THE UNIVERSITY OF NOTRE DAME AUSTRALIA

Guideline:

Staff Overpayments

Effective: 13 August 2020

Audience: University Staff

Policy Category: Management
Policy Sub-category: Human Resources

Key words:	Overpayment, Payroll, Salary
Guideline Owner:	Pro Vice Chancellor, People and Culture
Responsible Officer:	Director, Employee Services
Review Date:	August 2022

Contents

1 PURPOSE AND SCOPE 3
2 WHAT IS AN OVERPAYMENT? 3
3 IDENTIFYING OVERPAYMENTS 3
4 NOTIFICATION OF OVERPAYMENT 4
5 REPAYMENT AMOUNT (GROSS OR NET) 4
6 REPAYMENT OF OVERPAYMENTS 4
7 SEPARATING OR FORMER STAFF MEMBERS 4
8 WHERE A STAFF MEMBER DISPUTES THE OVERPAYMENT 5
9 OVERPAYMENT HAS BEEN REPAID 5
10 UNDUE HARDSHIP 5
11 TAX TREATMENT OF OVERPAYMENTS 5
12 REPORTING 6
13 DEFINITIONS 6
14 PROCESS SUMMARY 8

1 PURPOSE AND SCOPE

1.1 The University has a duty to ensure that proper procedures and controls are in place so that Staff Members receive their due entitlements to salaries and wages. Where overpayments occur, the University and Staff Members have a shared responsibility to correct the overpayments.

1.2 This Guideline addresses how overpayments are identified, verified, managed and recovered by the University, and how applications for undue hardship will be assessed. Recovery of overpayments processed via payroll strictly follows Australian Taxation Office (ATO) direction and cannot be deviated.

1.3 The purpose of this Guideline is to enable the effective and efficient management of overpayments:

1.3.1 Providing a transparent and communicated process for managing overpayments;

1.3.2 Ensuring that identified overpayments are promptly addressed and repayment commenced immediately;

1.3.3 Analysing overpayment data to determine the root cause/s; and

1.3.4 Developing an action plan in order to minimise the frequency and causes of overpayments.

1.4 This Guideline applies to all Staff Members.

2 WHAT IS AN OVERPAYMENT?

2.1 An overpayment occurs when a Staff Member receives payment in excess of their contractual entitlements.

2.2 Excess contractual entitlements can include salary, allowances, superannuation and additional leave entitlements and other entitlements accrued over the course of the overpaid periods.

3 IDENTIFYING OVERPAYMENTS

3.1 Overpayments may occur as a result of errors or changes (most commonly FTE, level, increment dates or hourly rate), including:

3.1.1 Data entry errors;

3.1.2 Incorrect application of contract provisions;

3.1.3 Incorrect employment details;

3.1.4 Failure to be notified of changes to Staff Member's employment;

3.1.5 Timesheet and/or work schedule errors or omissions;

3.1.6 PeopleSoft system errors; and

3.1.7 Changes to employment details not adjusted by the change date.

3.2 Overpayments may be identified by the Staff Member, manager, Payroll Function or Staffing Office staff.

3.3 Should an error in a Staff Member's pay be identified, the Payroll Function is to be notified immediately.

4 NOTIFICATION OF OVERPAYMENT

4.1 Where an overpayment is substantiated, the Payroll Function will contact the overpaid Staff Member by letter advising them of:

- The exact overpayment amount as calculated by the payroll system (PeopleSoft);
- How the overpayment occurred; and
- Repayment options and proposed commencement of repayment.

4.2 If the overpayment is greater than $5,000, the overpayment letter will be provided to the Staff Member's line manager and the Staffing Office who will contact the Staff Member in person to discuss the overpayment.

5 REPAYMENT AMOUNT (GROSS OR NET)

5.1 Where the overpayment is identified in the same financial year the overpayment relates to, the payment is to be reversed in the payroll system (as if it did not occur) and the employee will be required to pay the net amount only.

5.2 If an overpayment is identified in a different financial year to when it occurred, an amended Income Statement for that financial year is to be provided to the employee immediately and the Staff Member is required to repay the gross amount.

5.3 If the overpayment spans current and prior financial years, a combination of net and gross repayment will occur.

6 REPAYMENT OF OVERPAYMENTS

6.1 Overpayments to a Staff Member will normally be recovered at the rate the overpayment was made and rectified within the financial year that the overpayment occurred.

6.2 The preferred method of repayment is in full as a lump sum through either:

6.2.1 The Universities payment gateway, https://payments.nd.edu.au/OverpaidSalary; or

6.2.2 Via payroll, over one or multiple pay fortnights if the sum is greater than the fortnightly pay.

6.3 If instalment payment via payroll deduction is agreed, the rate of payment via payroll deductions must not be less than 10% of the total overpayment per fortnight until the overpayment has been fully recovered.

6.4 Superannuation relating to the overpayment will be sought after directly from the Staff Member's superannuation fund.

6.5 Subject to the approval of the Chief Financial Officer and the PVC, People and Culture, the University may pursue debt recovery and legal action should a repayment schedule not be agreed and/or adhered to.

7 SEPARATING OR FORMER STAFF MEMBERS

7.1 Where an overpayment exists on separation, the Payroll Function will recover any remaining overpayment from the separation payment.

7.2 Where an overpayment is identified on separation, the separating Staff Member will be advised of the overpayment and the deduction will be made from the Staff Member's separation payments.

7.3 Superannuation relating to the overpayment will be sought after directly from the Staff Member's superannuation fund.

7.4 If the Staff member disputes the overpayment the normal dispute process as per section 9 below will be followed.

7.5 If the amount to be recovered is greater than a separating Staff Member's final payment, the Payroll Function will seek recovery of the overpayment from the separating Staff Member.

7.6 Where recovery action is unsuccessful, the Payroll Function will notify the Chief Financial Officer and Pro Vice Chancellor, People and Culture and request further advice, including external debt recovery and/or legal action. Recovery procedures will be managed as a matter of urgency.

8 WHERE A STAFF MEMBER DISPUTES THE OVERPAYMENT

8.1 On receiving the overpayment notification from the Payroll Function, a Staff Member may request further information about how the overpayment occurred or how the overpayment amount was calculated. This may result in a total rejection of the overpayment, or an amendment to correct discrepant information relating to the Staff Member's payroll records.

9 OVERPAYMENT HAS BEEN REPAID

9.1 Where the overpayment has been repaid, the Payroll Function will send a finalisation letter to the Staff Member.

10 UNDUE HARDSHIP

10.1 The Chief Financial Officer may vary the rate of overpayment recovery where undue hardship exists.

10.2 Undue hardship indicates unusual and exceptional circumstances of substantial nature, as opposed to mere inconvenience.

11 TAX TREATMENT OF OVERPAYMENTS

11.1 The ATO has made determinations dealing with the tax treatment of overpayments, including that repayments made by a Staff Member, are not considered to be ordinary income and consequently not included in their assessable income.

Repayment of overpayments and your Income Statement

11.2 If the overpayment is identified in the same financial year as the overpayment, the payment is to be reversed in the payroll system (as if it did not occur) and the Staff Member is required to repay the net amount only.

11.3 If the overpayment is identified in a later financial year to when the overpayment occurred, an amended Income Statement for that financial year is to be provided to the Staff Member and the Staff Member is required to repay the gross amount. Upon receipt of the amended Income Statement the Staff Member will need to request an amendment to their tax return from the ATO for each of the individual years impacted.

11.4 If the overpayment period spans across a current and prior financial years, a combination of net and gross repayment will occur.

11.5 Income Statements requiring amendment will only be amended once there is agreement of the overpaid amount or payroll deductions commence.

Fringe Benefits

11.6 Where a Staff Member enters into an agreement to repay the amount in instalments, a loan fringe benefit is provided by the University to the Staff Member. For Fringe Benefits Tax (**FBT**) purposes the taxable value is based on the difference between the interest charges by the employer on the loan (zero %) and the annual FBT benchmark % interest rate.

11.7 If the value of the loan benefit exceeds amounts set by the ATO it may appear on the Staff Member's Income Statement as a reportable fringe benefit.

11.8 Where the Staff Member has entered into an agreement to repay in instalments and subsequently the University waives the debt, a debt waiver fringe benefit arises and the taxable value for FBT purposes is the amount of the loan outstanding.

11.9 Any debt waiver fringe benefits will be payable by the Staff Member.

11.10 The Staff member is responsible for seeking independent financial advice in relation to the overpayment situation and the effect this may have on FBT liability, including any salary packaging arrangements (reportable fringe benefits).

12 REPORTING

12.1 The Chief Financial Officer and Financial Controller will be notified of any overpayment within 48 hours of the overpayment being identified.

12.2 A monthly report will be provided to the Chief Financial Officer and Pro Vice Chancellor, People and Culture listing all overpaid employees identified, including:

12.1.1 Staff Member name;
12.1.2 Staff Member number;
12.1.3 Root cause of overpayment;
12.1.4 Start and duration of overpayment;
12.1.5 Overpayment amount and current status; and
12.1.6 Repayment plan.

13 DEFINITIONS

13.1 For the purposes of this Guideline, the following definitions apply:

ATO means the Australian Taxation Office

Income Statement means the Staff Member's payment information which is provided to the ATO

Payroll Function *means the team within the Finance Office responsible for processing payroll*

Payroll means the process or remunerating staff members

Staff Member means any person employed by the University

University means The University of Notre Dame Australia.

Version	Date of approval	Approved by	Amendment
1	13 August 2020	Chief Financial Officer	Effective date – new Guideline.
	16 July 2021	Pro Vice Chancellor, People & Culture	Change of Policy Owner and Responsible Officer to reflect ownership of payroll function.

14 PROCESS SUMMARY

Process Step	*Responsibility*
Overpayment Identified • Identification may occur from employee, manager or Staffing/Payroll Office staff • Ensure any continuing amount being overpaid is ceased.	Any Payroll function
Calculate Overpayment • Overpayment to be calculated by Payroll • Calculations to be checked by a second Payroll staff member	Payroll function
Advise Overpayment • Contact employee by phone to advise of overpayment • If greater than $5,000, contact employee in person • Advise Chief Financial Officer and Financial Controller of overpayment	Payroll function Manager/Staffing Payroll function
Agree repayment • Send letter to employee with recovery options • Confirmation received from identified Staff Member to repayment	Payroll function Staff Member
Record Overpayment • Record all details in overpayment records • Reverse overpayment in next available pay period (if current financial year) • Amend prior year Income Statement (if not identified in current financial year) • Set up recovery in system if required • Recover superannuation from Staff Member's superannuation fund	Payroll function
Finalise Overpayment • Update overpayment recorder with finalised details • Prepare finalisation letter for Staff Member	Payroll function