

Executive Summary of Investigation Report on the Prevention of Abuse of the Comprehensive Social Security Assistance

Background

No matter how affluent a society may be, there are less fortunate members who require assistance in one form or another. The Comprehensive Social Security Assistance (CSSA) scheme provides the assistance needed.

2. While the community has full sympathy for those in genuine hardship, concern has been expressed over possible abuse of the scheme. Even though such cases are relatively few in number as compared to the total number of CSSA recipients, the administrator of the scheme, Social Welfare Department (SWD) has the responsibility to establish efficient mechanism to deter abuse and to investigate suspected cases.

3. Against this background, The Ombudsman decided to conduct a direct investigation under Section 7(1)(a)(ii) of The Ombudsman Ordinance: any system with scope for abuse and malpractice could constitute maladministration. In May 2003, after informing the Director of Social Welfare (DSW), The Ombudsman declared the investigation.

The Investigation

4. This direct investigation examines:
- i) existing mechanism for prevention of abuse of the CSSA scheme;
 - ii) adequacy and effectiveness of such mechanism; and
 - iii) scope for review for improvement.

History in Brief

5. Since 1971, CSSA has evolved from a simple scheme of providing just the cost of food to a comprehensive system covering a wide range of items. Between 1995/96 and 2002/03, the number of CSSA cases doubled, from 136,201 to 271,893 (99.6%). Expenditure on CSSA increased from \$4.8 billion to \$16.1 billion (235%). For 2003/04, CSSA is estimated to come to \$17 billion or 8.2% of total recurrent public expenditure for the year.

Grants on Offer

6. CSSA comprises the standard rates, supplements and various special grants. The standard rates (**Annex 1**) cater for the most basic needs, i.e. nourishment, clothing and transport. Supplements recognise the special hardship that may be experienced by two groups of recipients: single parents and long-time recipients who are sick, elderly or disabled. Special grants comprise “standard special grants” for recurrent needs, requirements arising from special conditions or occasions and “discretionary special grants” for extremely exceptional circumstances.

Eligibility

7. To be eligible for CSSA, applicants must satisfy both a residence requirement and a means test. Under the residence requirement, applicants must have resided lawfully in Hong Kong for one year while recipients must reside for a specified period of time within a year to be eligible for the full standard rates. For the means test, applicants must not possess assets in excess of the prescribed limits (**Annex 2**). To encourage recipients to take up paid employment, earnings may be disregarded up to \$2,500 a month in recognition of expenditure incurred in employment.

8. To encourage self-reliance among persons aged between 15 and 59 not suffering from certified illness, such applicants have to satisfy one of the following conditions before becoming eligible for CSSA:

- ◆ unable to work due to an acceptable reason, e.g. to take care of young or disabled family members; or
- ◆ working for at least 120 hours with a wage of not less than \$1,430 per month; or
- ◆ actively seeking paid jobs and participating in the Support for Self-reliance Scheme.

Appeal

9. An independent Social Security Appeal Board, appointed by the Chief Executive, considers appeals against SWD decisions on eligibility and payment of CSSA. This comprises entirely of non-officials, with SWD providing secretariat service.

Support for Self-reliance

10. The Support for Self-reliance Scheme comprises the Active Employment Assistance (AEA) programme and Community Work (CW) programme. The AEA programme assists all unemployed and low-income able-bodied recipients not in full-time job to secure employment.

11. Up to March 2003, 14% of recipients have found jobs. Recipients participate in diversified community service under the CW programme, e.g. cleaning country parks and beaches, so as to prepare them for paid employment by developing their self-esteem and confidence.

Mechanism for Preventing Abuse

12. SWD requires applicants to attest to the truthfulness of the information provided in support of their eligibility and to report subsequent changes in financial condition and family status. SWD conducts regular review of continuing eligibility. Its Special Investigation Section (SIS) is responsible for data matching and fraud investigation.

Observations and Opinions

13. Government is committed to its social responsibility to provide for the needy and vulnerable. At the same time, it must ensure proper use of public funds, guard against abuse, maintain self-esteem and prevent erosion of self-reliance. In times of healthy economy, the community is able and ready to look after those less fortunate members. When the economy deteriorates and individuals are increasingly having to grapple with their own financial problems, it is natural that some people begin to question the extent of assistance to be offered to the needy and at what cost. It is inevitable, too, that focus turns on cases of abuse.

14. We see this as necessary but unfortunate:

- ♦ necessary, that a scheme funded by taxpayers' money should benefit those genuinely in need;
- ♦ unfortunate, that the abuse and fraudulent attempts by a small percentage of recipients should cause some in our community to look askance even at *bona fide* beneficiaries. This is unfair to recipients in real hardship and in need of assistance.

Grants on Offer

Standard rates

15. The adjustment of standard rates to reflect deflation has lagged behind the fall in wage level of the lower-income group. In such a situation, those whose skills are less sought after in the labour market have little incentive to seek employment.

Standard Special Grants

16. These grants are intended for all basic necessities other than sustenance, e.g. rental. Applications from eligible recipients are approved almost automatically.

17. Rent allowance for private tenement has to be supported by rental receipt. Abuse is possible if landlords or principal tenants corroborate with recipients. The rent allowance is capped by a number of maxima based on family size but without any correlation to the location of the property. Front-line officers do not have a guide on the rental levels in different districts for assessing the reasonableness of claims for rent allowance.

Discretionary Special Grants

18. The working guidelines on the processing of discretionary special grants are too vague. There is no mechanism at headquarters to review cases approved, standardise the more common and frequent applications and to share information among approving officers. This results in disparity and inconsistency of treatment.

19. When we looked at some of the cases, we were amazed by the justification for the grants or the amounts approved:

- (a) an able-bodied adult reported lost cash five times in less than 17 months. On each occasion, the loss was around \$1,000 and he was granted a total of over \$5,000 to meet his basic needs pending the next regular payment. As an able-bodied adult, the recipient was not made responsible for his own belongings and not expected to bear the consequences of not doing so after the first loss;
- (b) over \$50,000 was given a recipient to renovate his accommodation;
- (c) estate agent commission fees for renting accommodation was granted at one-month's rental when the standard practice in the trade is only half a month's rental;
- (d) fees to consult a private medical practitioner was given on two occasions because the recipient claimed that he could not wait for medical appointments at a public hospital.
- (e) expenses for passport fees were provided for someone who could afford the travelling expenses;

These cases illustrate that in the absence of comprehensive guidelines and information sharing among approving officers, each can only exercise his/her best judgement to process applications. However, SWD has advised that since 1999, a clear message has been sent to all frontline workers to tighten up administration of discretionary special grants. Consequently, these grants made up only 0.06% of total CSSA expenditure in 2002/03.

20. Admittedly not current and hopefully no longer possible, the cases above illustrate the implications of unduly generous discretionary special grants. Even though discretionary special grants constitute only 0.06% of total CSSA funding, or \$3.1 million in 2002/03, we firmly believe that disbursement should still be fair -- and seen to be fair -- and properly administered. We note SWD's earlier efforts at improving monitoring and guidance in this area. Nevertheless, SWD must not be complacent and tighter control is necessary.

21. We cannot understand the rationale of a monetary supplement for single parents as all the basic needs and outgoings have already been catered for by the scheme. We consider non-monetary support more meaningful.

Eligibility

Size of Family

22. There is no limit on the number of dependant children in a recipient family. Over the decades, the community has accepted the concept and related policies of small nuclear families. It is not unreasonable to review the number and standard rates for additional children in the light of this concept.

Residence Requirement

23. From 1 January 2004, the residence requirement will be changed from one year to seven years. Wide publicity of this new policy can help avoid unrealistic expectations from one-way permit applicants. To uphold the spirit of this policy, discretion to relax this new requirement should be exercised sparingly.

Means Test

24. Undisclosed income is a frequent form of abuse. SWD's tolerance could unwittingly condone fraudulent exploitation of the CSSA scheme.

25. An ultimate goal must be to encourage self-reliance for able-bodied recipients. There may be scope to raise the level of disregarded income or to allow CSSA recipients to accumulate income, provided the asset limit is not exceeded.

26. CSSA caters for all possible needs and applications are processed speedily. Hence, the purpose of allowing applicants to keep the current level of assets becomes obscure. The non-inclusion of self-occupied property as assets in most cases may create a possible loophole for abuse. Recipients should explore the possibility of generating some income from such property before taking up CSSA. Non-disclosure of property outside Hong Kong is another area of abuse as it is difficult to detect.

Support for Self-reliance

27. The CSSA scheme should strike a balance between caring for the needy and helping them to stand on their own feet through employment or service to the community when unemployed.

Mechanism to Prevent Abuse

28. The scheme operates on the basis of information supplied by applicants. More training on assessment of applications and detection of deception should be provided to frontline staff. Dissemination of information gleaned from SIS investigations can alert staff to common features of potential abuse and usual tactics for concealing information.

29. Our study of cases revealed serious delays in SIS investigation process. One case took six months to complete while the other three cases took between 15 to 17 months. SWD attributed the delays to heavy workload but we consider the workload per investigator (handling 8.8 cases a month in 2002/03) not so heavy as to justify such time lapses.

30. SWD does not readily resort to criminal sanction against fraud and deception. More efforts are needed to remind recipients to report changes that may affect their eligibility and to deter non-disclosure.

Recommendations

31. The number of fraud cases established in past years is not a true reflection of abuse, only the extent of detection which is limited by SWD's investigation capability.

32. The Ombudsman makes the following recommendations to the Director of Social Welfare for more effective administration of the CSSA scheme –

(a) General

Design publicity programmes targeting specific groups:

- i) to promote a positive perception of the scheme;
- ii) to remind CSSA applicants and recipients of their obligation to provide full and truthful information; and
- iii) to appeal for information on suspected abuse.

(b) Grants on Offer

- i) Review regularly all the different components of the grants so that they remain proportional to the household expenditure of the relevant income sector;
- ii) subsume the standard special grants into the standard grant so that approval is made on verification of needs without requiring recipients to apply for disbursement;
- iii) draw up indices on rental levels in districts for case officers to determine the amount of rent allowance and detect unreasonable claims;
- iv) set up a committee to review discretionary special grants approved, standardise the more common or frequent applications and draw up guidelines for approving officers;
- v) review and standardise follow-up action on repeated claims for discretionary special grants, take a firmer stand in cases where recipients should have assumed certain personal responsibility for his predicament; and
- vi) review the single parent supplement and consider alternative support for these families.

(c) Eligibility

- i) Review the limit on the number of eligible family members with a view to lowering the amount of standard rate for additional family members;
- ii) publicise among intending immigrants the new seven-year residence requirement;

- iii) consider the practical implications of the seven-year residence requirement;
- iv) keep in view the need to enhance the provision of family services to new arrivals;
- v) draw up detailed guidelines on the waiving of the seven-year residence requirement;
- vi) review the level of disregarded income and the arrangements for recipients to accumulate income towards the prescribed asset limit;
- vii) consider lowering the prescribed asset limits for initial entry into the CSSA scheme;
- viii) review the self-occupied property rule and consider limiting the value of such property to be commensurate with the standard of living of most recipients; and
- ix) review the procedures and mechanism for monitoring disclosure of property ownership and transfer of assets outside Hong Kong with a view to stricter enforcement of means testing.

(d) Support for Self-reliance

- i) Evaluate regularly the effectiveness of the AEA programme;
- ii) strengthen liaison with Government departments and non-governmental organisations to explore more openings for community services by recipients;
- iii) review the participation of able-bodied recipients and single parents in the CW programme; and
- iv) continue to explore ways to help victims of recent redundancies, including partnering closely with Labour Department on employment placement.

(e) Mechanism for Preventing Abuse

- i) Provide more training on fraud detection;
- ii) circulate to frontline staff regular reports on cases handled by SIS;
- iii) require case officers to ensure CSSA applicants are aware of their obligation to provide full facts;

- iv) issue guidelines on valuing properties and consider the imposition of penalty where disclosure of ownership is not voluntary;
- v) strengthen procedures in the review of entitlement and continuing eligibility;
- vi) remind staff to refer suspected fraud to SIS without delay;
- vii) prescribe a performance pledge for SIS complaint handling and devise a mechanism to check compliance; and
- viii) take a firm stand on attempts to defraud: step up prosecution action, review the need to impose administrative sanctions, devise a high-level mechanism to review action taken (i.e. revert to prosecution or revise level of penalty).

Comments from SWD

33. Though having reservations over some recommendations, mainly because of perceived difficulty in implementation, SWD has generally accepted the recommendations. Implementation of some of them is already underway.

Final Remarks

34. The Ombudsman is pleased to learn that DSW has generally accepted our recommendations. The Ombudsman realises that implementation of some of them, particularly those touching on policy matters, may take time. In this connection, SWD is asked to report progress every six months.

35. The Ombudsman is grateful to DSW and staff for assistance throughout this investigation.

Concluding Comments

36. There is no doubt that a safety net is necessary for the vulnerable and the needy. However, a credible system for investigating attempts to defraud and a demonstrable determination to punish defrauders would help to uphold the integrity of the CSSA scheme. This would assure the community that the scheme benefits those genuinely in need and that these persons should not be tarnished or stigmatised by the misconduct of those who abuse the CSSA scheme.

Office of The Ombudsman
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Standard rates (effective from 1 October 2003)

	<i>(\$ per person per month)</i>			
	Single person	Family member		
Elderly person 60 or above				
Able-bodied/50% disabled	2,400	2,265		
100% disabled	2,910	2,570		
Requiring constant attention	4,095	3,750		
Sick/Disabled adult under 60				
Sick/50% disabled	2,030	1,845		
100% disabled	2,540	2,195		
Requiring constant attention	3,720	3,375		
Disabled child				
50% disabled	2,705	2,360		
100% disabled	3,215	2,870		
Requiring constant attention	4,390	4,055		
		Family of not more than 2 able-bodied adults/children	Family of 3 able-bodied adults/children	Family of 4 or more able-bodied adults/children
Able-bodied adult under 60				
Single parent/Family carer	--	1,745	1,575	1,395
Other adult	1,605	1,430	1,290	1,145
Able-bodied child	1,920	1,595	1,435	1,275

Source: SWD

For example, a family of a couple with two children, all able-bodied, will receive a monthly standard grant of \$4,840 ($\$1,145 \times 2 + \$1,275 \times 2$). Additional able-bodied children will each be entitled to a further standard grant of \$1,275 a month.

For single applicants, the prescribed limit is:

Condition of applicant	Prescribed assets
Able-bodied adult	\$22,000
Child, disabled or elderly adult, sick person	\$34,000

The prescribed limits for families are:

No. of family members	Family composition					
	With no able-bodied member	With one able-bodied adult/child	With two able-bodied adults/children	With three able-bodied adults/children	With four able-bodied adults/children	With five able-bodied adults/children
2	\$51,000	\$48,500	\$29,000	--	--	--
3	\$68,000	\$65,500	\$63,000	\$43,500	--	--
4	\$85,000	\$82,500	\$80,000	\$77,500	\$58,000	--
5	\$102,000	\$99,500	\$97,000	\$94,500	\$92,000	\$58,000
6	\$119,000	\$116,500	\$114,000	\$111,500	\$109,000	\$92,000

