



**Internal Audit Report**

FINAL

Community Services

**Review of Occupational Health Contract**

February 2011

## **1 INTRODUCTION**

This report has been prepared as a result of the Internal Audit review of Occupational Health (OH) provision within Community Services as part of the 2010/2011 Internal Audit programme.

In 2009/10 the cost of sickness absence for Council was £3.5 million, with £2.4 million being in relation to Community Services employees. The Council has a number of methods of managing sickness absence one of which is a referral to Occupational Health. Serco are the current OH providers for the Council.

## **2 AUDIT SCOPE AND OBJECTIVES**

The broad objectives of the review were to ensure:

- There was an open and transparent selection process for engaging the current Occupational Health provider
- There is a SLA in place and there is an effective process in place to monitor the service provision
- The current provider is providing an effective service.
- Any changes to the current system are identified and reported

## **3 RISK ASSESSMENT**

As part of the audit process and in conjunction with our Systems Based Auditing, ICQ approach, the risk register was reviewed to identify any areas that needed to be included within the audit. The areas identified are;

- SR01 – Long Term Staff Absence
- SR02 - Recruit and retain quality staff.

## **4 CORPORATE GOVERNANCE**

There are no Corporate Governance issues to be reported as a result of this audit.

## 5 MAIN FINDINGS

- Serco is the current Occupational Health (OH) provider for the Council. There is no contract or SLA in place between Serco and the Council. Serco became the Council's provider in 2008 when they acquired Grosvenor Health Services and its subsidiary Associated Health Services (AHS).
- Associated Health Services (AHS) had been the Council's OH provider since 1996. There was no contract in place between the Council and AHS. There is no evidence that AHS became the providers as a result of a competitive process. The correspondence on file shows that AHS charged the Council preferential rates for their services despite there being no contract in place. Serco have not continued this arrangement.
- In 2009/10 the Council made 113 referrals to Serco and up to October 2010 have made 93 referrals.. The cost to the Council of OH services in 2009/10 was approx £33,500 and up to October 2010 was £27,160.
- A spreadsheet is used to record each OH referral and all the subsequent events. This method of recording the referrals does not allow for concise management information in relation to the referrals to be easily obtained.
- Line managers are not given the opportunity to formally give feedback on the usefulness or otherwise of the information being given in the OH reports from Serco.

There is no formal system in place to measure the success or otherwise of the current OH referral provision. However, the auditor has been advised that anecdotal evidence suggests that the use of OH referrals is adding value to the absence management process.

## 6 RECOMMENDATIONS

Four recommendations were identified as a result of the audit, 2 as High priority and 2 as Medium priority. The recommendations are shown in the action plan attached at Appendix 2 and has been compiled with the co-operation and agreement of the Head of Improvement & HR.

Internal Audit considers that, in an effort to improve the quality of information, monitoring and control, the recommendations should be implemented in accordance with the agreed action plan. Management have set achievable implementation dates and will be required to provide reasons to the Audit Committee for failure to implement within the agreed timescale. Where management decides not to implement recommendations it must evaluate and accept the risks associated with that decision.

A system of grading audit findings, which have resulted in an action, has been adopted in order that the significance of the findings can be ascertained. Each finding is classified as fundamental, material or minor. The definitions of each classification are set out below:-

**High** - major observations on high level controls and other important internal controls. Significant matters relating to factors critical to the success of the objectives of the system. The weakness may therefore give rise to loss or error;

**Medium** - observations on less important internal controls, improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system and items which could be significant in the future. The weakness is not necessarily great, but the risk of error would be significantly reduced if it were rectified;

**Low** - minor recommendations to improve the efficiency and effectiveness of controls, one-off items subsequently corrected. The weakness does not appear to affect the ability of the system to meet its objectives in any significant way.

## 7 AUDIT OPINION

The absence of a contract between Serco and the Council must be reviewed if the Council is to continue to procure OH provision. The Council refer a considerable number of employees to Serco each year, however as there is no contract in place they do not benefit from any preferential rates for the services that they purchase.

The current arrangements for the provision of OH services have not been subject to any competitive process for at least 14 years. It is therefore not known if the Council is receiving value for money.

The absence of a process to measure the effectiveness of the current provision means that it is not possible to determine whether the current OH provision is adding value to the absence management process.

Recommendations arising from the audit work should be implemented by the nominated responsible officer within the agreed timescale.

Recommendations not implemented will require explanation to the Audit Committee. This could lead to findings being reported in the Internal Control Statement produced by the Council in support of the Annual Accounts.

## **8 ACKNOWLEDGEMENTS**

Thanks are due to the following people for their co-operation and assistance during the Audit and the preparation of the report and action plan:

- HR Officers
- HR Assistants
- HR Clerical Assistants

Argyll & Bute Council's Internal Audit section has prepared this report. Our work was limited to the objectives in section 2. We cannot be held responsible or liable if information material to our task was withheld or concealed from us, or misrepresented to us.

This report is private and confidential for the Council's information only and is solely for use in the provision of an internal audit service to the Council. The report is not to be copied, quoted or referred to, in whole or in part, without prior written consent.

## APPENDIX 2 ACTION PLAN

No.	FINDINGS	PRIORITY	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
1	There is no evidence that the current provision of OH services to the Council has been subject to a competitive process. It is therefore not possible to say whether the Council is receiving best value.	High	The OH provision for the Council should be subject to review to ensure that the Council is obtaining good value for money. Reference should be made to the Council's Procurement Manual (Section 6 – Supplier Selection/Selection Route)	Head of Improvement & HR	31 December 2011
2	There is no contract or SLA in place between Serco and the Council.	High	A written agreement between the Council and the current OH provider must be put in place.	Head of Improvement & HR	30 June 2011
3	Concise management information in relation to referrals cannot be obtained from the spreadsheet used to record each OH referral and all the subsequent events.	Medium	<p>The option of recording OH referrals on the Resourcelink HR/Payroll system should be examined further. Any new method of recording OH referrals must be able to</p> <ul style="list-style-type: none"> <li>• Produce concise management information to enable officers to quantify the success or otherwise of the OH referral system.</li> <li>• Record the progress of each referral and automatically instigate follow up when deadlines are not met.</li> </ul>	Head of Improvement & HR	30 June 2011

No.	FINDINGS	PRIORITY	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
4	Line managers are not given the opportunity to formally give feedback on the usefulness or otherwise of the information being given in the reports from Serco.	Medium	A formal process to obtain, record and analyse line managers' and HR Officers' views on the usefulness or otherwise of the OH reports should be put in place. This may be in the form of a short questionnaire. These views along with other management information gathered should be used to assess the effectiveness of the service provision.	Head of Improvement & HR	31 March 2011
5	Meetings with the current service provider, to discuss service provision, are not specifically timetabled and the last meeting was held in January 2010.	Medium	The Council should ensure that there are regular, timetabled contract meetings with the provider to review the service provision. These meeting should be held on, at least, a six monthly basis,	Head of Improvement& HR	31 March 2011