowledge and experience from site visits and examination of staff records, etc.

Further reading

Practice advisory 2050-3 provides detailed guidance on how to rely on the work of other assurance providers.

External resources
The Chartered Institute of Personnel and Development (CIPD) is the professional body for those involved in the management and development of people. Their website includes a specific section on absence measurement and management.

The Advisory, Conciliation and Advisory Service (ACAS) that aims to improve organisations and working life through better employment relations provides an advisory booklet on managing attendance and staff turnover.

Labour Relations Agency is a Non-Departmental Public Body with responsibility for promoting the improvement of employment relations in Northern Ireland provides an advisory booklet on managing
sickness absence.