	Paper No.: 5412T1426D
	Date: <i>3/10/12</i>
	Member: <i>M. Palaszczuk</i>
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<input type="checkbox"/> Incorporated, by leave	<input type="checkbox"/> Remainder incorporated, by leave
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CONFIDENTIAL

COMMITTEE DECISION

Brisbane, 8 July 2010

Decision No.: 3002, (Submission No.: 3948)

TITLE: Minor overpayment write-off of amounts of \$100 or less following stabilisation of the Queensland Health payroll system

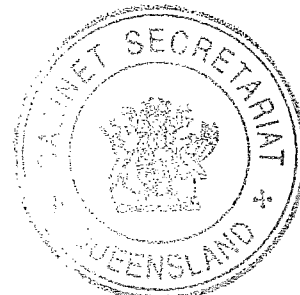
COMMITTEE decided:

1. To note that, subject to Auditor-General' written confirmation of the appropriateness of treatment, write-off of over payments to Department of Health staff less than or equal to \$200 as at 30 June 2010 will occur on the basis that it will not be cost efficient to seek recovery on a large volume of minor payroll adjustments.
2. To note that this proposed write-off will be a one-off event, a stabilised system and procedures will address these adjustments in the future on a timely basis.
3. To note that measures are being taken to address the large volume of over payments above this level.

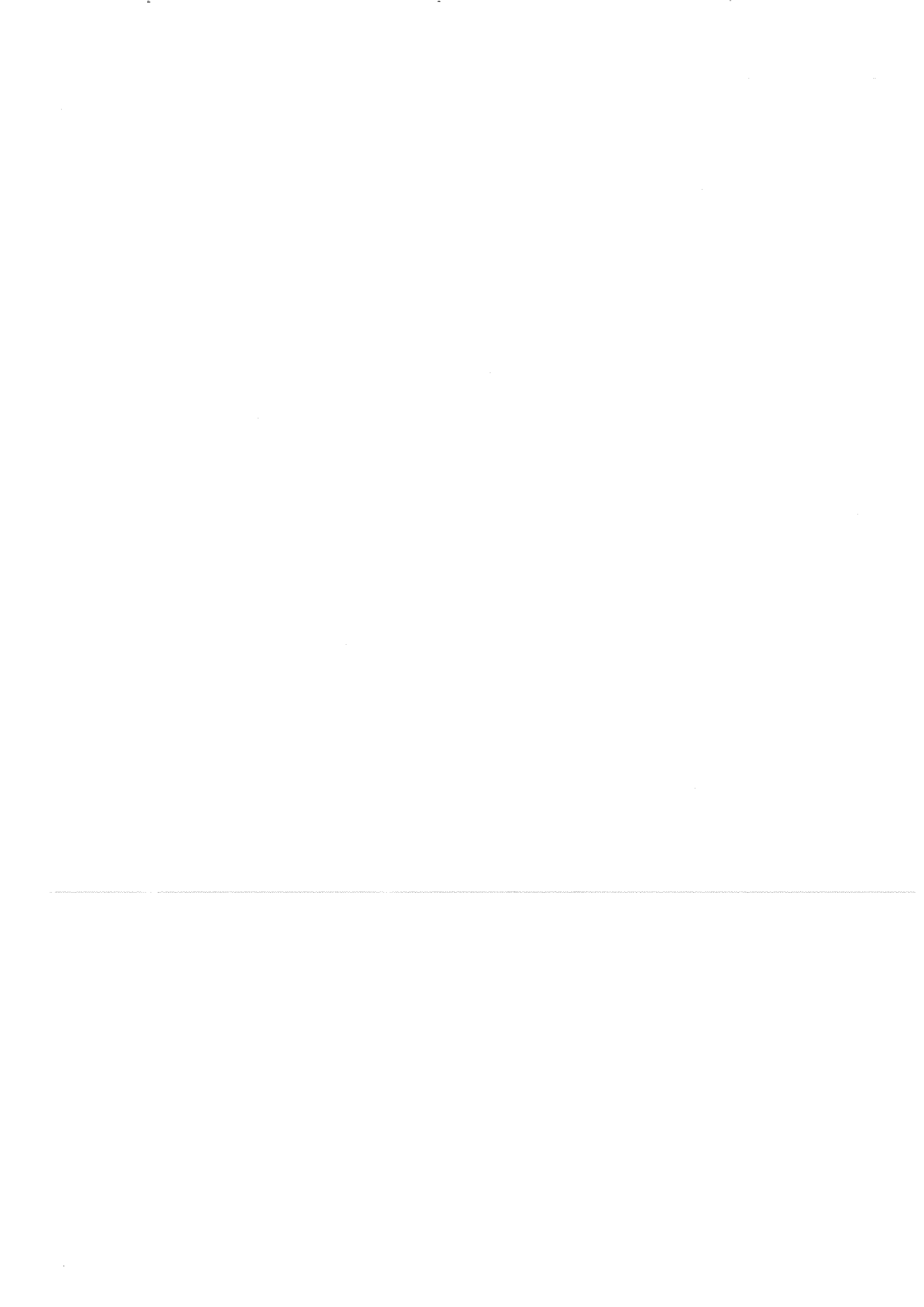
CIRCULATION: Implementation Responsibility
 Department of Health and copy to the Deputy Premier and Minister for Health
Departmental Records
 Department of the Premier and Cabinet.
 Treasury Department.
Perusal and Return
 All other Committee Members.

[Signature]

Acting Cabinet Secretary



CERTIFIED TRUE COPY



SECURITY CLASSIFICATION "C"

SUBMISSION TO CABINET BUDGET REVIEW



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COVER SHEET

TITLE

Minor overpayment write-off of amounts of \$100 or less following stabilisation of the Queensland Health payroll system

MINISTER

Deputy Premier and Minister for Health

OBJECTIVE

That the Cabinet Budget Review Committee note the actions being undertaken in relation to the number of outstanding salary overpayments made by Queensland Health.

SUMMARY

Since implementing the SAP payroll system from 8 March 2010 in Queensland Health, a number of employees have experienced over payment of salaries and wages. Under Queensland industrial law, in the majority of circumstances, Queensland Health is prevented from recovering over payment of salaries and wages paid to employees without entering into a repayment agreement with employees. Over payments for the purposes of payroll are the result of either:

- errors in processing;
- payment for time not worked;
- adjustment to rosters processed after the related pay period has closed; and
- rounding of amounts.

Following the implementation of the Queensland Health payroll system, a large number of minor over payments have been made to staff. At the time of declaring the system stable, Queensland Health intends to write-off amount less than or equal to \$100, as owing to the volume, it is not judged to be cost effective to pursue recovery.

The cost of recovering payroll adjustment over payments of a certain size will exceed the value of the over payment and exacerbate already strained employee relations. The Queensland Health Shared Service Provider has determined that each over payment review will likely required on average thirty to forty-five minutes of consultation with impacted employees.

In proceeding with a write-off of minor over payments, there is a danger that a precedent will be set that will be costly to Queensland Health in the future, should resolution of automated payroll adjustment over payment recovery not be reached.

In proceeding with a minor over payment write-off amount, it is anticipated that it will only apply to a set level of over payment, for example, up to \$100 and only to apply to employees with over payments less than or equal to \$100 rather than reducing all employees overpayments by \$100. The primary reason for write-off is the cost/benefit of recovery, not to bestow a benefit on employees.

The average cost of recovery for over payments in terms of payroll staff effort is \$70.65 per over payment. As at 30 June 2010, the accumulated balance of over payments made to staff of less than or equal to \$100 across multiple pay periods is \$321,285. Of the number of over payments in this category, 80 per cent are valued under \$70.

Section 73 of the *Financial Accountability Act 2009* (the Act) requires recovery of monies where a loss occurs of public monies that have been advanced to an officer or employee of the Department. In considering recovery of a debt regard should be had to materiality. The *Financial and Performance Management Standard 2009* defines a material loss of money as more than \$500. On a case by case basis \$100 would be regarded as immaterial and the Director-General, as the Department's Accountable Officer, can exercise write-off authority under Section 72(1)(a) of the Act.

RESULTS OF CONSULTATION

- **Is there agreement? YES** See paragraph 25 of body of submission.

RECOMMENDATIONS

That the Cabinet Budget Review Committee:

1. note that subject to consultation with the Auditor-General at the time of stabilising the Queensland Health payroll system, write-off of over payments less than or equal to \$100 will occur on the basis that it will not be cost efficient to seek recovery on a large volume of minor payroll adjustments;
2. note that this proposed write-off will be a one-off event, a stabilised system and procedures will address these adjustments in the future on a timely basis; and
3. note that measures are being taken to address the large volume of over payments above this level.



PAUL LUCAS MP
Deputy Premier
Minister for Health

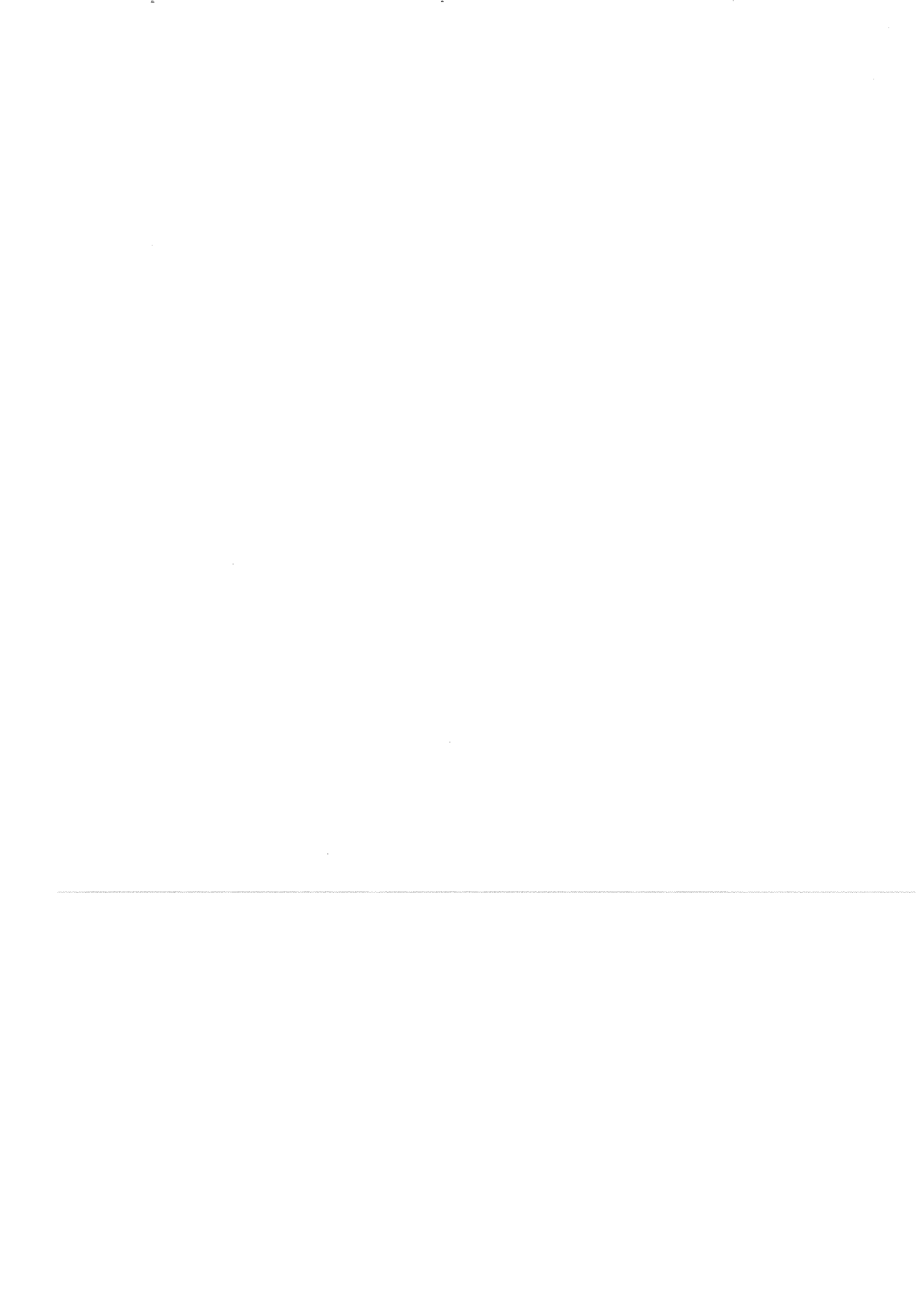
7/7/2010

BODY OF SUBMISSION**OBJECTIVE**

1. That the Cabinet Budget Review Committee note the actions being undertaken in relation to the number of outstanding salary overpayments made by Queensland Health.

BACKGROUND**• Context**

2. Since implementing the SAP payroll system from 8 March 2010 in Queensland Health, a number of employees have experienced over payment of salaries and wages.
3. Under Queensland industrial law, in the majority of circumstances, Queensland Health is prevented from recovering over payment of salaries and wages paid to employees without entering into a repayment agreement with employees.
4. Over payments for the purposes of payroll are the result of either:
 - errors in processing;
 - payment for time not worked;
 - adjustment to rosters processed after the related pay period has closed; and
 - rounding of amounts.
5. The last two categories of over payment are more in the nature of pay adjustments as opposed to true over payments and were previously, in most cases, adjusted in the LATTICE payroll system without entering into repayment agreements.
6. Due to the level of detail now disclosed on pay slips produced by the SAP payroll system, any negative adjustment to pay is now seen as a recovery of an overpayment by employees and their Union representatives, thereby breaching Queensland industrial law.
7. Owing to the backlog of primary transactional payroll forms, *Attendance Variation Allowance Claim* (AVAC) forms, to be processed since the implementation of the payroll system and the complexities of award calculations, there are a large volume of amounts of the pay adjustment type of over payments now accumulating. Some of these amounts represent \$0.01 to \$5.00 in rounding, for which the cost of recovery will far exceed the actual "over payment" amount.
8. Queensland Health is currently seeking to consult with the Department and Attorney-General regarding the treatment of the payroll adjustment category of over payment, as with each payroll that is produced, the amount of these adjustments keep accumulating.



9. In order to reduce the number of over payments to be actioned, it is proposed to write-off minor amounts of over payments less than or equal to \$100. It is acknowledged that in writing off these amounts, over payments as a result of errors or time not worked could also be written off. Write-off would be limited to \$100 for each employee in this category.
10. Queensland Health has agreed with Unions not to institute recovery action until such time as the payroll system is stabilised. Information has been provided to employees wishing to initiate voluntary repayments of over payments that they have received. However, the end of financial year will require acknowledgement of an overpayment from employees to prevent adverse assessed allowances and tax consequences.
11. Queensland Health is currently working to temporarily increase the resources available to notify employees of an overpayment and provide explanations regarding the cause of the over payment.

• **Previous Consideration by Cabinet**

12. This issue has not been previously considered by the Cabinet Budget Review Committee.

URGENCY

13. On determination of the payroll as a stabilised system, the one-off write off of overpayment less than or equal to \$100 will be processed.

ISSUES

14. The cost of recovering payroll adjustment over payments of a certain size will exceed the value of the over payment and exacerbate already strained employee relations. The Queensland Health Shared Service Provider has determined that each over payment review will likely required on average thirty to forty-five minutes of consultation with impacted employees.
15. In proceeding with a write-off of minor over payments, there is a danger that a precedent will be set that will be costly to Queensland Health in the future, should resolution of automated payroll adjustment over payment recovery not be reached.
16. In proceeding with a minor over payment write-off amount, it is anticipated that it will only apply to a set level of over payment, for example, up to \$100 and only to apply to employees with over payments less than or equal to \$100 rather than reducing all employees overpayments by \$100. The primary reason for write-off is the cost/benefit of recovery, not to bestow a benefit on employees.

17. Write-off of an amount of over payment could have a detrimental impact on those employees who have entered into repayment plans for amounts less than or equal to the set level (for example \$100) and have either fully repaid or are in the process of repaying this amount.
18. Due to the volume and amount of over payments above the set level of proposed write-off there will be a large number of amended payment summaries issued after the initial payment summaries are produced on 14 July 2010. Resourcing is being co-ordinated to address the demand expected in this area.
19. Section 73 of the *Financial Accountability Act 2009* (the Act) requires recovery of monies where *a loss occurs of public monies that have been advanced to an officer or employee of the Department*. In considering recovery of a debt regard should be had to materiality. The *Financial and Performance Management Standard 2009* defines a material loss of money as more than \$500. On a case by case basis \$100 would be regarded as immaterial and the Director-General, as the Department's Accountable Officer, can exercise write-off authority under Section 72(1)(a) of the Act.
20. The average cost of recovery for over payments in terms of payroll staff effort is \$70.65 per over payment. As at 30 June 2010, the accumulated balance of over payments made to staff of less than or equal to \$100 across multiple pay periods is \$321,285 (refer to **Attachment 1**). Of the number of over payments in this category, 80 per cent are valued under \$70. In 187 cases staff have been over paid across a number of pay periods, with their overall debt exceeding \$100, so would not have the full amount of the over payment written off.
21. The principles supporting this write-off are that it will be a once-off occurrence on declared stabilisation of the payroll system and will not be an on-going process for the future. The write-off will provide a better staff outcome in that it will avoid employees being pursued for minor amounts that will clearly be more costly to recover than the amount being recovered. The on-going running of the payroll system will also benefit as a number of resource intensive recovery activities will be avoided, leaving staff available to effectively process the payroll.

OPTIONS

22. N/A.

CONSULTATION

- **Community**

23. N/A.

• **Government**

24. Queensland Treasury acknowledge the need for Queensland Health to write-off low value over payments on the basis of cost effectiveness and in recognition of reducing process back log to move to a more stabilised payroll system. Queensland Treasury supports the principle of applying the write-off within the set of less than or equal to \$100 as opposed to across all employees and limiting the write-off to \$100 to each employee within this set.

RESULTS OF CONSULTATION

25. Queensland Treasury and Queensland Health agree that it would be cost effective to write off low value over payments with the commencement of a stabilised system.

RURAL/REGIONAL IMPACT STATEMENT

26. N/A.

EMPLOYMENT AND SKILLS DEVELOPMENT IMPACT STATEMENT

27. N/A.

CLIMATE CHANGE IMPACT STATEMENT

28. N/A.

FINANCIAL CONSIDERATIONS

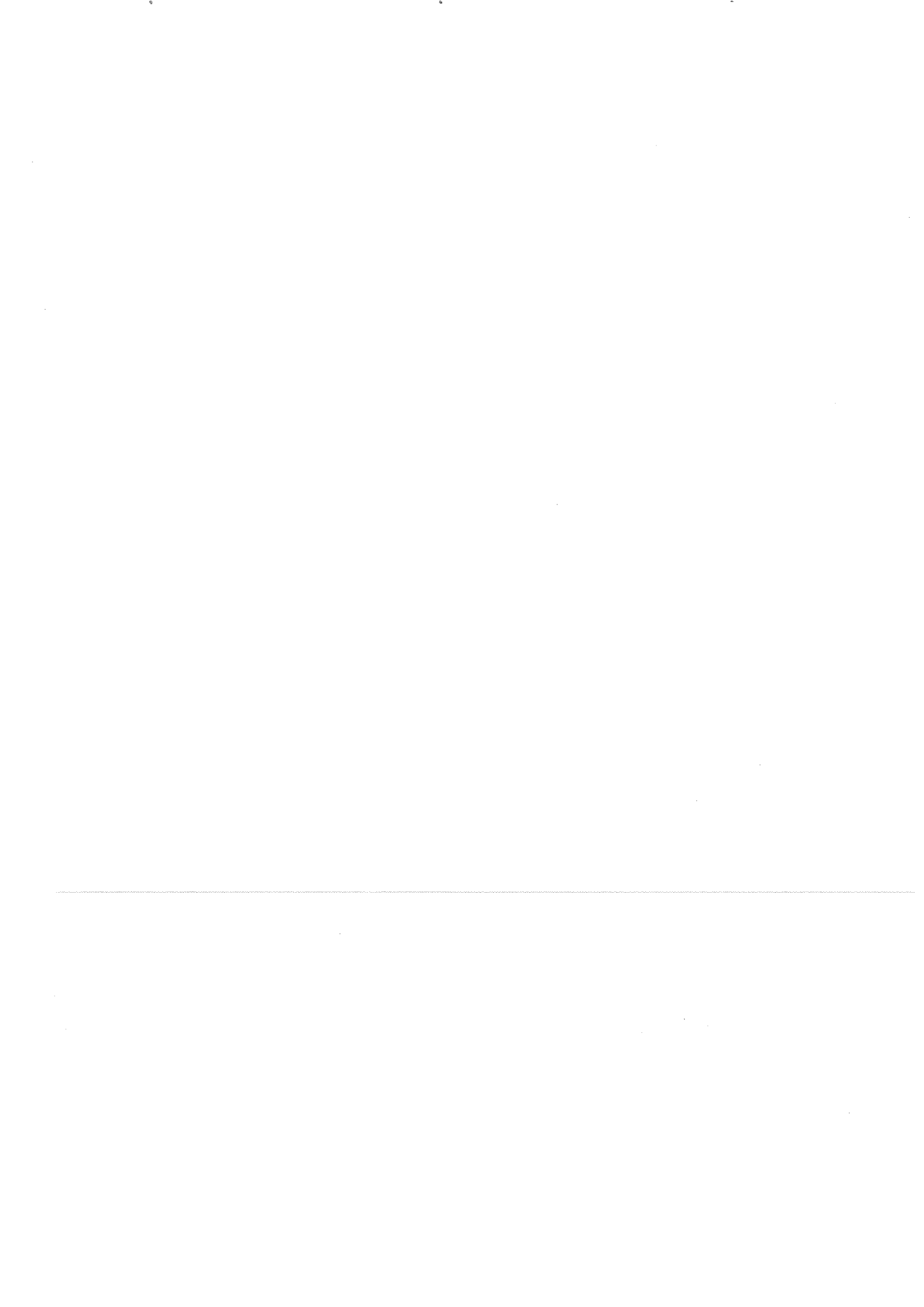
29. Write-off of payroll adjustment over payments will have a financial impact on the Department. Each pay run produces approximately 2,880 over payments under \$100 worth \$99,000 (refer to **Attachment 2**). For the first four pay runs the over payments less than or equal to \$100 were automatically deducted from employee's pays, reducing the outstanding over payment balances in this category. As at 30 June 2010, the maximum value of this write-off will be \$321,285.
30. As the backlog of pay adjustments is worked through as part of the system stabilisation process, the number and amount of these pay adjustment overpayments is expected to decrease per pay run.

IMPLEMENTATION

31. N/A.

PUBLIC PRESENTATION

32. There is no public presentation proposed for this submission.



ADDENDUM

CONSULTATION DETAILS

Title of Cabinet Submission: Minor overpayment write-off of amounts of \$100 or less following stabilisation of the Queensland Health payroll system.

DEPARTMENT	OFFICER	DATE
Treasury	Jeanette Miller	2 July 2010

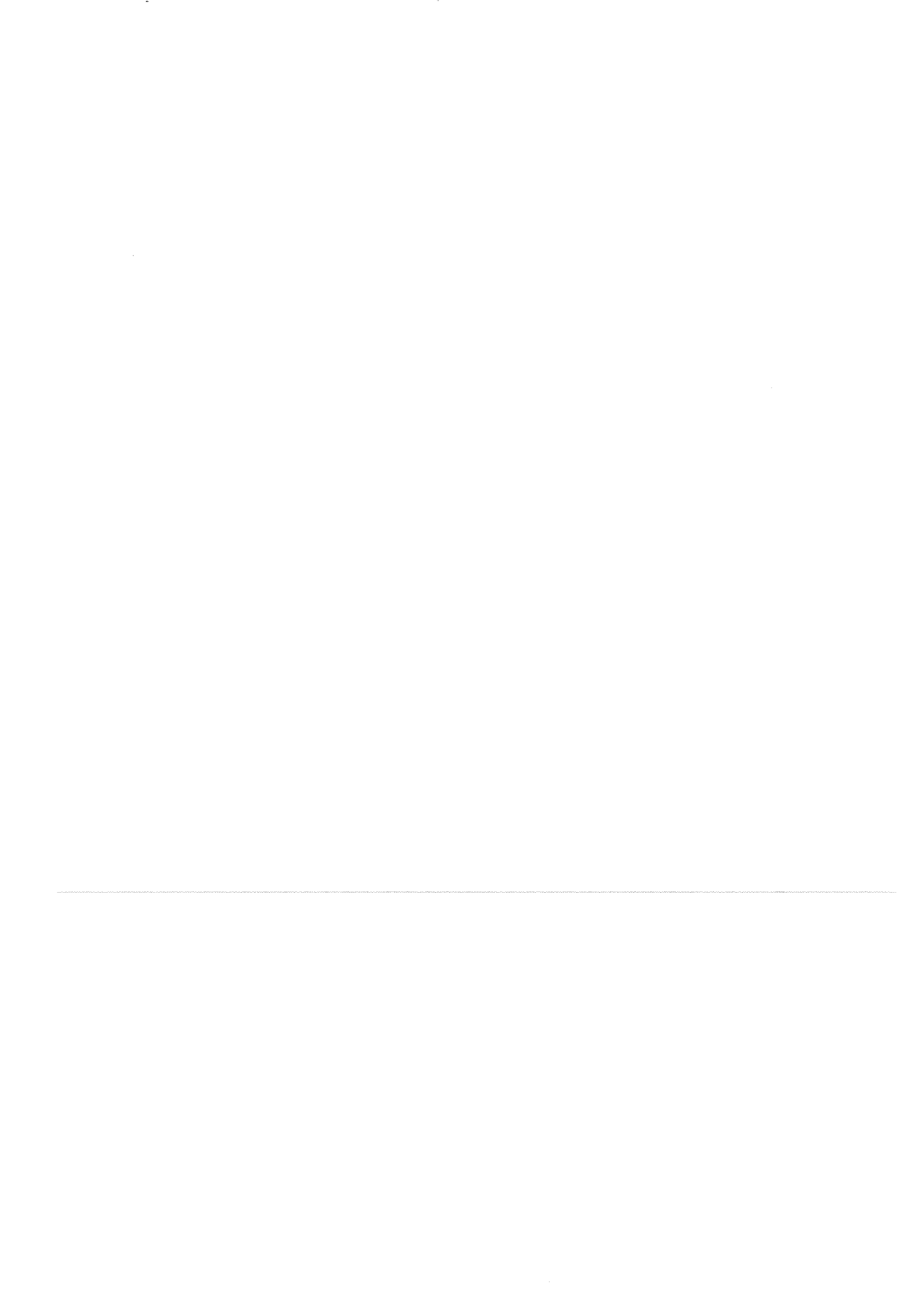
LIST OF ATTACHMENTS

ATTACHMENT 1: Over payments registered in the SAP payroll @ 30 June 2010

ATTACHMENT 2: Overpayments \leq \$100 by payrun

**Attachment 1 – Over payments registered
in the SAP payroll @ 30 June 2010**

	Registered Over payments 14 June		Agreement to Pay		New Over payments 28 June		Over payments to be actioned	
	Number	\$	Number	\$	Number	\$	Number	\$
<= \$10	1,592	3,998	9	50	678	1,642	2,261	5,590
<= \$50	2,941	78,796	32	960	949	25,391	3,858	103,227
<= \$100	2,180	163,134	53	4,013	717	53,347	2,844	212,468
<= \$200	5,328	772,439	137	20,092	1,018	148,145	6,209	900,492
<= \$300	2,892	707,622	127	31,063	586	142,960	3,351	819,519
<= \$400	1,767	610,529	97	33,697	297	102,790	1,967	679,622
<= \$500	1,002	449,622	74	33,312	163	73,678	1,091	489,988
<= \$600	734	401,745	57	31,151	141	77,223	818	447,817
<= \$700	541	348,742	59	38,274	91	59,030	573	369,498
<= \$800	388	290,896	43	32,440	82	61,254	427	319,710
<= \$900	336	285,491	45	38,147	47	39,775	338	287,119
<= \$1,000	253	239,709	36	35,694	39	36,786	256	240,801
<= \$2,000	1,257	1,766,907	198	280,352	159	221,229	1,218	1,707,784
<= \$3,000	463	1,132,189	63	152,336	63	154,368	463	1,134,221
<= \$5,000	317	1,204,917	56	210,171	40	158,399	301	1,153,145
<= \$7,500	115	689,473	18	105,689	21	118,157	118	701,941
<= \$10,000	49	425,388	6	50,404	12	100,483	55	475,467
<= \$15,000	23	280,286	2	27,351	7	84,269	28	337,204
<= \$20,000	11	192,002	4	69,304	-	-	7	122,698
> \$20,000	15	695,402	5	444,284	2	55,554	12	306,672
Total	22,204	10,739,287	1,121	1,638,784	5,112	1,714,480	21,083	10,814,983
							Proposed Write-off	



Attachment 2 – Overpayments <= \$100 by payrun

Pay period	Number	\$	Average \$
Pay Period 27 (27/06/2010)	2,344	80,380	34
Pay Period 26	2,887	99,354	34
Pay Period 25	3,250	118,334	36
Pay Period 24	2,777	93,090	34
Pay Period 23	3,135	104,698	33
Total	14,393	495,856	34

Average per pay run 2,879 99,171

Pay period 23 was the first pay run with retrospective adjustment analysis, due to the value of the category of over payment the majority of over payments for both pay period 23 and 24 were deducted from employee's pays. All overpayments <=\$100 for pay period 20, 21 & 22 were deducted from employee's pays without analysis. From pay period 25 onwards, over payments have been registered and not deducted.

