

## Salary Overpayments

### A Benchmarking Exercise



## Introduction

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Employee costs are one of the largest areas of expenditure for public sector Trusts, hence it is important suitable controls exist to ensure payments made to employees are accurate and overpayments are avoided. Where overpayments do occur, controls should be in place to identify them and procedures in place to ensure prompt recovery.

By using benchmarking to compare overpayment levels, Trusts can assess their arrangements to prevent and detect employee overpayments. Trusts should recognise that benchmarking often indicates the questions that should be asked rather than providing all the answers. For example, a very low level of overpayments might mean

- Preventative controls are highly effective and that overpayments are not happening, or
- Detective controls are weak and overpayments are not being identified.

In addition, the number of overpayments can be an indication of financial management issues. Audit findings have previously identified that overpayments occur due to a lack of prompt action.

360 Assurance, Audit Yorkshire and MIAA are three NHS Internal Audit consortia and we have worked collaboratively to review a broad range of providers across our constituent regions. For this exercise we reviewed 26 provider trusts' salary overpayments data, for the financial years:

- 2018/19
- 2019/20
- 2020/21

## Headline Messages

- In 2020/21, £6.28m was overpaid by the 26 NHS Trusts who have been included in this benchmarking exercise. 4,872 individual overpayments were made, and £3.29m has been recovered.
- Over the past 3 years, there has been a general increase in the number and value of overpayments being made by the NHS. Although a few Trusts have made year on year improvements, for most the situation has deteriorated, or followed no clear trend either way.
- The average value of overpayments being made by each Trust is highly variable. There is a significant difference between the lowest and highest values of overpayments being made, regardless of Trust type (Acute/Non-Acute/Ambulance).
- The most common reason for an overpayment is late notification of changes (change in hours, terminations, etc). This reason accounted for £3.95m (63%) in 2020/21 across 2,581 (53%) overpayment events.
- Relatively minor values are written off by Trusts compared to the total value of overpayments made. Just £2,491 was written off in 2020/21 across our sample of 26 Trusts. Either Trusts have a very high level of confidence that all monies lost will be recovered, or that Trusts are not being realistic about repayment risks.
- The most common repayment terms stated by Trusts are that overpayments should be recovered over the same period of time that the overpayment was made.
- Trusts who accept a combination of ESR Manager Self-Service or manual forms see fewer overpayments than either form type used on their own.

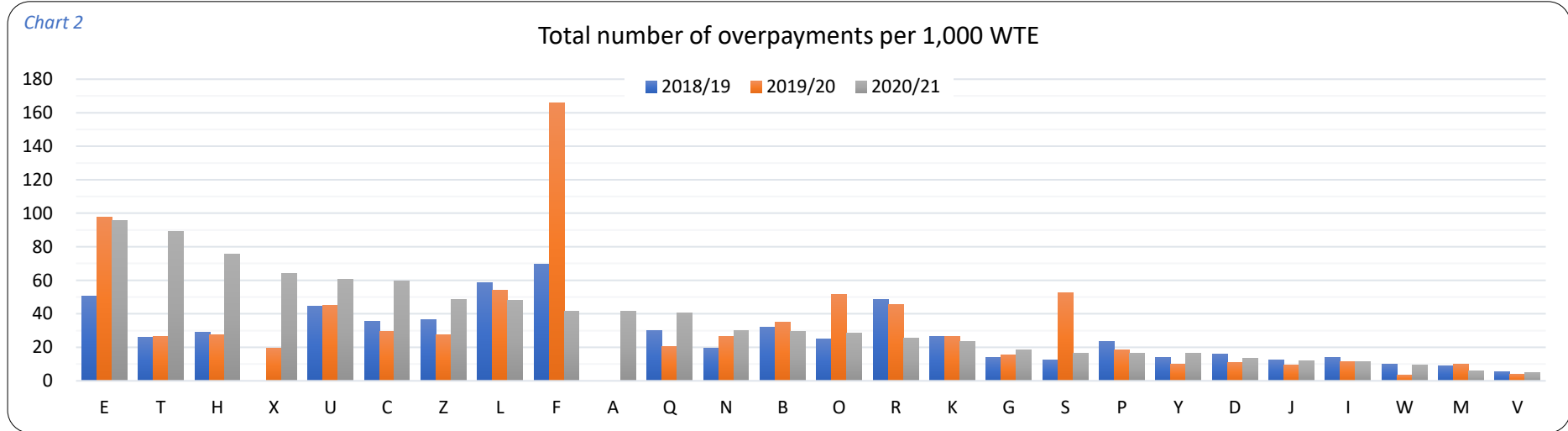
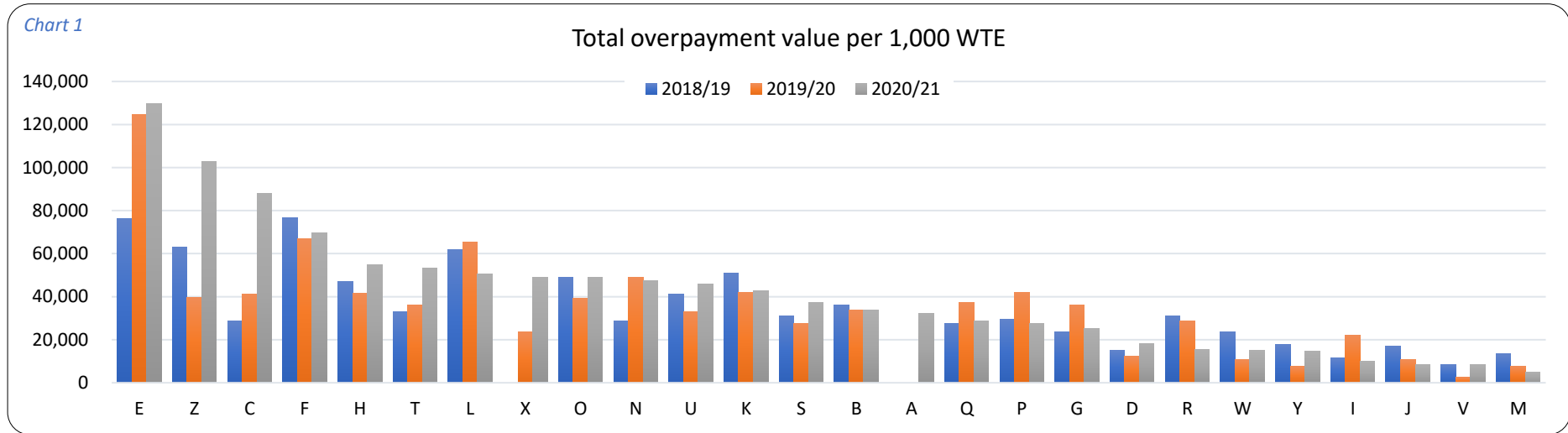
## Overpayments per 1,000 Whole Time Equivalent

The frequency and value of salary overpayments can provide an indication of the effectiveness of a Trust's controls for processing timely and accurate payroll transactions. Failures in the control environment bring resource costs associated with the administration of chasing and recovering the debt.

This report compares the salary overpayments of 26 Trusts across the East Midlands, Yorkshire and the North-West. 13 acute Trusts, 10 non-acute Trusts and three ambulance services have taken part.

Charts 1 and 2 below show the value and number of overpayments per 1,000 WTE across the three-year period. Each Trust is identified by a single letter. A mapping of these labels to Trust type is at **Appendix 3**.

(Note: Trusts A submission only included 2021/22 data and Trust X excluded 2018/19 from their submission.)

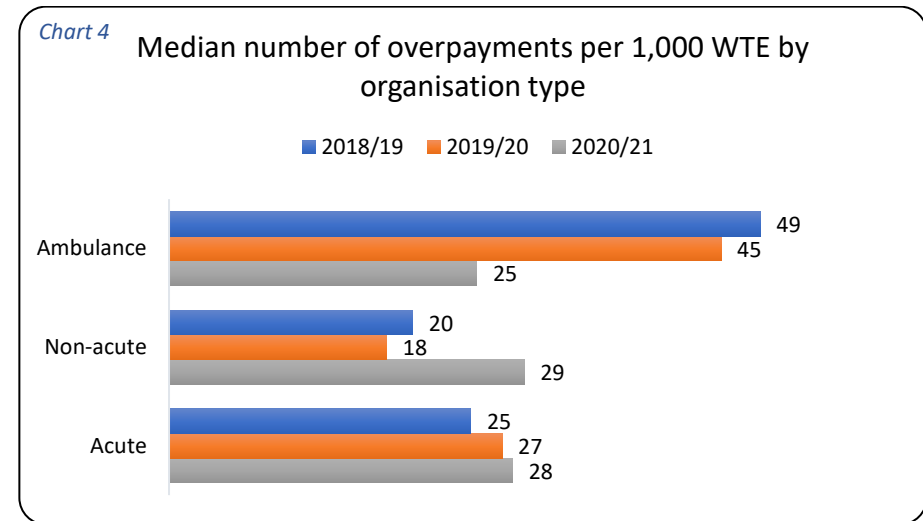
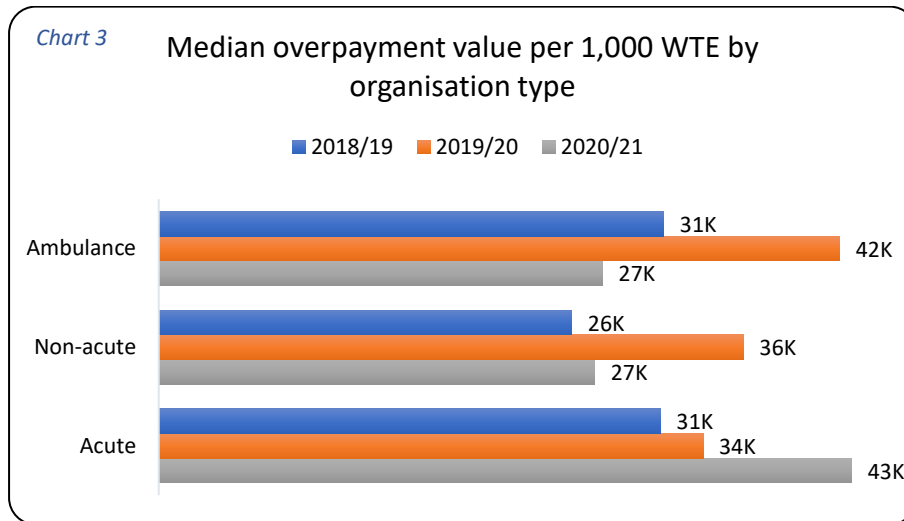


There is a very broad range between the Trusts with the lowest levels of overpayments per 1,000 WTE, and the highest, from £5,046 to £129,830 in 2020/21. The range is similarly significant when considering the number of overpayments made per 1,000 WTE in 2020/21, ranging from 5 to 96.

Very few Trusts have managed to sustain improvements in their overpayments position over three successive years, and some Trusts have had a significant deterioration in their overpayments position in 2020/21.

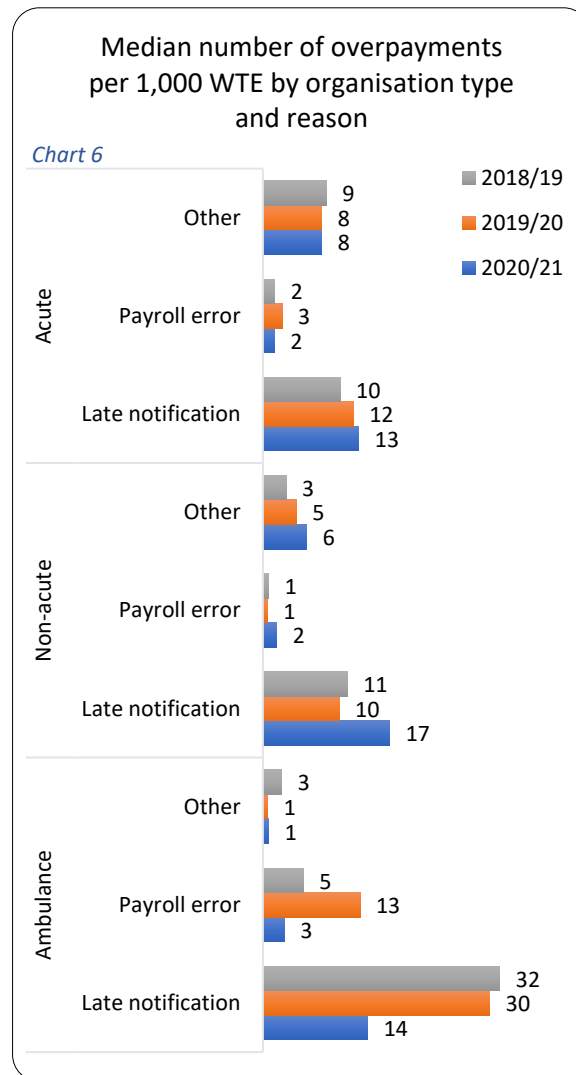
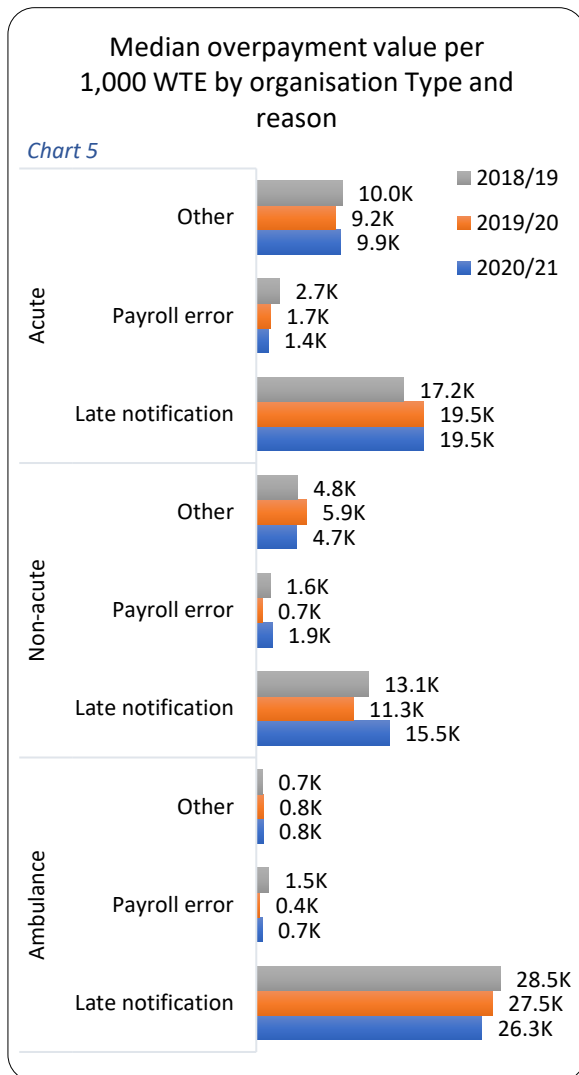
### Overpayments by provider type

We also considered whether the median overpayment value and number of overpayments was affected by Trust type.



For the first two years data ambulance Trusts have had higher levels of overpayments. However, they have improved their position in 2020/21. Conversely, acute Trusts have seen a steady rise in the value and number of overpayments over the past three years. For non-acute the data shows that despite an increase in the overall number of overpayments in 2020/21, the median value has reduced.

## Reasons for Overpayments



Overpayments occur for a variety of reasons, the most common being late notifications of staff changes affecting pay (such as employee terminations).

The charts show late notifications are responsible for the most overpayments by both volume and value across all organisation types.

The median number of overpayments per 1,000 WTE for ambulance Trusts have fallen for two consecutive years now, most significantly from 2019/20 to 2020/21.

Non-acute Trusts late notification volumes increased significantly in 2020/21 and their "Other" volumes have been consistently on the rise.

See the four charts below for more detail by Trust across the period, both in terms of value and volume.

Chart 7

Acute - overpayment value per 1,000 WTE by reason

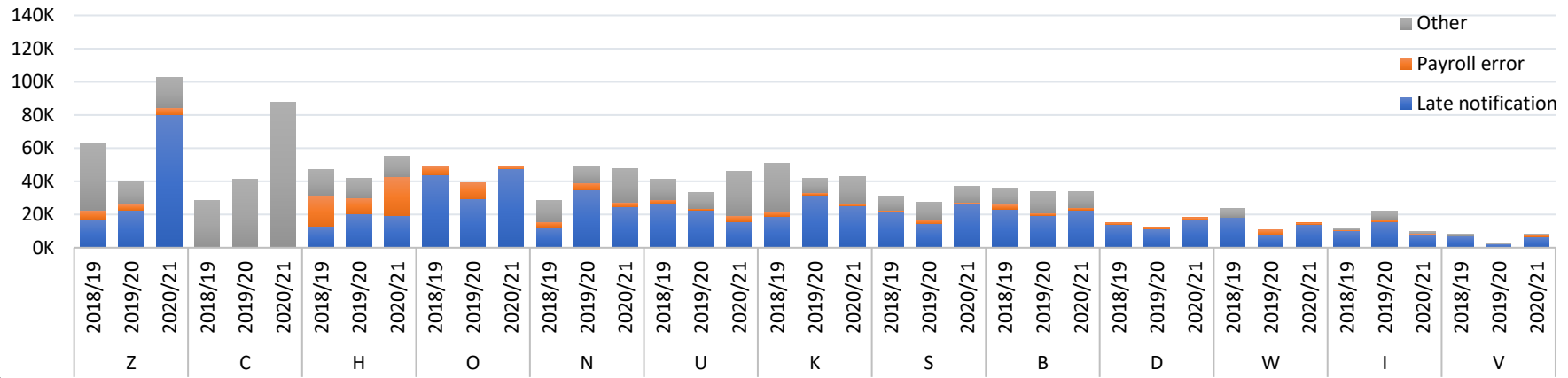
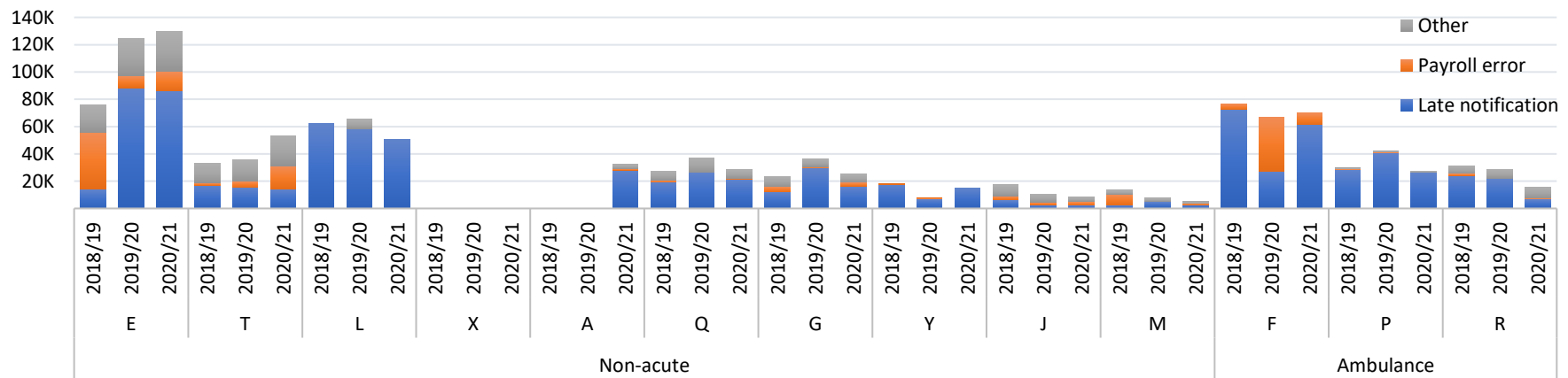
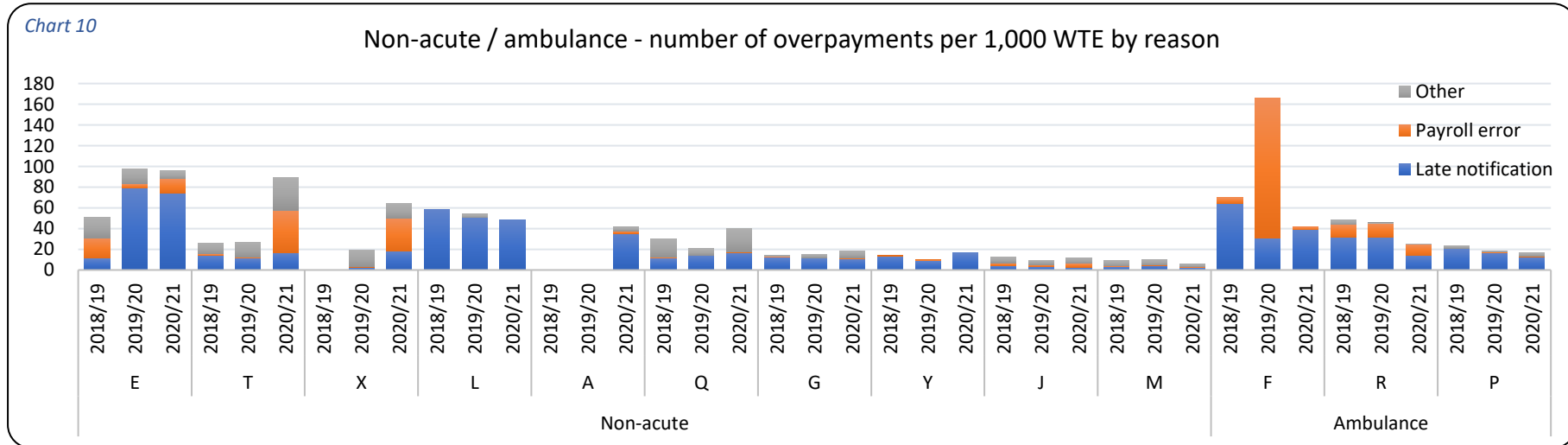
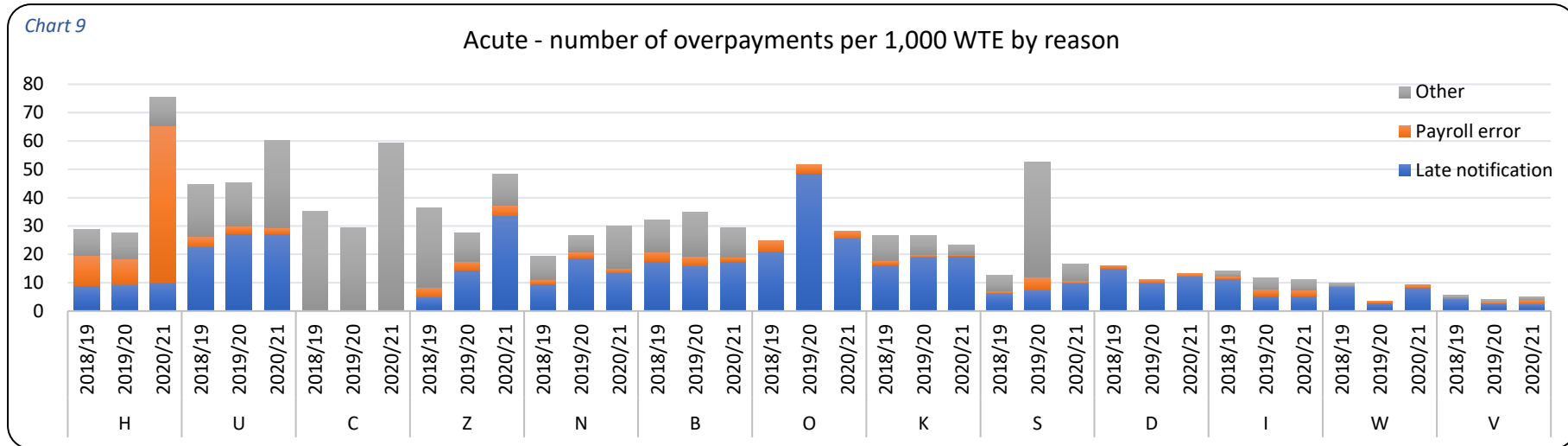


Chart 8

Non-acute / ambulance - overpayment value per 1,000 WTE by reason







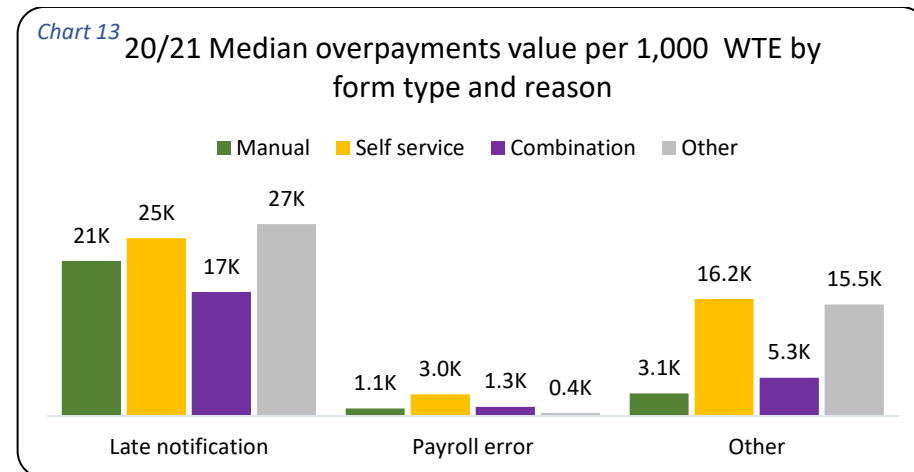
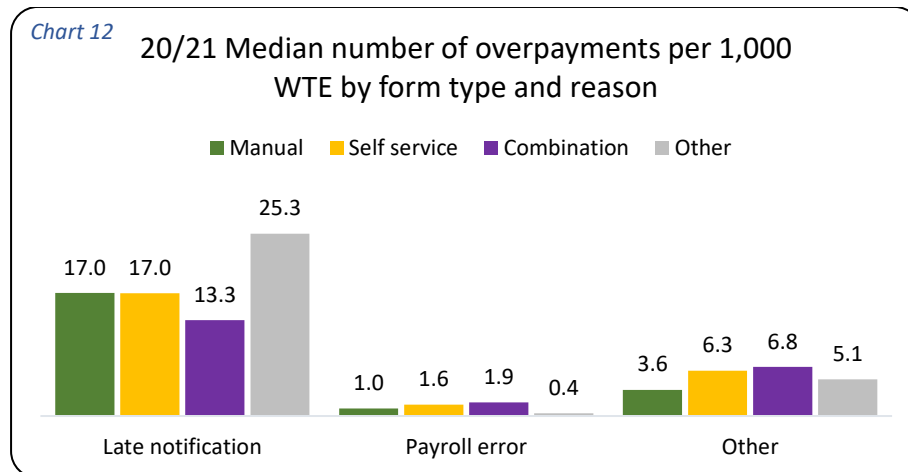
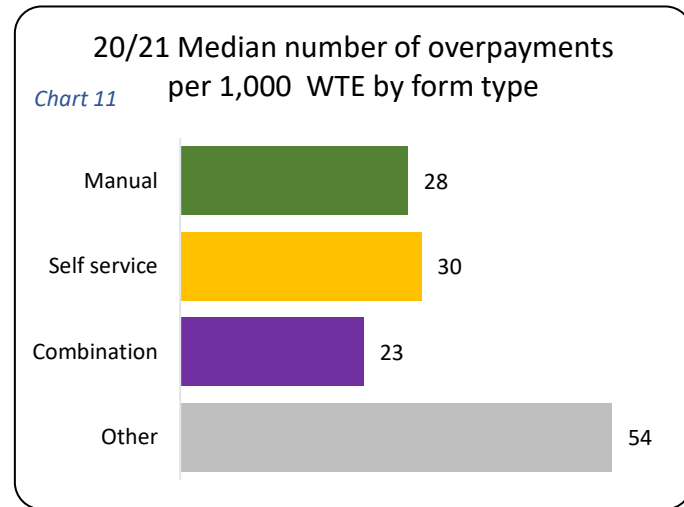
## Comparing payroll processes

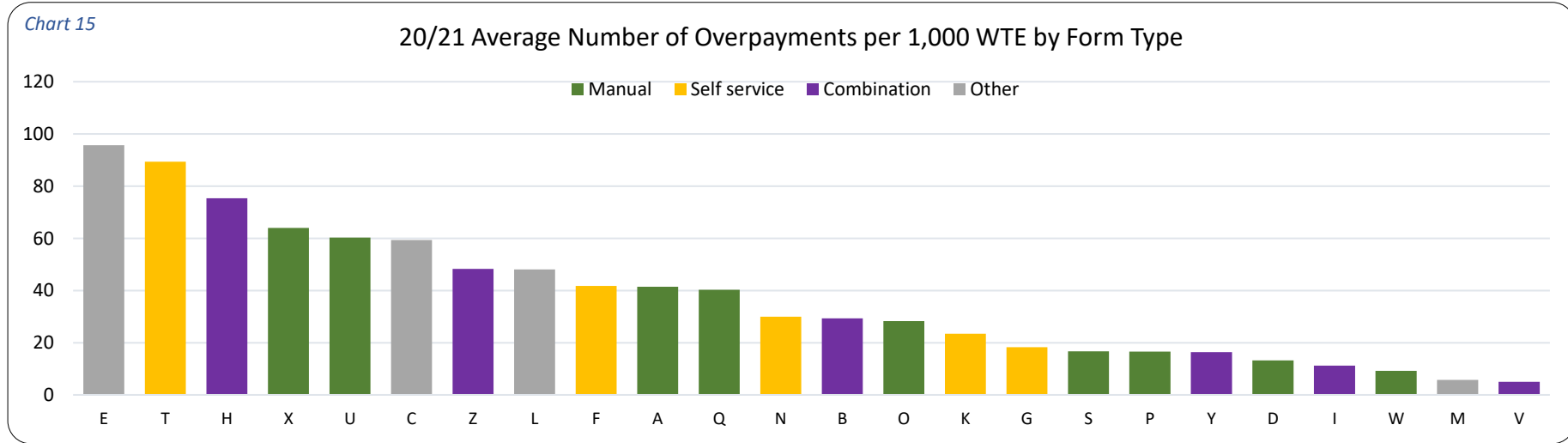
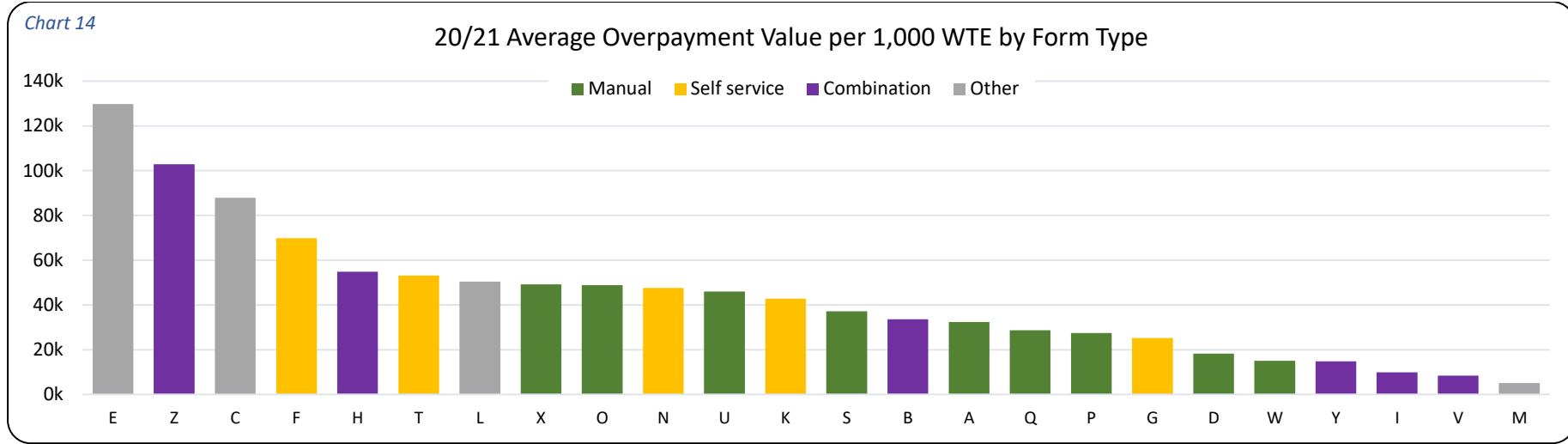
We have sought to highlight the impact different payroll processes have on the frequency and value of overpayments, focusing on the methods used to initiate payroll changes.

We have used 2020/21 data, as it is uncertain for the length of time the methods identified have been in use.

Trusts who make use of a combination of ESR Manager Self-Service and manual forms have less overpayments per 1,000 WTE on average than either form type on their own. This appears to be the case where late notification is the reason.

Charts 14 and 15 below provide a detailed breakdown by Trust across the period for both value and volume of overpayments.





## Overpayments recovered

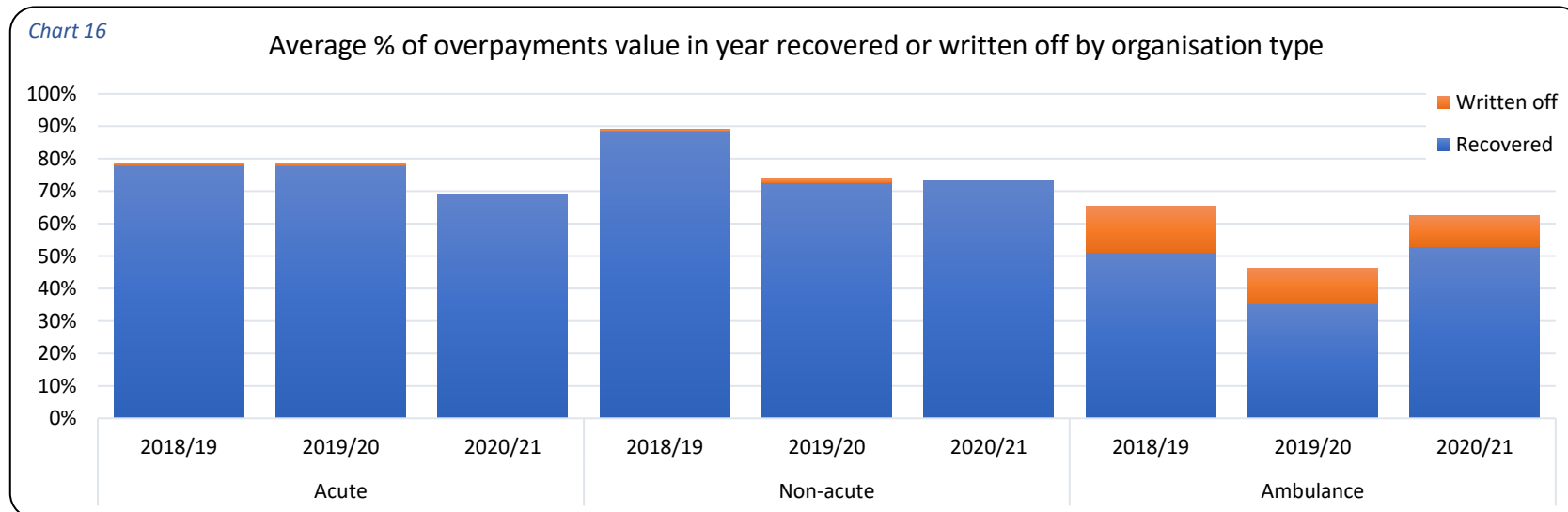
Any Trusts who did not provide data for the amounts recovered were excluded from the following comparisons, therefore this exercise includes 22 Trusts.

Overpayments recovered and written off in a year (which could relate to prior years) are compared to overpayments occurring in the same year. Although these figures are not directly related, we can still use the information indicatively.

Over the 3 year period the overall recovery percentage of overpayments slightly decreases each year, as older overpayments are recovered more over time.

Overpayment value recovered for non-acute was much higher in 2018/19 than the two following years. Reductions in recoverability occurred in four of seven Trusts with figures provided for both years, by as much as 29%.

The three ambulance Trusts combined recovery rate had a much higher proportion written off than acute and non-acute. High levels of write offs occurred in two out of three ambulance Trusts.

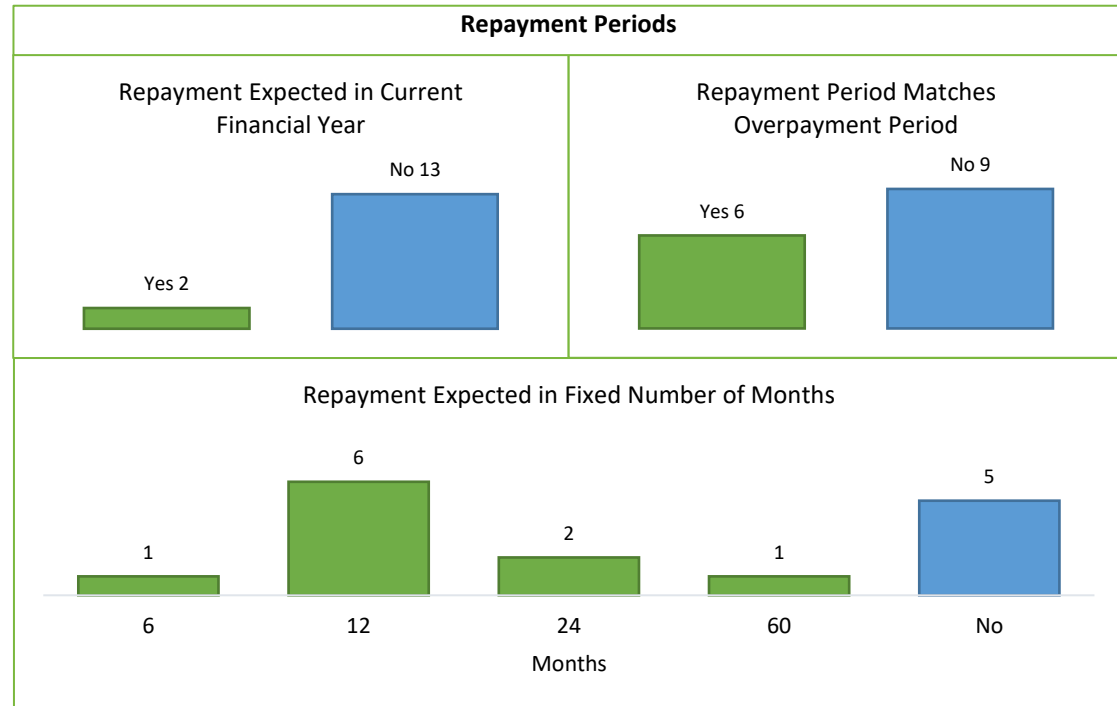


## Comparison of repayment periods

During data collection we asked about repayment periods in Trusts, the most common timeframe provided was ‘the same time period over which the overpayment was made’. The next most common policy stated the repayment should be returned within 12 months.

There are individual policies which are outliers, such as one Trust providing a maximum repayment period of 5 years (60 months), however a repayment period matching the overpayment period is the norm at this Trust. Where additional narrative was provided in the response this indicated that any extension beyond the normal terms would require senior officer approval.

We have documented all the overpayment terms provided by Trusts in **Appendix 1**.



## Initiatives to reduce overpayments

Trusts were asked about initiatives in place to reduce overpayments. The most common theme across the 11 responses received was a focus on reminding managers to complete processes in a timely fashion and how these processes could be easier. One Trust has created an “Overpayment working group” with multiple stakeholders included.

Half of all organisations have a working group or committee with an oversight role for overpayments. It is hard to draw conclusions relating to the impact on performance as this could mean overpayments are low due to the increased scrutiny, or the oversight has been put in place because overpayment levels are considered high.

All the overpayment initiatives provided by Trusts have been documented in **Appendix 2**.

## Appendices

### Appendix 1: Comparison of repayment periods

Trust	Maximum Repayment Period
A, P, Y	Over the same time period that the overpayment occurred
T	Over the same time period that the overpayment occurred other than by exception
G	Over the same time period, up to a maximum of 6 months (or within the tax year)
B	5 months or over the same time period the overpayment occurred
L	12 months or over the same time period the overpayment occurred
H	<p>The policy states that overpayments will be recovered as soon as possible, and that repayment terms will normally be in line with the same number of months over which the overpayment occurred.</p> <p>Repayment terms should not normally exceed six months unless the period of overpayment exceeded six months.</p> <p>Each case to be considered on its own merits. Anything longer than six months (where the overpayment period is less than 6 months) or longer than the overpayment period must be agreed by the Payroll Manager or the Assistant Director of Finance</p>
C	Financial year / 12 Months
K, W	12 months
F	<p>Maximum repayment over 12 months</p> <p>Any extension requested must be approved by DOF/DDOF</p>
X	12 months. In exceptional circumstances this can be referred to the Deputy Director of Finance and HR Business Partners
O, S	24 months
E	5 Years

## Appendix 2: Trust initiatives

Initiative type	Detailed response	Trust(s)
Reviews	<p>Regular checks to eRoster of certain items such as</p> <ul style="list-style-type: none"> <li>Leavers which have been processed</li> <li>Unpaid absence which typically isn't checked until the following month</li> <li>Sickness periods where an employee may need to go into half pay</li> </ul>	B
Reports	An overview of overpayments is sent to the Audit and Risk committee, with ELT notified beforehand	E
	A monthly report is in place for the systems teams and payroll provider	W
Working groups	<p>The Trust established an 'Overpayments Working Group'</p> <p>The group has representatives from across the Trust, including:</p> <ul style="list-style-type: none"> <li>Operation Management</li> <li>HR Business partners</li> <li>Central resourcing</li> <li>Finance</li> <li>Divisional Finance management</li> <li>Payroll</li> </ul> <p>The groups work includes</p> <ul style="list-style-type: none"> <li>Renewing local processes for completion of change forms</li> <li>Root cause analysis</li> <li>Monitoring of nominal roll checking</li> <li>Creating reports to identify payroll changes based on the staff rotas</li> </ul>	F
Outside	Holding regular meetings with counter fraud	S

Initiative type	Detailed response	Trust(s)
providers	Working together with our payroll provider, following standard financial instructions.	
Adapting the process	Reviewed the procedures to make the process of reporting leavers earlier easier whilst also extending the use of the debt recovery service	P
	Creation of bespoke e-forms that remind and encourage the completion of other e-forms/termination forms	O
	People Services are trialling managers emailing them once they know a member of staff is leaving, so people services can then chase the form if not submitted close to when the member of staff is due to leave.	E
	From 21/22 termination forms can be submitted without the final annual leave included which can be emailed later to allow for an earlier submission.	E
	Positive return system is in place for Managers to check details of (non eRoster) employees on ESR including contracted hours. This return is then used by Managers to claim additional hours, enhancements etc.	V
Manager focus	Making sure Line Managers are aware of timely notification of any changes that effect pay	W
	Putting emphasis on emailing managers who submit termination forms late, to understand the reasons behind the late submissions	S, Z
	Introduction of a formal non-compliance process (included in the overpayments policy). This has helped to target repeat offenders (e.g. managers who submit forms late)	H
	Issuing monthly reminders to managers via the intranet and staff bulletin with reminders to submit forms (although using different narrative within the heading to repeatedly draw their attention)	H

### Appendix 3: Trust details

Trust	Type	How are changes actioned	Has a working group or committee	Trust	Type	How are changes actioned	Has a working group or committee
A	Non-Acute	Manual	No	N	Acute	Self service	Yes
B	Acute	Combination	Yes	O	Acute	Manual	No
C	Acute	Other	No	P	Ambulance	Manual	No
D	Acute	Manual	No	Q	Non-Acute	Manual	No
E	Non-acute	Other	Yes	R	Ambulance		
F	Ambulance	Self service	Yes	S	Acute	Manual	No
G	Non-acute	Self service	No	T	Non-Acute	Self service	Yes
H	Acute	Combination	Yes	U	Acute	Manual	
I	Acute	Combination	No	V	Acute	Combination	Yes
J	Non-Acute			W	Acute	Manual	Yes
K	Acute	Self service	Yes	X	Non-Acute	Manual	Yes
L	Non-Acute	Other	No	Y	Non-Acute	Combination	Yes
M	Non-Acute	Other	Yes	Z	Acute	Combination	Yes

Where the box is blank no response was provided





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