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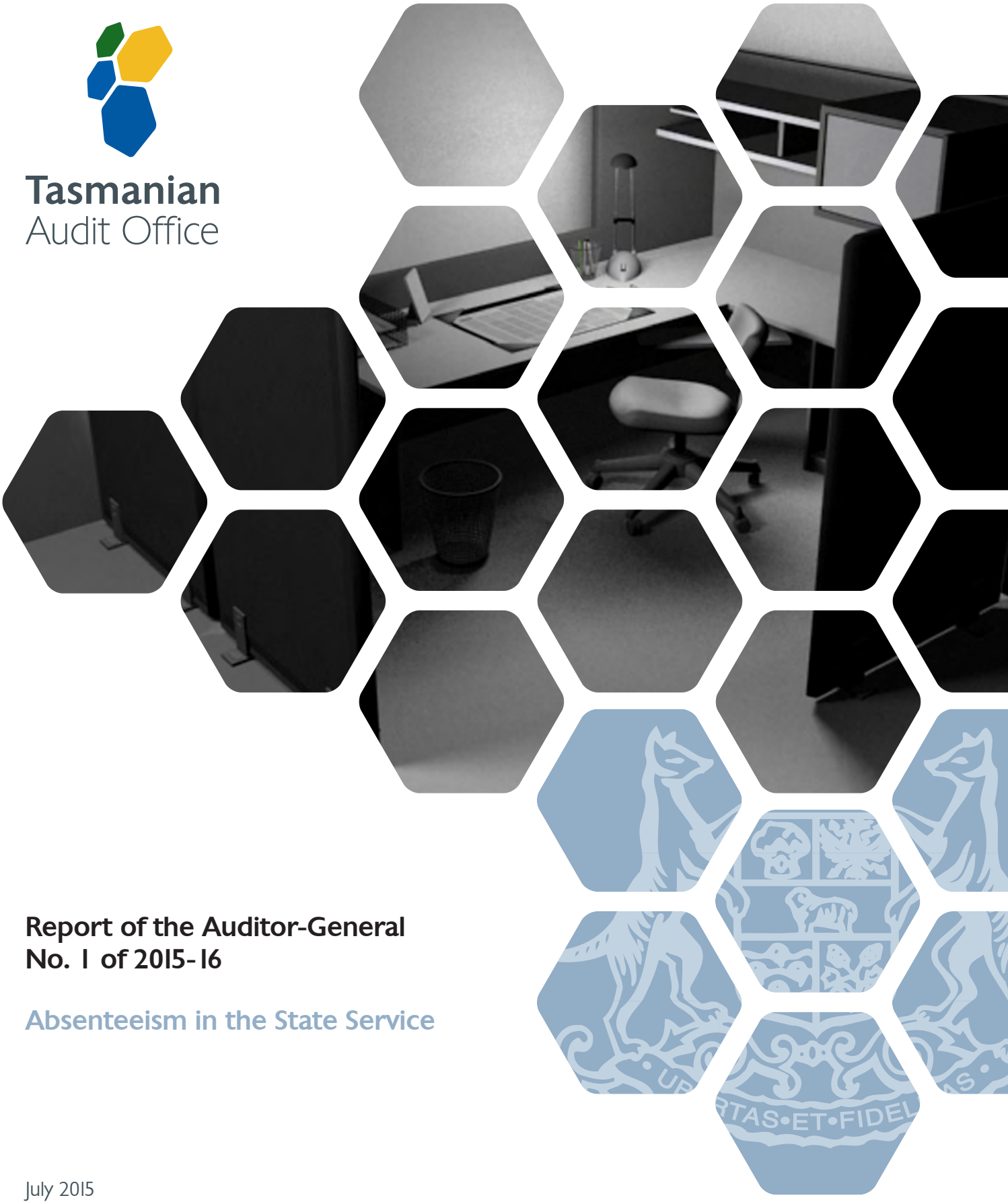

Report of the Auditor-General No. 1 of 2015-16

Absenteeism in the State Service

July 2015

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THE ROLE OF THE AUDITOR-GENERAL

The Auditor-General's roles and responsibilities, and therefore of the Tasmanian Audit Office, are set out in the *Audit Act 2008* (Audit Act).

Our primary responsibility is to conduct financial or 'attest' audits of the annual financial reports of State entities. State entities are defined in the Interpretation section of the Audit Act. We also audit those elements of the Treasurer's Annual Financial Report reporting on financial transactions in the Public Account, the General Government Sector and the Total State Sector.

Audits of financial reports are designed to add credibility to assertions made by accountable authorities in preparing their financial reports, enhancing their value to end users.

Following financial audits, we issue a variety of reports to State entities and we report periodically to the Parliament.

We also conduct performance audits and compliance audits. Performance audits examine whether a State entity is carrying out its activities effectively and doing so economically and efficiently. Audits may cover all or part of a State entity's operations, or consider particular issues across a number of State entities.

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We can also carry out investigations but only relating to public money or to public property. In addition, the Auditor-General is now responsible for state service employer investigations.

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Where relevant, the Treasurer, a Minister or Ministers, other interested parties and accountable authorities are provided with opportunity to comment on any matters reported. Where they choose to do so, their responses, or summaries thereof, are detailed within the reports.

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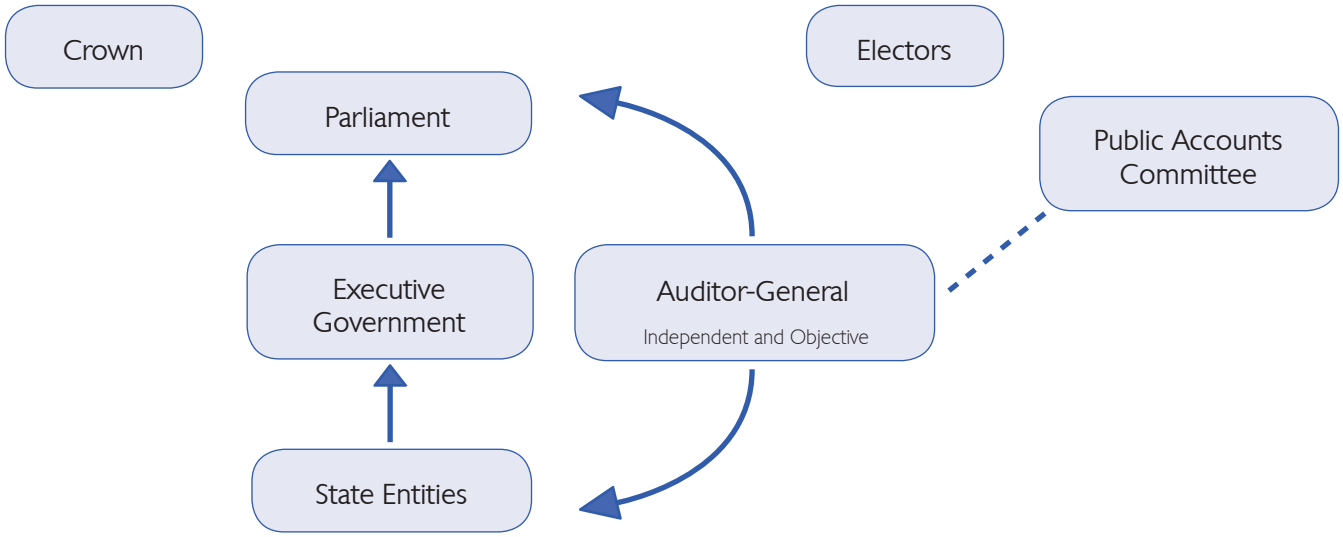

2015 No. 16

2015

PARLIAMENT OF TASMANIA

REPORT OF THE AUDITOR-GENERAL No. 1 of 2015–16

Absenteeism in the State Service

July 2015

Presented to both Houses of Parliament in accordance with the provisions of the Audit Act 2008

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This report, and other Auditor-General reports, can be accessed via our home page (http://www.audit.tas.gov.au).

For further information please contact:

Tasmanian Audit Office

GPO Box 851

Hobart

TASMANIA 7001

Phone: (03) 6173 0900, Fax (03) 6173 0999

Email: admin@audit.tas.gov.au

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Tasmanian Audit Office

Level 8, 144 Macquarie Street, Hobart, Tasmania, 7000
Postal Address: GPO Box 851, Hobart, Tasmania, 7001
Phone: 03 6173 0900 | Fax: 03 6173 0999
Email: admin@audit.tas.gov.au
Web: www.audit.tas.gov.au

28 July 2015

President
Legislative Council
HOBART

Speaker
House of Assembly
HOBART

Dear Mr President
Dear Madam Speaker

REPORT OF THE AUDITOR-GENERAL
No. 1 of 2015–16: Absenteeism in the State Service

This report has been prepared consequent to a performance audit conducted under section 23(g) of the *Audit Act 2008.* The objective was to consider whether personal leave is being effectively and efficiently managed by reference to two key aspects:

- cost of absenteeism
- processes followed.

Yours sincerely

H M Blake
AUDITOR-GENERAL

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Foreword

This Report represents my second independent performance audit of employment functions within the Tasmanian State Service. My current practice is to carry out at least one audit or review each financial year with projects selected from those noted in my annual plan of work – refer http://www.audit.tas.gov.au/media/TAO-Annual-Plan-of-Work-2015-16.pdf.

The objectives of this audit were to consider whether personal leave is being effectively and efficiently managed by reference to two key aspects:

- cost of absenteeism
- processes followed.

Overall the audit support widely held concerns that personal leave is both a significant cost, estimated at a direct cost of $68m per annum for the State Service as a whole, and is inconsistently and under managed across the State Service. While I found no concrete evidence to support this, I also noted a commonly held view that personal leave is understood to be impacted by an 'entitlement' culture which has apparently developed over a significant period of time.

When benchmarked the estimated cost of $68m did not appear unusually high. However, evident from this audit was that improvements in managing personal leave can be made which might reduce this cost and, more importantly, result in better people management from both employer and employee perspectives.

My report contains an unusually high number of recommendations and I was encouraged by Heads of Agencies responses indicating a willingness to address them to a significant extent.

I was assisted in this review by representatives from KPMG who conducted audit field work and prepared early drafts of this Report. My thanks to them.

My thanks also to agency staff, who participated in an Advisory Committee, assisted with field work and commented on draft reports, and to representatives from the State Service Management Office for similar reasons.

HM Blake

Auditor-General

28 July 2015

List of acronyms, abbreviations and definitions

Acronyms and abbreviations used in this Report include:

DHHS	Department of Health and Human Services
DoE	Department of Education
DoJ	Department of Justice
DPAC	Department of Premier and Cabinet
DPEM	Department of Police and Emergency Management
EA	Enterprise agreements
ESS	Employee self service
FYI	For Your Information system
HR	Human resources
KPI	Key performance indicator
SAWM	Salaries and Workforce Management system
SSMO	State Service Management Office
SODs	Statements of duties
THO South	Tasmanian Health Organisation South
TPS	Tasmania Prison Services

Definitions

Personal leave – refers to both sick and carers leave as it was not possible to distinguish these individually in the data provided by agencies. Personal leave is distinct from annual, recreational, parental and other types of leave.

Absence management – refers to the management of personal leave absences only.

The Bradford Factor

The Bradford Factor score is a worldwide industry measure of absence characteristics and behaviour. The score is calculated by identifying absences over a period (usually a year) and counting the number of days absent and the reoccurrence of these absences. This is based on the theory that short spells of absences are more disruptive and costly to an organisation than fewer longer term absences.

While the use of the Bradford Factor may not be suitable for all agencies, and should only form one of several HR evaluation tools, the underlying theory, that frequent shorter absences are more harmful to an organisation than long-term absences, is still relevant.

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Executive summary

Executive summary

Background

As of 30 June 2014, the State Service had almost 24,000 employees with payroll and other related costs totalling $2.191bn representing 54% of general government sector expenses.

Given the significant numbers involved, where staff are unable to work due to short or long-term personal illness or injury (absenteeism), the productivity and cost effectiveness of the State Service is likely to be significantly impacted. As a result, risks and opportunities associated with absenteeism needs to be managed with care. Doing so could be a key area to drive efficiency.

Management of absenteeism is decentralised to agencies, and it is critical that processes are designed and operating by them with optimal effectiveness and efficiency.

This performance audit ('audit') was aimed at gaining an understanding of the processes followed and analysis of the relevant data to identify trends and drivers specifically related to the personal leave element of absence management. It excluded assessment of workers compensation as this will be considered separately in the future performance audit program.

Audit objectives

The objectives of the audit were to consider whether personal leave is being effectively and efficiently managed by reference to two key aspects:

1. cost of absenteeism
2. processes followed.

Audit scope

The scope considered eight audit criteria:

- reporting and monitoring
- policies
- data capture
- IT systems
- preventative measures
- long-term absence management
- cost of absences

- performance of and reasons for absence costs.

Five agencies were selected for the audit being:

- Tasmanian Health Organisation – South (THO South)
- Department of Justice (DoJ) although the Tasmanian Prison Service (TPS), which is part of Justice, was assessed separately[1]
- Department of Police and Emergency Management (DPEM)
- TasTAFE
- Department of Education (DoE).

Collectively, these five agencies comprise approximately 53% of the annual personal leave cost to the State Government.

Overall conclusions

The overall results of the audit support widely held concerns that personal leave is both a significant cost and an area that is inconsistently and under managed across the State Service. It is also an area which is understood to be impacted by an 'entitlement' culture which has apparently developed over a significant period of time[2].

Although difficult to measure, indicatively personal leave (which is comprised of both sick and carers leave), is costing the State Service $68m per annum (direct cost of absence only).

Accordingly, an opportunity exists for greater focus in order to achieve more optimal outcomes that deliver both cost savings and other, non-financial, benefits to the State Service.

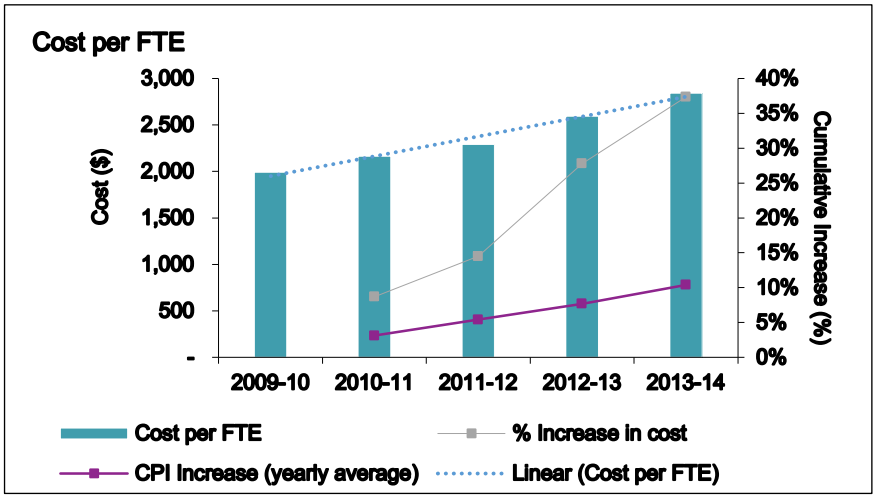
The audit found that personal leave costs, for the five agencies in scope, totalled $36m of direct costs per annum. Accordingly, with appropriate management of personal leave across a total State Service payroll cost exceeding $2bn, even a small percentage improvement, provides an opportunity to further reduce public spending and improving productivity.

Figure 1 outlines the average cost of absenteeism per FTE.

[1] From this point on, we reference the Tasmanian Prison Service (TPS) separately to the Department of Justice on the basis that there are some positive initiatives and results at TPS that are worthy of highlighting.

[2] We could find no concrete evidence for this observation. However, all five agencies audited and SSMO identified this as being the case and needing to be addressed.

Figure 1: Average cost of absenteeism per FTE



Source data compiled by KPMG

Figure 1 illustrates that the average cost of absenteeism per FTE across all five agencies for the five years ended 30 June 2014 was clearly increasing over and above CPI[3]. In order to quantify the costs, a calculation of employee's annual salary by number of days absent was used. It was not possible to quantify the additional costs associated with backfilling or the management of absences, which would exacerbate the increasing cost. As a result, additional indirect costs were not included in analysis undertaken as part of this audit.

However, these indirect costs, and consequent potential savings, are likely to be significant because:

- They are likely to involve higher cost management effort and backfilling costs.
- A reduction in the actual personal leave taken will create additional capacity for management to divert time to other value adding activities as well as reducing other indirect costs.

Detailed audit conclusions for Chapters 1 to 6

These audit conclusions are based on criteria we developed to support the audit's objectives and are aligned to the Chapter structure of this Report.

Conclusions from each Chapter are summarised in a maturity framework assessment outlined on the following page.

[3] We used CPI rather than indices relating to pay increases. In the current environment of low salary increases, the result is unlikely to be that different.

Maturity framework assessment

The audit identified no established industry standards or benchmarks that are appropriate to assessing how well absenteeism is managed. The Maturity Framework[4] used to assess agency performance against the qualitative criteria (i.e., criteria 1 to 6) was developed to provide a five tier rating of maturity ranging from Awareness through to Excellence.

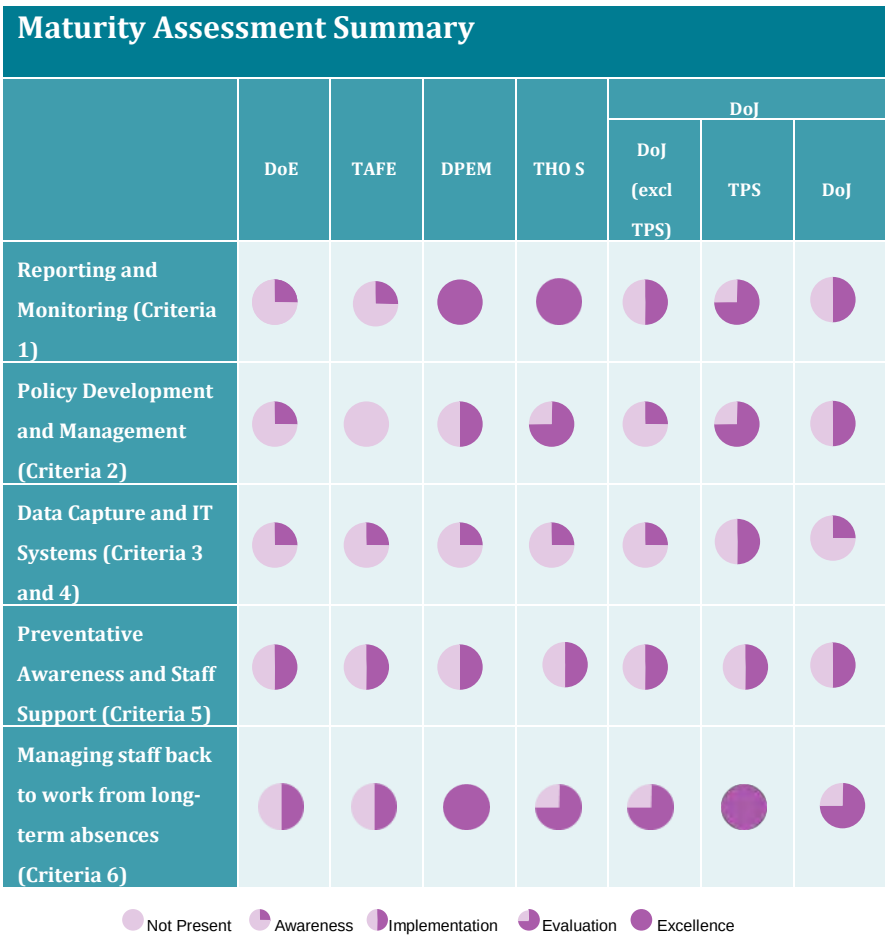
In discussions with the five agencies sampled and the State Service Management Office (SSMO), it was agreed that the absolute minimum level of practice is 'Implementation' (level 2) but the expectations of the State Service as an employer should see the target state be 'Evaluation' (level 3) at a minimum.

In relation to DoJ, we assessed maturity three ways; whole of DoJ, TPS only and DoJ excluding TPS. This was done to highlight the progress achieved by DoJ in relation to TPS in recent years.

A summary of the maturity assessment is provided in table 1 on the following page.

[4] The Maturity Framework was developed by KPMG as part of conducting this performance audit on behalf of the Auditor-General. The scale of maturity was established based on KPMG's subject matter expertise and was agreed with agencies.

Table 1: Maturity assessment summary



These five terms are defined in Appendix 4.

The overall maturity assessment shows:

- No single agency reached the target state for every criterion, however there are examples across the portfolio audited that provided an opportunity to pick 'best of breed' practices to share across the State Service.
- TPS had the overall highest level of maturity including assessments of:
  - 'Evaluation' for Reporting and Monitoring and for Policy Development and Management and
  - 'Excellence' for Managing staff back to work.
- DoJ (excluding TPS) was not operating at a similar level of maturity, with assessments of:
  - 'Evaluation' for Managing staff back to work from long-term absences

  - 'Implementation' for Reporting and Monitoring and Preventive awareness and staff support and
  - 'Awareness' for Policy Development and Management.
- DPEM was assessed as relatively positive from a maturity perspective. It had a greater range of maturity scores from the highest 'Excellence' rating for Reporting and Monitoring and Managing staff back to work to a low 'Awareness' rating for Data Capture and IT Systems.
- THO South had a broad range of maturity scores from 'Excellence' for Reporting and Monitoring and the 'Evaluation' level for Policy Development and Management and Managing staff back to work. However, the Preventative Awareness and Staff support criteria was rated at the 'Implementation' stage while Data Capture and IT systems was rated at the 'Awareness' stage.
- Data Capture and IT systems was rated at 'Awareness' across all agencies apart from TPS. Acknowledging that the whole of government uses Empower and its supporting tools such as ESS (Employee Self Service system), the rationale for the higher rating for TPS relates to the interface and interaction between Empower and a rostering system recently implemented. The consistently low assessment across all agencies, and the centralisation of key IT systems such as Empower, provides an opportunity for TMD, within the Department of Premier and Cabinet (DPAC), to identify solutions.
- Both DoE and TasTAFE were operating at a low level of maturity. The proximity of the two entity assessments partially reflected the Corporate Support Services provided from DoE to TasTAFE. The majority of criteria were assessed as being only at 'Awareness' level.

Detailed audit conclusions for Chapters 7 'Cost of absences' and 8 'Performance of, and reasons for, absence costs'

For Chapters 7 and 8 it was not possible to assign maturity ratings given the quantitative nature of the criteria. As a result, these criteria are not in the maturity assessment included in Table 1. Chapter 8 provides a number of examples of analysis that agencies could conduct to better inform them of trends in staff taking personal leave. No conclusions are drawn as to whether or not any irregularities were taking place although,

and as previously noted, observations made to us of the existence of an 'entitlement' culture appear to be supported by the analysis.

The conclusions from these two Chapters were:

- The cost of absences per FTE is trending upwards and, extrapolating this at 30 June 2014 computes to an annual cost of $68m for personal leave in the State Service. Given indirect costs, such as the time spent managing absences, and backfill costs are not included in this figure, the real cost is much higher.
- DPEM was the only agency with a downward trend in cost for the year ended 30 June 2014. This trend could not be attributed to any one specific initiative. However, overall, the five year trend was upwards.
- All other agencies showed a continuing upward trend in costs over the five year period ended 30 June 2014.
- No one driver was identified as having a significant correlation to personal leave days, however age and length of employment showed the strongest correlation.
- Overtime hours, length of employment and annual leave balances all showed a weak correlation with personal leave days taken and, therefore, did not appear to be significant drivers of personal leave days.
- Winter months appear to have higher spikes of personal leave with DoE showing the most significant month on month variance of personal leave days taken.
- Good Friday was the public holiday with most personal leave days taken adjacent to it with Burnie Show day being the public holiday with the least.
- The Facility Attendants Award had the highest number of personal leave days per FTE followed by the Tasmania State Service Award, which accounts for approximately 22% of FTEs. As a result this Award should be focussed on to achieve the greatest results.
- There were numerous employees frequently utilising one to two days personal leave. This appears to happen more frequently in THO South and DoE than in other agencies.

The current climate and case for change

At the time of writing this Report, the State Service had implemented a range of budget management initiatives

including vacancy control. These State Service initiatives, alongside other broader budget management techniques, were aimed at making considerable improvements in the overall State government financial position.

Whilst these budget initiatives are important in supporting long-term sustainability and productivity, they have the potential to increase risks of higher levels of employee stress and/or disenchantment with jobs. This situation, along with the findings of this audit, suggest there is a compelling case for all agencies to ensure effective systems are implemented to confirm that absence management systems and processes are optimal, whilst still being 'fit for purpose'.

However, it is acknowledged that risks associated with implementing our recommendations, along with short term resourcing constraints, may make implementation difficult.

Recommendations made

The Report contains the following recommendations. Some recommendations require action by the State Service overall while others apply to agencies only. As a result, we have split the recommendations into two categories.

Key recommendations and Quick Wins (QW) are flagged to assist with prioritisation of actions. In addition, to assist agencies map a way forward, we have developed a suggested action plan which sets out a program of work to provide a framework to implement the key recommendations. This is presented in the 'Roadmap for Change' in Appendix 1 with each recommendation below including a reference to elements of the key themes identified in that roadmap.

The following recommendations apply to the whole of State Service:

#	We recommend that…	Key	QW[5]
Chapter 1 - Reporting and monitoring			
7	Consideration should be given to the development of an overall Government KPI aimed at reducing instances and costs of personal leave. **(Framework and structure a[6])**	✓	

[5] QW is Quick Wins
[6] References in brackets typed in bold are to the 'Key Themes' outlined in the Roadmap for Change in Appendix 1.

Chapter 2 - Policy development and management			
13	Employment Directions should be supported by practical advice on the implementation of guidelines contained therein. **(Framework and structure e)**		✓
Chapter 8 - Performance of and reasons for absence costs			
38	SSMO research steps taken by the two Government Business Enterprises and assess possible relevance and application to the departmental sector. **(Framework and structure d)**	✓	
39	Agencies, through SSMO, review the current personal leave entitlements per Award agreements and the industrial relations frameworks in terms of both commerciality and consistency across the State Service. **(Framework and structure d)**	✓	

The Report contains the following recommendations which apply to all agencies:

#	**We recommend that…**	**Key**	**QW**
Chapter 1 - Reporting and monitoring			
1	All agencies report on absenteeism at an output level at least monthly. These reports be: ▪ disseminated to both line managers and senior management for review ▪ disaggregated as appropriate to ensure they are a useful tool at a local management level. **(Processes and systems c)**		✓
2	For agencies where rostering systems are likely to be implemented or changed, consideration should be given to production of a report mapping personal leave and the underlying roster. This was identified by numerous managers as a helpful tool for managing absenteeism. **(Processes and systems a)**	✓	
3	Agencies ensure: ▪ reporting of absences is made to the executive and disseminated to relevant line managers and HR ▪ benchmarks are established indicating when management action is needed. **(Processes and systems c)**		✓

#	We recommend that…	Key	QW
4	Local levels of management monitor personal leave usage monthly and investigate any issues as required. This should be supported by active management, appropriate training and clear absence management protocols to achieve the desired results. **(Processes and systems c)**		✓
5	Responsibility for monitoring trends and patterns of personal leave be centralised within agencies, clearly assigned and considered in conjunction with other HR indicators. **(Processes and systems c)**		✓
6	All agencies should develop a target KPI in relation to personal leave or absenteeism overall. When doing so agencies should consider the following: ▪ setting a target as a medium or long-term objective because drivers of personal leave are not easy to address in the short-term ▪ setting realistic and achievable targets ▪ communicating targets throughout the agency ▪ legitimate cases of illness to ensure employees do not feel obliged to attend work. **(Framework and structure a)**	✓	
8	All agencies should participate in benchmarking where available. They should leverage knowledge from other jurisdictions to ensure they have access to all tools and strategies available to manage absenteeism. **(Framework and structure d)**		✓
9	Attendance and leave should be formally included in the performance review process. **(Framework and structure b)**		✓
10	Management's effectiveness in managing absenteeism in respective divisions or teams should be evaluated. **(Framework and structure b)**		✓

Chapter 2 - Policy development and management			
11	All agencies, assisted by SSMO, draft a clear and practical absence management policies and guidelines. **(Framework and structure a)**	✓	
12	The DoE Information Sheet is updated to include, at a minimum, the paragraph on verification of illness per the award. Its policy documentation should include practical guidance on the application of this paragraph and also clearly define the roles and responsibilities of employee and manager in this instance. **(Framework and structure a)**		✓
14	All policies are reviewed regularly and updated as required. A review date is included in all policies. Any changes should be communicated to all staff. **(Framework and structure a)**		✓
15	Responsibility for personal leave policy development is clearly assigned to appropriate HR personnel. **(Framework and structure a)**		✓
16	Agencies consider the effectiveness of their current practices for promulgating policies before distributing additional policies. This could be assessed through: - staff surveys - measurement of "clicks" on relevant policies - use of e-modules with exams at the end. **(Framework and structure a)**		✓
17	Recruitment processes should identify any historic attendance matters. This could be achieved by: ▪ a recruitment process which encourages open and honest communication and disclosure ▪ a positive declaration from the preferred candidate that there is nothing that would inhibit their ability to carry out the required duties ▪ reference checking scripts which include an open-ended question around the candidate's ability to perform the required duties. **(Framework and structure b)**		✓
18	Expectations about absences and leave are established during induction to ensure employees are aware of this from day one. **(People and culture c)**		✓

Chapter 3 - Data capture			
19	Management consider implementing manager initiated leave request forms given that Employee Self Service (ESS) currently possesses this functionality. **(Processes and systems a)**		✓
20	Rostering systems are considered with the objective of eliminating manual work currently surrounding rosters. An important consideration when examining the features of differing roster systems would be their ability to integrate with Empower. **(Processes and systems a)**	✓	
21	Where a rostering system would not be practical, training is provided on the use of existing rostering practices**.** The following are examples of possible topics that could be covered in such training: ▪ excel skills to make roster formula driven removing as much of the manual element as possible ▪ knowledge sharing between different outputs within agencies to ensure managers are aware of the most efficient method to complete and monitor rosters. **(Processes and systems a)**	✓	
22	DoE and TasTAFE perform reconciliations, on a location basis, of leave records and relief/sessional records to gain comfort over the accuracy and completeness of absence data in Empower and any discrepancies investigated. **(Processes and systems a)**		✓
23	Absence management training and support should be provided to all managers. This could be aligned with the release of additional guidance per Recommendation 13. **(People and culture b)**	✓	
Chapter 4 - IT Systems			
24	All agencies should support flexible working arrangements where this aligns with organisational needs while still complying with Workplace Health and Safety. A policy, consistent with existing legislation, should be drafted and implemented in all agencies. **(People and culture c)**		✓

Chapter 5 - Preventative awareness and staff support programs			
25	All agencies have a sustained focus on preventative measures and staff support programs to ensure they have lasting impacts. **(Processes and systems c)**		✓
26	All agencies adopt a more focussed approach to staff support programs with additional promotion of those programs which have proven to work. **(Processes and systems c)**		✓
27	Preventative programs are given the same level of attention as staff support programs. **(Processes and systems c)**		✓
28	Agencies should, where practical, measure the value for money of all new and existing staff support programs by examining if they had any impact on relevant HR indicators. **(Processes and systems c)**		✓
29	Staff support, and HR more generally, receive reports detailing absenteeism rates disaggregated by output/team. This will allow them to follow up with managers and focus resources, including staff support, on these areas. **(Processes and systems c)**		✓
30	Staff support, or HR more generally, monitor absence data for trends with regards to type or nature of illness and injury. This should then be used to implement preventative measures, programs or training where possible. **(Processes and systems c, d)**		✓
Chapter 6 - Managing staff back to work from long-term absences			
31	HR should, as a minimum: ▪ review reporting on long-term absences on a divisional or team basis ▪ follow up with the appropriate managers where they have not provided any advice or support to ensure the situation is being monitored appropriately. **(Processes and systems c)**		✓
32	Strategies, roles, responsibilities and processes surrounding long-term personal leave are specifically addressed in absence or leave policies. **(Framework and structure b, c)**	✓	
Chapter 7 - Cost of absence			
33	Agencies incorporate indirect costs, such as the costs of backfilling the position where applicable, when reporting absence costs and associated trends. **(Processes and systems c)**		✓

34	All agencies should be analysing, monitoring and reporting the direct and indirect cost of, and reasons for, personal leave. **(Processes and systems c)**		✓
Chapter 8 - Performance of and reasons for absence costs			
35	Agencies implement the following absence management processes as a minimum: ▪ regular contact with those on personal leave ▪ return to work interviews for all staff ▪ regular check-ups on staff working in high risk areas, both mental and physical ▪ preventative training programs where trends are identified. **(People and culture b, c)**	✓	
36	Staff satisfaction/engagement/culture surveys be completed on a regular basis (as determined by the agency) and appropriate action taken by management based on survey outcomes. **(People and culture c)**		✓
37	HR conducts analysis of personal leave data to identify trends or patterns examples of which are included throughout Chapter 8. **(Processes and systems a, c)**		✓

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Audit Act 2008 section 30 – Submissions and comments received

Audit Act 2008 section 30 — Submissions and comments received

Introduction

In accordance with section 30(2) of the *Audit Act 2008* (the Act), a copy of this Report was provided to the state entities indicated in the Introduction to this Report and to the Secretary, Department of Premier and Cabinet.

A summary of findings, with a request for submissions or comments, was also provided to the Treasurer, the Minister for Health, the Minister for Justice, the Minister for Education and Training, the Minister for Police and Emergency Management and to the Premier in his capacity as the employer of State Service employees.

Submissions and comments that we receive are not subject to the audit nor the evidentiary standards required in reaching an audit conclusion. Responsibility for the accuracy, fairness and balance of these comments rests solely with those who provided the response. However, views expressed by agencies were considered in reaching audit conclusions.

Section 30(3) of the Act requires that this Report include any submissions or comments made under section 30(2) or a fair summary of them. Submissions received are included as follows:

Department of Premier and Cabinet

Thank you for providing an advance copy of your Report on absenteeism in the Tasmanian State Service (TSS).

As Head of the State Service, I am committed to a productive TSS, and working with my colleagues to ensure that the TSS is managed effectively and efficiently. The draft audit provides a number of useful recommendations that identify opportunities to improve the management of absenteeism and associated productivity issues.

I note that the audit does not find any evidence to support a perception that there is a culture of entitlement in the TSS, and that comparatively the cost of absenteeism in the TSS is less than the Australian average.

My observation is that overall TSS employees are hardworking and dedicated, and do not abuse their entitlements. However, I note your finding that there are higher rates of absenteeism in particular agencies and groups. I think it is important not to

draw conclusions about whether these rates are driven by the nature of their work or a culture of absenteeism, or draw conclusions about the entire TSS based on specific work groups within it.

There are several matters which are relevant to your inquiry and its findings which are not covered and may warrant further thought.

Firstly, the increasing rate of absenteeism, in part, reflects a change in management practise to encourage employees who are sick to not come to work. This change has stemmed from major incidents and communicable diseases such as influenza, where it is important to actively encourage sick employees to stay away from the workplace. The cost of absenteeism also needs to be balanced against the cost of unwell employees in the workplace (presenteeism).

Secondly, the average cost of a day off work has risen as a result of overall growth in public sector wages. This should be considered in any analysis of the overall growth in the cost of absenteeism.

Finally, the reasons for which personal leave can be taken have necessarily expanded in recent years. They now cover areas such as domestic violence and caring responsibilities, and this may impact on the average number of leave days being taken.

Through the Department of Premier and Cabinet's State Service Management Office, considerable work has been undertaken in the past few years to address a number of matters identified in the audit. Employment Direction No 29 – *Managing Employees Absent from the Workplace*, has the explicit objective to emphasise the Government's commitment to supporting employees who are absent from work due to illness/injury, whether or not it is work related. The aim is to get employees back to work as soon as they are able.

I am personally committed to furthering work on health and wellbeing in the TSS and, in particular, integrating our policies, reporting and systems. To this end a trial is about to commence in the Department of Primary Industries, Parks, Water and Environment on a Work Health and Safety and Incident System with the purpose of supporting employees, monitoring and reporting on absenteeism and work place injury. In addition, the use and management of Employee Assistance Programs (EAP) is also being examined with agencies to see how it can be better used to support the wellbeing of employees.

The audit provides a number of recommendations at both an agency and whole-of-government level which I and the other Heads of Agencies will take action to address. The Director, State Service Management Office has advised me that he will be writing to you responding to each of the draft Report's recommendations at a more technical level.

In concluding, I would also like to take this opportunity to thank you for the way in which you have engaged and consulted with agencies throughout the audit.

Greg Johannes
Secretary

State Service Management Office

Thank you for providing an advanced copy of your draft Audit Report into Absenteeism in the State Service.

The Report provides recommendations that provide direction to further the work being undertaken in this area of personal leave, absences, return to work and supporting Work Health and Safety (WHS) systems.

The Head of the State Service will prepare a reply to issues raised in the report involving service wide matters. I understand Heads of Agencies where agencies participated in the audit will provide responses on agency specific issues and recommendations.

The State Service Management Office (SSMO) comments on each of the recommendations in the report are included in the attached document. (Refer to Appendix 5a).

Frank Ogle
Director

Department of Education

Thank you for the opportunity to provide comments on the above audit report recommendations. The Department values the work of your team and the opportunity it affords us all to improve public administration.

The Department accepts that the recommendations should be achieved and to that end, your report will assist in progressing the work already underway to improve the management of employee absences.

Attached is a detailed response to the key recommendations that are particularly relevant to this Department. (Refer to Appendix 5b).

Colin Pettit
Secretary

TasTAFE

I refer to your letter dated 1 July 2015 in which you sought comments from TasTAFE prior to publication of the final report. Thank you for the opportunity to provide a response.

I have reviewed the recommendations and my response to these is outlined in the attachment to this letter. (Refer to Appendix 5c).

In reviewing the report I consider that it is important to point out that TasTAFE is a relatively new organisation having only been established on 1 July 2013. As a result of this we acknowledge that there is a level of development that needs to occur in the area of managing absenteeism and we are committed to making improvements in this area.

Stephen Conway
Chief Executive Officer

Department of Justice

The Secretary of the Department of Justice responded by advising his support for the submission provided by the Secretary of the Department of Premier and Cabinet and that he had nothing further to add.

Department of Police and Emergency Management

Thank you for your letter of 1 July 2015, regarding the Absenteeism in the State Service.

I would like to thank you for the opportunity to respond to your audit report and recommendations. The Department of Police and Emergency Management (DPEM) was pleased to participate in the audit into the Absenteeism in the State Service and appreciated the opportunity to have worked closely with members of the audit team to ensure

comprehensive and accurate information has been provided to inform the report.

I am pleased to highlight that whilst there is still a body of work in relation to a number of the recommendations where improvements are needed; the report also recognises certain positive examples, which may serve as model practices.

In closing, all of the audit recommendations relating to this review are acknowledged by DPEM. I am confident the range of work that is currently being undertaken, and when expanded across the department, will assist to further emphasise and enhance the appropriate management of absenteeism.

D L Hine
Secretary

Tasmanian Health Organisation – South

I refer to your letter of 1 July 2015 to Ms Anne Brand, Interim Chief Executive Officer, Tasmanian Health Service, providing a copy of the draft report and seeking comments prior to publication.

As the audit involved the then THO-South, the report has been referred to me for provision of any comments.

Significant rigour has been applied in THO-S regarding the effective management of absenteeism and this has been reflected in the level of maturity assessment, with assessment at the recommended target level or above, for three of the five criteria with an 'excellence' assigned in the category of 'Reporting and Monitoring'. In the interests of continuous improvement there is an enthusiasm to continue to make improvements through ongoing monitoring and review to inform future strategies.

It is noted that the 'Data Capture and IT Systems' criterion is only at an awareness level. The full implementation of the rostering system ProAct and the completion of the Empower link will bring significant opportunities for improvement in this criterion.

To ensure ongoing improvements in the management of absenteeism, supporting guidelines to the Employment Direction (ED 29 – Managing Employees Absent from the Workplace) are required. Managers need a framework and tools in which to manage the complex cases to ensure that appropriate and consistent levels of support are provided

within the context of effective service delivery (client focused care); the provision of safe and quality services and a healthy and safe workplace; as well as the adherence to relevant legislation and the management of varying stakeholder expectations. The recommendation regarding Employment Directions being supported with practical implementation advice/guidelines is welcomed and is key in the effective management of these complex cases.

Although this audit only involved one of the health Agencies, THO-S, (now titled THS-Southern Region), it could be considered that the findings and considerations are likely to be relevant to the broader THS, particularly given that THS-Southern Region auspices a number of state-wide services. The recent formation of the THS from 1 July 2015 may have an impact on broader strategies and priorities (particularly in relation to systems development and implementation) and the extent and timing of improvements; however the need to effectively manage absenteeism given the significant impact on productivity would continue to remain a priority regardless of organisational structure.

A sustained rigour in the management of absenteeism and other related strategies will provide for further improvements in workforce productivity and sustainability.

I thank you for the opportunity to comment.

Craig Watson
Executive Director of Services, THS-Southern Region

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Introduction

Introduction

Background

The decision to conduct a performance audit into absenteeism in the State Service followed discussions with staff at the State Service Management Office (SSMO) and relevant Unions. The cost of absenteeism is a key financial metric and should be a focus of management in all organisations at all times.

As of 30 June 2014, the State Service had almost 24,000 employees with payroll and other related costs totalling $2.191bn representing 54% of general government sector expenses. Given the significant numbers involved, where staff are unable to work due to short or long-term personal illness or injury (absenteeism), the productivity and cost effectiveness of the public service is likely to be significantly impacted.

As a result, risks and opportunities associated with absenteeism needs to be managed with care. Doing so could be a key area to drive efficiency.

With the management of absenteeism being decentralised to Tasmanian agencies, it is critical that processes are designed and operated with optimal effectiveness and efficiency.

As a result of these factors, a project aimed at reviewing the efficiency (the cost and drivers of cost) and effectiveness (processes in place) was included in our Annual Plan of Work 2014–15.

Absenteeism management in this Report refers to the management of all staff absences although we specifically focussed on the management of personal leave absences.

Audit objective

The objective was to consider whether personal leave is being effectively and efficiently managed. This assessment was undertaken through consideration of the following two key aspects:

1. *Cost of absenteeism* – consideration of the trend in overall costs at each audit client to determine whether there is evidence to suggest absenteeism management may require attention and if so what may be the key drivers and therefore possible reasons for the absenteeism.

2. *Processes* – Focus on the design of underlying processes in place to proactively and reactively manage the risk of absenteeism including reporting and monitoring, policy development and management, data capture, IT systems and preventative awareness and staff support programs.

Audit scope

Audit procedures were applied to the following agencies:

- Department of Police and Emergency Management (DPEM)
- Department of Justice7 (DoJ)
- Department of Education (DoE)
- TasTAFE and
- Tasmanian Health Organisation South (THO South).
- Conduct of audit

To conduct the audit, we:

- examined internal policies, procedural documents, summaries of Awards/Enterprise Agreements (EA) and other documents related to absenteeism
- interviewed staff responsible for overseeing and performing the various elements of absenteeism management processes
- analysed personal leave statistics (financial and non-financial)
- inquired into the approach taken by selected government business enterprises for managing personal leave.

Audit criteria

The scope considered eight audit criteria:

- reporting and monitoring
- policies
- data capture
- IT systems
- preventative measures

[7] Throughout the report, we reference the Tasmanian Prison Service (TPS) separately to the Department of Justice (DOJ) on the basis that there are some significant positive initiatives and results at TPS that are worthy of highlighting.

- long-term absence management
- cost of absences
- performance of and reasons for absence costs.

Detailed audit criteria can be found in Appendix 1 of this Report.

Timing

Planning for this audit began in June 2014. Fieldwork was conducted in the period October 2014 to March 2015 and the report was finalised in June 2015.

Resources

Total Office hours were 76.5 and actual costs, excluding production, were $106, 646.40 which was slightly over budget.

Reason for selecting this audit

The catalyst for this performance audit was discussions with staff at SSMO, relevant Unions and informal observations made that absenteeism and its related costs is a significant problem in the State Service. As a result of this a project aimed at reviewing absence management was included in our 2014-15 Annual Plan of Work.

Other background

The agencies included in this review use Empower as their payroll system and all data is captured through this system. The Employee Self Service (ESS) element of Empower is used to manage all leave request forms.

There are numerous awards governing personal leave and the relevant allowances in the selected five agencies.

1 Reporting and monitoring

1 Reporting and monitoring

1.1 Background

Reporting and monitoring is an important consideration for personal leave given it provides feedback on the effectiveness of the absence management processes overall. It ensures personal leave and absence management is a focus for line managers.

Reporting on absences is important as it ensures the flow of information to the appropriate levels of management to allow effective oversight of the management of absences. Where local management do not constantly and consistently monitor personal leave, there is greater risk employees will take unwarranted personal leave.

In order to assess this criterion, we examined whether:

- agencies generate timely and accurate reporting of absences
- reporting is protected from manipulation
- reported information is utilised effectively
- agencies set KPIs for absence management
- agencies perform benchmarking
- absence management is included in statements of duties (SODs) or individual performance KPIs.

1.2 Do agencies generate useful reports of absences?

It is important that indicators of personal leave absences are collected and reported, along with other leave taken and balances, as they all relate to the maturity of employee engagement and management. Examples of such reporting are discussed in detail in Section 8.1.

Where there is a lack of reporting, there is a risk absences and underlying problems, if any, may not be identified and addressed. In addition, senior management and HR would not be aware of any issues and therefore unable to take remedial action.

Reporting and monitoring of personal leave absenteeism varied considerably from agency to agency. For the five agencies and TPS reviewed:

a) Five agencies, DoJ, DPEM, TasTAFE, TPS and THO South, provide formal reporting on absences. In all cases

reporting was provided to executive management. The frequency of reporting in relation to each agency is detailed on the next page.

b) One agency, DoE, did not provide any reporting either formal or informal on absences. This agency, along with TasTAFE, was in the process of completing a data warehousing project which is expected will provide local management with dashboard reporting.

However, for those agencies with formal reporting in place, the format and level of detail was not consistent.

The best example of reporting observed was at DPEM and included:

- daily reporting to the relevant individual at a district level
- quarterly reporting by HR to senior management. This HR report included consideration of other HR indicators such as overtime, age profile, excess leave and staff turnover alongside personal leave.

In respect to other agencies with reporting:

- a monthly KPI on the percentage of personal leave utilised per output was used in THO South
- TasTAFE reported total sick leave days per year and per FTE along with comparison to prior year figures. However, this reporting did not take into account carers leave
- DoJ produced quarterly output reporting which details the days personal leave taken per staff member
- TPS produced a high volume of reporting about absences. There were KPIs in place, daily reporting of absences including the number of days the employee has been away and reasons and a staff annual report was compiled identifying issues and how to address them. In addition a new rostering system implemented enabled managers to print a real time report of absences and leave balances as required.

1.2.1 Empower

There is a facility in Empower for managers to monitor personal leave usage. None of the agencies demonstrated this was being used consistently across their business. However, it was noted where managers were dealing with staff who work shift or roster patterns, it was difficult to identify and monitor

abnormal patterns of leave as the roster patterns were not embedded into Empower.

For an output division within THO South, a report had to be requested from the Roster Office to allow personal leave usage to be mapped against the roster to identify a pattern. Given the effort involved in this, it was likely this would only be undertaken if there was serious concern about a member of staff and not as an ongoing monitoring process. As well as monitoring the personal leave rate, such as the KPI in place in THO South, it is important that all agencies monitor trends and identify patterns in personal leave taken by employees. This can include personal leave by location, age, weekday or position.

Overall we concluded that reporting of absences needed improvement.

Recommendation 1:

All agencies report on absenteeism at an output level at least monthly. These reports should be:

- **disseminated to both line managers and senior management for review**
- **disaggregated as appropriate to ensure they are a useful tool at a local management level.**

1.3 *Is reporting protected from manipulation[8]?*

In all agencies reviewed we noted that reporting was not protected from manipulation. Therefore, there is a risk that the accuracy and reliability of the information being reported could be either deliberately or accidently misrepresented.

The majority of reporting observed requires data to be extracted from Empower before manual manipulation, usually in excel. As the data was manually manipulated there was higher risk of error. The only exception was dashboard reporting which was available at THO South through the FYI (For Your Information) system. FYI is a KPI dashboard system, which provided a high level overview of absenteeism.

[8] Use of the word 'manipulation' was not intended to suggest evidence of deliberate fraud.

Recommendation 2:

For agencies where rostering systems are likely to be implemented or changed, consideration should be given to production of a report mapping personal leave and the underlying roster. This was identified by numerous managers as a helpful tool for managing absenteeism.

1.4 Is reporting disseminated to the right levels within the organisation?

Where reporting is not disseminated to executive management, absenteeism levels are unlikely to be a focus at this level. On the other hand where reporting is not distributed to local management they are unable to identify if a problem exists.

We expected to find that reporting sufficient for each team/section to be able to manage absenteeism at the individual level.

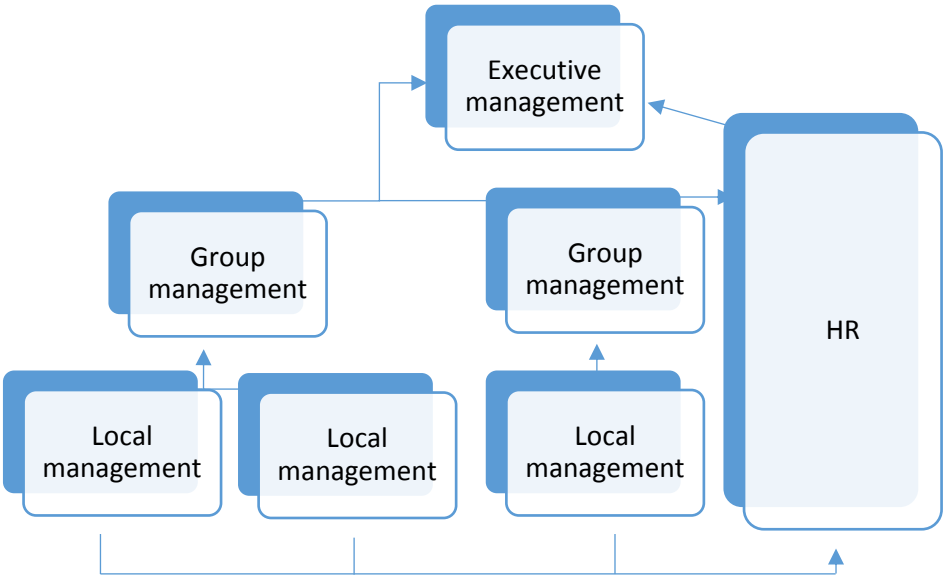
Of the four agencies that performed reporting we observed:

- all agencies disseminated reports to executive levels
- at DoJ, quarterly output reports were not appropriately disaggregated and made available to local management. However we note that TPS performed considerable local level reporting
- at TasTAFE, the monthly report to the Board and Executive Management was not appropriately disaggregated to local management.

Centralised reporting was not carried out in DoE and they are therefore dependant on local management monitoring and managing personal leave with no oversight from the executive level.

Figure 2 outlines a contemporary model for reporting personal leave.

Figure 2: Contemporary model for reporting personal leave



Source: KPMG

This model is regarded as facilitates monitoring at executive, local and HR levels. We note that:

- Oversight by HR is essential to ensure they are aware of, and identify, underlying trends, variances and concerns. HR's role in absence management more generally is to develop policies and procedures, provide advice and support to managers on how to manage absences and to identify and implement training requirements.
- Oversight from group and executive level is important to ensure any anomalies are investigated appropriately and remains a focus for local management.
- Management of employee absences should occur at a local level with support and advice from HR as required. HR's role is to support managers and not actively manage an employee absent from the workplace. Local and line management should actively manage individuals taking excessive personal leave. Their role should also include establishing trigger points or thresholds for when action needs to be initiated with regards to high absence levels. This could be set by reference to the number of days absent, or absences on the same days a certain number of times and the types of leave taken.

We concluded that reporting of absences requires improvement — refer recommendation 3.

1.4.1 Bradford Factor

A method for determining a trigger point for action to be taken could be the use of a Bradford Factor [9]score, which is a worldwide industry measure of absence characteristics and behaviour. The score is calculated by identifying absences over a period (usually a year), counting the number of days absent and the reoccurrence of these absences. This is based on the theory that short absence spells are more disruptive and costly to an organisation than fewer longer term absences.

While the use of the Bradford Factor may not be suitable for all agencies, and should only form one of several HR evaluation tools, the underlying theory, that frequent shorter absences are more harmful to an organisation than long-term absences, is still relevant.

Judgement is required on where to set the trigger points and these are then used as a tool for HR to follow up with managers to offer support and advice and ensure they are actively managing absent employees. For example the UK Prison Services implemented the following trigger points based on an employee's Bradford Factor:[10]

- 51 points – verbal warning
- 201 points – written warning
- 401 points – final warning
- 601 points – dismissal.

Setting these triggers and making staff aware of them resulted in the UK Prison Service reducing absenteeism by 18%.

Agencies should select relevant cut offs based on their data. They can then drill down and establish the individuals outside selected cut-offs and ensure they are being managed appropriately.

Recommendation 3:

Agencies ensure:

- **reporting of absences is made to the executive and disseminated to relevant line managers and HR**
- **benchmarks are established indicating when management action is needed.**

[9] Auditor-General of Queensland – Report 4 of 2012 – Managing employee unplanned absence
[10] Leave planner.com – How organisations use the Bradford Factor

1.5 Do agencies use reported information to determine if further remedial action is required?

For the four agencies where reporting was performed at the executive level, we noted in all cases HR will follow up with relevant managers should personal leave figures move substantially in any one output. However, the number of employees in an output varies considerably within an agency and across the five agencies.

In DPEM it was noted some local management perform trend analysis over their division to monitor personal leave. This monitoring allows DPEM to identify high risk areas/individuals and take prompt action to manage these instances. This was an example of best practice and an initiative all agencies should consider.

Without this level of reporting there is a risk that a negative movement in personal leave in a particular team or unit may be concealed by a positive movement elsewhere in that department. As a result, it is crucial that reports are disaggregated to an appropriate level as this will ensure that personal leave variances are identified by HR and appropriately followed up. Refer Recommendations 1 and 3.

Recommendation 4:

Local levels of management monitor personal leave usage monthly and investigate any issues as required. This should be supported by active management, appropriate training and clear absence management protocols to achieve the desired results.

Recommendation 5:

Responsibility for monitoring trends and patterns of personal leave be centralised within agencies, clearly assigned and considered in conjunction with other HR indicators.

1.6 Do agencies set KPIs for absence management?

Where there is no KPI set there is no clear goal for an agency to strive for. By developing a target, the agency sets out where it wants to be in the future. This prompts an agency to plan and implement the initiatives needed to achieve this target and to implement monitoring systems. Should an agency not set a KPI or target, there is a risk it will lack clear direction for managing absenteeism.

We observed:

- one agency, THO South, had formally developed a KPI for absence management against which it monitors performance
- five agencies where there was no KPI in place.

THO South had originally set the KPI as a short-term target. However, it has now acknowledged this is a medium to long-term objective.

Recommendation 6:

All agencies should develop a target KPI in relation to personal leave or absenteeism overall. When doing so agencies should consider the following:

- **setting a target as a medium or long-term objective because drivers of personal leave are not easy to address in the short-term**
- **setting realistic and achievable targets**
- **communicating targets throughout the agency**
- **legitimate cases of illness to ensure employees do not feel obliged to attend work.**

Recommendation 7:

Consideration should be given to the development of an overall Government KPI aimed at reducing instances and costs of personal leave.

1.7 Do agencies benchmark their results?

We observed:

- Two agencies, THO South and DPEM, participated in benchmarking against similar bodies in Australia and New Zealand. In addition THO South performed benchmarking with other THOs in the State.
- Four agencies did not participate in any form of benchmarking.

THO South and DPEM appeared to be performing reasonably and in line with other states. Even more encouraging was that these agencies monitor the results of the benchmarking data closely. Contact was made with any other jurisdictions whose results were considerably better than average to ascertain how they achieved this.

In one instance THO South contacted a Queensland hospital which had lower rates of absenteeism than other areas. However, upon investigation it was noted that the only reason for the different results was less generous award entitlements. The impact of differing enterprise arrangements is discussed in more detail in Section 8.4 later in this Report.

This communication and knowledge sharing is something all agencies should perform to ensure they are leveraging knowledge and tools developed by each other and by other jurisdictions to manage absenteeism.

Recommendation 8:

All agencies should participate in benchmarking where available. They should leverage knowledge from other jurisdictions to ensure they have access to all tools and strategies available to manage absenteeism.

1.8 Is absence management included in individual performance KPIs?

We observed:

- In three agencies, DPEM, THO South and TPS, attendance and leave are formally included as part of the performance review process.
- In all other agencies it was expected, but not specified in any policy or procedure, that should there be a problem with attendance or leave, this would be addressed as part of an employee's performance review.

Formal inclusion of attendance and leave in the performance review process could be one tactic to help address instances of misuse of personal leave. If an employee's performance rating is dependant to some extent on their attendance they may be less inclined to view personal leave as an entitlement. This is discussed in further detail in Chapter five.

However, inclusion in regular performance review processes must be non-threatening and recognise instances of genuine illness.

Recommendation 9:

Attendance and leave should be formally included in the performance review process.

From a management perspective, formal inclusion of attendance and leave in performance review processes ensures that managers review these matters at least annually. This review may pick up on the need for greater care of the

individual or concerns or patterns not previously identified during the course of the year.

Where attendance and leave are not specifically or formally set out as part of an employee's performance review, reviewing such information is then at a manager's discretion and concerns may not be addressed appropriately.

While a certain level of absenteeism is unavoidable, inclusion of attendance, absenteeism and other leave in the performance review processes would encourage active assessment by management at all levels. This would also facilitate assessment of management performance in managing absenteeism.

Recommendation 10:

Management's effectiveness in managing absenteeism in respective divisions or teams should be evaluated.

1.9 Conclusion

The maturity ratings for the agencies and brief commentary in relation to Reporting and Monitoring are presented below.

Reporting and Monitoring					
DoE	TasTAFE	DPEM	THO South	DoJ	TPS
Awareness	Awareness	Excellence	Excellence	Implementation	Evaluation

Our conclusions from the table are:

- DPEM and THO South had an excellent level of maturity around reporting and monitoring on the basis of extensive reporting and local level monitoring of absences. Both agencies also performed benchmarking with other jurisdictions.
- TPS had a good level of maturity including daily reporting of absences and an "absence" KPI.
- DoJ was operating at the base level expected for an agency. Quarterly output reporting was carried out but there was no independent review by HR and reporting was not disaggregated to local level management.
- DoE and TasTAFE have a very low level of activity around monitoring and reporting with significant room for improvement.

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2 Policy development and management

2 Policy development and management

2.1 Background

A clear, detailed and well communicated policy supported by all levels of management is a key strategy for addressing absenteeism. The policy, while based on relevant awards, should contain practical guidance for application and a clear division of roles and responsibilities. This type of policy would be an invaluable tool for the management of absenteeism.

In order to assess this criterion, we examined whether:

- agencies have clear and practical policies
- policies are reviewed regularly
- responsibility for policy development is clearly assigned
- employees are aware of the policies and framework
- consideration is given to absenteeism in the recruitment process.

2.2 Do agencies have clear and practical policies outlining roles and responsibilities for absence management?

We noted:

- Two agencies, THO South and TPS, had detailed leave policies in place. The TPS policy is an example of best practice and is discussed in section 2.2.1 below.
- At three agencies, DoE, DoJ and DPEM, the leave policies merely reiterated award provisions. However, DPEM had a detailed manual setting out the procedures to be followed regarding personal leave. In addition, in DPEM all managers were comfortable and aware of the procedures, roles and responsibilities in the absence management process.
- One agency, TasTAFE, had no leave policy in place relying on the award as a policy. This was not sufficiently detailed to be a worthwhile tool for managers.

We found that the majority of absence management provisions were contained within leave policies although the level of detail differed substantially from agency to agency. However where policies were merely reiterations of award conditions, the policy omitted the division of roles and responsibilities along with valuable practical procedural guidance.

The award provisions should form the overarching framework of the policy but the policy must contain practical advice and guidelines to be an effective tool in absence management.

Recommendation 11:

All agencies, assisted by SSMO, draft clear and practical absence management policies and guidelines.

2.2.1 TPS Case Study:

The TPS policy, titled "Management of Attendance Policy", is an example of best practice. This policy sets out the leave provisions per the award, responsibilities and a step by step guide on how to manage high levels of unplanned absences in one concise document.

This policy was supported by numerous additional policies on areas such as communication, rostering, overtime and management of staff returning to work. These policies all work together to aid effective management of absenteeism.

This highlights that absence management cannot be dealt with in isolation but must be supported as part of an overall people and resource management strategy.

2.2.2 Policy composition

A further weakness identified was that long-term absences, and management thereof, were not addressed in any of the policies sighted. From discussions with managers we identified that this was an area of absence management about which they lacked guidance and inclusion in a policy would be a first step to address this gap.

Also, agencies should give consideration to what aspects of the award they include in their policy. In DoE we noted that the verification of illness paragraph from the award was omitted from the Information Sheet, which DoE uses as a policy.

Managers in DoE advised they were unsure of how to proceed when there were concerns over the validity of an illness. Inclusion of this award provision in a policy, acknowledging it will not address the matter entirely, would be an important first step.

Recommendation 12:

The DoE Information Sheet is updated to include, at a minimum, the paragraph on verification of illness per the award. Its policy documentation should include practical guidance on the application of this paragraph and also clearly define the roles and responsibilities of employee and manager in this instance.

2.2.3 Employment Direction No. 29

In addition to agency specific policies, Employment Directions (EDs) provide additional guidance on employment practices in the State Service. In February 2014, ED No. 29 'Managing Employees absent from the workplace' was issued.

This sets out, at a high level, actions agencies should be taking regarding absence management and the roles of the agency and the employee. From our consideration of this ED, and based on consultations with agency staff during this audit, we noted a lack of practical advice for the implementation of this guideline and, as a result, agency staff were having difficulty, or were not, applying the ED. For example, agencies sighted a need for greater clarity around contact with staff on personal leave, assessment of ability to perform duties and the impact this may have on potential separation.[11]

Recommendation 13:

Employment Directions should be supported by practical advice on the implementation of guidelines contained therein.

2.3 Do agencies regularly review their absenteeism policies and update as necessary?

Of the five agencies audited:

- Only one agency, THO South, had review dates included in its absence management policy. DoE advised they review all HR policies on a bi-annual basis; however there was no evidence of this on the policies.
- All other agencies advised that policies were only reviewed and updated should award conditions change.

Given that the majority of policies were reiterations of the award, as discussed at Section 2.2, the lack of regular review is not surprising.

[11] Despite this, we note the Tasmanian Training Consortium provides effective training on this ED.

Recommendation 14:

All policies are reviewed regularly and updated as required. A review date is included in all policies. Any changes should be communicated to all staff.

2.4 Do agencies outline clear responsibility for policy development?

Where responsibility for personal leave policy development is not clearly assigned there is a risk that policies will not be updated appropriately.

We noted:

- At two agencies, DoE and TPS, responsibility was clearly assigned to HR which is appropriate.
- At THO South, policies were developed by DHHS (Department of Health and Human Services) for adoption by THO South.
- The remaining agencies had not assigned clear responsibility for policy development. These agencies had policies which were reiterations of the award and policy development was not seen as a key function.

Should these agencies decide to develop policies, this responsibility should be assigned to appropriate HR personnel.

Recommendation 15:

Responsibility for personal leave policy development is assigned to appropriate HR personnel.

2.5 Do agencies have a sound process for enhancing awareness of new and existing policies?

Awareness and understanding of policies is key to ensuring effective management of absences. Where policies are not documented and promulgated throughout an agency, there is a risk that staff and managers may not be aware of respective responsibilities.

We noted the following processes used by agencies to notify staff of the existence of policies:

- all agencies used the intranet
- best practice, observed in TPS, was the use of various methods such as highlighting policies in the weekly bulletin, Director's Orders, at staff briefings and on the notice board. In addition all new recruits must sign a

declaration stating they will keep up to date with all policies

- TasTAFE send a memo to staff
- THO South and DPEM send emails
- THO South also highlights policy changes in management meetings
- DPEM provides updates as part of regular training and staff must confirm they had been briefed through the staff E-Learning module.

Through discussions with staff, in particular at DoE and TasTAFE, we noted a lack of awareness among staff and managers of the relevant policies. However, as discussed at Section 2.2, given the lack of guidance provided by some policies, it was unclear whether this issue, or the use of the intranet as a communication mechanism, was the reason for the lack of awareness.

Recommendation 16:

Agencies consider the effectiveness of their current practices for promulgating policies before distributing additional policies. This could be assessed through:

- **staff surveys**
- **measurement of "clicks" on relevant policies**
- **use of e-modules with exams at the end.**

2.6 Do agencies have sound recruitment processes which identify any prior history of absenteeism in previous employment?

We noted that, of the agencies audited, there was no consideration of previous absenteeism during the recruitment processes.

All agencies advised that this would be expected to be addressed during the reference check stage. However, this was not formally documented anywhere.

In contrast, DPEM had a rigorous screening process and through this they would expect to identify any issues. They would then request absenteeism records from the applicant.

Recommendation 17:

Recruitment processes should identify any historic attendance matters. This could be achieved by:

- **a recruitment process which encourages open and honest communication and disclosure**
- **a positive declaration from the preferred candidate that there is nothing that would inhibit their ability to carry out the required duties**
- **reference checking scripts which include an open-ended question around the candidate's ability to perform the required duties.**

At the time of finalising this Report, we noted DoE had a draft Referee Template which included an open ended question similar to that noted in this recommendation.

Recommendation 18:

Expectations about absences and leave are established during induction to ensure employees are aware of this from day one.

2.7 Conclusion

The maturity ratings for the agencies and brief commentary in relation to Policy Development and Management are presented below.

Policy Development and Management					
DoE	TasTAFE	DPEM	THO South	DoJ	TPS
Awareness	Not present	Implementation	Evaluation	Awareness	Evaluation

Our conclusions from the table are:

- Significant improvements can be made in relation to clear absenteeism policies and procedures for the majority of agencies.
- TPS and THO South had the ideal level of maturity due to sound policies and procedures which were subject to regular review and updated and communicated effectively.
- DPEM was assessed as being at the Implementation stage of maturity because its policy was based on the award and supporting documentation was sufficiently detailed.

- DoJ, DoE and TasTAFE had some significant steps to take to reach the minimal level expected for an agency (Implementation).

3 Data capture

3 Data capture

3.1 Background

The reporting and monitoring arrangements recommended in Chapter One are redundant should the correct type of data not be captured by organisations. In addition, the data captured must be accurate to ensure reports address what is actually occurring in an agency.

We examined whether agencies:

- have processes in place to ensure absence management data is captured
- have processes in place to ensure the data captured is accurate and complete
- capture the right information.

3.2 Do agencies have processes for ensuring absence management data is captured?

Where data is not captured in an appropriate and timely manner the agency is unable to obtain an accurate picture of absences, trends and underlying issues. This may lead to inappropriate decisions and/or strategies to deal with absences being taken.

We observed:

- All agencies used Empower to capture leave data. Through Empower, and the use of Employee Self Service (ESS), all personal leave data, and more broadly all leave data, was captured.
- The one exception was TPS who have recently introduced a new rostering system. It captures absence data using both Empower and the rostering system.

The rostering system introduced by TPS, Timefiler, is an example of better practice. It includes some useful functionality such as:

- automated reporting of leave including overlay of rosters when required
- full integration with Empower, with data being updated hourly
- upload of medical certificates
- request for leave by employees.

One division in DPEM (Forensics), trialled manager initiated leave request forms from 2012-13 to 2013-14. Indicatively, DPEM reported greater comfort over completeness of data. However, this was not able to be supported with data trends as the trial would have increased the recording of leave but may have also decreased instances of leave due to the preventative control being trialled.

Recommendation 19:

Management consider implementing manager initiated leave request forms given that ESS currently possesses this functionality.

3.3 Are there processes for ensuring absence management data is accurate and complete?

3.3.1 Completeness

Through discussions with management we noted that under-reporting is an issue for all five agencies. This was often caused by manual processing of leave forms and rosters resulting in lack of efficient tracking of absenteeism.

This raised a concern about the completeness of the data we performed analysis on. This concern is not unique to this report; in a 2013 Australian survey 40% of organisations surveyed believed absenteeism was under-reported in their organisations[12].

In all agencies, apart from TPS where a rostering system had recently gone live, under reporting was due in part to the manual processing required around leave request forms. The majority of managers tracked the actual submission of leave request forms and medical certificates using a diary and follow up as required if the form or medical certificate was not submitted.

In relation to rosters for two agencies, THO South and DPEM, manual rosters were an integral part of the process. We noted THO South was in the process of rolling out a new rostering system.

Given the nature of the activities of DoE, DOJ and TasTAFE and of their employees' work patterns, rostering is less applicable to them.

[12] 2013 Absence Management Survey Summary – Direct Health Solutions (specialise in providing absence management services and products to various organisations in Australia)

We concluded that reporting on absences was likely to be incomplete.

3.3.2 Accuracy

We noted that the data, in some cases, was not accurate. For instance, in DoJ we identified that days taken was calculated incorrectly in approximately 20 instances. In one case the days taken was incorrectly included as 367 days when in fact, per the date ranges given, we identified the duration of personal leave was five days.

Where this came to our attention we rectified the data, for the purpose of our data analysis. However, all agencies should consider reviewing the accuracy of the underlying data before they utilise Information Technology for reporting purposes.

We concluded that absences data reported were likely to be inaccurate.

Recommendation 20:

Rostering systems are considered with the objective of eliminating manual work currently surrounding rosters. An important consideration when examining the features of differing roster systems would be their ability to integrate with Empower.

In DPEM, rosters were completed in numerous different ways and in varying formats. Some rosters were maintained in excel but a manual total was required to ensure employees did not exceed allowable working hours in any one period of time. This is lengthy, cumbersome and inefficient. However, we acknowledged that, in this agency, for operational purposes, a rostering system may not be practical.

Recommendation 21:

Where a rostering system would not be practical, training is provided around on the use of existing rostering practices.

The following are examples of possible topics that could be covered in such training:

- **excel skills to make rosters formula driven removing as much of the manual element as possible**
- **knowledge sharing between different outputs within agencies to ensure managers are aware of the most efficient method to complete and monitor rosters.**

Two agencies, DoE and TasTAFE, had relief data available for positions which were required to be backfilled.

A sense check between relief data and absence data contained in Empower would identify any completeness and/or accuracy issues with the data. While it may not be possible to reconcile the data fully, any large variances should be investigated to identify any completeness concerns.

Recommendation 22:

DoE and TasTAFE perform reconciliations, on a location basis, of leave records and relief/sessional records to gain comfort over the accuracy and completeness of absence data in Empower and any discrepancies investigated.

3.4 Do agencies capture relevant information?

We noted that the nature of the information captured was relatively consistent from agency to agency. However:

- At four agencies, DoE, DoJ, TasTAFE and THO South, the nature of an employee's illness was not recorded. Whilst the majority of managers were aware of the reasons for staff absences, this was not formally recorded or collated anywhere. The relevance of capturing this information is dealt with below.
- DPEM and TPS track the reasons for staff illness, where possible, to enable them to identify trends and take proactive action where required. This was recorded outside the Empower system.

It was identified that the lack of detail on some medical certificates received from employees was an issue in managing absenteeism. For example, should a medical certificate only give a generic description such as "medical condition", it was extremely difficult for management and/or HR to develop a plan or course of action to support the employee particularly if an employee does not engage with management and/or HR, and no further details are provided.

In addition, where the nature of an illness was not formally collated or recorded, it is difficult for HR and/or Staff Support to identify any trends emerging regarding illnesses.

Insufficient information about illnesses was encountered across all agencies and was something managers struggle to deal with. Should managers lack confidence and/or support to have, which can sometimes be, difficult conversations in

relation to medical certificates and take action as required, these problems will not be addressed.

To assist in resolving this:

- Tools and training for managers should be developed and provided to deal with more complex absenteeism situations, such as a lack of information or generic descriptions on medical certificates.
- This training could be provided when the tools relating to Employment Directive 29 "Managing Employees absent from the workplace" are issued or alternatively as part of the general management training.

This matter can be overcome by the establishment of a positive culture whereby the workplace environment is based on trust and support and employees feels comfortable discussing reasons for absences.

Recommendation 23:

Absence management training and support should be provided to all managers.

This could be aligned with the release of additional guidance per Recommendation 13.

Overall we concluded managers do not always have information available to them to manage absences.

3.5 Conclusion

The maturity ratings for the agencies and brief commentary in relation to Data Capture are presented below.

Data Capture and IT Systems					
DoE	TasTAFE	DPEM	THO South	DoJ	TPS
Awareness	Awareness	Awareness	Awareness	Awareness	Implementation

Our conclusions from the table are:

- Except for TPS, all agencies are rated as being only at the Awareness stage of maturity, which is mainly due to a lack of confidence around the accuracy and completeness of information captured in relation to personal leave.
- TPS is rated slightly higher on the basis of the introduction of the new rostering system. This enhanced the efficiency of rostering along with tracking and recording of absences as well as improving

reporting capabilities. Even before this rostering system was implemented, TPS had processes in place to track daily absences and ensure Empower was updated to reflect this tracker.

- Given the above ratings, this is a clear area for improvement. It is evident that there may be under reporting in all agencies and steps to eliminate this need to be taken. Our evidence shows that, currently, it is likely the data does not provide an accurate reflection of absenteeism levels. Therefore, consideration needs to be given to the elimination of the manual elements of this process where possible.

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4 IT Systems

4 IT Systems

4.1 Background

IT systems, when used to their full functionality and capabilities, are a significant tool for absence management. Given the advances in IT systems in recent years, all agencies should utilise the flexibility this offers, where it aligns with their operational requirements and values, to promote a positive organisational culture.

Effective use of information technology and systems, along with contemporary data processes, provide opportunities for efficiencies. In view of the fact that, as outlined in earlier Chapters in this Report, agencies still apply various manual processes, such opportunities are already evident.

In order to assess this criterion we examined whether:

- agencies are utilising IT systems to manage absences.

This could be done through automated data capture, reporting, exception reporting and other forms of monitoring.

4.2 Do agencies use IT systems effectively to assist in absence management?

We noted:

- The best example observed was the new rostering system, Timefiler, in place at TPS. The features of this system included:
  - a cloud based system accessible from home
  - a fully integrated module of Empower meaning data can be obtained in real time. It also feeds payroll data to Empower based on shifts actually worked
  - a roster pattern, rostering rules and business practices inbuilt into the system. A warning appears should any of these rules be broken and only a system administrator can override these warnings
  - an ability to generate various forms of reporting such as dashboard, excel and pdf
  - automatically generated numbered listing of individuals overtime based on criteria in the TPS overtime policy and employees must be selected in order
  - employees can set their availability for overtime, view their leave planner and request leave.

- THO South were working on rolling out a roster system named ProAct to other outputs in the agency. However this was not integrated with Empower.
- THO South also used another system, FYI, giving a high level overview of leave KPIs. Of the 194 managers with HR delegations in this agency, 122 had requested access to this. All managers should have access to this system to ensure they are fully utilising all tools available to them with regards to absence management.
- DoE and TasTAFE had an additional finance system called the Salaries and Workforce Management (SAWM) system. This system can perform reporting, which would be beneficial for local level management monitoring. As discussed at Section 3.3, these agencies were also in the process of implementing a data warehousing project, which should provide further reporting capabilities.

However, while we have identified the existence of IT systems that could aid efficient management of absenteeism, the lack of training and awareness among managers means these tools are not being effectively utilised. This is also discussed at Section 3.3. Recommendations regarding IT systems are contained in Chapter 3.

4.2.1 Flexible working arrangements

One area where IT systems could make a real difference is with flexible working arrangements. Lack of flexible working arrangements can lead to an increase in personal leave. Where employees required time off for things like personal appointments, it was noted that should they not be able to take leave (for whatever reason), it would likely lead to them taking a full day of personal leave.

To illustrate this, in one output visited in THO South, the rota for administration staff was set months in advance and was quite rigid. Through discussions with management they felt this was one of the main drivers of the higher level of personal leave utilised in this division.

Existence of flexible working arrangements would also help to reduce the risk of people turning up for work when they are still sick.

Recommendation 24:

All agencies should support flexible working arrangements where this aligns with organisational needs while still complying with Workplace Health and Safety. A policy, consistent with existing legislation, should be drafted and implemented in all agencies.

4.3 Conclusion

The maturity ratings for the agencies and brief commentary in relation to IT systems are presented below.

Data Capture and IT Systems					
DoE	TasTAFE	DPEM	THO South	DoJ	TPS
Awareness	Awareness	Awareness	Awareness	Awareness	Implementation

Our conclusions from the table are:

- Except for TPS, all agencies are rated as being only at the Awareness stage of maturity which was mainly due to IT systems not being utilised to their full capabilities.
- TPS is rated slightly at the Implementation level on the basis of recent introduction of the new rostering system.

5 Preventative awareness and staff support programs

5 Preventative awareness and staff support programs

5.1 Background

Staff support and preventative programs are important elements of absence management. These programs seek to ensure employees are healthy and remain that way, are regarded as crucial to the culture of an organisation and assist employee engagement.

In order to assess this criterion, we examined whether agencies:

- generate sufficient awareness of preventative measures for absences
- provide staff support programs
- measure the success and value for money of these programs
- receive reporting from service providers.

5.2 Do agencies generate sufficient awareness of preventative measures for absences?

Where staff support programs are not run appropriately, or are not targeted at the correct areas of the agency, they will not have the desired positive effect on employees' health and morale.

We noted all agencies had some element of preventative and staff support programs in place and:

- All agencies generate awareness through the use of notice boards in staff areas. Awareness of preventative measures was high in all agencies.
- In addition, some agencies sent out emails (DoJ) or included staff support in the CEO newsletter (THO South).

However, while all staff were aware of preventative measures, there should be a sustained focus on this area. While participation in new initiatives was often high initially, it fell off quickly and valuable momentum could be lost. For example, THO South introduced an initiative whereby a physiotherapist performed physical stretches with staff before their rostered shifts commenced and, while uptake was high initially, it significantly dropped off until the initiative was eventually shelved.

Where this is no sustained focus on preventative measures or staff support programs, there is a risk that the various initiatives will fail to have a lasting impact.

Recommendation 25:

All agencies have a sustained focus on preventative measures and staff support programs to ensure they have a lasting impact.

5.3 Do agencies provide staff support programs?

We observed:

- All agencies offer staff support programs with the basic elements of staff support, such as flu vaccinations, EAP (Employee Assistance Program) and a healthy at work program.
- Other staff support programs offered included:
  - DoJ had Health and Wellbeing champions across the agency who met quarterly and they leveraged a private health provider's corporate offerings where possible.
  - TPS and DoJ held talks and events dependant on the time of year, such as events around strokes during Stroke Awareness Week.
  - DoJ and DPEM implemented a computer program which locks a computer after a certain period of time to encourage activity in desk bound staff.
  - One of the best examples of staff support offered was within DPEM who recently undertook a study with Menzies Research into the activity levels of employees. They also had numerous other initiatives in place such as health screening and support for all individuals involved in critical incidents. Their Work, Health and Safety Portal recently won a national award.

Some staff support programs were managed centrally with the majority managed at a local level. As the majority of staff support initiatives are managed at a local level, it was difficult to ascertain the number and type offered in each agency. Given there was a lack of centralised data available, we were unable to gain a clear picture of staff support programs offered.

For example, in DoE and TasTAFE, the majority of programs were managed locally and as a result it was difficult to ascertain exactly what was taking place and the total cost. This is discussed further in Section 5.4.

DoJ, DPEM, TPS and THO South had a dedicated staff support unit or at least one individual with responsibility for this area. It was noted that in DoJ and THO South, staff support were only aware of problems in divisions/teams if they were contacted by the relevant manager. Therefore, as this was manager initiated, there is a risk that staff

support are not aware of all issues and resources may not be directed effectively.

In DPEM we noted that, due to resourcing and budgetary constraints, they were focusing resources on outputs that had been identified as high risk areas. This was a practical approach but should be a short term measure or other divisions within DPEM may suffer. However, we noted that where it was identified that staff support was required by an individual or output, it was always provided.

All agencies identified stress and related psychological concerns as an increasing reason for absenteeism. In a 2013 survey, 64% of public sector organisations reported an increase in stress/anxiety/depression related absences in the preceding 12 months[13]. This is probably relevant for the Tasmanian public sector where the risk of stress and related psychological concerns is higher in the current economic environment. In all agencies this was becoming a key focus area for staff support which was positive.

We concluded that much was being done in providing staff support programs but that programs offered differ considerably even within agencies. However, a more focussed approach, including additional promotion, on programs that have proven to work, may be a better approach. SSMO were leading whole of Government initiatives in this area and coordinating a process to consider more proactive use of EAP.

Recommendation 26:

All agencies adopt a more focussed approach to staff support programs with additional promotion of those programs which have proven to work.

5.3.1 Preventative measures

DoJ and DPEM performed research into illness and injury prevention.

As mentioned previously, DPEM undertook research on activeness of frontline staff and compared this to the national average. This research identified a large amount of data on the workforce and related trends which has yet to be fully collated.

DoJ performed in depth analysis of the types of injuries that occur and took steps to address any trends identified. For example, they identified that much personal leave was due to trips and falls on stairs and introduced additional safety measures around stairs.

Preventative measures were also noted at TPS and THO South. One output area in THO South identified the aging workforce and

[13] 2013 Absence Management and Wellbeing report – Direct Health Solutions (specialise in providing absence management services and products to various organisations in Australia)

repetitive strain injuries as a driver of absenteeism. Staff training was held to address strain injuries.

Despite these initiatives, we concluded that preventative programs did not appear to be as widespread as staff support programs but which should be given equal attention.

Recommendation 27:

Preventative programs are given the same level of attention as staff support programs.

5.4 *Do agencies measure the success and value for money for staff support programs?*

We sought amounts agencies spend on staff support programs to ascertain if there was a correlation between amounts spent and levels of personal leave. As discussed at Section 5.2, it was not possible to get a clear picture of all staff support programs offered by any agency. Some programs are run at a local/output level, some were agency wide and others were whole of State Service initiatives.

In addition, there was a lack of centralised data and it was, therefore, not possible to obtain the full amount spent on staff support programs by any of the agencies other than DoJ.

From discussions with staff at all agencies it appears that, broadly speaking, there was no formal measurement by any agency of the success or value for money offered by their staff support programs.

Where an agency does not measure the success and value for money of programs, there is a risk that inefficient and ineffective programs were being run. Any such measurement should include staff implementation, participation and training time.

Recommendation 28:

Agencies should, where practicable, measure the value for money of all new and existing staff support programs by examining if they had any impact on relevant HR indicators.

5.5 *Do agencies receive reports from service providers and take action in relation thereto?*

We observed that all agencies receive reports from EAPs. These reports were desensitised and only contained statistics relating to numbers of individuals utilising the service.

The bulk of other staff support programs were run in house. They may include employment of external experts, such as a physiotherapist as mentioned in Section 5.2, or an individual to run events on an ad hoc basis. However, the majority of staff support was run through in house

divisions or for individuals and reporting from service providers was not applicable.

Recommendation 29:

Staff support, and HR more generally, receive reports detailing absenteeism rates disaggregated by output/team. This will allow them to follow up with managers and focus resources, including staff support, in these areas.

With regards to internal reporting, it was noted in THO South that reporting from staff support could be more regular but the remaining staff support departments/ individuals report into the HR department regularly.

Where reporting is not performed or reviewed the agency may miss trends in absences and consequent outcomes.

Recommendation 30:

Staff support, or HR more generally monitor absence data for trends with regards to type or nature of illness and injury. This should then be used to implement preventative measures, programs or training where possible.

5.6 Conclusion

The maturity ratings for the agencies and brief commentary in relation to Preventative Awareness and Staff Support Programs are presented below.

Preventative Awareness and Staff Support Programs					
DoE	TasTAFE	DPEM	THO South	DoJ	TPS
Implementation	Implementation	Implementation	Implementation	Implementation	Implementation

Our conclusions from the table are:

- It was difficult to quantify amounts being spent on preventative and staff support programs.
- All agencies were rated at the Implementation stage of maturity.
- The nature, type and quantity of staff support programs varied from agency to agency and even within agencies.
- Preventatives measures/programs are in place in all agencies although they are not as prevalent as staff support programs.
- No agency performs a review or analysis of the performance indicators for staff support programs and as a result no agency reached the Evaluation level of maturity.

6 Managing staff back to work from long-term absences

6 Managing staff back to work from long-term absences

6.1 Background

Long-term absences, and their management, are a vital part of overall absence management. A 2013 survey found that 50% of respondents consider one day absences to be the most problematic to manage[14]. This was further reinforced through our discussions with local and executive management. However, the complexity of managing long-term absences should not be underestimated.

Active management of long-term absences is essential to ensuring employees remain engaged with the organisation and their return to work is as smooth as possible.

In order to assess this criterion, we examined whether the agencies:

- have processes in place to manage staff back to work from longer absences
- receive any support from external parties in relation to absence management
- transition cases to 'workers compensation' on a timely basis.

6.2 Do agencies have appropriate processes in place to manage staff back to work from longer absences?

6.2.1 Processes

Processes surrounding management of long-term personal leave varied considerably from agency to agency.

We noted:

- DoJ had dedicated employees with responsibility for this area
- THO South employ external consultants
- managers in DPEM advised they checked up regularly with those on long-term personal leave and the Commissioner makes a phone call to those employees
- managers in two agencies, DoE and TasTAFE, advised they had minimal contact with staff on long-term personal leave and contact was driven by local management

[14] 2013 Absence Management and Wellbeing report – Direct Health Solutions (specialise in providing absence management services and products to various organisations in Australia)

- the best example observed was at TPS where the following occurred:
  - phone calls to all employees on personal leave, whether long-term or not, to check up with them
  - long-term personal leave was actively managed by the relevant line manager or supervisor
  - employees on long-term personal leave were encouraged to visit the workplace to remain involved and engaged
  - use of a second independent medical opinion for all long-term cases

  TPS' objective was to get employees back to work within three months where possible.

Evident from this was that, even within certain agencies, management of employees on long-term personal leave varied significantly depending on relevant managers and their proactivity in this area. Some managers actively manage staff on long-term personal leave through regular check up and updates. Others left it to HR and did not have any communication except for a check up before staff returned to work.

Also clear from discussions with all agencies was that the roles and responsibilities of local management and HR in this process can be blurred. As discussed in Section 1.4, HR's role in absence management, and in particular their role in management of long-term absences, was not clear or defined. Some managers expect and believe HR should be managing these cases in their entirety.

Recommendation 31:

HR should, as a minimum:

- **review reporting on long-term absences on a divisional or team basis**
- **follow up with appropriate managers where they have not provided any advice or support to ensure the situation is being monitored appropriately.**

Better practice suggests the following elements should be included in a long-term absence management process:

- maintain contact and open communication with absent employees
- planning and making adjustments to roles or workplaces where practical
- use of experts to provide advice and treatment such as carrying out health checks and examining the reasons behind absences

- implementing a return to work plan which should be agreed by both employee and management. This should set out goals, new working arrangements and, most importantly, a specific timeframe
- allocate one person as a return to work coordinator.

Recommendation 32:

Strategies, roles, responsibilities and processes surrounding long-term personal leave are specifically addressed in absence or leave policies.

6.2.2 Issues faced by agencies

6.2.2.1 Accommodating staff back into the workplace

Agencies advised that employees on long-term absence had an expectation that they would be accommodated no matter what the restrictions and/or timeframe involved. In some cases the timeframe was not specified and it was expected the individual might never return to full duties.

These matters need to be addressed because agencies must try to accommodate the employee but also ensure agencies' business needs are achieved.

While agencies make every effort to accommodate individuals returning to work, there must be a limit with regards to alterations to work duties. Many agencies struggled to find so called 'light duties' as dictated by various medical professionals for employees returning to work as these roles no longer existed. DoE in particular, struggled with this issue.

Unfortunately there is a lack of guidance in this area and where to draw the line. Guidance for agencies needs to be developed and incorporated in Employment Directions referred to at Recommendation 13.

6.2.2.2 Long-term absences

In all agencies audited, long-term absences, and management thereof, were identified as a problem. DPEM, TPS and DoJ actively manage long-term absences but the underlying problems was still an issue.

TasTAFE recently undertook a full review of all employees on long-term personal leave and ensured they were being appropriately managed. DPEM had in place an Injury Management Advisory Service which dealt with both workers compensation and non-workers compensation cases. This service managed long-term absence cases on a case by case basis with a view to resolution and addressing the underlying conditions.

Where long-term absences are not actively managed, this reduces an employee's engagement with the agency and may lead to a longer period of the absence.

Recommendations 31 and 32 apply.

6.3 Do agencies receive support from external parties as it relates to absence management?

As with staff support programs offered, the majority of agencies were found to have experts in house to devise return to work plans and implement these.

THO South employed external return to work specialists and these were the same individuals who dealt with workers compensation matters. However, we noted that the use of these experts was manager initiated and all managers may not utilise them. As outlined in recommendation 29, involvement of HR in reviewing reports detailing absenteeism rates disaggregated by output/team, should ensure the use of experts is no longer manager initiated.

6.4 Do agencies transition relevant cases to "workers compensation" on a timely basis?

This was not identified as a concern in any of the agencies. Clear to both local management and HR was when cases should be transitioned to workers compensation. Given the clarity of legislation surrounding workers compensation, agencies did not appear to have concerns with this aspect of absence management.

In a broader context, it was clear that managers were more at ease in dealing with workers compensation because this is so highly legislated and there are well defined steps, processes and procedures for them to follow. As a result, a delay in transitioning cases was not identified as an issue in any of the agencies audited.

6.5 Conclusion

The maturity ratings for the agencies and brief commentary in relation to Managing Staff Back to Work from Long-term Absences are presented below.

Managing staff back to work from long term absences					
DoE	TasTAFE	DPEM	THO South	DoJ	TPS
Implementation	Implementation	Excellence	Evaluation	Evaluation	Excellence

Our conclusions from the table are:

- TPS and DPEM achieved the Excellence standard due to active management and engagement with individuals currently on long-term personal leave and those returning from long-term absences.
- THO South and DoJ are assessed as being at the Evaluation stage of maturity because, while long-term absences were managed, there are further initiatives they could implement to achieve better practice.
- DOE and TasTAFE are assessed as being at the Implementation stage of maturity because long-term absence management was largely driven by local management.

7 Cost of absences

7 Cost of absences

7.1 Background

It is estimated that the real total cost of absences can be up to three times the direct costs of the salaries of absent employees[15].

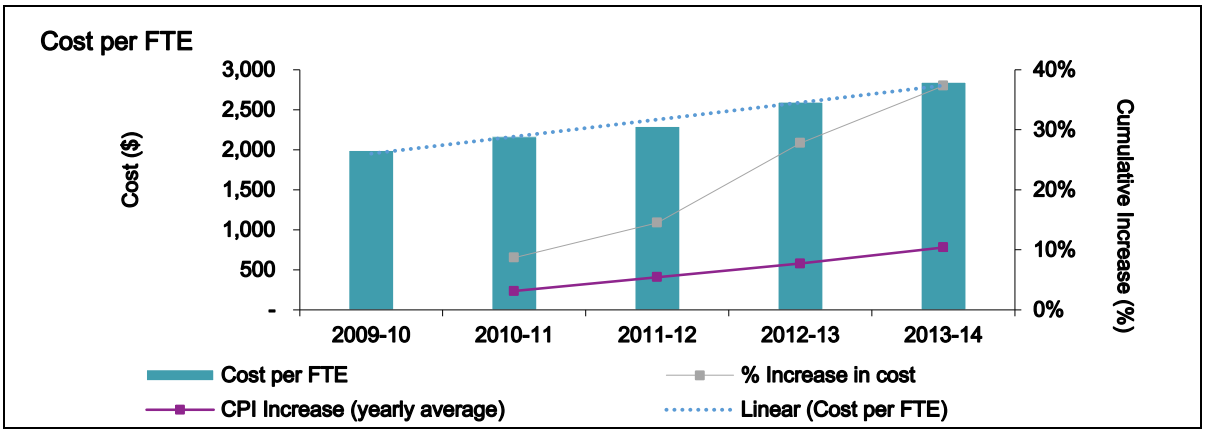
In order to assess this criterion, we examined whether agencies':

- average cost of absences per FTE reduced over the five year period ended 30 June 2014.

7.2 Has the average cost of absences per FTE reduced over the five year period (2009-10 to 2013-14)?

Figure 3 summarises the average cost per FTE for all agencies for the five year period ended 30 June 2014. The cost in Figure 3 is the direct cost of the absences calculated as the annual salary of the employee by the number of days absent. For THO South we used the salary figures for 2014 for all years as we did not have access to other years.

Figure 3: Average cost of absences per FTE over the five year period ended 30 June 2014 (all five agencies)



Source: Data compiled by KPMG

The average cost per FTE at 30 June 2014 was $2,834. A 2013 Australian survey found the average cost to organisations of absences per annum was $2,741[16]. Figure 3 indicates that the cost for 2013 was $2,575 and, therefore, the agencies audited performed better than the organisations surveyed.

[15] Fostering an Attendance Culture – Australian Public Service Commission

[16] 2013 Absence Management and Wellbeing Report – Direct Health Solutions (specialise in providing absence management services and products to various organisations in Australia)

However, and as shown by Figure 3, the average cost per FTE trended upwards increasing by approximately $800 during the five year period ended 30 June 2014. Extrapolating this increase across all 24,000 employees in the State Service equates to an increase in absence related costs of $19m over the five-year period.

In addition, extrapolating the average cost per FTE as at 30 June 2014 puts the direct costs of personal leave absences in excess of $68m for the State Service overall.
The estimated total cost of absences would be well in excess of $68m given that current practice suggests the real costs of absences can be up to three times the direct cost.

For example, the costs in Figure 3 do not include the cost of replacing staff and management's time dealing with absences. We were unable to ascertain the other costs associated with absences such as backfill and replacement costs along with the costs of the time spent managing absences.

Recommendation 33:

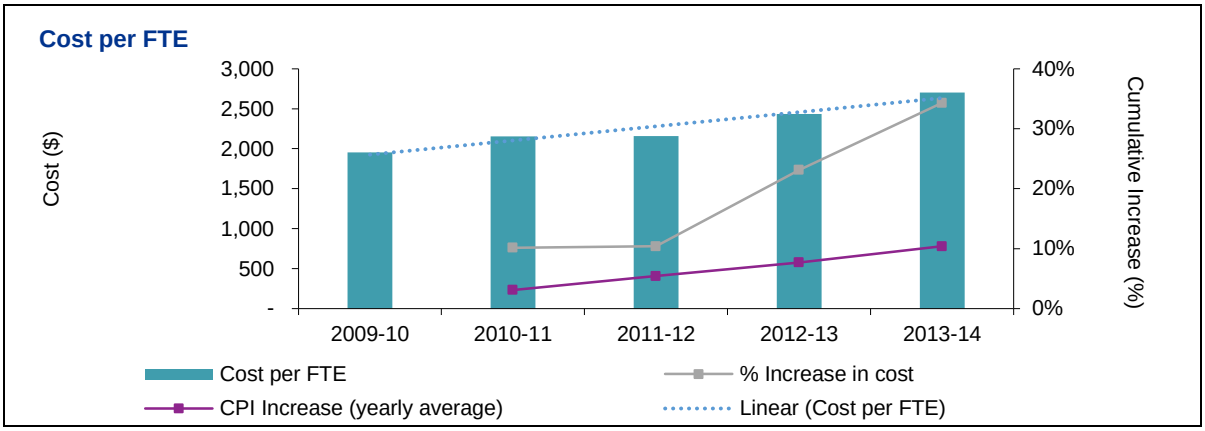
Agencies incorporate indirect costs, such as the costs of backfilling the position where applicable, when reporting absence costs and associated trends.

In addition, and as discussed at Section 3.3, under reporting was an issue all agencies identified and, therefore, the real cost was likely to be even higher. Given the amounts involved, it is clear absenteeism should be tackled to reverse this upward trend and garner cost savings.

7.2.1 Costs at individual agency levels

Figures 4 to 8 set out the average cost of absences per FTE on an agency by agency basis for the five year period ended 30 June 2014. TPS was included in the DoJ figures.

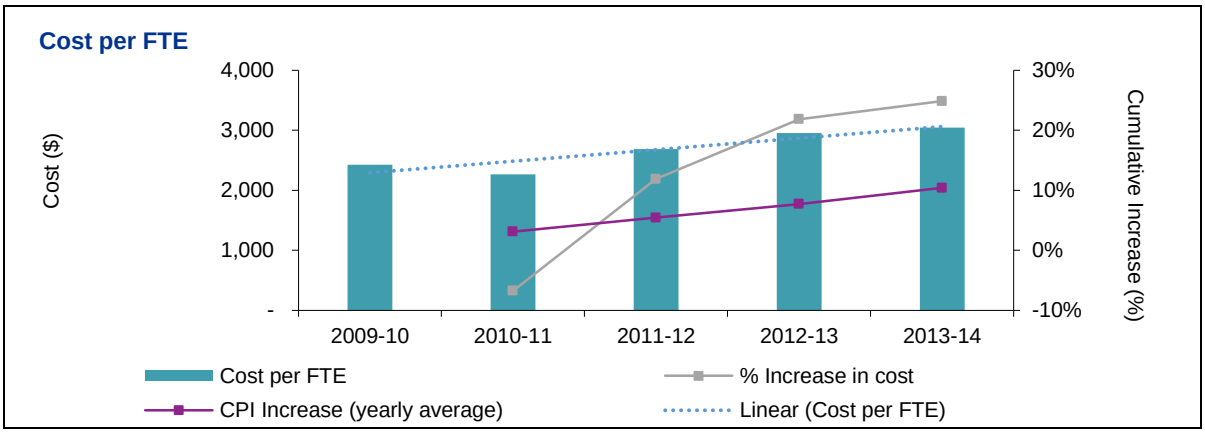
Figure 4: DoE - Average cost of absences per FTE over the five year period ended 30 June 2014



Source: Data compiled by KPMG

As shown in Figure 4, the costs remained relatively consistent for the first three years but increased since 2011-12. The direct cost per FTE at 30 June 2014 was the third highest of the five agencies audited. Therefore, steps and/or initiatives need to be taken by DoE to reverse this trend.

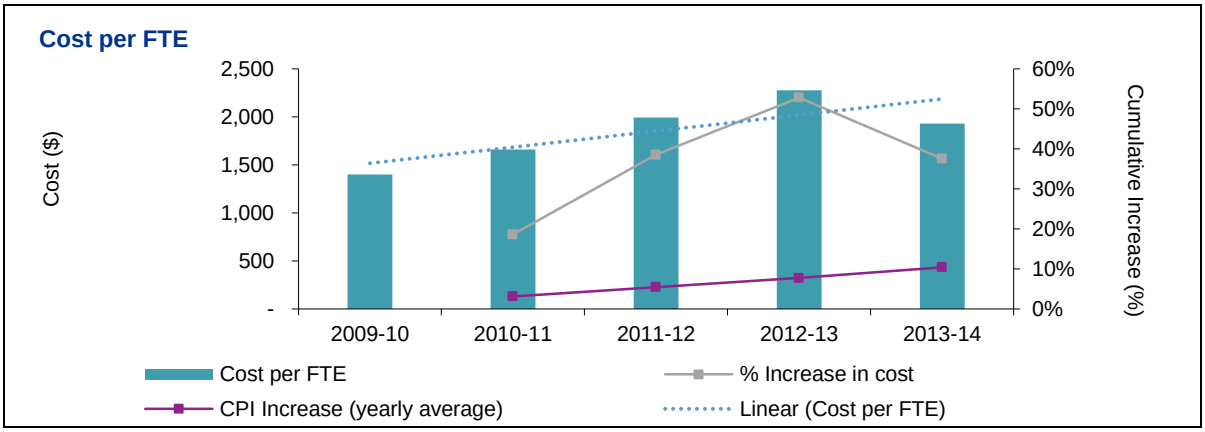
Figure 5: DoJ (including TPS) - Average cost of absences per FTE over the five year period ended 30 June 2014



Source: Data compiled by KPMG

Despite the significant change implemented by TPS in 2012, to date this did not impact on the cost of absenteeism at DOJ. However, likely under reporting in prior years may be the reason that significant change was not reflected above. The cost per FTE was the second highest of the five agencies audited at 30 June 2014.

Figure 6: DPEM - Average cost of absences per FTE over the five year period ended 30 June 2014

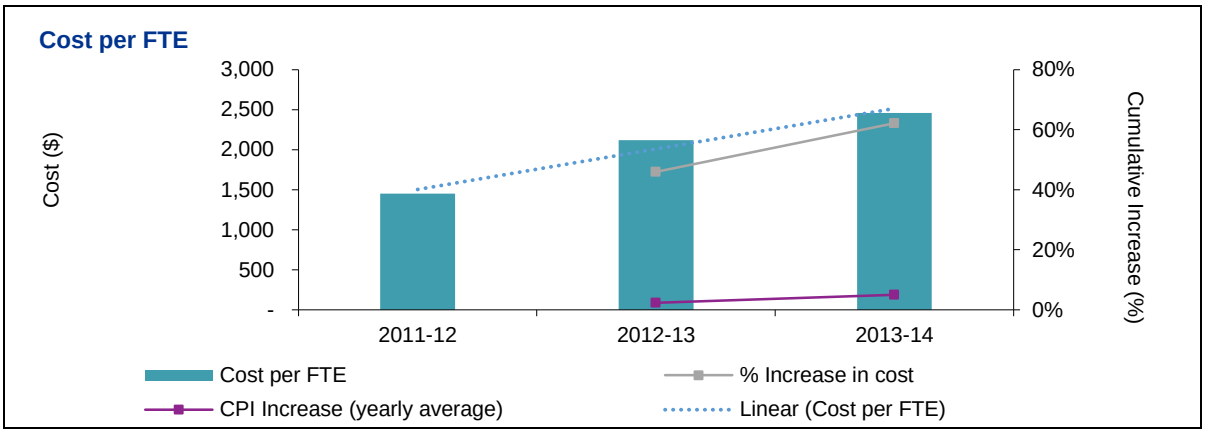


Source: Data compiled by KPMG

The cost for the year ended 30 June 2014 decreased from the prior year to fall in line with the 2011-12 figure, and the cost per FTE for 2013-14 was the lowest of the five agencies audited.

The increase in cost between 2009-10 and 2013-14 was the lowest of all five agencies audited. The low cost per FTE and reduction in 2013-14 illustrated that this agency's absence management initiatives and policies appear to have a positive impact on absence costs. Also, there was a shift in recent years from an agency focussed approach to a more people focussed approach.

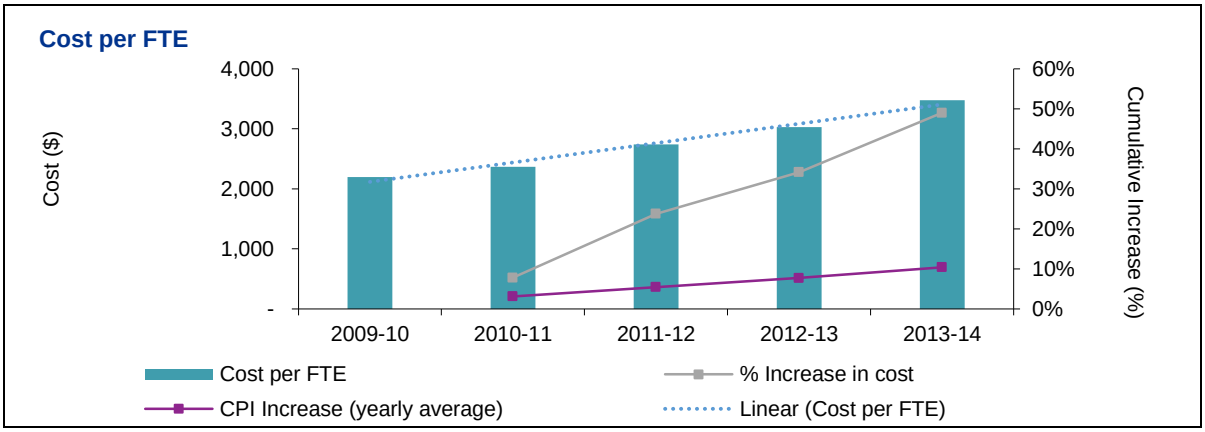
Figure 7: TasTAFE - Average cost of absences per FTE over the three year period ended 30 June 2014



Source: Data compiled by KPMG

Due to structural changes at TasTAFE in recent years, only three years data was available. Figure 7 indicates cost per FTE trended upwards with the increase in costs over the three years being the second highest of all agencies audited.

Figure 8: THO South - Average cost of absences per FTE over the five year period ended 30 June 2014



Source: Data compiled by KPMG

This agencies cost per FTE was the highest audited and, coupled with this, it had the highest increase in costs from 2009-10 to 2013-14. This was a worrying trend and additional focus should be given to absence management by this agency.

Figures 4 to 8 illustrated that corrective action needs to be implemented throughout all five agencies to effectively manage absences and reverse these trends. Based on the costs involved, a focus on this area could lead to significant costs savings.

Recommendation 34:

All agencies should be analysing, monitoring and reporting the direct and indirect cost of, and reasons for, personal leave.

7.3 Conclusion

Extrapolating the average cost per FTE at 30 June 2014, over the entire State Service, puts the direct cost of personal absences in excess of $68m and it is increasing. Given indirect costs such as the time spent managing absences and backfill costs are not included in in this figure, the real cost is much higher than this figure. While we have not benchmarked this cost, more effective management provides an opportunity to save costs and to re-invest this in service delivery.

DPEM is the only agency where the average cost per FTE for the year ended 30 June 2014 decreased from the prior year although, overall, the five year trend was upwards.

All other agencies show a continuing upward trend in costs over the five year period ended 30 June 2014.

8 Performance of and reasons for absence costs

8 Performance of and reasons for absence costs

8.1 Background

The reasons and drivers of absences, and the associated costs, are many and varied. Through our analysis of the data received we sought to identify any key trends or drivers. The identification of these would then enable agencies to take action to address and rectify absence related concerns.

The culture of an organisation has a major impact on absenteeism. An organisation with a good culture will have lower instances of absenteeism as people will want to come to work. A UK study carried out in 2012 found that a 5% increase in the number of strongly engaged employees resulted in a 26% decrease in absence levels[17].

We examined:

- the key drivers of the agencies' cost of absences for the five-year period ended 30 June 2014
- any trends indicating systemic irregularities
- any correlations between Enterprise Agreement conditions and absence management costs.

8.2 What are the key drivers for agencies' average cost of absences per FTE over the five-year period 2009-10 to 2013-14?

One of the main drivers of personal leave, which was raised by all agencies, was the apparent prevalence of an entitlement attitude in staff. It was suggested to us that some staff viewed personal leave as additional leave on top of their recreation leave that they must "use or lose".

A 2012 report found the following elements impact on an entitlement attitude[18]:

- an individual's work values and attitude
- management practices around interpreting and applying leave provisions
- presence of general leave provisions, with higher leave provisions resulting in more leave being used
- cultural aspects of the organisation i.e. through the collective behaviour of other individuals learning about how absences are tolerated

[17] Employee engagement task force "Nailing the evidence" workgroup – Bruce Rayton - University of Bath School of Management
[18] "Fostering an attendance culture – a guide for APS agencies" – Australian Public Service Commission

- use of the term entitlement. Some agencies are now removing this word from leave provisions in awards.

Where this attitude to absenteeism is evident, a significant cultural change is required to eliminate this. Given that culture has many facets, numerous strategies and protocols must be implemented to achieve an improvement in culture. Where the entitlement attitude is not addressed, it will have a negative impact on the engagement of not just the specific employee but also those working in the same output or team.

8.2.1 DPEM

The entitlement attitude was less prevalent in DPEM. Based on our discussions with DPEM, we noted leave balances were calculated, recorded and monitored manually due to complexities in the leave accrued. As a result, leave balances are not communicated fortnightly via payslips. As seen in figure 6, this agency had a downward trend of personal leave in 2013-14 and, based on discussions with management, this was in part due to the reduced focus on the balance or entitlement.

In addition, in one division in DPEM, management took the conscious decision to increase flexibility and accommodate employees, where possible, with regards to granting of time in lieu (TOIL) they had accrued. Analysis was performed on this division's personal leave days per FTE with other divisions within DPEM and it performed slightly better than average in this regard.

8.2.2 TPS

TPS also demonstrated how levels of absenteeism can be improved. It implemented the following initiatives to address this:

- introduction of a new rostering system to eliminate manual processing
- drafting numerous new policies and guidelines in this area including Managing staff back to work, Rostering and Overtime and Rotation management policies. All policies were reviewed by a consultation committee which included Unions
- training for all managers and managers now perform a check-in with all absent staff
- an Absence and Performance Management division was established
- reconciliation of personal leave figures per Empower to other records, such as the prison diary, to establish if there were any omissions from Empower
- second medical opinion was now sought in some cases.

While this change was only implemented in recent years, it appears to be working.

Recommendation 35:

Agencies implement the following absence management processes as a minimum:

- **regular contact with staff on personal leave**
- **return to work interviews for all staff**
- **regular check-ups on staff working in high risk areas, both mental and physical**
- **preventative training programs where trends are identified.**

8.2.3 Communication

One key strategy for dealing with absenteeism, which managers identified as being effective, was communication. Open communication underpins the absence management process leading to a positive culture which should favourably impact absenteeism rates.

As mentioned in Section 1.2 absence rates must be reviewed alongside other HR indicators to obtain a full picture of emerging concerns. Staff satisfaction surveys are important to give context to absence data and should be completed on a regular basis. A whole of State Service survey is conducted every two years (annually at the moment) with minimal other activity performed by agencies.

Recommendation 36:

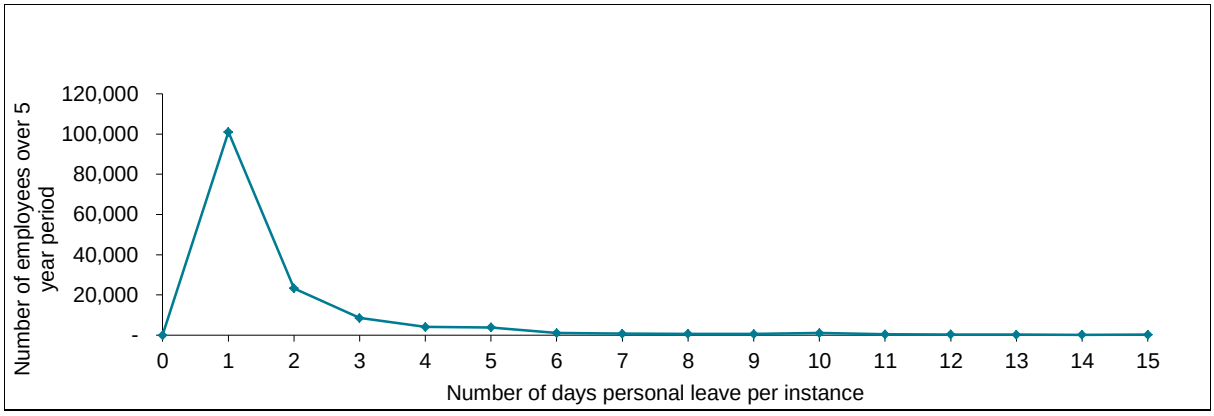
Staff satisfaction/engagement/culture surveys be completed on a regular basis (as determined by each agency) and appropriate action taken by management based on survey outcomes.

8.2.4 Specific drivers at DoE

At DoE we noted that schools only bore the cost of backfilling absent teachers' positions for the first three days of an absence. DoE then bears the cost of the relief teacher for the remainder of an absence. This arrangement could reduce the motivation for schools to actively manage absent employees back to work on a timely basis. We identified this as a possible driver of absences and performed analysis to identify if this was the case.

We analysed personal leave data for DoE and extracted the duration for each instance of personal leave absence during the five-year period ended 30 June 2014. The results are contained in Figure 9 below.

Figure 9: DoE – number of employees taking personal leave, shown by duration, for the period 1 July 2009 to 30 June 2014

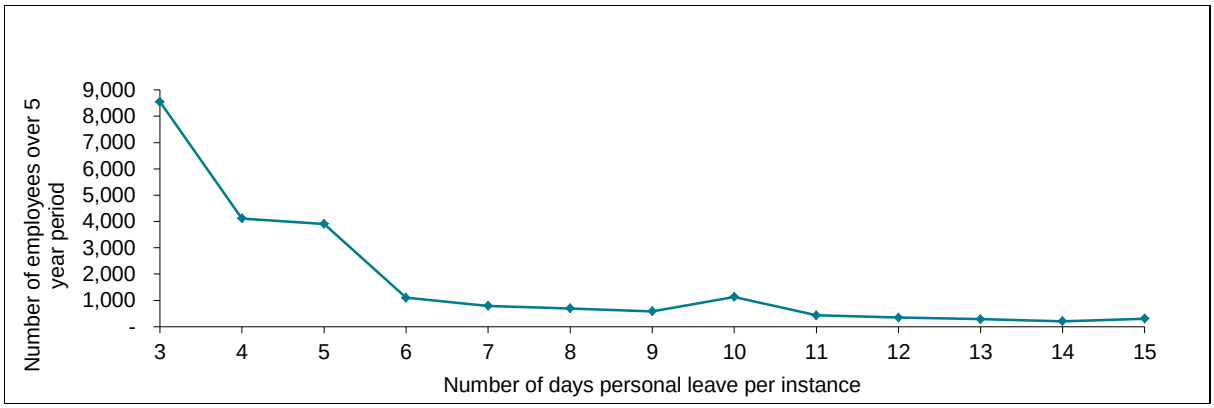


Source: Data compiled by KPMG

Figure 9 shows a significant drop after one and two days per instance and remains relatively flat after three days. This suggests the issue outlined above Figure 9 was not a driver of personal leave.

As a result we performed further analysis of absences greater than three days in duration. Figure 10 is an extract of these absences only, which were plotted on a graph to investigate them in isolation and to identify any trends.

Figure 10: DoE – extract of employees taking in excess of three days personal leave per instance for the period 1 July 2009 to 30 June 2014



Source: Data compiled by KPMG

There was a significant decline after an absence of three days and a further steep decrease between five and six days before it bottoms out and remains relatively flat. The steep decline after three day confirms that the issue of costs being paid centrally by DoE after three days was not a driver of absences in this agency. However as discussed at Section 3.3, under reporting may be of concern.

8.2.5 Possible drivers at all agencies

We identified the following factors as possible drivers:

- overtime hours
- age
- length of employment
- annual leave balances.

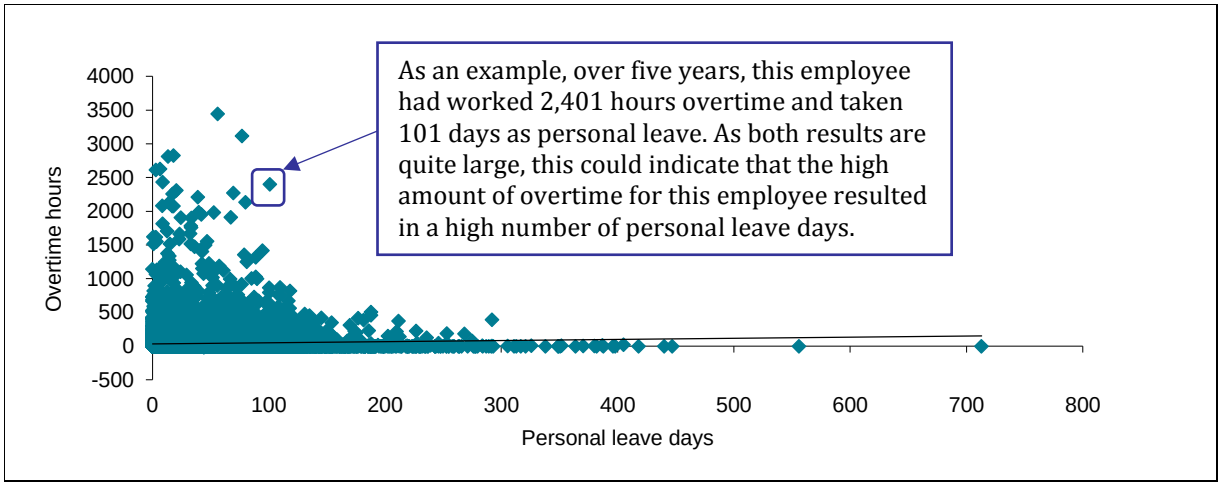
We performed analysis on these drivers and throughout all five agencies identified a weak correlation although the 'age' factor showed the strongest correlation overall. These results, on an overall basis, are detailed in the graphs below.

TPS is included in DoJ for the purposes of the data analysis.

8.2.6 Overtime hours

We obtained overtime data for all five agencies for the five-year period ended 30 June 2014. Figure 11 below illustrates the correlation between overtime hours and personal leave days taken over this period. This was performed on an overall basis for all five agencies.

Figure 11: All agencies – Overtime hours correlated by personal days by employee for the five year period ended 30 June 2014



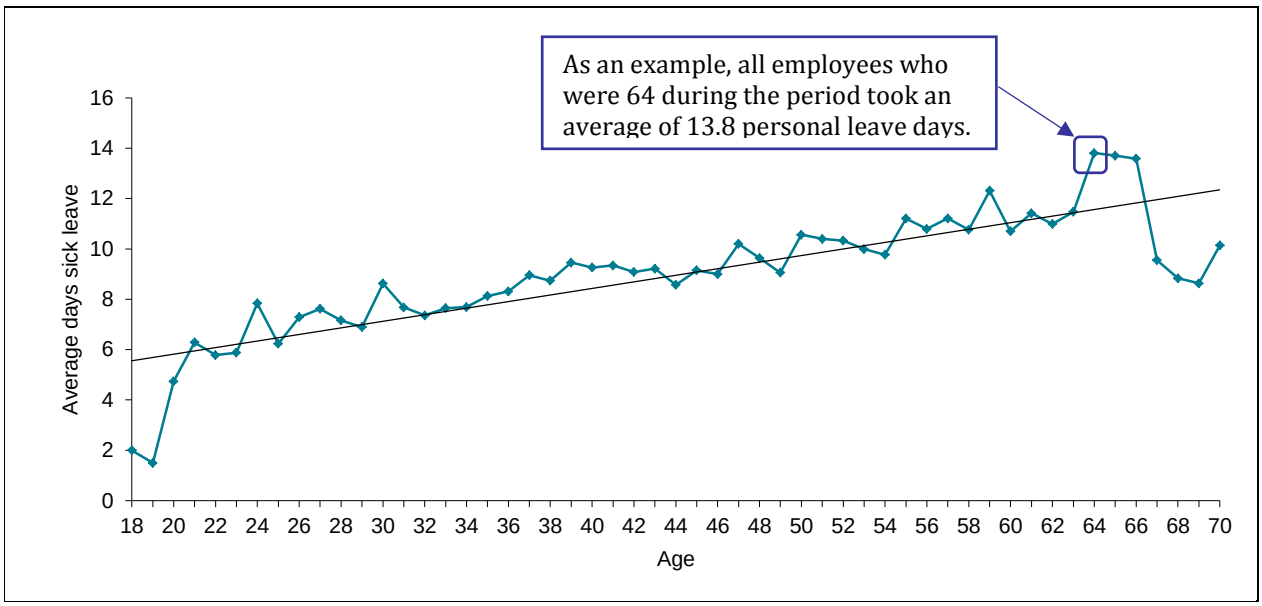
Source: Data compiled by KPMG

As can be seen from the above, there was a weak correlation between overtime hours worked and personal leave days taken. While there were some outliers in the above graph they were not significant in number. Therefore, from the analysis performed this does not appear to be a driver of personal leave days taken.

8.2.7 Age

We analysed personal leave data by age for the five-year period ended 30 June 2014 for all agencies. Figure 12 shows the combined results. We excluded all employees who were aged over 70 – there were only 66 employees in this category.

Figure 12: All agencies – average personal leave days taken per year by age for the period 1 July 2009 to 30 June 2014



Source: Data compiled by KPMG

The data line is the average days of personal leave taken summarised by age group. The straight line represents the data trend i.e. the average leave taken per age group. As illustrated in Figure 12, this suggests an upward trend as age increases. There was a significant increase above average for people in their early to mid-sixties before decreasing significantly as they head towards seventy.

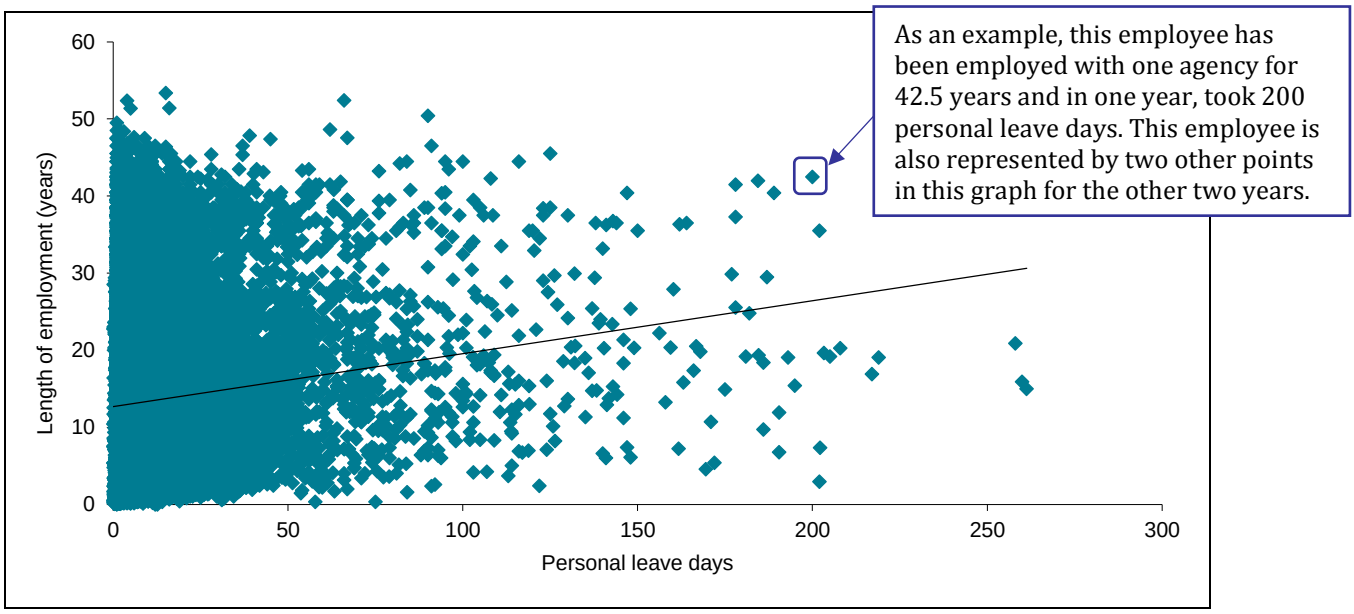
The results were disaggregated on an agency by agency basis. While most agencies had an upward trend based on age, DoJ and TasTAFE had significant movement within age groups and the data did not fall into the trend expected.

The significant spike in the twenties age group in TasTAFE was particularly unusual and upon investigation we noted this was driven by one employee having a high level of personal leave.

8.2.8 Length of employment

We obtained employee's start dates for all five agencies and for all employees over the three-year period ended 30 June 2014. Therefore, each employee who worked for the entire three years comprises three dots on the figure below. This analysis was performed on an annual basis and all agencies and years were merged and shown in Figure 13.

Figure 13: All agencies – length of employment correlated with personal leave days per employee for the period 1 July 2011 to 30 June 2014



Source: Data compiled by KPMG

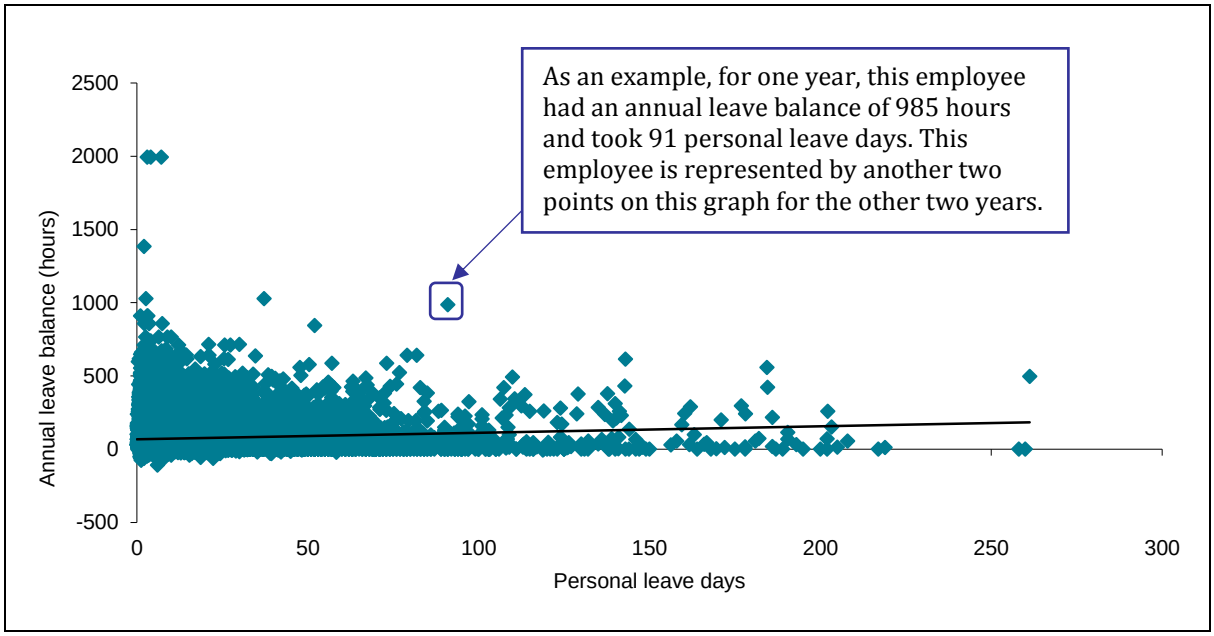
As illustrated by Figure 13, this chart noted a greater number of outliers and was not as condensed as other charts in Chapter 8. This indicated that the length of employment correlated to personal leave days taken i.e. personal leave appears to increase as the duration of employment increases. Also, the black trend line indicates an upward trend. The outliers, and therefore employees, should be monitored by HR to identify any underlying problems requiring attention. The figures included as zero on the Y axis are employees who left the agencies within the three year period.

In addition, we disaggregated this on an annual and agency by agency basis and no significant trends were identified.

8.2.9 Annual leave balances

We performed analysis over the annual leave balances of each employee mapped against their personal leave data for all five agencies for the three-year period ended 30 June 2014. The combined results are set out in Figure 14.

Figure 14: All agencies – annual leave balances correlated with personal leave days per employee for the period 1 July 2011 to 30 June 2014



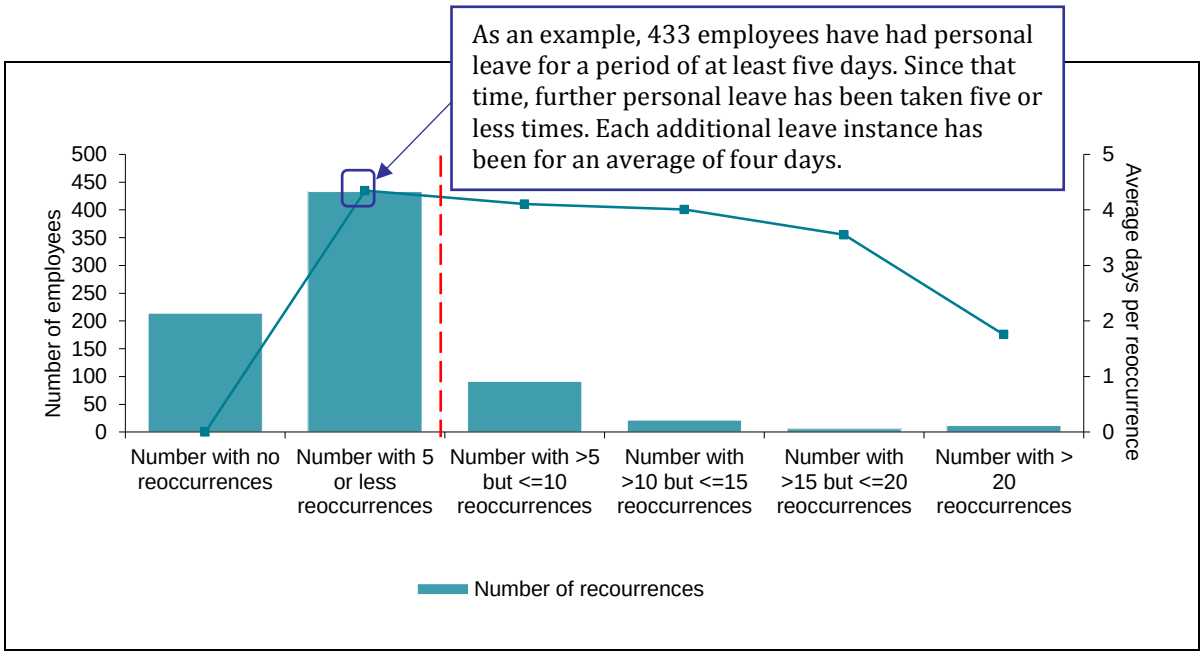
Source: Data compiled by KPMG

Clear from Figure 14 was that annual leave balances were not a significant driver of personal leave absences. While there were some outliers, the numbers were not significant. We performed this analysis on a disaggregated basis, annually by agency and no trends emerged.

8.2.10 Re-occurrences of personal leave after an extended period of personal leave was taken

We also performed analysis over the numbers of re-occurrences where an extended period of personal leave (greater than five days at any one time during the three-year period) was taken. The outcome is noted in Figure 15 below.

Figure 15: All agencies – employees with recurring personal leave after an initial absence period of at least five days for the period 1 July 2011 to 30 June 2014



Source: Data compiled by KPMG

Figure 15 shows that the majority of employees have five or less re-occurrences with four days being the average length of the re-occurrence. There was a significant drop after five re-occurrences. Given this, HR in all agencies could use six or more re-occurrences as a cut-off point to identify any employees who require active management. This trigger point is included in Figure 15 as a red dotted line.

However, Figure 15 also shows that there were 130 employees with in excess of five re-occurrences with the average length of this between two and four days. HR should ensure these employees and their absences are being appropriately managed by local management.

Other than observations made to us that an 'entitlement' culture existed at audited agencies, the various factors assessed in Section 8.2 did not highlight evident drivers of absence or absence costs. However, the analysis identified items for management follow-up.

8.3 Are there any trends indicating systemic irregularities?

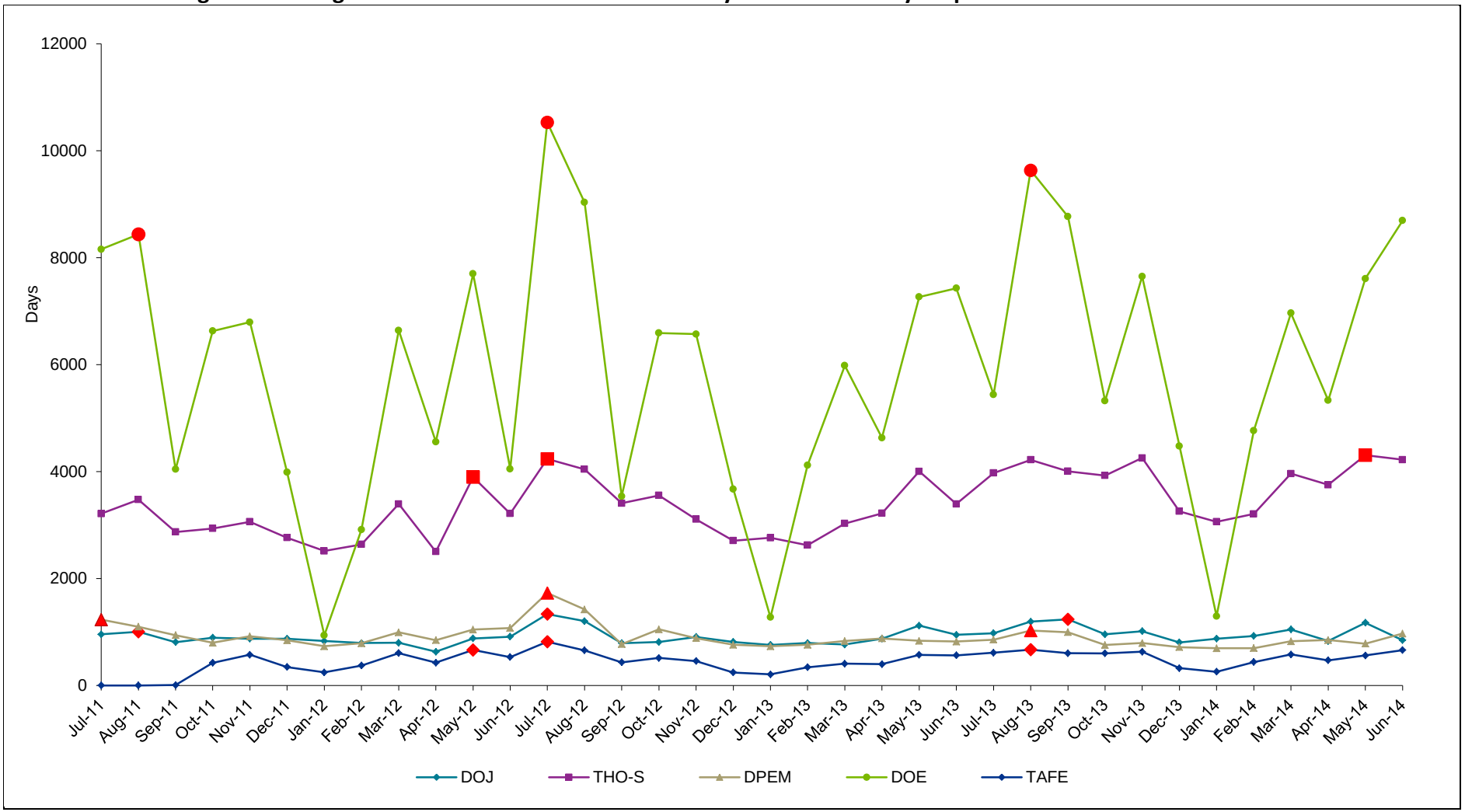
We performed various analyses on the data received to identify trends in the data for indicators of systemic irregularities including the following tests:

- month on month trend analysis
- absences around weekends and public holidays (for non-roster staff only).

8.3.1 Month on month trend analysis

Figure 16 on the following page shows a month on month trend analysis of average personal leave hours taken over the three-year period ended 30 June 2014 on an agency by agency basis. The red dots show the highest three months of personal leave hours taken per agency over the three-year period.

Figure 16: All agencies – Month on month trend analysis for the three year period ended 30 June 2014



Source: Data compiled by KPMG

This analysis was aimed at identifying any trends regarding personal leave. We would expect winter months to have higher absences due to winter colds and viruses and this was reflected in Figure 16. In particular the winter months of 2012 had a spike in all agencies. Figure 16 also indicates that DoE had the greatest variances month on month. This was likely due to school terms and holidays.

However, it is worthwhile noting that TasTAFE was relatively flat even though this agency also employs teachers.

THO South, while being the second highest in terms of hours, remained relatively consistent throughout the period.

The remaining two agencies, DoJ and DPEM, had relatively flat lines throughout the three-year period.

8.3.2 Absences around weekends and public holidays (for non-roster staff only)

We performed analysis of personal leave patterns around weekends and public holidays for the five-year period ended 30 June 2014. This analysis was only performed for non-roster staff as these staff would routinely work weekends and public holidays. Therefore, those employees employed under police, custodial officers and nurses' awards were excluded from the data analysed.

Table 2 contains the results of our analysis.

Table 2: All agencies – Number of instances and employees taking personal leave adjacent to weekends (excludes staff on rosters)

Personal leave taken adjacent to weekends over the five year period ended 30 June 2014					
	DOJ	THO-S	DPEM	DOE	TAFE
Number of instances adjacent to weekends	7,390	29,637	4,043	80,619	3,375
Number of employees	1,214	2,440	522	10,872	783
Consecutive instances adjacent to weekend					
3 consecutive days	739	2,676	445	6,856	311
2 consecutive days	1,439	5,204	833	14,549	600
1 day	3,714	16,532	1,950	45,733	1,736

Number of employees with 1 day of personal leave taken adjacent to weekends for the five year period ended 30 June 2014					
	DOJ	**THO-S**	**DPEM**	**DOE**	**TAFE**
Number of employees with 1 day adjacent to weekend	941	2,260	432	9,626	590
Proportion of total FTE's	79%	46%	27%	95%	62%
Breakdown of number of employees with 1 day					
1 instance	258	297	105	2,094	242
Proportion of total FTE's	*22%*	*6%*	*6%*	*21%*	*26%*
2 to 5 instances	453	836	194	4,564	279
Proportion of total FTE's	*38%*	*17%*	*12%*	*45%*	*30%*
6 to 10 instances	176	601	100	2,113	55
Proportion of total FTE's	*15%*	*12%*	*6%*	*21%*	*6%*
11 to 15 instances	41	297	26	605	9
Proportion of total FTE's	*3%*	*6%*	*2%*	*6%*	*1%*
16 to 20 instances	11	134	4	163	2
Proportion of total FTE's	*1%*	*3%*	*-*	*2%*	*-*
>20 instances	2	95	3	87	3
Proportion of total FTE's	*-*	*2%*	*-*	*1%*	*-*
Total employees	**941**	**2,260**	**432**	**9,626**	**590**
Total percentage	***79%***	***46%***	***26%***	***95%***	***62%***

Source: Data compiled by KPMG

Table 2 shows the number of instances and employees taking personal leave adjacent to weekends. We performed further analysis of those employees routinely taking one day personal leave adjacent to weekends. This analysis was further broken down into the number of instances/occurrences. From this further analysis we noted a large number of employees with over twenty instances of such leave in the five-year period. For example, in THO South ninety five people (2% of FTE's) took a single day of personal adjacent to a weekend on more than twenty occasions over the five year period.

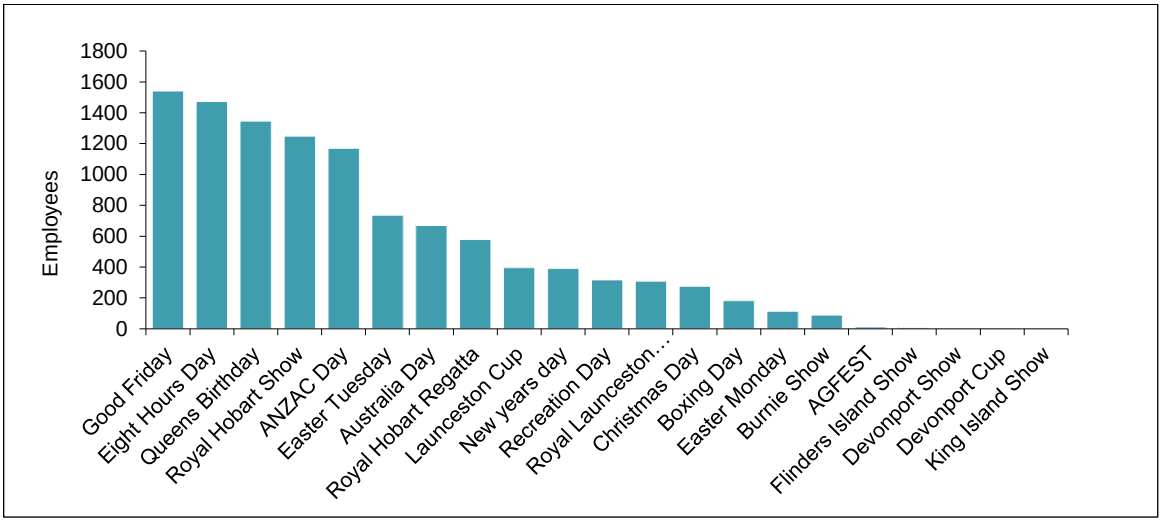
This pattern of personal leave utilisation should be reviewed and monitored by management and HR. In particular employees with in excess of ten instances of this pattern of leave should be a focus for HR. Doing so might help HR, local and executive management identify concerns for attention in a timely manner.

Recommendation 37:

HR conducts analysis of personal leave data to identify trends or patterns, examples of which are included throughout Chapter 8.

In addition, we performed analysis of the number of employees taking personal leave adjacent to public holidays. This is analysed by public holiday and Figure 17 summaries the results for all five agencies for the five-year period ended 30 June 2014. However, employees under the TPS, Police and Nurse Awards were excluded from this analysis given they work differing rosters.

Figure 17: All agencies – Number of employees taking personal leave adjacent to public holidays over the five year period ended 30 June 2014 (excluding rostered staff)



Source: Data compiled by KPMG

The results show that there were five public holidays which a considerable number of employees took personal leave adjacent to. As outlined in recommendation 37, these trends should be monitored by HR and other management.

No conclusion is made as to whether or not the analysis provided in Sections 8.3.1 and 8.3.2 represent systematic irregularities. However, taken together the figures in Section 8.3 shows how easy it is for management to collect and analyse data in this manner and to then take action if necessary.

8.4 Are there any correlations between absent costs and Enterprise Agreement conditions?

In order to answer this question, we inquired into practices adopted by selected government business and the results of a 2013 absence management survey.

8.4.1 Government Businesses

We considered Enterprise Agreements and IR Frameworks in place in selected Government Business Enterprises. In particular we noted that two Government Business Enterprises have unlimited personal leave entitlements, i.e. an employee was not allocated a personal leave entitlement but rather had access to unlimited personal leave when required.

These organisations still retain a threshold of personal leave days in a year after which a medical certificate is required. In addition, if there were repeated instances of leave, a medical certificate would also be required.

Whilst we did not perform analysis on the impact of these policies on their personal leave figures, this may be something to consider for the agencies referenced in this Report.

Recommendation 38:

SSMO research steps taken by the two Government Business Enterprises and assess possible relevance and application to the departmental sector.

8.4.2 2013 Survey

A 2013 Australian survey found that public sector employees take 9.3 days personal leave per annum compared to eight days in the private sector[19]. The higher entitlements in the public sector may be one factor in this difference.

The link between entitlement and utilisation was further reinforced through benchmarking performed by one of the agencies.

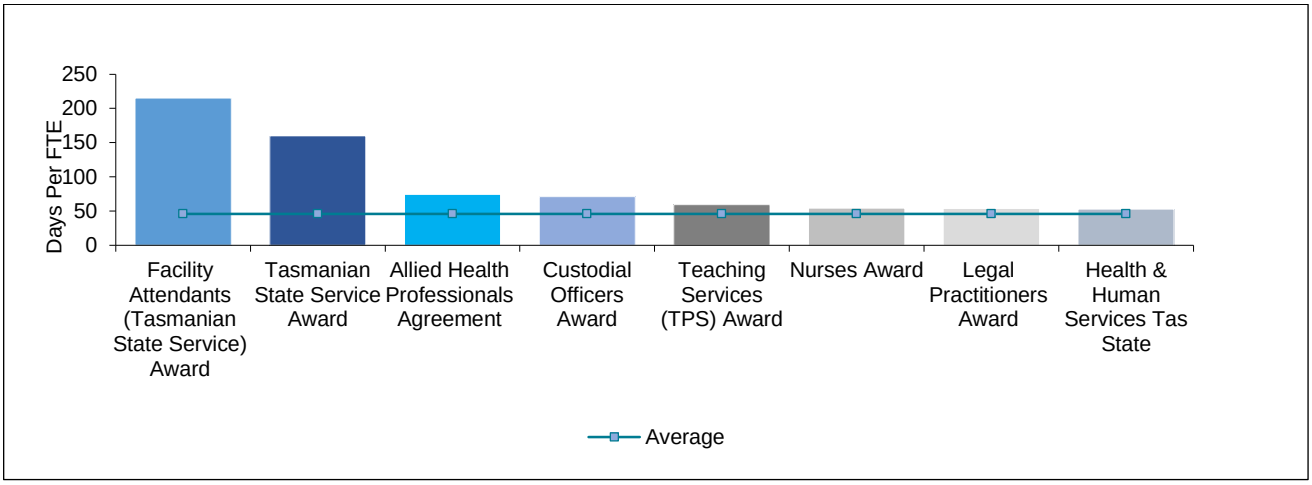
It was noted that one site had a significantly lower rate of absenteeism than other sites benchmarked. Upon investigation it was determined the reason for this was the personal leave entitlements per this Enterprise Agreement being lower than other jurisdictions. This may highlight the impact personal leave entitlements have on personal leave utilised.

8.4.3 Award comparisons

Figure 18 details all Enterprise Agreements where the average personal leave days per FTE taken over the five year period ended 30 June 2014 was above average. The average figure was calculated based on personal leave data for all five agencies over the five year period.

[19] 2013 Absence Management and Wellbeing Report – Direct Health Solutions (specialise in providing absence management services and products to various organisations in Australia)

Figure 18: All agencies – Average days per FTE of personal leave taken over the five year period ended 30 June 2014 summarised by award agreement



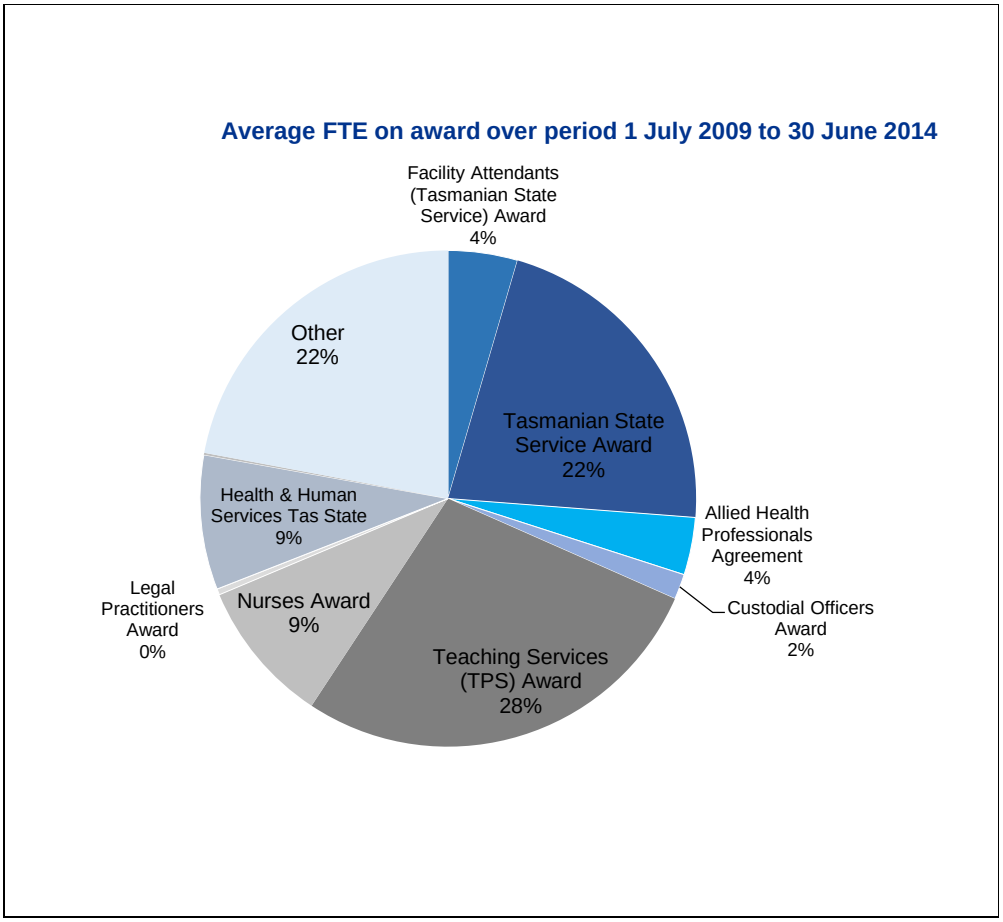
Source: Data compiled by KPMG

Figure 18 indicates that the Tasmanian State Service award had the second highest number of days per FTE for the period and, as shown in the pie chart in Figure 19 below, this accounted for 22% of FTEs. Given the numbers involved, a small decrease in the personal leave figures under this Enterprise Agreement could have a significant impact. This should be an area of focus for public sector managers.

In comparison the Facility Attendants award only accounts for 4% of FTE. While the Teaching Service Award accounts for the highest percentage of FTE (28%), the days per FTE for the five year period was only slightly above the average.

Figure 19 is an analysis of the average number of FTEs per Enterprise Agreement over the five year period ended 30 June 2014.

Figure 19: All agencies – Average FTE per award over the five year period ended 30 June 2014



Source: Data compiled by KPMG

The "Other" detailed in Figure 19 was the percentage of FTEs included in other Enterprise Agreements where the number of personal leave taken per FTE was below the average days as calculated by us.

Revised award arrangements have the potential to reduce instances of absenteeism and reduce costs.

Recommendation 39:

Agencies, through SSMO, review the current personal leave entitlements per Award agreements and the industrial relations frameworks in terms of both commerciality and consistency across the Tasmanian public sector.

It is difficult to draw firm conclusions based on the analysis in Section 8.4. However, we urge SSMO to analyse this information further in line with our recommendations.

8.5 Are there any common themes and characteristics of absenteeism within the agencies which can be grouped to assist in their response?

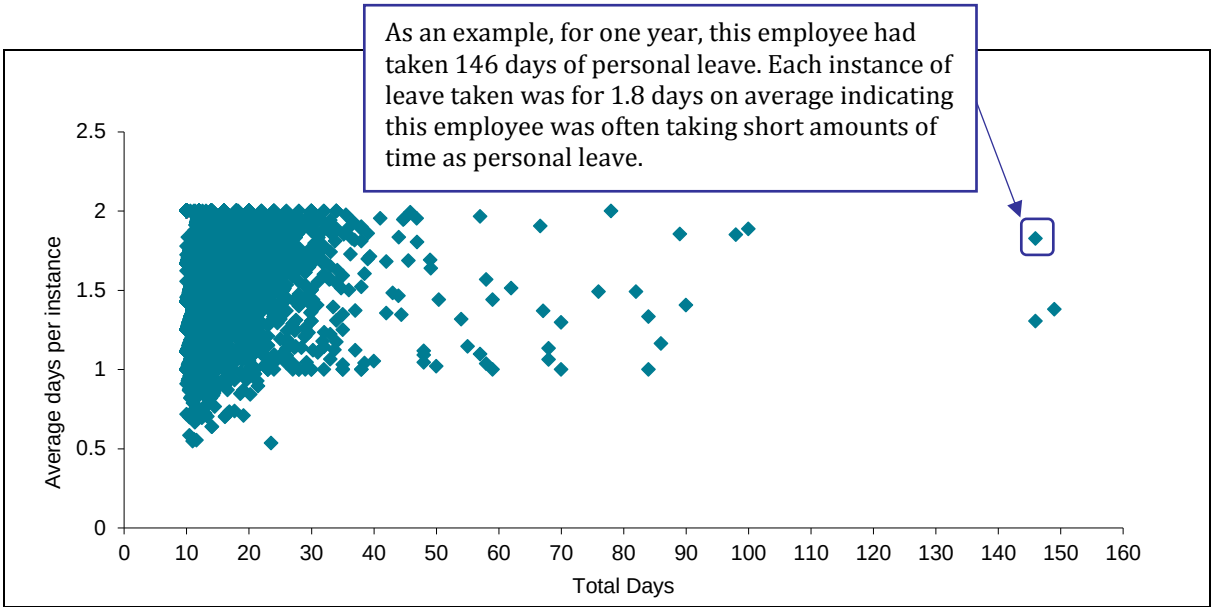
Those employees taking frequent short-term absences were identified as problematic to manage by various managers. These once off instances were seen as more detrimental to an organisation than less frequent long-term absences. This is consistent with the theory on which the Bradford Factor discussed at Section 1.4, is based.

From the personal leave data for all agencies for the three year period ended 30 June 2014 we identified all employees:

- who had greater than ten days personal leave in any one year and
- whose average duration of each absence was less than two days.

This analysis is contained in Figure 20 and identifies those employees who consistently took one to two days personal leave at a time.

Figure 20: All agencies – All employees where the total personal leave days taken annually is above ten and the employee's average duration of instances is two days or less for the three year period ended 30 June 2014

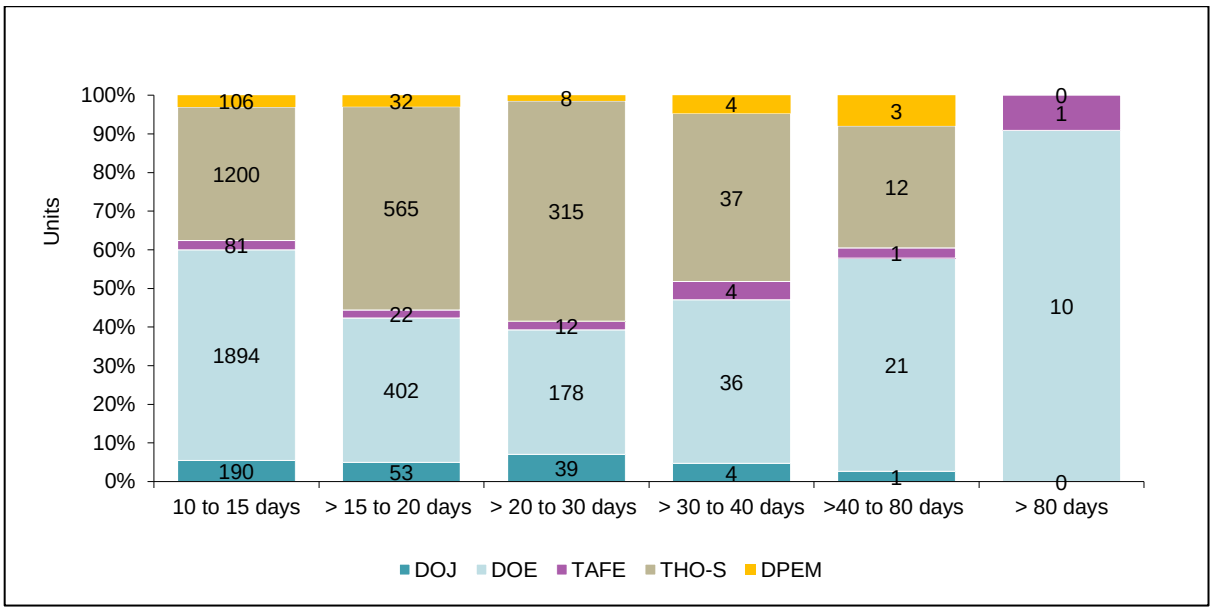


Source: Data compiled by KPMG

As can be seen from Figure 20 the volume begins to drop off significantly once twenty days are surpassed. Agencies could use the above graph to set a trigger point and once employees hit or exceed twenty days action could be taken. This could be one criteria HR or line managers could look at to identify employees they need to actively manage, with particular focus being given to the employees that represent the outliers.

Figure 21 shows the number of employees from each agency who took personal leave in intervals of two or less days. The days personal leave taken are summarised into blocks of days. This was then represented in percentage terms to display the agencies' contribution to the overall results. As an example 21 employees from DoE took >40 to 80 days personal leave over one year at intervals of two days or less. This made up 57% of the employees in this category across all agencies.

Figure 21: All agencies – Percentage (and number) of total days taken at intervals of two days or less by agency



Source: Data compiled by KPMG

Figure 21 illustrates that DoE and THO South (2,541 {total employees in the light blue section} and 2,129 {total employees in the brown sections} respectively) have the highest number of employees that took personal leave at intervals of two days or less.

TasTAFE had one employee in the greater than 80 days bracket, with the remainder relating to DoE. Management of these 11 employees' absences should be considered by HR in both agencies to ensure circumstances are appropriately understood and managed.

Again, no specific conclusions were drawn other than that, in all agencies, the identification of employees forming the outliers may highlight concerns and employees where HR need to provide support to management.

8.6 Personal leave days analysis

Table 3 is an analysis of the personal leave data for all agencies for the five-year period ended 30 June 2014. The table includes:

- the number employees with absences greater than 10 days or more
- the percentage of the average total employees each year that number represents and
- the number of occurrences for which that number is responsible.

TPS is included in the DoJ figures. We extracted absences greater than ten, twenty and thirty days at a time to gain an understanding of long-term absences and their prevalence in the agencies audited. We then performed analysis over the number of employees who were absent for this length of time.

Table 3: Employees with personal leave exceeding 10 days in any one instance for the five-year period ended 30 June 2014

Absences greater than 10 days in any one instance	DoJ	DPEM	DoE	TasTAFE	THO South
Number of Employees					
10 days or more	364	513	2,632	190	568
20 days or more	156	205	1,193	77	100
30 days or more	73	109	663	39	44
Per cent of Employees					
10 days or more	31%	22%	4%	39%	7%
20 days or more	13%	10%	2%	17%	3%
30 days or more	6%	5%	1%	8%	1%
Number of Occurrences					
10 days or more	685	1,022	5,274	318	1,190
20 days or more	231	337	2,044	98	155
30 days or more	89	150	984	45	67

Source: Data compiled by KPMG

As can be seen from Table 3, the numbers of occurrences were higher than employees for all categories. This indicates that some employees were absent for this length of time (greater than 10 days) on multiple occasions. For example, in DOE 2,632 employees had personal leave exceeding ten days in the period but there were 5,274 instances of personal leave in this category.

The number of employees taking absences of 10 days or more was quite high in DoE. However when considered as a percentage of total employees each year, these figures were small. Based on the percentage of employees, long-term absences appear to be more prevalent in TasTAFE and DoJ.

Agencies should focus on instances where there are repeat patterns of long term personal leave to ensure these employees are being appropriately managed and supported. Recommendation 31, as discussed in Chapter 6, is of particular significance for these agencies as a result.

8.7 Conclusion

Chapter eight provides a number of examples of analysis that agencies could conduct to better inform them of trends in staff taking personal leave. No conclusions are drawn as to whether or not any irregularities were taking place although observations made to us of the existence of an 'entitlement'

culture appear to be supported by the analysis. We also concluded that:

- Overtime hours, length of employment and annual leave balances all showed a weak correlation with personal leave days taken and, therefore, did not appear to be significant drivers of personal leave days.
- Winter months appear to have higher spikes of personal leave with DoE showing the most significant month on month variance of personal leave days taken.
- Good Friday was the public holiday with most personal leave days taken adjacent to it with Burnie Show day being the public holiday with the least.
- The Facility Attendants award had the highest number of personal leave days per FTE with the Tasmania State Service award coming in second. Given the number of FTEs employed under the Tasmania State Service award this award should be focussed on to achieve the greatest impact on absenteeism levels.
- There were numerous employees frequently utilising one to two days personal leave. This appears to happen more frequently in THO South and DoE than in other agencies.

Independent auditor's conclusion

Independent auditor's conclusion

This independent conclusion is addressed to the President of the Legislative Council and to the Speaker of the House of Assembly. It relates to my performance audit regarding absence management in the State Service.

Audit objectives

The objectives of the audit were to consider whether personal leave is being effectively and efficiently managed by reference to two key aspects:

1. cost of absenteeism
2. processes followed.

Audit Scope

The audit scope encompassed eight audit criteria:

- reporting and monitoring
- policies
- data capture
- IT systems
- preventative measures
- long-term absence management
- costs
- drivers of absences.

The audit focus areas were applied to the following agencies:

- Tasmanian Health Organisation - South
- Department of Justice
- Department of Police and Emergency Services
- TasTAFE
- Department of Education.

Responsibility of those charged with governance in the entities selected for audit

The Secretaries of the three departments selected for audit, the Board and Chief Executive Officer of TasTAFE and the Governing Council and Chief Executive Officer of Tasmanian Health Organisation South are responsible for ensuring application of compliant and efficient absence management practices.

Auditor-General's responsibility

In the context of this performance audit, my responsibility was to carry out audit procedures to enable me to express a conclusion based on my audit.

I conducted my audit in accordance with Australian Auditing Standard ASAE 3500 *Performance engagements*, which required me to comply with relevant ethical requirements relating to audit engagements. I planned and performed the audit to obtain reasonable assurance that the agencies had implemented effective processes.

My work involved obtaining evidence of the manner in which the agencies manage absences.

I believe that the evidence I obtained was sufficient and appropriate to provide a basis for my conclusion.

Independence

In conducting my audit, I complied with the independence requirements of auditing standards and other relevant professional standards.

Auditor-General's conclusion

Based on the audit objective and scope, and for reasons outlined in this Report, it is my conclusion that, in all material respects no individual agency has reached the target maturity level for each criterion.

My report contains thirty nine recommendations which I believe agencies and the State Service Management Office need to address.

H M Blake

Auditor-General

28 July 2015

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Appendices

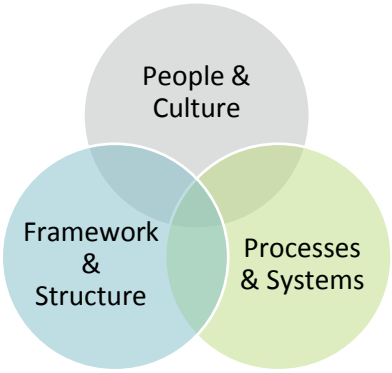
Appendix 1 – Key themes and a road map for change

Key themes

Having regard to the recommendations noted above (derived from each of the audit criteria) we have grouped these into three key themes.

The groupings selected are aimed at assisting the agencies and the broader State Service with focussed and practical recommendations to achieve much needed change. Individually these three elements are important, but collectively when all are designed, implemented and operating effectively in an organisation are much stronger.

These three key themes are as follows:



1 **People and Culture** – Having the right people with the right skills, attitudes and shared values is a key critical success factor in personal leave management. Specific opportunities for further maturity and positive impact on personal leave results include:

a) Acknowledgement and specific, proactive action in relation to the entitlement culture which is prevalent across all agencies.

b) Greater connectivity between HR and output managers directly responsible for managing staff with long-term absence history.

c) Enhancing capability of output managers to more effectively and efficiently manage staff with long-term absence history.

d) Greater workforce engagement to assist in building an achievement focussed culture viewing personal leave as a benefit to be taken when required rather than an entitlement to be used each year.

2 **Framework and Structure** – Success with personal leave management is also critically reliant on effective and efficient organisational structure, reporting lines, policies, procedures, Employment Directions and industrial relations instruments. Specific opportunities for further maturity and positive impact on personal leave results include:

a) Five-year year targets being set for personal leave, at a State Government and agency level, and appropriate incentives to achieve the right behaviours and outcomes.

b) Development of more robust policy and procedural documentation and guidance.

c) Clarity around roles and responsibilities for personal leave management.

d) Review of current industrial relations frameworks in terms of both commerciality and consistency across the Tasmanian public sector.

e) More prescriptive Employment Directions (EDs) that assist the employer to enforce optimal outcomes involving staff with long-term absence history.

3 **Processes and Systems** – Efficient and effective recording, reporting and monitoring of absences relies heavily on the people and systems in place to support the processes. Specific opportunities for further maturity and positive impact on personal leave results include:

a) Suitability of IT solutions to capture and report on all instances of personal leave including interfaces between key systems and to mitigate risk of potentially fraudulent manual overrides of rostering practices.

b) Review resourcing options (in-house, out-sourced or co-sourced) for management of staff with long-term absence history.

c) Enhance reporting on personal leave to provide further transparency on performance.

d) Staff support and other HR programs aimed at prevention or timely return to work with a strong cost/benefit analysis to support such programs.

It will be critical that these findings and opportunities to improve personal leave management are leveraged and shared

across the entire State owned portfolio to help achieve optimal value and outcomes.

A 'Roadmap for Change' is presented next to assist state owned entities to further mature in personal leave management over the next 2-3 years.

Roadmap for change

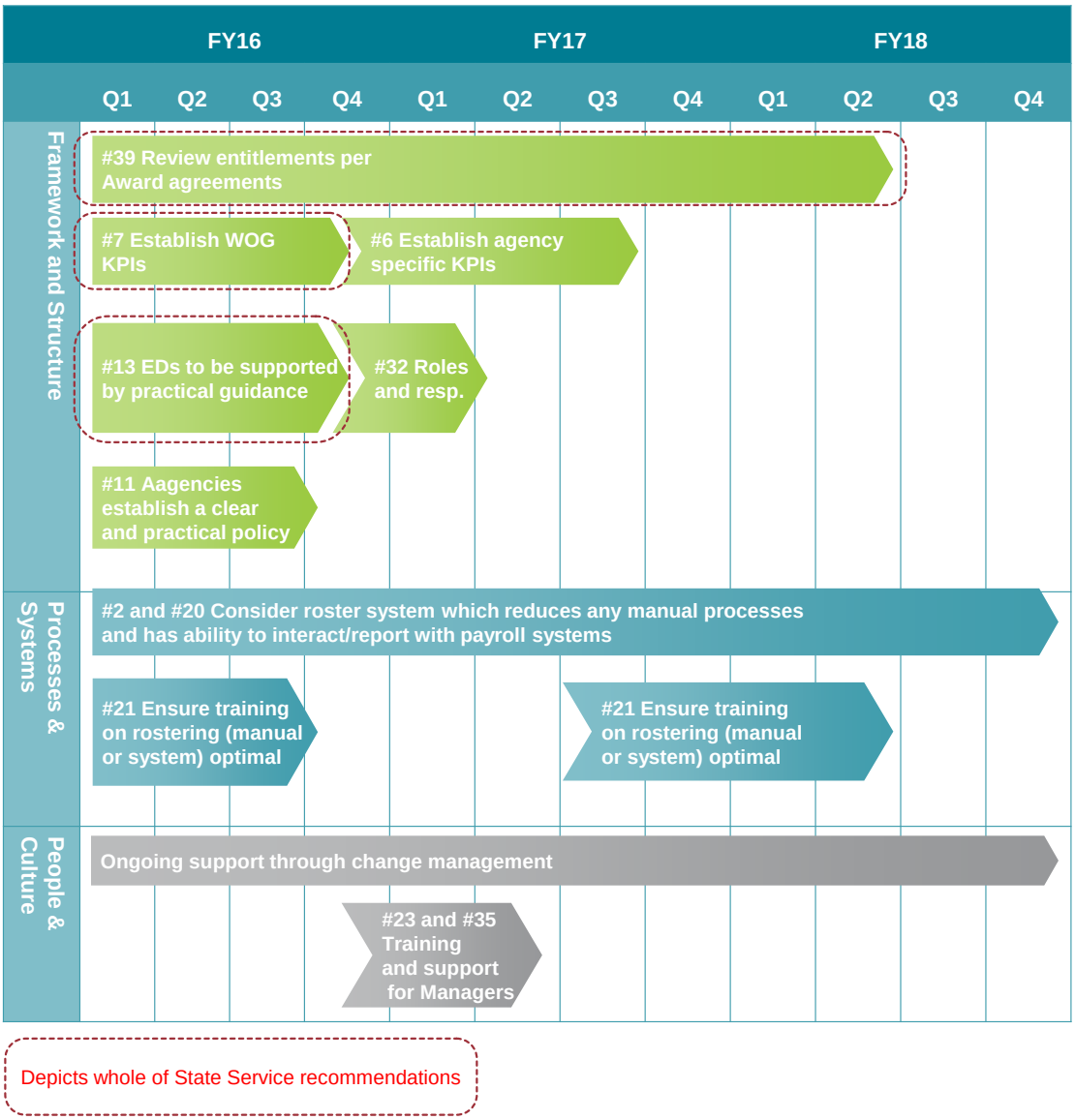
In the context of the maturity rating, it is clear that the personal leave management practices examined are a long way from achieving the target 'Evaluation' level of practice. In the case of three of the agencies, practices are significantly deficient in terms of meeting the minimum standard expected from an employer (Evaluation maturity) and we have presented a range of detailed recommendations to address the themes identified and issues raised in the body of this report.

In addition, to assist agencies map a way forward, we have also developed an action plan which sets out a program of work (based around the three themes identified above) to provide a framework to implement the recommendations.

In developing a 2-3 year action plan, we considered what realistic maturity could be achieved in this timeframe. Even with significant organisational support and drive, it would be unrealistic to set the objective of reaching Leadership level of practice within 2-3 years. Accordingly, the Plan (and the individual recommendations in this report) reflects a strategy to achieve 'Evaluation' level of practice within this timeframe.

Management have indicated their desire to take performance management beyond minimum standards in recognition of the importance of this process to overall HR management. We concur with management's direction and have factored this desire into the action plan and associated recommendations.

The roadmap proposes a program of activity which is presented below in a Gantt chart over the 2-3 year period:



In relation to the roadmap presented, the following is noted:

- The three whole of State Service recommendations will be critical in setting the expectation for change and will drive a number of the other key recommendations.
- Whilst People and Culture only have two key recommendations, continued support in this area will be essential in order to achieve the changes required whilst minimising any negative (and maximising positive) impacts on employees.
- Specific timing and sequence of actions should be determined by agencies. The above is presented as a guide only.

Appendix 2 - Detailed audit criteria

The criteria developed to support the audit's objective were:

a) Reporting and monitoring:

i. Do agencies generate useful reports of absences

ii. Is the reporting protected from manipulation

iii. Is the reporting disseminated to the right levels within the organisation

iv. Do agencies use reported information to determine if further remedial action is requited

v. Do agencies set KPI's for absence management

vi. Do agencies benchmark their results

vii. Is absence management included in individual performance KPI's?

b) Policy development and management:

i. Do agencies have clear and practical policies outlining roles and responsibilities for absence management

ii. Do agencies regularly review their absenteeism policies and update as necessary

iii. Do agencies outline clear responsibility for policy development

iv. Do agencies have a sound process for enhancing awareness of new and existing policies

v. Do agencies have sound recruitment processes which identify any prior history of absenteeism in previous employment

c) Data capture:

i. Do agencies have processes for ensuring the absence management data is captured

ii. Are there processes for ensuring absence management data is accurate and complete

iii. Do agencies capture relevant information?

d) IT Systems:

i. Do agencies use IT systems effectively to assist in absence management (e.g. data capture, reporting, exception reporting, monitoring)

e) Preventative awareness and staff support program:

i. Do agencies generate sufficient awareness of preventative measures for absences

ii. Do agencies provide staff support programs

iii. Do agencies measure the success and value for money for the staff support programs

iv. Do agencies receive reports from service providers and take action in relation thereto

f) Managing staff back to work from long-term absences:

i. Do agencies have appropriate processes in place to manage staff back to work from longer absences

ii. Do agencies receive support from external parties as it relates to absence management

iii. Do agencies transition relevant cases to 'workers compensation' on a timely basis?

g) Cost of absences:

i. Have the average cost of absences per FTE reduced over the five year period (2009-10 to 2013-14)

h) Performance of and reasons for absence costs:

i. What are the key drivers for agencies' average cost of absences per FTE over the five-year period 2009-10 –to 2013-14

ii. Are there any trends indicating systemic irregularities

iii. Are there any correlations between absent costs and Enterprise Agreement conditions

Appendix 3 – Limitations

Limitations

This report is prepared on the basis of the limitations set out below:

1 Our procedures were limited to a 5 year timeframe.

2 There was no available Agency or SSMO statistical data around the backfill or replacement costs of absences.

3 Leave and other employee data was provided directly from the Agencies, validation of this information is limited to our analysis performed.

4 Our procedures were designed to provide limited assurance which recognises that absolute assurance is rarely attainable, due to such factors as the use of judgment in gathering and evaluating evidence and forming conclusions, and the use of selective testing, and because much of the evidence available for review is persuasive rather than conclusive in nature.

5 Because of the inherent limitations of any internal control structure, it is possible that errors or irregularities may occur and not be detected. Our procedures were not designed to detect all weaknesses in control procedures as they were not performed continuously throughout a specified period and any tests performed were on a sample basis.

6 Any projection of the evaluation of the control procedures to future periods is subject to the risk that the systems may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

7 The matters raised in this report are only those which came to our attention during the course of performing our procedures and are not necessarily a comprehensive statement of all the weaknesses that exist or improvements that might be made. We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud. Accordingly, Parliament should not rely on our report to identify all weaknesses that may exist in the systems and procedures under examination, or potential instances of non-compliance that may exist.

8 Recommendations for improvement should be assessed by management for their full commercial impact, before they are implemented.

9 The following assumptions were used when performing the data analysis:

- All employees with an FTE greater than one is assumed to be included in multiple cost centres and as such the individuals FTE was capped at 1.
- Employees not included as at 30 June of each relevant year (this is the date on which the employee data was produced) but listed as taking leave are classed as "Terminated" in that year.
- Employees with multiple positions and/or locations are included in the position / location in which they first appear in the employee database.
- Personal leave that crosses over year end periods (e.g. 18 June 2012 to 18 July 2013) have been divided on a pro rata basis.

DoE and TasTAFE:

- Days of personal leave taken were calculated as number of working days between and from dates (all weekends were excluded and public holidays were expected to have minimal impact).
- All business support services unless explicitly stated are assumed to be based in Hobart.

DoJ:

- Days of personal leave taken were calculated based on the regular working hours of each individual employee per week (based on an assumed five day working week) and the hours of sick leave recorded in the data provided.
- TPS employees have been excluded from the test adjacent to weekends and public holidays.
- When calculating the figures for leave reoccurrence, weekends were only considered for TPS employees.

DPEM:

- Days of personal leave taken was calculated based on the regular working hours of each individual employee per day and the hours of sick leave recorded in the data provided.
- Police employees have been excluded from the test adjacent to weekends and public holidays.
- When calculating the figures for leave reoccurrence, weekends were only considered for Police employees.
- Forensics division employees were identified as those located at St Johns Avenue, Newtown only.

THO South:

- Days of personal leave taken were calculated based on a 7.5 hour day and the hours of sick leave recorded in the data provided (i.e. 15 hours of sick leave is the equivalent of 2 days).
- Employees on the Nurses Award have been excluded from the test adjacent to weekends and public holidays.

Appendix 4 – Maturity framework

Reporting and monitoring

Awareness Status

- Reporting and monitoring is undertaken in accordance with legislative requirements, state/territory regulations and organisational policy.
- Reporting and monitoring is performed by one level of hierarchy within the agency.

Implementation Status (plus above criteria)

- Reporting and monitoring is performed consistently by a combination of HR, line manager and executive level.
- The reporting and monitoring processes ensure appropriate remedial action is undertaken in a timely manner.
- All outputs within the agency comply with the reporting and monitoring requirements.

Evaluation Status (plus above criteria)

- Performance indicators are used to evaluate and improve the management of absences.
- Reporting and monitoring processes are adapted to changing service requirements.

Excellence Status (plus above criteria)

- Performance indicators are benchmarked with other Tasmanian agencies and/or other jurisdictions and improvements are made to ensure better practice.

Policy development and management

Awareness Status

- Policies are in accordance with legislative requirements, state/territory regulations.
- Policies are clear on the roles and responsibilities for absence management.

Implementation Status (plus above criteria)

- Policies and supporting documents provide an appropriate level of information for individual employees but also their managers.
- The dissemination of policy and other relevant information is such to ensure that those impacted are aware of the document and its relevance to them.

- The policy, procedural and other processes ensure appropriate remedial action is undertaken in a timely manner.
- All outputs within the agency comply with the policy requirements.

Evaluation Status (plus above criteria)

- Policies are subject to regular review and update with responsibility for the update clearly identified.
- Evaluate and continually improve the management of absences.

Excellence Status (plus above criteria)

- Policies are benchmarked with other Tasmanian agencies and/or other jurisdictions and improvements are made to ensure better practice.
- There are innovative elements to the agency policy.

Data capture and IT systems

Awareness Status

- There are IT systems in place to manage the capture of absence data in accordance with legislative requirements, state/territory regulations and organisational policy.

Implementation Status (plus above criteria)

- The agency monitors and acts on incomplete or inaccurate absence data (including under-recording of personal leave)
- The IT systems and data capture is such that minimal manual manipulation to data is required to effectively monitor and report on absences.

Evaluation Status (plus above criteria)

- The agency regularly reviews the use of IT systems and the capture of data to ensure optimal performance.
- Excellence Status (plus above criteria)
- IT systems and data capture are benchmarked with other Tasmanian agencies and/or other jurisdictions and improvements are made to ensure better practice.

Preventative awareness and staff support programs

Awareness Status

- Staff know how to access support services.
- Managers have the skills to identify 'at risk' staff behaviour.
- Staff are consulted about support services in their workplace.

- There is an employee assistance program in place.

Implementation Status (plus above criteria)

- Reports are received from employee assistance provider and any necessary action is taken.
- Managers facilitate staff access to support services.
- The organisation supports flexible work practices to sustain work life balance where appropriate.
- Responsibility for staff support is clearly defined at a central HR and output or local level.

Evaluation Status (plus above criteria)

- Performance indicators are used to evaluate staff support services and services are improved as required.

Excellence Status (plus above criteria)

- Performance indicators for staff support services are compared internally and with external systems and improvements are made to ensure better practice.

Managing staff back to work from long-term absences

Awareness Status

- Managers are aware of their roles and responsibilities regarding managing staff back to work.

Implementation Status (plus above criteria)

- Managers are regularly taking action regarding managing staff back to work
- Managers are regularly interacting (where appropriate) with HR staff in relation to long-term absences.

Evaluation Status (plus above criteria)

- The Agency reviews its performance in relation to long-term sick leave and makes changes to improve where necessary.

Excellence Status (plus above criteria)

- Performance indicators are in place to measure the success of the controls in place to manage long-term absences.

Cost of absence

There is no appropriate framework for this criterion.

Performance of and reasons for absence costs

There is no appropriate framework for this criterion.

Appendix 5a – Response to Recommendations by State Service Management Office

	Key	SSMO Comments
7	Consideration should be given to the development of an overall Government KPI aimed at reducing instances and costs of personal leave. **(Framework and structure a6)**	Supported for the State Service.
13	Employment Directions should be supported by practical advice on the implementation of guidelines contained therein. **(Framework and structure e)**	SSMO is reviewing all Employment Directions and there will be a greater focus on providing workplace guidelines to support agencies, consistent with the intent of this recommendation. This had already commenced.
38	SSMO research steps taken by the two Government Business Enterprises and assess possible relevance and application to the departmental sector. **(Framework and structure d)**	Personal leave provisions were amended in the PSUWA 2013 to move away from the triennium based system. The effect of the new personal leave provisions, and its consistency across all the awards, will be reviewed. The effectiveness of unlimited personal leave used by some GBEs has been part of past award negotiation processes, however, has not been introduced for a number of reasons including the diverse return of the workforce.
39	Agencies, through SSMO, review the current personal leave entitlements per Award agreements and the industrial relations frameworks in terms of both commerciality and consistency across the State Service. **(Framework and structure d)**	

Response to Agency Recommendations

The following comments are provided subject to further detailed discussions with relevant agencies

1	All agencies report on absenteeism at an output level at least monthly. These reports be: • disseminated to both line managers and senior management for review	Support improved monitoring and reporting, and the importance of line

	• disaggregated as appropriate to ensure they are a useful tool at a local management level. **(Processes and systems c)**	managers and the Senior Executive being active and taking responsibility in the management of absenteeism. This has been the subject of action in a number of Agencies.
2	For agencies where rostering systems are likely to be implemented or changed, consideration should be given to production of a report mapping personal leave and the underlying roster. This was identified by numerous managers as a helpful tool for managing absenteeism. **(Processes and systems a)**	Noted for implementation of rostering system.
3	Agencies ensure: • reporting of absences is made to the executive and disseminated to relevant line managers and HR • benchmarks are established indicating when management action is needed. **(Processes and systems c)**	Noted for incorporation in guidelines.
4	Local levels of management monitor personal leave usage monthly and investigate any issues as required. This should be supported by active management, appropriate training and clear absence management protocols to achieve the desired results. **(Processes and systems c)**	Noted for incorporation in revised guidelines (and/or amalgamation of EDs).
5	Responsibility for monitoring trends and patterns of personal leave be centralised within agencies, clearly assigned and considered in conjunction with other HR indicators. **(Processes and systems c)**	Reporting to be centralised- presently undertaken in other agencies.
6	All agencies should develop a target KPI in relation to personal leave or absenteeism overall. When doing so agencies should consider the following: • setting a target as a medium or long-term objective because drivers of personal leave are not easy to address in the short-term • setting realistic and achievable targets • communicating targets throughout the agency • legitimate cases of illness to ensure employees do not feel obliged to attend work. **(Framework and structure a)**	It is important that employees who genuinely need to take personal leave should be supported and encouraged to do so without fear of not meeting KPIs. KPIs should recognise that most employees will take some personal leave, and that too little personal leave should also flag further investigation.

8	All agencies should participate in benchmarking where available. They should leverage knowledge from other jurisdictions to ensure they have access to all tools and strategies available to manage absenteeism. **(Framework and structure d)**	Support facilitating KPI setting across all agencies.
9	Attendance and leave should be formally included in the performance review process. **(Framework and structure b)**	Further considering this recommendation as employees should not be discouraged from, nor disadvantaged for, genuinely taking personal leave.
10	Management's effectiveness in managing absenteeism in respective divisions or teams should be evaluated (Framework and structure)	Support this recommendation.
11	All agencies, assisted by SSMO, draft a clear and practical absence management policies and guidelines. **(Framework and structure a)**	Supported. Draft guidelines have been developed to support *ED 2 – Managing Employees Absent from the Workplace.*
12	The DoE Information Sheet is updated to include, at a minimum, the paragraph on verification of illness per the award. Its policy documentation should include practical guidance on the application of this paragraph and also clearly define the roles and responsibilities of employee and manager in this instance. **(Framework and structure a)**	Department of Education (DOE) to reply.
14	All policies are reviewed regularly and updated as required. A review date is included in all policies. Any changes should be communicated to all staff. **(Framework and structure a)**	Policies, EDs and Guidelines are reviewed.
15	Responsibility for personal leave policy development is clearly assigned to appropriate HR personnel. **(Framework and structure a)**	Overarching responsibility is with SSMO. Agency Executive should own.
16	Agencies consider the effectiveness of their current practices for promulgating policies before distributing additional policies. This could be assessed through: - staff surveys - measurement of "clicks" on relevant policies - use of e-modules with exams at the end. **(Framework and structure a)**	Further consideration required.

17	Recruitment processes should identify any historic attendance matters. This could be achieved by: • a recruitment process which encourages open and honest communication and disclosure • a positive declaration from the preferred candidate that there is nothing that would inhibit their ability to carry out the required duties • reference checking scripts which include an open-ended question around the candidate's ability to perform the required duties. **(Framework and structure b)**	SSMO recommends that this issue is discussed at a whole of government level, and that a service wide approach is developed.
18	Expectations about absences and leave are established during induction to ensure employees are aware of this from day one. **(People and culture c)**	Advice from agencies indicates this is covered in induction programs.
19	Management consider implementing manager initiated leave request forms given that Employee Self Service (ESS) currently possesses this functionality. **(Processes and systems a)**	Supported. SSMO is working with Agencies to implement and improve the use of a range of ESS functions.
20	Rostering systems are considered with the objective of eliminating manual work currently surrounding rosters. An important consideration when examining the features of differing roster systems would be their ability to integrate with Empower. **(Processes and systems a)**	Supported. Trial presently occurring in Department of Justice on rostering system.
21	Where a rostering system would not be practical, training is provided on the use of existing rostering practices**.** The following are examples of possible topics that could be covered in such training: • excel skills to make roster formula driven removing as much of the manual element as possible • knowledge sharing between different outputs within agencies to ensure managers are aware of the most efficient method to complete and monitor rosters. **(Processes and systems a)**	
22	DoE and TasTAFE perform reconciliations, on a location basis, of leave records and relief/sessional records to gain comfort over the accuracy and completeness of absence data in Empower and any discrepancies investigated. **(Processes and systems a)**	DOE and TasTAFE to reply.

23	Absence management training and support should be provided to all managers. This could be aligned with the release of additional guidance per Recommendation 13. **(People and culture b)**	Noted for action at the time revised guidelines are issued.
24	All agencies should support flexible working arrangements where this align with organisational needs while still complying with Workplace Health and Safety. A policy, consistent with existing legislation, should be drafted and implemented in all agencies. **(People and culture c)**	This occurs at present.
25	All agencies have a sustained focus on preventative measures and staff support programs to ensure they have lasting impacts. **(Processes and systems c)**	SSMO has commenced work in this area through the WHS working groups and supporting guidelines for *ED 29 Managing Absences in the State Service.* In addition SSMO is also looking at how EAP services are provided across the Service and how EAP can be further enhanced.
26	All agencies adopt a more focussed approach to staff support programs with additional promotion of those programs which have proven to work. **(Processes and systems c)**	
27	Preventative programs are given the same level of attention as staff support programs. **(Processes and systems c)**	
28	Agencies should, where practical, measure the value for money of all new and existing staff support programs by examining if they had any impact on relevant HR indicators. **(Processes and systems c)**	
29	Staff support, and HR more generally, receive reports detailing absenteeism rates disaggregated by output/team. This will allow them to follow up with managers and focus resources, including staff support, on these areas. **(Processes and systems c)**	
30	Staff support, or HR more generally, monitor absence data for trends with regards to type or nature of illness and injury. This should then be used to implement preventative measures, programs or training where possible. **(Processes and systems c, d)**	
31	HR should, as a minimum: • review reporting on long-term absences on a divisional or team basis • follow up with the appropriate managers where they have not provided any advice or support to ensure the situation is being monitored appropriately. **(Processes and systems c)**	The recommendations are consistent with the work SSMO is leading in revised guidelines to support ED 29 and production of guidelines.
32	Strategies, roles, responsibilities and processes surrounding long-term personal leave are specifically addressed in absence or leave policies. **(Framework and structure b, c)**	This occurs in ED 29.

33	Agencies incorporate indirect costs, such as the costs of backfilling the position where applicable, when reporting absence costs and associated trends. **(Processes and systems c)**	It is important that the costing rules are consistent across Agencies, and is based on available and accurate data.
34	All agencies should be analysing, monitoring and reporting the direct and indirect cost of, and reasons for, personal leave. **(Processes and systems c)**	
35	Agencies implement the following absence management processes as a minimum: • regular contact with those on personal leave • return to work interviews for all staff • regular check-ups on staff working in high risk areas, both mental and physical • preventative training programs where trends are identified. **(People and culture b, c)**	Supported for employees who have been absent for more than 5 days. These recommendations are consistent with ED 29.
36	Staff satisfaction/engagement/culture surveys be completed on a regular basis (as determined by the agency) and appropriate action taken by management based on survey outcomes. **(People and culture c)**	SSMO coordinates the Tasmanian State Service Employee Survey and is working with agencies to ensure the data from the 2015 survey is analysed and actioned.
37	HR conducts analysis of personal leave data to identify trends or patterns examples of which are included throughout Chapter 8. **(Processes and systems a, c)**	This presently occurs in Agencies to varying degrees.

Appendix 5b – Response to Recommendations by Department of Education

Response to recommendations which apply to the whole of State Service:

Recommendation 13: Employment Directions should be supported by practical advice on the implementation of guidelines contained therein.

Agree that Employment Directions, particularly Employment Direction 29: managing employees absent from the workplace, should be supporting by practical guidelines that assist agencies with strategies and approaches for managing difficult cases in a consistent way across the state service.

Recommendation 39: Agencies, through SSMO, review the current personal leave entitlements per Award agreements and the industrial relations frameworks in terms of both commerciality and consistency across the State Service.

Agree with recommendation. Current industrial framework and award agreements provide limited capacity for agencies to legitimately verify an employee's personal leave absence. The provisions need to reflect a greater balance between the rights of the employee and the capacity of the employer to legitimately challenge or obtain additional medical verification of illness or injury. Provision should also be made to limit automatic access to utilise all sick leave where a return to work is unlikely.

Response to recommendations which apply to all Agencies:

Recommendation 1: All agencies report on absenteeism at an output level at least monthly. These reports be:

- *disseminated to both line managers and senior management for review,*
- *disaggregated as appropriate to ensure they are a useful tool at a local management level.*

The DoE Data Warehouse (EDi) HR Dashboard development is complete and is to be rolled out to schools in mid July 2015. The HR dashboard will provide principals and mangers with real time access to a range of absenteeism data for their school and workplace, drawn directly from leave records in the ESS module of Empower. The reports available will include daily absenteeism, comparative reports over time, and absenteeism benchmarked against other same-sector schools and workplaces.

The next phase in the HR Dashboard development is a suite of aggregated reporting for senior management which will support tracking and benchmarking of agency data.

The department has committed to undertaking work over the next few months to develop sets of Key Performance Indicators across a range of measures of organisational performance. These KPI's will include a strong focus on absenteeism and related health and well-being indicators.

The real time data available from the data warehouse will support senior and local management to manage absenteeism, identify key issues and trends and develop people management strategies to address these issues at the workplace and organisational level.

Analysis of data trends against the KPI's will inform business planning priorities over the longer term.

Note that this response also addresses issue raised in recommendations 3, 4, 5, 6, and 37.

Recommendation 10: Management's effectiveness in managing absenteeism in respective divisions or teams should be evaluated.

Over time the HR Dashboard will provide the ability to aggregate and disaggregate absenteeism data at different levels of the organisation. This will enable the evaluation of the effectiveness of absenteeism management to be undertaken at various levels.

Recommendation 12: The DoE Information Sheet is updated to include, at a minimum, the paragraph on verification of illness per the award. Its policy documentation should include practical guidance on the application of this paragraph and also clearly define the roles and responsibilities of employee and manager in this instance.

The DoE information sheet is almost finalised and the revised draft addresses the issues identified in the recommendation.

Recommendation 22: DoE and TasTAFE perform reconciliations, on a location basis, of leave records and relief/sessional records to gain comfort over the accuracy and completeness of absence data in Empower and any discrepancies investigated.

This is being progressed through the HR Dashboard which will provide local level information. Work is also progressing on matching relief engagements to corresponding leave applications.

Recommendation 23: Absence management training and support should be provided to all managers. This could be aligned with the release of additional guidance per Recommendation 13.

A Manager's Toolbox App is currently being developed which will provide principals and managers with easy access to a range of HR support information. A section of the Toolbox is dedicated to information and resources for managers on managing leave and flexible work arrangements. We will consider options to incorporate such training into existing programs such as principal/manager induction.

Note this response also addresses issues raised in recommendation 24.

Recommendation 25 - 30: Preventative Awareness and staff support programs

DoE has a range of awareness strategies and support programs, developed through work health and safety initiatives, and delivered through the DoE Healthy@Work Program. Considerable investment is planned into the future including the implementation of an online health assessment module for all staff in August 2015, which will provide an individualised health assessment report to employees, and aggregated trend data at the departmental level. The data from this module will inform future awareness and preventative health strategies. In addition, work is being undertaken to identify options for implementation of a mental health program, for managers and employees.

The improved access to absence data from the HR Dashboard will enable HR to monitor absence data for trends and issues and use this information to inform future strategies.

Appendix 5c – Response to Recommendations by TasTAFE

1	All agencies report on absenteeism at an output level at least monthly. These reports be: • disseminated to both line managers and senior management for review • disaggregated as appropriate to ensure they are a useful tool at a local management level. **(Processes and systems c)**	Support improved monitoring and reporting, and the importance of line managers and the Senior Leadership Group being active and taking responsibility in the management of absenteeism.
2	For agencies where rostering systems are likely to be implemented or changed, consideration should be given to production of a report mapping personal leave and the underlying roster. This was identified by numerous managers as a helpful tool for managing absenteeism. **(Processes and systems a)**	N/A
3	Agencies ensure: • reporting of absences is made to the executive and disseminated to relevant line managers and HR • benchmarks are established indicating when management action is needed. **(Processes and systems c)**	To be addressed in the development of TasTAFE guidelines on managing absenteeism.
4	Local levels of management monitor personal leave usage monthly and investigate any issues as required. This should be supported by active management, appropriate training and clear absence management protocols to achieve the desired results. **(Processes and systems c)**	To be addressed in the development of TasTAFE guidelines on managing absenteeism.
5	Responsibility for monitoring trends and patterns of personal leave be centralised within agencies, clearly assigned and considered in conjunction with other HR indicators. **(Processes and systems c)**	Reporting to be centralised.
6	All agencies should develop a target KPI in relation to personal leave or absenteeism overall. When doing so agencies should consider the following: • setting a target as a medium or long-term objective because drivers of personal leave are not easy to address in the short-term • setting realistic and achievable targets • communicating targets throughout the agency	It is important that employees who genuinely need to take personal leave should be supported and encouraged to do so without fear of not meeting KPIs.

	• legitimate cases of illness to ensure employees do not feel obliged to attend work. **(Framework and structure a)**	The use of a KPI should recognise that most employees will take some personal leave, and that too little personal leave may also require further investigation.
8	All agencies should participate in benchmarking where available. They should leverage knowledge from other jurisdictions to ensure they have access to all tools and strategies available to manage absenteeism. **(Framework and structure d)**	Support facilitating KPI setting across all agencies.
9	Attendance and leave should be formally included in the performance review process. **(Framework and structure b)**	Do not support including this as part of the performance review process. Any concerns around absenteeism should be addressed as and when they occur.
10	Management's effectiveness in managing absenteeism in respective divisions or teams should be evaluated (Framework and structure)	Support this recommendation.
11	All agencies, assisted by SSMO, draft a clear and practical absence management policies and guidelines. **(Framework and structure a)**	Supported.
12	The DoE Information Sheet is updated to include, at a minimum, the paragraph on verification of illness per the award. Its policy documentation should include practical guidance on the application of this paragraph and also clearly define the roles and responsibilities of employee and manager in this instance. **(Framework and structure a)**	N/A
14	All policies are reviewed regularly and updated as required. A review date is included in all policies. Any changes should be communicated to all staff. **(Framework and structure a)**	Documentation is to be developed and this will be regularly reviewed.
15	Responsibility for personal leave policy development is clearly assigned to appropriate HR personnel. **(Framework and structure a)**	Policy development has been assigned to People, Culture and Safety with this to be approved by the Senior Leadership Group.

16	Agencies consider the effectiveness of their current practices for promulgating policies before distributing additional policies. This could be assessed through: - staff surveys - measurement of "clicks" on relevant policies - use of e-modules with exams at the end. **(Framework and structure a)**	Further consideration required.
17	Recruitment processes should identify any historic attendance matters. This could be achieved by: • a recruitment process which encourages open and honest communication and disclosure • a positive declaration from the preferred candidate that there is nothing that would inhibit their ability to carry out the required duties • reference checking scripts which include an open-ended question around the candidate's ability to perform the required duties. **(Framework and structure b)**	TasTAFE recommends that this issue is discussed at a whole of government level, and that a service wide approach is developed.
18	Expectations about absences and leave are established during induction to ensure employees are aware of this from day one. **(People and culture c)**	Addressed in induction programs.
19	Management consider implementing manager initiated leave request forms given that Employee Self Service (ESS) currently possesses this functionality. **(Processes and systems a)**	Supported. SSMO is working with Agencies to implement and improve the use of a range of ESS functions.
20	Rostering systems are considered with the objective of eliminating manual work currently surrounding rosters. An important consideration when examining the features of differing roster systems would be their ability to integrate with Empower. **(Processes and systems a)**	N/A
21	Where a rostering system would not be practical, training is provided on the use of existing rostering practices. The following are examples of possible topics that could be covered in such training: • excel skills to make roster formula driven removing as much of the manual element as possible • knowledge sharing between different outputs within agencies to ensure managers are aware of the most efficient method to complete and monitor rosters. **(Processes and systems a)**	

22	DoE and TasTAFE perform reconciliations, on a location basis, of leave records and relief/sessional records to gain comfort over the accuracy and completeness of absence data in Empower and any discrepancies investigated. **(Processes and systems a)**	A reconciliation will be completed to determine the accuracy of absence data in Empower.
23	Absence management training and support should be provided to all managers. This could be aligned with the release of additional guidance per Recommendation 13. **(People and culture b)**	Noted for action at the time revised guidelines are issued.
24	All agencies should support flexible working arrangements where this align with organisational needs while still complying with Workplace Health and Safety. A policy, consistent with existing legislation, should be drafted and implemented in all agencies. **(People and culture c)**	Work, Life and Diversity guidelines are in place.
25	All agencies have a sustained focus on preventative measures and staff support programs to ensure they have lasting impacts. **(Processes and systems c)**	The EAP is available for all staff to access and information sessions have been arranged for employees. In addition to this a Health and Wellbeing Committee has been established to develop a Health and Wellbeing Plan.
26	All agencies adopt a more focused approach to staff support programs with additional promotion of those programs which have proven to work. **(Processes and systems c)**	
27	Preventative programs are given the same level of attention as staff support programs. **(Processes and systems c)**	
28	Agencies should, where practical, measure the value for money of all new and existing staff support programs by examining if they had any impact on relevant HR indicators. **(Processes and systems c)**	
29	Staff support, and HR more generally, receive reports detailing absenteeism rates disaggregated by output/team. This will allow them to follow up with managers and focus resources, including staff support, on these areas. **(Processes and systems c)**	Support improved monitoring and reporting.
30	Staff support, or HR more generally, monitor absence data for trends with regards to type or nature of illness and injury. This should then be used to implement preventative measures, programs or training where possible. **(Processes and systems c, d)**	
31	HR should, as a minimum: • review reporting on long-term absences on a divisional or team basis • follow up with the appropriate managers where they have not provided any advice or support to ensure the situation is being monitored	Support improved monitoring and reporting.

	appropriately. **(Processes and systems c)**	
32	Strategies, roles, responsibilities and processes surrounding long-term personal leave are specifically addressed in absence or leave policies. **(Framework and structure b, c)**	This will be addressed in the guidelines that will be developed.
33	Agencies incorporate indirect costs, such as the costs of backfilling the position where applicable, when reporting absence costs and associated trends. **(Processes and systems c)**	It is important that the costing rules are consistent across Agencies, and is based on available and accurate data.
34	All agencies should be analysing, monitoring and reporting the direct and indirect cost of, and reasons for, personal leave. **(Processes and systems c)**	
35	Agencies implement the following absence management processes as a minimum: • regular contact with those on personal leave • return to work interviews for all staff • regular check-ups on staff working in high risk areas, both mental and physical preventative training programs where trends are identified. **(People and culture b, c)**	Supported for employees who have been absent for more than 5 days. These recommendations are consistent with ED 29.
36	• Staff satisfaction/engagement/culture surveys be completed on a regular basis (as determined by the agency) and appropriate action taken by management based on survey outcomes. **(People and culture c)**	The Tasmanian State Service Employee Survey is conducted regularly and information from this will inform policy and program development. A TasTAFE specific survey is also planned for implementation within the next six months.
37	HR conducts analysis of personal leave data to identify trends or patterns examples of which are included throughout Chapter 8. **(Processes and systems a, c)**	Personal leave data is reviewed with a focus on long term absences. Reporting and monitoring will be improved.

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Recent reports

Recent reports

Tabled	No.	Title
May	No.10 of 2013–14	Government radio communications
May	No.11 of 2013–14	Compliance with the Alcohol, Tobacco and Other Drugs Plan 2008–13
June	No.12 of 2013–14	Quality of Metro services
June	No. 13 of 2013–14	Teaching quality in public high schools
Aug	No. 1 of 2014–15	Recruitment practices in the Tasmanian State Service
Sep	No. 2 of 2014–15	Follow up of selected Auditor-General reports: October 2009 to September 2011
Sep	No. 3 of 2014–15	Motor vehicle fleet management in government departments
Nov	No. 4 of 2014–15	Financial Statements of State entities, Volume 3 — Government Businesses 2013–14
Nov	No. 5 of 2014–15	Financial Statements of State entities, Volume 2 — General Government and Other State entities 2013–14
Dec	No. 6 of 2014–15	Financial Statements of State entities, Volume 1 — Analysis of the Treasurer's Annual Financial Report 2013–14
Feb	No.7 of 2014–15	Financial Statements of State entities, Volume 4 — Local Government Authorities, Joint Authorities and Tasmanian Water and Sewerage Corporation Pty Ltd 2013-14
Mar	No.8 of 2014–15	Security of information and communications technology (ICT) infrastructure
March	No.9 of 2014-15	Tasmanian Museum and Art Gallery: Compliance with the National Standards for Australian Museums and Galleries
May	No.10 of 2014-15	Number of public primary schools
May	No.11 of 2014-15	Road Management in Local Government
June	No.12 of 2014-15	Financial Statements of State entities, Volume 5 — State entities 30 June and 31 December 2014, findings relating to 2013-14 audits and other matters

Current projects

Current projects

The table below contains details performance and compliance audits that the Auditor-General was conducting and relates them to the *Annual Plan of Work 2014–15* that is available on our website.

Title	Audit objective is to…	*Annual Plan of Work 2014–15* reference
Capital works programming and management	… assess the effectiveness of the state's capital works and ICT budgeting program and departmental asset, including ICT assets, management processes.	Page 18 Topic No. 6
Vehicle fleet usage and management in government businesses	… review the efficiency and effectiveness of the use of motor vehicles, and testing compliance with applicable guidelines by: government businesses, University of Tasmania and the Retirement Benefits Fund. In addition, it will include the management of vehicle workshops.	Page 20 Topic No. 5
Provision of social housing	… form conclusions as to the effectiveness, efficiency and economy of the provision of social housing and other government assistance provided by Housing Tasmania and non-government organisations to Tasmanians in housing stress	Page 21 Topic No. 7
Follow up audit	… ascertain the extent to which recommendations contained in the *2013 Tasmanian Bushfires Inquiry* have been implemented. In addition, follow up the implementation of recommendations contained in *Special Report 99 Bushfire management* and those recommendations contained in *Financial Audit Services Report No. 11 of 2012–13* that relate to the Department of Health and Human Services and the three Tasmanian Health Organisations.	Page 22 Topic No. 9

AUDIT MANDATE AND STANDARDS APPLIED

Mandate

Section 17(1) of the *Audit Act 2008* states that:

> 'An accountable authority other than the Auditor-General, as soon as possible and within 45 days after the end of each financial year, is to prepare and forward to the Auditor-General a copy of the financial statements for that financial year which are complete in all material respects.'

Under the provisions of section 18, the Auditor-General:

'(1) is to audit the financial statements and any other information submitted by a State entity or an audited subsidiary of a State entity under section 17(1).'

Under the provisions of section 19, the Auditor-General:

'(1) is to prepare and sign an opinion on an audit carried out under section 18(1) in accordance with requirements determined by the Australian Auditing and Assurance Standards

(2) is to provide the opinion prepared and signed under subsection (1), and any formal communication of audit findings that is required to be prepared in accordance with the Australian Auditing and Assurance Standards, to the State entity's appropriate Minister and provide a copy to the relevant accountable authority.'

Standards Applied

Section 31 specifies that:

> 'The Auditor-General is to perform the audits required by this or any other Act in such a manner as the Auditor-General thinks fit having regard to –

(a) the character and effectiveness of the internal control and internal audit of the relevant State entity or audited subsidiary of a State entity; and

(b) the Australian Auditing and Assurance Standards.'

The auditing standards referred to are Australian Auditing Standards as issued by the Australian Auditing and Assurance Standards Board.

Tasmanian
Audit Office

Phone	(03) 6173 0900	**Address**	Level 8, 144 Macquarie Street, Hobart
Fax	(03) 6173 0999		
Email	admin@audit.tas.gov.au	**Postal Address**	GPO Box 851, Hobart 7001
Web	www.audit.tas.gov.au	**Office Hours**	9am to 5pm Monday to Friday

Launceston Office

Phone	(03) 6173 0971	**Address**	2nd Floor, Henty House 1 Civic Square, Launceston