

*Performance Audit Report*

**Management of Sickness Absence  
New South Wales Public Sector**

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**Volume 2: The Survey-  
Detailed Findings**

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## Preface

This Volume, **Volume Two: The Survey - Detailed Findings**, is the second of a two part Performance Audit Report on Management of Sickness Absence New South Wales Public Sector. The first volume, **Volume One: Executive Briefing**, identifies the main issues of sickness absenteeism identified during the audit.

This Report Volume, **Volume Two: The Survey - Detailed Findings**, presents the more detailed findings of the audit which were gathered from:

- the review and analysis of responses received from agencies to The Audit Office's management of sickness absence survey
- fieldwork visits to selected public and private sector organisations, during the course of the audit, which supplemented the survey.

Unless otherwise indicated references to:

- the public sector are a reference to the public sector in New South Wales
- the term sickness absence only includes an absence from place of employment because of the employee's illness or injury for which sick leave entitlement is used, that is personal/carer's absences from work by employees for which sick leave entitlement is used are excluded.



# **1. Introduction**

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## 1.1 Introduction

### Background

The major information gathering tool used during the performance audit, Management of Sickness Absence NSW Public Sector, was a survey entitled *Management of Sickness Absence Questionnaire*.

The survey, supplemented by fieldwork visits to a number of public and private sector organisations, was thought to be the most effective and efficient means of gathering a range of quantitative and qualitative information on a public sector wide basis.

The detailed results of the survey and the conclusions drawn by The Audit Office have been separately published in this Volume for the benefit of respondent agencies which have expressed interest in the results of the survey. In addition, fieldwork visits have been used to provide case studies in this Report Volume. Recommendations for the improvement of the management of sickness absence are contained in **Volume One: Executive Briefing Section 10 Recommendations**.

## 1.2 Survey Conduct Particulars

### About the survey

The survey was issued in November 1997 to 86 agencies, covering some 95% of NSW public sector employees. The survey contained 67 questions which ranged from sickness absence procedural and management aspects to sickness data.

The response rate to the survey was 88% or 76 agencies. However, the detailed results of the survey do not always add to 76 because:

- for qualitative questions agencies could and did provide more than one response from the options provided
- for quantitative questions some agencies could provide no, or only a partial, response.

The number of responses included within matters being reported upon is specified in either a note to an exhibit or within the text itself.

Appendix 10.1 to this Volume has more details on the agencies surveyed and the responses received.



### 1.3 Organisation of This Volume of the Report

The chapters in this volume align with the audit criteria<sup>1</sup> as the following exhibit shows and include audit findings and conclusions.

<b>Exhibit 1: Format of Performance Audit Report Volume Two: The Survey - Detailed Findings</b>	
<b>Audit Criteria</b>	<b>Chapter</b>
<ul style="list-style-type: none"> <li>There should be regular reviews of sickness absence level and costs to ensure that they are reasonable.</li> </ul>	2. Sickness Absence Level and Cost 3. Monitoring Sickness Absence
<ul style="list-style-type: none"> <li>Adequate Government and/or internal agency policy and procedures for sickness absence management should exist and have been implemented.</li> </ul>	4. Policy and Procedures
<ul style="list-style-type: none"> <li>There should be robust systems and internal controls in operation to ensure that a total and validated picture of sickness absence and its cost is available.</li> </ul>	5. Management Information
<ul style="list-style-type: none"> <li>Recruitment and induction practices should be used to reduce the risk of employees being poor attenders at work.</li> </ul>	6. Recruitment and Induction
<ul style="list-style-type: none"> <li>Initiatives (incentives and deterrents) should be used to reduce levels of sickness absence.</li> </ul>	7. Initiatives to Reduce Sickness Absence
<ul style="list-style-type: none"> <li>Prompt decisions should be made, and efficient procedures should be in place, when deciding whether an employee is capable of returning to their position.</li> </ul>	8. Long-term Absence
<ul style="list-style-type: none"> <li>Sickness absence entitlements should be reasonable.</li> </ul>	9. Sickness Absence Entitlements

<sup>1</sup> The Audit Criteria as contained in Audit Office of NSW Performance Audit Report *Management of Sickness Absence NSW Public Sector Volume 1: Executive Briefing Section 14*. August 1998.



## **2. Sickness Absence Level and Cost**

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## 2.1 Introduction

This Chapter examines and comments on the level and cost of sickness absence.

## 2.2 Level of Sickness Absence NSW Public Sector

**Issue** *What is the level of sickness absence in the NSW public sector?*

**Finding** Exhibit 2 details average absence levels for the three year period 1994-95 to 1996-97 for the NSW Public Sector and CED All Australia Public and Private Sectors.

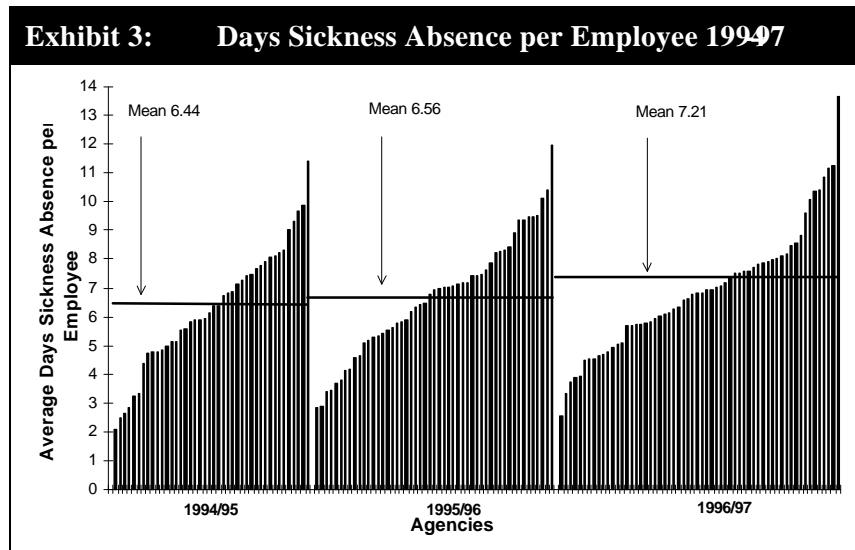
<b>Exhibit 2: Sickness Absence per Employee<sup>2</sup></b>				
<b>Sector</b>	<b>1994-95 Average (Mean)</b>	<b>1995-96 Average (Mean)</b>	<b>1996-97 Average (Mean)</b>	<b>Increase 1996-97 Compared with 1994-95</b>
NSW Public Sector	6.44 days	6.56 days	7.21 days	0.76 days or +11.9%
CED All Australia Public Sector	6.60 days	6.80 days	6.14 days	-0.46 days or -7.0%
CED All Australian Private Sector	4.38 days	4.51 days	5.18 days	0.80 days or +18.3%

**Source:** 1. The Audit Office Management of Sickness Absence Survey  
2. Corporate Benchmark Monitor May 1995, May 1996, June 1997  
(Cullen, Egan and Dell [CED] Limited)

The level of sickness absence increased over the period 1994-97 for the NSW Public Sector and the CED All Australian Private Sector but decreased for the All Australian Public Sector.

On an individual agency basis there were wide variations in the extent of sickness absence days on average per EFT employee as Exhibit 3 illustrates.

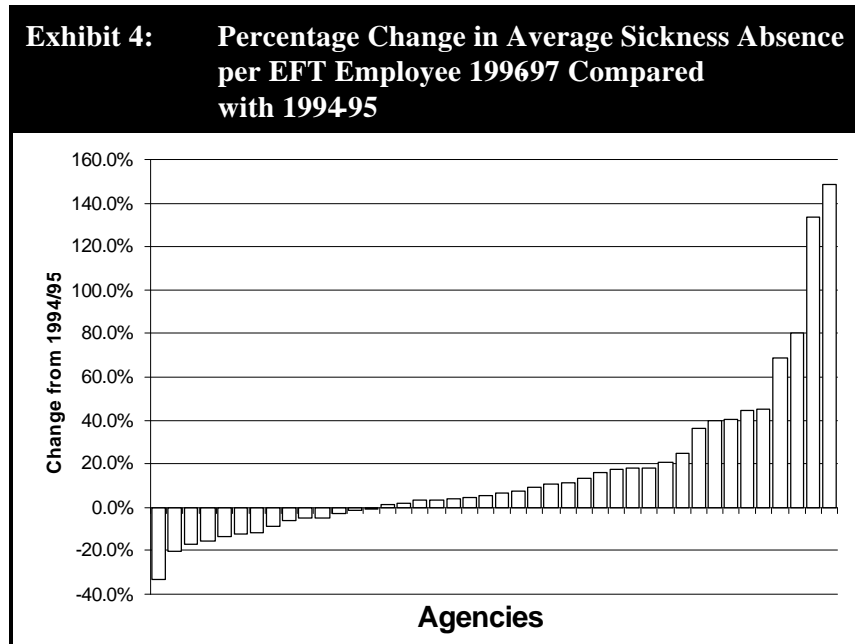
<sup>2</sup> The level of sickness absence days per employee is calculated by dividing the total number of sickness absence days in a year by the total number of employees for the year to derive the average number of sickness absence days per employee for the year.



**Source:** The Audit Office Management of Sickness Absence Survey

**Note:** 1994-95: n = 42; 1995-96: n = 51; 1996-97: n = 60.

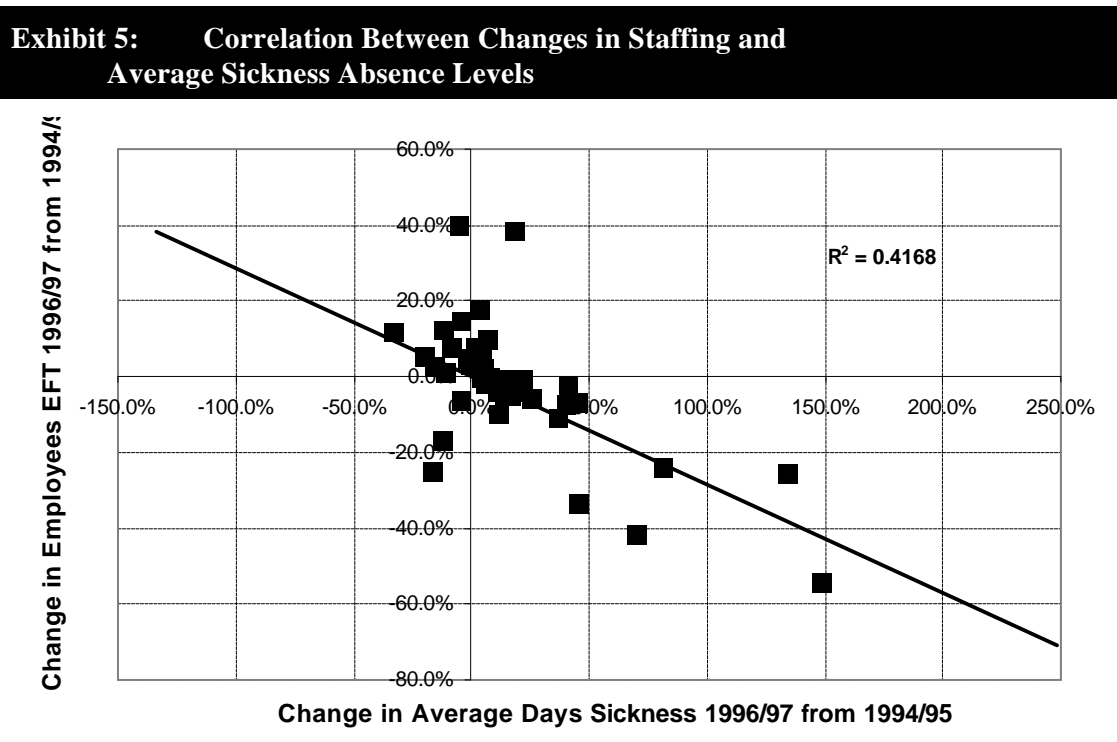
Of those agencies who could provide information for the whole 1994-97 period two thirds experienced an increase in the average level of sickness absence, refer Exhibit 4.



**Source:** The Audit Office Management of Sickness Absence Survey

**Note:** n = 42.

When changes in the level of staffing is set against average sickness absence levels there is a modest inverse relationship, refer Exhibit 5. The correlation is large enough to suggest that restructuring of the NSW public sector has some influence on sickness absence levels but not strong enough to uniformly explain the increase in sickness absence during the period 1994-95 to 1996-97. There are other factors in play.



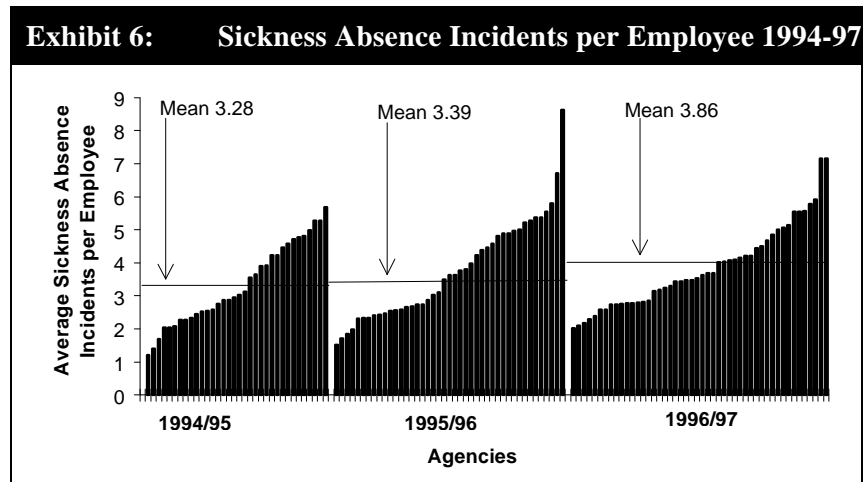
**Source:** The Audit Office Management of Sickness Absence Survey

**Note:** n = 42.

The average number of sickness absence incidents<sup>3</sup> per employee<sup>4</sup> has also increased considerably (by 17.68%) from 3.28 in 1994-95 to 3.86 in 1996-97.

<sup>3</sup> A sickness absence incident is any period (for example a day, a week, a month) of absence from work claimed from sickness absence entitlement(s).

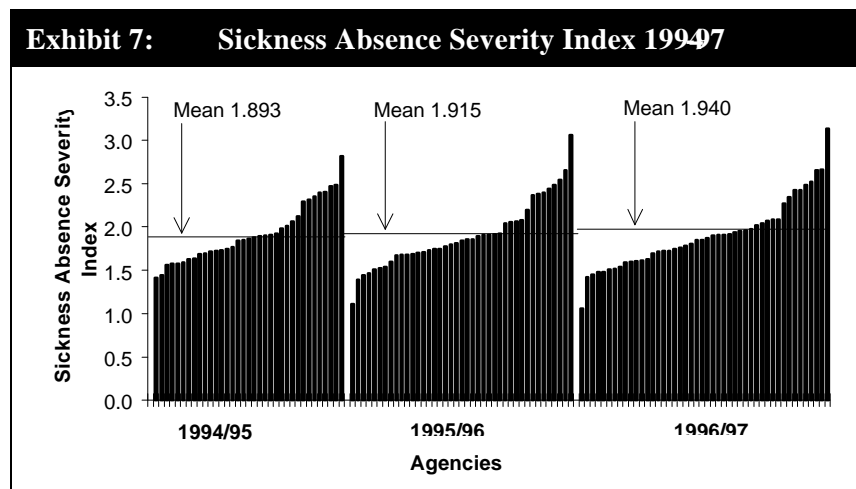
<sup>4</sup> Sickness absence incidents per employee is calculated by dividing the number of incidents of sickness absence recorded by the agency by the number of employees in the agency. It represents the average number of sickness absence incidents each employee has per year.



**Source:** The Audit Office Management of Sickness Absence Survey

**Note:** 1994-95: n = 34; 1995-96: n = 43; 1996-97: n = 48.

As a result of the increase in both sickness absence days and incidents per employee, the average sickness absence severity index<sup>5</sup> rose from 1.89 days per absence in 1994-95 to 1.94 days per absence in 1996-97.

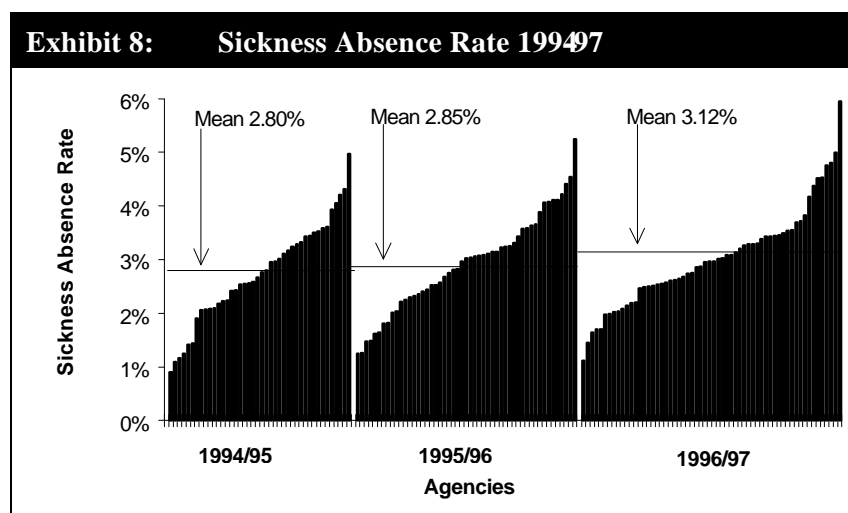


**Source:** The Audit Office Management of Sickness Absence Survey

**Note:** 1994-95: n = 35; 1995-96: n = 41; 1996-97: n = 46.

<sup>5</sup> The severity index (or severity scale) is the number of sickness absence days divided by the number of sickness absence incidents and represents the average number of days taken each sickness absence incident.

The average absence rate<sup>6</sup> (ie the percentage of employees away on any work day) in NSW rose by 11.4% (3.12% average in 1996-97, up from a 2.8% average in 1994-95). This translates in 1996-97 to 3.12% of working days, on average, being unproductive (“lost”) because of sickness absence.



**Source:** The Audit Office Management of Sickness Absence Survey

**Note:** 1994-95: n = 42; 1995-96: n = 51; 1996-97: n = 60.

## Conclusion

During the period 1994-95 to 1996-97 in the NSW public sector the level of sickness has been increasing. The Audit Office did not undertake an extensive review of the underlying figures and the causes and affects for agency absence levels. Only a close examination by an agency’s management will reveal whether the level of sickness absence is reasonable.

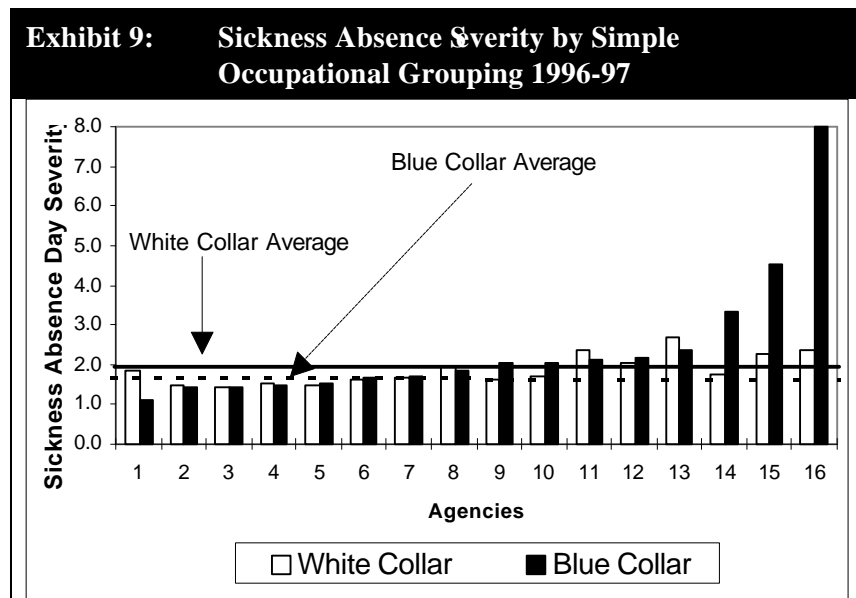
It was suggested to The Audit Office that the rise in average NSW Public Sector level of sickness absence could be attributed to anxiety associated with restructuring and other reforms within agencies. However, The Audit Office considers this is not a uniform explanation as some agencies which had or were undergoing restructuring had no increase in average sickness absence levels. And the correlation between changes in staffing and average sickness absence levels is not strong. This would seem to indicate that there are other factors in play such as more effective management of sickness absence.

<sup>6</sup> The absence rate represents the percentage of employees absence from work due to sickness on any given day. It is calculated by dividing the number of sickness absence days by the number of working days available.



**Issue** *Are there marked variances in sickness absences levels between workforce employment categories?*

**Finding** On a sickness absence severity scale white collar<sup>7</sup> absences have a severity of 2.0 days on average (this includes police, fire and prison officers) while blue collar<sup>8</sup> has a severity of 1.7 days.



**Source:** The Audit Office Management of Sickness Absence Survey

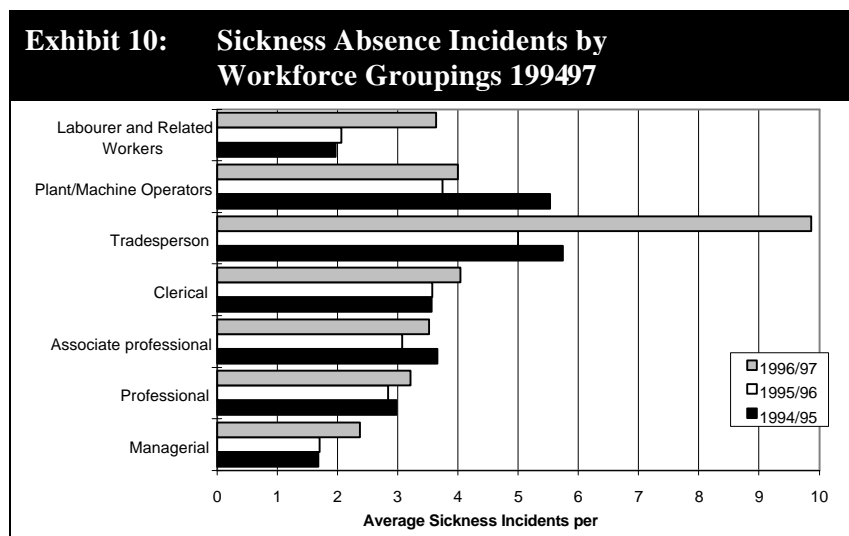
**Note:** n = 16.

Breaking the white/blue collar down into further occupational groupings does not reveal any more details as to why there are differences between workforce types sickness absence severity.

However, blue collar staff have more incidents of sickness than white collar employees (4.6 to 3.0 respectively). Breaking the workforce down into further occupational groupings highlights this variation more noticeably.

<sup>7</sup> White collar includes persons employed in managerial, professional, associate professional and clerical roles.

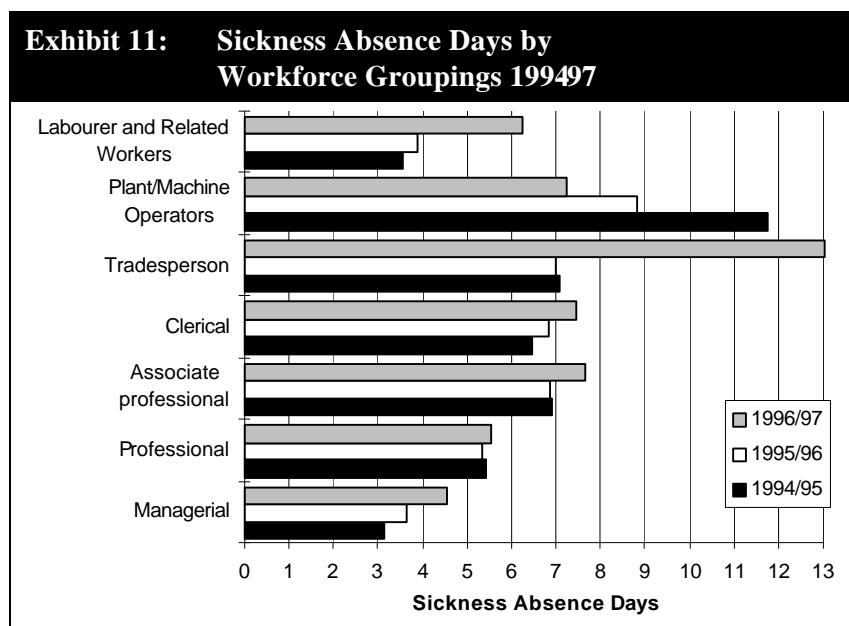
<sup>8</sup> Blue collar includes persons employed as tradespersons, plant/machine operators, labourers and other related workers.



**Source:** The Audit Office Management of Sickness Absence Survey

**Note:** 1994-95: n = 22; 1995-96: n = 26; 1996-97: n = 31.

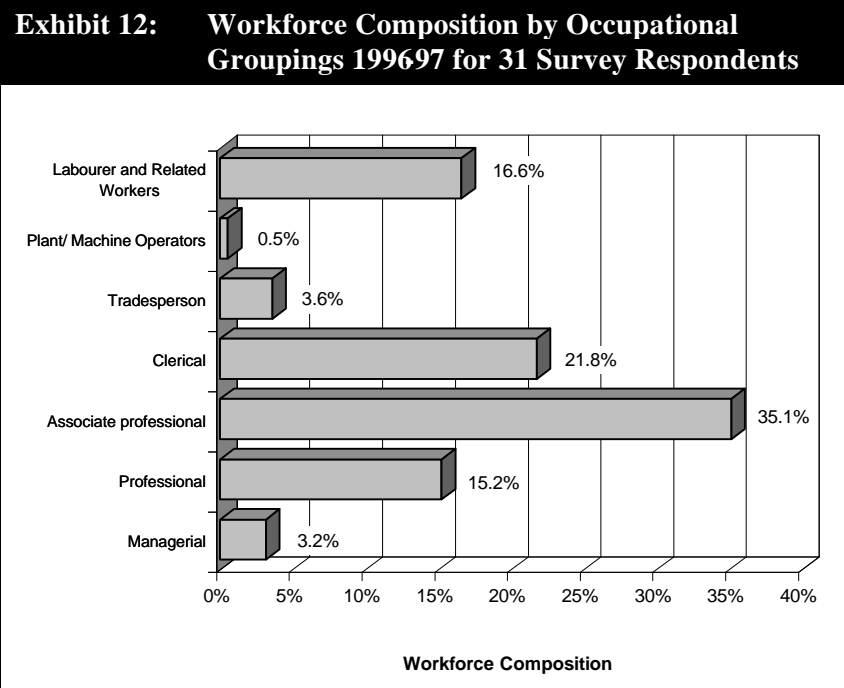
And the average level of sickness absence for blue collar employees is higher than that of white collar employees overall.



**Source:** The Audit Office Management of Sickness Absence Survey

**Note:** 1994-95: n = 22; 1995-96: n = 26; 1996-97: n = 31.

The direct cost of sickness absences for workforce occupational grouping will depend on a number of factors including the composition of the workforce (see Exhibit 12). For example the direct cost of sickness absence for “managerial” employees could be the same as “labourers” because higher remuneration differences offset lower numbers of and lower sickness absence taken by managers compared to labourers.



**Source:** The Audit Office Management of Sickness Absence Survey

**Note:** 1996-97: n = 31.

Variances between occupation sickness absence levels/incidents are not unexpected given the differing natures of the work undertaken. Sometimes the variances are large. For 4 agencies, the ratio of sickness absence days per incident for one category of worker (blue or white collar) was 100% higher than the other. The Audit Office is not in the position to know whether these variations are reasonable because benchmarking/targets are not widely used in the public sector. Exhibit 13 indicates that the level of sickness absence in NSW public sector by occupational grouping is significantly higher than the private sector but is marginally lower than the HRM Australian HR (Human Resources) Benchmark for the public sector.

<b>Exhibit 13: Occupational Grouping Comparison of 1996/7 Sickness Absence Days per FTE Employee</b>		
Sector	Managerial and Professional Employees (Note 1)	Operative Employees (Note 2)
NSW Public Sector	6.8 days	7.5 days
Australian HR Benchmark-		
Private Sector	3.0 days	5.0 days
Public Sector	7.3 days	7.7 days

**Source:**

1. The Audit Office Management of Sickness Absence Survey
2. HRM Consulting The Australian Human Resources Benchmarking Report June 1997 Edition

**Notes:**

1. Managerial and Professional Employees comprises Managerial, Professional and Associate Professional Employees
2. Operative Employees comprises Clerical, Tradesperson, Plant/Machine Operators and Labour and Related Employees.

**Conclusion**

The ratio of sickness absence days/incident of sickness is higher for blue collar than white collar. However, no conclusion can be made as to whether the current difference between the occupation groupings is reasonable. The matter needs to be closely examined by agency management.

**2.3 Cost of Sickness Absence**

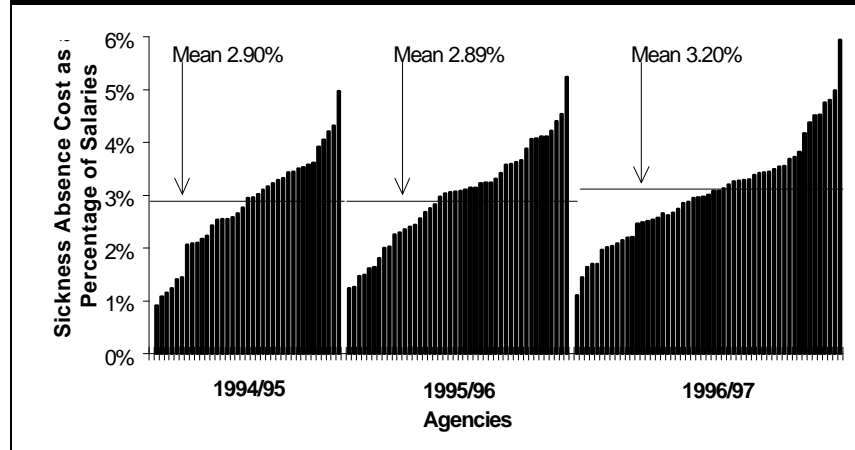
**Issue**

*What is the cost of sickness absence in the NSW Public Sector?*

**Finding**

In part because all average sickness absence level indicators rose during the period, the average direct cost of sickness absence as a proportion of salaries expenditure, calculated in 1996-97 dollar terms, increased by 10.4% (from 2.9% in 1994-95 to 3.20% in 1996-97).

**Exhibit 14: Direct Cost of Sickness Absence in Salaries Percentage Terms 1994/97 (measured in 1996-97 dollars)**

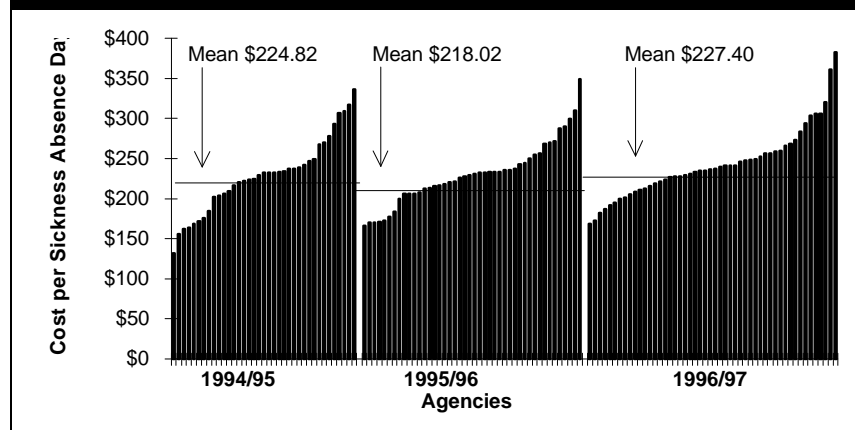


**Source:** The Audit Office Management of Sickness Absence Survey

**Note:** 1994-95: n = 37; 1995-96: n = 44; 1996-97: n = 53.

The average direct cost per day of sickness absence has increased marginally in the period 1994-95 to 1996-97.

**Exhibit 15: Sickness Absence Direct Cost per Day 1994-97 (measured in 1996-97 dollars)**

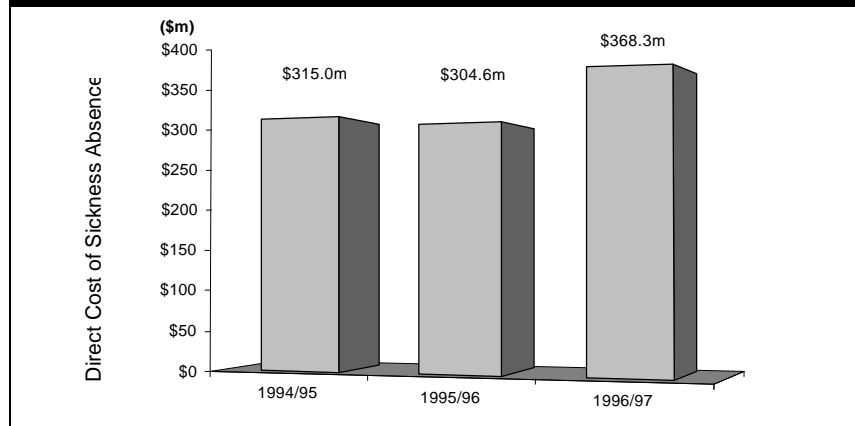


**Source:** The Audit Office Management of Sickness Absence Survey

**Note:** 1994-95: n = 37; 1995-96: n = 44; 1996-97: n = 53.

The 1996-97 public sector wide estimated direct cost of sickness absence, using average data, was approximately \$368.3m, an increase of \$53.3m (16.9%) from 1994-95 (\$315.0m), measured in 1997 dollars.

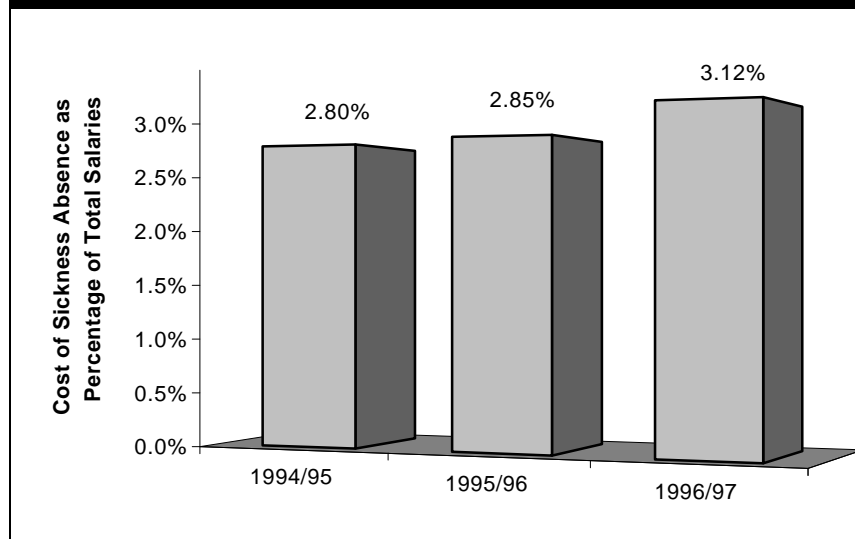
**Exhibit 16: Direct Cost of Sickness Absence 1994/97  
(measured in 1996-97 dollars)**



**Source:** The Audit Office Management of Sickness Absence Survey

As a percentage of NSW public sector wide salaries, sickness absence direct costs represent 3.12% of NSW public sector salaries expenditure in 1996-97, compared with 2.80% in 1994-95,

**Exhibit 17: Direct Cost of Sickness Absence as a Percentage of Total Public Sector Salaries 194-97  
(measured in 1996-97 dollars)**



**Source:** The Audit Office Management of Sickness Absence Survey

**Note:** 1994-95: n = 37; 1995-96: n = 44; 1996-97: n = 53.

The direct cost of sickness absence as a proportion of salaries expenditure during the period 1994-97 has risen by 11.7%. This takes into account a decrease in the number of public sector employees of some 3.6% and an increase of only 11.5% in total salaries expenditure in the same period.

The above estimate of direct costs of sickness absence does not take into account the consequences of any need to employ additional/replacement staff and pay overtime and relieving allowances to ensure the delivery of service to the public. For example in fiscal 1996-97 the former Department of School Education expended \$249.8m on providing relief teachers to replace teachers absent on leave (including those absent because of sickness).

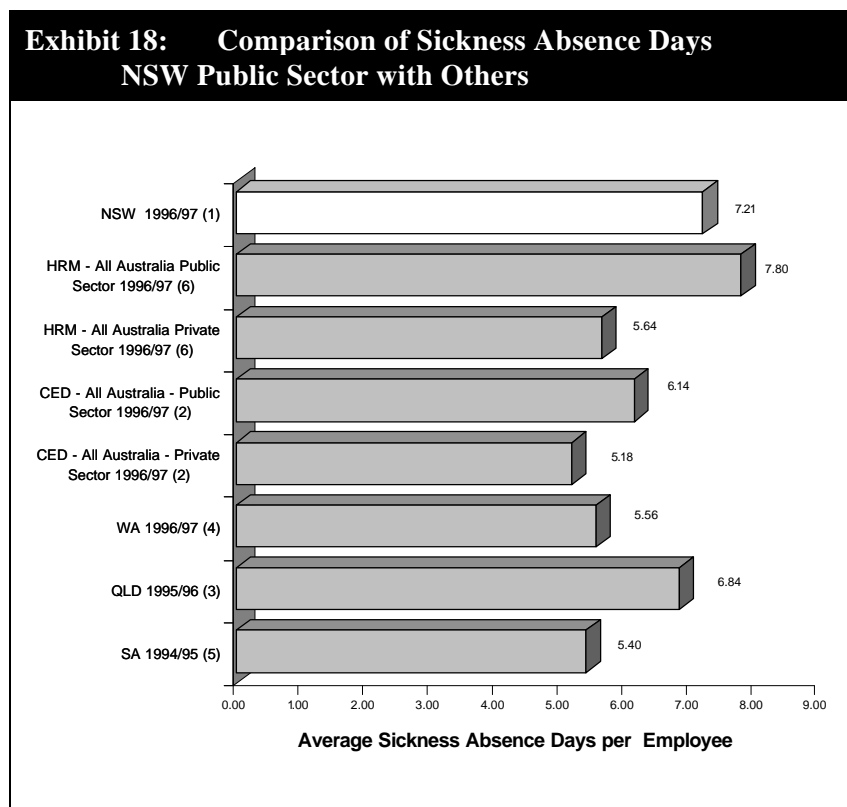
There is also the non financial (opportunity) cost of sickness absence. When employees are absent from work on sickness absence and there is no replacement cover then this may affect directly and negatively service provision. On the other hand, no offsetting "revenue" recognition has been given to any absence where the backlog of work will be completed by additional unpaid hours. This would be the case when some employees take sick leave.

**Conclusion** Partly because sickness absence levels increased over the period 1994-97, so has the cost of sickness absence.

## **2.4 NSW Public Sector Compared with Others**

**Issue** *How does the level of sickness absence in the NSW Public Sector compare to other Australian State public sectors?*

**Finding** Exhibits 18 and 19 show the sickness absence levels of the NSW public sector compared with latest available data from other Australian State public sectors, All Australia public sector and that of the private sector in Australia.



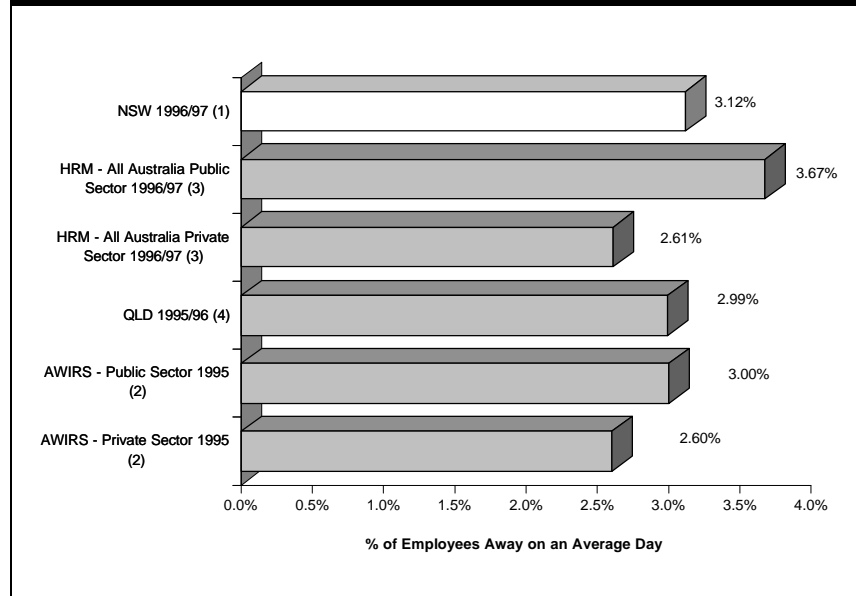
**Source:**

1. The Audit Office Management of Sickness Absence Survey
2. Corporate Benchmark Monitor (Cullen, Egan and Dell Limited [CED]), June 1997
3. HRM Consulting Limited for Queensland Office of the Public Service, Absence Management Benchmarking Study
4. Western Australia Public Sector Management Office - Profile of the Western Australian State Government Workforce 30 June 1997
5. South Australian Office of the Commissioner for Public Employment - South Australian Public Sector Workforce Information 30 June 1995
6. HRM Consulting Limited, The Australian Human Resources Benchmarking Report June 1997

The NSW public sector average sickness absence days for 1996-97 generally tends to be higher than those available for Australian/State public sectors and is higher than the Australian private sector.



### Exhibit 19: NSW Public Sector Compared with Other Public Sectors and the Private Sector - Average Percentage of Workforce Away Sick



#### Source:

1. The Audit Office Management of Sickness Absence Survey
2. Changes at Work, The 1995 Australian Workplace Industrial Relations Survey
3. HRM Consulting Limited, The Australian Human Resources Benchmarking Report June 1997
4. HRM Consulting Limited for Queensland Office of the Public Service, Absence Management Benchmarking Study

## Conclusion

There is a need to investigate the reason for the higher level and cost of sickness absence in the NSW public sector compared to that in some other All Australian/State public sectors and in the private sector. There would seem to be an opportunity to reduce sickness absence through better management.

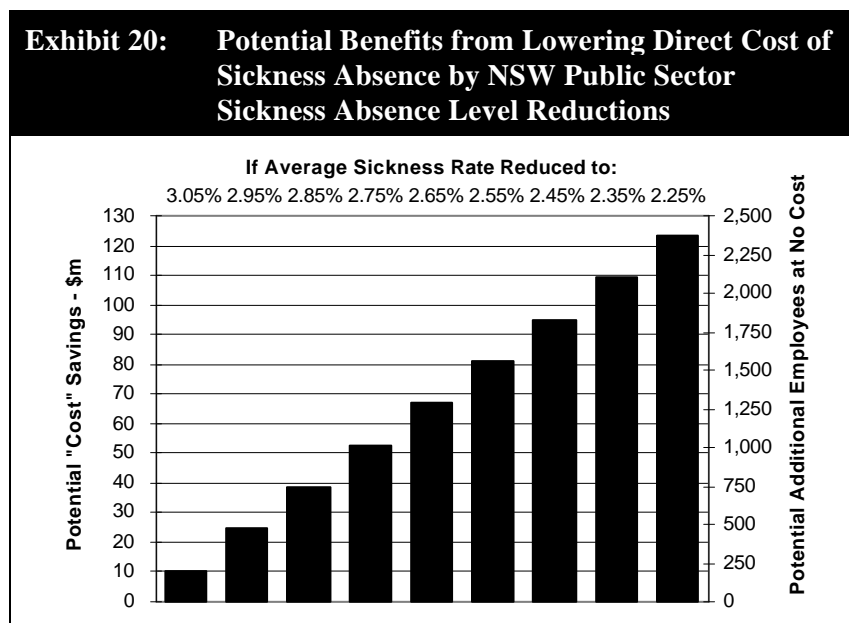
## 2.5 Potential Benefits from Reduced Sickness Absence

### Issue

*What are the potential benefits if the level of sickness absence within the NSW public sector was reduced?*

### Finding

While caution must be exercised in drawing conclusions from the sickness data comparisons in the preceding section, it seems that there can be improvement in the level of sickness absence within the NSW public sector. Exhibit 20 shows the order of the benefits that can be achieved in just the direct cost of sickness absence if the average absence rate is reduced from its current level of 3.12%.



**Source:** The Audit Office Analysis

The salary differential between the sickness absence level currently existing within the NSW public sector and a level if it were to achieve the sickness absence level reported for the private sector, is around \$123m per annum.

If the 24 agencies with an absence rate greater than the NSW public sector average of 3.12% reduced absences to this level, the salary differential would be approximately \$22.8m which is equivalent to approximately 488 employees.

The potential benefits to be had become more notable when overtime, relieving allowances, additional/replacement staff, staff time involved in managing sickness and improved service delivery are taken into account. It would be reasonable to assume that the potential benefits would out weigh the costs associated with better management and monitoring systems (for example cost of employee counselling, training of supervisors/managers, medical examinations, acquisition and/or upgrading of information technology to maintain and produce pertinent information/data on sickness absence).

**Conclusion**

There are opportunities for significant benefits to be achieved from reductions in sickness absence.

### **3. Monitoring Sickness Absence**

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### 3.1 Introduction

This Chapter examines and comments on the monitoring of level and cost of sickness absence.

### 3.2 Sickness Absence Targets

<b>Issue</b>	<i>Have agencies set targets below current entitlements to reduce the level, and consequently cost, of sickness absence?</i>
<b>Finding</b>	<p>Only 19 (25.0%) of survey respondents have set short term targets for the level of sickness, while effectively only 4 (5.3%) respondents have set long term targets (4 agencies had the same short and long term targets). These targets were mainly specified in: 13 cases in plans (corporate, business and management); 4 cases in enterprise agreements; and 3 cases in sickness absence policy.</p> <p>The <i>Personnel Handbook</i> contains no comment on the subject of sickness absence targets.</p>
<b>Conclusion</b>	<p>The absence of benchmarks for sickness absence reduces an agency's ability to manage sickness absence and thus increases the likelihood that the costs resulting from sickness absence is higher than would otherwise be the case. The setting of benchmarks would assist in the use of the human resource asset.</p>
<b>Issue</b>	<i>Are sickness absence targets reviewed periodically and revised if appropriate?</i>
<b>Finding</b>	<p>Of the 19 respondents who have sickness absence targets, 2 do not review the targets' appropriateness while 17 reviewed targets' appropriateness periodically (the majority reviewed their targets at least annually [11 cases], the remainder doing so on half or quarter year basis).</p>
<b>Conclusion</b>	<p>In the main those agencies that set sickness absence targets, carry out periodical reviews of those targets.</p>
<b>Issue</b>	<i>Are actual sickness absence levels monitored and regularly compared to set targets?</i>
<b>Finding</b>	<p>Of the 19 respondents who have targets, 18 compare them to actual levels to assess the success or otherwise of their performance in managing sickness absence. The majority (15) make this comparison at least quarterly, the rest half yearly or yearly.</p>

<b>Conclusion</b>	Nearly all those agencies which have set targets for sickness absence monitor performance achievements in managing sickness absence.
<b>Issue</b>	<i>Are employees advised of the actual and targeted levels of sickness absence?</i>
<b>Finding</b>	Of the 19 respondents which have targets, 9 do not regularly advise employees about actual and targeted sickness absence levels.
<b>Conclusion</b>	Employees of those agencies which have sickness absence targets are half the time not generally aware of agency achievements in the level of sickness absence. Recognition of achievements or reinforcement of targets are significant factors in achieving a change in attitude to the use of sickness absence entitlements.

### 3.3 Sickness Absence Triggers

<b>Issue</b>	<i>Have agencies defined trigger points for reviewing an employee's sickness absence(s)?</i>
<b>Finding</b>	<p>Of the survey respondents, 59 (78%) have triggers for frequent short-term absences. The short term trigger was, in 45.8% of cases (27 agencies), 5 unsupported absences, ie incidents, in a period of 12 months (this is the <i>Personnel Handbook</i> trigger and agency policy is not to be more generous than this). Of the remainder, 28 agencies (47.5% of cases) had a sickness absence trigger more generous than the handbook, eg 8 incidents in 12 months.</p> <p>The fact that triggers have been specified does not necessarily mean that timely or effective review of an employees sickness absence occurs. The following case studies (Exhibit 21 and 22) illustrate the point.</p>

#### **Exhibit 21: Absence Review Triggers- Case Study 1**

An agency had the frequent short-term absence trigger of 5 incidents in 12 months, with trigger activation review to be carried out at 6 monthly intervals.

However, the trigger activation review had not been undertaken at 6 monthly intervals and at the time of The Audit Office visit there had been no effective review of employee sickness absence for some 2 years. During this time period the agency experienced a 20% increase in the level of sickness absence.

**Source:** The Audit Office Management of Sickness Absence Fieldwork

**Exhibit 22: Absence Review Triggers- Case Study 2**

An agency had the frequent short-term absence trigger of 5 incidents in 12 months, with trigger activation to be carried out every time the employee absence record is updated.

Employee A commenced work in February 1997 and in the period March to November 1997 had 10 incidences of sickness absences (that is 14 days or 93% of entitlement) all of which were self certified. Employee A was interviewed by his/her manager regarding the sickness absences following receipt of advice in late January 1998 of trigger activation.

**Source:** The Audit Office Management of Sickness Absence Fieldwork

Only 28 of 76 agencies (36.8%) had triggers for absences displaying trends, eg Mondays; before/after public holidays, rostered day off (RDO), annual leave.

Only 20 agencies (26.3%) looked at day of week patterns while only 16 monitored before/after situations (the populations are not mutually exclusive: some agencies would do one but not the other).

Only 1 respondent mentioned as a trigger the period following indication of intent to retire, resign or take redundancy.

Turning to long-term absence triggers, only 24 (31.6%) respondents from 76 had long-term triggers.

The absence of triggers, short or long term, potentially results in the level and cost of sickness absence being higher than it otherwise could be due to:

- possible non-genuine sickness absence not being monitored and acted upon promptly
- staff not being promptly retired due to unfitness for work.

**Conclusion**

Triggers are not used sufficiently to manage sickness absence.

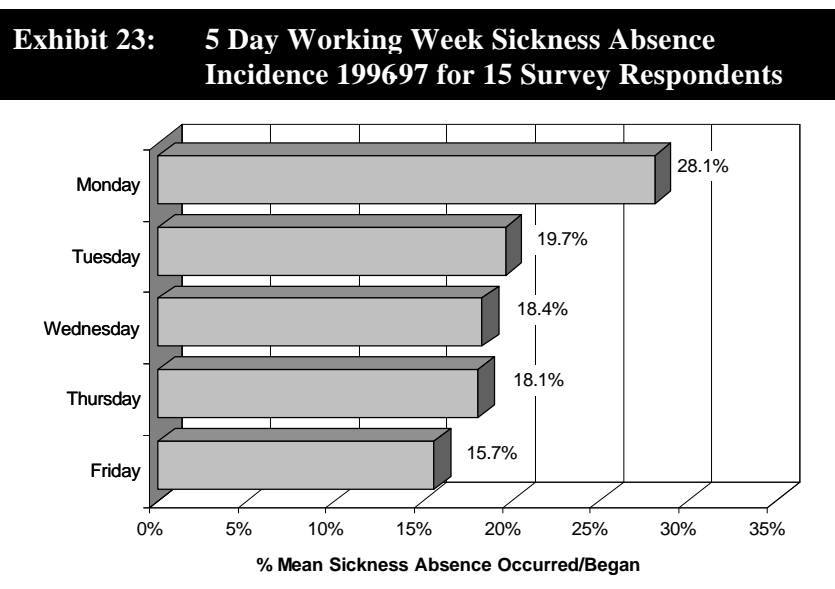
Government policy is not being complied with by 28 agencies whose short term absence triggers are more generous than the trigger specified in the *Personnel Handbook*.

**Issue** *Does the incidence<sup>9</sup> of sickness absence occur more on particular day(s) of the week?*

**Finding** Of the 76 agencies surveyed, only 35 agencies were able to identify the first day of a sickness absence incident. Of these, 15 had a 5 day working week and 20 had a 7 day working week.

On a 5 day working week, it could be argued that every day has a 1 in 5 (20%) chance of an incidence of sickness absence occurring.

The survey responses disclosed that for a 5 day working week, sickness absence incidents occurred most regularly on a Monday. Sickness absence then progressively decreased during the week, with Fridays having the least incidences of sickness absence (refer Exhibit 23).



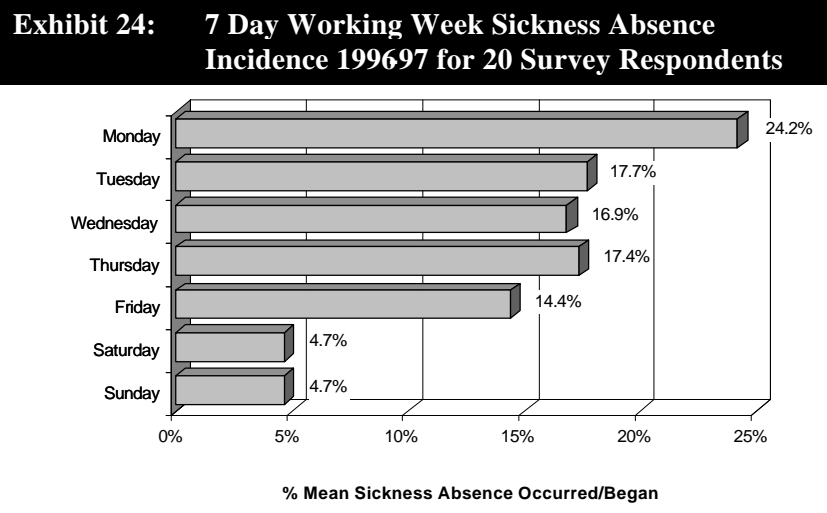
**Source:** The Audit Office Management of Sickness Absence Survey

**Note:** 1996-97: n = 15.

Monday has the greatest risk of the delivery of services being impaired.

Monday is also the most frequent day for sickness absence on a seven day working week, progressively decreasing until Sunday.

<sup>9</sup> A sickness absence incident is any period (for example a day, a week, a month) of absence from work claimed from sickness absence entitlement(s).



**Source:** The Audit Office Management of Sickness Absence Survey

**Note:** 1996-97: n = 20.

The absence rate for Saturday and Sunday has been calculated as a percentage of the total workforce of the surveyed agencies. For many agencies it is likely that the weekend workforce is smaller than the total workforce. But the survey also indicates that there is a sizeable drop in sickness absence levels at weekends for agencies with a 7 day working week.

The Audit Office did not examine the extent to which financial incentives, such as penalty rates and overtime, played a part in the incidence of sick leave. One suggestion is that, because of the higher salary rates applying, those staff who are rostered to work on weekends are less inclined to be off sick.

**Conclusion**

There is an uneven distribution of sickness absence incidents over a working week, with Monday being the most frequent day to commence a sickness absence incident. This issue warrants examination by management.

**Issue**

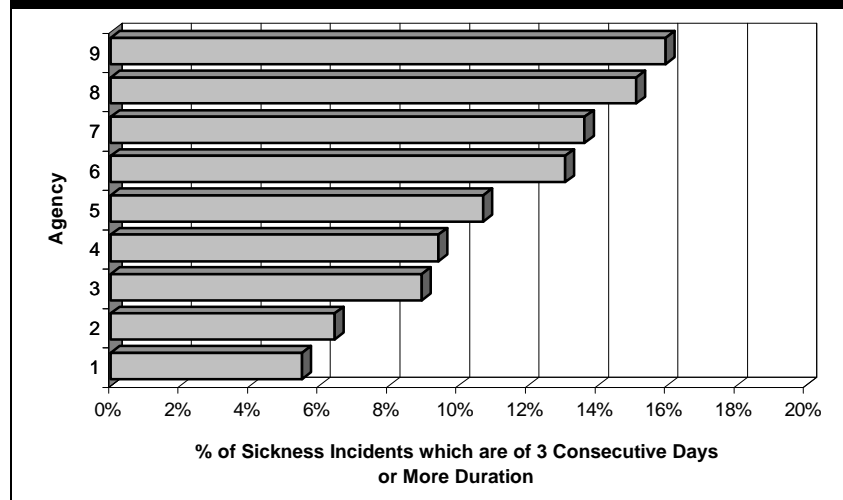
*Are the Government/agency trigger points defined for reviewing an employee's sickness absence(s) appropriate?*

**Finding**

The only trigger specified in the *Personnel Handbook* for reviewing an employee's sickness absence record is 5 uncertified absences in 12 months. Absences over 3 consecutive days are to be medically certified but as Exhibit 25 shows these represent less than 20% of all sickness absence incidents for the 9 survey respondents which could provide this information.



**Exhibit 25: Percentage of Sickness Incidents in 1997 of 3 Consecutive Days or More Duration**



**Source:** The Audit Office Management of Sickness Absence Survey

**Note:** 1996-97: n = 9.

Using only the *Personnel Handbook* specified trigger, which is the only trigger for 19 respondents, an employee who had 4 incidents of absence of 2 or 3 days duration would not attract a review of their work attendance.

The *Personnel Handbook* does not address the matter of absence displaying trends nor does it cover periods before employee retirement, resignation or redundancy (also refer to earlier comments made in this Section 3.3 *Sickness Absence Triggers*).

The *Personnel Handbook* and many agencies also do not address the issue of the totality of certified (medical) and uncertified sickness absence. A full year's entitlement or more could be taken with any combination of durations and absence attestation. The Audit Office found that medically certified absences were excluded by some agencies when reviewing employees' sickness absence.

Media articles in February 1998 challenged the veracity of some medical certificates provided in support of sickness absence. Private sector agencies visited by The Audit Office in the course of the audit have triggers for absence review when a set number of days have been taken be they medically certified or not. (Also refer to Section 9.3 *Sickness Absence Certification in NSW Public Sector Compared with Private Sector*).

**Conclusion** The trigger specified in the *Personnel Handbook* is an effective trigger but it only covers one situation. Agencies should consider a range of triggers to cover various situations.

**Issue** *Do agencies take the appropriate action when trigger points are activated?*

**Finding** Agencies who have specified trigger points reported that action was taken when the triggers were activated. This action took various forms and was on a graded scale, as Exhibit 26 demonstrates.

<b>Exhibit 26: Action Taken in Response to Trigger Activation</b>	
❶	manager/supervisor informed 39.0%
❷	sickness absence review period 52.5%
❸	manager/supervisor counselling 66.1%
❹	employee warned 27.1%
❺	medical certificate imposed 27.1%
❻	medical examination 23.7%

**Source:** The Audit Office Management of Sickness Absence Survey

The following case studies (Exhibits 27 and 28), from different agencies, demonstrate the varying results which may be achieved when dealing with employees with unsatisfactory attendance records.

<b>Exhibit 27: Action Taken in Response to Sickness Absence Trigger Activation- Case Study 3</b>
<p>In November 1988 Employee X first activated the agency's frequent short-term trigger of 5 or more unsupported absences in a 12 month period. A written warning was issued. In the following three years Employee X's attendance record continued to be unsatisfactory. Finally, in January 1992, the employee was placed on a medical certificate requirement. This requirement was renewed annually, due to continuing poor attendance.</p> <p>In August 1997 the employee was referred to HealthQuest for examination. In the opinion of HealthQuest, Employee X does not have an on-going medical problem and should have no difficulties in carrying out the responsibilities of their position.</p> <p>The result of this opinion was that the agency again continued the medical certificate requirement for a further 12 months. No further action had been taken at the time of The Audit Office review in early 1998.</p>

**Source:** The Audit Office Management of Sickness Absence Fieldwork

**Exhibit 28: Action Taken in Response to Sickness Absence Trigger Activation- Case Study 4**

The agency has a four stage action procedure when the sickness absence trigger is activated:

- stage 1: letter of warning issued to employee
- stage 2: employee issued with final warning letter and any sickness absence must be medically certified
- stage 3: employee's remuneration is reduced
- stage 4: dismissal of employee.

Employee Y activated the stage 1 trigger in April 1997 after taking 15.4 days sickness absence in 12 months (6.4 days uncertified). Another 2 days leave was taken in late May 97 and Stage 2 was activated. Employee Y had a further 3 days in the period to September 97 when Stage 3 was activated. Since the activation of stage 3 Employee Y's attendance has improved.

**Source:** The Audit Office Management of Sickness Absence Fieldwork

Exhibit 27 highlights that the imposition of medical certificates for future absences is not always a panacea when dealing with employees with unsatisfactory attendance records. Effectively managing employees with unsatisfactory attendance records requires that there be a range of human resources tools available to give an appropriate graduated response and the willingness to use these tools as necessary.

**Conclusion**

Agencies with trigger points generally take action when those periods are reached. But there is evidence to suggest that the action options available/used are not always conducive to achieving the desired outcome.

### **3.4 Management of Sickness Absence Training**

<b>Issue</b>	<p><i>Is training provided to managers/supervisors to give them the skills to:</i></p> <ul style="list-style-type: none"><li>• <i>identify potential problem situations</i></li><li>• <i>productively manage absence levels</i></li><li>• <i>conduct effective return-to-work interviews</i></li><li>• <i>provide appropriate counselling to employees?</i></li></ul>
<b>Finding</b>	<p>The training provided to managers/supervisors by respondent agencies was:</p> <ul style="list-style-type: none"><li>• identifying problem situations - 26 or 34.2% of agencies</li><li>• productively managing absence levels - 22 or 29.0% of agencies</li><li>• conducting effective return-to-work interviews - 15 or 19.7% of agencies</li><li>• provision of appropriate counselling to employees - 28 or 36.8% of agencies</li></ul> <p>The implication is that certain managers/supervisors do not have the skills/knowledge necessary for the effective management of sickness absence.</p>
<b>Conclusion</b>	<p>In the main training has not been widely implemented across the public sector.</p>

### **3.5 Public Reporting of Sickness Absence**

<b>Issue</b>	<p><i>Are comments/statistics on sickness absence included in agency Annual Reports?</i></p>
<b>Finding</b>	<p>There is no requirement under the Annual Reporting legislation for information to be included on sickness absence. Only 20 (26.3%) of the 76 survey respondents include comments/statistics on sickness absence in their annual reports. In England and Wales action is in train for this information is collected annually and published in a performance table along with other data as an indicator of the Government's commitment to providing quality and value for money public services.</p>
<b>Conclusion</b>	<p>Annual reporting of sickness absence statistics and costs is currently not adequate. The publication of key information on sickness absence would assist the assessment of the management of sickness absence.</p>

## **4. Policy and Procedures**

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## 4.1 Introduction

This Chapter examines and comments on the policy and procedures for sickness absence.

## 4.2 Government Policy and Procedures

**Issue** *Has the Government issued policy and procedures for sickness absence?*

**Finding** The Audit Office on 16 September 1997 requested the Premier, as Minister responsible for the administration of the Public Sector Management Act 1988 (PSMA), to set out any Government policy and related objectives relevant to sickness absence in the NSW public sector. In response, on 4 November 1997 the Premier's Department, advised that the current Government policy and procedures on sickness absence was contained in the *Personnel Handbook (Section 6-18.2 Sick Leave Policy and Procedures 618.3 to 6-18.16)*.

The handbook is only applicable to those agencies scheduled under the PSMA. Agencies not scheduled under PSMA (statutory authorities, company and statutory state owned corporations, electricity distributors, Health agencies etc, some 65% of the public sector workforce) set "in house" policy and procedures unless there is a ministerial directive. For non PSMA agencies the handbook serves as a reference. Additionally, enterprise agreements and awards can vary what is contained in the handbook regardless of scheduling under the PSMA.

**Conclusion** Policy and procedures have been issued by the Government but its application is restricted at law.

**Issue** *Are the sickness absence policy and procedures issued by the Government in general terms adequate?*

**Finding** Within the sickness section of the *Personnel Handbook*, responsibility for the control and monitoring of sickness absence rests with Departmental management.

In regards to sickness absence the handbook describes sickness absence administration/process/rules. There are no short statements on employee attendance for service delivery nor is there any linkage to the Government goals of having an effective and efficient public service.

**Conclusion** The Government policy and procedures are a framework only for sickness absence and its management. While in general terms the Personnel Handbook is adequate to assist in the management of sickness absence, it does not provide guidelines to improve the management of sickness absence.

### 4.3 Agency Policy and Procedures

**Issue** *Do individual agencies have sickness absence policy and procedures?*

**Finding** An “in house” sickness absence policy had been developed by 57.9% (44 out of 76) of all survey respondents while only 64.5% (49 out of 76) have developed “in house” sickness absence procedures. However, in the main this has been a necessity as many of those agencies do not fall within the PSMA.

Only 55% (22 out of 40) of agencies who fall within the PSMA have developed an “in house” sickness absence policy while only 50% (20 out of 40) have developed “in house” procedures. Employee and management knowledge of the sickness absence policy and procedures is possibly impaired at those agencies because of the absence of “in house” policy and procedures.

**Conclusion** Roundly 40% of agencies do not have “in house” developed sickness absence policy and procedures.

**Issue** *Is the policy and procedures issued by the agencies in general terms adequate for the management of sickness absence?*

**Finding** During the course of the audit 40 policy/procedures documents were received and reviewed by The Audit Office.

In most cases the documentation contained information on entitlements (26 or 65%), reporting procedures (27 or 67.5%), required certification methods (32 or 80%) and/or triggers (32 or 80%). However, only 8 (20%) policy statements were considered by The Audit Office to be adequate because they clearly and concisely spelt out management’s expectations and attitudes.

Of these, only 2 included a statement to the effect that employees have an obligation to attend work. The remaining 6 policy statements discussed the impact of sickness absence (eg service delivery obligations, impact on colleagues) but did not state that employees must attend work if not genuinely ill.

The Audit Office collated the above mentioned policies to provide, refer Exhibit 29, what was considered to be a good example of a clear and concise statement of policy.

**Exhibit 29: Good Sickness Absence Policy Statement Example**

This policy aims to provide employees with an understanding of the agencies sickness absence policy.

The agency has an obligation to manage sickness absence in a fair and equitable manner, balancing compassion with the efficient and effective operation of the agency and the achievement of service commitments.

Sickness absence is provided for staff who, due to illness or injury, are unable to attend work. Sickness absence is complemented by the provision of appropriately structured assessment and rehabilitation programs, counselling and welfare sources. Additional support may be provided through professional medical diagnosis and treatment.

To assist the agency to achieve its program objectives and goals, and minimise the burden on colleagues, each employee has an obligation to:

- attend work regularly and punctually
- take reasonable precautions against illness
- not let minor indispositions or inconveniences disrupt work responsibilities
- make every effort to live and work safely by observing safety rules and standards, both on an off the job; and
- attend to personal affairs during off-duty hours.

Effectively managed, sickness absence should play an important part in maintaining the health, well being and work performance of staff members. Sickness absence will be managed as per the agencies sickness absence procedures.

**Source:** The Audit Office

**Conclusion**

The majority of policy and procedures reviewed by The Audit Office are not considered to be in the form that The Audit Office would regard as effective for the management of sickness absence. In the main they deal with rules. Few contain a statement to the effect that employees are obliged to attend work or discuss the impact of sickness absence on service delivery, the goals of the organisation, or on colleagues and work commitments. And they did not address effectively what procedures and processes need to occur for sickness absence to be effectively managed.



#### 4.4 Distribution of Policy and Procedures

<b>Issue</b>	<i>Are government/agency sickness absence policy and guidelines distributed to employees?</i>
<b>Finding</b>	<p>The <i>Personnel Handbook</i> is primarily for the use of human resources departments/practitioners, not for general use. It is a large document and its availability within some agencies is limited. While an electronic copy is now available, the placing of the <i>Personnel Handbook</i> on computer networks does not make it accessible to all employees.</p> <p>The Audit Office survey found that 51.3% of respondents (39 from 76) distribute the agency and/or government sickness absence policy and procedures or relevant excerpts to employees in a hardcopy form while 6.6% (5 from 76) use electronic means. The means of this hardcopy distribution is primarily through new employee induction manuals (29 respondents) and/or separate pamphlets/booklets issued to employees (19 respondents). The balance of respondents rely upon verbal communication at induction which is not a lasting or referable form of advice.</p>
<b>Conclusion</b>	Some 42% of respondents do not effectively distribute the sickness absence policy and procedures to management or employees. The risk is that management/employees may not be equipped to fulfil their respective duties/responsibilities for sickness absence.
<b>Issue</b>	<i>Is training provided in the appropriate application of the sickness absence policy and procedures?</i>
<b>Finding</b>	Of the 76 survey respondents, only 9 (11.8%) provided training to management and employees in the application of the sickness absence policy and procedures. (Also refer to Section 3.4 <i>Management of Sickness Absence Training</i> and Section 6.3 <i>Induction</i> for further comments on the subject of training provided).
<b>Conclusion</b>	The absence of training in the application of the sickness absence policy and procedures is considered to be a deficiency in their effective and efficient implementation/operation.

## 4.5 Sickness Absence Notification

<b>Issue</b>	<i>Are appropriate sickness absence notification procedures/requirements in operation?</i>
<b>Finding</b>	<p>Two agencies responded that they have no set timeframe by which an employee must report an absence from work due to illness or injury.</p> <p>For those that do have a time of reporting procedure, the large majority required notification to be within one hour of normal commencement time, ie</p> <ul style="list-style-type: none"><li>• as soon as possible - 16 (21.1%)</li><li>• prior to the commencement of duty - 24 (31.6%)</li><li>• within half an hour or one hour of normal commencement time - 24 (31.6%).</li></ul> <p>Of the remaining agencies: 1 requires notification within 2 hours of commencement; 1 within 4 hours of commencement; 1 by close of business; and 9 (11.8%) allow 24 hours for notification of absence to be made (this latter is an award condition exclusive to Health agencies).</p> <p>When notifying an absence, respondents required employees in 73 (96.1%) cases to give a likely return to work date, while a reason for the absence was required in 67 (88.2%) cases. Two (2.6%) agencies do not require any information to be provided when an employee reports in sick.</p> <p>In normal circumstances, notification of absence must be made to the employee's supervisor (72 or 94.7% of respondents). In some cases notification may also be given to the department head (11 or 14.5%) or the clerical assistant (2 or 2.6%). One agency responded that notification may be left with anyone.</p> <p>The extent to which long term absent employees are required to maintain contact with the agency largely depends on circumstances, but 67.1% of respondents insist that contact occur before expiration of the current medical certificate. 92% of respondents (70 from 76) maintained contact with long term absence employees, in the main through phone calls and, to a lesser extent, personal visits. (Also refer to Section 8.2 <i>Options</i> for further comments on maintenance of contact with employees on long-term sickness absence).</p>

**Conclusion**

In the main better practice was applied. However, there are some agencies where procedures could be improved in absence advising (by whom and when) if quality/seamless service is to be provided and in requiring random checks of the genuineness of sickness.



## **5. Management Information**

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## 5.1 Introduction Management Information

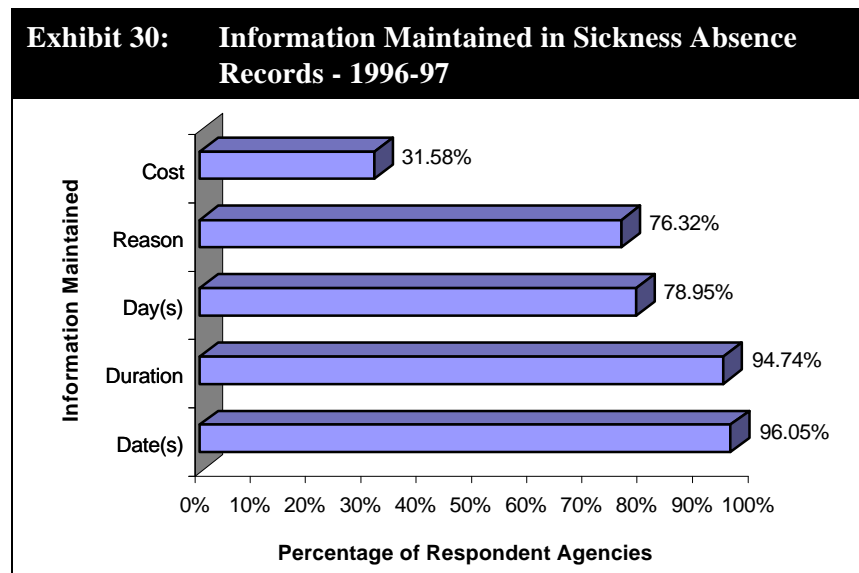
This Chapter examines and comments on sickness absence management information.

## 5.2 Recording of Costs

<b>Issue</b>	<i>Is the cost of sickness absence recorded in the accounting system?</i>
<b>Finding</b>	In 1996-97 only 20 or 26.3% (1995-96 - 16 or 21.1%; 1994-95 - 13 or 17.1%) of respondents to the survey recorded the cost of sickness absence in the general ledger. This is despite the cost of sickness being greater than workers compensation insurance and other immaterial expenses, such as meal allowances, which have separate line items in the general ledger. Another major factor in the non recording of sickness costs in the general ledger is that the majority of the computerised sickness absence systems operating do not have data on costs (81.6% of respondents had computerised leave records but only 31.6% of computer systems recorded data on sickness absence costs).
<b>Conclusion</b>	The cost of sickness absence is “hidden” because many agencies, despite computerisation, do not separately record the cost of sickness absence in the accounting system.
<b>Issue</b>	<i>How is the cost (direct and indirect) of sickness absence recorded in the general ledger calculated?</i>
<b>Finding</b>	<p>The 20 agencies, who recorded the cost of sickness absence in the general ledger, calculated the cost of absence:</p> <ul style="list-style-type: none"><li>• in 18 cases based upon the direct costs of the person absent</li><li>• in 2 cases based upon the cost of provision of casual replacement staff.</li></ul> <p>No mention was made of the inclusion of overtime worked to cover replacement staff or having staffing at levels above normal in order to ensure additional resources available to cover for staff sickness absences.</p>
<b>Conclusion</b>	Direct/replacement staff costs do not necessarily give a true and fair view of the cost of sickness absence.

### 5.3 Information on Sickness Absence

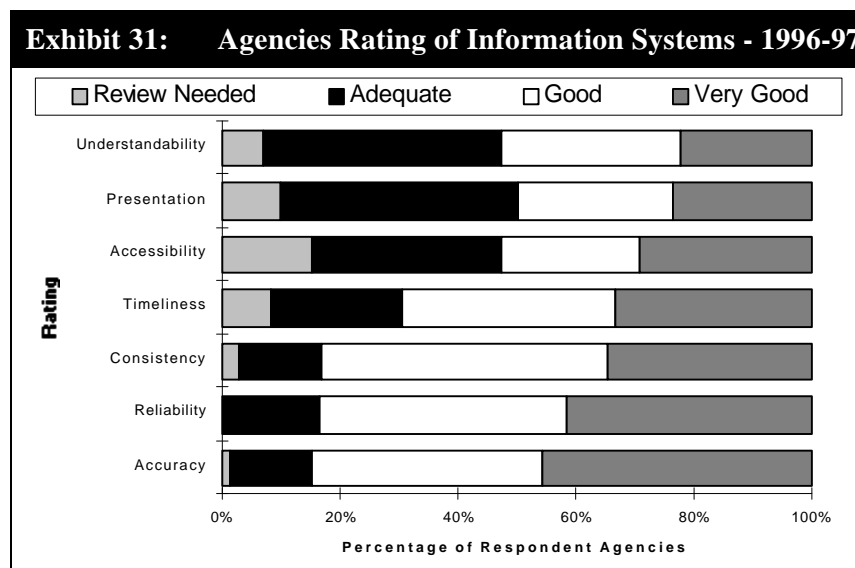
<b>Issue</b>	<i>Do agencies have computerised absence records?</i>
<b>Finding</b>	Of the 76 survey respondents, 62 (81.6%) have fully computerised absence records, a further 9 (11.8%) have partially computerised records and 5 have manual records. The agencies with partially computerised and manual records all plan to have fully computerised records within 2 years.
<b>Conclusion</b>	Information technology is being utilised by agencies to maintain absence records (which includes sickness) but as discussed below there is room for improvement at some agencies in data keeping and utilisation.
<b>Issue</b>	<i>Are sickness absence information systems, as distinct from accounting systems, efficient and effective in providing pertinent information?</i>
<b>Finding</b>	Not all agencies have computerised sickness absence information systems, as distinct from accounting systems, to provide for the effective management of sickness absence. Exhibit 30 shows the overall frequency with which respondents maintained sickness absence information which includes dates, duration, day of absence, reason and cost.



**Source:** The Audit Office Management of Sickness Absence- Survey

**Note:** 1996-97: n = 76.

72 agencies rated their information systems, as summarised in Exhibit 31 below.



**Source:** The Audit Office Management of Sickness Absence- Survey

**Note:** 1996-97: n = 72.

However, 13 of these 72 agencies could not provide any of the statistical information on sickness absence requested in the questionnaire. Of these, only 3 agencies suggested that a review of one or two aspects of their system was needed. The other 10 agencies all rated their systems between “adequate” and “very good”, with 5 giving a rating of between “good” and “very good”.

## Conclusion

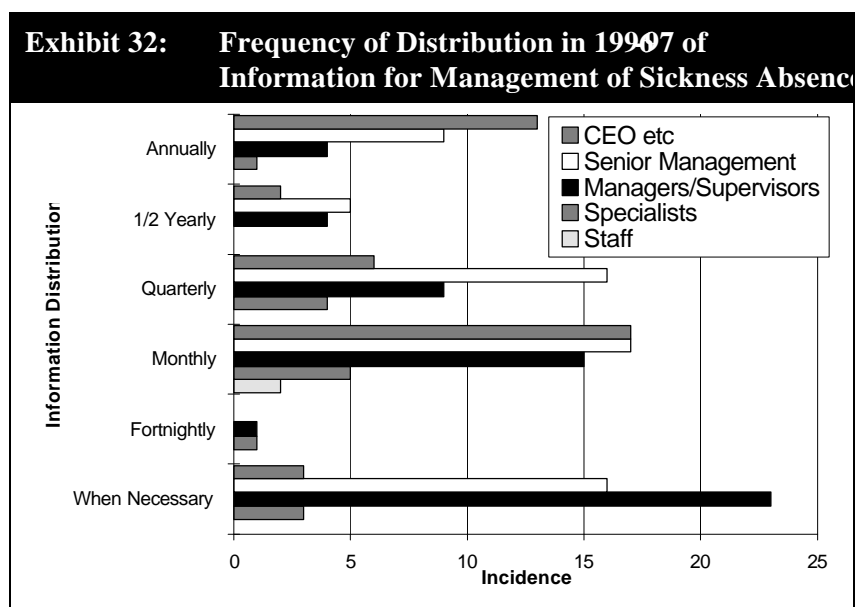
Despite most agencies rating their systems between “adequate” and “very good” a number of agencies could not provide any statistical data or only limited data to The Audit Office. Given that information is crucial for the effective and efficient management of sickness absence, this apparent inability of agencies to produce required information could be an indicator that:

- pertinent information is not maintained on sickness absence
- information technology is not up to the task of providing pertinent management information.



<b>Issue</b>	<i>Do information systems allow comparisons and analysis of sickness absence levels to be undertaken?</i>
<b>Finding</b>	There were 62 respondents which have fully computerised leave systems but only about 60% of these had information systems which allowed statistical comparison and analysis of sickness absence by organisational units. Twenty eight agencies do not do any comparisons or analysis because their information system does not allow this, for example manual leave records or data extraction/summation problems.
<b>Conclusion</b>	There are a significant number of organisations which do not have information systems in operation to facilitate effective management of sickness absence.
<b>Issue</b>	<i>Are reviews of sickness absence information undertaken regularly to identify potential problems, unusual trends or patterns of absence?</i>
<b>Finding</b>	Of the survey respondents, 33 (43.4%) do not undertake any review of sickness absence information. However, of those that do conduct reviews, 10 (23.3%) do half yearly or yearly reviews, 17 (39.5%) do so quarterly, 15 (34.9%) do monthly, the balance being ad hoc or other time periods. In addition, only 11 (14.5%) agencies have conducted special reviews to investigate the causes/patterns of sickness absence.
<b>Conclusion</b>	There are a significant number of organisations which do not review, and/or have access to, information to facilitate effective management of sickness absence.
<b>Issue</b>	<i>Is information distributed in agencies, in either detailed or aggregate form, to enable monitoring and review of sickness absence?</i>
<b>Finding</b>	There are 53 agencies which have had fully computerised absence records for all employees in excess of a year. Refer to Exhibit 32 below for a graphic of the time/tier frequency distribution. The salient points are: <ul style="list-style-type: none"><li>• only 2 agencies provide employees with information on sickness absence (however, advising employees of leave taken and balances can have both a positive and negative impact on leave taking)</li></ul>

- line supervisors/managers at 9 (17%) agencies are never advised of employee absence history/levels, while at another 14 (26.4%) agencies, absence history review, normally at an individual employee level, only occurs when needed
- senior management at 5 (9.4%) agencies are never advised of employee absence levels, while at another 7 (13.2%) agencies, absence review, normally at an individual employee level, only occurs when needed
- the Chief Executive Officer and/or Board at 18 (34%) agencies are never advised of employee absence levels, while at another 1 (1.9%) agency, absence review, normally at an individual employee level, only occurs when needed
- there is 1 agency (1.9%) with no tiered reporting at all of employee sickness absence history/levels.



**Source:** The Audit Office Management of Sickness Absence Survey

**Note:** 1996-97: n = 53.

## Conclusion

There seems to be a significant information technology weakness at some agencies in the accessing/distribution of sickness absence data. Even when information is available, a notable number of organisations do not have tiered and/or regular reporting of sickness absence to facilitate its management.

<b>Issue</b>	<i>Do agencies have the necessary information to determine whether sickness absence levels are reasonable?</i>
<b>Finding</b>	Only 16 (21.1%) respondents have undertaken any benchmarking of sickness absence. Thus about 80% of the agencies surveyed are not in any position to determine whether their sickness absence levels are acceptable and reasonable in comparison with other agencies and similar organisations.
<b>Conclusion</b>	The majority of agencies do not benchmark sickness absence levels against other agencies or similar organisations, and/or whole of government to assess whether sickness levels are reasonable and/or require review to see if further action is needed.

#### **5.4 Information Completeness and Accuracy**

<b>Issue</b>	<i>Is complete and accurate sickness absence information maintained?</i>
<b>Finding</b>	<p>Staff at 6 (7.9%) agencies surveyed do not complete timesheets or equivalent thereof for their work attendance/absence. For the 70 respondents who have employee attendance records, 4 (5.7%) do not reconcile sickness absence records with employee attendance records.</p> <p>Fieldwork visits to two agencies also disclosed that internal controls to ensure that all employees complete and submit attendance records were not adequate.</p>
<b>Conclusion</b>	In 10 (13.2%) agencies there can be no assurance that the sickness absence records are complete or accurate because the necessary records or controls do not exist or do not operate.



## **6. Recruitment and Induction**

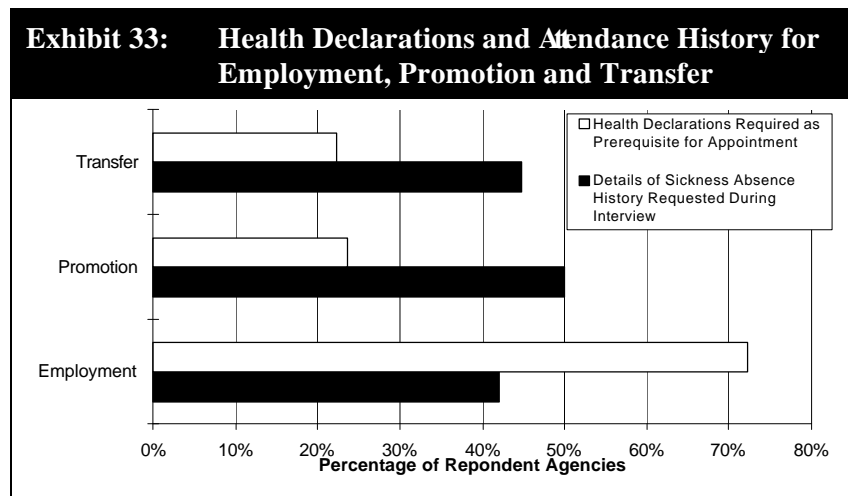
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## 6.1 Introduction

This Chapter examines and comments on the use of recruitment and induction to reduce/manage risk in respect of new employees sickness absence levels.

## 6.2 Recruitment

<b>Issue</b>	<i>Are details of sickness absence history requested from potential employees current and/or previous employers?</i>
<b>Finding</b>	<p>Of the survey respondents, 32 (42.1%) requested previous sickness absence information at initial employment, while for promotion or transfer 38 (50.0%) and 34 (44.7%) respectively of respondents requested details of prior sickness absence history. Conversely there were 31 (40.8%) respondents who did not request such information at either employment, promotion or transfer interviews (refer Exhibit 33 below).</p> <p>Only 49 (64.5%) of the respondent agencies contacted previous employers regarding the potential employees attendance history.</p>
<b>Conclusion</b>	<p>A large number of agencies do not review work attendance history as part of the recruitment and selection process. Consequently agencies run the risk of employing employees with inadequate attendance records, which may impact on service provision and costs.</p>
<b>Issue</b>	<i>Are health declarations required as a prerequisite of employment, promotion or transfer?</i>
<b>Finding</b>	<p>Only 55 (72.4%) respondents required health declarations as a prerequisite of employment, refer Exhibit 33.</p>



**Source:** The Audit Office Management of Sickness Absence Survey

**Note:** 1996-97: n = 76.

Of the 21 (28%) who did not require health declarations as an employment prerequisite, 11 were agencies which are subject to the PSMA. The failure is in breach of the Public Sector Management (General) Regulation 1996 which states that obtaining health declarations is mandatory.

In the case of promotion or transfer only 18 (23.7%) and 17 (22.4%) of survey respondents respectively require health declarations. Therefore, generally it is not readily apparent what review, if any, is undertaken as part of the assessment/selection process of the potential impact of pre-existing health conditions.

The wording of the declaration does not seem adequate to provide legal recourse to the employer if an employee makes a false and/or misleading declaration in respect of a pre-existing health condition which seriously impacts upon work performance. Also the employee currently has the responsibility of declaring a significant health condition. A comprehensive medical questionnaire is not completed by the employee which is then reviewed by the employer and a decision made as to whether a medical examination is needed. Lastly, there are no medical examinations undertaken of key personnel, eg senior executive service (SES) and higher graded non SES posts.

## Conclusion

Government policy and regulations in regard to health declarations have not been complied with in all cases, and even when declarations are obtained their legal enforceability is subject to doubt.

As a consequence, agencies, particularly in respect of promotion and transfer, and to a lesser extent in new employment cases, are not adequately assessing and managing the risk of future performance.

### 6.3 Induction

<b>Issue</b>	<i>Are new employees given a copy of, and trained in the application of, the sickness absence policy and procedures?</i>
<b>Finding</b>	<p>Only 29 (38.2%) survey respondents issue new employees with a copy of the sickness absence policy and procedures. Less than half (33 or 43.4%) provide some training on sickness absence during the induction process.</p> <p>It was apparent that in most cases the information and training given to new employees can, at best, be described as brief. It often does not, for example, address adequately the employee's responsibility for work attendance, sickness absence reporting, or employer absence monitoring and potential actions for "excessive" leave (that is, the sickness absence policy and procedures).</p>
<b>Conclusion</b>	Agencies generally do not take the opportunity of engendering good work attendance ethics in employees at induction. This, combined with an absence of training of supervisors/managers in the management of sickness absence, can create an exposure for sickness absence levels and costs which may be higher than they otherwise might be.
<b>Issue</b>	<i>Is sickness absence monitored during a new employee's probationary period and actioned if necessary due to "excessive" absences?</i>
<b>Finding</b>	65 (85.5%) respondent agencies monitor sickness absence during probation and take action when necessary. Health was the major area (8 of the 11 non monitoring respondents) where the opportunity was not taken to monitor the attendance of new employees (other than as a part of the normal monitoring process) during probation.



The majority, 57 or 72% of respondents counsel/interview/caution probationary employees in response to unsatisfactory work attendance. If there is no improvement then a variety of strategies are used including:

- extending probation period - 24 (31.6%) responses
- imposition of medical certificate requirement - 13 (17.1%) responses
- dismissal of employee during or at the conclusion of the probationary period - 18 (23.7%) responses.

**Conclusion**

Some agencies have increased the risk of employing persons in permanent positions who may prove to be unsatisfactory in terms of inappropriate use of sickness absence entitlements.



## **7. Initiatives to Reduce Sickness Absence**

## **7.1 Introduction**

This Chapter examines and comments on the use of initiatives to reduce levels of sickness absence.

## **7.2 Deterrents**

<b>Issue</b>	<i>Are warnings issued as a deterrent to reduce the level of sickness absence?</i>
<b>Finding</b>	<p>All survey respondent agencies gave warnings to employees with questionable attendance records. The warning format was:</p> <ul style="list-style-type: none"><li>• oral discussion - 70 (92.1%) agencies</li><li>• letter - 75 (98.7%) agencies.</li></ul> <p>However, in many instances, agencies will not be aware of cases when it would be appropriate to issue warnings as they do not have effective triggers in place. For example, a warning may be appropriate if an employee is a frequent absentee on a Monday, but only 26.3% of agencies have triggers that would identify this trend. (Refer to Section 3.3 <i>Sickness Absence Triggers</i> for further comments on the subject of triggers).</p>
<b>Conclusion</b>	All agencies issue warnings. However, there are doubts about the effectiveness of the systems in operation for reviewing an employee's sickness absence and initiating appropriate action.
<b>Issue</b>	<i>Do the sickness absence procedures allow for formal disciplinary action of an employee with a consistently unsatisfactory attendance record?</i>
<b>Finding</b>	The sickness absence procedures of 70 (92.1%) of the respondents specifically allow for formal disciplinary action of an employee, after all other appropriate actions have been tried, where there has been no improvement in work attendance. There were 6 agencies who indicated that their sickness absence procedures did not cater for disciplinary action. Some of these are Schedule 1 PSMA, therefore the disciplining of public servants is allowed, but it would seem these respondents are not aware of this fact.

**Conclusion** The majority of agencies' sickness absence/employment procedures do allow for the formal disciplining of employees with consistently unsatisfactory attendance records. However, it appears that a number of agencies' procedures do not allow formal discipline in such cases, hindering them in effectively controlling sickness absence abuse.

**Issue** *Are other deterrents used to reduce levels of sickness absence?*

**Finding** Agencies are using a wide range of deterrents in an attempt to reduce and/or control sickness absence, refer Exhibit 34.

**Exhibit 34: Examples of Deterrents Used by Agencies**

- Interviewing employees upon return-to-work to reinforce the good attendance message.
- Monitoring of employees sickness absence records for frequency/patterns.
- Requiring medical certificates for absence exceeding a set number of consecutive days.
- Imposing medical certificate requirements for employees with questionable attendance records.
- Requesting HealthQuest to medically examine employees.
- Reviewing sickness absence as part of employment, promotion and transfer.
- Monetary penalties.

**Source:** The Audit Office Management of Sickness Absence Survey

However, while there are many deterrent tools, agencies do not apply them across the board. For example, an agency might monitor absences but does not take sickness absence into account as part of the merit selection process (refer *Section 6.2 Recruitment*).

**Conclusion** There are a wide variety of deterrents being applied by agencies to reduce the level of sickness absence. However, agencies tend not to have the full stock of deterrents on hand when they come to dealing with possible or actual abuse of sickness absence and consequently the effectiveness of the management of sickness is impaired.

### 7.3 Incentives

**Issue** *Are incentives used to reduce levels of sickness absence?*

**Finding** Just less than half (37 or 48.7%) of respondents stated that they have introduced some form of initiative to decrease the level of sickness absence.

Of these, only 10 (13.2%) agencies have what is considered “initiatives”, the other agencies describe policy/procedural matters or what are simply deterrents. The initiatives of the 10 agencies are outlined in the Exhibit 35 below.

#### **Exhibit 35: Agency Incentives**

- ❖ Distribution of a monthly newsletter - “Health Yourself”.
- ❖ Staff welfare officers.
- ❖ Provision of an on site gym.
- ❖ 5 agencies introduced staff well being/health awareness and assessment programs (massage, yoga, tai chi, organised team sport, health checks, gutbusters)
- ❖ 2 agencies instituted a prize scheme (however, despite an initial reduction in the level of sickness absence, this impact was not sustained and the schemes were discontinued at both agencies when sickness absence rose to former levels).

**Source:** The Audit Office Management of Sickness Absence Survey

There are Government incentives, taken on board by agencies, which include:

- employee assistance programs
- flexible work practices
- Family and Community Services Leave
- Personal/Carer’s Leave.

These Government incentives are discussed in more detail in Section 9.2 *Sickness Absence Entitlements Level in NSW Public Sector Compared with Private Sector*.

The survey did not receive a positive response to the question asking “*Has your organisation introduced any leading edge innovations....*”.

**Conclusion** Very few agencies have introduced any initiatives, or even investigated the cost-effectiveness of introducing initiatives, to decrease the level of sickness absence.

**Issue** *Are any initiatives to decrease the level of sickness absence monitored as to their effectiveness and efficiency?*

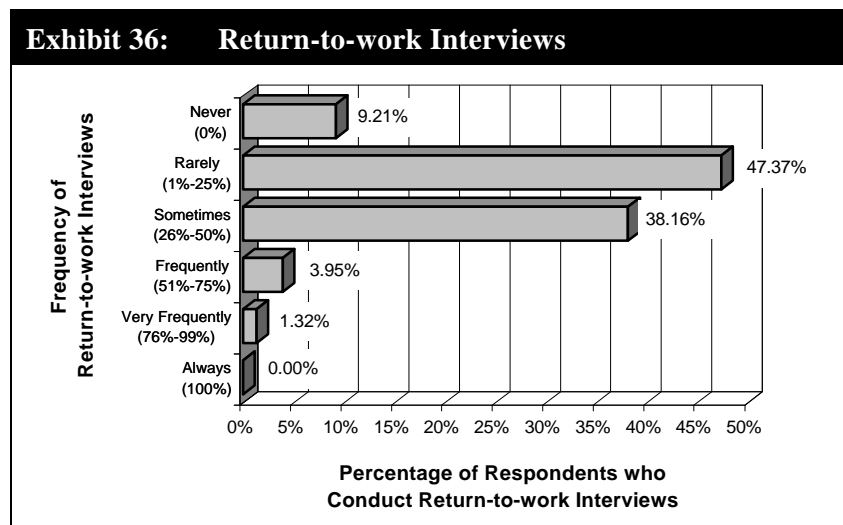
**Finding** Of the 37 agencies which said they had introduced initiatives to decrease sickness levels monitoring/reviewing the effectiveness of the initiatives was undertaken by only 25 (67.6%) agencies.

In terms of whole of government initiatives the PSMO was not able to produce evidence of the effectiveness of various initiatives to reduce sickness absence.

**Conclusion** PSMO and individual agencies are not seemingly monitoring the efficiency and effectiveness of initiatives.

**Issue** *Do agencies undertake return-to-work interviews following an employee's absence on sickness absence?*

**Finding** 69 (90.8%) agencies conduct return-to-work interviews.



**Source:** The Audit Office Management of Sickness Absence Survey

**Note:** 1996-97: n = 76.

The circumstances in which return to work interviews are held are:

- following a prolonged absence (44.9% of those agencies who responded “rarely” or “sometimes”)
- if frequency/pattern of absences is questionable or the reason given is unsatisfactory (31.9%)
- if modifications are required to the job or workplace (30.4%)
- following absence related to workers compensation (15.9%).

In the main, the interview is conducted by the employee's supervisor. However, in most cases (90%) the supervisor, or other person conducting the interview (eg human resources personnel or head of department) is not trained in techniques for conducting effective return-to-work interviews. In addition, at 94.2% of agencies, guidelines have not been provided to ensure consistency in the manner of conducting interviews.

The majority of agencies (41 or 59.4%) do not keep formal records of return-to-work interviews although at a latter stage a formal record could be of critical importance in disciplinary matters and/or medical retirements.

**Conclusion**

While most agencies do conduct return-to-work interviews in certain circumstances, training is generally not given in conducting effective return to work interviews and there is an absence of interview documentation for use in future monitoring and action.



## **8. Long-term Absence**

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## 8.1 Introduction

This Chapter examines and comments on long-term sickness absence.

## 8.2 Options

**Issue** *Do agencies have in place systems/triggers to identify long-term absence?*

**Finding** Only 24 (31.6%) respondent agencies have defined trigger points for situations involving long-term absence.

Long-term absence triggers are designed to highlight to the agency when employees may have an ongoing or serious medical condition and allowing the appropriate action to be taken as early as possible.

Possible actions include: staggered return to work; returning to alternate duties; working from home; medical examination (eg by HealthQuest); and medical retirement. Whatever the action taken, the early identification and appropriate actioning of long-term absence is necessary to manage sickness absence.

Exhibits 37 and 38 are examples of two different agencies handling of particular instances of long term absence.

### **Exhibit 37: Working from Home While Injured**

Employee Y sustained a serious ankle injury while on holidays. The prognosis was that it would be at a minimum 3 months before employee Y recovered from the injury. The employee lived in the country out of town and was incapable of driving to work because of the injury and alternative transport arrangements for attending work were not possible. Some 2 weeks after the accident when Employee Y was feeling better suitable arrangements were made for Employee Y to work from home whenever the employee felt capable of working. This resulted in Employee Y taking 1.5 months sickness absence, instead of the predicted 3 months.

**Source:** The Audit Office Management of Sickness Absence Fieldwork

**Exhibit 38: Medical Retirement**

Employee Z sustained a lower back injury at work in January 1996. From this time until July 1996 the employee worked 2 hours per day, 5 days per week on restricted duties. After this time Employee Z was on permanent workers' compensation related sickness absence until retirement. HealthQuest was not asked to examine Employee Z until almost one year later (April 1997). They advised in June 1997 that the employee had a permanent "pain disorder" and would be unable to discharge their duties. Employee Z was medically retired in June 1997.

**Source:** The Audit Office Management of Sickness Absence Fieldwork

<b>Conclusion</b>	The lack of triggers for long term absence may, and in one instance has, hindered agencies in making timely decisions regarding the various options available to the employer and employee.
<b>Issues</b>	<p><i>When is further notification required from employees if sickness absence is long-term?</i></p> <p><i>Is contact maintained with employees on long-term sickness absence?</i></p>
<b>Findings</b>	<p>Of the 69 responses received, 51 (73.9%) require notification prior to the expiration of the current medical certificate, and 16 (23.2%) stated that notification depended on the situation and/or the nature of the illness. 7 (9.2% of total respondents) agencies did not provide a response, suggesting that further notification in cases of longer-term absence is not required.</p> <p>Contact was maintained with employees on long-term sickness absence by 70 (92.1%) respondent agencies. Contact was made by one of the following means: the telephone (69 or 98.6% cases); and/or a visit to the ill employee (44 or 62.9% cases); and/or by writing to the employee (11 or 15.7% cases).</p> <p>There were 6 agencies who do not contact employees absent on sick leave. All these agencies do, however, require notification of long-term absence - 5 in the form of notification prior to the expiration of the current medical certificate, while 1 stated that it depended on the particular case.</p>
<b>Conclusion</b>	The lack of notification from employees of extended absence and/or not maintaining contact with agencies on long-term sickness absence could possibly hinder some agencies in assessing the true situation and making appropriate and timely decisions on employee retention.



## **9. Sickness Absence Entitlements**

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## 9.1 Introduction

This Chapter examines and comments on the sickness absence entitlements.

## 9.2 Sickness Absence Entitlements Level in NSW Public Sector Compared with Private Sector

<b>Issue</b>	<i>Are sickness absence entitlements more generous in the public sector than the private sector?</i>
<b>Finding</b>	<p>In the private sector the minimum sickness absence entitlement by law is 8 days per annum. While this seems to be the norm, there are organisations which give more.</p> <p>In addition to annual entitlements, some private sector employees may also be granted further sickness absence through:</p> <ul style="list-style-type: none"><li>• temporary disablement provisions of superannuation plans</li><li>• senior management being able to approve special sick leave for an employee having regard to productivity/performance.</li></ul> <p>In the NSW public sector the norm is 15 days per annum. This was the case for 58 (76%) of the survey respondents. Any unused component of the annual entitlement is fully cumulative, without there being any accumulation cap.</p> <p>While the superannuation option does not generally exist for the NSW public sector, additional sickness absence (22 days paid leave for every decade of employment) is available after normal sickness absence entitlements are exhausted.</p> <p>It would seem, however, that the level of sickness absence entitlement has little or no effect on the majority of NSW public sector staff (in 1996-97; 27% of the workforce recorded no sickness absence, while only 21% of staff claimed 10 days or more).</p> <p>The position of basic entitlements is summarised in the following table.</p>

<b>Exhibit 39: Public (NSW)/Private Sector Employee Leave Entitlements</b>				
<b>Leave Type</b>	<b>NSW Public Sector Entitlements</b>		<b>Private Sector Entitlements</b>	
	<b>Days</b>	<b>%</b>	<b>Days</b>	<b>%</b>
<i>The number of days in a year that on average an employee (Note 1) is available to work (Note 2)</i>	261.0	100.0	261.0	100.0
<b>Less</b>				
<i>Extended (Long Service) Leave</i>	11.0	4.2	4.0	1.5
<i>Family and Community Services/Compassionate Leave</i>	2.5	1.0	2.0	0.8
<i>Public/Picnic Holidays (Note 3)</i>	11.5	4.4	11.0	4.4
<i>Recreation (Annual) Leave</i>	20.0	7.7	20.0	7.7
<i>Sick Leave</i>	15.0	5.7	8.0	3.1
<i>The number of days in a year that on average an employee (Note 1) can actually be at work if leave entitlements are fully taken each year (Note 2)</i>	201.0	77.0	216.0	82.8

- Source:**
1. The Award
  2. NSW Department of Industrial Relations

**Notes:**

1. The “average” employee is assumed here to be a full-time permanent employee working a 5 day week, ie Monday to Friday, and has worked for 15 years with the one employer.
2. This is not an all inclusive list of leave benefits available to employees for example maternity/paternity leave, jury service leave, study leave and leave without pay have been excluded.
3. The Anzac public holiday is assumed to occur within the period Monday to Friday.

The NSW WorkCover Authority was the only agency coming to notice which had “special” arrangements to cater for additional paid sickness absence, refer Exhibit 40.

<b>Exhibit 40: NSW WorkCover Authority Mutual Leave Fund</b>
<p>Safety inspectors at WorkCover, under an Enterprise Agreement in late 1992, have a sickness absence Mutual Leave Fund. Affected employees contributed 3 days from their annual sickness absence entitlements to the Mutual Leave Fund to maintain a sickness absence float of between 1,500 and 2,100 days (minimum and maximum Fund balance respectively). A claim can be made on the fund if normal sickness absence entitlements are exhausted and the employee has been absent from work for a period of 10 consecutive days (this time period qualification can be waived). Since establishment of the fund until 31 December 1997 2,041 sickness absence days were contributed by employees while claims on the fund have amounted to 578 days.</p>

**Source:** WorkCover Authority

On the other hand, one agency, State Transit Authority (STA), has implemented arrangements to reduce the level of employee sickness absence entitlements in order to manage the level of sickness absence, refer Exhibit 41.

#### **Exhibit 41: The Impact of STA's Reduction of Sickness Absence Entitlements**

The employees of the STA are covered by a series of Enterprise Bargaining Agreements. Taking the Enterprise Bargaining Agreement for bus operators (which accounts for approximately three quarters of the STA workforce) as an example, employees have agreed to reduced entitlements for sickness absence from 15 days per year to a graduated scale, as follows:

<b>Sickness Absence Entitlements</b>	
Current employees	15 days
New employees with less than 5 years service	8 days
New employees with 5 to 7 years service	10 days
New employees with greater than 7 years service	15 days

The impact of this reduction of entitlements can be examined. The new sickness absence entitlement system for bus operators came into effect on 1 February 1995 and now covers approximately 25% of operators. The table below compares average sickness absence levels of bus operators who were STA employees as at 1/2/95 (those operators entitled to 15 days sickness absence per year) with new employees (currently entitled to 8 days per year).

<b>Average Number Of Sickness Absence Days Per Employee</b>				
	<b>Employees Current as at 1/2/95</b>	<b>Employees New since 1/2/95</b>	<b>Variation</b>	
			<b>Days</b>	<b>%</b>
<b>Including all sickness absence:</b>				
1/7/95 - 30/6/96	11.3 days (75% of Annual Entitlement)	6.1 days (76% of Annual Entitlement)	(5.2 days)	(46.0%)
1/7/96 - 30/6/97	10.9 days (73% of Annual Entitlement)	6.9 days (86% of Annual Entitlement)	(4.0 days)	(36.7%)

**Source:** STA

The Audit Office was advised that the negotiated reduction in sick leave entitlements was undertaken because STA:

- wanted to bring the bus operators entitlements into line with that of private sector bus operators
- had observed that there was a direct correlation between the level of entitlement available to employees and employees' absence.



While there have been various initiatives to reduce the incidence of sickness absence, in the main their success does not seem to have been measured and it is not apparent.

In 1980 flexi time was introduced in the NSW public sector (Flexible Working Hours Agreement of 1980) and variations to the standard agreement have occurred via awards and agreements. Flexi time is seen as a way of increasing organisational productivity and performance, ie staff can have flex days instead of sickness absence days for family and personal responsibilities.

Flexible working hours arrangements applied in 64 (84.2%) of the 76 survey respondents (44 agencies use the public sector standard, ie 1980 Agreement). An analysis of the number of sickness absence days per employee in 1996-97 (for those agencies who could supply the data for this calculation) showed that the flexible working hours agencies (50) had an average of 7.05 days per employee. While non flexible hours agencies (10) had an average of 7.4 (the average for both types of agencies was 7.2).

In 1994 Short leave was revised and became Family and Community Service (FACS) leave, the latter now becoming available for use for family responsibilities. Since its introduction, the level of FACS leave taken per employee has continued to rise. In the two year period 1995-96 to 1996-97 the average FACS leave per employee has risen by 84.6% (from 0.26 days to 0.48 days).

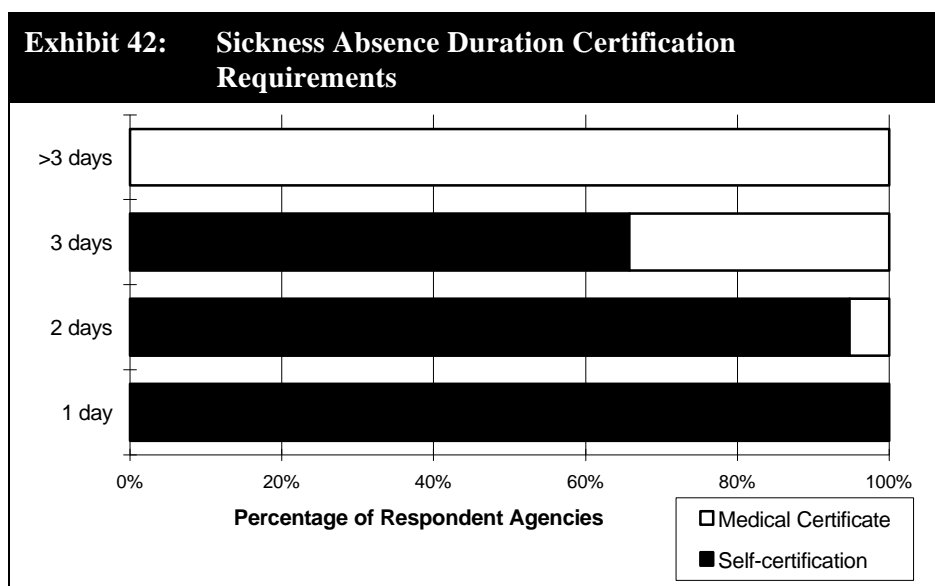
In 1996 Personal/Carer's Leave also became available. Up to 60 days sick leave can be used for this and, in special circumstances, more. This particular additional benefit was introduced to reduce sickness absence being taken to care for family members. This leave is being progressively introduced as new awards are agreed/implemented. At present it appears that only 33 (43.4%) agencies have this leave in operation based upon survey responses. Leave taken was 2,685.25 days in total which is 0.029 days per employee, ie it is slight at present although it can be assumed that its use will increase.

**Conclusion** It is not apparent that the introduction of flexible working hours and FACS has reduced sickness absenteeism. On that basis it is difficult to say whether the potential benefits to be gained by the flexible working hours and FACS initiatives have been fully realised.

### 9.3 Sickness Absence Certification in NSW Public Sector Compared with Private Sector

**Issue** *Are sickness absences in the main self certified and are the requirements for the production of medical certificates in the private sector similar to the public sector?*

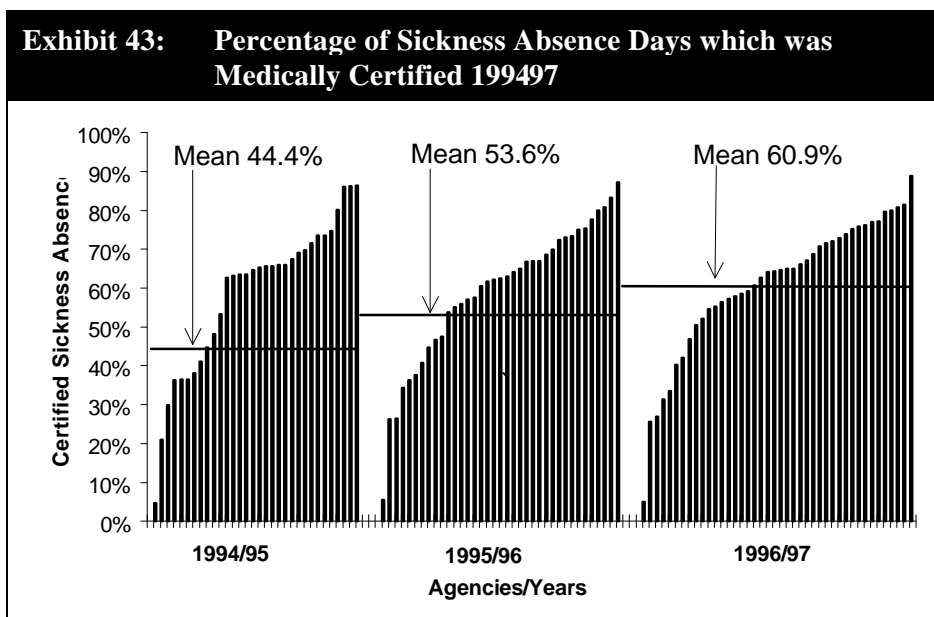
**Finding** The requirement for the production of medical certificates by the survey respondents for sickness absence of varying consecutive days duration is shown in Exhibit 42.



**Source:** The Audit Office Management of Sickness Absence Survey

**Note:** 1996-97: n = 76.

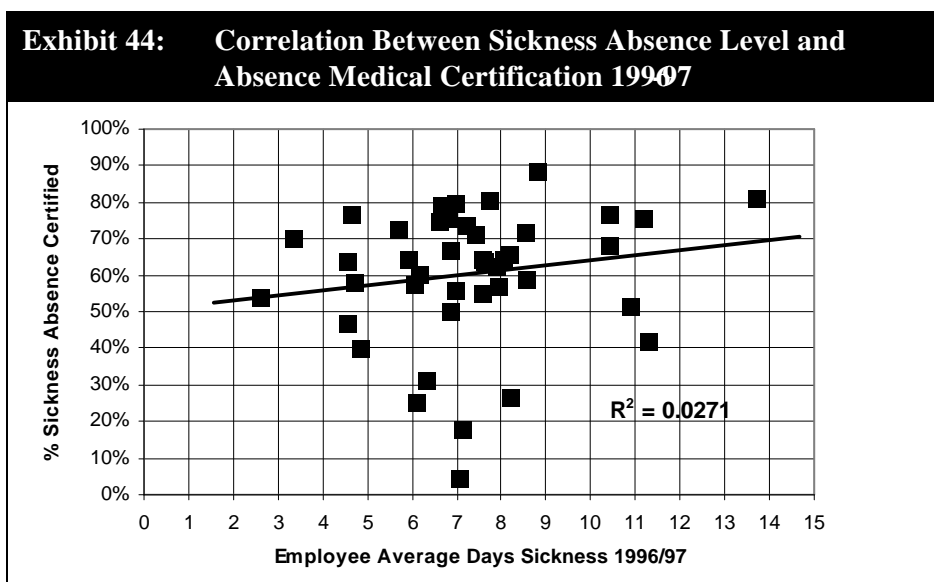
There are wide variations between individual agencies in the level of absence which was medically certified in the period 1994-95 to 1996-97, ranging from a minimum of 4.7% to a maximum of 88.8%. The percentage of sickness absence days taken which were medically certified has risen from 44.4% to 60.9% over the review period.



**Source:** The Audit Office Management of Sickness Absence Survey

**Note:** 1994-95: n = 32; 1995-96: n = 37; 1996-97: n = 42.

There is no correlation between the level of sickness absence and medical certification in agencies ie a high level of medical certification did not mean that an agency had a low level of sickness and vice versa.



**Source:** The Audit Office Management of Sickness Absence Survey

**Note:** 1996-97: n = 42.

The average length of a sickness absence incident is 1.9 days roundly, that is, less than the duration of absence (more than 3 days) that requires a medical certificate (refer Section 2.2 *Level of Sickness Absence NSW Public Sector* for further comment on severity scale).

Exhibit 45 provides a comparison of data relating to medical certification of sickness absence received from two private sector agencies as part of this audit, with that the NSW public sector.

<b>Exhibit 45: Comparison of NSW Public Sector and Private Sector Sickness Absence Certification Requirements</b>			
<b>Medical Certification Requirements</b>	<b>Private Sector 1</b>	<b>Private Sector 2</b>	<b>NSW Public Sector</b>
Absence Duration of Consecutive Days Exceeding	2 days	2 days	3 days (Note 1)
All Absence in a 12 Month Period Once Set Absence Total Reached	4 days set absence total	6 days set absence total	- (Note 2)
Before/after public holidays, rostered days off and annual leave	every occasion	after 2 occasions in a 12 month period	- (Note 3)

**Source:** The Audit Office Management of Sickness Absence Fieldwork

**Notes**

1. Applies to roundly 70% of public servants (in the Health area, some 30% of public sector workforce, it is 2 days).
2. A medical certificate is only required to support all sickness absence if it is determined that an employees sickness absence record is unsatisfactory.
3. Roundly 15% of the public sector workforce is required to produce a medical certificates for sickness absences before or after public holidays, rostered day off and annual leave.

**Conclusion** Overall a notable proportion of leave is medically certified but there are wide variances between agencies. Based on the two samples, the public sector is less stringent than the private sector in obtaining medical certification of absences.

## **Appendices**

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## 10.1 The Audit Office Survey

### 10.1.1 Agencies Surveyed

Exhibit 46 below details the agencies surveyed and the date agency responses were received by The Audit Office.

<b>Exhibit 46: Agencies Surveyed and the Timeliness of Response Received</b> <i>Note (a)</i>	
<b>Agency</b>	<b>Date Response Received</b>
Adult Migrant English Service	19/01/98
Advance Energy	no response
Ambulance Service of NSW	16/12/97
Attorney General's Department	05/01/98
The Audit Office of NSW <i>Note (b)</i>	21/11/97
Australia Inland Energy	22/01/98
Australia Museum Trust	no response
Central Coast Area Health Service	11/12/97
Central Sydney Area Health Service	18/12/97
Corrections Health Service	22/01/98
Delta Electricity	05/01/98
Department of Agriculture	01/12/97
Department of Community Services	10/12/97
Department of Corrective Services	11/12/97
Department of Fair Trading	16/12/97
Department of Gaming and Racing	05/12/97
Department of Housing	22/12/97
Department of Industrial Relations	no response
Department of Juvenile Justice	11/12/97
Department of Land and Water Conservation	28/01/98
Department of Mineral Resources	10/12/97
Department of Public Works and Services	23/12/97
Former Department of School Education	19/12/97
Department of Sport and Recreation	16/12/97
Department of State and Regional Development	11/12/97
Former Department of Training and Education Co-ordination	19/12/97
Department of Transport	10/12/97
Department of Urban Affairs and Planning	27/01/98
EnergyAustralia	16/12/97
Environment Protection Authority	10/12/97
Far West Area Health Service	12/12/97
FreightCorp	16/12/97

<b>Exhibit 46: Agencies Surveyed and the Timeliness of Response Received (continued) Note (a)</b>	
<b>Agency</b>	<b>Date Response Received</b>
Great Southern Energy	no response
Greater Murray Health Service	22/01/98
Home Care Service of NSW	16/12/97
Hunter Area Health Service	05/01/98
Hunter Water Corporation	11/12/97
Illawarra Area Health Service	05/12/97
Integral Energy	no response
Land Titles Office	08/12/97
Legal Aid Commission of NSW	05/01/98
Macquarie Area Health Service	16/12/97
Macquarie Generation	03/02/98 <i>Note (d)</i>
Mid North Coast Health Service	19/01/98
Mid Western Health Service	12/01/98
National Parks and Wildlife Service	10/12/97
The New Children's Hospital	07/01/98
New England Health Service	05/12/97
Northern Rivers Health Service	<i>Note (e)</i>
Northern Sydney Area Health Service	08/12/97
Northpower	04/12/97
NSW Fire Brigades	16/12/97
NSW Fisheries	22/12/97
NSW Health Department	14/12/97
NSW Lotteries Corporation	11/12/97
NSW Police Service	19/12/97
NSW TAFE Commission	17/12/97
NSW Treasury - Office of Financial Management	19/12/97
Office of Protective Commissioner and Public Guardian	22/12/97
Office of the Board of Studies	16/12/97
Office of the Director of Public Prosecutions	15/01/98
Pacific Power	13/02/98 <i>Note (d)</i>
Powerhouse Museum	16/12/97
Premier's Department <i>Note (c)</i>	20/07/98 <i>Note (d)</i>
Public Trust Office	24/12/97

<b>Exhibit 46: Agencies Surveyed and the Timeliness of Response Received (continued) Note (a)</b>	
<b>Agency</b>	<b>Date Response Received</b>
<b>Rail Services Authority of NSW</b>	06/01/98
<b>Roads and Traffic Authority</b>	23/12/97
<b>Royal Botanic Gardens and Domain Trust</b>	05/01/98
<b>South Eastern Sydney Area Health Service</b>	23/12/97
<b>South Western Sydney Area Health Service</b>	14/01/98
<b>Southern Health Service</b>	<b>no response</b>
<b>State Forests of NSW</b>	19/01/98
<b>State Library of NSW</b>	14/01/98
<b>State Rail Authority of NSW</b>	24/12/97
<b>State Transit Authority</b>	05/12/97
<b>Superannuation Administration Authority</b>	08/12/97
<b>Sydney Opera House Trust</b>	23/12/97
<b>Sydney Ports Corporation</b>	02/12/97
<b>Sydney Water Corporation</b>	17/12/97
<b>TransGrid</b>	11/12/97
<b>Valuer-General's Office</b>	18/12/97
<b>Waterways Authority</b>	08/12/97
<b>Wentworth Area Health Service</b>	10/12/97
<b>Western Sydney Area Health Service</b>	05/01/98
<b>WorkCover Authority</b>	10/12/97
<b>Zoological Parks Board of NSW</b>	16/12/97

**Source:** The Audit Office Management of Sickness Absence Survey

- Notes:**
- (a) The survey was issued via mail on 10 November 1997 and the return date for receipt of completed surveys by The Audit Office was 5 December 1997. The final cut off date for the receipt of questionnaires was eventually set as being close of business on 28 January 1998 because of response slowness.
  - (b) The Audit Office of NSW was used as the pilot agency for trialing the survey.
  - (c) The Premier's Department was the liaison agency for this performance audit.
  - (d) Responses to the survey by Macquarie Generation, Pacific Power and the Premier's Department were received by The Audit Office after the advertised expiry date for lodgement of returns. The response details do not therefore, form part of the analyses included within the report or the conclusions drawn.
  - (e) Northern Rivers health Service was unable to respond as absence of integrated system and inconsistent policies and procedures (due to historical requirements of earlier management) for sickness absence and its management affected provision of quantitative and qualitative information.

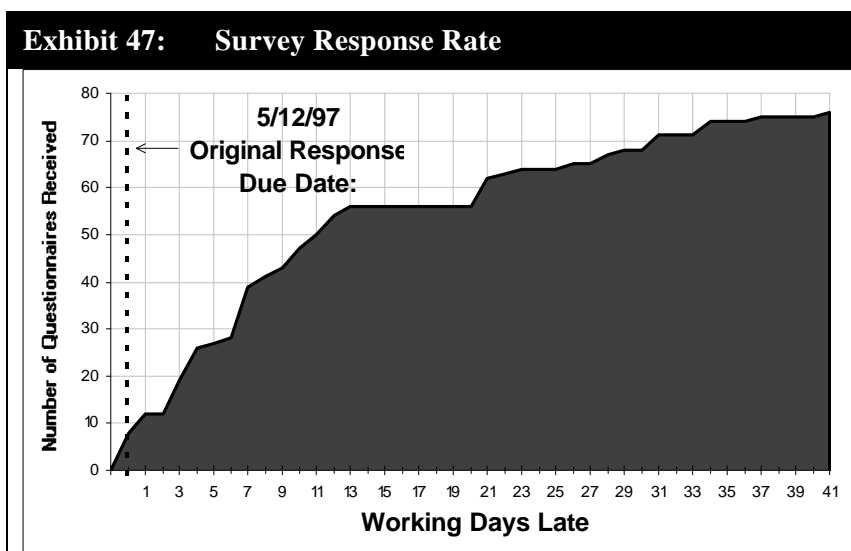


As Exhibit 46 shows, there were 86 questionnaires issued to agencies covering some 95% of NSW public sector employees, via mail on 10 November 1997. The survey had 76 respondents, giving an overall response rate of 88%. However, there are issues associated with the timeliness and quality of responses which are of sufficient importance to warrant detailed comment. This is provided in the following sections.

### 10.1.2 Timeliness and Quality of Response to Survey

#### Timeliness of Survey Responses

The deadline for survey responses was originally set as being the close of business on 5 December 1997, the surveys having been issued via mail on 10 November 1997. However the slowness of survey response receipt forced the final deadline for responding to be set back to 28 January 1998. This was because at the original response deadline The Audit Office had only received 8 survey responses, while at 7 working days late (16 December 1997) only 50% of responses to the survey had been received, refer Exhibit 47.



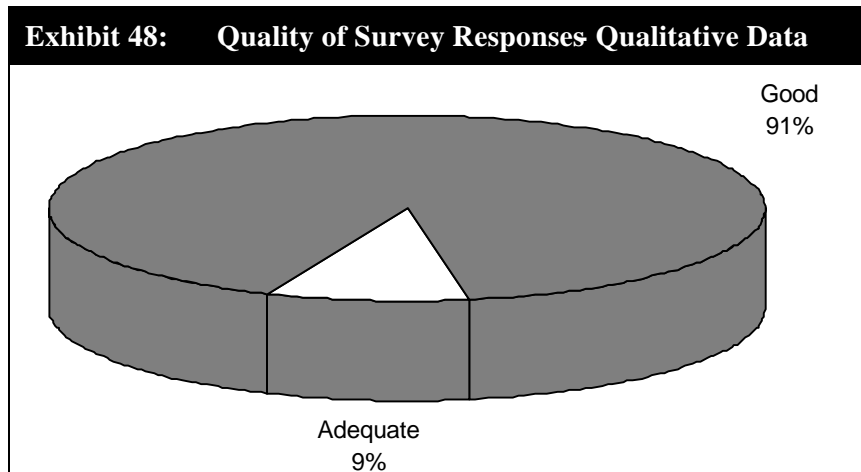
**Source:** The Audit Office Management of Sickness Absence Survey

**Note:** n = 76.

As previously mentioned, 76 survey responses had been received at the amended and final deadline date of 28 January 1998. A further 3 agencies responded after the final deadline. Seven agencies did not respond to the survey at all, despite follow-up telephone calls in December 1997 and January 1998. While one agency formally advised it was unable to respond.

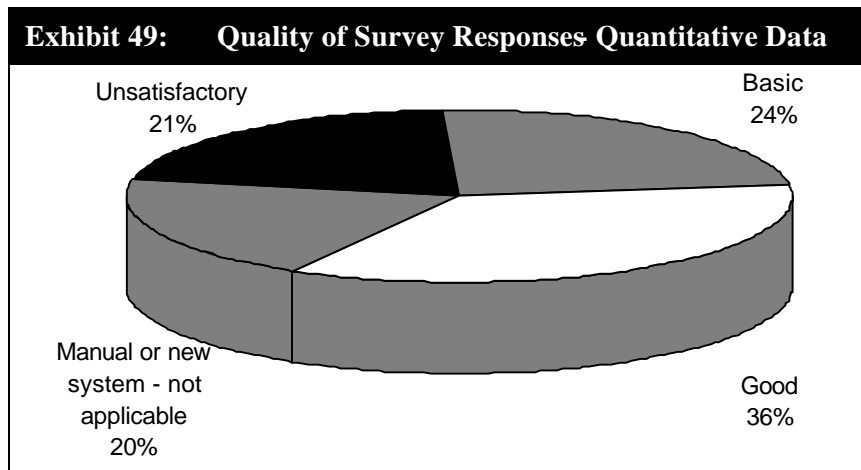
**Quality of Survey Responses**

In terms of qualitative information on the management of sickness absence supplied by agencies, approximately 91% of the survey responses were assessed as “good” while 9% were assessed as “adequate”. However, the quality of the quantitative sickness absence data returned was not as high. Only 59% of agencies could supply “basic” or “good” quality data. These matters are illustrated in Exhibits 48 and 49.



**Source:** The Audit Office Management of Sickness Absence Survey

**Note:** n = 76.



**Source:** The Audit Office Management of Sickness Absence Survey

**Note:** n = 76.

**Impact on Audit Efficacy** The efficacy of the conduct of the audit was impacted upon by these timeliness and quality matters as considerable effort had to be expended on contacting agencies via telephone and, in some cases, by facsimile to:

- encourage agencies to respond to the survey
- obtain missing qualitative and quantitative information in the survey response.

There are various interpretations that can be placed on the failure to respond and/or the inadequacy of the response by some agencies including:

- lack of information necessary/appropriate for sickness absence to be effectively managed
- lack of interest in improving NSW public sector performance by being a participant in surveys which are conducted with this objective in mind.

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### 10.3. Glossary of Terms

<b>Absence Rate (Working Days “Lost”)</b>	The absence rate (also referred to as the percentage of employees away on an average day) is calculated as: $\frac{\text{number of sickness absence days (for all employees)}}{\text{number of working days (ie employees} \times \text{working days)}}$
<b>Absences Displaying Trends</b>	Absence trends include absences which frequently fall on a particular day of the week (eg majority of absences fall on a Monday) or absences which fall on the days prior to or after a public holiday or a rostered-day-off.
<b>Average Sickness Absence Days per Employee</b>	Sickness absence days per employee (also referred to as days absence or lost time rate) is calculated as: $\frac{\text{number of sickness absence days}}{\text{number of employees}}$ <p>This is the arithmetic average or arithmetic mean and is one measure of central tendency.</p>
<b>Blue Collar</b>	Includes persons employed as tradespersons, plant/machine operators, labourers and other related workers.
<b>Certification</b>	Certified sickness absence means: <ul style="list-style-type: none"><li><input type="checkbox"/> for any sickness absence - a certificate issued by a registered medical practitioner</li><li><input type="checkbox"/> for sickness absence to a maximum of one week duration - a certificate issued by a registered dentist, optometrist, chiropractor, osteopath, physiotherapist, or oral and maxillo facial surgeon.</li></ul>
<b>Day of Week (of absence)</b>	Day week (of absence) refers to the day of the week an employee’s absent on sickness absence occurred/began (eg Monday, etc).
<b>Direct Cost per Sickness Absence Day</b>	The cost of sickness absence is calculated as: $\text{cost of salaries} \times \frac{\text{number of sickness absence days}}{\text{number of working days} \times \text{number of employees}}$
<b>Duration (of absence)</b>	For the purposes of this report, duration (of absence) refers to the length of absence in days.

<b>Family and Community Service Leave (FACS)</b>	<p>The <i>Personnel Handbook</i> describes Family and Community Service Leave as leave which may be granted by the Department Head to employees:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> for reasons related to family responsibilities</li> <li><input type="checkbox"/> for the performance of community service, or</li> <li><input type="checkbox"/> in cases of pressing necessity.</li> </ul>
<b>Health Declaration</b>	<p>A health declaration is an assertion made by the employee (in writing) regarding any illness, disability or condition which may affect the employees ability to carry out the duties of their position.</p>
<b>Income Protection Insurance</b>	<p>A premium is paid to ensure that remuneration levels are maintained for a period because of unemployment or when illness or injury prevent a person from normal working and associated income receipt.</p>
<b>Initiatives</b>	<p>Initiatives is a broad term used to describe any incentives/deterrents (for example campaigns and programs) introduced to assist in the reduction of sickness absence levels.</p>
<b>Leave Bank</b>	<p>A leave bank is a scheme whereby employees receive an annual “bank” of paid time to be used for absence (eg sickness, recreation) rather than separate entitlements for each leave type. Each employee must manage their leave bank and may use it at their own discretion. When the leave bank balance is nil any further leave requirements will be unpaid. However, management has the discretion to grant further paid leave having regard to the employee’s performance/productivity.</p>
<b>Medical Certificate Requirement</b>	<p>Medical certificate requirement describes a situation where an employee is required to produce medical certificates for all sickness absence absences, regardless of duration.</p>
<b>NSW Public Sector</b>	<p>The NSW Public Sector from a whole of government point of view, for the purposes of this audit, encompasses:</p> <ul style="list-style-type: none"> <li>• Budget Sector Agencies, ie those units of government which: <ul style="list-style-type: none"> <li>↳ rely predominantly on the State Budget for direct funding (that is approximately 50% or more of the total funding for each agency is provided by the Consolidated Fund) of operations rather than user charges</li> <li>↳ are generally known as departments as defined by Section 45A(1) of the Public Finance and Audit Act 1983 and are listed in Schedule 3 of the Act</li> </ul> </li> </ul>

- Non Budget Sector Agencies, ie those units of government which:
  - ↳ other than Budget Sector Agencies which rely predominantly on user charges to fund operations and their capital works from borrowings and internal funds
  - ↳ are generally known as statutory bodies as defined under Section 39(1) of the Public Finance and Audit Act 1983 and are listed in Schedule 2 of the Act
  - ↳ include Company and Statutory State Owned Corporations, for example Sydney Water Corporation Limited, electricity distributors, rail and port authorities
- entities, for example companies, which are controlled by Budget and Non Budget Sector Agencies.

However, excluded from the foregoing are all entities where it is considered that the State does not have “control” over day-to-day financial and operating policies and activities, for example universities.

<b>Percentage of Employees Away</b>	See <b>Absence Rate</b> above.
<b>Personal/Carer’s Leave</b>	The <i>Personnel Handbook</i> describes Personal/Carer’s Leave as leave which may be granted to employees to take leave of absence to either provide care and support for a defined person who is ill or for personal reasons.
<b>Personnel Handbook</b>	The <i>Personnel Handbook, Public Service of New South Wales, December 1997 Edition</i> , provides guidance on legislation, awards, agreements and determinations relating to conditions of employment in the NSW public service.
<b>Return-to-work Interviews</b>	A return-to-work interview is a discussion, either formal or informal, conducted with an employee after a period of absence.
<b>Self-certification (of sickness absence)</b>	Self-certification describes a situation where an employee, returned from sickness absence, provides a reason for the absence and an assertion that the illness was genuine (usually on the sickness absence application form), not a medical certificate. While circumstances where self-certification is permissible vary between agencies, in general the public sector standard as per the <i>Personnel Handbook</i> allows for self-certification for absences of 3 consecutive days or less.



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<b>Severity Index/Scale</b>	The severity index is calculated as: $\frac{\text{number of sickness absence days}}{\text{number of sickness absence incidents}}$
<b>Sickness Absence</b>	The term sickness absence for the purposes of this Report only includes an absence from place of employment because of the employee's illness or injury for which sick leave entitlement is used, that is personal/carer's absences from work by employees for which sick leave entitlement is used are excluded.
<b>Sickness Absence Day(s)</b>	Sickness absence day(s) is the day(s) of absence from place of employment for which sickness absence entitlement is used.
<b>Sickness Absence Cost as a Percentage of Salaries</b>	The cost of sickness absence as a percentage of salaries is calculated as: $\frac{\text{direct cost of sickness absence (see above)}}{\text{cost of salaries}}$
<b>Sickness Absence Incident(s)</b>	A sickness absence incident is any period (ie up to one day, one day, or greater than one consecutive day) of absence from place of employment for which sickness absence entitlement is used.  The distinction between Sickness Absence Day and Sickness Absence Incident is demonstrated in the following example: An employee takes four (4) consecutive days of sickness absence. This absence equates to: <ul style="list-style-type: none"> <li>• four (4) Sickness Absence Days; and</li> <li>• one (1) Sickness Absence Incident.</li> </ul>
<b>Sickness Absence Incident per Employee</b>	Sickness absence incidents per employee is calculated as: $\frac{\text{number of sickness absence incidents}}{\text{number of employees}}$
<b>Sickness Absence Policy</b>	The Sickness Absence Policy articulates the organisation's attitude to sickness absence.
<b>Sickness Absence Procedures</b>	Sickness Absence Procedures are instructions/guidelines which provide the means of implementing the organisations attitude to sickness absence. They outline the steps for dealing with sickness absence issues and detail alternative courses of action.
<b>Target(s)</b>	A target for sickness absence is a benchmark against which to measure the success of management procedures and provide a goal for which to aim.
<b>Trigger Point(s)</b>	Trigger points are benchmarks used to assess inappropriate or excessive levels of sickness absence.

<b>Warnings</b>	A warning may be given to an employee when explanations for continued poor attendance are deemed to be unsatisfactory and/or when unexplained absence patterns have been identified.
<b>White Collar</b>	Includes persons employed in managerial, professional, associate professional and clerical roles.

**10.4. Acronyms**

<b>CED</b>	Cullen, Egan and Dell Limited
<b>HRM</b>	HRM Consulting Limited
<b>EBAs</b>	Enterprise Bargaining Agreements
<b>EFT</b>	Effective fulltime
<b>FACS</b>	Family and Community Service Leave
<b>NSW</b>	New South Wales
<b>PSMA</b>	Public Sector Management Act 1988
<b>PSMO</b>	Public Sector Management Office
<b>SES</b>	Senior Executive Service
<b>STA</b>	NSW State Transit Authority
<b>the Award</b>	Crown Employees (Public Sector Conditions of Employment 1997) Award.

## Performance Audit Reports

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Agency or Issue Examined	Title of Performance Audit Report or Publication	Date Tabled in Parliament or Published
Department of Housing	<i>Public Housing Construction: Selected Management Matters</i>	5 December 1991
Police Service, Department of Corrective Services, Ambulance Service, Fire Brigades and Others	<i>Training and Development for the State's Disciplined Services: Stream 1 - Training Facilities</i>	24 September 1992
Public Servant Housing	<i>Rental and Management Aspects of Public Servant Housing</i>	28 September 1992
Police Service	<i>Air Travel Arrangements</i>	8 December 1992
Fraud Control	<i>Fraud Control Strategies</i>	15 June 1993
HomeFund Program	<i>The Special Audit of the HomeFund Program</i>	17 September 1993
State Rail Authority	<i>Countrylink: A Review of Costs, Fare Levels, Concession Fares and CSO Arrangements</i>	10 December 1993
Ambulance Service, Fire Brigades	<i>Training and Development for the State's Disciplined Services: Stream 2 - Skills Maintenance Training</i>	13 December 1993
Fraud Control	<i>Fraud Control: Developing an Effective Strategy</i> (Better Practice Guide jointly published with the Office of Public Management, Premier's Department)	30 March 1994
Aboriginal Land Council	<i>Statutory Investments and Business Enterprises</i>	31 August 1994
Aboriginal Land Claims	<i>Aboriginal Land Claims</i>	31 August 1994
Children's Services	<i>Preschool and Long Day Care</i>	10 October 1994
Roads and Traffic Authority	<i>Private Participation in the Provision of Public Infrastructure</i> (Accounting Treatments; Sydney Harbour Tunnel; M4 Tollway; M5 Tollway)	17 October 1994
Sydney Olympics 2000	<i>Review of Estimates</i>	18 November 1994
State Bank	<i>Special Audit Report: Proposed Sale of the State Bank of New South Wales</i>	13 January 1995
Roads and Traffic Authority	<i>The M2 Motorway</i>	31 January 1995
Department of Courts Administration	<i>Management of the Courts: A Preliminary Report</i>	5 April 1995

<b>Agency or Issue Examined</b>	<b>Title of Performance Audit Report or Publication</b>	<b>Date Tabled in Parliament or Published</b>
Joint Operations in the Education Sector	<i>A Review of Establishment, Management and Effectiveness Issues (including a Guide to Better Practice)</i>	13 September 1995
Department of School Education	<i>Effective Utilisation of School Facilities</i>	29 September 1995
Luna Park	<i>Luna Park</i>	12 October 1995
Government Advertising	<i>Government Advertising</i>	23 November 1995
Performance Auditing In NSW	<i>Implementation of Recommendations; and Improving Follow-Up Mechanisms</i>	6 December 1995
Ethnic Affairs Commission	<i>Administration of Grants (including a Guide To Better Practice)</i>	7 December 1995
Department of Health	<i>Same Day Admissions</i>	12 December 1995
Environment Protection Authority	<i>Management and Regulation of Contaminated Sites: A Preliminary Report</i>	18 December 1995
State Rail Authority of NSW	<i>Internal Control</i>	14 May 1996
Building Services Corporation	<i>Inquiry into Outstanding Grievances</i>	9 August 1996
Newcastle Port Corporation	<i>Protected Disclosure</i>	19 September 1996
Ambulance Service of New South Wales	<i>Charging and Revenue Collection (including a Guide to Better Practice in Debtors Administration)</i>	26 September 1996
Department of Public Works and Services	<i>Sale of the State Office Block</i>	17 October 1996
State Rail Authority	<i>Tangara Contract Finalisation</i>	19 November 1996
NSW Fire Brigades	<i>Fire Prevention</i>	5 December 1996
State Rail	<i>Accountability and Internal Review Arrangements at State Rail</i>	19 December 1996
Corporate Credit Cards	<i>The Corporate Credit Card (including Guidelines for the Internal Control of the Corporate Credit Card)</i>	23 January 1997
NSW Health Department	<i>Medical Specialists: Rights of Private Practice Arrangements</i>	12 March 1997
NSW Agriculture	<i>Review of NSW Agriculture</i>	27 March 1997
Redundancy Arrangements	<i>Redundancy Arrangements</i>	17 April 1997
NSW Health Department	<i>Immunisation in New South Wales</i>	12 June 1997
Corporate Governance	<i>Corporate Governance</i>	17 June 1997

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<b>Agency or Issue Examined</b>	<b>Title of Performance Audit Report or Publication</b>	<b>Date Tabled in Parliament or Published</b>
	<i>Volume 1 : In Principle Volume 2 : In Practice</i>	
Department of Community Services and Ageing and Disability Department	<i>Large Residential Centres for People with a Disability in New South Wales</i>	26 June 1997
The Law Society Council of NSW, the Bar Council, the Legal Services Commissioner	<i>A Review of Activities Funded by the Statutory Interest Account</i>	30 June 1997
Roads and Traffic Authority	<i>Review of Eastern Distributor</i>	31 July 1997
Department of Public Works and Services	<i>1999-2000 Millennium Date Rollover: Preparedness of the NSW Public Sector</i>	8 December 1997
Sydney Showground, Moore Park Trust	<i>Lease to Fox Studios Australia</i>	8 December 1997
Department of Public Works and Services	<i>Government Office Accommodation</i>	11 December 1997
Department of Housing	<i>Redevelopment Proposal for East Fairfield (Villawood) Estate</i>	29 January 1998
NSW Police Service	<i>Police Response to Calls for Assistance</i>	10 March 1998
Fraud Control	<i>Status Report on the Implementation of Fraud Control Strategies</i>	25 March 1998
Corporate Governance	<i>On Board: guide to better practice for public sector governing and advisory boards (jointly published with Premier's Department)</i>	7 April 1998
Casino Surveillance	<i>Casino Surveillance as undertaken by the Director of Casino Surveillance and the Casino Control Authority</i>	10 June 1998
Office of State Revenue	<i>The Levying and Collection of Land Tax</i>	5 August 1998
NSW Public Sector	<i>Management of Sickness Absence NSW Public Sector Volume 1: Executive Briefing Volume 2: The Survey - Detailed Findings</i>	August 1998

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