Follow-up: Overpayment of Salaries Final Internal Audit Report

December 2022

Hywel Dda University Health Board

Contents

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Acknowledgement

NHS Wales Audit and Assurance Services would like to acknowledge the time and co-operation given by management and staff during the course of this review.

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Executive Summary

Purpose

This review has sought to establish progress made by management to implement agreed actions arising from the previous internal audit [report HDUHB-2223-08 refers], which concluded limited assurance over the adequacy of internal controls and process to identify and ascertain the reason for overpayments and the actions taken to reduce current numbers.
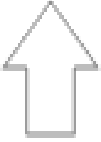
Overview of findings

Three high and one medium priority matters arising were identified as summarised in the Progress Summary table.

Action has been undertaken by management to address the findings, resulting in three matters arising being addressed and now closed. Action to improve the use of ESR Manager Self-Service is ongoing.

We have concluded **Reasonable** assurance overall.

Follow-up Report Classification

Reasonable		Trend
	Follow up: All high priority recommendations implemented and progress on the medium and low priority recommendations.	

Progress Summary

	Previous Matters Arising	Previous Priority Rating	Direction of Travel	Current Priority Rating
1	Underpayments and Overpayments Policy	Medium	⬆	Closed
2	Investigation of Overpayments	High	⬆	Closed
3	Use of ESR Manager Self-Service	High	⬆	Medium
4	Monitoring and Reporting of Overpayments	High	⬆	Closed

1. Introduction

1.1   This audit sought to establish the progress made by management in implementing agreed actions to address the issues identified in the original review (report HDUHB-2223-08 refers).

1.2   The potential risks considered in the original review were:

- inappropriate or inaccurate payments made; and

- root causes not addressed.

2. Findings

2.1   The table below provides an overview of progress in implementing the previous internal audit recommendations:

Original Priority Rating	Number of Recommendations	Implemented / Obsolete (Closed - No Further Action Required)	Action Ongoing (Further Action Required)	Not implemented (Further Action Required)
High	3	2	1	-
Medium	1	1	-	-
Total	**4**	**3**	**1**	**-**

2.2   Full details of recommendations requiring further action are provided in the **Management Action Plan** in **Appendix A**.

Appendix A: Management Action Plan

Matter Arising 1: Underpayments and Overpayments Policy		
Original Recommendation		Original Priority
The revised *Underpayments and Overpayments of Salary Policy* should be formally communicated to all line managers to ensure they are fully aware of the new process and their requirements / responsibilities.		**Medium**
Management Response	Target Date	Responsible Officer
The link to the new policy will be communicated via the global email (requested 29th July 2022), following which Workforce will liaise with directorates to communicate the key changes.	31st August 2022	Head of Workforce & Corporate Governance Team
Current Findings		Residual Risk
The *Underpayments and Overpayments of Salary Policy* was formally communicated to employees via the global email system on 5th August 2022. The policy was also submitted for discussion at Staff Partnership Forums across the organisation. **Conclusion:** *Implemented – No Further Action Required.*		Potential risks of: • inappropriate or inaccurate payments made; and • root causes not addressed.

Matter Arising 2: Investigation of Overpayments		
Original Recommendation		**Original Priority**
Workforce & OD to scrutinise the monthly under and overpayment of salaries reports to identify themes and trends and engage with managers to identify the root causes of overpayments, providing the necessary support and guidance to prevent recurrence.		**High**
Management Response	**Target Date**	**Responsible Officer**
This has been done previously but on an ad hoc basis and not recorded. This will now be undertaken monthly with details recorded on the overpayments report received from NWSSP Payroll. This will also facilitate reporting to the W&OD Business Group per Matter Arising 4.	31st August 2022	Head of Workforce & Assistant Heads of Workforce
Current Findings		**Residual Risk**
Workforce & OD continue to receive a breakdown of monthly overpayments including a breakdown of repeat offenders. A review of the latest register held by Workforce & OD noted a list of managers with repeated overpayments and narrative demonstrating engagement with the manager to establish the root cause. We can confirm the outcome of investigation of overpayments, including identified trends/themes and subsequent actions to be taken, were reported to the Workforce & OD Directorate Business Group in November 2022. **Conclusion:** *Implemented – No Further Action Required.*		Potential risks of: • inappropriate or inaccurate payments made; and • root causes not addressed.

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Matter Arising 3: Use of ESR Manager Self-Service	
Original Recommendation	Original Priority
Workforce & OD to reinforce with line managers the requirement to use MSS for changes to payroll data, including terminations and assignment changes, where possible. Workforce & OD to monitor MSS use to identify areas with low MSS / high manual form use and provide refresher training to ensure that line managers are confident in using MSS to process changes to payroll data.	**High**

Management Response	Target Date	Responsible Officer
Global communications to be prepared highlighting the need to use MSS for changes including terminations and changes.	5th August 2022	Head of Workforce
ESR Team/Payroll to produce a monthly report for Head of Workforce on number of manual versus online forms submitted by department/line manager and overall percentage of forms submitted via MSS.	5th September 2022	Head of Digital Workforce Solutions

Current Findings	Residual Risk
A global email was issued on the 8th August 2022 setting out the need for managers to process terminations and changes via MSS whenever possible. The ESR Team has begun submitting monthly reports to the Head of Workforce detailing the percentage rates of completed self-service terminations, but these still remain low. No reports detailing changes actioned by self-service was evident. Refresher training is currently being provide upon request on an ad hoc basis. **Conclusion:** *Action Ongoing – Further Action Required.*	Potential risks of: • inappropriate or inaccurate payments made; and • root causes not addressed.

Matter Arising 4: Monitoring & Reporting of Overpayments		
Original Recommendation		Original Priority
Overpayments, including the root causes, actions taken and lessons learned to be reported to and monitored by an appropriate Workforce & OD forum.		**High**
Management Response	Target Date	Responsible Officer
SBAR report to be submitted to W&OD Business Group on a quarterly basis commencing with next meeting on 8th September 2022.	8th September 2022	Head of Workforce
Current Findings		**Residual Risk**
The reporting of overpayments including trends and themes, identification of root causes and actions to mitigate future occurrences have been reported through to the Workforce & OD Directorate Business Group in SBAR reports since September 2022. **Conclusion:** *Implemented – No Further Action Required.*		Potential risks of: • inappropriate or inaccurate payments made; and • root causes not addressed.

Appendix B: Assurance opinion and action plan risk rating

Audit Assurance Ratings

We define the following levels of assurance that governance, risk management and internal control within the area under review are suitable designed and applied effectively:

	Substantial assurance	Few matters require attention and are compliance or advisory in nature. **Low impact** on residual risk exposure. **Follow up:** All recommendations implemented and operating as expected
	Reasonable assurance	Some matters require management attention in control design or compliance. **Low to moderate impact** on residual risk exposure until resolved. **Follow up:** All high priority recommendations implemented and progress on the medium and low priority recommendations.
	Limited assurance	More significant matters require management attention. **Moderate impact** on residual risk exposure until resolved. **Follow up:** No high priority recommendations implemented but progress on most of the medium and low priority recommendations.
	No assurance	Action is required to address the whole control framework in this area. **High impact** on residual risk exposure until resolved. **Follow up:** No action taken to implement recommendations

Prioritisation of Recommendations

We categorise our recommendations according to their level of priority as follows:

Priority level	Explanation	Management action
High	Poor system design OR widespread non-compliance. Significant risk to achievement of a system objective OR evidence present of material loss, error or misstatement.	Immediate*
Medium	Minor weakness in system design OR limited non-compliance. Some risk to achievement of a system objective.	Within one month*
Low	Potential to enhance system design to improve efficiency or effectiveness of controls. Generally issues of good practice for management consideration.	Within three months*

* Unless a more appropriate timescale is identified/agreed at the assignment.

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