WRITTEN QUESTION TO THE PRESIDENT OF THE FINANCE AND ECONOMICS COMMITTEE BY THE DEPUTY OF ST. JOHN

ANSWER TO BE TABLED ON TUESDAY 10th MAY 2005

Question

As an error was made in the payment of salaries within the Health and Social Services Department, would the President inform members of the following –

(a)   the full amount of the error?

(b)   whether there are any payments outstanding, and, if so, how much?

(c)   whether the Committee has responded to assist any staff who have encountered difficulties with their banking arrangements as a result of the error?

(d)   give details of the five highest individual payments made to staff?

(e)   what safeguards, if any, are in place for the future?

(f)   what action, if any, has been taken against the payroll staff concerned?

Answer

The recent wages overpayments to 500 weekly paid Health and Social Services staff has received much media attention.

Although the circumstances which gave rise to this overpayment are rather complex it is appropriate that some background be provided to members in order to avoid confusion and provide reassurance regarding the systems and processes in place.

The States run a number of payrolls, one of which is for weekly paid Health and Social Services staff, many of whom are paid directly into their bank account via BACS. Pay details are entered into this payroll to calculate the pay amounts and contributions in respect of pension, social security etc.; these amounts are automatically compared to established parameters to ensure that the details input are 'reasonable'. This process ensures that any exceptionally large or small amounts are highlighted and reported. This payroll data is used to update the financial system. The payroll data also automatically produces a file for the BACS payments, which is subsequently handled completely independently from the payroll system.

In the case of the recent error the payroll data was input correctly and checked for 'reasonableness', the financial system was then correctly updated. The BACS file was created correctly by the payroll system but, regrettably, the transmission of the file to BACS contained an error which led to the overpayment.

Members should be reassured that both the payroll and financial systems contain various automated processes which highlight unusual transactions. The error originates from a failure to apply established processes in the handling of the BACS interface.

In answer to the specific questions raised –

(a)   the correct amount of the payroll was £165,781.38, due to the error this was multiplied by 100 and passed to the banks in the sum of approximately £16.6 million. The difference between the two amounts is £16,412,356.62;

(b) 9   repayment authorisations have been received from all staff, none remain outstanding;

(c) offers of assistance have been made to those affected by the error; all issues raised have been dealt with;

(d) it would be inappropriate to report individual payments in detail, however, the highest payment made was approximately £120,000, the next highest payments were in the range of £105,000 to £90,000, there were 6 payments in this range;

(e) the BACS interface, which caused the errors has been thoroughly reviewed by external auditors and the processes and controls have been reinforced to prevent any re-occurrence of the error;

(f) as outlined above, the error did not arise from a payroll error, but from a BACS error, it did not involve payroll staff. Investigative arrangements are being progressed which, if necessary, will be followed by disciplinary procedures against the staff involved.

This unfortunate incident has demonstrated the consequences which can arise when the robust systems, processes and controls upon, which the States prides itself, are compromised. Fortunately such incidents are rare.

I would like to take the opportunity to thank staff at Health and Social Services, Treasury and Human Resources for all their efforts to address this incident and praise them for the professional and prompt manner in which they did so.