

## **Procedure for the Recovery of Overpayments to Employees**

### **1. INTRODUCTION**

This procedure addresses how the Health Board manages the recovery of overpayments to staff.

If a member of staff has been underpaid for any reason the Health Board endeavors to immediately repay the individual concerned. Similarly, in the event of individuals who have been overpaid for any reason the Health Board expects a repayment to be immediate although repayment terms may be agreed in certain circumstances. This procedure therefore sets out a clear framework for the consistent treatment of overpayments.

This procedure applies equally to both paper and electronic processes. All references to paper based forms/processes should also be regarded as applying to any electronic processes utilised to update employment data.

Overpayments sometimes occur because errors or delay in the submission of paperwork to the payroll department. In all cases staff are expected to be honest and immediately disclose an overpayment. It is the employee's responsibility to highlight an overpayment as soon as it is identified.

### **2. RIGHTS AND RESPONSIBILITIES**

If an overpayment is made as a result of a mistake of fact (for example the wrong details have been inserted on to the administrative paperwork or the wrong figure or incorrect sum of money has been input into the payroll system) then the recovery of the overpayment will be made on the basis of a 'mistake of fact'.

The Payroll department utilises the automatic calculation of under/overpayments administered by the ESR Payroll system. Therefore an overpayment resulting from the receipt of a change form that has missed the normal Payroll schedule will be recovered automatically as a pay adjustment by the Payroll Services Department and therefore alleviates the problem of having to deal with the overpayment via the recovery process. In this instance the overpayment will be treated as a correction of pay during the next pay period following receipt of the change

form. This adjustment will be applied automatically if the change form is received within 3 months of the change occurring. If however the overpayment is not actioned until the fourth month following the change, or the pay adjustment reduces the net pay by more than 25% the recovery of overpayment procedure outlined within this process will be instigated.

The employee will:

- Check the calculations of their pay on their pay slip and alert their manager to any over/under payment without delay
- Seek clarification from the Payroll Services Department, if unsure of the amount or any payments indicated on their pay slip.
- Immediately report any pay discrepancy identified on their pay slip to Payroll Services.
- Be aware of and work to cut-off dates to guarantee payment of travel, subsistence claims or timesheets in the next pay period.
- Notify the Health Board of any change of address.
- Access support and advice from staff side representatives.
- Provide Payroll Services with appropriately completed timesheets, on-call forms and travel claim forms.

The manager will:

- Process documentation immediately a change/termination is known e.g. change forms.
- Ensure that timesheets, on-call claim forms, expense forms and absence notification forms have been completed appropriately.
- Ensure all documentation is authorised and submitted to payroll within timescales
- Be responsible for facilitating the recovery of overpayments

Payroll Services will:

- Adhere to this policy for the recovery of any unforeseen or delayed correction of overpayment of salary.
- Write to employees, in respect of overpayments which are identified after 3 months providing them with details of the overpayment as soon as the matter has been identified.
- Inform the line manager in writing of the overpayment.
- Maintain an accurate log of overpayments.

The Health Board will:

- Pay staff correctly and on time.
- Distribute pay slips to appropriate locations.
- Correct identified errors as soon as possible, ideally within the current pay period
- Rectify any identified overpayment.
- Ensure pay related data and information is forwarded to the Payroll Services Department on a timely basis.
- Inform relevant staff regarding cut-off dates for submission of travel claims or variation/timesheets via the intranet.

### 3. PREVENTION

In order to take measures to prevent an overpayment occurring, it is necessary to reduce the possibilities for the occurrence in the first instance. The main reason for overpayments occurring within the Health Board is the late notification of information i.e. late termination notices or change of circumstances after the effective date.

The responsibility for the timely submission of such information lies with the manager/supervisor. It is therefore of the utmost importance that the documentation is received in line with the following:

#### **Termination**

Immediately the termination date of an employee is known. (This usually occurs when the employee submits their resignation). The Termination Form must be completed and submitted to Payroll Services, the manager must attach a copy of the employees Letter of Resignation.

Retiring employees should give 4 months written notice to allow the Pension arrangements to be completed. (Further detail may be found in the Retirement Policy).

In respect of Termination of Contract it is important to note that the employee is paid their Basic Contracted hours on a current basis. **Employees are NOT paid a month in hand.** Therefore, if an employee terminates on the 15<sup>th</sup> of the month, the Termination Form MUST be completed and forwarded to Payroll Services to be input for that month's salary, therefore for that month the employee would receive 15/30ths of the contracted hours.

## **Enrolment**

An Enrolment Form is to be completed on the day the employee commenced duty and to be sent immediately to the Workforce and Organisational Development team.

## **Changes**

The Changes form is to be completed once any change to an employee's contract of employment is agreed and authorised.

## **IMPORTANT NOTE**

It is the responsibility of the employee to ensure that timesheets/on call claim forms/expense forms are completed accurately and submitted to the Manager in time for authorisation. The Manager must ensure that all such documentation is submitted in accordance with the dates on the Monthly Payroll timetables.

In the event that Payroll Services identify a payroll error after a Payroll Run has been made on or before the pay date Payroll Services will decide whether to recall and re-provide such monies, or make the decision to allow such payments to proceed, They must also notify the employee on or before the date the Payslip is received, that an error has occurred and confirm that an adjustment of the full amount of the monies will be made in the next available pay period. Payroll Services will attach a letter to the employees Payslip or make verbal contact with the employee.

### **4.0 RECOVERY - EMPLOYEES IN POST**

#### **4.1 OVERPAYMENTS UP TO 3 MONTHS - PAY ADJUSTMENT**

Payroll Services will recover the overpayment as a pay adjustment via the Retro Pay process which will automatically recalculate the employees' salary, recovering monies in the next available payroll.

Where an overpayment has been made for up to 3 months, the employee's pay will be adjusted to reclaim the amount of the overpayment automatically over the same period, i.e. an overpayment lasting 2 months will be recovered over 2 months etc. However, if the changes to the employee's contract reduces the net pay by more than 25%, the recovery of overpayment procedure outlined within this process will be instigated.

#### **4.2 OVERPAYMENTS GREATER THAN 3 MONTHS**

Where it is identified that an employee has received monies to which there is no entitlement over a period greater than 3 months, this will be treated as

an overpayment which will be recovered via the Finance Department's Accounts Receivable Dept.

#### **4.2.1 Payroll Services will:-**

- Calculate the amount of the overpayment and correct figures against the employees' assignment including allowances for Statutory Deductions. The employee will be expected to repay the Net value of the overpayment.
- Prepare a letter of explanation and financial breakdown see Appendix 1.
- Submit the letter together with a Debtor Request to The Accounts Receivable Dept, Bronllys Hospital.
- Issue a letter to the relevant Manager see Appendix 2 together with a copy of the employees' overpayment letter.

#### **4.2.2 The Manager's responsibility:-**

Where the overpayment has arisen as a consequence of late/incorrect Payroll Related Documentation, the Authorising Manager will be provided with a copy of the overpayment letter. The overpayment will be a matter between the employee and the manager and it is anticipated that the manager will resolve any such dispute that arises. The Manager should encourage the employee to repay the overpayment recovering monies in the shortest possible time, however no longer than 12 months.

The Manager should bring the matter and total amount of the overpayment to the attention of the employee at the earliest opportunity and advise the employee of the Health Board's procedure for reclaiming the full amount with agreement.

#### **4.2.3 The Accounts Receivable Dept will:-**

- Establish the employee as being a debtor on the Finance Accounts Receivable System.
- Follow the Accounts Receivable policy for recovery of the debt and refer the account to a debt collecting agency and for court action if settlement is not made or payment terms agreed within a period of 4 months.
- Manage incoming monies to repay the overpayment.

#### **4.2.4 The Employee will:-**

In the event of an overpayment being identified that is greater than 3 months after a change/incorrect detail to the employees contract, be notified immediately in writing of the overpayment detailing:-

- how the overpayment occurred
- a comprehensive breakdown of the overpayment
- the next stage in the process i.e. the receipt of a bill for payment

Where the overpayment has arisen as a consequence of error on the part of Payroll Services, communication as to the reason for the overpayment will be conducted between Payroll Services and the employee.

Overpayments arise as a consequence of late/incorrect documentation will be a matter between the employee and the Authorising Manager. On receipt of the notification of the sum owed, letter of explanation and financial breakdown, the employee should immediately look to repay the amount of the overpayment and if a meeting has not already been agreed, communicate with the Manager to agree a date of meeting.

Where an employee identifies an overpayment, or is in receipt of monies that were unexpected or unexplained they must contact Payroll Services immediately. Recovery of such monies will be treated in accordance with Paragraph 4.1 or 4.2 dependent on the duration of the overpayment.

#### **4.3 EMPLOYEES WHO HAVE TERMINATED**

Where the employee has terminated employment and an overpayment occurs, e.g. late submission of a Termination Form, the overpayment will be calculated by Payroll Services and a letter detailing the overpayment together with a financial breakdown will be issued. A bill for the overpayment will be issued by the Accounts Receivable Dept.

In cases where the overpayment has been created as a consequence of late submission of Payroll related documentation, e.g. late termination form, the name of the Authorising Manager will also be issued to the employee. Any queries in relation to the principle of the overpayment will be a matter between the employee and the Authorising Manager.

#### **4.4 REPAYMENT OF OVERPAYMENTS**

The employee who has been overpaid in accordance to paragraphs 4.2 and 4.3 should make immediate settlement of the overpayment. In cases of financial hardship, the employee should contact the Accounts Receivable Dept Department to discuss a Repayment Plan where in exceptional circumstances the overpayment can be repaid over a maximum period of 12 Months.

Where an employee fails to repay the overpayment or arrange a Repayment Plan, the Accounts Receivable Department will contact the relevant manager to expedite the matter.

#### **4.5 NON PAYMENT OF AN OVERPAYMENT**

Employees who have been overpaid in accordance with paragraphs 4.2 and 4.3 and have not repaid the overpayment or made arrangements for repayment will have the case referred to a debt collection agency.

## Appendix 1

## Overpayment Letter

Payroll  
Direct Line (01633) 238500  
Confidential Fax (01633) 238158

E-mail ***insert email address***

Our Ref

***Insert date***

**PRIVATE & CONFIDENTIAL**

Dear

### **OVERPAYMENT**

I am writing to inform you that you have been overpaid for the period ***<insert date from – to>***. According to our records this overpayment occurred because ***<Insert reason i.e. details of relevant change or making an administrative error>***.

***The detail of the overpayment is as follows:-***

***>Insert gross pay plus deductions plus net pay value<***

As the overpayment is a result of the late/incorrect Employee related documentation, all enquiries in relation to the overpayment should be submitted to:-

Or

As the overpayment is a result of incorrect Payment Calculation, all enquiries should be submitted to:-

Please accept my sincerely apologies for this administrative error and any inconvenience it may cause you.

**Appendix 2**

**Managers letter**

Dear

It has been identified that as a consequence of late completion and or submission or incorrect completion of payroll documentation, the employee named has been overpaid.

Name ..... Assignment .....

Date .....

Reason for overpayment .....

.....

.....

**What To Do Now:**

The employee has been issued with a bill to repay the overpayment, as the manager, you must meet with the employee to discuss the overpayment and ensure the employee understands the need to make repayment immediately. The employee will need to be made aware that where there is a failure to repay monies, Powys teaching Health Board will take legal action to claim monies owed.

If there is any dispute in respect of the calculation of the overpayment you must contact The Accounts Receivable Department, Bronllys Hospital to discuss the case.

If the dispute is in relation to the principle of the overpayment and such an overpayment was a result of late/inaccurate Payroll Related Documentation, it will be the responsibility of the Manager to resolve such disputes.