	Paper No.: 5412T14264
	Date: 31/10/12
<input checked="" type="checkbox"/> Tabled	<i>Mr Palaszczuk</i>
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<input type="checkbox"/> Clerk at the time	



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 CBRC Dec No. 3204
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CONFIDENTIAL

CABINET BUDGET REVIEW COMMITTEE

DECISION

Brisbane, 9 May 2011

Decision No.: 3204 , (Submission No.: 4155)

TITLE: Write off to salary overpayment of amounts of \$200 or less for to 6 March 2011

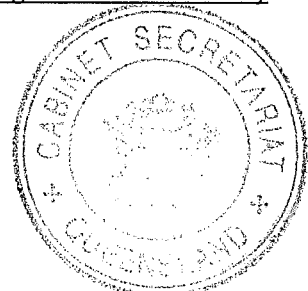
COMMITTEE decided:

1. To note that a write-off of overpayments less than or equal to \$200 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 a write-off of payroll adjustment overpayments will have a financial impact on the Department of Health in 2010-11. From 1 July 2010 through to 6 March 2011 salary overpayments of up to \$200 equate to \$1,384,104.
3. To note that measures continue to be taken to address the large volume of overpayments above this level.

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

ASL

Acting Cabinet Secretary



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SECURITY CLASSIFICATION "C"

SUBMISSION TO CABINET BUDGET REVIEW COM

COVER SHEET

TITLE

Write off of salary overpayment of amounts of \$200 or less for to 6 March 2011

MINISTER

Minister for Health

OBJECTIVE

That Cabinet Budget Review Committee (CBRC) notes 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, a number of employees have received overpayment of salaries and wages. Under Queensland industrial law, in the majority of circumstances, QH is prevented from recovering overpayment of salaries and wages without entering into a repayment agreement with employees. Payroll overpayments are the result of:

- processing errors;
- an absence from work;
- adjusting rosters after the pay period has closed; and
- rounding amounts.

Following the implementation of the QH payroll system, a large number of relatively minor overpayments have been made to staff. In 2009-10, CBRC noted a write-off of overpayments to Department of Health staff less than or equal to \$200 on the basis that it was not cost efficient to seek recovery on a large volume of minor payroll adjustments. The amount written off in 2010-11 in relation to these 2009-10 was \$1,230,000 to approximately 11,000 employees.

QH intends to similarly write-off overpayments of less than or equal to \$200 for the period 1 July 2010 through to 6 March 2011. This is on the basis that it is not cost efficient to recover these monies. The estimate is that the cost of recovery is around twice the value of the overpayments. The date of 6 March 2011 has been used as a cut off date, for both advising employees of the amount of overpayment and the point from which write-offs of overpayment will not occur.

The Queensland Audit Office (QAO) has been consulted and concurs that it is appropriate to write off minor amounts. In this regard the QAO agree in principle that the recovery decision needs to consider the cost of recovery and advises that it is up to the Department to determine the relevant write off threshold.

In addition, requiring all overpayments to be recovered will exacerbate already strained employee relations.

In 2010-2011, QH made a commitment not to seek salary overpayment recovery until the payroll system had stabilised, QH is currently in consultation with relevant unions to commence a recovery process of these overpayments. QH has tabled to the unions a proposal to allow recovery of prior period payroll adjustments via an industrial instrument/award variation to reduce the incidence of overpayments requiring recovery through a repayment agreement.

In proceeding with the overpayment write-off amount, the write-off will only apply to overpayments less than or equal to \$200 per employee rather than reducing all employees overpayments by \$200. The primary reason for a write-off is the cost/benefit of recovery, not to provide a benefit to employees.

As at 6 March 2011, the accumulated balance of overpayments made to staff of less than or equal to \$200 is \$1,384,104 across multiple pay periods. Of the number of overpayments in this category, this represents 18,349 overpaid employees of a total of 49,053 employees that remain overpaid. This is exclusive of overpayments made prior to the conversion to the new payroll system in March 2010 and the 2009-10 waiver of overpayments of up to \$200 already applied. The total salary overpayments made to staff is \$51,358,075 with a current balance of \$45,706,469, due to repayments having been made of \$5,651,605.

A write off of overpayments of up to \$200 would reduce the overall overpayments of \$51,358,075 by \$1,384,104 to \$49,973,971.

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 \$200 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 paragraphs 27-29 of body of submission.

RECOMMENDATIONS

That Cabinet Budget Review Committee note that:

1. a write-off of overpayments less than or equal to \$200 will occur on the basis that it will not be cost efficient to seek recovery on a large volume of minor payroll adjustments;
2. a write-off of payroll adjustment overpayments will have a financial impact on the Department in 2010-2011. From 1 July 2010 through to 6 March 2011 salary overpayments of up to \$200 equate to \$1,384,104; and
3. measures continue to be taken to address the large volume of overpayments above this level.



GEOFF WILSON MP

Minister for Health

13 / 4 / 2011

BODY OF SUBMISSION**OBJECTIVE**

1. That Cabinet Budget Review Committee (CBRC) notes 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 overpayment of salaries and wages.
3. Under Queensland industrial law, in the majority of circumstances, Queensland Health is prevented from recovering overpayment of salaries and wages paid to employees without entering into a repayment agreement with employees.
4. Payroll overpayments are the result of:
 - processing errors;
 - an absence from work;
 - adjusting rosters after the pay period has closed; and
 - rounding amounts.
5. The last two categories of overpayment are more in the nature of pay adjustments as opposed to true overpayments 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 overpayments 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 "overpayment" amount.
8. QH is currently pursuing an Industrial Relations interpretation to allow recovery of prior period payroll adjustments via an industrial instrument/award variation. This is anticipated to reduce the occurrence of relatively minor payroll adjustments of up to \$200.

9. In order to reduce the number of overpayments to be actioned, it is proposed to write-off relatively minor amounts of overpayments less than or equal to \$200. It is acknowledged that in writing off these amounts, overpayments as a result of errors or time not worked could also be written off. Write-off would be limited to \$200 for each employee in this category.
10. The continuing efforts in 2010-2011 to stabilise the payroll system are key to the ongoing consultation with the relevant unions to commence a recovery process of overpayments greater than \$200.
11. Queensland Health has established an Employee Overpayments Recovery Program to:
 - Manage the recovery of overpayments; and
 - Minimise overpayments occurring in the future.
12. Under the proposed approach, notification to affected staff is scheduled to commence in April 2011. Initial notification to employees will cover overpayments identified between 8 March 2010 and 6 March 2011.
13. A call centre will be established to support staff who may seek further clarification or information, along with the recover and analysis unit (within the Shared Service Provider) which will undertake analysis and case management.
14. The Department is also currently investigating a number of business and system improvements to minimise future overpayments.

• **Previous Consideration by Cabinet Budget Review Committee**

15. CBRC Decision No. 3002 of 8 July 2010 noted the Department's intentions to write-off overpayments to Department of Health staff less than or equal to \$200 to individual employees for 2009-10, on the basis that it was a one-off and that it would not be cost efficient to seek recovery on a large volume of minor payroll adjustments.

URGENCY

16. This is a critical matter as a decision to approve any write-off of overpayments of up to \$200 will impact the volume of employees to be contacted with regards to the recovery of overpayments. Overpayments totalling less than \$200 per employee affect 18,349 of a total of 49,053 overpaid employees remaining overpaid.

ISSUES

17. In 2009-10, CBRC noted a write-off of overpayments to Queensland Health staff less than or equal to \$200 on the basis that it was not cost efficient to seek recovery on a large volume of minor payroll adjustments. The amount written off as in 2010-11 in relation to these 2009-10 overpayments was \$1,230,000 to approximately 11,000 employees.

18. The cost of recovering payroll adjustment overpayments of a certain size will exceed the value of the overpayment and exacerbate already strained employee relations.
19. In proceeding with an overpayments write-off amount, it is proposed that it will only apply to employees with overpayments less than or equal to \$200 rather than reducing all employees overpayments by \$200. The primary reason for write-off is the cost/benefit of recovery, not to bestow a benefit on employees.
20. It is not intended that the Department will provide refunds to employees who may have repaid or commenced repayment of overpayment received of up to \$200.
21. 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 \$200 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.
22. The average cost of recovery for overpayments in terms of payroll staff effort is around \$160 per overpayment. As at 6 March 2011, the accumulated balance of overpayments made to staff of less than or equal to \$200 across multiple pay periods is \$1,384,104. The cost of recovering overpayments under \$200 would be twice the amount recovered and focus on recovery of the larger amounts.
23. 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

24. Not applicable.

CONSULTATION

- **Community**

25. Not applicable.

- **Government**

26. Consultation has been undertaken with Queensland Treasury, the Department of the Premier and Cabinet, and the Queensland Audit Office.

RESULTS OF CONSULTATION

- 27. Queensland Treasury – has provided feedback and has no objection to the submission proceeding.
- 28. Department of the Premier and Cabinet – has provided feedback and has no objection to the submission proceeding..
- 29. Queensland Audit Office agrees in principle to a write-off of certain overpayments. It has advised that a recovery decision needs to consider the associated cost of recovery.

RURAL/REGIONAL IMPACT STATEMENT

- 30. Not applicable.

EMPLOYMENT AND SKILLS DEVELOPMENT IMPACT STATEMENT

- 31. Not applicable.

CLIMATE CHANGE IMPACT STATEMENT

- 32. Not applicable.

FINANCIAL CONSIDERATIONS

- 33. Write-off of payroll adjustment overpayments will have a financial impact on the Department in 2010-2011. From 1 July 2010 through to 6 March 2011 salary overpayments of up to \$200 equate to \$1,384,104.
- 34. QH is currently in consultation with relevant unions to commence a recovery process of overpayments generally (but not for individual employees with cumulative overpayments of up to \$200 if CBRC agree to recommendations herein) QH has tabled to the unions a proposal to allow recovery of prior period payroll adjustments via an industrial instrument/award variation to reduce the incidence of overpayments requiring recovery through a repayment agreement.

35. IMPLEMENTATION

- 36. Not applicable.

PUBLIC PRESENTATION

- 37. There is no public presentation proposed for this submission.
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ADDENDUM

CONSULTATION DETAILS

Title of Cabinet Submission: Write off of salary overpayment of amounts of \$200 or less for to 6 March 2011.

DEPARTMENT	OFFICER	DATE
Treasury	Jeanette Miller	7/4/11
Department of the Premier and Cabinet	Bruce Visser Marguerite Lituri	8/4/11
Queensland Audit Office	P. Brahman	7/4/11

Incremental waiver analysis

Range	Loan Amount	Accumulated Loan Amount	No of Employees	Accumulated No of Employees
\$0 to \$200	\$1,384,104	\$1,384,104	18,349	18,349
\$200 to \$300	\$1,035,051	\$2,419,155	4,179	22,528
\$300 to \$400	\$1,204,379	\$3,623,534	3,465	25,993
\$400 to \$500	\$1,206,737	\$4,830,271	2,696	28,689
\$500 to \$600	\$1,246,148	\$6,076,419	2,273	30,962
\$600 to \$700	\$1,228,437	\$7,304,857	1,894	32,856
\$700 to \$800	\$1,193,509	\$8,498,366	1,594	34,450
\$800 to \$900	\$1,140,703	\$9,639,069	1,345	35,795
\$900 to \$1,000	\$1,066,265	\$10,705,333	1,125	36,920
>\$1,000	\$40,652,742	\$51,358,075	12,133	49,053

NOTE: Any write off amount above \$300 will be subject to FBT