

	Paper No.: 5412T1426E
	Date: 31/10/12
	Member: <i>Ms Palaszczuk</i>
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CABINET BUDGET REVIEW COMMITTEE

DECISION

Brisbane, 29 October 2010

Decision No.: 3090, (Submission No.: 4036)

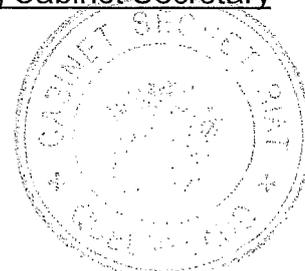
TITLE: Fortnightly Progress Report One - Implementation of Government's response to the Auditor-General's report on the Queensland Health payroll issues

COMMITTEE decided to note the Department of Health's progress toward implementing the Government's response to the Auditor General's report on the health payroll issues.

CIRCULATION: Implementation Responsibility
 Department of Health and copy to the Deputy Premier and Minister for Health
Departmental Records
 Department of the Premier and Cabinet
 Treasury Department
Perusal and Return
 All other Committee Members

[Handwritten Signature]

Acting Cabinet Secretary



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SECURITY CLASSIFICATION "C"

CABINET BUDGET REVIEW COMMITTEE INFORMATION SUMMARY

COVERSHEET

TITLE

Fortnightly Progress Report One – Implementation of Government's response to the Auditor-General's report on the Queensland Health payroll issues.

MINISTER

Deputy Premier and Minister for Health

OBJECTIVE

That the Cabinet Budget Review Committee (CBRC) note the Queensland Health progress of the implementation of the Payroll Improvement Program, in response to the Auditor-General's report on the health payroll issues.

SUMMARY

Queensland Health has significantly progressed the Government's response to the implementation of the Auditor-General's report on the health payroll issues.

There were five components to the Government's response to the recommendations contained in the Auditor-General's report, with three of these the responsibility of Queensland Health: Better Payroll Model (QH); Best Software System (QH); Holding IT Advisors Accountable; Strengthening Queensland Health Corporate Services (QH); and, The Future of CorpTech and Shared Services.

The new Payroll Operating Model has been significantly implemented with two payroll hubs (Townsville and Meadowbrook) fully operating under the new model providing services to the Townsville, Mount Isa and Metro South Districts. In all other hubs, four out of the five core components have been implemented with the remaining component to be implemented before 31 December 2010.

Managers have been appointed to the two new hubs being established in Mackay and Gold Coast with approximately 40 staff within the hub on the Gold Coast located near the Gold Coast Hospital. The Gold Coast team still works closely with the Chermside payroll hub to ensure continuity and support. In Mackay district, there are three payroll staff and five payroll project staff located to facilitate face-to-face contact. The personalised service model is operating directly between the Mackay district and the hub. The Mackay payroll work has now been separated from the Central and Central West District work which is undertaken within the Rockhampton hub. Additional accommodation for payroll staff is being arranged in Mackay.

The number of no pays is steadily declining on average as the backlog of adjustments is cleared. Of particular note is that from June 2010 to the most recent pay period (6 October 2010) the total number of confirmed no pays has reduced from 200 to 55. These remaining no pays can be attributed to delays in the submission and processing of payroll forms (e.g. new starters, casuals). Supporting information is provided at Attachment 1 of this submission.

Additionally, the number of outstanding adjustments (backlog) has been steadily reducing over the past 10 pay periods. For example, on 2 June 2010 there were 42,088 outstanding adjustments and this number has been reduced to 13,702 as at 6 October 2010. As occurred in the previous Lattice system, the system is closed off for processing for 2-3 days, so there will typically be 2-3 days of processing backlog in any given pay period. Supporting information is provided at Attachment 2 of this submission

The number of calls being received by the payroll hotline has significantly reduced over the past six pay runs. In pay period 8 (30 June 2010), 2,506 calls were received in comparison to the past two pay periods, where the number of calls has been 482 and 434 respectively. Supporting information is provided at Attachment 4 of this submission.

The Queensland Health Corporate Services Division has been reorganised with the two new Deputy Director-General positions currently being advertised with a closing date of 25 October 2010.

Consultation with payroll staff, districts, divisions and unions continues extensively throughout the state. Consultation includes face-to-face meetings, teleconferences, forums and regular scheduled meetings.

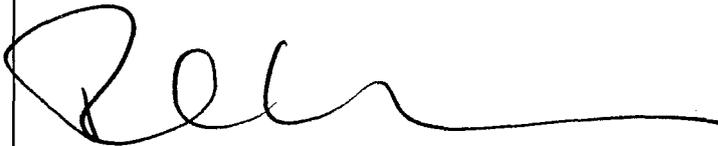
Government has received the Ernst and Young report into the future of the rostering and payroll applications and the report and a response will be released (following consideration by Cabinet) at the end of November 2010 along with the report.

At this point, overpayments remain the highest risk area for the Payroll Improvement Program as the number and value of the overpayments continues to increase. The recovery of overpayments has not yet commenced, however staff can voluntarily initiate repayment. A commitment has been made to not commence the recovery of overpayments until the payroll system is stabilised. As there is no data regarding the performance of the previous payroll system, agreement has not been able to be reached with unions regarding the stabilisation of the system. Detailed work is currently being undertaken to describe the current performance of the payroll system.

As at the 20 September 2010, the total value of overpayments was \$38.6 million with \$29.5 million within the payroll system and \$9.1 million within the finance system (i.e. cash, cheque or EFT). Within the total overpayments is \$1.31 million relating to the write-off of cumulative overpayments of up to and including \$200 net as at 30 June 2010. The number of cash payments being made to employees has reduced significantly over the past several pay periods, supporting a return to a "business as usual" environment in regard to the number of no pays in any given pay cycle - refer to Attachment 1. Queensland Health has commenced discussions with health unions to realign cash, cheque and EFT payments with normal payroll processing operations.

RECOMMENDATION

That the Cabinet Budget Review Committee note the Queensland Health progress toward implementing the Government's response to the Auditor General's report on the health payroll issues.



PAUL LUCAS MP
Deputy Premier
Minister for Health

20/10/2010

BODY OF SUBMISSION

OBJECTIVE

1. That the Cabinet Budget Review Committee (CBRC) note the Queensland Health progress of the implementation of the Payroll Improvement Program, in response to the Auditor-General's report on the health payroll issues.

BACKGROUND

Context

2. On 8 March 2010, Queensland Health introduced a new payroll system that delivered its first pay on 24 March 2010. The new payroll system has resulted in significant issues in the timeliness and accuracy of Queensland Health staff pay.
3. In response to the major issues identified, a Payroll Stabilisation Program was established with the assistance of KPMG and significant work was undertaken to refine the business process, improve the system, communicate with stakeholders and respond to individual hardship.
4. In July 2010, the Payroll Stabilisation Program transitioned to the Payroll Improvement Program with additional improvement activities commenced.
5. On 29 June 2010, the Auditor-General released his report, *Report to Parliament No 7 for 2010 – Information systems governance and control, including the Queensland Health Implementation of Continuity Project*
6. The Queensland Government released a response to the report that contained five key elements:
 - 1) Better Payroll Model (QH)
 - 2) Best Software System (QH)
 - 3) Holding IT Advisors Accountable
 - 4) Strengthening Queensland Health Corporate Services (QH)
 - 5) The Future of CorpTech and Shared Services
7. The implementation of three of the five initiatives are the responsibility of Queensland Health.
8. On 8 October 2010, the Premier wrote to the Deputy Premier and Minister for Health to request fortnightly CBRC reports to commence on 18 October 2010 by way of flying minute.

Previous Consideration by Cabinet

9. This is the first fortnightly CBRC report to be submitted.

URGENCY

10. The Premier requested the first fortnightly report be submitted commencing 18 October 2010.

ISSUES

No Pays

11. The issues surrounding the implementation of the new payroll system, including the unavailability of the system for most of the first pay cycle in March 2010, created a large backlog in payroll forms processing. This resulted in many staff not receiving their pays from the system and an emergency payment system was implemented which provided cash, cheque and EFT payments to affected staff.
12. The number of "no pays" has steadily declined on average as the backlog of adjustments has been cleared. Note that from June 2010 to the most recent pay period, the total number of confirmed no pays has reduced from 200 to 55.
13. According to information from the past 4 pay periods, the reported "no pays" figure has not been the result of system errors. Delays to the submission and processing of payroll forms (e.g. new starters, casuals) by line managers has meant that these forms have not been included in the normal pay run and these staff are typically paid via ad-hoc processing which has an overnight turnaround.
14. Attachment 1 identifies the number of number of no pay inquiries and confirmed no pays against pay run file from the beginning June 2010.

Adjustments

15. The number of outstanding adjustments (backlog) has been steadily reducing over the past 10 pay periods. For example, on 2 June 2010, there were 42,088 outstanding adjustments and this number has been reduced to 13,702 as at 6 October 2010. Attachment 2 provides details.
16. Due to the need to close off the payroll system for fortnightly processing for 2-3 days, as occurred under the previous Lattice payroll system, there will typically be 2-3 days of processing backlog in any given pay period.
17. The average number of transactions processed per day is approximately 4,000 so a normal backlog would represent approximately 12,000 adjustments. This has been the recorded figure for the past 3 pay fortnights and the figure also includes forms that are presented to cater for future leave requirements (which are not actual backlog).

18. As part of the implementation of the new payroll operating model, all payroll forms are now assigned specifically to the payroll hub responsible for processing forms relating to its local District or Division staff. This will ensure each payroll hub has direct visibility and ownership of unprocessed payroll adjustments and can escalate for assistance if required from central state-wide support teams.

Overpayments

19. Post implementation overpayments remain the highest risk area for the Payroll Improvement Program as the number and value of the overpayments continues to increase. The recovery of overpayments has not yet commenced, however staff can voluntarily initiate repayment. A commitment has been made to not commence the recovery of overpayments until the payroll system is stabilised. As there is no data regarding the performance of the previous payroll system, agreement has not been able to be reached with unions regarding the stabilisation of the system. Detailed work is currently being undertaken to describe the current performance of the payroll system.

20. As at the 20 September 2010 pay run, the total value of overpayments was \$38.6 million with \$29.5 million within the payroll system and \$9.1 million within the finance system (ie cash, cheque or EFT). Within the total overpayments is \$1.31 million relating the write-off of cumulative overpayments of up to and including \$200 net as at 30 June 2010. Of the amounts within payroll, approximately 33% are between \$200 and \$1000; approximately 36% are between \$1,000 and \$5,000; approximately 15% are between \$5,000 and \$20,000 and approximately 2.3% are above \$20,000.

21. The number of cash payments being made to employees has reduced significantly over the past several pay periods, supporting a return to a "business as usual" environment in regard to the number of no pays in any given pay cycle (see Attachment 3). Queensland Health has begun discussions with health unions to realign cash, cheque and EFT payments with normal payroll processing operations. It is planned that emergency cash payments outside the payroll system will be ceased in the near future.

Hotline Calls

22. The number of calls being received by the payroll hotline has significantly reduced over the past six pay runs. In Pay Period 8 (30 June 2010), 2,506 calls were received in comparison to the past two pay periods, where the number of calls has been 482 and 434 respectively. Supporting information is attached (see Attachment 4).

23. 1,134 calls were received by the payroll hotline between 16 August and 13 October 2010, specifically relating to release of the Time & Wages Report which was provided to all Queensland Health employees to check the accuracy of their pay between go-live and 30 June 2010. The number of calls was far less than anticipated, and in line with overall call numbers. Time & Wages queries have incrementally reduced during this period.

Payroll Operating Model

24. Queensland Health has significantly progressed the Government's response to the implementation of the Auditor-General's report on the health payroll issues.
25. The new Payroll Operating Model has been significantly implemented with two payroll hubs (Townsville and Meadowbrook) fully operating under the new model providing services to the Townsville, Mount Isa and Metro South Districts. In all other hubs, four out of the five core components have been implemented with the remaining component to be implemented before 31 December 2010. The following table outlines the progress of the implementation of the payroll operating model.

New Payroll Operating Model	Payroll Staff Trained in SAP and Workbrain	Personalised Service Model	Local Workflow of Forms	Aligned Hub and District Structure	Agreed Communication and Governance Processes
Cairns and Hinterland Health Service District	✓	✓	✓	Dec 10	✓
Cape York Health Service District	✓	✓	✓	Dec 10	✓
Central Queensland Health Service District	✓	✓	✓	Dec 10	✓
Central West Health Service District	✓	✓	✓	Dec 10	✓
Childrens Health Services	✓	✓	✓	Dec 10	✓
Darling Downs - West Moreton Health Service District	✓	✓	✓	Dec 10	✓
Gold Coast Health Service District	✓	✓	✓	✓	✓
Mackay Health Service District	✓	✓	✓	✓	✓
Metro North Health Service District	✓	✓	✓	Dec 10	✓
Metro South Health Service District	✓	✓	✓	✓	✓
Mt Isa Health Service District	✓	✓	✓	✓	✓
South West Health Service District	✓	✓	✓	Dec 10	✓
Sunshine Coast - Wide Bay Health Service District	✓	✓	✓	Dec 10	✓
Torres Strait and Northern Peninsula Health Service District	✓	✓	✓	Dec 10	✓
Townsville Health Service District	✓	✓	✓	✓	✓

26. Managers have been appointed to the two new hubs in Mackay and Gold Coast with approximately 40 staff within the hub on the Gold Coast located near the Gold Coast Hospital. This latter team still works closely with the Chermside payroll hub to ensure continuity and support. In Mackay district, there are three payroll staff and five payroll project staff located to facilitate face-to-face contact. The personalised service model is operating directly between the Mackay district and the hub. The Mackay payroll work has now been separated from the Central and Central West district work which is occurring within the Rockhampton hub. Additional accommodation for payroll staff is being arranged in Mackay.
27. All districts have personalised access to their linked payroll hub to resolve payroll questions and issues. Contact can be made directly with the payroll hub or scheduled appointments can be made to resolve more complex issues.
28. 132 payroll staff across the state have had full training in SAP and a further 480 training events have been held for specific functions of SAP. 658 payroll staff have been fully trained in Workbrain. This will ensure that all forms can be processed by the district's linked payroll hub.
29. A web based payroll portal, to complement the existing fax server forms processing, is being trialled and will strengthen the personal link between the district and the payroll hub when it is implemented in the near future.
30. In line with our commitment to payroll staff, a job re-evaluation process is being undertaken across the state. The job re-evaluation process is developing new position descriptions in line with the new payroll model. These position descriptions will be evaluated and payroll staff remunerated accordingly.
31. Work to further improve the readability of payslips and enhance the roster output has begun. Extensive staff consultation will occur across the state over the next three months.

Strengthen Queensland Health Corporate Services

32. The QH Corporate Services Division has been reorganised with two new Deputy Director-General positions (Finance, Procurement and Legal Services and Human Resource Services) currently being advertised with a closing date of 25 October 2010.
33. An acting DDG Finance, Procurement and Legal Services has been appointed to the newly created division while recruitment occurs.
34. The newly structured corporate services will strengthen Queensland Health's ability to deliver a more localised model of service in line with the national health reform agreement.

Ernst & Young Report – Best Payroll System

35. Ernst & Young were engaged to undertake a review of the Queensland Health payroll and rostering systems to:
- establish their ongoing suitability for Queensland Health; and
 - ascertain what alternative solutions are available to potentially resolve the problems being experienced across the organisation.
36. The final Ernst & Young Report was received by the department on 30 September 2010 and a formal response will be released, following consideration by Cabinet, at the end November 2010 along with the report.
37. Queensland Health has briefed the health unions on the Ernst & Young report and is preparing a draft response for consideration.
38. The report recommends that the current QH payroll system improvement work, namely the Payroll Improvement Program continue, with a further program of work to being undertaken to optimise the existing solution environment (i.e. undertake an “optimise” project of the current systems to resolve all current issues and improve usability at the local level). This recommendation was identified by Ernst & Young as the most effective and efficient with lowest risk to the organisation.
39. Discussions are currently occurring with Ernst & Young to request them to draw a distinction between those matters recommended as being necessary to ensure the system is suitable for purpose and those recommendations which would optimise the system, but may not necessarily improve the system.
40. These discussions will include separating the recommendations into phases of work in order to identify the program of work and associated timeframes involved in providing the modifications required to deliver a sound operational system suitable for purpose, versus balancing these requirements against providing a ‘best practice’ or ‘optimised’ system. For example, phase 1 may include re-architecture of the system to manage leave, reconfiguring of system to separate into groupings of up to say 15,000 employees and phase 2 may include introduction of employee self service (ESS) or manager self service (MSS).

CONSULTATION

41. Consultation with payroll staff, districts, divisions and unions continues extensively throughout the state. Consultation includes face-to-face meetings, teleconferences, forums and regular scheduled meetings.

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42. Meetings with all health unions are scheduled fortnightly on the Monday of the pay week. Topics covered include overpayments, concurrent employees, implementation of the payroll operating model, system fixes, progress on improvement projects including the roster redesign project, payslip redesign project, payroll portal project, payslip distribution project and payslip software analyser project.
 43. Regular report-back hearings are scheduled with the Queensland Industrial Relations Commission (QIRC) with the last hearing being held on 7 October 2010 and the next hearing scheduled for 2 December 2010.
 44. At the most recent QIRC hearing, the topics covered were: feedback on the line manager support regarding payroll; feedback on systems issues that have been fixed; discussion regarding changing the arrangements for emergency cash payments, the Ernst and Young and PricewaterhouseCoopers reports; concurrent employees and the implementation of the payroll operating model.

FINANCIAL CONSIDERATIONS

45. As at the 20 September 2010, the total value of overpayments was \$38.6 million with \$29.5 million within the payroll system and \$9.1 million within the finance system (ie cash, cheque or EFT). Within the total overpayments is \$1.31 million relating the write-off of cumulative overpayments of up to and including \$200 net as at 30 June 2010.
 46. A Ministerial Statement was released on 14 July 2010 advising that Queensland Health would not be requiring staff with overpayments of \$200 net or less, incurred since the introduction of the new payroll system and up to 30 June 2010, to pay these amounts back.
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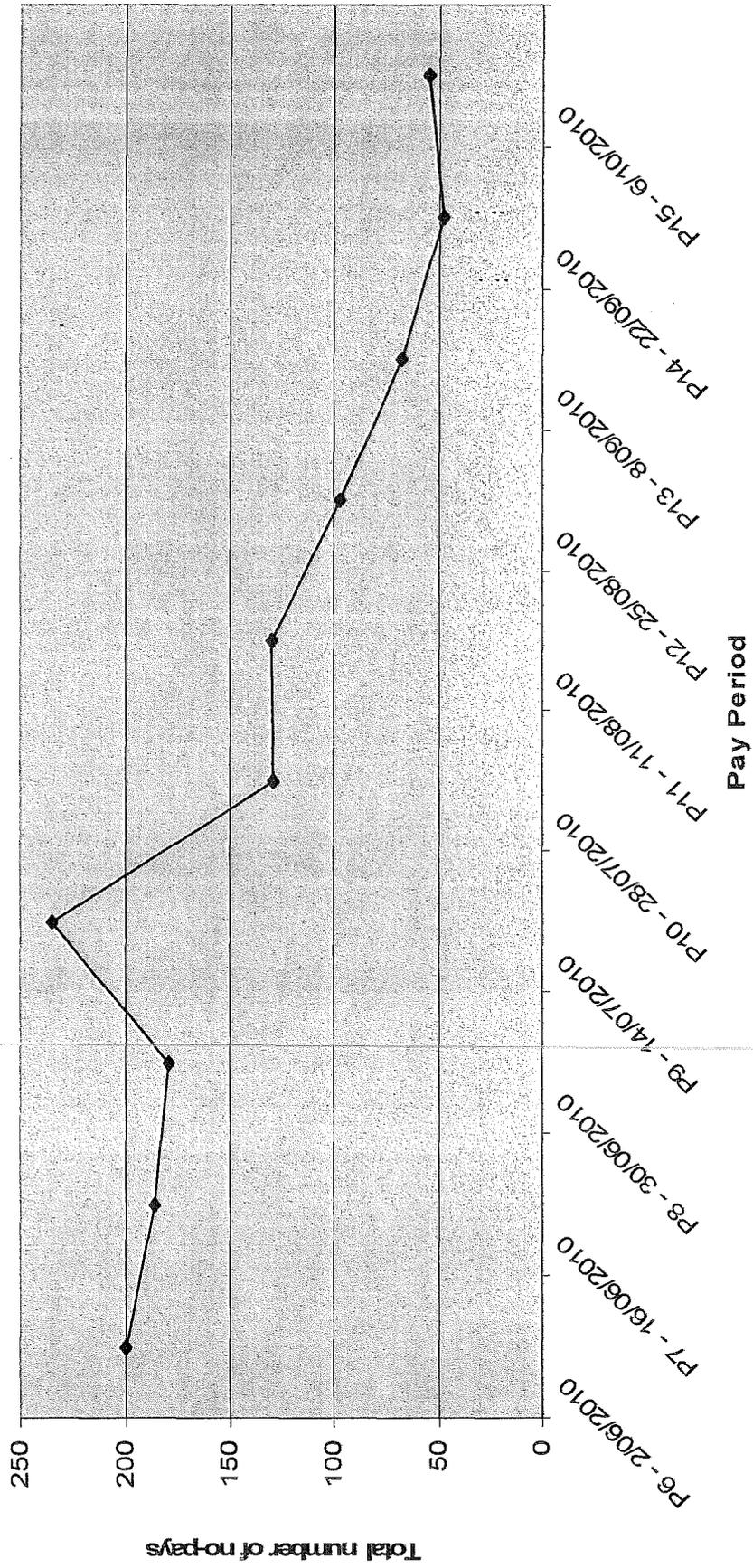
LIST OF ATTACHMENTS

- ATTACHMENT 1:** No Pay Inquiries/Confirmed No Pays Table.
- ATTACHMENT 2:** Outstanding Adjustments
- ATTACHMENT 3:** Emergency Cash Payments
- ATTACHMENT 4:** Payroll Hotline Calls
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ATTACHMENT 1

Pay Period	P6 (P25) 2009-10 2 Jun 2010	P7 (P26) 2009-10 16 Jun 2010	P8 (P27)2009-10 30 Jun 2010	P9 (P1) 2010-11 14 Jul 2010	P10 (P2) 2010-11 28 Jul 2010	P11 (P3) 2010-11 11 Aug 2010	P12 (P4) 2010-11 25 Aug 2010	P13 (P5) 2010-11 8 Sept 2010	P14 (P6) 2010-11 22 Sept 2010	P15 (P7) 2010-11 6 Oct 2010
Total number of no-pay inquiries (on same day following pay day – Day 3)	318	279	231	331	181	206	132	92	76	69
Total number of no-pays confirmed against pay run file (on same day following pay day – Day 3)	200	186	179	235	129	130	97	68	48	55

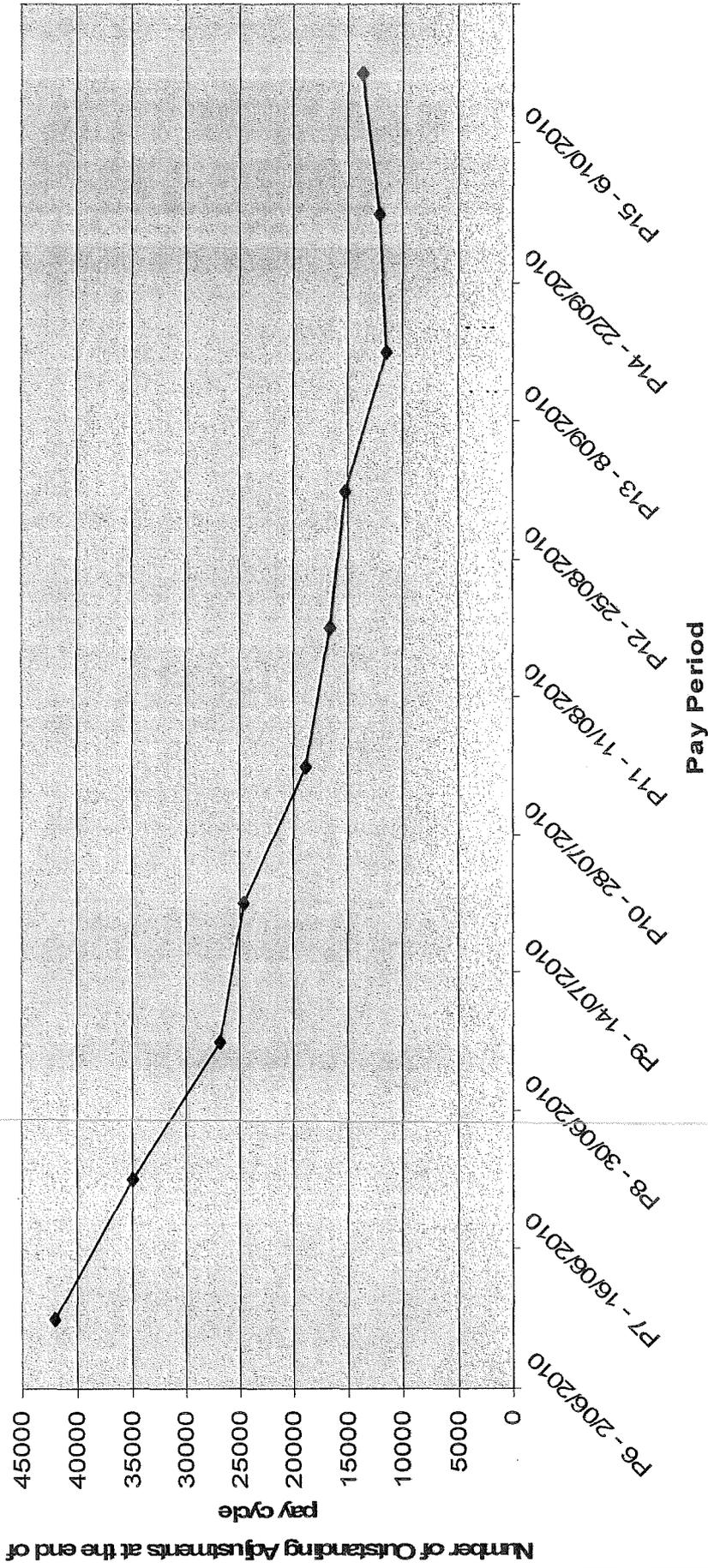
Trend in Number of No-Pays



ATTACHMENT 2

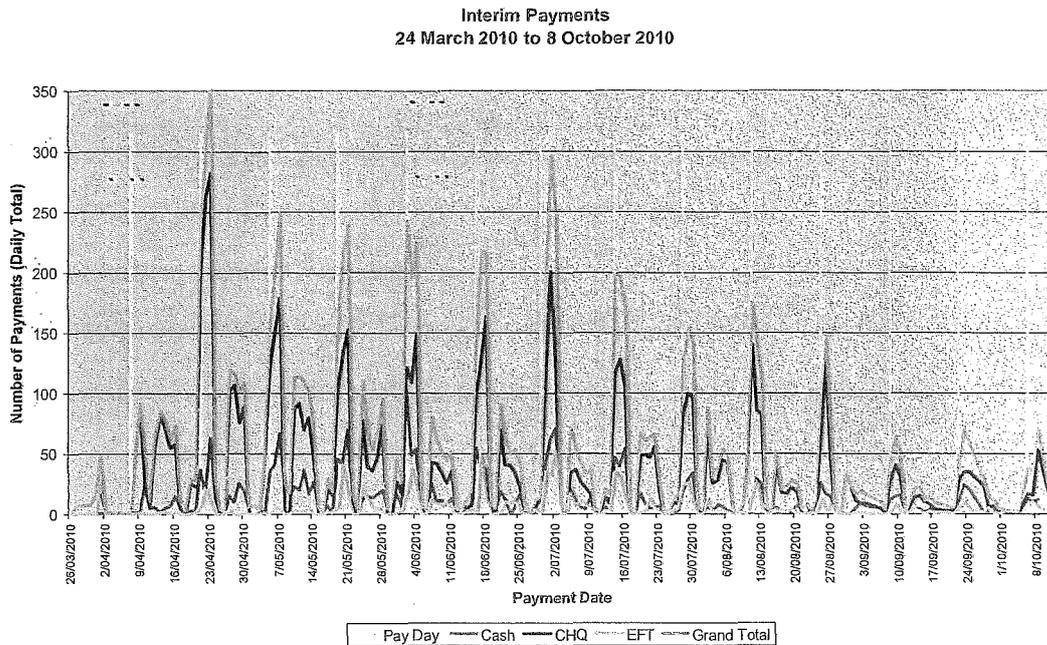
Pay Period	P6 (P25) 2009-10 2 Jun 2010	P7 (P26) 2009-10 16 Jun 2010	P8 (P27)2009-10 30 Jun 2010	P9 (P1) 2010-11 14 Jul 2010	P10 (P2) 2010-11 28 Jul 2010	P11 (P3) 2010-11 11 Aug 2010	P12 (P4) 2010-11 25 Aug 2010	P13 (P5) 2010-11 8 Sept 2010	P14 (P6) 2010-11 22 Sept 2010	P15 (P7) 2010-11 6 Oct 2010
Number of outstanding adjustments at end of pay cycle	42,038	34,969	26,884	24,700	18,883	16,644	15,241 : :	11,547	12,194	13,702

Trends in Outstanding Adjustments

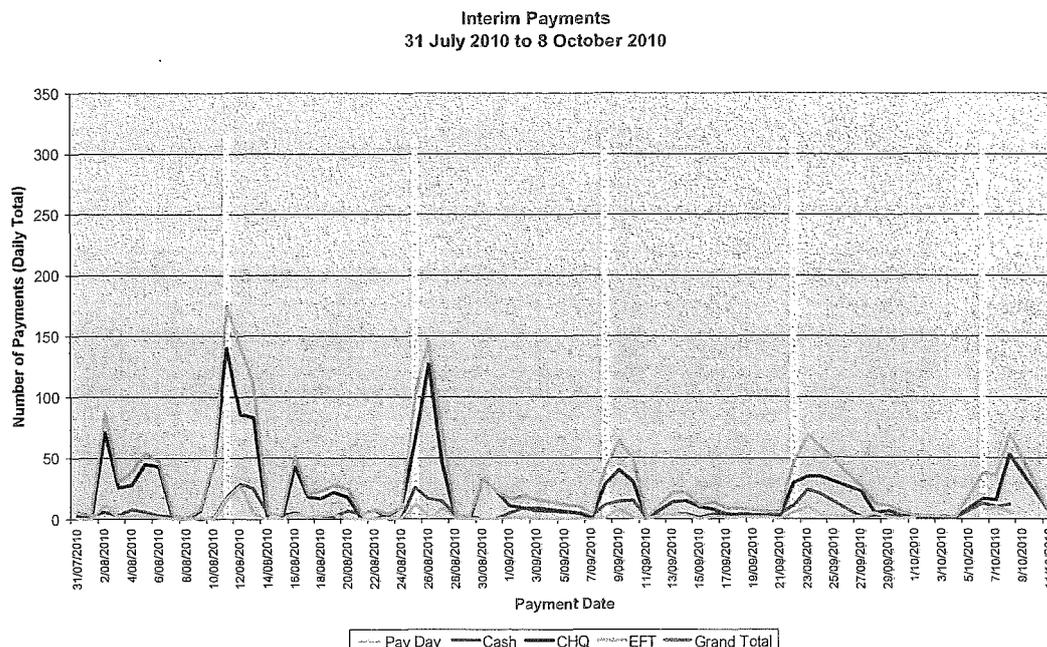


Emergency Cash Payments

- The number of interim payments made to staff demonstrates ongoing improvement. The first chart shows the status of all interim payments since 24 March 2010, after the go-live of the new payroll system.



- The second chart depicts in more detail the status of interim payments since the end of July 2010. The ongoing reduction in cash payments is providing Queensland Health with an opportunity to ensure appropriate controls are in place to prevent fraud.



ATTACHMENT 4

Payroll Hotline Information

- The payroll hotline shows a significant reduction in the number of calls received. The reduction in the number of calls received each fortnight coincides with the commencement of the Payroll Improvement Program.

