

Overpayments Dashboard for PP15_1516

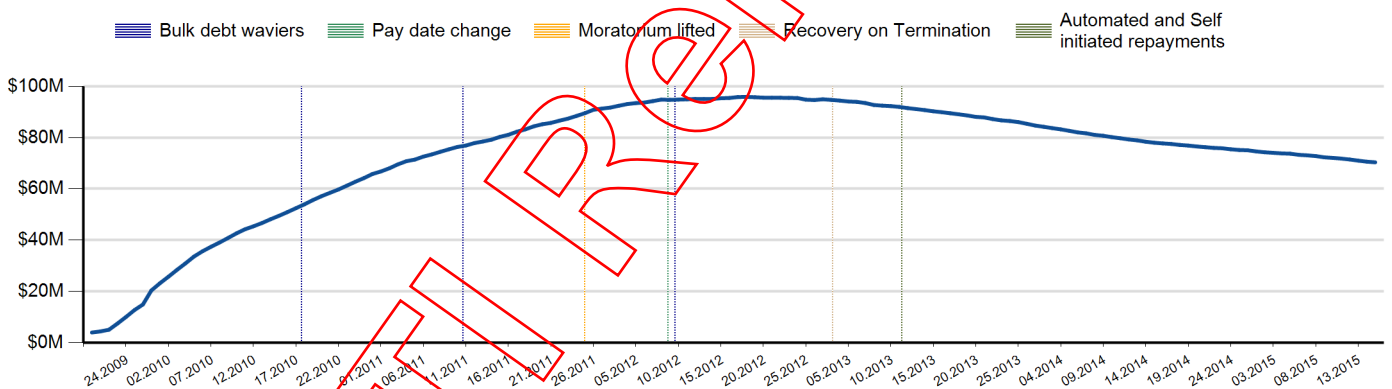
1. Overpayments activity in pay period PP15_1516

Overpayments recovered	\$731,593 Amount	from	4,373 staff	Change in overpayment balance \$254,404 reduction
Overpayment agreements made	\$447,608 Amount	with	1,007 staff	
Overpayments identified	\$477,189 Amount	from	1,579 staff	

2. Outstanding overpayments

Overpayments balance	Future repayments agreed	Unresolved overpayments
\$69,388,569 Total value of overpayments currently owed	\$6,840,811 Value of overpayments agreed but not yet repaid	\$62,547,759 Value of overpayments not subject to a repayment agreement
Current Staff: 34,380		Former Staff: 10,795
Salary Overpayments: \$41,944,499 Amount		Salary Overpayments: \$21,444,412 Amount
Interim Cash: \$3,638,641 Amount		Interim Cash: \$2,361,017 Amount

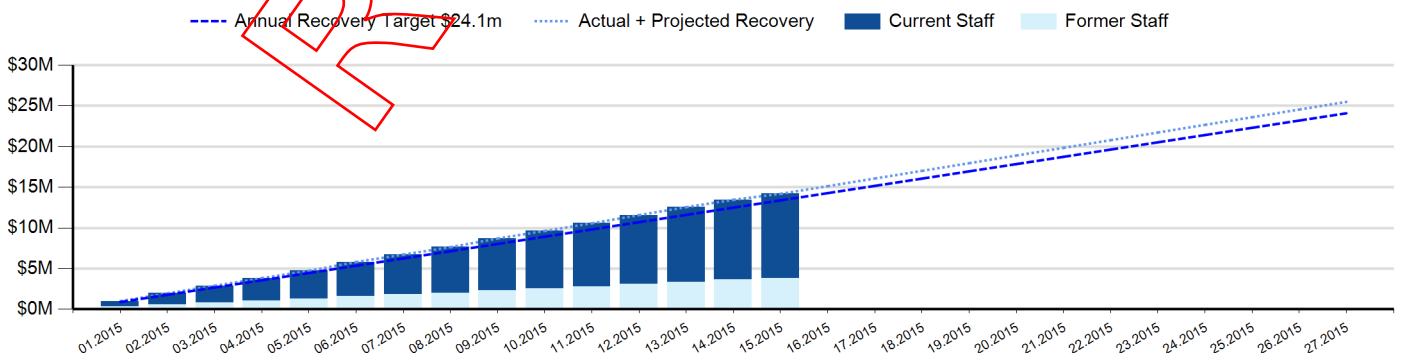
3. Historical overpayments profile



4. Recovery progress - year to date

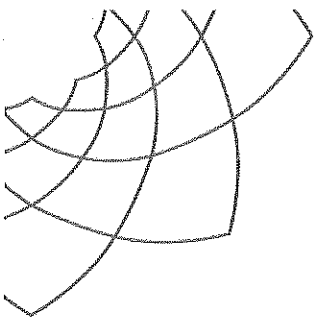
\$14,184,675

Recovered in FY15/16



5. Key overpayments performance indicators

<p>88.7% Target : 75%</p> <p>Percentage of repayments commenced within four pay periods of overpayment notification</p>	<p>85.7% Target : 75%</p> <p>Percentage of eligible overpayments repaid within six pay periods of overpayment notification.</p>	<p>\$10,805 paid to 20 staff Target : \$0</p> <p>Nett amount paid to terminating staff who have an outstanding payroll debt</p>
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Audit and Risk Committee

Agenda item: 10 - Overpayments update
Meeting date: 9 February 2016
Presented by: Philip Hood, Executive Director, Payroll Portfolio

Headline issues

Overall overpayment balance <\$70M Former staff owe <\$24M	On track to recover >\$25.5M in overpayments and interim cash in 15/16 Target - \$24.1M	Recovery starts for >88% new overpayments within two months of identification Target - 85%
50% or \$1.23M of pay date change loans owed by former staff under repayment agreement	<\$0.48M in overpayments identified on pay date 13 Jan 2016 (0.25% of net pay run) Average - \$0.6M	Organisational change underway to make Payroll Recovery Services a permanent business unit
>30% of cases referred to ARL have been repaid or under agreement Contract extension is being negotiated	Contact campaign has commenced 11% of letters have led to case management	Impairment calculations for 'old' overpayments to be reviewed for 2016 financial statements

Overpayment and interim cash overview (as at 3 January 2016)

- The outstanding balance is continuing to decline at a steady rate and is \$69.39 million compared to \$71.60 million as at 8 November 2015. Of this amount, \$23.81 million is owed by former staff, compared to \$24.68 million as at 8 November 2015. (Attachment 1, section 2)
- Taking into account committed repayment plans worth \$6.84 million, the unresolved overpayment balance is now \$62.55 million (Attachment 1, s 2).
- A total of \$14.18 million in salary overpayments and interim cash payments has been recovered in the 2015-16 financial year to date. This rate of recovery is on track to exceed to the full year recovery target of \$24.10 million (Attachment 1, s 4).
- Recovery for over 88 per cent of new overpayments commenced within two months of identification, with over 85 per cent fully recovered within three months (Attachment 1, s 5).

Pay date change and corporate loans overview (as at 3 January 2016)

- Pay Date Change and Corporate Loans are receivable upon termination of employment.
- The outstanding balance owed by former staff is \$2.52 million. Taking into account committed repayment plans worth \$1.23 million, the unresolved balance is \$1.29 million.
- Loans still owed by former staff are included in debt recovery activity.
- The outstanding balance owed by current staff is \$78.18 million, with \$6.17 million under a repayment agreement. The remaining \$72.01 million will be recovered on separation.

Overpayment identification, prevention and management

- Less than \$0.48 million in overpayments were identified on pay date 13 January 2016. This equates to approximately 0.25 per cent of the net pay run (Attachment 1, s 1). Since the Pay Date Change in October 2012, the average identification rate has been approximately \$0.60 million/pay period.
- An organisational change is currently underway to make Payroll Recovery Services (PRS) a permanent business unit. This decision recognises the ongoing role that PRS plays in overseeing overpayment and loan management for Queensland Health. It will provide certainty for staff and reduces the risk of turnover that has resulted from the long-standing temporary status of the unit.
- Negotiations are currently underway to extend the contract with Australian Receivables Limited (ARL) to continue providing debt collection services until at least 30 June 2017. This decision is easily justified by the success experienced to date. As at 18 January 2016:
 - \$3.68 million in overpayments and loans owed by 1,285 former staff have been referred to ARL.
 - A 14.94 per cent success rate (based on amount recovered) is currently being achieved. Considering future committed repayments, ARL's resolution rate is 31.05 per cent.
 - \$0.55 million has been recovered by ARL to date, with approximately 7.1 per cent in commissions paid.
- The contact campaign recommended in the *Employee Loans Report: Current status and way forward* (ELR) commenced in late 2015. The focus of this contact campaign is in relation to current and former staff with overpayments identified prior to 1 July 2011. As at 18 January 2016, 317 former staff have been sent letters. Of these, 35 have contacted PRS to discuss their case and 12 have been sent a final notice. The outcomes of the campaign will be used as a basis to review impairment calculations in relation to overpayments identified between March and December 2010 for the department's 2015-16 financial statements. It is expected this activity will address the comments from QAO in 2015.
- In December 2015, the Director-General approved the write-off of approximately \$1.0 million in overpayments and loans owed by former staff in circumstances where it would be uneconomical to pursue recovery or where legal proceedings was no longer possible. In addition, since 1 November 2015, a further \$29,062 has been waived or written-off:

Reason	Employees	Value
Bankruptcy	6	\$26,587
Deceased	0	\$0
Terminal illness	0	\$0
Other – Commercially Unviable	2	\$2,475
Total	8	\$29,062

Attachments

- Attachment 1: Overpayment dashboard PP15_1516

Version: 0.2 Author: Dylan Adams Position: Manager, PRS Telephone: <input type="text"/> Date: 20 January 2016	Submitted through: Name: Philip Hood Position: Executive Director, Payroll Portfolio Telephone: <input type="text"/> Date: 21 January 2016	Cleared by: Name: Gary Uhlmann Position: Chief Executive HSQ Telephone: <input type="text"/> Date: January 2016
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[Handwritten Signature]
1/2/16

Overpayments Dashboard for PP21_1516

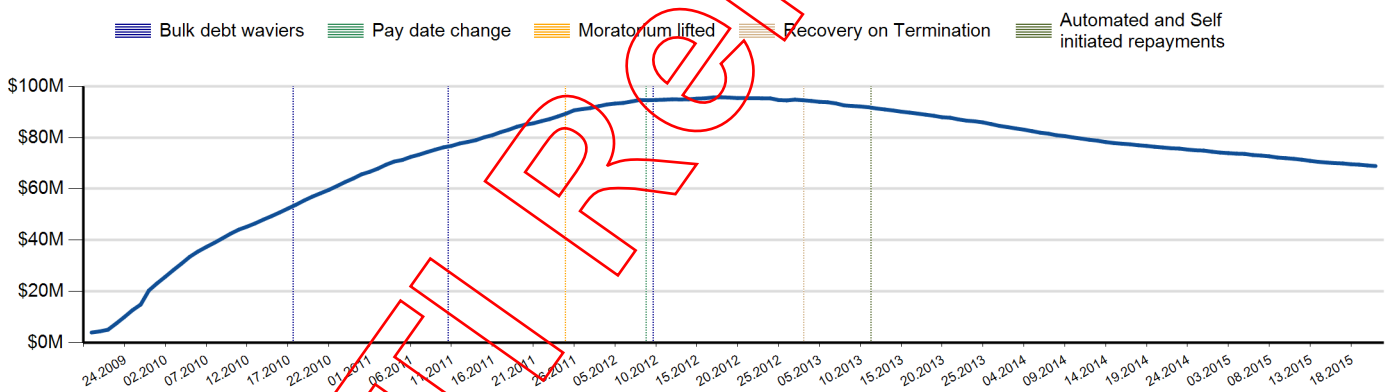
1. Overpayments activity in pay period PP21_1516

Overpayments recovered	\$930,545 Amount	from	4,971 staff	Change in overpayment balance \$245,460 reduction
Overpayment agreements made	\$600,775 Amount	with	1,647 staff	
Overpayments identified	\$685,085 Amount	from	1,831 staff	

2. Outstanding overpayments

Overpayments balance	Future repayments agreed	Unresolved overpayments
\$67,844,393 Total value of overpayments currently owed	\$6,469,590 Value of overpayments agreed but not yet repaid	\$61,374,802 Value of overpayments not subject to a repayment agreement
Current Staff 34,008		Former Staff 10,768
Salary Overpayments \$41,051,779 Amount		Salary Overpayments \$20,945,706 Amount
Interim Cash \$3,545,223 Amount		Interim Cash \$2,301,685 Amount

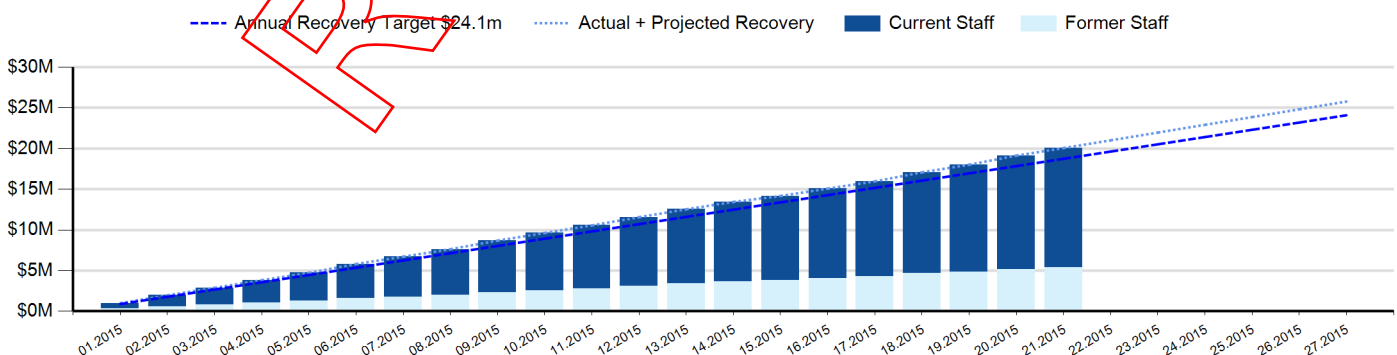
3. Historical overpayments profile



4. Recovery progress - year to date

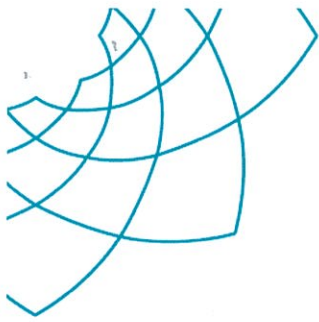
\$20,054,477

Recovered in FY15/16



5. Key overpayments performance indicators

<p>85.6% Target : 75%</p> <p>Percentage of repayments commenced within four pay periods of overpayment notification</p>	<p>88.2% Target : 75%</p> <p>Percentage of eligible overpayments repaid within six pay periods of overpayment notification.</p>	<p>\$10,067 paid to 31 staff Target : \$0</p> <p>Nett amount paid to terminating staff who have an outstanding payroll debt</p>
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Gary Uhlmann

 29/4/16

Agenda item: 10 - Overpayments update

Meeting date: 6 May 2016

Presented by: Philip Hood, Executive Director, Payroll Portfolio

Headline issues

Overall overpayment balance <\$68M Former staff owe <\$23.5M	On track to recover >\$25.7M in overpayments and interim cash in 15/16 Target - \$24.1M	Recovery starts for >85% new overpayments within two months of identification Target - 85%
50% or \$1.4M of pay date change loans owed by former staff under repayment agreement	<\$0.68M in overpayments identified on pay date 6 Apr 2016 (0.25% of net pay run) Average - \$0.6M	Organisational change complete to make Payroll Recovery Services a permanent business unit
>32% of cases referred to ARL have been repaid or under agreement Contract in place until 30 June 2017	Contact campaign has commenced 37% of letters have led to case management	Impairment calculations for 'old' overpayments to be reviewed for 2016 financial statements

Overpayment and interim cash overview (as at 27 March 2016)

- The outstanding balance is continuing to decline at a steady rate and is \$67.84M compared to \$69.39M as at 3 January 2016. Of this amount, \$23.25M is owed by former staff, compared to \$23.81M as at 3 January 2016. (Attachment 1, section 2)
- Taking into account committed repayment plans worth \$6.47M, the unresolved overpayment balance is now \$61.37M (Attachment 1, s 2).
- A total of \$20.05M in salary overpayments and interim cash payments has been recovered in the 2015-16 financial year to date. This rate of recovery is on track to exceed to the full year recovery target of \$24.10M by more than \$1.00M (Attachment 1, s 4).
- Recovery for over 85% of new overpayments commenced within two months of identification, with over 88% fully recovered within three months (Attachment 1, s 5).

Pay date change and corporate loans overview (as at 10 April 2016)

- Pay Date Change and Corporate Loans are receivable upon termination of employment.
- The outstanding balance owed by former staff is \$2.78M. Taking into account committed repayment plans worth \$1.4M, the unresolved balance is \$1.37M.
- Loans still owed by former staff are included in debt recovery activity.
- The outstanding balance owed by current staff is \$78.6M, with \$5.25M under a repayment agreement. The remaining \$73.4M will be recovered on separation.

Overpayment identification, prevention and management

- X • Approximately \$0.68M in overpayments were identified on pay date 6 April 2016. This equates to approximately 0.35% of the net pay run (Attachment 1, s 1). Since the Pay Date Change in October 2012, the average identification rate has been approximately \$0.60M per pay period.
- The decision to implement a permanent structure for Payroll Recovery Services (PRS) has been completed. This implementation has provided certainty for staff and reduces the risk of turnover that has resulted from the long-standing temporary status of the unit.
- A new contract has been signed with Australian Receivables Limited (ARL) to provide debt collection services until at least 30 June 2017. As at 28 April 2016:
 - \$4.51M in overpayments and loans owed by 1,567 former staff have been referred to ARL.
 - X • 16.29% success rate (based on amount recovered) is currently being achieved. Considering future committed repayments, ARL's resolution rate is 32.99%.
 - \$0.73M has been recovered by ARL to date, with approximately 6.9% in commissions paid.
- The contact campaign recommended in the *Employee Loans Report: Current status and way forward* commenced in late 2015. As at 28 April 2016, 462 former staff have been contacted:
 - 74 (16.02%) have entered into a repayment agreement
 - 95 (20.56%) are currently in the case management process
 - 60 (12.99%) have been issued a final notice
 - 16 (3.46%) have been referred to ARL for further action.
- The focus of this contact campaign is in relation to current and former staff with overpayments identified prior to 1 July 2011. The outcomes of this campaign will be used as a basis to review impairment calculations in relation to overpayments identified between March and December 2010 for the department's 2016 financial statements. It is expected this activity will address the comments from QAO in 2015.
- In the period 20 January 2016 to 27 April 2016, \$74,397 has been waived or written-off:

Reason	Employees	Value \$
Bankruptcy	10	32,419
Deceased	1	2,101
Terminal illness	1	842
Other – Commercially Unviable	8	3,877
Exceptional Circumstances	8	33,740
Time barred debt	1	912
Unable to locate	2	505
Total	31	\$74,397

Attachments

- Attachment 1: Overpayment dashboard PP21_1516

Version: 0.3 Author: Dylan Adams, Manager, PRS Telephone: <input type="text"/> Date: 28 April 2016	Submitted through: Name: Philip Hood, ED, Payroll Portfolio Telephone: <input type="text"/> Date: 28 April 2016	Cleared by: Name: Gary Uhlmann, Chief Executive Officer, HSQ Telephone: <input type="text"/> Date: April 2016
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Chief Executive Office, HSQ Brief for Approval

Requested by: Executive Director, Payroll Portfolio

Department RecFind No:	HS005804
Division/Business Group:	HSQ/PAY
File Ref No:	PP00761

SUBJECT: 2016-17 Employee Loans Report – Overpayment and loans recovery and management strategy

Recommendations

It is recommended that the Chief Executive Officer, Health Support Queensland:

1. **Approve** the overpayments update to be submitted to the Audit and Risk Committee for noting at the 29 July 2016 meeting (Attachment 1).

APPROVED / NOT APPROVED

2. **Approve** and **sign** the 2016-17 Employee Loans Report (Attachment 3)

APPROVED / NOT APPROVED



GARY UHLMANN
Chief Executive Officer
Health Support Queensland

Date: 4/17/16

Chief Executive Officer's comment

Background

1. The Department of Health (the department) recognises employee loans and overpayments owed by all current and former staff, with the exception of amounts owed by Executive staff, employed by Hospital and Health Services (HHSs) as receivables. This includes recording the loans on the department's financial statements and accounting for financial implications (for example fringe benefits, impairment charges and losses).
2. As at 19 June 2016, approximately \$58.23 million (41 per cent of the total \$143.67 million) in loans and overpayments owed by current and former staff remain 'unresolved'. That is, it is not under a repayment agreement and a legal requirement to repay is not deferred until separation.
3. Unresolved debts are most 'at risk' of not being recovered in the future, with the department having to recognise these as a loss on its financial statements.
4. The primary purpose of Payroll Recovery Services (PRS), Payroll Portfolio is to maximise recovery of outstanding employee loans and overpayments, thereby minimising any losses that are recognised.

Issues

5. The Payroll Portfolio tables an update on the prevention, management and recovery of overpayments and loans at each meeting of the Audit and Risk Committee (ARC). The update that will be tabled at the next meeting (Attachment 1), scheduled for 29 July 2016, recommends that the ARC notes:

5.1. the current status of overpayments, as detailed in the current Overpayments

Dashboard (Attachment 2)

Department RecFind No:	HS005804
Division/Business Group:	HSQ/PAY
File Ref No:	PP00761

- 5.2. the Payroll Portfolio's forward strategy for overpayments, as detailed in the 2016-17 Employee Loans Report (the Report, Attachment 3)
- 5.3. Payroll Portfolio's response (Attachment 4) to the Salary Overpayment Proposal submitted by Mr Ken Brown to the ARC (Attachment 5).
6. The Report provides an overview of the current status, issues to be considered, status of the implementation of recommendations and recommended forward strategy to maximise the recovery of outstanding overpayments and loans. The primary recommendations of the Report are to:
 - 6.1. undertake a proactive contact campaign focussing on contacting and progressing cases for the most 'at risk' debt (that is older debts, former staff and staff who owe more than \$10,000)
 - 6.2. review and streamline processes for preventing and managing defaults on repayment agreements by leveraging existing escalation processes and using technology to implement a cost-effective reminder service
 - 6.3. review HR Policy C48 Overpayments, which has not been reviewed since July 2013
 - 6.4. undertake an overpayment awareness campaign to increase rate of recovery from current staff
 - 6.5. consult with stakeholders (including HHSs) with a view to implementing a 'line in the sand' approach to transition responsibility for recognising new overpayments in financial statements from the department to HHSs
7. The Manager, PRS has responsibility for the implementation of the Report's recommendation and will, through the Executive Director, Payroll Portfolio, provide updates to the Overpayment Review Group (ORG), the ARC, and the Chief Executive Officer, Health Support Queensland.

Results of Consultation


8. The following members of the ORG have reviewed and endorsed the Report:
 - 8.1. Mr Michael Nelson, Chief Human Resources Officer
 - 8.2. Mr Philip Hood, Executive Director, Payroll Portfolio
 - 8.3. Mr Peter Patmore, A/Executive Director, Employment Arrangement, HR Branch
 - 8.4. Ms Diana Yarker, A/Senior Director, Payroll Services
9. Mr Malcolm Wilson, Chief Finance Officer, has reviewed and endorsed the Report.

Resource Implications (including Financial)

10. Nil.

Attachments

11. Attachment 1: ARC Paper – Overpayments update (29 July 2016)
- Attachment 2: Overpayments Dashboard PP27_1516
- Attachment 3: 2016-17 Employee Loans Report
- Attachment 4: ARC Action 28-03: Response to salary overpayment proposal
- Attachment 5: Salary overpayment proposal

Author	Content verified by: (Business Group Head)
Dylan Adams	Philip Hood 
Manager	Executive Director
Payroll Recovery Services	Payroll Portfolio
12 July 2016	16 July 2016

SALARY OVERPAYMENTS ETC

The following proposals are submitted for consideration: -

NEW OVERPAYMENTS

1 As from a date to be determined, each HHS be responsible for the recovery of any overpayments made to their staff (including those who resign etc) from that date, with appropriate systems being put in place, and with the financial system reflecting that arrangement. (NB It is considered that the implementation date could vary from HHS to other HHS, with the transfer of responsibility being staged).

OVERPAYMENTS OF EX STAFF

2 QH continue to have all responsibility for recovery of overpayments (including loans) to ex staff who have ceased employment prior to the date of transfer mentioned in para 1.

OVERPAYMENTS MADE TO EXISTING STAFF AT TRANSFER DATE

3 These be divided into two categories, those where overpayment agreements have been made, and those that have no such agreement. In respect of the former, QH to continue to have responsibility to recover amounts overpaid. In respect of those where no agreements have been made, that details be referred to the relevant HHS with a request that they take all appropriate recovery actions. As an incentive for the participation by HHS, that they receive 50% of any overpayments recovered. Amounts owed would continue to be reflected in the financial records of QH, and any write offs would require its approval.

LOANS OUTSTANDING

4 These to become the responsibility of each HHS, and be reflected in their financial records.

RELATIONSHIP BETWEEN EACH HHS AND PROCESSING HUB

5 These to be formally established in writing.

Ken Brown
6th May 2016

Audit and Risk Committee

ACTION ITEM 28-03

Date: 29 July 2016
Action Item No. 28-03
Title: Response to salary overpayment proposal
Action Officer: Philip Hood, Executive Director
Responsible Branch/Unit: Payroll Portfolio, Health Support Queensland
Attachments: Salary overpayment proposal

Recommendation

It is recommended that the Audit and Risk Committee **note** the Payroll Portfolio's response to the salary overpayment proposal.

Key Points

Payroll Portfolio has considered the salary overpayment proposal submitted to the Audit and Risk Committee by Mr Ken Brown, Independent and External Member at the meeting of 6 May 2016 (Attachment 4). The following table details the Payroll Portfolio's responses:

Proposal	Payroll Portfolio response	
1. New overpayments <ul style="list-style-type: none"> Recognised and recovered by Hospital and Health Services (HHSs) 	Accepted	The 2016-17 <i>Employee Loans Report</i> (Attachment 2, the Report) proposes that a 'line in the sand' approach for recognising new overpayments is implemented by 1 July 2017 to drive an increase in accountability in areas that cause approximately 70 per cent of new overpayments. This proposal is subject to consultation with HHSs.
2. Former staff historic overpayments <ul style="list-style-type: none"> Recognised and recovered by the Department of Health (the department) 	Accepted	The Report (Attachment 2) proposes that former staff historic overpayments remain the sole responsibility of the department into the future.
3. Current staff historic overpayments <ul style="list-style-type: none"> under agreement: recognised and recovered by the department Not under agreement: <ul style="list-style-type: none"> recognised by the Department (including approval of write-offs) recovered by HHS (50% commission) 	Accepted Accepted Not accepted	Historic overpayments are often complex in nature and require advanced payroll knowledge and experience to analyse and explain. They cannot be likened to any 'ordinary' debt, such as an outstanding speeding fine. Payroll Portfolio already has systems and controls in place to ensure efficient, effective and economical management occurs in accordance with legislation and policy. This can be demonstrated by a net recovery of \$0.4 million p.a. per case manager as a direct result of recovery actions undertaken by PRS. In contrast, Payroll Portfolio remains of the view that HHSs do not have the requisite capability and systems in place to assume responsibility for any case management and recovery actions. For this reason, the Report (Attachment 2) proposes that the recovery and recognition of historic overpayments remain the responsibility of the department.

Proposal	Payroll Portfolio response	
4. Loans <ul style="list-style-type: none"> Recognised and recovered by HHS 	Not accepted	Payroll Portfolio does not consider there would be any benefit to transferring responsibility for recognising and recovering loans from the department to HHSs. As discussed in section 2.3.2 of the Report (Attachment 2), loans are not recoverable until separation and the department has systems and controls in place to ensure efficient, effective and economical management of these outstanding amounts.
5. Relationship <ul style="list-style-type: none"> Responsibilities to be established in writing. 	Accepted	Payroll Portfolio continues to acknowledge that a partnership is required with HHSs to effectively manage and recover outstanding overpayments, particularly with respect to amounts owed by current staff. For this reason, the Report (Attachment 2) proposes a number of initiatives to support a clarification of responsibilities including validating roles and responsibilities and implementing quarterly performance reporting.

RTI Release



2016-17 Employee Loans Report
Overpayment and loans review
and forward strategy

July 2016 v1.0

RTI Release



Document details

Version history

Version	Date	Changed by	Description
0.1	20/06/2016	D Adams	Initial draft
0.2	21/06/2016	D Adams	Updates following feedback from: <ul style="list-style-type: none">• T Fortunato, Correspondence Coord PRS• K Low, Service Coordinator PRS• H Talbot, Senior Case Manager PRS• K Watkins, Service Coordinator PRS• A Labudda, Case Manager PRS• K Ong, Senior Case Manager PRS
0.3	01/07/2016	D Adams	Updates following review by: <ul style="list-style-type: none">• B Richards, A/Director OED• J Boland, Director SWOT• D Yarker, A/Senior Director Payroll Services Data updated to reflect PP27
0.4	11/07/2016	D Adams	Updates following review by: <ul style="list-style-type: none">• P Patmore, A/Exec Dir, Employment Arrangements, HR Branch• M Nelson, Chief Human Resources Officer• D Yarker, A/Senior Director Payroll Services
0.5	12/07/2016	D Adams	Updates following review by: <ul style="list-style-type: none">• M Wilson, Chief Finance Officer• K Frost, A/Senior Director, Statutory and Advisory Services, Finance Branch• M Rowe, Director, Financial and Asset Accounting• J Betts, Manager, Financial Accounting, Finance Branch• S Mackay, Manager FBT, Finance Branch
1.0	12/07/2016	D Adams	Final version submitted to CEO HSQ for approval

Intended use

This document has been produced for the sole use of Queensland Health and should not be provided to external organisations without the express written approval of the Executive Director, Payroll Portfolio.

Contact details

For further information regarding this document, contact:

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Payroll Portfolio, Health Support Queensland
PO Box 3484, Loganholme Qld 4129
Telephone: + 61 7 3089 5250
Email: PP-ServiceLeaderPRS@health.qld.gov.au

Endorsement

The following officers have endorsed this document in accordance with the Overpayment Review Group Terms of Reference:

- Mr Michael Nelson, Chief Human resources Officer (Chair)
- Mr Philip Hood, Executive Director, Payroll Portfolio
- Mr Peter Patmore, A/Executive Director, Employment Arrangements
- Ms Diana Yarker, A/Senior Director, Payroll Services

Approval

The following officer has approved this document.

Name: Mr Gary Uhlmann

Position: Chief Executive Officer, Health Support Queensland

Signature: 

Date: 14/7/16

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RTI Release

Summary

As at 19 June 2016, \$58.23 million, or 41 per cent of the \$143.67 million in loans and overpayments owed by current and former staff is currently 'unresolved'. That is, it is not currently being repaid and is not a loan owed by a current staff member which is not repayable until separation.

The purpose of this report is to:

- provide an overview of the current status of loans and overpayments owed by current and former staff
- report on the progress of recommendations of the *2015-16 Employee Loans Report*
- report on the progress of objectives, actions and milestones detailed in the *Employee Overpayments Action Plan 2012-16* (Appendix 1)
- identify issues to consider and
- recommend objectives, actions and milestones to guide management and recovery of overpayments in 2016-18.

The five main recommendations are to:

1. Undertake **proactive contact campaigns** for priority groups:

Category	Sub-category	# employees	Total \$ unresolved
High value cases (>\$10,000)	Former staff	60	\$0.94M
	Current staff	158	\$2.20M
Debt approaching time limit	Former staff with debt identified <1/7/12	3,384	\$5.49M
	Current staff with debt >\$2,000 identified <1/7/12	3,814	\$15.53M
Former staff with no repayment agreement		2,454	\$2.75M
Total		9,870	\$26.91M

2. **Review and streamline** processes for preventing and managing defaults on repayment agreements by current and former staff, including but not limited to consideration of the following options:
 - a) in the case of **former staff**, leverage the services of the Department of Health's (the department's) external debt recovery agent.
 - b) in the case of **current staff**, amend the terms and conditions of self-initiated repayment agreements in Streamline to allow the department to commence payroll deduction for those paying by an external method.
 - c) use of short messaging service or other cost-effective methods to issue reminders for staff repaying by external methods.
3. **Review** HR Policy C48 *Overpayments*, with a particular focus on streamlining and clarifying provisions relating to:
 - a) terms and conditions for self-initiated and extended repayment plans
 - b) differences in recovery processes for current and former staff
 - c) requests for case reviews and
 - d) referring disputes to the Overpayment Review Group.

4. Undertake an **overpayment awareness campaign** to increase rate of recovery from current staff, including but not limited to consideration of the following options:
- a) campaign to encourage staff to enter into self-initiated repayment agreements in Streamline.
 - b) transitioning Fringe Benefits Tax liability to employees from 1 April 2017.
 - c) implementing a temporary reduction in the minimum repayment instalments during the campaign period as an incentive to encourage current staff to enter into repayment agreements.
 - d) piloting (and implementing if successful) a partnership approach with Hospital and Health Services (HHSs) to progress cases where engagement between Payroll Recovery Services (PRS) and current staff has been frustrated.
 - e) implementing enhancements in Streamline requiring staff to view and acknowledge messages from PRS before being able to proceed to other functionality.
 - f) overpayments roadshow involving case managers and senior stakeholders within Payroll Portfolio and HHSs to provide current staff an opportunity to discuss their overpayments face-to-face.
5. **Enhance client accountability**, including but not limited to consideration of the following initiatives:
- a) overpayments roadshow involving senior stakeholders within Payroll Portfolio to discuss overpayments management and recovery with senior stakeholders in HHSs and divisions.
 - b) implementing quarterly performance reporting to Health Service Chief Executives, Deputy Directors-General, Chief Finance Officers and Executive Directors Workforce/People and Culture, including the opportunity to meet with senior stakeholders within the Payroll Portfolio to discuss results and strategies to address the issues.
 - c) fully investigating the benefits of implementing a line in the sand approach to transition responsibility for recognising new overpayments in financial statements from the department to HHSs.

1. Current Status

A number of different types of loans have been granted to Queensland Health staff over the last 20 years. The purpose and repayment terms of each loan are detailed in the following table.

Table 1 **Loan types**

Type	Purpose	Repayment conditions
Corporate Loan	To support pay date alignment during the implementation of LATTICE from 1996 to 2002	To be repaid upon termination.
Pay Date Change Loan	To support pay date change in October 2012.	To be repaid upon termination.
Overpayment	Loan pending repayment of overpaid salary and wages.	Depending on when the overpayment was identified, to be repaid: <ul style="list-style-type: none"> • automatically or • by agreement. Note: outstanding amounts will be recovered on separation (see section 2.1.3)
Interim Cash Payment	Emergency cash, cheque or EFT for staff who received no or substantially less than their entitlements following implementation of new payroll system in 2010.	To be repaid by agreement. Note: outstanding amounts will be recovered on separation (see section 2.1.3)
LCCH Commencement Loan	To support commencement of former Mater Health Service staff in QH pay cycle with CHQMHS. Note: At the time of this report being prepared, less than \$2,000 remains outstanding of this loan type.	To be repaid within 12 months of commencement by payroll deduction.

The overall status of a loan can be considered as follows:

- **under agreement:** current or former staff member has committed to repaying the loan by instalments and this agreement is recorded in Serviceline (Payroll Portfolio's client management database). This category includes overpayments being recovered through automated repayments.
- **recoverable upon separation:** current staff member has an outstanding Corporate Loan or Pay Date Change Loan that is not currently subject to a repayment agreement. These loans do not have to be repaid until the staff member ceases employment.
- **unresolved:**
 - current staff member has an overpayment or interim cash payment that is not subject to a repayment agreement or
 - former staff member has any type of outstanding loan not subject to a repayment agreement.

As detailed in Figure 1, the outstanding loan balance totals \$143.67 million, as at 19 June 2016. Of this amount only \$58.23 million, or 41 per cent, is categorised as 'unresolved'. A further portion of this amount is actively being case managed by Payroll Recovery Services (PRS). Further details on the current balance are included in Appendix 2.

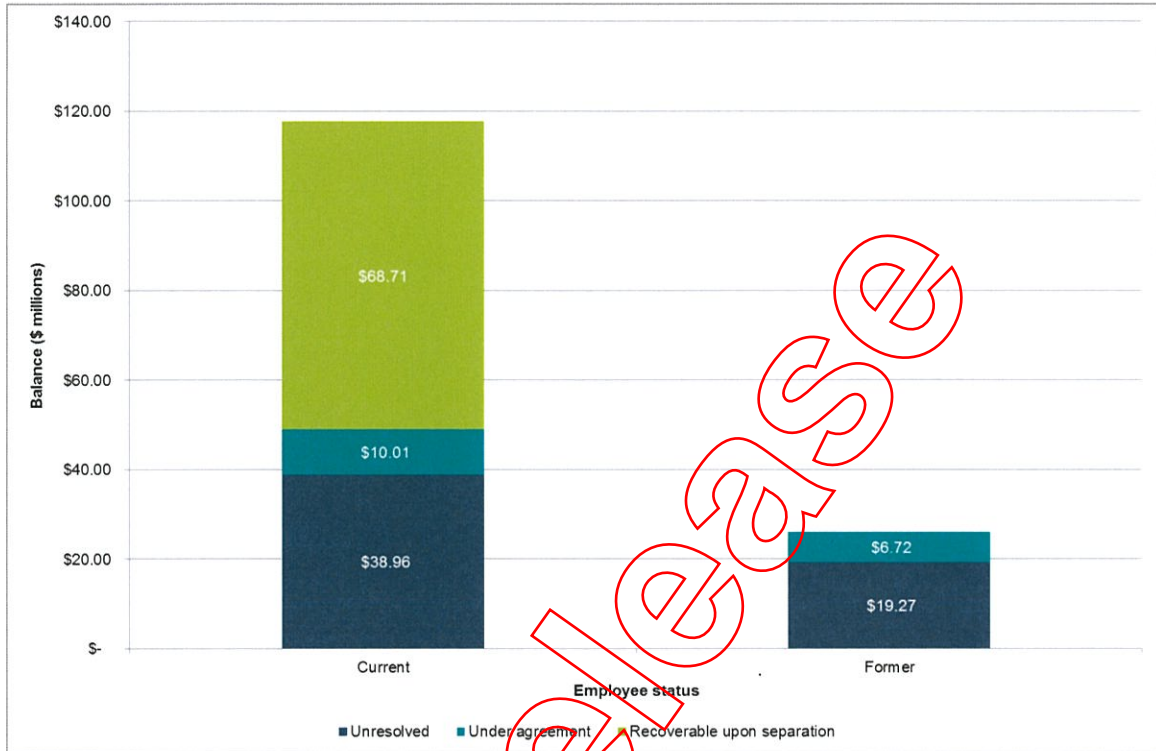


Figure 1 Outstanding employee loans by employment and agreement status

1.1 Employee Overpayments Action Plan 2012-16

The *Employee Overpayments Action Plan 2012-16* (Action Plan 12-16) detailed how the Department of Health (the department) would stabilise, manage, target and prevent overpayments. An overview of the status of the Action Plan 12-16 is detailed below.

Table 2 Action Plan 12-16 status overview

	Phase 1 STABILISE	Phase 2 MANAGE	Phase 3 TARGET	Phase 4 PREVENT
Phase objectives	Foundation for recovery activities	New processes and legislation	Focus on high risk debts	Support local action and improvement
Objectives and outcomes	Realised	Realised	Realised	Partially realised
Key actions	100% Complete	100% Complete	86% Complete	60% Complete or Commenced
Key milestones	100% Achieved	100% Achieved	88% Achieved	63% Achieved or In progress

A full update to the Action Plan is included in Appendix 1.

1.2 2015-16 Employee Loans Report

The 2015-16 Employee Loans Report (15-16 ELR) proposed three strategies to continue to address the objectives of the Action Plan 12-16.

1.2.1 Former staff waiver

Recommendation 1 of the 15-16 ELR was to **waive or write-off** certain classes of outstanding amounts owed by former staff. The following table details the implementation outcome compared to the original proposed waiver. The variances relate to further detailed analysis occurring prior to final approval by the delegate.

Table 3 Former staff waiver outcome

Waiver category	15-16 ELR Scope		Implementation outcome	
	# employees	\$ to be waived	# employees	\$ waived
Deceased estates	58	\$127,381.99	54	\$99,561.41
Debt not legally recoverable under the <i>Limitations of Actions Act 1974</i>	119	\$375,663.60	128	\$479,549.24
Outstanding amount <\$500 not under agreement	2,801	\$730,727.82	1,516	\$415,146.18
Total	2,978	\$1,233,773.41	1,698	\$994,256.83

1.2.2 Recovery on separation process review

Recommendation 2 of the 15-16 ELR was to **review and streamline** the recovery on separation process to prevent the former staff balance growing by resolving or escalating cases within two months of separation. Following a period of consultation with all stakeholders, the streamlined recovery on separation process commenced on 16 November 2015. The implementation and revised process was reviewed by stakeholders on 19 May 2016 and found to be a success. The following table details the significant decrease in overpayments and interim cash owed by former staff since the 15-16 ELR was approved.

Table 4 Reduction in former staff outstanding balance as at 19 June 2016

	15-16 ELR balance	Current balance	Net Reduction
Overpayments	\$23.45 million	\$20.91 million	\$2.54 million
Interim cash payment	\$2.38 million	\$2.28 million	\$0.10 million
Totals	\$25.83 million	\$23.19 million	\$2.64 million

1.2.3 Proactive contact campaign

Recommendation 3 of the 15-16 ELR was to undertake **proactive contact campaigns** for priority groups. The priority groups were defined as those current and former staff with outstanding debt that is at the highest risk of being unrecoverable. The following

table provides an overview of progress as at 2 June 2016 of the implementation of this recommendation. With the exception of high value cases (unresolved amounts >\$15,000), the campaign did not fully commence until late 2015. Fortnightly mail outs are continuing, with up to 400 letters sent each fortnight. Full details are included in Appendix 3.

Table 5 15-16 ELR Proactive contact campaign outcomes as at 30 June 2016

Priority group	15-16 ELR Scope	Implementation outcome (# cases)			
		employees contacted	resolved ¹	in progress ²	Escalated ³
Former staff with debt identified before 1 July 2011 ⁴	2,444	1,101	177 (17%)	846 (76%)	78 (7%)
Current staff with debt >\$2,000 identified before 1 July 2010 ⁵	861	0	0	0	0
Former staff with >\$15,000 outstanding	11	12	5 (42%)	6 (50%)	1 (8%)
Current staff with >\$15,000 outstanding ⁶	73	32	12 (38%)	17 (53%)	3 (9%)
Former staff with no repayment agreement ⁴	1,874	0	0	0	0
Total	5,263	1,145	194 (17%)	869 (76%)	82 (7%)

Note: Proportions are of the number of employees contacted.

¹ **Resolved** is defined as the individual entering into a repayment agreement.

² **In progress** cases include those where PRS has not received any response, or is continuing to negotiate repayment or continuing discussions

³ **Escalated** cases include those where former staff have been referred to the department's external debt recovery agent, or current staff have been referred to the Overpayment Review Group.

⁴ Fortnightly mail outs to former staff are continuing, with up to 400 new contacts made in each mail out. Scope will be reviewed in accordance with the recommendations of this ELR. Priority has been given to Former staff with debt identified before 1 July 2011, other former staff with no repayment agreement will be contacted subsequently.

⁵ Experience from the high value current staff cases indicated limited success. This is because a lack of effective escalation measures for PRS when engaging with current staff. As such, it was decided that this priority group would be placed on hold, pending the recommendations of this ELR.

⁶ The significant variance in scope identified in 15-16 ELR and actual number of employees contacted resulted from further detailed analysis to confirm scope before first contact was made.

2. Considerations

There are number of important factors that have been considered in making the recommendations included in this review.

2.1 Legislative framework

2.1.1 Financial Accountability Act 2009

The *Financial Accountability Act 2009* (FA Act) requires the department to ensure that public moneys are managed properly and operations are carried out efficiently,

effectively, and economically. As such, the starting positions should be to recover any outstanding amounts lawfully owed to the department. This principle is further captured in the department's *Financial Management Practice Manual* (FMPM).

Notwithstanding, there are circumstances where it may not be efficient, effective, or economical to pursue recovery; as such, the department has implemented the *Employee debt waiver and write-off guidelines*; to be read in conjunction with the FMPM and HR Policy C48 *Overpayments* (the Policy).

2.1.2 Limitations of Actions Act 1974

In order to commence legal proceedings with respect to outstanding employee debt, an action must be commenced within six years of the cause of action arising in accordance with s 10(1) of the *Limitations of Actions Act 1974* (LOA Act).

Table 6 Common recovery scenarios

Scenario	Time commences...
Debt is subject to a repayment agreement	on default of the terms of the repayment agreement
Overpayment is not subject to a repayment agreement	when the overpayment was identified or ought reasonably have been identified
Interim cash payment is not subject to a repayment agreement	when the payment was made
Corporate Loan or Pay Date Change Loan is not subject to a repayment agreement	when the employee ceases employment

In short, where time has 'expired' (that is, more than six years has passed since the cause of action arose), the department is barred from commencing legal proceedings to recover the outstanding amount. It should be noted, however, that this does not prevent the department recovering outstanding amounts under another head of power.

2.1.3 Industrial Relations Act 1999

The *Industrial Relations Act 1999* (IR Act) provides several important heads of power that allow the department to recover outstanding amounts without the express consent of current staff:

- Section 396A: recovery by instalment for overpayments identified after 14 August 2012. Maximum deduction allowable is 25 per cent of gross payment, however the Policy provides that the instalments will be calculated at 15 per cent of gross base salary, and will commence automatically unless a dispute or financial hardship self-assessment is lodged by the current staff member within 14 days of the overpayment being identified on their pay advice.
- Section 396B: deduction of outstanding Pay Date Change Loan from staff member's final payment when ceasing to be a health employee.
- Section 396C: deduction of outstanding overpayment and interim cash payment from staff member's final payment when ceasing to be a health employee, regardless of when the overpayment was identified or interim cash payment was originally paid. This section allows the department to recover an outstanding overpayment even if the LOA Act otherwise prevents the commencement of legal proceedings.

- Section 396D: defines the circumstances in which a person ceases to be a health employee and allows the department to recover outstanding Pay Date Change Loans, overpayments and interim cash payments from any pay out of accrued leave entitlements, even if the staff member immediately recommenced work.

2.2 Equity and transparency

It is important to note that the current outstanding balance is only a portion of that which has been owed to the department over the last six years; many current and former staff have already repaid outstanding amounts. As such, it would not be appropriate to simply waive or write-off significant portions of the current outstanding balance without consideration to the principle of equity. As a model employer and litigant, the department is obliged to ensure that its decisions are, as reasonably as possible, equitable in all circumstances. It could be considered that a broad-reaching waiver would disadvantage those current and former staff who have done the 'right' thing in constructively engaging and repaying their outstanding amounts.

Further, the unintended implications of such a decision could be a breach of the FA Act; operational costs could significantly increase as a result of the department and Office of the Minister for Health and Minister for Ambulance Services having to manage and respond to increased incoming correspondence from staff requesting refunds for amounts they have already repaid.

2.3 Responsibility versus recovery capability

2.3.1 Cause of new overpayments

Payroll Portfolio undertakes a deep dive analysis of new overpayments identified on a fortnightly basis. The cause of new overpayments identified in the 2015-16 financial year by number and value are detailed in the following figure.

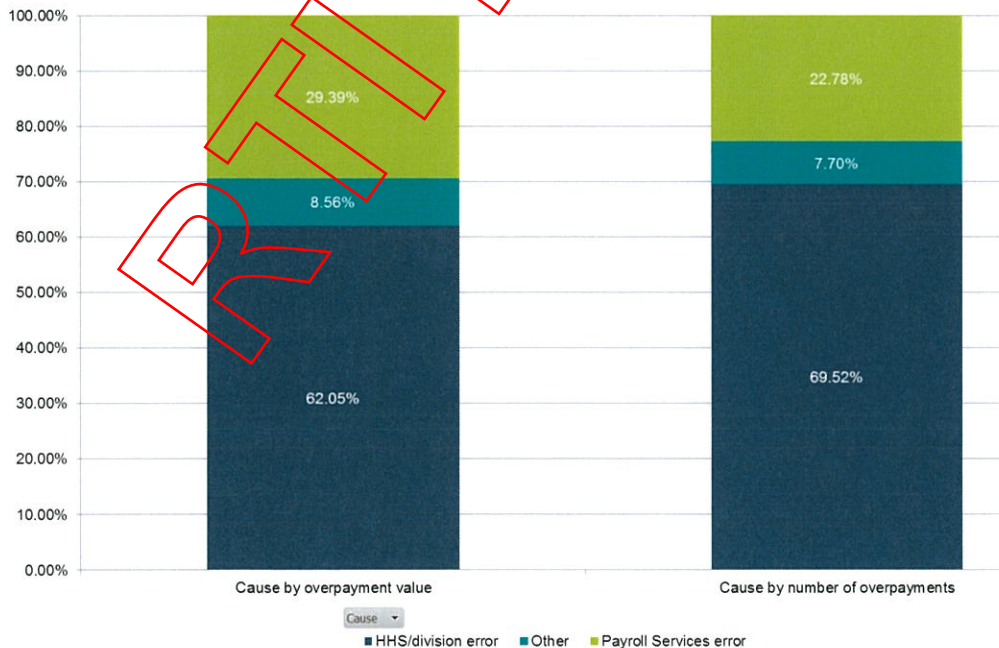


Figure 2 Proportion of overpayment causes: 2015-16 financial year

These figures demonstrate that Hospital and Health Services (HHSs) and divisions are responsible for approximately 62 per cent of new overpayments identified by value and almost 70 per cent by number. These overpayments result from late form submission and/or incorrect data provided to Payroll Services. The 'other' category relates to issues which are primarily outside the control of Payroll Services and HHSs/divisions (e.g. adjustments to WorkCover payment rates, closed superannuation accounts).

Notwithstanding that significant responsibility for the creation of new overpayments lies with HHSs and divisions, the department currently retains centralised accounting control (i.e. loans recorded on the balance sheet of the department) and overall debt management of overpayments, including recognising any accounting impacts of waivers and impairments. HHSs do not recognise overpayment receivables in their financial statements, except loans owed by Health Executive Service employees (including Health Service Chief Executives) and Hospital and Health Board members.

The reality of the current situation is that while HHSs and divisions are overwhelmingly responsible for actions or omissions which result in overpayments, the department holds the entire risk in the event of non-recovery. Further, there is little incentive for HHSs and divisions to change behaviour to reduce the incidence of overpayments into the future.

2.3.2 Recovery capability

There are two primary considerations relating to recovery capability:

1. The time at which an outstanding amount becomes due and payable:
 - a) for overpayments and interim cash payments, they become payable immediately upon identification
 - b) for other loans, they only become payable upon separation.
2. Whether or not the recovering entity has the requisite skills, knowledge and systems to engage with current and former staff, including analysing and explaining outstanding amounts, and consistently applying policies and guidelines.

While HHSs and divisions primarily cause new overpayments, a significant proportion of the outstanding overpayments and interim cash payments are historic (i.e. they relate to the period prior to the implementation of automated recovery). By their nature, historic overpayments are often complex in nature and require advanced payroll knowledge and experience to analyse and explain.

In contrast, the automated recovery process has meant that almost 90 per cent of newly identified overpayments are recovered within three months of identification without any material human involvement or overhead costs. The same can be said of loans, which are not due until separation and automatically recovered from an employee's final payment with very little extra effort.

In any event, overpayments and loans cannot be likened to any 'ordinary' debt, such as an outstanding speeding fine or unpaid bill. The Payroll Portfolio already has effective systems and controls in place to ensure efficient, effective and economical management occurs in accordance with legislation and policy. The department remains of the view that HHSs do not have the requisite capability and systems in place to assume responsibility for any case management and recovery actions.

2.4 Cost effectiveness of recovery and management

2.4.1 Fringe Benefits Tax

The major considerations with respect to Fringe Benefits Tax (FBT) include:

- loan fringe benefits
- debt waiver fringe benefits
- application of the minor fringe benefit exemption
- application of the Public Hospitals' FBT concession
- Queensland Government salary sacrificing principles requiring non-salary sacrifice fringe benefits to be applied to any exemption or concession before salary sacrifice fringe benefits.

The department has received an indefinite variation to the salary sacrificing principles to allow it to cover any FBT arising from of the Pay Date Change Loan. As such, any loan or debt waiver fringe benefits arising from the Pay Date Change Loan **do not** need to be applied before salary sacrifice fringe benefits when assessing the impact of the Public Hospitals' FBT concession.

The department is currently preparing a submission to the Cabinet Budget Review Committee to seek an extension to the variation to salary sacrifice principles to allow it to cover any FBT arising from overpayments and interim cash payments until 31 March 2017.

To minimise the overall FBT liability, the department should consider:

- encouraging all staff to enter into repayment agreement for their Pay Date Change Loan, even though it is not required to be repaid until separation and/or
- limit waiving of outstanding amounts owed by current staff that could be otherwise recovered upon separation under the IR Act, especially where those amounts do not result in any loan fringe benefit (e.g. low value overpayments).

2.4.2 Case management versus debt collection

Appendix 4 provides an overview of the impact of case management activities. In short, PRS directly recovers approximately \$0.45 million net p.a. per case manager (that is, this amount is **after** case management operating costs have been considered). In order to maximise return on investment for the department, PRS should continue to focus on streamlining processes and ensuring that case management activity is targeted on high risk cases with the greatest chance of resolution.

In order to maximise overall return on investment and cost effectiveness of recovery actions, the following principles have been adopted when engagement between PRS and the current or former staff member is completely exhausted:

- in the case of former staff, referral to the department's external debt recovery partner.
- in the case of current staff, ceasing active case management as amounts may be recovered without consent on separation.

3. Forward Strategy

A range of 'passive' and 'active' steps should be taken to continue effectively managing Queensland Health employee debt.

The following passive actions will continue to occur:

- Automated recovery (s 396A of the IR Act)
- Recovery on separation (ss 396B-396C of the IR Act)
- Self-initiated repayment plans for current staff
- Non-discretionary waiver and write-off of debt in accordance with the *Employee debt waiver and write-off guidelines*.

In addition to these actions, it is proposed that the following active steps be taken in order to maximise recovery of outstanding overpayment and loan balances. These actions form the basis of the *Employee Overpayments Action Plan 2016-18* (Action Plan 12-18), which is detailed in Appendix 5.

3.1 Proactive contact campaigns

As noted above in section 1.3.3, the 15-16 ELR recommended that PRS undertake proactive mail out campaigns for the most high risk cases (i.e. old debts, high value cases and former staff). It is **recommended** that PRS continue proactively contacting current and former staff in the most high risk cases.

3.1.1 High value cases

The 15-16 ELR defined high value cases as those where a current or former staff member had more than \$15,000 outstanding that is not subject to a repayment agreement and not recoverable upon separation. Given the success of contacting these individuals, it is **recommended** that the threshold for high value cases be reduced to \$10,000 and that PRS undertake a proactive contact campaign for these individuals.

Table 7 High value cases overview

Status	Unresolved value	# of affected employees	Total amount unresolved
Current staff	>\$15,000	31	\$0.69 million
	>\$10,000 but <\$15,000	127	\$1.51 million
Former staff	>\$15,000	13	\$0.35 million
	>\$10,000 but <\$15,000	47	\$0.59 million
Total		218	\$3.14 million

3.1.2 Overpayments approaching or past time expiry

As noted above, the department should consider the operation of the LOA Act when prioritising which overpayments should be case managed. Immediate priority should continue to be given to overpayments identified in the 2009-10 and 2010-11 financial years. Focus should also be given to overpayments identified in the 2011-12 financial year, as these will begin to time expire from 1 July 2017.

It is **recommended** that PRS undertake a proactive contact campaign for the following categories of cases (not included in any other action currently under case management):

Table 8 Overpayments and interim cash payments approaching or past time expiry in high risk categories

Status	Category	# of affected employees	Total amount unresolved ²
Former staff ¹	Unresolved amounts identified before 1/7/2010	1,024	\$1.83 million
	Unresolved amounts identified before 1/7/2011	1,635	\$2.42 million
	Unresolved amounts identified before 1/7/2012	724	\$1.24 million
Current staff ¹	>\$2,000 unresolved amounts identified before 1/7/2010	642	\$3.09 million
	>\$2,000 unresolved amounts identified before 1/7/2011	1,853	\$7.81 million
	>\$2,000 resolved amounts identified before 1/7/2012	1,319	\$4.63 million
Total		7,198	\$21.02 million

¹ Staff are included in the earliest category in which they have unresolved overpayments. For example, a former staff member who has unresolved amounts identified before 1/7/2010 and unresolved amounts identified on 30/6/2012 would only be included in the first category.

² All unresolved amounts are included, not just those which fall into the relevant category. For example, if a current staff member has \$2,100 unresolved amounts identified before 1/7/2010 and \$3,000 unresolved amounts identified after 1/7/2012, the total \$5,100 is included.

Please note that ‘time’ may commence for the purposes of the LOA Act from a different date to when the overpayment was identified, depending on the particular circumstances of that case. Further, recovery is still possible even if legal proceedings may not be commenced:

- individuals can still voluntarily repay outstanding amounts
- an overpayment may be recovered from a final payment, regardless of when it was identified.

See section 2.1 for further information on the legislative framework.

3.1.3 Former staff

Given the limited and more costly alternatives, it is **recommended** that PRS undertake a proactive contact campaign to engage the 2,454 former staff with \$2.75 million unresolved not included in any of the above recommendations.

3.2 Preventing and managing defaults

Once an individual enters into a repayment agreement for an outstanding amount, this agreement constitutes a contract. At this time, the department no longer has an onus of proving the overpayment or loan itself; rather it is sufficient to merely prove that a valid contract has been executed. It is important to note that such a contract need not be evidenced by writing and may be implied.

If an individual fails to meet their obligations under a repayment agreement, it is this breach of contract which the department would need to pursue. Although, as noted in section 2.1.2 above, the department has six years to commence legal proceedings from the date of this default, it remains in the public interest to ensure that all outstanding amounts are repaid as soon as possible.

To date, an inefficient and inconsistent approach to managing defaulted repayment agreements has been applied, with very little focus on effective measures to prevent defaults (whether first-time or repeat occurrences). As such, it is **recommended** that the processes for preventing and managing defaults on repayment agreements is reviewed and streamlined, including but not limited to consideration of the following options:

- in the case of former staff who repeatedly default on repayment agreements, leveraging the services of the department's external debt recovery agent.
- in the case of current staff who have agreed to make repayments by an external method (i.e. other than by payroll deduction), amending the terms and conditions of self-initiated repayment agreements in Streamline to allow the department to commence payroll deductions in the event of default.
- use of short messaging service or other cost-effective methods to issue reminders for staff repaying by external methods.

3.3 HR Policy C48 Overpayments

The purpose of the Policy is 'to outline the process for the recovery of overpayments from employees'. It was last reviewed and updated in July 2013 to support amendments to the IR Act; specifically, recovery on separation and allowing verbal consent to payroll deductions. As with any corporate governance document, it is important that this policy is reviewed regularly to ensure its provisions reflect current practice, effectively support recovery actions and are aligned to contemporary best practice. To support an increased focus on engaging with current staff (see section 3.4), it is **recommended** that the Policy is reviewed, with a particular focus on streamlining and clarifying provisions relating to:

- terms and conditions for self-initiated and financial hardship repayment plans
- differences in recovery processes for current and former staff
- requests for case reviews and
- referring disputes to the Overpayment Review Group.

3.4 Overpayment awareness campaign

There have been several campaigns which sought to increase the awareness of outstanding overpayments and encourage current and former staff to enter into repayment agreements, including:

- a mail out to all impacted current and former staff in 2011, which was followed by a 12 month moratorium on Queensland Health proactively seeking to recover outstanding overpayments and interim cash payments following the overwhelming negative response from staff, the public and unions to the mail out.

- a mail out to all impacted current and former staff and internal communication campaign in 2012 following the lifting of the moratorium, which include the message that Queensland Health would be progressively contacting staff to negotiate repayment of outstanding overpayments and interim cash payments.
- an internal marketing campaign in late 2012 to support the implementation of self-initiated repayment agreements in Streamline.
- an internal communication campaign in 2013 to support the introduction of legislation changes allowing for automated recovery of new overpayments and recovery of all outstanding loans and overpayments on separation.
- a targeted campaign in 2013 to trial HHS-specific recovery approach in Central Queensland HHS.
- a mail out to approximately 6,000 former staff in 2014 who had not previously been contacted by Queensland Health in relation to their outstanding overpayments and interim cash payments.

From 2014 onwards, the department's focus has been primarily on contacting former staff with outstanding overpayments and loans. Although this work is continuing, it is important that the focus on engaging current staff is increased. While all outstanding overpayments and interim cash payments are recoverable on separation, regardless of when they were identified or paid, it is in the department's interests to reduce the risk of residual amounts being legally unrecoverable (see section 2.1.2) and to proactively seek to reduce the total outstanding balance to reduce any financial impacts (see section 2.4.1).

As such, it is **recommended** that the department undertake an overpayment awareness campaign to increase the rate of recovery from current staff, including but not limited to the following initiatives.

- a marketing campaign to encourage staff to enter into self-initiated repayment agreements in Streamline.
- the transition of Fringe Benefits Tax liability relating to new and historic overpayments to employees from 1 April 2017 (and associated communication campaign, commencing as soon as possible).
- implementing a temporary reduction in the minimum repayment instalments during the campaign period as an incentive to encourage current staff to enter into repayment agreements.
- piloting (and implementing if successful) a partnership approach with HHSs to progress cases where engagement between PRS and current staff has been completely exhausted.
- enhancements in Streamline requiring staff to view and acknowledge messages from PRS before being able to proceed to other functionality.
- overpayments roadshow involving case managers and senior stakeholders within Payroll Portfolio and HHSs to provide current staff an opportunity to discuss their overpayments face-to-face.

Full stakeholder engagement will occur prior to the overpayment awareness campaign being implemented. The final initiative deliverables will be subject to appropriate endorsement and approval. Refer to the Action Plan 16-18 in Appendix 5 for further details on the proposed timeframes.

3.5 Enhancing accountability

As discussed in section 2.3.1, approximately 70 per cent of new overpayments result from the late or incorrect submission of paperwork. As such, it is **recommended** the department seek to enhance accountability of HHSs and divisions, including but not limited to the following initiatives:

- overpayments roadshow involving senior stakeholders within Payroll Portfolio to discuss overpayments management and recovery with senior stakeholders in HHSs and divisions (to be aligned with the overpayments awareness campaign proposed in section 3.4).
- implementing quarterly performance reporting to Health Service Chief Executives, Deputy Directors-General, Chief Finance Officers and Executive Directors Workforce/People and Culture, including the opportunity to meet with senior stakeholders within the Payroll Portfolio to discuss results and strategies to address the issues.
- fully investigating the benefits of implementing a line in the sand approach to transition responsibility for recognising **new** overpayments in financial statements from the department to HHSs (see section 3.5.1).

These initiatives will be further supported by the Integrated Workforce Management Project to reduce the incidence of overpayments into the future. This project is about enhancing the capability of Queensland Health to efficiently manage its workforce. This includes 'real-time' roster management, automated award compliance controls and reduced use of paper-based forms, all of which will support HHS and divisional managers to prevent the occurrence of overpayments resulting from late form submission and incorrect data provided to Payroll Services.

3.5.1 Transitioning financial accounting responsibility

As discussed in section 2.3.2, it would not be prudent to transfer responsibility for case management and recovery actions to HHSs and divisions as the Payroll Portfolio already has effective systems and controls in place to ensure efficient, effective and economical management occurs in accordance with legislation and policy. However, there should be some consideration of HHSs and divisions taking on some burden given the overwhelming number and value of new overpayments are caused by their action and/or inaction. As such, it is suggested that a loan management framework which requires HHSs to record employee loan receivables best reflects the principle of devolved autonomy that aligns with prescribed employer concept.

There has been extensive consultation within the department to consider the potential options for better aligning accountability and responsibility for causing overpayments.

Feedback from stakeholders within the department has consistently supported the preferred option as only transferring financial accounting responsibility for **newly identified overpayments**. The key features of this approach, if implemented, would include:

- **existing loans and overpayments** would continue to be recognised by the department, regardless of type and employee status.

- **new overpayments** would be recognised by the HHS/division in which the employee is currently working, regardless of prescribed employer status.
- the **recognising entity** would be **responsible for accounting** for impairment expenses and losses.
- **system changes** would be minimised, and risks more manageable, as a result of no transfer of existing loans.

Appendix 6 provides further details on the four main options, and details the primary risks and issues that need to be considered.

RTI Release

Appendix 1

Employee Overpayments Action Plan 2012-16: Update

Overarching strategic objective

To provide a structured, prioritised and cost-effective approach regarding employee overpayments that will:

- maximise amounts recovered
- minimise financial risks
- deliver fair, culturally aligned outcomes

Payroll Recovery Services is responsible for managing employee overpayments on behalf of Queensland Health, with a focus on delivering quality, responsive, accountable and outcome-focussed recovery services.

Key strategic principles

1. Prioritised action

Activities prioritised based on financial risks and the value of overpayments impacted

2. Equitable outcomes

Resolution outcomes should be consistent and not 'disadvantage' those who have taken proactive steps to work constructively with Queensland Health

3. Informed decision-making

Decisions with significant financial implications should be evidence-based wherever possible

4. Individual support

Continue the commitment to case management support and individualised attention

Key assumptions

- Overpayment resolution activities need to be managed sensitively and individuals supported throughout the process.
- Risk that overpayment is unrecoverable or will be challenged is greatest for: (1) former staff debts, (2) high value debts, (3) older debts.
- No external action (e.g. debt or civil recovery) will be pursued against current staff.
- Waivers of overpayments should be avoided due to Fringe Benefit Tax implications.
- Write-offs will only be undertaken where a debt has been assessed as not commercially viable to recover.

	2012-13 FY	2013-14 FY	2014-15 FY	2015-16 FY
	STABILISE		MANAGE	
	STABILISE		PREVENT	
	TARGET			
	RECOVER / RESOLVE			
	Phase 1 STABILISE		Phase 2 MANAGE	
	Phase 3 TARGET		Phase 4 PREVENT	
Phase objectives	<ul style="list-style-type: none"> ✓ Create a stable foundation for recovery activities 		<ul style="list-style-type: none"> ✓ Introduce new processes and legislation to support prompt recovery of new overpayments and maximise recovery when staff leave 	
	<ul style="list-style-type: none"> ✓ Focus on high risk debts (see assumption B) ✓ Introduce options for current staff recovery 		<ul style="list-style-type: none"> → Improve workforce management practices across the system → Support focussed, local strategies to drive behavioural change and reduce the occurrence of new overpayments 	
Timing	May – Nov 2012		Dec 2012 – Dec 2013	
Key actions	<ul style="list-style-type: none"> ✓ Lift the moratorium on recovery ✓ Notify all individuals with outstanding debts ✓ Waive debts <\$200 ✓ Change the pay date to allow more time for forms submission and processing 		<ul style="list-style-type: none"> ✓ Support introduction of legislative change ✓ Introduce new processes (recovery on separation and verbal consent for repayments) ✓ Implement automated repayments (AR) ✓ Late forms awareness campaign 	
	<ul style="list-style-type: none"> ✓ Implement former staff contact campaign (high risk debts) ✓ Establish debt and civil recovery processes for former staff (to ensure streamlined resolution) ✓ Focus on high value overpayments ✓ Introduce self-initiated repayments ✓ Test HHS-specific recovery approach ✗ Stop covering FBT liability (to incentivise repayment) ✓ Focus on older debts 		<ul style="list-style-type: none"> → Introduce roster management and line manager self-service in core systems ★ Clarify system-wide responsibilities regarding new overpayments ✗ Identify potential consequences that may drive behavioural change (e.g. financial, personal, process) ✓ Provide HHS-specific data on form submission performance → Liaise with HHSs on locally-driven strategies 	
Key milestones	<ul style="list-style-type: none"> ✓1. Moratorium lifted ✓2. All individuals notified ✓3. <\$200 debts waived ✓4. Pay date changed 		<ul style="list-style-type: none"> ✓5. Legislative changes (AR, recovery on separation, verbal consent) ✓6. Start recovery on separation ✓7. Signed repayment forms no longer required ✓8. AR fully implemented ✓9. \$8.8m recovered through AR 	
	<ul style="list-style-type: none"> ✓10. CQHHS campaign completed ✓11. 6,200 former staff contacted by mail ✓12. First former staff cases sent to debt recovery ✓13. First legal cases ✓14. \$4.0m in committed repayments through Streamline ✗15. FBT liability shifts to individuals ✓16. Start focus on older debts ✓17. Decision point on commercial recoverability of former staff debts 		<ul style="list-style-type: none"> ✓8. Start manager self-service (MSS) pilot ★ Start validating system-wide roles and responsibilities → System-wide responsibilities codified in SSA → MSS pilot results delivered ✓2. HHS-specific data on form submission performance ✗3. Change-focussed intervention confirmed ★ Progress reviews →5. MSS implemented 	
Outcomes	<ul style="list-style-type: none"> • Clear message regarding recovery intent • Individual awareness of debts • Fewer small debts • Reduced new debts 		<ul style="list-style-type: none"> • New overpayments recovered efficiently (within 6 months) • Prevented large increases in former staff debts (high at risk profile) • Removed manual paperwork 	
	<ul style="list-style-type: none"> • Assessed value of local recovery campaigns • Awareness, management and resolution of all former staff overpayments • Clarity on scope of non-recoverable debts • Online self-management mechanism • Increased staff incentive to repay • Significant balance reduction by EOFY14-15 		<ul style="list-style-type: none"> • Clear accountabilities • Modernised systems and processes • Support for informed local behavioural change • Reduced reliance on paper 	
Legend	<ul style="list-style-type: none"> ✓ Fully implemented/ongoing → Commenced by not yet fully implemented 		<ul style="list-style-type: none"> ★ Not yet commenced ✗ Decision made not to pursue 	

Appendix 2

Employee loan balances as at 19 June 2016

Loan type ¹	Current staff balances				Former staff balances				Total balances			
	# affected employees	Current Balance (\$M)	Under agreement or recoverable on sepn (\$M)	Unresolved balance (\$M)	# affected employees	Current Balance (\$M)	Under agreement (\$M)	Unresolved Balance (\$M)	# affected employees	Current Balance (\$M)	Under agreement or recoverable on sepn (\$M)	Unresolved balance (\$M)
Corporate Loan	2,107	1.15	1.15	0	102	0.04	0	0.04	2,209	1.19	1.15	0.04
Pay Date Change Loan	34,048	73.16	73.16	0	2,175	2.75	1.47	1.28	36,223	75.91	74.63	1.28
LCCH Comm. Loan	1	0	0	0	1	0	0	0	2	0	0	0
Overpayment	32,924	39.96	4.19	35.77	10,384	20.91	4.67	16.24	43,308	60.87	8.86	52.01
Interim cash payment	2,469	3.41	0.22	3.19	1,436	2.29	0.58	1.71	3,905	5.7	0.8	4.9
Total²	48,757	117.68	78.72	38.96	11,806	25.99	6.72	19.27	60,563	143.67	85.44	58.23

¹ Refer to Table 1 for further details of purpose and repayment conditions for each loan type.

² Total number of affected employees reported are the number of unique employees who have at least one outstanding overpayment or loan. That is, if an employee has more than one outstanding loan, they are only reported once in the total; as such, the total number of affected employees are not a sum of the number of affected employees for each loan type.

Appendix 3

Status of proactive contact campaigns as at 30 June 2016

Priority group	15-16 ELR scope	# employees contacted	Status after initial contact (# cases)				Status after final notice (# cases)		
			Resolved ¹	in progress ²	escalated ³	final notice issued	resolved ¹	in progress ²	escalated ³
Former staff with debt identified <1/7/11 ⁴	2,444	1,101	154 (15%)	765 (69%)	56 (5%)	126 (11%)	23 (2%)	81 (7%)	22 (2%)
Current staff with >\$2k identified <1/7/10	861	0	0	0	0	0	0	0	0
Former staff with >\$15k outstanding	11	12	5 (42%)	6 (50%)	1 (8%)	0	0	0	0
Current staff with >\$15k outstanding	73	32	12 (38%)	16 (50%)	3 (9%)	1 (3%)	0	1 (3%)	0
Former staff without rep. agreement ⁴	1,874	0	0	0	0	0	0	0	0
Total	5,263	1,145	171 (15%)	787 (69%)	60 (5%)	127 (11%)	23 (2%)	82 (7%)	22 (2%)

Note: Proportions are of the number of employees contacted.

¹ **Resolved** is defined as the individual entering into a repayment agreement.

² **In progress** cases include those where PRS has not received any response, or is continuing to negotiate repayment or continuing discussions

³ **Escalated** cases include those where former staff have been referred to the department's external debt recovery agent, or current staff have been referred to the Overpayment Review Group.

⁴ Fortnightly mail outs to former staff are continuing, with up to 400 new contacts made in each mail out. Scope will be reviewed in accordance with the recommendations of this ELR. Priority has been given to Former staff with debt identified before 1 July 2011, other former staff with no repayment agreement will be contacted subsequently.

⁵ Experience from the high value current staff cases indicated limited success. This is because a lack of effective escalation measures for PRS when engaging with current staff. As such, it was decided that this priority group would be placed on hold, pending the recommendations of this ELR.

⁶ The significant variance in scope identified in 15-16 ELR and actual number of employees contacted resulted from further detailed analysis to confirm scope before first contact was made.

Appendix 4

Case Management return on investment

Overview

Case management is one of the mechanisms for resolving and recovering outstanding overpayments and loans. It is the primary mechanism for resolving and recovering outstanding historic overpayments.

Background

PRS was established to support and work with staff to resolve outstanding overpayments and loans. A case management approach has been adopted to manage outstanding overpayments and loans, with 30 FTE focussed on liaising with current and former staff to address issues and/or questions, and facilitating resolution and repayment of outstanding amounts. A further 15 FTE provide general financial, administrative, operational, governance and assurance support to manage overpayments and loans on behalf of the department.

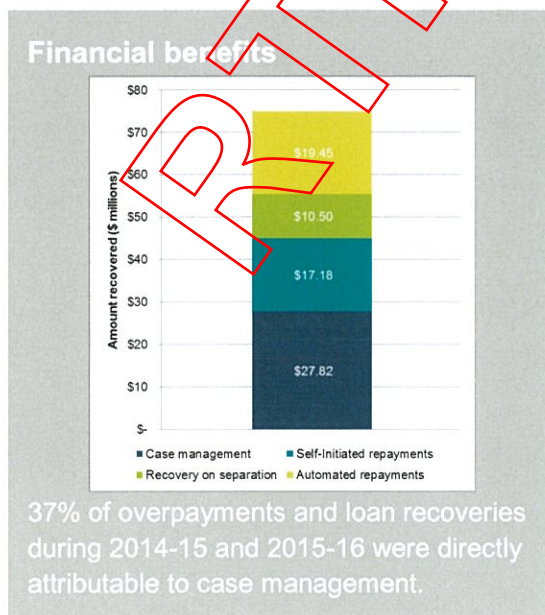
In addition to case management, overpayments and loans may also be resolved by the following mechanisms:

- Self-Initiated Repayment Plans (online via Streamline)
- recovery on separation in accordance with the IR Act
- business-as-usual deductions for new overpayments in accordance with the IR Act.

Contribution to overpayment resolution outcomes

Over the 2014-15 and 2015-16 financial years:

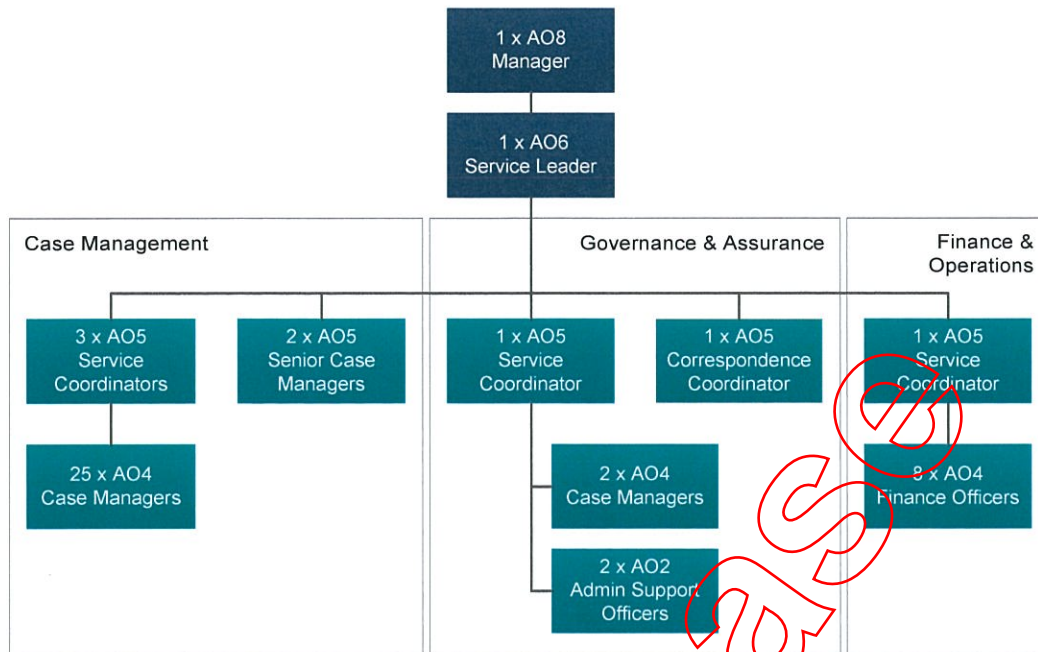
- average case management recovery was \$0.57 million p.a. per case manager
- average salary and expenses was \$0.12 million p.a. per case manager
- net return on investment is \$0.45 million recovery p.a. per case manager



Non-financial benefits

- In-house skills to address staff queries, based on knowledge of:
 - the payroll system
 - common causes of overpayments
 - historic/legacy dynamics, issues and discussions
 - Queensland Health generally.
- Shared identified with overpaid individual and ability to draw on cultural similarities to facilitate resolution.

Workforce profile



Operating costs

Actual labour and non-labour expenses for the 2014-15 and 2015-16 financial years are detailed in the following tables.

Labour expenses (FTE and total expense) for 2014-15 and 2015-16 financial years

Pay grade	Leadership		Case Management		Governance and Assurance		Finance and Operations	
AO8	0.88 FTE	\$258,443						
AO6	0.96 FTE	\$209,278						
AO5			4.67 FTE	\$828,193	0.64 FTE	\$188,791	1.06 FTE	\$217,812
AO4			24.55 FTE	\$4,172,381	0.57 FTE	\$97,566	7.13 FTE	\$1,215,614
AO3							0.39 FTE	\$52,742
AO2					1.89 FTE	\$226,834		
Total	1.84 FTE	\$467,721	29.92 FTE	\$5,000,574	3.10 FTE	\$513,191	8.58 FTE	\$1,486,167

Non-labour expenses for 2014-15 and 2015-16 financial years

Expense	Leadership	Case Management	Governance and Assurance	Finance and Operations
Bank fees ¹				\$53,056
Computer and IT levies ²	\$3,120	\$50,741	\$5,257	\$14,551
Debt recovery commission ³		\$314,744		
Depreciation ²	\$11,474	\$186,581	\$19,332	\$53,505
Domestic supplies ²	\$78	\$1,267	\$131	\$363
External access ⁴	\$1,125			
Legal fees ³		\$1,530		
Office supplies ²	\$339	\$5,516	\$571	\$1,582
Postage and freight ⁵		\$2,524		\$133
Travel expenses ⁶		\$6,641	\$369	\$369
Total	\$16,136	\$569,544	\$25,660	\$123,559

¹ Bank fees have been 100% apportioned to Finance and Operations as they are expenses that would continue regardless of recovery method.

² Expenses which directly relate to the employment of staff have been apportioned to each function based on FTE.

³ Debt recovery commission and legal fees have been 100% appointed to Case Management as they have only been incurred as a result of case management activities.

⁴ External access has been 100% apportioned to Leadership as only the Manager and Service Leader use this service.

⁵ Postage and freight expenses have been apportioned between Case Management (95%) and Finance and Operations (5%) based on estimated usage.

⁶ Travel expenses have been apportioned between Case Management (90%), Governance and Assurance (5%) and Finance and Operations (5%) based on estimated usage.

Total expenses for 2014-15 and 2015-16 financial years

Expense type	Leadership	Case Management	Governance and Assurance	Finance and Operations
Labour	\$467,721	\$5,000,574	\$513,191	\$1,486,167
Non-labour	\$16,136	\$569,544	\$25,660	\$123,559
Total expenses	\$483,857	\$5,570,118	\$538,851	\$1,609,726

Case management operating costs

The following costing components were included to calculate the total case management operating costs as detailed in the below table.

- all case management labour and non-labour expenses

- a fixed proportion of 30 per cent of PRS leadership labour and non-labour expenses (this recognises that the majority of effort from these roles would continue to be required, regardless of repayment mechanism)
- a nominal amount of \$100,000 p.a. for executive review and approvals.

Expense	Total expense (for 14-15 & 15-16 FYs)	Average expense p.a.
Case management labour and non-labour	\$5,570,574	\$2,785,287
30% of leadership labour and non-labour	\$145,158	\$72,579
Executive review and approvals	\$200,000	\$100,000
Total	\$5,915,732	\$2,957,866

Case management return on investment

The return on investment for Queensland Health as a result of adopting a case management approach results in a net recovery of \$10.95 million p.a., equating to \$0.45 million p.a. per case manager.

	Per annum	Per case manager
Recovery due to case management	\$13,910,791	\$566,631
Case management operating expenses	\$2,957,866	\$120,483
Case management return on investment	\$10,952,925	\$446,148

RTI Release

Appendix 5

Employee Overpayments Action Plan 2016-18

Overarching strategic objective

To provide a structured, prioritised and cost-effective approach regarding employee overpayments that will:

- maximise amounts recovered
- minimise financial risks
- deliver fair, culturally aligned outcomes

Payroll Recovery Services is responsible for managing employee overpayments on behalf of Queensland Health, with a focus on delivering **quality, responsive, accountable and outcome-focussed** recovery services.

Key strategic principles

1. Prioritised action

Activities prioritised based on financial risks and the value of overpayments impacted

2. Equitable outcomes

Resolution outcomes should be consistent and not 'disadvantage' those who have taken proactive steps to work constructively with Queensland Health

3. Informed decision-making

Decisions with significant financial implications should be evidence-based wherever possible

4. Individual support

Continue the commitment to case management support and individualised attention

Key assumptions

- Overpayment resolution activities need to be managed sensitively and individuals supported throughout the process.
- Risk that overpayment is unrecoverable or will be challenged is greatest for: (1) former staff debts, (2) high value debts, (3) older debts.
- No external action (e.g. debt or civil recovery) will be pursued against current staff.
- Waivers of overpayments should be avoided due to Fringe Benefit Tax implications.
- Write-offs will only be undertaken where a debt has been assessed as not commercially viable to recover.

	July – December 2016	January – June 2017	July – December 2017	January – June 2018	
RECOVERY					
	①	②	③	④ ⑤ ⑥	
RESPONSIBILITY					
			⑦ ⑧ ⑨	⑩ ⑪ ⑫	
PREVENTION					
	⑬ ⑭	⑮ ⑯	⑰ ⑱	⑲ ⑳	
	RECOVERY		RESPONSIBILITY		PREVENTION
Objectives	<ul style="list-style-type: none"> • Focus on high risk debts • Streamline recovery processes • Investigate options to incentivise repayment by current staff • Determine long-term strategy for external debt recovery partnership 		<ul style="list-style-type: none"> • Increase awareness of overpayments for current staff • Implement incentives for current staff to enter into repayment agreements • Support focussed, local strategies to drive recovery from current staff • Increase HHS responsibility for new overpayments 		<ul style="list-style-type: none"> • Improve workforce management practices across the system • Support focussed, local strategies to drive behavioural change and reduce the occurrence of new overpayments
Timing	July 2016 – June 2017		October 2016 – December 2017		July 2016 – June 2018
Key actions	<ul style="list-style-type: none"> • Implement proactive contact campaign for high risk debts • Review and streamline processes for managing and preventing defaults on repayment agreements • Assess performance of external debt recovery agent and implement long-term strategy (competitive tender process if required) • Marketing campaign to encourage self-initiated repayment plans 		<ul style="list-style-type: none"> • Liaise with HHSs on locally-driven recovery strategies • Stop covering FBT liability (to incentivise repayment) • Review HR Policy C48 <i>Overpayments</i> • Clarify system-wide responsibilities regarding new overpayments, including transition of responsibility for financial accounting of new overpayments to HHSs • Undertake overpayment awareness campaign 		<ul style="list-style-type: none"> • Introduce roster management, manager and employee self-service in core systems • Liaise with HHSs on locally-driven prevention strategies • Undertake overpayment awareness campaign
Key milestones	<ol style="list-style-type: none"> All current and former staff owing >\$10,000 contacted Contact all former staff with debts <1 Jul 12 Pilot partnership approach with HHSs and evaluate results Current staff balance <\$40m Contact all current staff with >\$2,000 from <1 Jul 12 Former staff balance <\$20m 		<ol style="list-style-type: none"> HR Policy C48 <i>Overpayments</i> reviewed Implement Streamline enhancements to increase awareness Implement temporary lower min repayment instalments FBT liability shifts to individuals Validate system-wide roles and responsibilities New overpayments recognised by HHSs 		<ol style="list-style-type: none"> Commence manager self-service pilot Commence roster management self-service pilot Self-service pilot results delivered Implement partnership approach with HHSs (if milestone 3 is successful) Undertake overpayments roadshow Quarterly status reviews
Outcomes	<ul style="list-style-type: none"> • Continued decrease in outstanding balance • Improved efficiency of recovery processes • Clarity on future of external debt recovery partnership • Awareness, management and resolution of all high value cases 		<ul style="list-style-type: none"> • Increased staff incentive to repay • Clear accountabilities • Increased manager incentive to prevent 		<ul style="list-style-type: none"> • Modernised systems and processes • Support for informed local behavioural change • Reduced reliance on paper

Appendix 6 Options: recognition of overpayments and loans by HHSs

Key assumptions

1. If any overpayments and/or loans are to be recognised by an entity other than the department, the amounts will:
 - 1.1. be recognised in the HHS/division in which the employee is currently working (regardless of prescribed employer status and/or cause of the overpayment) and
 - 1.2. 'follow the employee' if they move between HHSs/divisions.
2. Overpayments and/or loans owed by former staff will be recognised by the department in any event.

Options for HHS recognition of overpayments (including interim cash payments) and/or loans

Entity responsible for...	Option 1: Line in the sand (preferred option)	Option 2: Status Quo	Option 3: Transfer all overpayments	Option 4: Transfer all loans
recognising existing loans	<ul style="list-style-type: none"> DoH: all debts, regardless of type and employee status 	<ul style="list-style-type: none"> HHSs: Debts owed by current executive employees DoH: All other debts 	<ul style="list-style-type: none"> HHS/divisions: All overpayments owed by current staff DoH: All other debts 	<ul style="list-style-type: none"> HHS/divisions: All debts owed by current staff DoH: All debts owed by former staff
recognising new overpayments	<ul style="list-style-type: none"> Current staff: HHS/ division employee is currently working in Former staff: DoH 	<ul style="list-style-type: none"> HHSs: All debts owed by current executive employees DoH: All other debts 	<ul style="list-style-type: none"> Current staff: HHS/ division employee is currently working in Former staff: DoH 	<ul style="list-style-type: none"> Current staff: HHS/ division employee is currently working in Former staff: DoH
method of transferring opening balances (see Key issues)	<ul style="list-style-type: none"> Only required as staff move between HHSs/divisions (cash arrangement is preferred). 	<ul style="list-style-type: none"> Not required 	<ul style="list-style-type: none"> Required as above (cash, or equity or back-to-back loans) 	<ul style="list-style-type: none"> Required as above (cash, or equity or back-to-back loans)
accounting for impairment/losses	<ul style="list-style-type: none"> Entity recognising overpayments and loans 	<ul style="list-style-type: none"> Entity recognising overpayments and loans 	<ul style="list-style-type: none"> Entity recognising overpayments and loans 	<ul style="list-style-type: none"> Entity recognising overpayments and loans

Consideration	Option 1: Line in the sand (preferred option)	Option 2: Status Quo	Option 3: Transfer all overpayments	Option 4: Transfer all loans
<p>Risk assessments (see below table).</p> <p>Note: Assessment for options 3 and 4 may vary depending on transfer method.</p>	<ul style="list-style-type: none"> • R1: medium (9) • R2: medium (8) • R3: medium (9) • R4: low (4) 	<ul style="list-style-type: none"> • R1: nil • R2: nil • R3: nil • R4: nil 	<ul style="list-style-type: none"> • R1: high (16) • R2: high (15) • R3: high (18) • R4: low (4) 	<ul style="list-style-type: none"> • R1: high (20) • R2: high (15) • R3: high (18) • R4: low (4)
Pros	<ul style="list-style-type: none"> • Incentive for HHS behaviour change (submitting forms on time) • Limited impact on HHS financial statements (almost 90% of new overpayments recovered within three months of identification). • Lowest risk assessment, except status quo option. • More manageable system changes than other options. 	<ul style="list-style-type: none"> • Risks are almost entirely mitigated 	<ul style="list-style-type: none"> • Increased drivers for HHSs to engage with current staff to repay outstanding loans. • DoH financial risk decreases. • Incentive for HHS behaviour change (submitting forms on time) 	<ul style="list-style-type: none"> • Increased drivers for HHSs to engage with current staff to repay outstanding loans. • DoH financial risk decreases. • Incentive for HHS behaviour change (submitting forms on time)
Cons	<ul style="list-style-type: none"> • DoH continues to wear bulk of the risk in relation to historic overpayments. • Potential (small) employee impact – additional loan types on pay slips and in Streamline. 	<ul style="list-style-type: none"> • No incentive for behaviour change by area causing overpayments, such as late form submission by HHSs 	<ul style="list-style-type: none"> • Significantly increased financial impact on HHSs. • Level of benefit and driver for behaviour change depends on type of transfer (i.e. equity or cash). • Potential (moderate) employee impact – data changes in Streamline • Significant system changes. 	<ul style="list-style-type: none"> • Significantly increased financial impact on HHSs. • Level of benefit and driver for behaviour change depends on type of transfer (i.e. equity or cash). • Potential (moderate) employee impact – data changes in Streamline • Significant system changes.

Risks associated with transferring existing debts

#	Risk	Risk Assessment ¹	Potential mitigation strategies	Potential residual risk
R1	HHSs do not accept transfer decision – Board chairs raise issue with the Minister.	<ul style="list-style-type: none"> • O1: medium (9) • O2: nil (no transfer) • O3: high (16) • O4: high (20) 	<ul style="list-style-type: none"> • Approval is sought from the Minister before any further consultation and/or decision. • Minister is fully briefed on the benefits and impacts of any transfer in order effective respond to HHS concerns. 	<ul style="list-style-type: none"> • HHSs/Boards may remain dissatisfied with the response/decision. • Potential reputational fall-out if this issue reaches the media as the decision could be seen as the ‘bureaucracy’ deflecting ‘non-service delivery’ issues.
R2	Cost of implementing decision outweighs the benefits.	<ul style="list-style-type: none"> • O1: medium (8) • O2: nil (no cost) • O3: high (15) • O4: high (15) 	<ul style="list-style-type: none"> • Undertake a full cost-benefit analysis prior to final decision. 	<ul style="list-style-type: none"> • Some benefits (e.g. behaviour change) are not easily quantified.
R3	System changes are unable to be delivered prior to implementation date. System configuration is likely to be complex and impacts multiple systems (SAP, FAMMIS and DSS).	<ul style="list-style-type: none"> • O1: medium (9) • O2: nil (no system change required) • O3: high (18) • O4: high (18) 	<ul style="list-style-type: none"> • Lead time of 6–9 months required to allow consultation and determine detailed business requirements. • SAP changes to be managed in accordance with Change and Release Management process. • Regular updates provided to SLF to allow for decision to delay of implementation if necessary. • Potential interim solution is to process regular journals. 	<ul style="list-style-type: none"> • If interim solution is pursued, report and controls would need to be developed to ensure obligations under the <i>Financial Accountability Act 2009</i> are met. Residual risk is that human error in the generation and processing of journals causes incorrect financial reporting.
R4	Fortnightly pay run and SAP system performance generally could be compromised if business requirements become too complex (causing significant system overhead).	<ul style="list-style-type: none"> • O1: low (4) • O2: nil (no change of process) • O3: low (4) • O4: low (4) 	<ul style="list-style-type: none"> • System changes should be minimised. • Effective performance and load testing should occur. • Process should be simplified as much as possible 	<ul style="list-style-type: none"> • Defects/unforeseen performance impacts may not be realised until after implementation. • Simplifying the process <i>may</i> reduce the benefits – the area responsible for causing the overpayment may not be impacted directly and therefore not result in the desired behaviour change

¹ Assessment of risk has been undertaken in accordance with the Department of Health’s *Risk Matrix*, based on the assumptions and options detailed above. The *Risk Matrix* is provided at the end of this Appendix.

Key issues to consider

Issue	Options	Comments
<p>Who should recognise the loans ('recognising entity')?</p> <p>Not all HHSs are prescribed employers. Non-prescribed HHSs only have a direct employment relationship with some of their staff (e.g. HES, VMOs).</p>	<p>1. The HHS in which the employee is currently working (whether employed by the HHS or DoH)</p>	<ul style="list-style-type: none"> • Preferred option – assumption 1.1 • Ensures all HHSs have a proportionate driver for behaviour change. • Not consistent with the treatment of other receivables and liabilities.
	<p>2. Employing entity</p>	<ul style="list-style-type: none"> • Consistent with treatment of other receivables and liabilities (e.g. Purchased Leave / RDO balance). • Some HHSs will not be impacted – may decrease driver for behaviour change (e.g. submitting forms on time).
<p>Should fault/cause be considered in determining the 'recognising entity'?</p> <p>Most overpayments are caused by late form submission. However, these may be identified after the employee has moved to another HHS.</p> <p>A minority of overpayments are caused by payroll processing error.</p>	<p>1. No</p> <p>a) Time period and cause of overpayment is not considered (new overpayments recognised by relevant HHS at time of identification)</p> <p>b) Loans to 'follow the employee' as they move between HHSs.</p>	<ul style="list-style-type: none"> • Preferred option – assumption 1 • Reduces complexity of system changes required. • May result in greater push back from HHSs during implementation as they may have to account for overpayments caused by another HHS or payroll processing error (both on initial recognition and when employees move between HHSs).
	<p>2. Yes</p> <p>a) Time period and cause of overpayment is considered (new overpayments recognised by the entity which caused the overpayment).</p> <p>b) Loans will not 'follow the employee' as they move between HHSs.</p>	<ul style="list-style-type: none"> • Reduces pushback from HHSs during implementation. • Significant increase in the complexity of system changes required – lengthens lead time and put fortnightly pay run at high risk of not being delivered on time. • This is not possible in the case of Option 4. • Employee's current HHS may not be the HHS which has recognised a loan – increased complexity in the management of overpayments and loans.

Issue	Options	Comments
<p>How should former staff loans be managed?</p> <p>At implementation, some former staff may not have worked for HHSs for as long as 5 years (prior to establishment of HHSs). Further, once staff cease employment, HHSs no longer have a current employment relationship with these former staff.</p>	<p>1. Former staff loans at implementation and residual loans after staff separate are to be recognised (and managed) by DoH.</p>	<ul style="list-style-type: none"> • Preferred option – assumption 2. • DoH has effective recovery process in place, including existing relationship with an external debt recovery partner. • This option allows HHSs to focus on supporting recovery from their current staff.
	<p>2. Loans are to be recognised by the last HHS in which the staff member worked.</p>	<ul style="list-style-type: none"> • Likely to have significant push back from HHSs, particularly in relation to historic overpayments.
<p>What financial method should occur for initial transfer and ongoing recovery if Options 2 to 4 are pursued?</p>	<p>1. Loans are transferred in exchange for cash (cash arrangement)</p>	<ul style="list-style-type: none"> • Loan transferred to recognising entity from DoH • Recognising entity transfer cash consideration to DoH • Loans 'follow the employee' through cash transfers • Full risk is transferred to recognising entity. • Preferred arrangement for any transfers.
	<p>2. 'Back-to-back' loan arrangements (cash arrangement)</p>	<ul style="list-style-type: none"> • Recognising entity enters into loan arrangement with DoH • Cash recovered is transferred to DoH to repay loan • Administratively onerous given significant loan arrangements to be managed between DoH and HHS. • Risk exists for DoH and HHSs
	<p>3. Transfer via equity (non-cash arrangement)</p>	<ul style="list-style-type: none"> • Loans transferred to recognising entity from DoH by way of equity injection • Cash recovered OR return of equity is transferred to DoH • Administratively onerous to manage and track equity transfers. • Risk exists for DoH and HHSs.

RTI REQUEST

Department of Health Risk Matrix

		Consequence				
		Negligible	Minor	Moderate	Major	Extreme
Likelihood	Almost Certain	Medium (7)	Medium (11)	High (17)	Very High (23)	Very High (25)
	Likely	Medium (6)	Medium (10)	High (16)	High (20)	Very High (24)
	Possible	Low (3)	Medium (9)	High (15)	High (18)	High (22)
	Unlikely	Low (2)	Medium (8)	Medium (12)	Medium (14)	High (21)
	Rare	Low (1)	Low (4)	Low (5)	Medium (13)	High (19)

RTI Released

Overpayments Dashboard for PP27_1516

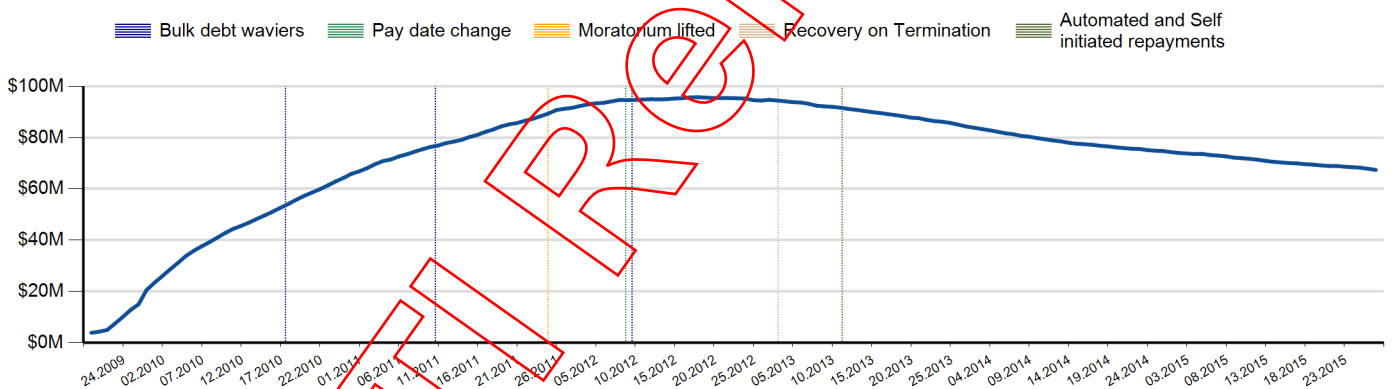
1. Overpayments activity in pay period PP27_1516

Overpayments recovered	\$1,045,637 Amount	from	4,983 staff	Change in overpayment balance \$445,125 reduction
Overpayment agreements made	\$720,449 Amount	with	1,709 staff	
Overpayments identified	\$600,513 Amount	from	1,656 staff	

2. Outstanding overpayments

Overpayments balance	\$66,219,593	-	Future repayments agreed	\$5,863,421	=	Unresolved overpayments	\$60,356,172
Total value of overpayments currently owed			Value of overpayments agreed but not yet repaid			Value of overpayments not subject to a repayment agreement	
Current Staff	33,494		Former Staff	10,757			
Salary Overpayments	\$40,030,914 Amount		Salary Overpayments	\$20,516,044 Amount			
Interim Cash	\$3,414,775 Amount		Interim Cash	\$2,257,860 Amount			

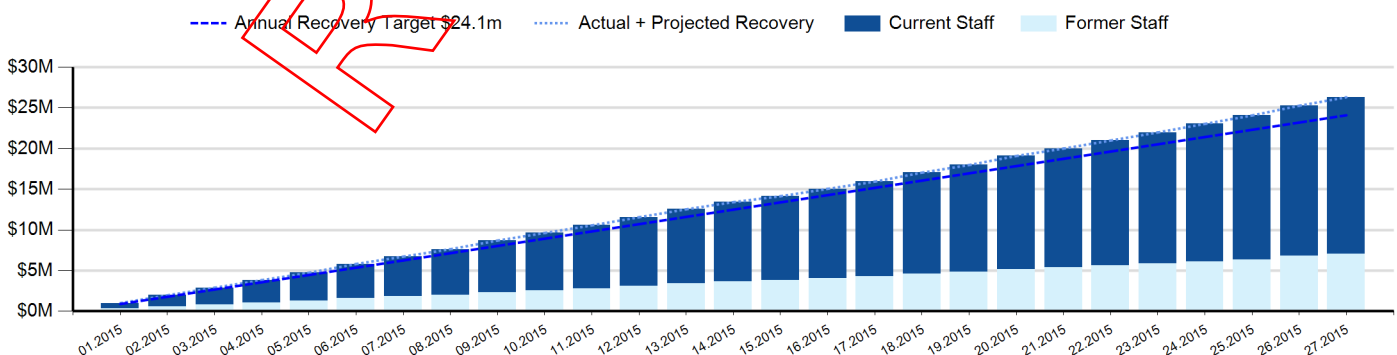
3. Historical overpayments profile



4. Recovery progress - year to date

\$26,297,108

Recovered in FY15/16



5. Key overpayments performance indicators

<p>86.6% Target : 75%</p> <p>Percentage of repayments commenced within four pay periods of overpayment notification</p>	<p>85.4% Target : 75%</p> <p>Percentage of eligible overpayments repaid within six pay periods of overpayment notification.</p>	<p>\$7,351 paid to 24 staff Target : \$0</p> <p>Nett amount paid to terminating staff who have an outstanding payroll debt</p>
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Audit and Risk Committee

Meeting Date:	29 July 2016
Agenda item:	10 – Overpayments update
Presented by:	Philip Hood, Executive Director, Payroll Portfolio
Attachments:	<ol style="list-style-type: none"> 1. Overpayments Dashboard PP27_1516 2. 2016-17 Employee Loans Report 3. Action 28-03: Response to salary overpayment proposal 4. Salary overpayment proposal

Recommendations

It is recommended that the Audit and Risk Committee:

- **Note** the update on the status of overpayments and loans management and recovery.
- **Note** the *2016-17 Employee Loans Report* (Attachment 2).
- **Note** the Payroll Portfolio's response to the salary overpayment proposal (Attachment 3).

Headline issues

1. Overall overpayment balance <\$67M Former staff owe <\$23M	2. Recovered >\$26M in overpayments and interim cash in 15/16 Target - \$24.1M 16/17 Target - \$22.6M	3. Recovery starts for >86% new overpayments within two months of identification Target - 85%
4. 53% or \$1.5M of pay date change loans owed by former staff under repayment agreement	5. <\$0.7M in overpayments identified on pay date 29 Jun 2016 (0.35% of net pay run) Average - \$0.6M	6. >23% of cases referred to ARL have been repaid/repaying (\$1.2M) >\$0.8M recovered 6.9% commission
7. 1,054 staff in high risk groups contacted ~15% repaid/repaying ~25% under case management	8. Internal Audit reviewed PRS reconciliation processes – remedial actions underway to address medium finding	9. 5 key recovery and management strategies detailed in 2016-17 Employee Loans Report

Note: Headline issue numbers align to correspondence detail in the update below.



Overpayment and interim cash overview (as at 19 June 2016)

1. The outstanding balance is continuing to decline at a steady rate and is \$66.22 million compared to \$67.84 million as at 27 March 2016. Of this amount, \$22.77 million is owed by former staff, compared to \$23.25 million as at 27 March 2016 (Attachment 1, section 2).
 - Taking into account committed repayment plans worth \$5.86 million, the unresolved overpayment balance is now \$60.36 million, compared to \$61.37 million as at 27 March 2016 (Attachment 1, section 2).
2. A total of \$26.30 million in overpayments was recovered in the 2015-16 financial year, exceeding the full year recovery target of \$24.10 million (Attachment 1, section 4). The 2016-17 recovery target has been set at \$22.6 million.
3. Recovery for over 86 per cent of new overpayments commences within two months of identification, with over 85 per cent fully recovered within three months of identification (Attachment 1, section 5).

Pay date change and corporate loans overview (as at 19 June 2016)

- Pay Date Change and Corporate Loans are recoverable upon separation of employment.
- 4. The outstanding balance owed by former staff is \$2.80 million. Taking into account committed repayment plans worth \$1.48 million, the unresolved balance is \$1.32 million.
- Loans still owed by former staff are included in debt recovery activity.
- The outstanding balance owed by current staff is \$74.31 million, with \$5.60 million under a repayment agreement. The remaining \$68.71 million will be recovered on separation.

Overpayment identification, prevention and management

5. Approximately \$0.60 million in overpayments were identified on pay date 29 June 2016 (Attachment 1, section 1). This equates to approximately 0.35 per cent of the net pay run. Since Pay Date Change in October 2012, the average identification rate has been approximately \$0.6 million/pay period.
6. Australian Receivables Limited (ARL) continue to provide debt collection services to the Department of Health (the department). As at 19 June 2016:
 - \$4.79 million in overpayments and loans owed by 1,668 former staff have been referred to ARL.
 - A 17.3 per cent success rate (based on amount recovered) is currently being achieved. Considering future committed repayments, ARL's resolution rate is 23.4 per cent.
 - \$0.83 million has been recovered by ARL, with approximately 6.9 per cent in commissions paid.
7. The contact campaign recommended in the *2015-16 Employee Loans Report* is continuing. As at 19 June 2016, 1,054 current and former staff have been contacted:
 - 155 (14.7 per cent) have entered into a repayment agreement
 - 206 (19.5 per cent) are currently in the case management process
 - 15 (1.5 per cent) have been issued a final notice
 - 57 (5.4 per cent) have been referred to ARL for further action.
 - 621 (58.9 per cent) have not yet contacted Payroll Recovery Services (PRS) and not yet been issued a final notice.
- The focus of this contact campaign is in relation to current and former staff with overpayments identified prior to 1 July 2011. The outcomes of this campaign have been used as a basis to reassess the impairment calculations in relation to overpayments identified between March and December 2010 for the department's 2015-2016 financial statements.

8. At the request of the Executive Director, Payroll Portfolio, Internal Audit undertook a review of PRS's general ledger reconciliation processes to consider whether it is consistent with the principles outlined in the department's *General Ledger Reconciliation Framework and Guideline* (16HSQ03). Only one of the two medium findings related directly to issues within the control of Payroll Portfolio. PRS is on track to complete remedial actions within target implementation dates.

- In the period 28 April to 19 June 2016, \$158,002 has been waived or written off:

Reason	# Employees	Total Value
Deceased estates	1	\$2,000
Terminal illness	1	\$2,118
Bankruptcy	21	\$4,490
Legally unrecoverable	1	\$49,222
Recovery is commercially unviable	6	\$2,532
Other ¹	59	\$97,640
Total	89	\$158,002

¹ Other includes cases where overpayments were unable to be evidenced or other exceptional circumstances where the Manager, Payroll Recovery Services recommended that a waiver was the only efficient course of action.

2016-17 Employee Loans Report

9. The purpose of the *2016-17 Employee Loans Report* (Attachment 2) is to:

- provide an overview of the current status of loans and overpayments owed by current and former staff
- report on the progress of the recommendations of the *2015-16 Employee Loans Report*
- report on the progress of objectives, actions and milestones detailed in the *Employee Overpayments Action Plan 2012-16*
- identify issues related to overpayment and loans management and recovery that should be considered and
- recommend objectives, actions and milestones to guide management and recovery of overpayments in 2016-18.

The Manager, PRS has consulted with departmental stakeholders during the preparation of this report, including Payroll Portfolio, HR and Finance Branches. Further, the Report has been endorsed by the Overpayment Review Group and approved by the Chief Executive Officer, Health Support Queensland.

It is recommended that the Audit and Risk Committee **note** the *2016-17 Employee Loans Report* and its five key recommendations:

- Undertake **proactive contact campaigns** for current and former staff in high risk priority groups.
- **Review and streamline** processes for preventing and managing defaults on repayment agreements.
- **Review** HR Policy C48 *Overpayments*.
- Undertake an **overpayment awareness campaign** to increase the rate of recovery from current staff.
- **Enhance Hospital and Health Services accountability** by implementing a line in the sand approach to transition responsibility for recognising new overpayments in financial statements from the department to Hospital and Health Services.

Document details

Version: 1.0	Submitted through:	Cleared by:
Author: Dylan Adams	Name: Philip Hood	Name: Gary Uhlmann
Position: Manager, PRS	Position: Executive Director, Payroll Portfolio	Position: Chief Executive Officer HSQ
Telephone: <input type="text"/>	Telephone: <input type="text"/>	Telephone:
Date: 12 July 2016	Date: 12 July 2016	Date:

Overpayments Dashboard for PP01_1617

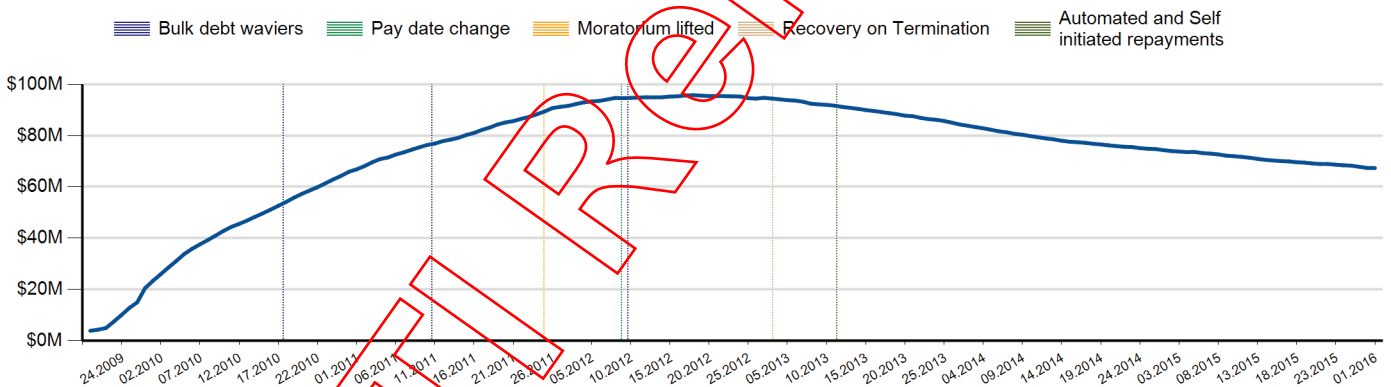
1. Overpayments activity in pay period PP01_1617

Overpayments recovered	\$893,396 Amount	from	4,874 staff	Change in overpayment balance \$51,769 reduction
Overpayment agreements made	\$616,429 Amount	with	1,593 staff	
Overpayments identified	\$841,627 Amount	from	1,268 staff	with 1,282 Loans Created

2. Outstanding overpayments

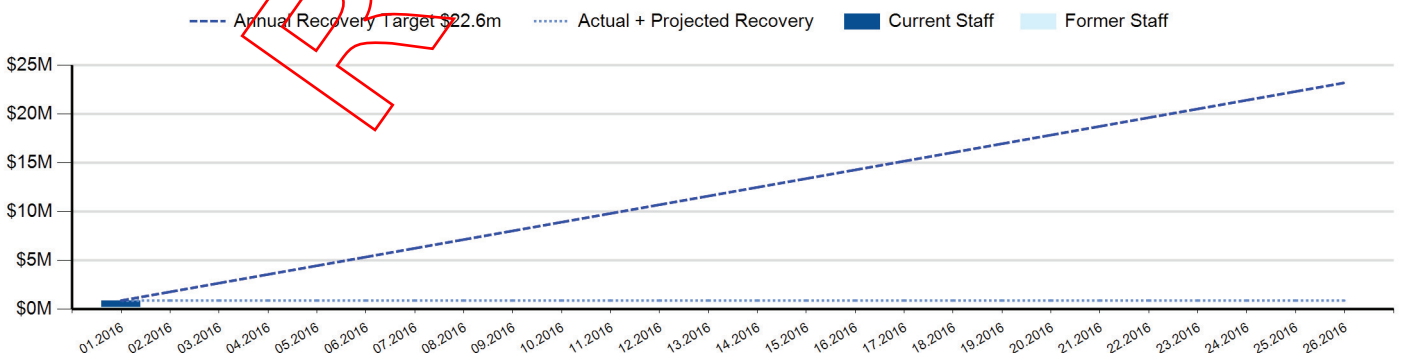
Overpayments balance	Future repayments agreed	Unresolved overpayments
\$66,103,147 Total value of overpayments currently owed	\$6,041,475 Value of overpayments agreed but not yet repaid	\$60,061,671 Value of overpayments not subject to a repayment agreement
Current Staff: 33,022		Former Staff: 10,793
Salary Overpayments: \$39,983,334 Amount		Salary Overpayments: \$20,460,757 Amount
Interim Cash: \$3,411,061 Amount		Interim Cash: \$2,247,994 Amount

3. Historical overpayments profile



4. Recovery progress - year to date

\$893,396
Recovered in FY16/17



5. Key overpayments performance indicators

<p>88.0% Target : 75%</p> <p>Percentage of repayments commenced within four pay periods of overpayment notification</p>	<p>89.7% Target : 75%</p> <p>Percentage of eligible overpayments repaid within six pay periods of overpayment notification.</p>	<p>\$16,955 paid to 22 staff Target : \$0</p> <p>Nett amount paid to terminating staff who have an outstanding payroll debt</p>
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Audit and Risk Committee

Meeting Date: 24 August 2016
 Agenda item: 10 – Overpayments update
 Presented by: Philip Hood, Executive Director, Payroll Portfolio
 Attachments: 1. Overpayments Dashboard PP01_1617

Recommendations

It is recommended that the Audit and Risk Committee:

- **Note** the update on the status of overpayments and loans management and recovery.

Headline issues

<p>1. Overall overpayment balance <\$67M Former staff owe <\$23M</p>	<p>2. \$0.89M recovered in 16/17 to date Target - \$22.6M</p>	<p>3. Recovery starts for >88% new overpayments within two months of identification Target - 85%</p>
<p>4. 52% or \$1.4M of pay date change loans owed by former staff under repayment agreement</p>	<p>5. <\$0.9M in overpayments identified on pay date 13 July 2016 (<0.4% of net pay run) 15/16 Average - \$0.7M</p>	<p>6. >34% of cases referred to ARL have been repaid/repaying (\$1.27M) >\$0.9M recovered 6.8% commission</p>
<p>7. 1,928 staff in high risk groups contacted ~11% repaid/repaying ~16% under case management</p>	<p>8. Internal Audit reviewed PRS reconciliation processes – remedial actions underway to address medium finding</p>	

Note: Headline issue numbers align to correspondence detail in the update below.



Overpayment and interim cash overview (as at 3 July 2016)

1. The outstanding balance is continuing to decline at a steady rate and is \$66.10 million compared to \$66.22 million as at 19 June 2016. Of this amount, \$22.71 million is owed by former staff, compared to \$22.77 million as at 19 June 2016 (Attachment 1, section 2).
- Taking into account committed repayment plans worth \$6.04 million, the unresolved overpayment balance is now \$60.06 million, compared to \$60.36 million as at 19 June 2016 (Attachment 1, section 2).
2. A total of \$0.89 million in overpayments has been recovered in the 2016-17 financial year to date, on track to exceed the full year recovery target of \$22.60 million (Attachment 1, section 4).
3. Recovery for 88 per cent of new overpayments commences within two months of identification, with over 89 per cent fully recovered within three months of identification (Attachment 1, section 5).

Pay date change and corporate loans overview (as at 3 July 2016)

- Pay Date Change and Corporate Loans are recoverable upon separation of employment.
- 4. The outstanding balance owed by former staff is \$2.71 million. Taking into account committed repayment plans worth \$1.40 million, the unresolved balance is \$1.30 million.
- Loans still owed by former staff are included in debt recovery activity.
- The outstanding balance owed by current staff is \$72.92 million, with \$5.63 million under a repayment agreement. The remaining \$67.29 million will be recovered on separation.

Overpayment identification, prevention and management

5. Approximately \$0.84 million in overpayments were identified on pay date 13 July 2016 (Attachment 1, section 1). This equates to approximately 0.4 per cent of the net pay run. In the 2015-16 financial year, the average identification rate was approximately \$0.7 million/pay period.
6. Australian Receivables Limited (ARL) continue to provide debt collection services to the Department of Health (the department). As at 5 August 2016:
 - \$5.10 million in overpayments and loans owed by 1,736 former staff have been referred to ARL.
 - A 17.6 per cent success rate (based on amount recovered) is currently being achieved. Considering future committed repayments, ARL's resolution rate is 23.2 per cent.
 - \$0.90 million has been recovered by ARL, with approximately 6.8 per cent in commissions paid.
7. Payroll Recovery Services is continuing to undertake a proactive contact campaign. As at 5 August 2016, 1,928 current and former staff have been contacted:
 - 221 (11.5 per cent) have entered into a repayment agreement
 - 311 (16 per cent) are currently in the case management process
 - 199 (10.3 per cent) have been issued a final notice
 - 88 (4.6 per cent) have been referred to ARL for further action.
 - 1198 (62.1 per cent) have not yet contacted Payroll Recovery Services (PRS) and not yet been issued a final notice.
- The focus of this contact campaign is in relation to current and former staff with overpayments identified prior to 1 July 2011. The outcomes of this campaign have been used as a basis to reassess the impairment calculations in relation to overpayments identified between March and December 2010 for the department's 2015-2016 financial statements.
8. At the request of the Executive Director, Payroll Portfolio, Internal Audit undertook a review of PRS's general ledger reconciliation processes to consider whether it is consistent with the principles outlined in the department's *General Ledger Reconciliation Framework and Guideline* (16HSQ03). Only one of

the two medium findings related directly to issues within the control of Payroll Portfolio. PRS is on track to complete remedial actions within target implementation dates.

- In the period 20 June to 3 August 2016, \$14,088 has been waived or written off:

Reason	# Employees	Total Value
Deceased estates	0	\$0
Terminal illness	0	\$0
Bankruptcy	2	\$9,156
Legally unrecoverable	0	\$0
Recovery is commercially unviable	3	\$3,532
Other ¹	3	\$1,400
Total	8	\$14,088

¹ Other includes cases where overpayments were unable to be evidenced or other exceptional circumstances where the Manager, Payroll Recovery Services recommended that a waiver was the only efficient course of action.

Document details

Version: 1.0 Author: Dylan Adams Position: Manager, PRS Telephone: <input type="text"/> Date: 4 August 2016	Submitted through: Name: Philip Hood Position: Executive Director, Payroll Portfolio Telephone: <input type="text"/> Date: 5 August 2016	Cleared by: Name: Gary Uhlmann Position: Chief Executive Officer HSQ Telephone: <input type="text"/> Date: 9 August 2016
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RTI Released

DG Briefing

Payroll – overpayments update

	2016-17 FY to 14/08/2016	2015-16 FY	2014-15 FY
Overpayments owed by current staff	\$43.0M	\$43.5M	\$48.8M
Overpayments owed by former staff	\$22.7M	\$22.7M	\$26.1M
Total overpayments balance	\$65.7M	\$66.2M	\$74.9M
Future repayments agreed	\$6.0M	\$5.9M	\$6.5M
Unresolved overpayment balance	\$59.7M	\$60.3M	\$68.4M
Overpayment recovery (Note 1)			
Total amount recovered (during period)	\$3.8M	\$26.3M	\$27.4M
Annual recovery target (for financial year)	\$22.6M	\$24.1M	\$25.7M
Percentage of repayments commenced within four pay periods of overpayment notification	85.9%	86.6%	87.0%
Percentage of eligible overpayments repaid within six pay periods of overpayment notification	88.3%	85.4%	84.3%
Waivers and write-offs (Note 2)			
Overpayments written-off as legally unrecoverable	\$0.01M	\$0.49M	\$0.08M
Overpayments waived as commercially unviable to pursue	<\$0.01M	\$0.01M	\$0.07M
Overpayments waived in other exceptional circumstances	\$0.01M	\$0.58M	\$0.08M
Total amount waived or written-off	\$0.02M	\$1.08M	\$0.23M
Overpayment identification (Note 3)			
Average number of overpayments identified per pay period	1,476	1,696	1,568
Average value of overpayments identified per pay period	\$0.8M	\$0.7M	\$0.7M
Value of overpayments as a percentage of net pay run	0.44%	0.38%	0.39%
Percentage of correct on time pays actual	96.8%	96.2%	96.9%
Percentage of correct, on time pays target	97.0%	97.0%	98.5%
Debt collection referrals (22 January 2014 to 26 August 2016) (Note 4)			
Number of former employees referred			1,751
Total value outstanding by former employees referred			\$5.17M
Value resolved (i.e. repayment agreement negotiated by Australian Receivables Limited)			\$1.20M
Value resolved as a percentage of total value referred			23.3%
Value already recovered			\$0.93M
Value already recovered as a percentage of the total value referred			18.0%
Commission paid (per cent of amount recovery)			6.9%

1. Overpayment recovery

- Queensland Health is on track to exceed the full year recovery target of \$22.6M by over \$2.0M
- Payroll Recovery Services has recently negotiated repayment of the largest outstanding overpayment, totalling over \$125,000. This amount had been outstanding since 2008. No contact had occurred with the former staff member until Australian Receivables Limited located them in England. Within a month of re-engaging the former staff member, a repayment plan was successfully negotiated (\$1,000/month over 10 years) by a case manager.
- The remaining overpayments which are not fully repaid within six pay periods continue to be recovered until fully resolved and/or are case managed on an individual basis.

2. Waivers and write-offs

- In accordance with the *Employee debt waiver and write-off guidelines*, overpayments are waived or written-off where Queensland Health is legally unable to pursue recovery (e.g. bankruptcy), it would be commercially unviable to pursue recovery (e.g. unable to locate former staff member), or in other exceptional circumstances (e.g. death or terminal illness).
- The increase in amount waived and written-off in the 2015-16 financial year is the result of a bulk waiver and write-off, approved by the Director-General in December 2015, of approximately \$1.0M in outstanding overpayments where recovery was no longer legally possible or commercially viable to pursue due to a small outstanding balance. It is expected that the total amount waived or written-off during the current financial year will return to a level similar to that in the 2014-15 financial year.

3. Overpayment identification

- The increase in average value of overpayments identified per pay period can be attributed to prior financial year overpayments being identified early in the new financial year. A return towards the 2015-16 average value of overpayments identified per pay period is expected, and can be demonstrated by the reduction from \$0.9M per pay period in pay period 3 to \$0.8M per pay period in pay period 4.

4. External debt recovery

- Australian Receivables Limited (ARL) undertakes location search and collection services on behalf of Queensland Health in relation to former staff.
- Where ARL successfully locates a former employee, Payroll Recovery Services attempts to engage with them in the first instance.
- Former staff are only referred to ARL for debt collection where they refuse to engage with a case manager or default on repayment agreements.

Integrated Workforce Management project update

- No change to last update provided on 8 August 2016.

Version: 0.4
Author: Dylan Adams
Position: Manager, Payroll Recovery
Services
Telephone: 3089 5051
Date: 29 August 2016

Submitted through:
Name: Philip Hood
Position: Executive Director, Payroll Portfolio
Telephone: 3096 2000 or
Date: 30 August 2016

Cleared by:
Name: Gary Uhlmann
Position: Chief Executive Officer HSQ
Telephone: 3096 2115 or
Date: 31 August 2016

RTI Release

DG Briefing

Payroll Update as at 22 August 2016

Overpayments as at Pay period 03

	31/7/16 Pay period 03	30/6/16 Full year	30/6/15 Full year
Current staff	\$43.3M	\$43.5M	\$48.8M
Former staff	\$22.7M	\$22.7M	\$26.1M
Total overpayments balance	\$66.0M	\$66.2M	\$74.9M
Future repayments agreed	\$6.1M	\$5.9M	\$6.5M
Unresolved overpayment balance	\$59.9M	\$60.3M	\$68.4M
Annual recovery to date	\$2.8M	\$26.3M	\$27.4M
Annual recovery target	\$22.6M	\$24.1M	\$25.7M
Average overpayments identified per pay period	1,401	1,696	1,568
Average total value overpayments identified per pay period	\$0.9M	\$0.7M	\$0.7M
As a percentage of net pay run	0.46%	0.38%	0.39%
Percentage of correct on time pays actual	96.7%	96.2%	96.9%
Percentage of correct on time pays target	97.0%	97.0%	98.5%
Percentage of repayments commenced within four pay periods of overpayment notification	88.4%	86.6%	87.0%
Percentage of eligible overpayments repaid within six pay periods of overpayment notification	88.0%	85.4%	84.3%

Notes:

The increase in average total value of overpayments identified per pay period can be attributed to prior financial year overpayments being identified early in the new financial year. A return towards the 2015-16 average total value is expected.

Waivers and write-offs

1. In accordance with the *Employee debt waiver and write-off guideline*, overpayments are waived or written-off where Queensland Health is legally unable to pursue recovery (e.g. bankruptcy), it would be commercially unviable to pursue recovery (e.g. unable to locate former staff member), or in other exceptional circumstances (e.g. death or terminal illness). A table of write-off's will be provided in the next update.

External debt recovery

2. Australian Receivables Limited (ARL) undertakes location search and collection services on behalf of Queensland Health (in relation to former staff only). Where ARL successfully locates a past employee, PRS attempts to engage with them in the first instance. Former staff are only referred to ARL for debt collection where they refuse to engage with a case manager or default on repayment agreements.
3. As at 15 August 2016, 1,747 former employees, collectively owing \$5.15M, have been referred to ARL for debt collection since 22 January 2014 (start of the pilot). ARL have negotiated repayment of 23.4 per cent of this amount, with 17.8 per cent (\$0.92M) already recovered (6.9 per cent commission paid).

Integrated Workforce Management Project update

4. The Integrated Workforce Management (IWFM) project will address the final outstanding project (Electronic Rostering) which was identified in the KPMG Review of the Queensland Health Payroll System.
5. The IWFM pilot stage is continuing, with the testing of the technology solution in the latter stages and local change management activities nearing completion in readiness for training. The first pilot is currently on track for an October 2016 go-live.
6. Hospital and Health Services pre-requisite work has commenced.

7. The scope for Pilot 2 has been approved by the project board. It includes a selection of Metro North HHS organisational units consisting of:

- Mental Health Medical, Royal Brisbane and Women's Hospital
- Finance
- Human Resources
- Patient Services, Royal Brisbane and Women's Hospital
- Intensive Care Unit, The Prince Charles Hospital

Version: 0.5 Author: Kate Stewart Position: Principal Advisor, Payroll Portfolio Telephone: 3096 2002 Date: 22 August 2016	Submitted through: Name: Philip Hood Position: Executive Director, Payroll Portfolio Telephone: 3096 2000 or [redacted] Date: 23 August 2016	Cleared by: Name: Gary Uhlmann Position: Chief Executive Officer HSQ Telephone: 3096 2115 or [redacted] Date: 24 August 2016
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RTI Release

DG Briefing

Payroll Update

Overpayments

Balance reduction

1. The outstanding overpayments balance is continuing to decline at a steady rate and is \$66.03M as at 31 July 2016 (as compared to \$74.9M at 30 June 2015, \$85.7M at 30 June 2014, \$96.5M at 30 June 2013 and \$96.5 at 30 June 2012). This includes:
 - \$22.69M owed by former staff; and
 - \$43.34M owed by current staff.

Repayment agreements are in place to recover over \$6.07M of the outstanding balance.

2. Payroll Recovery Services (PRS) is on track to exceed its full year recovery target of \$22.6M, with \$2.76M already recovered from current and former staff in 2016-17.

Frequency

3. On average, 1,696 overpayments were identified per pay period in 2015-16 (1.96 per cent of pays processed) with an average total value of \$0.69M (0.38 per cent of net pay run). On average 1,401 have been identified year to date in 2016-17 per pay period (1.35 per cent of pays processed) with an average total value of \$0.89M (0.46 per cent of net pay run). This increase in value can be attributed to prior financial year overpayments being identified early in the new financial year. A return towards the 2015-16 average total value is expected.
4. Approximately 70 per cent of new overpayments result from the late or incorrect submission of paperwork.

Recovery

5. Changes to support automatic recovery of overpayments came into effect in 2013-2014 and newly identified overpayments are now automatically recovered, with over 85 per cent fully recovered within three months of identification. Furthermore, pursuant to s396C of the *Industrial Relations Act 1999*, overpayments are recovered from final payments when staff cease employment with Queensland Health.
6. All other overpayments, including those identified before the implementation of automated recovery, are case managed by PRS which involves a dedicated specialist case manager working with the current or former staff member (or their representative) to analyse, verify and explain their overpayments, and negotiate repayment.

Waivers and write-offs

7. In accordance with the *Employee debt waiver and write-off guideline*, overpayments are waived or written-off where Queensland Health is legally unable to pursue recovery (e.g. bankruptcy), it would be commercially unviable to pursue recovery (e.g. unable to locate former staff member), or in other exceptional circumstances (e.g. death or terminal illness).
8. Australian Receivables Limited (ARL) undertakes location search and collection services on behalf of Queensland Health (in relation to former staff only). Where ARL successfully locates a past employee, PRS attempts to engage with them in the first instance. Former staff are only referred to ARL for debt collection where they refuse to engage with a case manager or default on repayment agreements.

9. As at 15 August 2016, 1,747 former employees, collectively owing \$5.15M, have been referred to ARL for debt collection. ARL have negotiated repayment of 23.4 per cent of this amount, with 17.8 per cent (\$0.92M) already recovered (6.9 per cent commission paid).

Quality assurance, future steps and initiatives

10. To improve the quality of PRS outputs, the following is being undertaken:
- development and implementation of a formal quality and assurance framework/process, including independent validation of information by a second officer;
 - continued standardisation of analysis and correspondence templates;
 - investigation of interactive/'smart' template options to assist with data quality.
11. The forward overpayment strategy was approved by the Chief Executive Officer, Health Support Queensland, in the *2016-17 Employee Loans Report* and noted by the Audit and Risk Committee when it was tabled by the Executive Director, Payroll Portfolio. The Report details upcoming major initiatives, including:
- ongoing proactive contact with current and former staff by PRS;
 - an overpayment awareness campaign to increase engagement with current staff;
 - the implementation of quarterly overpayment performance reporting;
 - an overpayments roadshow to engage with senior stakeholders in Hospital and Health Services to develop local prevention strategies.
12. Key benefits expected from the Integrated Workforce Management Project include a significant reduction in the occurrence of overpayments and improved pay outcomes.

Percentage of correct, on time pays (Service Delivery Statement measure)

13. The percentage of correct, on time pays was 96.7 as at pay period ending 31 July 2016. The current target, as outlined in the 2016-17 Service Delivery Statements for Queensland Health, is 97 per cent.

Internal audit report

Payroll Recovery Services reconciliation review

16HSQ03

June 2016

Audit-in-confidence



Payroll Recovery Services reconciliation review

Published by the State of Queensland (Queensland Health), June 2016.

Document classification

This report has been prepared by the Internal Audit Unit, Audit, Risk and Governance Branch, Department of Health.

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Internal Audit Team

Engagement quality review	John Martin
Engagement Lead	Peter Goodman
Engagement Team	Kathleen Hunt

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Executive summary

Introduction

The Executive Director, Payroll Portfolio proactively identified the opportunity for Payroll Recovery Services (PRS) to improve their reconciliation process and work collaboratively with the department's Financial and Asset Accounting Team (FAAT) to share the learning opportunities widely so that the broader department can benefit from the audit process.

As a result, Internal Audit undertook a review of PRS's general ledger (GL) reconciliation processes.

The internal audit objective was to consider if PRS's GL reconciliation process is consistent with the principles outlined in the department's *General Ledger Reconciliation Framework and Guideline*.

Context

The timely and accurate completion of GL reconciliations is a fundamental control relied upon by the Queensland Audit Office (QAO) in the audit of the department's financial statements.

A clear understanding of the construction and review of GL reconciliations is a critical component of the department's internal control environment.

Each division, branch and unit are responsible for the preparation, review and certification of their GL reconciliations. These are reviewed biannually by Financial and Asset Accounting Team (FAAT).

The PRS team are responsible for managing the recovery of payroll overpayments on behalf of the department. On a monthly basis, the PRS team prepare, review and certify 13 GL reconciliations out of a department total of 484

Background

In November 2013, Internal Audit issued a report titled *Review of General Ledger Reconciliation Processes*. The report concluded that there were significant and extensive opportunities for improvement in the department's GL reconciliation process. The control exposures identified in the report were considered to represent a significant risk of inaccurate financial records for the department.

Since the issuing of the report, Internal Audit recognises that FAAT has made significant progress in addressing the recommendations of the report, including the development of framework and guideline documentation. Additionally, the department has undertaken substantial work to ensure that previously unreconciled GL accounts are now subject to a monthly reconciliation.

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Audit key findings

Key findings include:

- The lack of robust and practical guidance within the department's *General Ledger Reconciliation Framework and Guideline*, specifically around the defined roles, responsibilities, ownership and accountability for the preparation and review of GL reconciliations has contributed to weaknesses in PRS's reconciliation process.
- Opportunities to improve the preparation and review of reconciliations have been identified to ensure that reconciliations are prepared and reviewed in line with accepted practice and the department's *General Ledger Reconciliation Framework and Guideline*.

At the audit exit meeting, held in May 2016, the Executive Director, Payroll Portfolio and the Director, FAAT welcomed the findings from the audit, and agreed to collaborate to use the broad themes from the audit to the overall benefit to the whole department.

Below is a summary of the number of issues identified and their corresponding Internal Audit assessed risk ratings. The basis of issue ratings are contained in appendix 1.

	Very High	High	Medium	Low
Number of issues	-	-	2	-

Table of issues

The findings are summarised below, for detailed findings refer to sections 1 to 2.

Risk Rating	Ref	Brief issue description	Responsible person	Date
2 Medium findings	1	Robust and practical guidelines for the preparation and review of reconciliations are not in place.	Michael Rowe, Director Accounting Services	30/04/2017
	2	Opportunities to improve the preparation and review of reconciliations and related actions.	Philip Hood, Executive Director – Payroll Portfolio	31/01/2017

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Classification of internal audit findings

The findings identified during the internal audit have been classified according to one of 17 principles of the COSO internal control environment framework. The basis of the classifications is contained in appendix 2.

COSO component	COSO principle	# of findings
Control environment	1. Demonstrates commitment to integrity and ethical values	1
	2. Exercise oversight responsibility	
	3. Establishes structure, authority and responsibility	
	4. Demonstrates commitment to competence	
	5. Enforces accountability	
Risk assessment	6. Specifies suitable objectives	
	7. Identifies and analyses risk	
	8. Assesses fraud risk	
Control activities	9. Identifies and analyses significant change	
	10. Selects and develops control activities	
	11. Selects and develops general controls over technology	
Information and communication	12. Deploys through policies and procedures	1
	13. Uses relevant information	
	14. Communicates internally	
Monitoring activities	15. Communicates externally	
	16. Conducts on-going and/or separate evaluations	
	17. Evaluations and communicates deficiencies	
Total number of findings		2

Acknowledgements

We would like to take this opportunity to thank management and staff for their co-operation throughout the duration of this internal audit.

We will be sending a client satisfaction survey to you during the finalisation of the internal audit, and welcome your feedback as we are always looking for ways in which we can improve our service.

Detailed findings

1	Robust and practical guidelines for the preparation and review of GL reconciliations are not in place.				
Risk rating: COSO:	Medium Control Environment	Responsible officer	Director Accounting Services	Target closure date	30 April 2017
Issue description					
<p>FAAT developed the department's <i>General Ledger Reconciliation Framework and Guideline</i> as a result of the recommendation from Internal Audit's <i>Review of General Ledger Reconciliation Processes</i> report issued in November 2013.</p> <p>FAAT's detailed action plan from that report included an action "to develop a framework that provides guidance to users in performing reconciliations effectively and clarifies roles of responsibility, ownership and accountability."</p> <p>From a review of the <i>General Ledger Reconciliation Framework and Guideline</i>, whilst the framework provides high level guidance regarding GL reconciliations, it does not provide the guidance per the action plan.</p> <p>Through the walkthrough and sample testing of PRS's GL reconciliations, it was apparent that the matters observed by Internal Audit (refer to Issue 2) were directly linked to an absence of clear guidance in the framework.</p> <p>Whilst the scope of this audit solely considered PRS, there is potential for similar matters to be prevalent in other parts of the department.</p>					
Root cause					
<ul style="list-style-type: none"> Practical guidance for users performing reconciliations was not included in the department's <i>General Ledger Reconciliation Framework and Guideline</i>. 					
Risk					
<ul style="list-style-type: none"> Incomplete or inaccurate reconciliations may result in inaccurate financial records for the department. 					
Recommendation					
<p>1.1 FAAT update the department's <i>General Ledger Reconciliation Framework and Guideline</i> to include guidance to users in performing and reviewing reconciliations effectively and clarifies roles of responsibility, ownership and accountability.</p>					
<p>1.2 FAAT articulate the changes to the framework to a group of reconciliation champions for dissemination back to preparer and reviewers of GL reconciliations in their divisions.</p>					
<p>1.3 FAAT complete spot-check sample testing across the department of reconciliations post roll-out of the updated guidance to gain assurance that GL reconciliation are being completion in line with the</p>					

department's <i>General Ledger Reconciliation Framework and Guideline</i> .		
Management response		
Please	<input checked="" type="checkbox"/>	Accept Recommendation
Select	<input type="checkbox"/>	Reject Recommendation
Agreed action plan		
<u>Ref</u>	<u>Detailed action plan</u>	<u>Target implementation date</u>
1.1	Section to be added to the framework to clarify roles and responsibilities as well as ownership and accountability. Further appendix to be added to the framework which provides practical guidance on the essential elements for inclusion within a reconciliation and advice on how to adequately review a completed reconciliation.	31 October 2016
1.2	F&AAT to meet with nominated champions from all divisions across the department and draw attention to the changes to the framework and the reasons for all changes.	31 December 2016
1.3	F&AAT to complete a review of all divisional reconciliations to ensure full compliance with the framework.	30 April 2017

RTI REQUEST

2	Opportunities to improve the preparation and review of reconciliations and related actions.				
Risk rating:	Medium	Responsible officer	Philip Hood	Target closure date	31/01/2017
COSO:	Control Activities				
Issue description					
<p>Internal Audit performed walkthroughs of the process to prepare and review PRS's 13 GL reconciliations. A sample, consisting of three months (November 2015, December 2015 and March 2016) were selected for detailed testing.</p> <p>As a result of walkthroughs with the PRS team and sample testing, the following key areas requiring improvement were noted:</p> <p>1) Inadequate description of reconciling items</p> <ul style="list-style-type: none"> The description of reconciling items used in PRS's GL reconciliations did not consistently provide the users with sufficient information to conclude on their validity or reasonability. GL# 100528 grouped a range of reconciling items as 'timing issues'. On further interrogation, some items truly related to timing, yet a larger number were found to be aged reconciling items. GL#s 123015 and 123110 referred the user of the GL reconciliation to other documentation 'as per attached', without sufficient detail of the nature of the reconciling item on the face of the reconciliation. GL#s 123070, 123020 and 123072 detail a list of reconciling items on the face of the reconciliation. Internal Audit's walkthrough highlighted that these balances were not reconciling items, but were just the breakdown of transactions making up the GL balance, grouped by type. <p>2) Insufficient supporting docs</p> <ul style="list-style-type: none"> GL #123070 and GL#123020 are both clearing accounts, and have similar functions in PRS' reconciliation process. Differing levels of supporting documentation was retained on file and provided to the reviewers. The public record information retained to support the November 2015 reconciliation for GL# 120072 did not include the total of the sub-ledger. Therefore, it was not possible for the reviewers to accurately agree that the ledgers reconciled. In spite of this, the reconciliation was approved and certified. <p>3) Clerical errors</p> <p>There were a number of clerical errors noted in the sample of GL reconciliations tested, these included:</p> <ul style="list-style-type: none"> GL# 123072 for March 2016 – the template used for one of the supporting schedules required the signature of the preparer and reviewer of the schedule. This was unsigned. GL# 123072 for November 2015 – the reconciliation was signed by a different person to the printed 					

name.

- GL# 123105 for December 2015 – the GL reconciliation was dated 02/12/2015, which is before the end of the month the GL reconciliation relates to.
- GL# 123110 and 123105 for March 2016 – the working files for these GL accounts were overwritten in the process of creating April 2016 GL reconciliations. PRS are in the process of working with eHealth Queensland to recover the files.

4) Aged reconciling items

- GL# 100528 has a number of aged reconciling items. Through discussions with the preparer of the reconciliation, minimal proactive actions are regularly taken to resolve the aged items – this is reflected in the minimal movement in the items between November 2015 and March 2016.

5) Quality of review

- The range of issues noted in the sample test of GL reconciliations should have been detected and corrected through the robust review structure PRS has in place. Through discussion with PRS management, weaknesses in the review process were identified as the result of a lack of documented guidance, insufficient time allocated to the review role and inadequate training provided for the role.

FAAT and ultimately the QAO, rely upon the GL reconciliation certifications to support the financial statements. Action is required to improve the overall standard of reconciliation preparation, review and certification.

Root cause

- Lack of detailed practical guidance for users performing reconciliations included in the department's *General Ledger Reconciliation Framework and Guideline*.
- Lack of education and training provided to the preparers, reviewers and certifiers of reconciliations.
- Inadequate time assigned for the review of reconciliations.

Risk

- Incomplete or inaccurate reconciliations may result in inaccurate financial records for the department.

Recommendation

2.1 PRS team work with FAAT to ensure that those staff members involved in the preparation, review and certification of GL reconciliations obtain appropriate knowledge and training to complete their assigned roles.

Management response

Please	<input checked="" type="checkbox"/>	Accept Recommendation
Select	<input type="checkbox"/>	Reject Recommendation

Agreed action plan

<u>Ref</u>	<u>Detailed action plan</u>	<u>Target implementation date</u>
2.1	<p>Payroll Portfolio accepts this recommendation and will implement the following actions:</p> <p>A. All staff in PRS who are involved in the preparation and review of reconciliations to complete Modules 1 and 2 of the Finance Branch Internal Control Awareness Course.</p> <p>B. All staff in PRS who are involved in the preparation and review of reconciliations will participate in a workshop/meeting with relevant reconciliation champion for Payroll Portfolio/HSQ to confirm requirements of roles detailed in the Reconciliation Framework (to occur after completion of action 1.2 by FAAT).</p> <p>C. PRS will update reconciliation template/approach in response to specific feedback received from Internal Audit (e.g. transaction summaries not being included under the 'adjustments required' heading).</p> <p>D. PRS will seek advice from FAAT in relation to reconciliation approach for 'clearing' accounts (FAMMIS to FAMMIS reconciliation) to improve the effectiveness of these reconciliations (to be finalised after completion of action 1.1 by FAAT).</p> <p>E. PRS will seek confirmation from FAAT that all reconciliations comply with the Reconciliation Framework (to be finalised after completion of action 1.1 by FAAT).</p>	<p>A. 31 July 2016</p> <p>B. 31 January 2017 (dependent on FAAT completing action 1.2)</p> <p>C. 30 June 2016</p> <p>D. 30 November 2016 (dependent on FAAT completing action 1.1)</p> <p>E. 30 November 2016 (dependent on FAAT completing action 1.1)</p>

Appendix 1 Risk rating and management responsibilities

This report provides a risk rating for each audit issue using the Department of Health's *Risk Matrix* as detailed below. The risk rating assigned to each issue is not the risk rating assigned by the business unit but rather the level of risk applied by Internal Audit. This matrix has been used following *Consequence* and *Likelihood* assessment in accordance with the department's *Consequence*** and *Likelihood* tables contained in the department's *Risk Analysis Matrix*.

		Consequence				
		Negligible	Minor	Moderate	Major	Extreme
Likelihood	Almost Certain	Medium (7)	Medium (11)	High (17)	Very High (23)	Very High (25)
	Likely	Medium (6)	Medium (10)	High (16)	High (20)	Very High (24)
	Possible	Low (3)	Medium (9)	High (15)	High (18)	High (22)
	Unlikely	Low (2)	Medium (8)	Medium (12)	Medium (14)	High (21)
	Rare	Low (1)	Low (4)	Low (5)	Medium (13)	High (19)

** Please note where Internal Audit's assessment of consequence falls across more than one consequence criterion, the highest rated consequence will be used for forming an assessment of the risk rating.

Management Responsibilities

The establishment and maintenance of an effective system of internal control is the responsibility of management. The audit process aims to assist management in discharging this responsibility by identifying possible improvements that could be made, but does not lessen management's overall responsibility in this regard.

Management shall be responsible for ensuring that requested information is made available to auditors in a timely manner.

Management shall:

- undertake a review of risks associated with the audit findings based on the consequence rating applied by Internal Audit
- record identified risks, together with relevant information such as treatments planning and timeframes/responsibilities for applying treatments, in the appropriate risk register (e.g. QHRisk or project planning documentation).

Appendix 2 Internal control environment ratings

The following internal audit themes have been developed by Internal Audit for classifying findings contained in each Internal Audit Report.

The Committee of Sponsoring Organisation (COSO) of the Treadway Commission has developed the following framework which is the internationally recognised standard for evaluating an entity's internal control environment. The findings identified during the review have been classified according to one of 17 principles of the COSO internal control environment framework.

COSO component	COSO principle	# of findings
Control environment	1. Demonstrates commitment to integrity and ethical values	1
	2. Exercise oversight responsibility	
	3. Establishes structure, authority and responsibility	
	4. Demonstrates commitment to competence	
	5. Enforces accountability	
Risk assessment	6. Specifies suitable objectives	
	7. Identifies and analyses risk	
	8. Assesses fraud risk	
Control activities	9. Identifies and analyses significant change	
	10. Selects and develops control activities	
	11. Selects and develops general controls over technology	
Information and communication	12. Deploys through policies and procedures	1
	13. Uses relevant information	
	14. Communicates internally	
Monitoring activities	15. Communicates externally	
	16. Conducts ongoing and/or separate evaluations	
	17. Evaluations and communicates deficiencies	
Total number of findings		2

Appendix 3 Audit scope and approach

- The primary objective of this review was to assess if PRS's reconciliation process is consistent with the principles outlined in the department's *General Ledger Reconciliation Framework and Guideline*.
- The review focused solely on the reconciliations that the PRS team complete, which are certified by the Senior Director, Payroll Services.

The audit further:

- Assessed the robustness of PRS' month-end reconciliation procedures, including the construction of the reconciliations
- Confirmed that sufficient and appropriate evidence is retained to support the reconciliations
- Assessed PRS conformance with the recommendations made in Internal Audit Report 140102 *Review of General Ledger Reconciliation Process*.

RTI Released

RTI Release

Director-General Brief for Approval

Department RecFind No:	BR064377
Division/HHS:	CSD
File Ref No:	IN1705

Requested by:

- Department Minister's office

SUBJECT: Payroll Recovery Service reconciliation review - Final Internal Audit Report

Recommendation

It is recommended that the Director-General:

1. Approve the distribution of the Payroll Recovery Service reconciliation review - Final Internal Audit Report (Attachment 1) to the members of the Audit and Risk Committee and the Queensland Audit Office.

APPROVED / NOT APPROVED



MICHAEL WALSH
Director-General

Date: 29/6/16

Ministerial Brief for Approval required

Ministerial Brief for Noting required

Director-General's comment

Issue

1. This review assessed:
 - 1.1 if the robustness of the Payroll Recovery Services' (PRS) general ledger reconciliation process is consistent with the principles outlined in the department's General Ledger Reconciliation Framework and Guideline (the framework); and
 - 1.2 the strength of PRS' monthly reconciliation process and assessed if sufficient and appropriate evidence is routinely retained to support the reconciliation process.
2. The report highlights opportunities for PRS to improve their preparation and review of reconciliations in line with accepted practice and the department's framework. The issues identified by the report do not affect the process of paying Queensland Health Staff undertaken by Payroll.
3. The report identified the lack of robust and practical guidance within the department's framework, specifically around the defined roles, responsibilities, ownership and accountability for the preparation and review of general ledger reconciliations as a key contributing factor for the weaknesses in PRS' reconciliation process.
4. Internal Audit recognises that this review was completed at the request of the Executive Director, Payroll Portfolio, who proactively identified the opportunity for PRS to improve their reconciliation process and work collaboratively with the department's Financial and Asset Accounting Team (FAAT) to share the learning opportunities widely so that the broader department can benefit from the audit process.
5. Overall, two medium rated issues were identified. These issues related to:
 - 5.1 robust and practical guidelines for the preparation and review of reconciliations are not in place [Medium]. Target closure date of 30 April 2017; and

Department RecFind No:	BR064377
Division/HHS:	CSD
File Ref No:	IN1705

5.2 opportunities to improve the preparation and review of reconciliations and related actions [Medium]. Target closure date of 31 January 2017.

6. The Director, Accounting Services, FAAT and the Executive Director, Payroll Portfolio, have accepted the findings and Finance Branch and Payroll Portfolio have collaboratively developed action plans for future corrective actions.

Results of Consultation

7. The findings in the Payroll Recovery Service reconciliation review - Final Internal Audit Report were discussed with the Director, Accounting Services, FAAT and the Executive Director, Payroll Portfolio.

Background

8. As required by the *Financial and Performance Management Standard 2009*, (sections 32 and 33), this audit report is provided for the Director-General's consideration and action, where relevant.
9. As a result of internal audit planning, the request from the Executive Director, Payroll Portfolio and risk profiling conducted in preparing the 2015-2016 financial year Internal Audit Plan, activities supporting GL reconciliation preparation and review were identified as an elevated risk to the Department of Health.

Attachments

10. Attachment 1: Payroll Recovery Service reconciliation review - Final Internal Audit Report.

RTI RELEASE

Author	Content cleared and verified by:	Content noted by:
Peter Goodman	John Martin	Libby Gregoric
Principal Internal Auditor	A/Chief Audit Officer	A/Deputy Director General
Internal Audit Unit, Corporate Services Division	Internal Audit Unit, Corporate Services Division	Corporate Services Division
6 June 2016	6 June 2016	14 June 2016

Audit and Risk Committee

Date: 6 June 2016
Title: Payroll Recovery Service reconciliation review
Action Officer: John Martin, A/Chief Audit Officer
Responsible Branch/Unit: Audit, Risk & Governance Branch, Internal Audit Unit
Attachments: 1. Payroll Recovery Service reconciliation review - Final Internal Audit Report

Recommendations

It is recommended that the Audit and Risk Committee:

- Note the Payroll Recovery Services reconciliation review - Final Internal Audit Report (Attachment 1).

Key Points

- This review assessed if the robustness of the Payroll Recovery Services' (PRS) general ledger (GL) reconciliation process is consistent with the principles outlined in the department's *General Ledger Reconciliation Framework and Guideline* (the framework). The review further assessed the strength of PRS' monthly reconciliation process and assessed if sufficient and appropriate evidence is routinely retained to support the reconciliation process.
- The report highlights opportunities for PRS to improve their preparation and review of reconciliations in line with accepted practice and the department's framework.
- The report identified the lack of robust and practical guidance within the department's framework, specifically around the defined roles, responsibilities, ownership and accountability for the preparation and review of GL reconciliations as a key contributing factor for the weaknesses in PRS' reconciliation process.
- *Internal Audit recognises that this review was completed at the request of the Executive Director, Payroll Portfolio, who proactively identified the opportunity for PRS to improve their reconciliation process and work collaboratively with the department's Financial and Asset Accounting Team (FAAT) to share the learning opportunities widely so that the broader department can benefit from the audit process.*
- Overall, two medium rated issues were identified. These issues related to:
 - Robust and practical guidelines for the preparation and review of reconciliations are not in place. [Medium]
 - Opportunities to improve the preparation and review of reconciliations and related actions. [Medium]

Background

- As required by the *Financial and Performance Management Standard 2009*, (sections 32 and 33), this audit report is provided for the Director-General's consideration and action, where relevant.
- As a result of internal audit planning and risk profiling conducted in preparing the 2015-16 financial year Internal Audit Plan, activities supporting GL reconciliations were identified as an elevated risk to the Department of Health.

RTI Release

Author Peter Goodman	Cleared by: John Martin
Principal Internal Auditor	A/Chief Audit Officer
Internal Audit Unit, Corporate Services Division	Internal Audit Unit, Corporate Services Division
6 June 2016	6 June 2016