



AUDITOR-GENERAL
AUSTRALIAN CAPITAL TERRITORY



PA 03/16

2 August 2004

The Speaker
ACT Legislative Assembly
Civic Square, London Circuit
CANBERRA ACT 2601

Dear Mr Speaker

I am pleased to forward to you a Performance Audit Report titled '**Leave Management**', conducted under the authority contained in the *Auditor-General Act 1996*.

I would appreciate it if you could arrange for the tabling of the Report in the Legislative Assembly pursuant to Section 17(4) of the *Auditor-General Act 1996*.

Yours sincerely

Tu Pham
Auditor-General

ACT Auditor-General's Office

Performance Audit Report

Leave Management

August 2004

Table of Contents

1. REPORT SUMMARY.....	1
Audit opinions	2
Recommendations and response to the report	2
2. AUDIT FINDINGS	7
Audit approach.....	7
Legislative and policy framework for leave management.....	7
Overview of findings	10
Attendance recording.....	10
The leave application and approval process	13
3. MANAGEMENT REVIEW AND STATISTICAL ANALYSIS.....	19
Use of personal leave.....	19
Use of recreation leave	23
APPENDIX A - AUDIT APPROACH	25
Audit objective.....	25
Audit scope, focus and approach	25
Audit criteria	26
APPENDIX B – TYPES OF LEAVE	29

1. REPORT SUMMARY

1.1 Effective management of leave entitlements is central to the management of the workforce, and should provide improved working conditions for employees while minimising costs to the Government. Employee-related expenses for agencies are in some agencies in excess of 60% of total agency budgets, and a key component of managing this expenditure is the control of absences through effective leave management.

1.2 In 2002-2003, the cost of leave for agencies using the PERSPECT Human Resource Management System¹ alone was \$75.2m, of which \$30.7m represented unscheduled leave such as personal leave (which incorporates sick leave and carers' leave) and workers' compensation leave. Unscheduled leave in particular represents a loss of productivity and it is therefore important to ensure that leave is justified, monitored and if possible reduced.

1.3 Leave entitlements can be complex, and although there has been a shift towards commonality across the ACT Public Sector (through the development of a common certified agreement template), there can be variations across agencies. There are many different types of leave, and changes to 'personal leave' entitlements have in some ways added to the complexity. In addition, leave approval or recommendation is by line area managers who may not be fully familiar with the rules applying to leave, and there are large volumes of transactions that need to be managed and controlled. These matters raise the potential for significant risks to management of leave entitlements and, ultimately, significant costs to the public sector.

1.4 The audit examined, across a selection of ACT Government agencies, whether leave management processes complied with the *Public Sector Management Act 1994* and relevant standards, policies, and guidelines. The audit sought to provide an opinion on the efficacy of the management of staff absence and the completeness and accuracy of management information on leave. The audit report also provides comparative statistics on use of leave.

- 1.5 The audit found that although many agencies managed leave satisfactorily:
- **attendance was not managed well in some cases, leading to risks of staff being absent without leave;**
 - **6% of recorded absences were not reflected in leave records;**
 - **9% of leave application forms could not be found, meaning it is difficult to check the accuracy of information in the leave records;**
 - **10% of leave applications were not properly approved; and**

¹ PERSPECT is used by 17 agencies across the ACT Public Sector, which collectively employ about 82% of the total ACT Government workforce. (State of the Service Report 2002-2003, Appendix F)

- **there are opportunities to improve leave management through more comprehensive analysis of leave patterns on a whole-of-government basis and for each agency.**

AUDIT OPINIONS

Leave management practices in many agencies are not fully compliant with certified agreements, legislation, and government and agency policy. In particular:

- management of staff absence and attendance is not always effective;
- management information on leave is mostly accurate but partially complete; (some 6% of leave instances are not recorded); and
- there are opportunities for agencies to use leave data to improve leave management and thereby reduce costs or improve workforce productivity.

1.6 The basis for the first two opinions is detailed in Chapter 2. Chapter 3 provides some comparative statistics on leave in the ACT Public Sector and presents issues that could be further examined by agencies to improve their leave management.

RECOMMENDATIONS AND RESPONSE TO THE REPORT

1.7 The audit makes 10 recommendations to address issues identified in the Report.

1.8 In accordance with section 18 of the Auditor-General Act 1996, a final draft of this report was provided to the Chief Executive of the Chief Minister's Department for an overall response and also to Chief Executives of those agencies where fieldwork was conducted. All agency heads were also provided the opportunity to comment on draft findings specific to their agency. Their comments, which were generally supportive of the findings and draft recommendations, were taken into account in preparing the final report.

1.9 The Acting Chief Executive of the Chief Minister's Department made the following overall comments:

... I welcome the report and appreciate the opportunity to comment on it.

I have noted the areas of concern that the Report identifies in relation to leave management across ACT public service agencies. I am of the view that the Report generally makes worthwhile recommendations on how to overcome problems within the area of leave management. ...

You can be assured that after Legislative Assembly consideration I will impress upon other Chief Executives the need to address the leave management issues identified within the Report and to act quickly on its recommendations.

1.10 The Department of Urban Services (DUS) confirmed its earlier comments to the Audit Office on findings relating only to Urban Services. These were supportive of audit findings and recommendations, with one exception. DUS disagreed with a recommendation that has subsequently been revised to become Recommendation 8 in this report. The Department added:

Subsequently we have commenced negotiations with unions towards a replacement Enterprise Bargaining Agreement and have included on our agenda a commitment to the development and implementation of common time recording systems, which are aimed at assisting the Department in managing its leave effectively. This aspect of the proposed Agreement has been supported by unions.

Recommendation 1

Agencies should ensure management of attendance is satisfactory by means such as briefings to supervisors on the significance of this task, conduct of frequent random audits of flex forms and other attendance records, and counselling of those who are not adhering to timekeeping or certification requirements.

Agency Responses

Agreed: The Chief Minister's Department (CMD), ACTEW, ACT Health, Education and Training, ACT Legislative Assembly Secretariat.

Recommendation 2

CMD should reconsider Public Management Standard 3 to remove the exemption from recording hours of attendance for senior officers who take advantage of flexible hours schemes, including access to flextime, credit hours, or time off in lieu absences.

Agency Responses

Agreed: ACT Health, Education and Training, ACT Legislative Assembly Secretariat.

Agreed in part: CMD

CMD further commented that:

In practice, senior officers who participate in flex-time schemes and take time off in lieu absences are already required to record hours of work/attendance. Certainly Standard 3, Part 11 Rule 6 can be reworded to explicitly require senior officers who participate in these schemes to record their attendance.

Recommendation 3

Agencies should ensure that all relevant absences are covered by leave applications by means such as:

- a. briefing staff on the importance of correct use of leave in conjunction with any training on fraud and integrity policy;
- b. instructing all supervisors to certify that all absences are covered by leave applications before signing attendance records such as flex sheets;
- c. instructing supervisors to submit all leave forms directly to the personnel section rather than handing paper-based leave forms back to staff; and
- d. providing supervisors with a summary of leave taken by employees on a regular basis and asking them to certify that it is consistent with their records of staff absences.

Agency Responses

Agreed: CMD, ACTEW, ACT Health, Education and Training, ACT Legislative Assembly Secretariat.

Education and Training made the following additional comment:

The new HRSS² HR system needs to be configured to allow for the recording of all leave, including flex leave. An additional module, either within the new system or as an integrated system, should be developed to record and manage flex leave entitlements. Regular reconciliation between the two data sets would ensure full compliance.

Recommendation 4

Each agency should ensure a sound system of leave delegations by:

- a. briefing all supervisors on the extent of their delegated power to approve leave, and the need to ensure leave forms are approved by an authorised delegate; and
- b. ensuring that personnel staff reject leave applications that are not properly approved, and only exercise any delegated powers to approve leave after consultation with the line area.

Agency Responses

Agreed: CMD, ACT Health, Education and Training, ACT Legislative Assembly Secretariat.

² Human Resource Systems Solution

Recommendation 5

Agencies should, where necessary, take steps to improve the timeliness of submitting of leave forms.

Agency Responses

Agreed: CMD, ACT Health, Education and Training, ACT Legislative Assembly Secretariat.

Recommendation 6

CMD should create a template for remaining paper-based leave forms and advise agencies on the need to comply with legislative and policy requirements through proper leave form design.

Agency Response

Agreed: CMD.

Recommendation 7

Agencies should develop clear and consistent policy on the use and approval of leave in special circumstances (part of personal leave), and promulgate this to all staff.

Agency Responses

Agreed: CMD, ACT Health, Education and Training, ACT Legislative Assembly Secretariat.

CMD added the following comment:

Approval of leave in special circumstances is discretionary and is available to staff to be used in special and extraordinary circumstances (e.g. when childcare becomes unavailable at very short notice). The Chief Minister's Department will provide guidance for agencies on the examples of special circumstance leave within the Template Agreement Guide for agencies which is currently being prepared.

Recommendation 8

Agencies should take steps to increase accuracy of input from leave forms to the Human Resources Management Information System (HRMIS), such as regular peer and supervisory checks.

Agency Responses

Agreed: CMD, ACT Health, Education and Training, ACT Legislative Assembly Secretariat.

Not Agreed: DUS

Checking of leave occurs when salary action is required to ensure appropriate adjustments are made to each officers' salary entitlements.

However, it is considered that the substantial additional resources required to check leave without salary action would not be justified by the benefit gained.

Recommendation 9

Agencies should review the adequacy of the current filing arrangements and improve them where necessary.

Agency Responses

Agreed: CMD, ACTEW, ACT Health, Education and Training, ACT Legislative Assembly Secretariat.

Recommendation 10

The Chief Minister's Department should review leave patterns across the service, and agencies should review their own patterns of leave, with a view to enabling more effective management of leave, consistent with occupational health and safety standards and workplace productivity.

Agency Responses

Agreed: ACT Health, Education and Training, ACT Legislative Assembly Secretariat.

Agreed in part: CMD

The Template Agreement stipulates that employees will be encouraged to use their annual leave entitlement within the year that it accrues and that Managers and Supervisors should approve applications by employees to take their leave in the accrual year. The Template Agreement also provides guidance on the management of excessive working hours. Deeming provisions are subject to certified agreement negotiations with unions. It is agreed that agencies should regularly monitor and review excessive leave credits and invoke deeming procedures and/or discuss the need to take regular leave breaks with staff.

2. AUDIT FINDINGS

2.1 This chapter briefly outlines the audit approach and presents the findings arising from the audit.

AUDIT APPROACH

2.2 The objective of this audit was to provide an independent opinion to the Legislative Assembly on whether leave management practices implemented in ACT Government entities are compliant with certified agreements, legislation, and government and agency policy.

2.3 The audit addressed all categories of leave defined in the Public Sector Management Standards, including recreation leave, long service leave, personal leave, sick leave, carer's leave, maternity leave, bereavement leave and other leave. The scope was largely limited to compliance with agreements and legislation, especially the *Public Sector Management Act 1994* (PSM Act). It included compliance with standards and best practice notes issued under the PSM Act.

2.4 The audit consulted with the Public Sector Management Group of Chief Minister's Department to identify key issues and processes, and undertook testing of leave management processes in a selection of ACT Government agencies. These agencies were chosen to include large and small agencies, those with commercial as well as government functions, and those that operated on a 24-hour basis as well as those that operated only in normal business hours.

2.5 The audit also included the design and conduct of a questionnaire addressed to human resource sections of all agencies, and analysis of data from the PERSPECT Human Resource Management Information System (HRMIS).

2.6 The audit objective and approach are discussed further in Appendix A.

LEGISLATIVE AND POLICY FRAMEWORK FOR LEAVE MANAGEMENT

2.7 The PSM Act provides the legislative framework for most employees in the ACT Public Sector. The PSM Act sets out general provisions (values and principles) and also specifically addresses two types of leave, namely long service leave and maternity leave.

2.8 The PSM Act is supported by Public Sector Management Standards and Best Practice Notes. These documents expand upon the framework established by the PSM Act and provide practical advice and assistance to agencies on leave management.

2.9 However, the majority of leave provisions are defined in certified agreements entered into between an agency and a group of employees, or in some cases industrial awards. These take precedence over the PSM Act, Standards and Best Practice Notes. For example, the PSM Standard on attendance and absence (Standard 3, Part 12) states that it applies to the extent that a condition is not set by an award or certified agreement; and the parts of the standard applying to leave typically state that they provide minimum conditions of employment.

Types of leave

2.10 The legislative framework describes around thirty different forms of leave, ranging from annual (or recreation) leave, to personal leave, blood donation leave, and 'leave not provided for elsewhere'. Leave is provided for scheduled and unscheduled absences, some paid and some unpaid. Scheduled leave includes annual recreation leave and long service leave.

2.11 There are many types of leave (Appendix B lists and describes all leave provided for in the latest 'template' certified agreement negotiated between the Government and relevant unions). Two important types, annual (or recreation) leave and personal leave, are briefly described as followed.

Recreation leave

2.12 Most agencies offer 20 days annual leave, but some offer additional periods. Officers must apply in advance for annual leave, which may be granted if operational circumstances allow. Special provisions apply to teachers, who are deemed to take their 20 days annual leave from the start of the summer school holidays. Other periods of school holidays may be designated as stand down periods during which the teacher is not required to attend work.

2.13 For most agencies, annual leave does not accrue until January 1 each year. Therefore a new recruit has no recreation leave credits until that date. To allow for such persons to take brief periods of leave, there is a provision to anticipate up to 5 days leave. The new HRMIS to replace PERSPECT will probably be able to calculate daily accrual of leave. When this is put into place, it would no longer be necessary to use the provision in the PSM Act Standards to allow for anticipation of leave.

2.14 Annual leave accrues from year to year, but officers are encouraged to take regular leave for Occupational Health and Safety reasons among others. Partly for this reason, many agencies have deeming provisions, such that if an officer's leave credits are in excess of a certain figure at a certain date, they are deemed to be on leave.

Personal leave

2.15 Personal leave is the most important type of unscheduled leave. It covers sickness, caring for a sick relative and leave in special circumstances. As an

unscheduled leave, it is often taken without notice, but the officer has the responsibility of applying for leave as soon as practicable after returning to work.

2.16 Agencies place limits on the amount of sick leave or carers' leave that can be taken without a medical certificate. These limits apply to the number of consecutive days off without a medical certificate (most commonly 3, sometimes 2) and total days per year without a medical certificate (5, 9 or unlimited). The proposed certified agreement template provides for a limit of seven days leave without a medical certificate for combined sick and carer's leave compared with five days in the current template. Neither the proposed nor current template discusses maximum number of consecutive personal leave days without a medical certificate. Public Sector Management Standard 3, Part 18 section 6, states no more than three consecutive working days of personal leave are to be taken without a certificate, but individual certified agreements can override this.

2.17 Most agencies offer 18 days per year personal leave, with a range from 10 days to 20 days. Personal leave accrues indefinitely. Personal leave can be accessed any time during the year in which it is accrued, so it is effectively credited in advance. If an officer requires more leave than they have available, they can use leave without pay, or choose to apply for other types of leave such as recreation or flex leave.

The leave management process

2.18 The fundamental steps in the leave management process should be as follows:

- **Monitoring attendance:** Each workplace needs a mechanism for determining whether staff are present or not. The process for doing this can include filling in and certifying flex forms, signing-on and signing-off sheets and supervisors annotating pre-prepared rosters (paper or electronic) as to whether staff were present or not.
- **Applying for leave:** Once the attendance system notes that a person will be or has been absent from the workplace, there needs to be a mechanism to ensure that an application for leave is prepared and submitted. In most cases examined in the audit, leave applications used paper forms, but some workplaces had access to the electronic PEREMOTE system (which connects to the PERSPECT HRMIS).
- **Approving leave:** Applications for leave should then be approved. Often this involves a two-stage process of recommendation by the immediate supervisor and approval by a more senior officer who has the delegated power to approve leave. Approval is either by signature on a paper form or by electronic approval.
- **Recording leave taken:** Amounts of leave taken should be recorded to update leave balances. Consulting leave balances will also determine whether the applicant has sufficient leave to cover the absence. If they do not, then the leave will need to be converted to another form such as leave without pay. Almost all leave balances are recorded electronically, either on

the PERSPECT system or some other Human Resources Management Information Systems (HRMIS).

2.19 The ACT Government is currently in the process of replacing the PERSPECT system. It is proposed that the new system will have electronic access for all staff of agencies currently using PERSPECT. An electronic system will have advantages over a paper one with respect to avoiding some issues such as misfiling of leave forms. As the new system will be introduced progressively from late 2004 and will not be fully implemented until 2006, it remains important that agencies address the findings applicable to paper records.

OVERVIEW OF FINDINGS

- 2.20 The audit found that although many agencies managed leave satisfactorily:
- **attendance was not managed well in some cases, leading to risks of staff being absent without leave;**
 - **6% of recorded absences were not reflected in leave records;**
 - **9% of leave applications could not be found; and**
 - **10% of leave applications are not properly approved.**

ATTENDANCE RECORDING

Key findings

- *All workplaces audited had systems for recording attendance.*
- *In some agencies, there was a general lack of attendance management by managers and supervisors.*
- *Some attendance records, mostly flex sheets, were not certified properly by supervisors.*

2.21 Public Sector Management Standards state that officers must record the time of their arrival and departure to and from the workplace each day at the time they arrive or depart each day. This does not apply to senior officers and some others exempted by the Chief Executive or the Commissioner for Public Administration.

2.22 Twenty-nine agencies responded to the Audit Office's survey on leave management. The survey showed:

- all workplaces reported having systems for recording attendance;
- 16 agencies reported having a single approved timesheet, either paper-based or electronic;
- four agencies reported having a centralised automatic flextime recording system;
- 20 agencies reconciled absences with attendance records; and

- only six had established absence management procedures.

2.23 Attendance recording using flextime sheets was common in office-type work areas. For most agencies, flexsheets were readily accessible for review by the Audit Office, although one agency could not produce flex sheets covering a period of some months. The Audit Office noted instances where attendance records were either being certified by supervisors prior to the period end or were not dated at time of certification. There were also several instances where supervisors were not certifying flexsheets until several months after they were completed by staff.

2.24 Different types of attendance recording are used when officers do not have flexible hours. These hours can be constant (for example teachers), or have variable rosters, for example custodial officers and nurses. Attendance is checked by requiring officers to sign an attendance sheet, or by supervisors checking the previously organised roster for those in attendance. These systems tend to provide a stronger means of managing attendance than flexsheets as the workplace circumstances require that they are checked and signed-off each day.

Example – attendance recording at The Canberra Hospital

Attendance of nurses at The Canberra Hospital is organised using an electronic rostering system (ProACT). The Rostering section, in conjunction with Nurse Managers organises rosters in advance. Each day Nurse Managers review the roster to determine attendance of nurses. In the case of unscheduled absences, the Nurse Managers ensure an amendment to the rostered attendance record is made and printed. The attendance records are then sent to the personnel section.

Attendance records compared with HRMIS

2.25 The Audit Office checked a sample of leave instances recorded on the HRMIS and checked back to determine whether they were recorded on attendance records. The results in Table 1 below show good accuracy in those cases where leave is recorded on the HRMIS.

Table 1. Results of testing – Attendance records

Testing Criteria	Sample size	Cases Identified	Percentage
Attendance records not located or not compliant	1203	5*	0.4%
Dates did not agree between HRMIS and attendance record	1149	20	1.7%
Leave was not noted in the attendance records	1308	5	0.4%

* Note: does not include agency for which a significant number of flex forms could not be found.

2.26 The audit observed in some agencies a general lack of attendance management by managers and supervisors. This included no reliable methods of recording absences requiring leave and no specific controls that ensured leave forms are completed and provided to the personnel section. Not managing attendance, and not reviewing time and flex sheets as they are completed, may lead to periods of absence not being covered by applications for leave.

Recommendation 1

Agencies should ensure management of attendance is satisfactory by means such as briefings to supervisors on the significance of this task, conduct of frequent random audits of flex forms and other attendance records, and counselling of those who are not adhering to timekeeping or certification requirements.

Senior officer attendance records

2.27 Senior officers are not required to fill in attendance records because they are not entitled to overtime duty (Public Management Standard No. 3, Part 12, para 6). However, the audit survey showed that nine out of 25 agencies offering flextime extended this to senior officers, and a further 11 agencies made other arrangements such as time off in lieu. In these circumstances, it is appropriate that such officers record their attendance at work.

2.28 The draft 2004 certified agreement template proposes giving access to flextime to Senior Officers Grade C. The template also includes provision for Senior Officers Grades A and B to participate in what is effectively a limited flex leave system. These provisions will regularise informal and inconsistent practices, but will require, for accountability purposes, some form of attendance recording.

2.29 Monitoring attendance is a fundamental aspect of leave management. The Audit Office considers that leave management and accountability as a whole can be improved if senior officers who take advantage of other time-off arrangements have an obligation to record their attendance.

Recommendation 2

CMD should reconsider Public Management Standard 3 to remove the exemption from recording hours of attendance for senior officers who take advantage of flexible hours schemes, including access to flextime, credit hours, or time off in lieu absences.

THE LEAVE APPLICATION AND APPROVAL PROCESS

Key findings

- *There is scope for providing better guidance and training to line managers to improve their management of attendance and leave.*
- *There is scope for better definition of delegations and improved use of delegations by supervisors.*
- *There is scope to improve the design and consistency of leave application forms.*
- *Some types of unscheduled leave are not well defined or understood, leading to the potential for inconsistent application.*
- *About 10% of applications for leave were not properly approved.*
- *About 6% of leave instances noted on attendance records were not recorded in the HRMIS.*

Applications for leave

2.30 The audit's survey of agencies showed that the majority of agencies (69%), including all the larger ones, had promulgated internal guidelines on leave entitlements. In addition, the certified agreements, which are the key documents defining entitlements and rules, are readily available to staff. However, the audit findings indicate that in some agencies there is insufficient knowledge on leave procedures.

2.31 The audit testing revealed that approximately 6% of instances of leave noted on attendance records were not recorded in the HRMIS. This appears to be a result of a non-lodgement of the leave form by the staff member as opposed to the leave form not being processed by the personnel section. This in turn could be due to either a completed application for leave not being lodged or a leave application not being completed at all. The audit also observed that some officers were allowed to submit their own paper leave forms once they were completed and approved. This leads to a risk of approved leave forms not being submitted and hence not being recorded. This risk is avoided in an automated system.

2.32 The audit calculated that failure to record 6% of leave instances could mean that some \$5m of leave per year across the ACT Public Sector may not be accounted for (based on an overall cost of leave in excess of \$75m per year).

2.33 Any deliberate non-lodgement of leave forms would be a fraud. Agencies might therefore wish to address this issue in conjunction with briefings on fraud and integrity.

Recommendation 3

Agencies should ensure that all relevant absences are covered by leave applications by means such as:

- a. briefing staff on the importance of correct use of leave, in conjunction with any training on fraud and integrity policy;
- b. instructing all supervisors to certify that all absences are covered by leave applications before signing attendance records such as flex sheets;
- c. instructing supervisors to submit all paper leave forms directly to the personnel section rather than handing them back to staff; and
- d. providing supervisors with a summary of leave taken by employees on a regular basis and asking them to certify that it is consistent with their records of staff absences.

Leave approval

2.34 The power to approve leave is normally delegated by the Chief Executive Officer to nominated officers, but not necessarily all supervisors. Therefore there is often a two-stage process where the supervisor recommends and the delegate, a more senior officer, formally approves the leave.

Delegates' approval of leave

2.35 The audit noted significant numbers of instances where leave was not properly approved, suggesting that in some agencies many section managers and supervisors have a limited understanding of their responsibilities regarding delegations. For example, the audit noted that some supervisors without delegations were signing as a delegate and some delegates were only signing as a recommender of leave. The results of testing are shown in the following table.

Table 2. Results of testing – Delegate approval

Testing Criteria	Sample size	Cases Identified	Percentage
Leave not approved by appropriate delegate	1024	21	2.1%
Leave application not signed by delegate	1024	79	7.7%
Delegate not identifiable*	1024	20	2.0%

* Note: unless the delegate is identifiable, there is a risk that the approval may be defective.

2.36 Without a clear understanding of their responsibilities in regards to delegations, managers and supervisors may approve leave outside their delegation or fail to approve leave where they had the power to do so.

2.37 Audit observed that in many cases personnel staff were, appropriately, rejecting leave forms that did not have the appropriate delegate signature. However, some personnel sections are not provided with adequate delegate information. This can cause delays and errors. The PEREMOTE system is unable to record delegation information, and in one agency several instances were noted where leave had been approved by an inappropriate officer, and was left undiscovered by the personnel section.

2.38 In a paper-based system, it is not apparent to a delegate in the workplace whether the applicant has sufficient leave credit to cover the absence. A review of the PERSPECT database by audit showed that 127 officers across the ACT Public Sector (0.9%) had recreation leave balances in arrears by more than five days. (Officers are allowed to go up to five days in arrears subject to approval.) On some occasions, therefore, officers are accessing recreation leave to which they are not entitled.

2.39 In some agencies, personnel officers are given the delegation to approve several types of leave applications if no approval signature is present on the application form itself. Where no check is done to ascertain whether the recommendation to approve leave is appropriate, a risk exists that supervisors may be unaware that leave is approved.

Recommendation 4

Each agency should ensure a sound system of leave delegations by:

- a. briefing all supervisors on the extent of their delegated power to approve leave, and the need to ensure leave forms are approved by an authorised delegate; and
- b. ensuring that personnel staff reject leave applications that are not properly approved, and only exercise any delegated powers to approve leave after consultation with the line area.

Timeliness of approval of leave

2.40 A small number of instances were noted where the date of approval for annual leave was after the leave had been taken. Sound management practice, in the interests of operational effectiveness, is to approve such discretionary leave in advance of the period of absence. Annual leave approved after the event may be inappropriately used to cover staff taking personal leave to which they were not entitled, or being absent without leave. A more accountable approach may be for agencies to specify that delegations for the approval of annual leave after the event should be held by either senior line managers, or by senior personnel officers. Applicants should provide a written explanation to the appropriate delegate detailing the circumstances that justify the late application.

2.41 Agencies require that leave forms for personal leave be completed as soon as practicable after returning from the absence. On some occasions, however, there have

been delays in submitting leave forms, with the effect that absences remained without approved leave for several months. Some agencies have addressed this undesirable practice by providing that if applications for personal leave are not forthcoming, the leave is converted to leave without pay. This tends to encourage prompt submission of leave forms.

Recommendation 5

Agencies should, where necessary, take steps to improve the timeliness of submitting of leave forms.

Form design

2.42 Audit noted that there were often several types of leave forms used in the one agency. Often an agency used both specific forms for that agency and generic ACT government forms.

2.43 Problems observed included:

- forms inconsistent with the requirements of the legislation. In one case, for example, the form called for signature by a branch head or representative, but should have called for signature by a delegate. The same form did not make it clear that the branch head was approving the leave.
- forms not reflecting current delegations. For example, in cases where line managers hold the delegation to approve the leave, the form incorrectly indicates that approval is a personnel section responsibility.
- no forms observed required recommending or approving officers to record their name and position. This made it difficult to identify the signatory to ensure delegations were exercised correctly.
- some forms were not logical in layout. Forms should proceed in an obvious way from applicant's details to recommender's endorsement, to approver's signature, to HR section for action.

2.44 Sound design of forms, whether paper-based or screen-based, can lead to improved efficiency and compliance with legislation and policy requirements. This could be efficiently achieved by a single agency, such as CMD, preparing a template that includes sound form design principles. Each agency could then adjust this template to its own specific requirements. Achievement of a sound layout will be even more important for input screen design for the new HR system to be implemented soon.

Recommendation 6

CMD should create a template for remaining paper-based leave forms and advise agencies on the need to comply with legislative and policy requirements through proper leave form design.

Lack of clarity on 'leave in special circumstances'

2.45 Leave in special circumstances is part of personal leave. However, the 'special circumstances' are not clearly defined in or the PSM Standards or Best Practice Notes, or in Departments' certified agreements or guidelines examined by Audit. Without a clear understanding of what reasons for absence can be approved under this heading, leave that may not be eligible for approval may be processed in error. A better definition of 'special circumstances' could improve relations between staff and management by avoiding disagreement as to whether a staff member is or is not entitled to this leave.

2.46 This lack of guidance can lead to poor decision-making and possibly unfair outcomes, as in the example below.

Example – reversal of decision on leave in special circumstances

An officer applied for leave to attend a family event interstate. The delegate at the workplace approved the leave. However, the decision was reversed by the agency's HR section, where the leave was replaced by leave without pay.

The initial decision to grant leave was inappropriate. The approval and later reversal may have disadvantaged the officer; if she had known leave would be without pay, she may not have taken it.

Recommendation 7

Agencies should develop clear and consistent policy on the use and approval of leave in special circumstances (part of personal leave), and promulgate this to all staff.

Recording in HRMIS

2.47 Following approval, leave forms are forwarded to the personnel section, where they are filed and entered in to the HR Management Information System (HRMIS). Most agencies in the ACT Government use the PERSPECT system as their HRMIS.

2.48 Where leave applications are electronic, they are automatically entered in the HRMIS and the problems noted in this section do not arise. As the use of electronic entry of leave records is extended, the problem will diminish. However, the new HRMIS is not due for completion until 2006, and as it only covers those agencies using PERSPECT, the management of paper records will remain significant for some time.

2.49 Several instances of leave were noted where the hours taken and the hours recorded in the HRMIS varied significantly. This could be due to incorrect data entry.

Incorrect recording of hours taken can amount to significant additional financial costs to the Department.

2.50 The main errors between the leave form and the entry in to PERSPECT related to inconsistent dates (2%) or leave types (2%).

Recommendation 8

Agencies should take steps to increase accuracy of input from leave forms to the Human Resources Management Information System (HRMIS), such as regular peer and supervisory checks.

2.51 The audit was unable to locate a high percentage (approximately 9%) of leave forms, despite absences being recorded in the agencies' HRMIS. Agencies use different filing systems, some of which are both cumbersome and unreliable in facilitating access to leave forms. A significant risk exists in not holding the appropriate documents to support HRMIS records. If supporting documents cannot be easily found, it is difficult to check the accuracy of information captured in the HRMIS.

Recommendation 9

Agencies should review the adequacy of the current filing arrangements and improve them where necessary.

3. MANAGEMENT REVIEW AND STATISTICAL ANALYSIS

3.1 This chapter describes some statistics extracted from the PERSPECT database and from the questionnaire distributed to agencies. It describes some opportunities for agencies to use leave data to improve leave management and thereby reduce costs or improve workforce productivity.

USE OF PERSONAL LEAVE

3.2 Most agencies offer 18 days per year personal leave, with the range being from 10 to 20 days. Personal leave accrues indefinitely. Most agencies offer up to three days bereavement leave on each occasion of a death.

3.3 The increases in the cost of unscheduled leave, including personal leave, compensation leave and other, is shown in Table 3 below. The overall cost of unscheduled leave increased by 19.9% in two years, slightly more than the salary growth (for all agencies) of 15.8% in the same period.

Table 3 Increases in Unscheduled leave - PERSPECT Agencies

Year	Sick	Compensation	Other	Total
2000/2001	\$17.2m	\$4.7m	\$3.6m	\$25.6m
2001/2002	\$18.1m	\$5.6m	\$3.6m	\$27.3m
2002/2003	\$19.9m	\$6.0m	\$4.8m	\$30.7m

Source: data from PERSPECT database

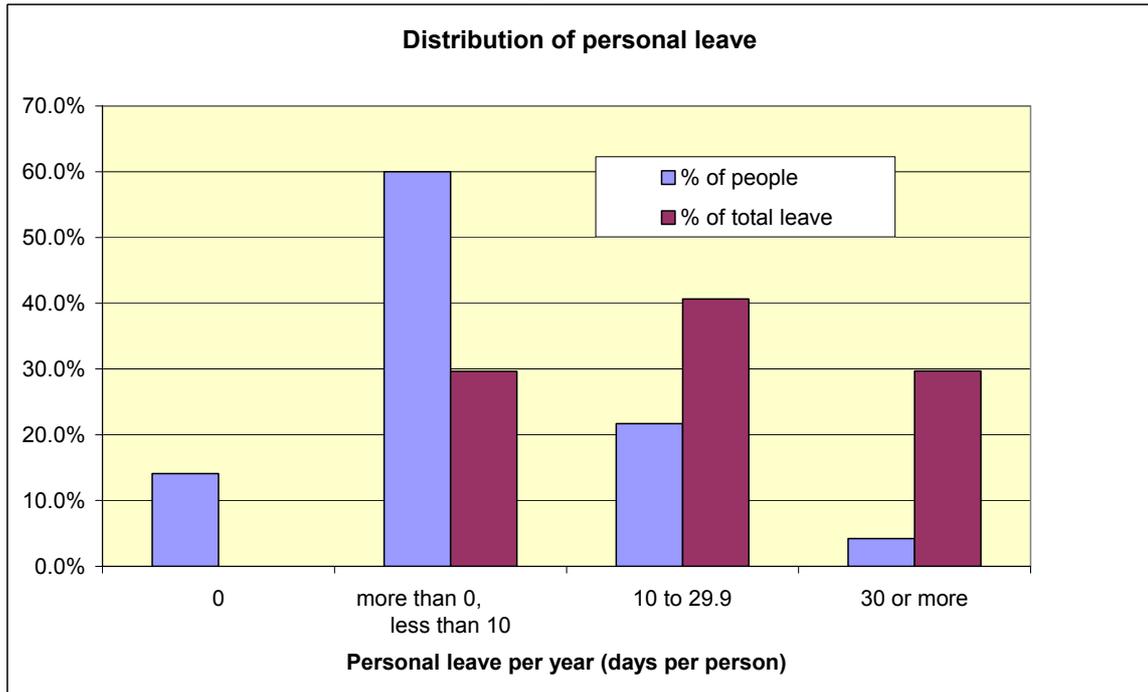
Days of personal leave in the 2002-2003 financial year

3.4 The average number of days of personal leave of 7.9 per person in the ACT public sector in 2002-2003 corresponds to a figure of 8.73 reported for Commonwealth agencies by the Australian National Audit Office (ANAO).³ PricewaterhouseCoopers Global Human Capital Survey 2002, quoted by the ANAO, also reported an all Australian industries average of 6.2 days per year.

3.5 Figure 1 shows the pattern of personal leave taken in 2002-2003.

³ Australian National Audit Office. Absence Management in the Australian Public Service, Report No. 52 of 2002-2003, 20 June 2003

Figure 1



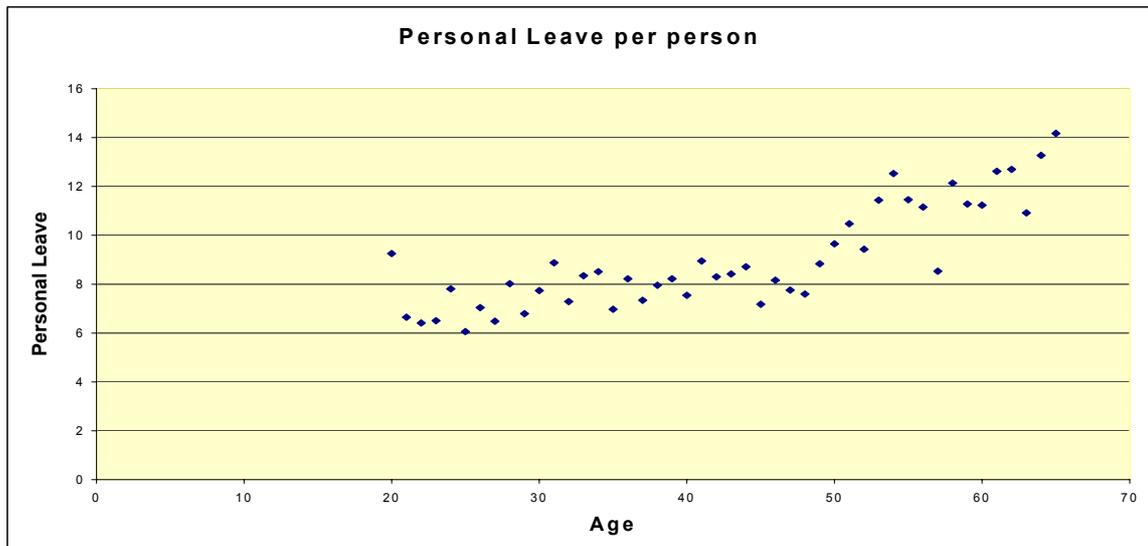
Source: ACT Audit Office graph based on data from PERSPECT database

3.6 Figure 1 shows that even though only 26% of staff took 10 days or more personal leave, they accounted for over 70% of the personal leave taken. Only 4% of staff took 30 or more days of personal leave, but they accounted for almost 30% of the overall leave taken.

Age

3.7 Figure 2 below shows for each age from 20 to 65, the average number of days of personal leave for all officers of that age.

Figure 2



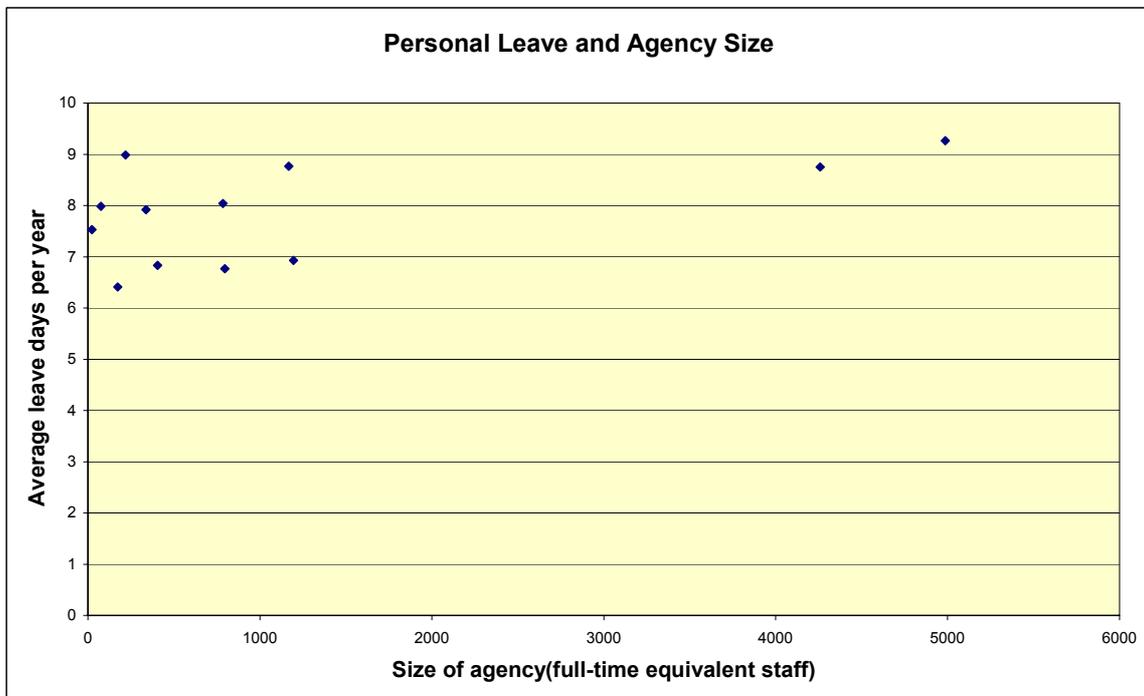
Source: ACT Audit Office graph based on data from PERSPECT database

3.8 Figure 2 above shows that personal leave does not vary with age significantly until the age of about 48-50. There is then a significant increase up to the age of 54, after which the rate of leave stabilises. The significant increase in the early 50s could be due to employees seeking to use up their leave credits before they retire. Agencies may wish to monitor this trend and take steps to investigate any anomalies.

Agency size

3.9 Figure 3 shows there is a slight trend (correlation coefficient 0.56) for personal leave to increase as the size of the agency increases. This is similar to ANAO findings⁴, which were that, as a trend, larger agencies had more unscheduled absences. The inference is that larger agencies may have more to gain from taking steps to reduce unscheduled leave.

Figure 3



Source: ACT Audit Office graph based on data from PERSPECT database

Seniority

3.10 There are a large number of different classification levels in use in the ACT Government, which meant that comparison of unscheduled leave with seniority of position was difficult. The following table presents the difference between senior (non-SES) officers and junior staff:

⁴ Australian National Audit Office. Absence Management in the Australian Public Service, Report No. 52 of 2002-2003, 20 June 2003

Table 1 Unscheduled leave as a function of seniority

Average days per year	Senior officers	Junior staff
Personal leave	8.2	9.7
Compensation leave	1.4	3.6
Other unscheduled leave	2.8	2.4
Total unscheduled leave	12.5	15.7

Source: data from PERSPECT database

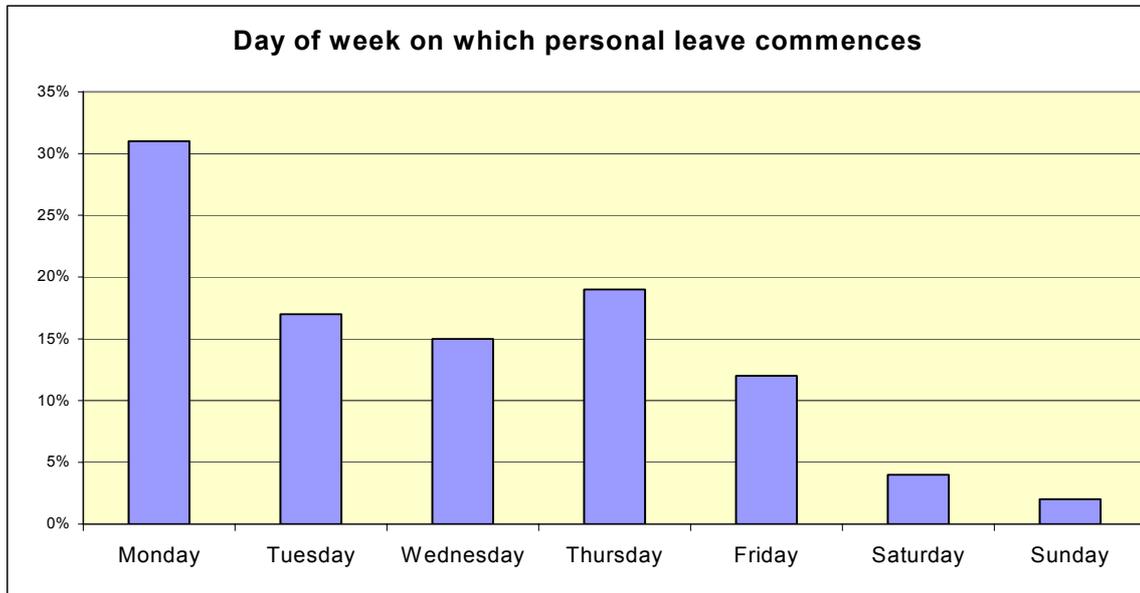
3.11 There is thus a small difference in personal leave taken, but a quite significant difference in compensation leave due to workers’ compensation.

Availability of flextime

3.12 Audit did not have access to a good source of data on this, as availability of flextime is not a specific feature recorded in the PERSPECT database. Nevertheless, available data did not show any significant difference in the use of personal leave between those classifications more likely to have flextime and those less likely to have such access.

Day of the week

Figure 4



Source: ACT Audit Office graph based on data from PERSPECT database

3.13 Data from PERSPECT show a strong trend for more leave to be taken commencing on Monday. This trend in the ACT is stronger than that observed by the ANAO for the Commonwealth.

Number of days leave without certificate allowed

3.14 Provisions in agencies' agreements with staff differ on the total number of days of personal leave that can be taken without certificate – either five days, nine days or unlimited. For those organisations using the PERSPECT system, the average number of sick days taken without certificate in 2002-2003 was as follows:

Organisations offering five days sick leave without certificate:	2.5
Organisations offering nine days sick leave without certificate:	3.1
Organisations offering unlimited sick leave without certificate:	2.6

(limits apply to number of consecutive days off)

3.15 These figures do not show a significant trend of officers taking advantage of the more generous provisions. The proposed template certified agreement offers a standard seven days without certificate.

Action by agencies to monitor and mitigate unscheduled leave

3.16 Of the 29 agencies responding to the Audit Office's survey, 18 (62%) stated that they conducted regular reviews of the level of unscheduled absences, and 11 (38%) collected and reported statistics on unscheduled leave to managers. However, only one agency, ACTION, reported conducting a study to identify the main factors that contribute to unscheduled absence, and ACTION was also the only agency to set targets for unscheduled absence. Eight agencies (28%) reported initiatives such as flu injections, incentives for health club memberships and active intervention to minimise unscheduled leave.

USE OF RECREATION LEAVE

3.17 Audit conducted an analysis of leave records and found that in those ACT agencies using the PERSPECT system, there were 1831 persons (13%) who took no recreation leave at all in 2002-2003. This included 11% of senior officers and 15% of other staff. These figures exclude those who were absent for the whole year. Also, in June 2003, there were 504 persons (3.7%) with leave balances in excess of 60 days. Five persons had balances of 200 days or more, representing ten years of untaken leave. All of these five cases were from agencies that had deeming provisions in place (whereby employees can be deemed to be on leave if they have excessive leave credits).

3.18 With the concerns elsewhere about leave not being recorded, it is possible that some employees with zero recreation leave taken according to PERSPECT did actually access recreation leave. Nevertheless, agencies could review leave balances and leave taking patterns, and encourage all employees to take sufficient leave to meet occupational health and safety requirements. Such action would be consistent with the expectation in the draft template certified agreement which states that:

Consistent with the purpose of annual leave, employees will be encouraged to utilise their leave entitlement. Managers will be encouraged to approve annual leave subject to operational requirements.⁵

Recommendation 10

CMD should review leave patterns across the service, and agencies should review their own patterns of leave, with a view to enabling more effective management of leave, consistent with occupational health and safety standards and workplace productivity.

⁵ Draft 'template' certified agreement (May 2004) Clause 47.5

APPENDIX A - AUDIT APPROACH

AUDIT OBJECTIVE

The objective of this audit was to provide an independent opinion to the Legislative Assembly on whether leave management practices implemented in ACT Government entities are compliant with certified agreements, legislation, and government and agency policy.

Secondary objectives of the audit were:

- to provide an opinion on the efficacy of management of staff absence;
- to provide an opinion on the completeness and accuracy of management information on leave;
- to provide statistics on use of leave that may be indicative of efficiency; and
- to identify opportunities for improvement in the management of leave across the ACT Public Sector.

AUDIT SCOPE, FOCUS AND APPROACH

The audit addressed all categories of leave defined in the Public Sector Management Standards, including recreation leave, long service leave, personal leave, sick leave, carer's leave, maternity leave, bereavement leave and other leave. The audit considered a sample of agencies across the ACT Public Sector, including both ACT public sector staff and staff employed under other legislation.

The scope was limited to compliance with agreements and legislation, especially the *Public Sector Management Act 1994* (PSM Act). It included compliance with standards and best practice notes issued under the PSM Act. The audit also made observations related to the certified agreements and PSM Act best practice notes, where appropriate.

The audit comprised the following steps:

- Consultation with the Public Sector Management Group of Chief Minister's Department;
- Selection of a sample of agencies in which to conduct fieldwork. These agencies were chosen to include large and small agencies, those with commercial as well as government functions, and those that operated on a 24-hour basis as well as that operated only in normal business hours; and
- Testing of leave transactions in the sample of agencies:

- Department of Justice and Community Safety (Custodial Services);⁶
- ACT Health (Canberra Hospital nursing staff);
- Department of Urban Services;
- The former Department of Education, Youth and Family Services;
- ACTEW;
- ACTION;
- Workcover;
- Legislative Assembly Secretariat;
- Cultural Facilities Corporation;
- Legal Aid Commission;
- Gold Creek Country Club; and
- EPIC (Exhibition Park in Canberra).

This testing included inspecting attendance records, leave forms and records held on Human Resource Management Information Systems (HRMIS) to check that each of these systems agreed with each other. The audit also checked that leave processes were compliant with legislation and other guidance. The audit also included:

- design and conduct of a questionnaire addressed to human resource sections of all agencies; and
- analysis of data from the PERSPECT HRMIS.

AUDIT CRITERIA

The audit used the following criteria in testing leave management across the selected agencies.

1. Overall compliance with certified agreements, legislation, and government and agency policy
 - 1.1. The provisions of the certified agreement have been translated accurately to relevant guides or instructions.
 - 1.2. These guides or instructions have been promulgated widely and are available to relevant staff.
 - 1.3. Procedures are consistent with requirements of certified agreement .
 - 1.4. Documentary evidence is available where required.
2. Management of Staff absences

⁶ Field work in Custodial Services was only for the pilot study of this audit and is not reflected in this report.

- 2.1. Workplaces have systems for noting and recording absences.
- 2.2. These systems are complete (entries cover all staff and working days) and are checked by supervisors.
- 2.3. Managers ensure that absences are covered by a properly completed and approved leave application:
 - time of leave coincides with time of absence;
 - the justification is reasonable;
 - the correct leave for the type of absence is approved;
 - planned leave is approved beforehand; and
 - leave is approved by a delegate.
3. Completeness and accuracy of management information on leave
 - 3.1. Leave applications are properly entered into the relevant HRMIS.
 - 3.2. The HRMIS is capable of producing key management information, such as leave balances and leave used per person, in a timely and efficient manner.
 - 3.3. The HRMIS (or other system) will reject ineligible leave applications (e.g. insufficient rec leave to cover proposed absence).
 - 3.4. Managers are able to access and use HRMIS information.

APPENDIX B – TYPES OF LEAVE

Types of leave and their provisions depend on the specific certified agreement, but the list proposed by the 2004 template agreement is as follows. Unless specified below, they are with pay.

- Personal (sick leave, carer's leave and special leave)
- Bereavement
- Annual (recreation leave)
- Long-service
- Maternity (14 weeks with pay)
- Primary Care-giver's (Primary care giver of a new born or adopted child. May be father of the child or partner of mother. Combined entitlement with maternity leave is not to exceed 14 weeks)
- Parental (Without pay. Leave to care for a child after its birth or adoption)
- Arbitration (for a staff representative to assist with a case at the Australian Industrial Relations Commission. May be with or without pay)
- To accompany spouse on a posting (without pay)
- Campaign (To stand for election to parliament and other approved bodies. Without pay)
- Ceremonial (for an indigenous person, for ceremonial obligations on the death of a relative or otherwise. Without pay)
- Employment associated with compensation leave (Where employment is part of a rehabilitation process. Without pay)
- Defence service (first 14 days with pay)
- Employment or work in the interests of defence or public safety (without pay)
- Emergency leave for duty with the State Emergency Services (Up to four days for each emergency)
- Emergency leave for disasters (Up to three days, where employee's home or contents are destroyed or significantly damaged)
- Engagement in employment in the interests of the ACTPS (without pay)
- During hours of duty (with or without pay, for short term absence)
- Sporting (accredited official or competitor in a major event)
- Jury service
- Local Government purposes (for elected office holder to attend formal meetings of the council)
- For returned soldiers for medical purposes etc.

APPENDIX B – TYPES OF LEAVE

- Staff Organisation Leave (leave without pay to work as an elected or unelected official of a staff organisation)
- To attend as witness (without pay, except where evidence is connected with official duties)
- Religious (without pay, to attend a ceremony integral to the practice of an officer's faith)
- Organ Donation Leave
- Blood Donation Leave
- ATSIIC Leave (for attendance of meetings as an elected representative. With pay, unless any fee for attendance is accepted)
- Not provided for elsewhere (with or without pay – at the discretion of the Chief Executive)

PREVIOUS AUDIT REPORTS⁷

Reports Published in 2004

1. Administration of Policing Services
2. Travel Arrangements and Expenses
3. Revenue Estimates in Budget Papers 2002-03
4. Data Reliability for Reporting on the ACT 'No Waste by 2010' Strategy

Reports Published in 2003

1. Effectiveness of Annual Reporting
2. Belconnen Indoor Aquatic Leisure Centre
3. Emergency Services
4. Management of Fraud and Corruption Prevention in the ACT Public Sector
5. Lease of FAI House
6. Allegations of Financial Mismanagement University of Canberra Union
7. Compliance Performance Audit – Recruitment Processes
8. Financial Incentive Package for Fujitsu Australia Ltd (FAL)
9. Annual Management Report for the Year Ended 30 June 2003
10. Financial Audits with Years Ending to 30 June 2003

Reports Published in 2002

1. Special Purpose Review of Part of the Commission of Audit Report on the State of the Territory's Finances at 31 October 2001
2. Operation of the Public Access to Government Contracts Act
3. Governance Arrangements of Selected Statutory Authorities
4. Frameworks for Internal Auditing in Territory Agencies
5. V8 Car Races in Canberra – Costs and Benefits
6. Annual Management Report for the Year Ended 30 June 2002
7. Financial Audits with Years Ending to 30 June 2002

Reports Published in 2001

1. Financial Audits with Years Ending to 30 June 2000
2. Enhancing Professionalism and Accountability
3. Market Research and Marketing (Second Report)
4. Peer-Based Drug Support Services Tender – 1998
5. The Administration of Payroll Tax
6. Annual Management Report for the Year Ended 30 June 2001
7. Managing Canberra Urban Parks and Open Spaces
8. Canberra Tourism and Events Corporation – Relocation to Brindabella Business Park
9. Agents Board – Financial Administration of Training Grant Program
10. Corrective Services – Review of Certain Allegations
11. Financial Audits with Years Ending to 30 June 2001
12. The Freedom of Information Act

⁷ 57 Reports were issued prior to 1997. Details can be obtained from the ACT Auditor-General's Office or the ACT Auditor-General's homepage: <http://www.audit.act.gov.au>.

Reports Published in 2000

- 1 Bruce Stadium Redevelopment — Summary Report
- 2 Bruce Stadium Redevelopment — Value for Money
- 3 Bruce Stadium Redevelopment — Costs and Benefits
- 4 Bruce Stadium Redevelopment — Decision to Redevelop the Stadium
- 5 Bruce Stadium Redevelopment — Selection of the Project Manager
- 6 Bruce Stadium Redevelopment — Financing Arrangements
- 7 Bruce Stadium Redevelopment — Stadium Financial Model
- 8 Bruce Stadium Redevelopment — Actual Costs and Cost Estimates
- 9 Bruce Stadium Redevelopment — Market Research and Marketing
- 10 Bruce Stadium Redevelopment — Stadium Hiring Agreements
- 11 Bruce Stadium Redevelopment — Lawfulness of Expenditure
- 12 Bruce Stadium Redevelopment — Governance and Management
- 13 Annual Management Report for the Year Ended 30 June 2000

Reports Published in 1999

- 1 Stamp Duty on Motor Vehicle Registrations
- 2 The Management of Year 2000 Risks
- 3 Annual Management Report for Year Ended 30 June 1999
- 4 Financial Audits With Years Ending to 30 June 1999

Reports Published in 1998

- 1 Management of Preschool Education
- 2 Lease Variation Charges - Follow-up Review
- 3 Major IT Projects - Follow-up Review
- 4 Annual Management Report for Year Ended 30 June 1998
- 5 Management of Housing Assistance
- 6 Assembly Members' Superannuation and Severance Payments to Former Members' Staffers
- 7 Magistrates Court Bail Processes
- 8 Territory Operating Losses and Financial Position
- 9 Financial Audits with Years Ending To 30 June 1998
- 10 Management of Schools Repairs and Maintenance
- 11 Overtime Payment To A Former Legislative Assembly Member's Staffer

Reports Published in 1997

- 1 Contracting Pool and Leisure Centres
- 2 Road and Streetlight Maintenance
- 3 1995-96 Territory Operating Loss
- 4 ACT Public Hospitals - Same Day Admissions
Non Government Organisation - Audit of Potential Conflict of Interest
- 5 Management of Leave Liabilities
- 6 The Canberra Hospital Management's Salaried Specialists Private Practice
- 7 ACT Community Care - Disability Program and Community Nursing
- 8 Salaried Specialists' Use of Private Practice Privileges
- 9 Fleet Leasing Arrangements
- 10 Public Interest Disclosures - Lease Variation Charges and Corrective Services
- 11 Annual Management Report for Year Ended 30 June 1997
- 12 Financial Audits with Years Ending to 30 June 1997
- 13 Management of Nursing Services

AVAILABILITY OF REPORTS

Copies of Reports issued by the ACT Auditor-General's Office are available from:

ACT Auditor-General's Office
Scala House
11 Torrens Street
BRADDON ACT 2612

or

PO Box 275
CIVIC SQUARE ACT 2608

Phone (02) 62070833 / Fax (02) 62070826

Copies of Reports are also available from the
ACT Auditor-General's Homepage: <http://www.audit.act.gov.au>