

Introduction

Employee costs are one of the largest areas of expenditure for public sector organisations. Controls are needed to ensure payments made to employees are accurate and overpayments are avoided. Where overpayments do occur, controls should be in place to identify and recover them promptly.

By using benchmarking to compare overpayment levels, organisations can assess their arrangements. Benchmarking often indicates the questions that should be asked rather than providing all the answers. For example, a low level of overpayments could mean either:

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

The number of overpayments can be an indication of issues with financial management. Audit findings have identified previously that overpayments occur due to a lack of prompt management 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 34 providers' salary overpayments data, for the financial years:

- 2020/21
- 2021/22
- 2022/23

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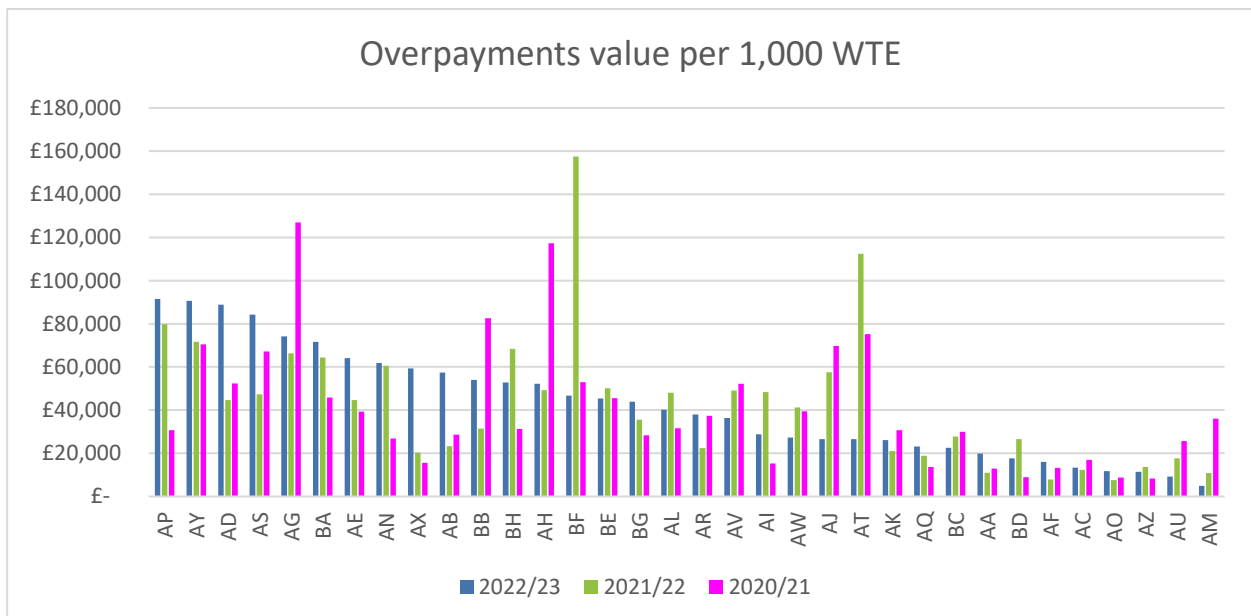
Headline messages

- During the past three years, the number of overpayments per 1,000 WTE has reduced (from 37 to 31) but the average value has increased.
- The trends do not reflect a universal increase across all Trusts; 20 Trusts reported an increase in overpayments during the past year, but 14 Trusts reported a decrease.
- The most common reason for overpayment is late notification, with a small proportion of errors by payroll departments. However, where payroll errors do arise, they result in the highest value overpayments.
- The use of ESR Manager Self-Service appears to be effective, with the lowest number and value of overpayments reported by Trusts where this is used.
- A number of Trusts have a formal oversight committee or group and the percentage of overpayments recovered is consistently higher where formal oversight is in place, compared with those Trusts that did not report formal oversight.

Overpayments per 1,000 Whole Time Equivalent (WTE)

For benchmarking purposes, we have used the value of overpayments per 1,000 whole-time equivalent (WTE) employees and the average value of overpayments.

This report compares the salary overpayments of 34 organisations across the Midlands, Yorkshire and the North-West. There are 17 acute Trusts, 14 non-acute Trusts and 3 ambulance services that have taken part.



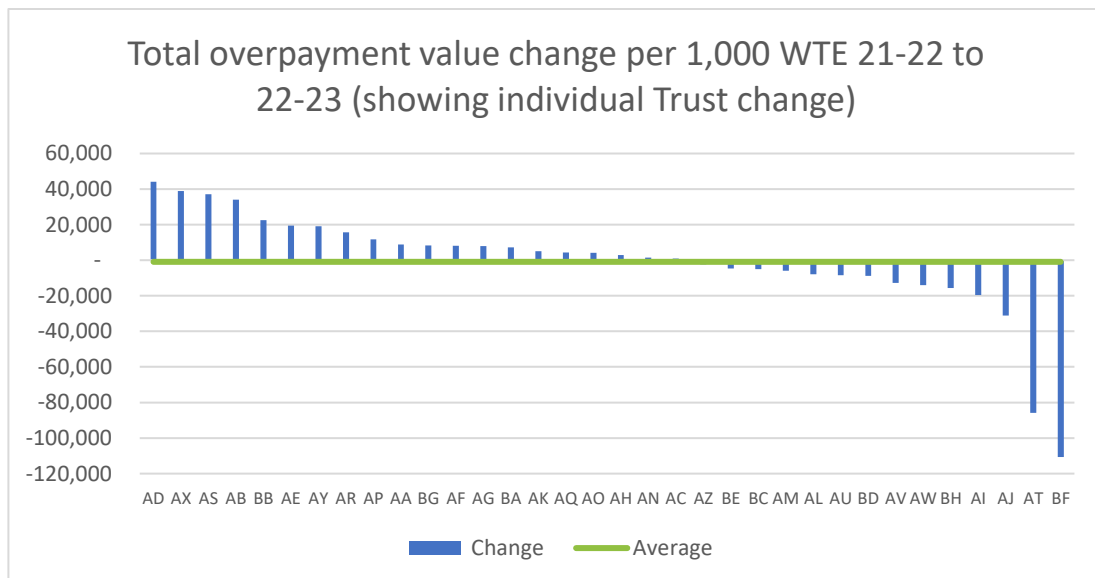
This chart presents the total overpayment value per 1,000 WTE for each Trust, sorted from the highest to lowest amounts in 2022/23. The chart also shows the equivalent figure for 2021/22 and 2020/21, allowing you to see the change for each Trust in recent years.

(Note: Not all organisations provided WTE workforce figures for each year, so for consistency and simplicity we have calculated the overpayments per 1,000 WTE staff using the latest WTE figure. For those organisations that have provided WTE figures for the past three years, this may mean there is a marginal difference between overpayments divided by the actual WTE figure to the figure used in the report.)

Financial Year	Organisation Type	Average value of OP per 1,000 WTE	Average number of OP per 1,000 WTE
2020/21	All	40,814	37
	Acute	40,418	37
	Non-Acute	41,922	38
	Ambulance	37,888	28
2021/22	All	41,327	35
	Acute	43,978	38
	Non-Acute	43,440	34
	Ambulance	37,871	28
2022/23	All	42,306	31
	Acute	43,508	31
	Non-Acute	40,639	30
	Ambulance	43,272	38

This table highlights that during the period from 2020/21 to 2022/23 the average value of overpayments per 1,000 WTEs across all organisations has risen each year from £40,814 to £42,306.

Total value of overpayments per 1,000 WTE



Only five out of 34 Trusts achieved a reduction in the value of overpayments during the past two years. Eight Trusts reported an increase in the value of overpayments during both of the past two years. The majority (21 Trusts) experienced an increase and decrease in either year.

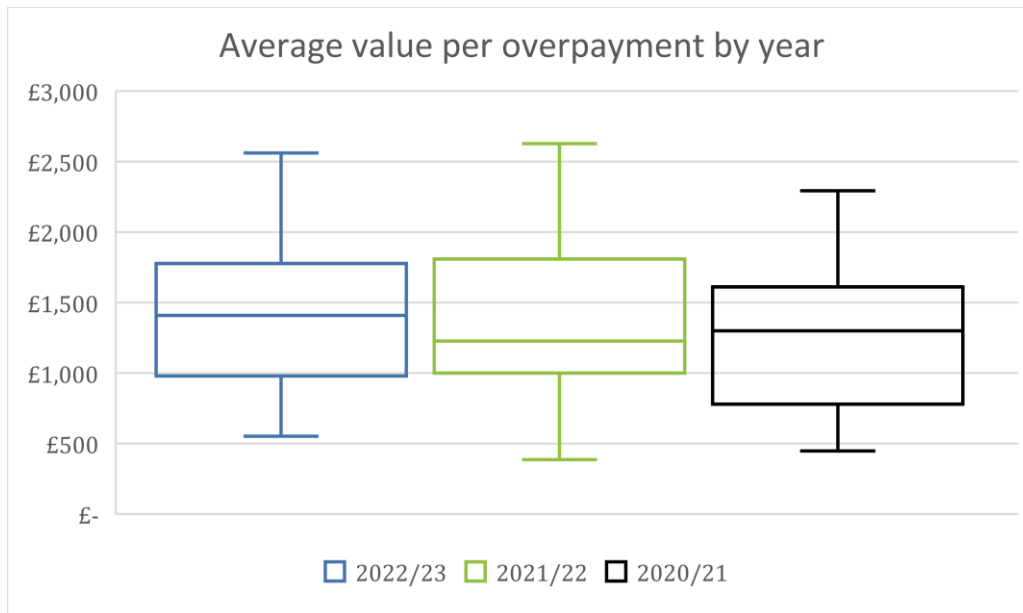
Points for consideration

Organisations should have controls to prevent and detect overpayments, for example:

- Preventative controls might include a time-limit on any salary increase or enhancement, with enhancements revoked automatically unless reviewed and confirmed by management.
- Detective controls might include budget holder reviews and validation of staff establishment lists including salary points and any enhancements being paid.

Average value per overpayment

We have visualised below the overpayments across all Trusts during the past three years.



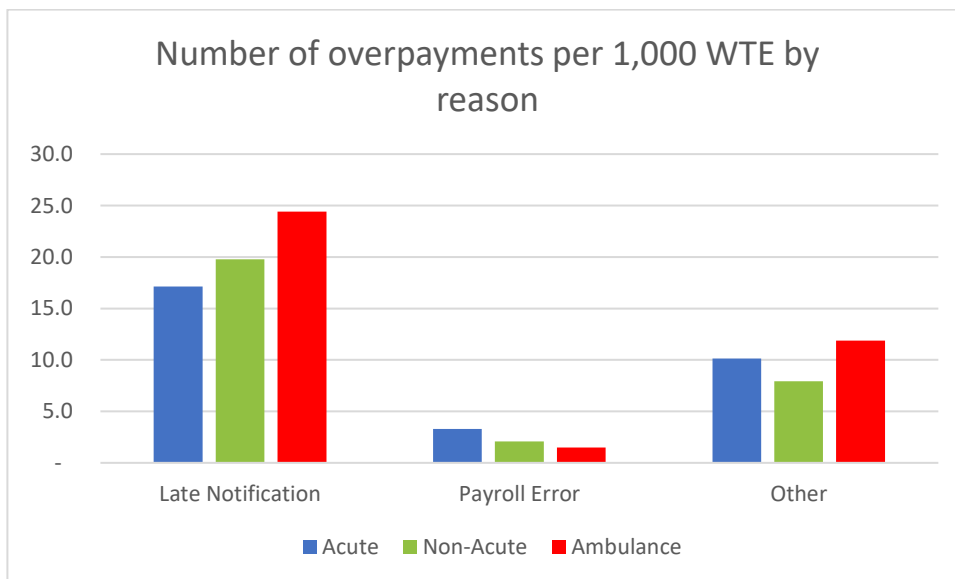
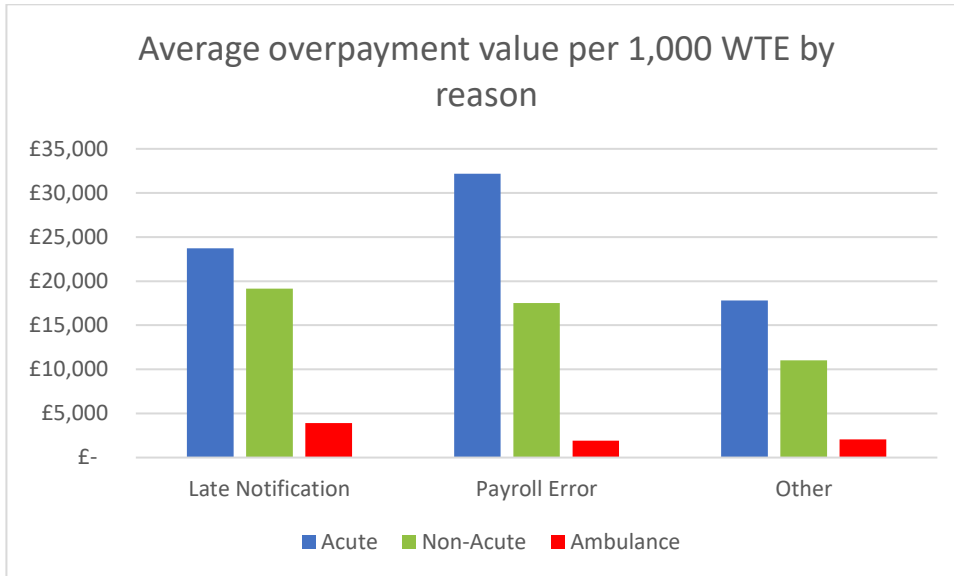
Interpreting the Box and Whisker chart:

The maximum and minimum values are shown by *the whiskers* – these provide the overall range of average overpayment values across the Trusts. During the most recent year, the lowest average overpayment increased to £552 (from £385 in the previous year), but the maximum average overpayment reduced slightly to £2,560 (compared to £2,627 in the previous year).

It is interesting to note the extremes, but these can sometimes be swayed by an outlier at an individual organisation. The *box* identifies the Trusts in the 2nd and 3rd quartiles, with the median point identified by the horizontal line within the box. It is perhaps interesting to note that although the median line has increased in the latest year (£1,409 compared with £1,227 in the previous year) the overall box is marginally lower.

Reasons for overpayments

Our analysis of 2022/23 data indicated the most common reason for overpayment is late notification of staff changes affecting pay (such as employee terminations).



Points for consideration

To avoid unnecessary overpayments due to late notifications, how does your Trust hold managers to account?

How easy is it for managers to notify payroll swiftly that an employee has resigned?

Comparing the impact of different payroll processes

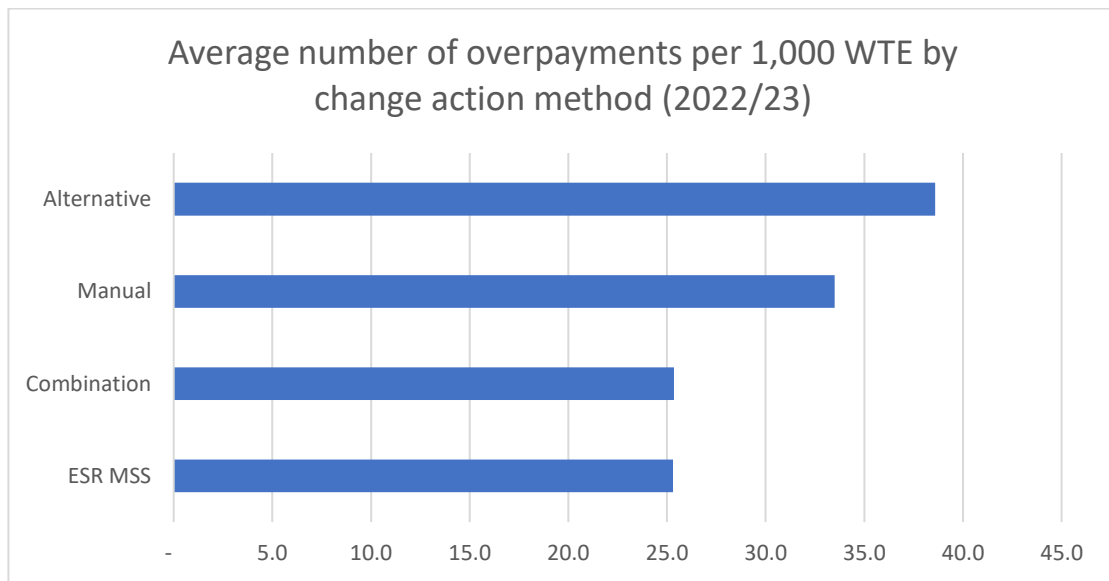
We asked Trusts how payroll changes are actioned, the responses are summarised below.

Manual forms	ESR Manager Self-Service	Combination of manual and ESR Manager Self-Service	Alternative*
15	12	2	5

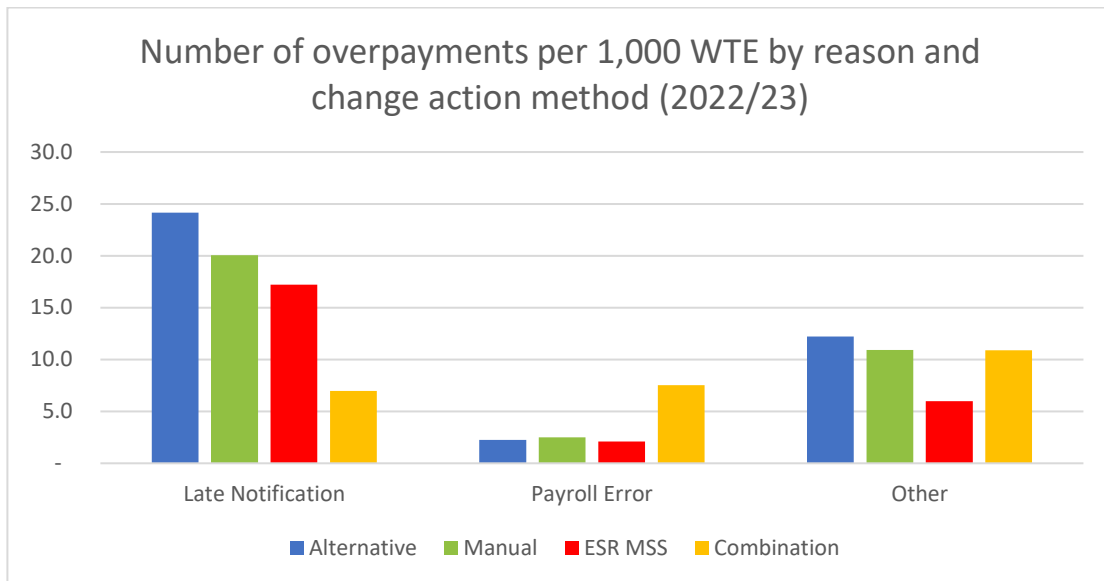
* The most common example of an alternative system was a form on the intranet, moving away from manual forms but where ESR Manager Self-Service is not currently in use.

We have focused exclusively on 2022/23, as it is uncertain from responses the length of time the methods identified have been in use.

Organisations using ESR Manager Self-Service have the lowest number of overpayments per 1,000 WTE and also the lowest value of overpayments per 1,000 WTE. It is worth noting that this is a distinct change from our previous salary overpayments benchmarking report, where those using ESR Manager Self-Service reported the highest number and value of overpayments per 1,000 WTE. This could indicate that the introduction of ESR Manager Self-Service takes some time to embed, but that over time the use of Manager Self-Service reduces the volume and value of overpayments.



The following chart provides a more granular view of the reasons for overpayments and the processes that are in place. The chart shows that late notifications are the most significant reason for overpayments. The organisations reporting the highest volume of overpayments also indicated that they use manual or alternative processes.



Points for consideration

Use of ESR Manager Self-Service may not eliminate the number of late notifications or payroll errors; managers are still responsible for timely completion of the process. The feedback from clients indicates a notable improvement in the impact that ESR Manager Self-Service appears to have on reducing the number of overpayments, compared with our previous benchmarking exercise in 2021.

Overpayments recovered

Any Trusts that did not provide data for the amounts recovered were excluded from the following comparisons; this exercise includes 29 Trusts.

Please note that we present the information as ‘percentage of overpayments recovered’. Trusts reported the total value of overpayments in 2020/21, 2021/22 and 2022/23, and also the value of overpayments recovered in each of those three years. The two values are unlikely to correlate exactly (ie some of the value reported as recovered during 2020/21 may relate to overpayments that happened in an earlier year). Despite this, we consider this to be the most meaningful way to present this information.

Over the three-year period the overall recovery percentage of overpayments has increased. However, the rate of repayment across all Trusts has varied only slightly from 58% in 2020/21 increasing to 63% in 2022/23. This suggests that a significant proportion (over one third) of salary overpayments are not being recovered by Trusts.

Written off overpayments

We have only included details relating to written-off overpayments for those Trusts that reported a write-off figure. Where a Trust did not report a figure, we were unable to determine whether this was because nil value had been written off, or because the Trust had not provided the figure.

The information below relates to 19 Trusts for 2020/21 and 20 Trusts for 2021/22. For 2022/23, just four Trusts provided details. It is likely that negligible values of overpayments relating to 2022/23 would have been written off at the time of our data request, as Trusts would still be exhausting all attempts to recover the overpayment.

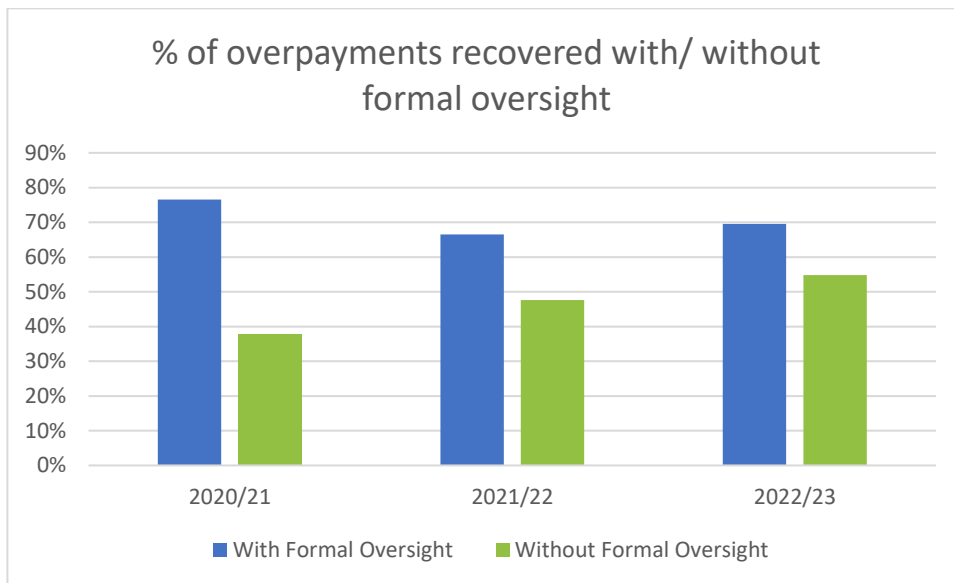
	2020/21	2021/22	2022/23*
Total overpayments	£5,015,015	£5,422,019	£521,143
Overpayments written off	£176,118	£180,430	£7,766
Percentage written off	3.51%	3.33%	1.49%

* Note: the information relating to 2022/23 is not comparable with the previous years, as only four Trusts provided figures for this latest year

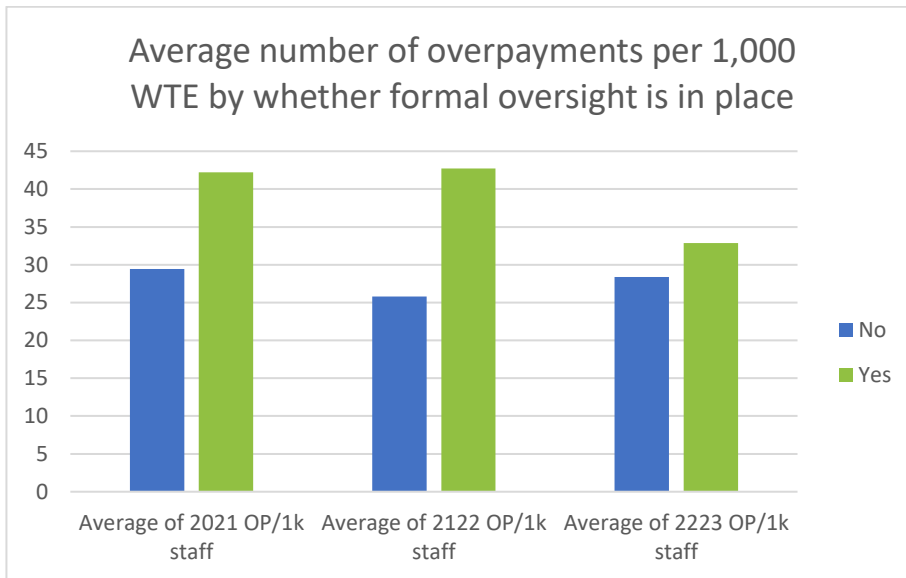
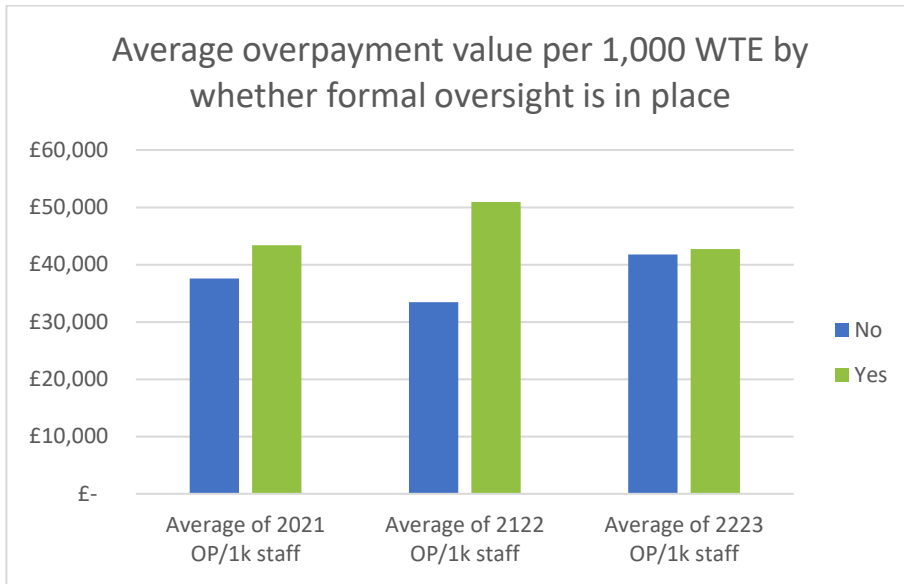
Trusts with formal oversight

Some Trusts maintain formal oversight of overpayments in the form of a committee or working group.

The data shows that those organisations with a formal oversight committee recovered more overpayments. This pattern has been consistent across each of the past three years.



The value and number of overpayments does not appear to be reduced where formal oversight is in place – the charts below show the average value and number of overpayments per 1,000 WTE, distinguishing whether formal oversight is in place or not:



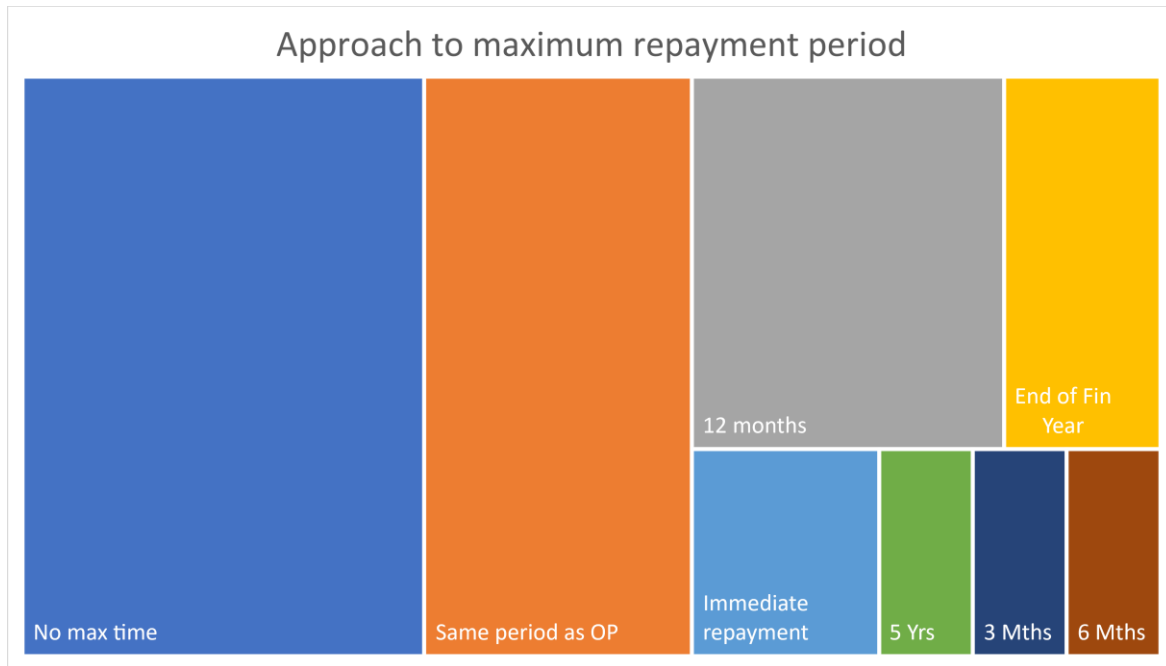
It is possible that this reflects that Trusts with historically high levels of overpayments have put in place formal oversight, but underlying weaknesses that result in overpayments are not yet improved. Where formal oversight is in place, the overall value and number (per 1,000 WTE) of overpayments has reduced between 2021/22 and 2022/23, whereas the value and number has increased across those Trusts that do not have formal oversight in place.

Points for consideration

Does a committee or working group have oversight of your overpayments with responsibilities for reviewing the root causes of overpayments and ensuring repayment terms match the needs of the Trust?

Comparison of repayment periods

In the data collection we asked about repayment periods across Trusts. The chart below indicates the responses provided.



One third of organisations responded that they did not define a maximum time period. Of those that defined a period, the most common approach was to seek recovery over the same period of time that the overpayment arose.

We also noted less common approaches including immediate repayment, 3 months and 6 months.

Interestingly, one Trust advised that they defined a maximum of five years, and three indicated that they sought to recover before the end of the financial year. This latter approach is slightly unusual in that an employee overpaid in April-June and an employee overpaid by a similar amount in December-February would be subject to a different repayment timeframe.

Initiatives to reduce overpayments

Along with the details about repayment periods Trusts were asked about initiatives in place to reduce overpayments. The greatest focus group was managers and specifically reminding managers to complete processes in a timely fashion and how these processes could be made simpler. Actions included:

- *Proactive arrangements with positive responses required from managers to payroll, that confirm the validity of employees and their payments.*
- *Using incident report forms to capture staff overpayments, and HR investigations of overpayments. These support learning, to avoid future recurrence. Communicating the lessons learned to managers and ESR users, to spread learning across all stakeholders.*
- *Reporting overpayments and developing inter-department league tables to strengthen the focus and accountability where overpayments arise. Governance and oversight also strengthened through regular collaboration between finance, HR and departmental managers, and similar*

working groups.

Dedicated training for managers, to reinforce the importance of e-forms and the practicalities of how to complete. Processes embedded through policies and training.

Reporting and recharging to Divisions

We asked Trusts to report whether overpayments were reported to Divisions and whether they were recharged to Divisions. The majority of Trusts reported that overpayments are recharged back to Divisions, but a number of Trusts reported that they did not report back to Divisions even though the overpayments were charged back to them.

	Yes	No
Overpayments reported to Divisions	12 (35%)	22 (65%)
Overpayments recharged to Divisions	21 (62%)	13 (38%)



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