



Our Ref. : SWD/Prog-10/2020/3
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4 January 2021

Public Accounts Committee
Legislative Council Complex,
1 Legislative Council Road,
Central, Hong Kong
(Attn.: Ms Wendy JAN)

Urgent by email :
wyan@legco.gov.hk
kmho@legco.gov.hk &
pkwlai@legco.gov.hk

Dear Ms JAN,

Public Accounts Committee
Consideration of Chapter 10 of the Director of Audit's Report No. 75
Provision of humanitarian assistance to non-refoulement claimants
By the Social Welfare Department

Thank you for your letter dated 23 December 2020 to the Director of Social Welfare regarding the captioned subject. I am now authorized to give you this reply.

Attached please find our reply (in Chinese and English) and its soft copy for your information.

For enquiry, please contact Miss Monica MOK, Senior Social Work Officer (Family)1, at 2892 5169.

Yours sincerely,

(Ms PANG Kit-ling)
for Director of Social Welfare

cc Secretary for Security (email: lee@sb.gov.hk)
Secretary for Financial Services and the Treasury (email: sfst@fstb.gov.hk)
Director of Audit (email: john_nc_chu@aud.gov.hk)

Chapter 10 of the Director of Audit's Report No. 75
“Provision of humanitarian assistance to non-refoulement claimants by
the Social Welfare Department”
Questions asked and information requested by Public Accounts Committee
(Written reply)

Part 1: Introduction

1) In reference to Table 2 of paragraph 1.10, how does the Government formulate the standard level of humanitarian assistance (including monthly rent of \$1,500 per adult and monthly food assistance of \$1,200, etc.)?

A: Since 2006, the Government has commissioned a non-governmental organisation (NGO) to offer in-kind assistance to non-refoulement claimants (NRCs) who are deprived of basic needs during their presence in Hong Kong to prevent them from becoming destitute, while at the same time avoiding any magnet effect which may have serious implications on the long-term sustainability of the assistance programme and our immigration control. The Social Welfare Department (SWD) determines the level of various types of humanitarian assistance by reviewing a basket of factors including the data provided by the service contractor and the needs of service users, etc. In February 2014, taking into account the views of concerned NGOs, changes in price level and other relevant factors (including the public expenditures), the Government implemented the enhancement measures of the humanitarian assistance programme which have been effective until today.

Part 2: Provision of humanitarian assistance under the service contract

2) According to Table 3 of paragraph 2.4, the amount of assistance provided to service users under the service contract fell during the 10-month period 1 April 2018 to 31 January 2019, yet the figure rebounded afterwards. Will the Government inform this Committee of the reasons?

A: The change in the overall amount of assistance provided to service users is mainly due to changes in the number of service users. The number of service users began to decline steadily, falling from 13 622 in June 2017 to 11 047 in January 2019. As such, the overall amount of assistance provided to service users for the period from 1 April 2018 to 31 January 2019 decreased correspondingly.

- 3) Regarding the late submission of monthly service statistics reports, financial reports and rental deposit reports by the service contractor in reference to Table 5 of paragraph 2.6, the note remarked that delay in submission was most serious in the period from February 2017 to September 2018. SWD explained that the delay was mainly due to a system error encountered by the service contractor, as well as a change in the format of the monthly financial statements requested by SWD in early 2018. Will the Government inform this Committee of the reasons in detail?

Apart from the aforementioned period, e.g. from 1 February 2019 to 31 January 2021, why is there still such a large proportion of late submissions, i.e. 14 monthly financial statements (100%) and 7 monthly rental deposit reports (50%)?

- A: Unlike the previous service contracts, the new service contract that commenced in February 2017 adopted a new reimbursement mode and demarcation of service regions. The service contractor had found errors in handling and recording the data of over 10 000 service users and various types of assistance at the early stage of the contract. As such, the service contractor had to amend the monthly reports submitted between 2017 and 2018. To enhance the accuracy of the reports, the service contractor has begun reviewing and consolidating the workflow since 2018, including internal accounting and financial arrangements, so as to meet the reimbursement requirement of the new contract regarding the provision of the amount of assistance to service users and administrative costs. Moreover, in order to have a better grasp of the administrative costs of the service contractor, in 2018, SWD requested the service contractor to list out a breakdown of expenditure.

For the period from 1 February 2019 to 30 November 2020, there were late submissions of monthly financial statements by the service contractor. The reason is that the service contractor often had to wait for the half-monthly expenditure reports to be confirmed by SWD in the middle of the month before submitting the monthly financial statements. Although this practice could enhance the accuracy of the reporting materials, it caused the service contractor to submit the reports beyond the time limit. SWD immediately requested the service contractor in November 2020 to improve the procedures in order to facilitate the timely submission of monthly financial reports in accordance with the contract requirement.

As for late submissions of monthly rental deposit reports in the aforementioned period, the delay is mostly due to amendment of data in the report made by the service contractor, as well as revisions made in response to the change of reporting format in March 2019. SWD will continue to closely monitor the submission of financial reports by the service contractor and make further enhancement whenever necessary.

- 4) According to paragraph 2.7, late submission of audited financial statements by the service contractor would result in late return of the balance of rental deposits to SWD. Note 9 remarked that the balance of rental deposits of \$10.2 million was returned to SWD only on 18 December 2019 (i.e. more than 10 months after the expiry of the contract). In this regard, will the Government conduct a review and speed up the recovery of the relevant rental deposits?

A: For the service contract ending 31 January 2019, the service contractor delayed the submission due to format changes of the audited financial statements and other related reasons. SWD has clarified with the service contractor on the format requirements of the statements. Furthermore, upon review of the situation, SWD has reminded the service contractor as early as possible to submit the reports in a timely manner and demand the return of rental deposits in accordance with the contract requirement. To safeguard the interest of the Government, the service contractor has to return the related interests in one go when returning the rental deposits.

- 5) According to paragraph 2.8, the monthly service statistics reports submitted by the service contractor only indicated the number of cases taken up within 3 working days, 4 to 10 working days or more than 10 working days in the period from 1 February 2017 to 31 March 2020. Accordingly, SWD could not ascertain from the said reports the number of certain non-compliant cases (e.g. urgent cases not taken up within 2 working days in the period from 1 February 2017 to 31 January 2019 and regular cases not taken up within 7 working days in the period from 1 February 2019 to 31 March 2020). Did SWD ask for an explanation from the service contractor about the reason(s) why it had not reported the number of cases that fall within the specific timeframe of the aforesaid services (i.e. providing services within 2 and 7 working days)? According to paragraph 2.11(b), SWD has adopted the modified monthly service statistics report starting from October 2020. Has the service contractor used the new format in its submission of monthly service statistics reports? Has the performance of the service contractor after

October 2020 complied with the specific timeframe stated in paragraph 2.8(b)?

- A: The service contractor has submitted relevant monthly service data to SWD by way of service statistical reports. Despite the fact that the performance of the service contractor could not be fully monitored and reflected because of the reporting requirements within the aforesaid contract period, SWD has performed spot checks on individual cases during surprise visits to the office of the service contractor so as to find out the reason(s) why it failed to comply with the specified timeframe for taking up cases.

SWD has since October 2020 requested the service contractor to use the modified monthly service statistical report to record the number of all non-compliance cases (i.e. urgent cases not taken up within 3 working days and regular cases not taken up within 7 working days) and reasons. As shown in the monthly statistical reports of October and November 2020 submitted by the service contractor, the respective percentages of service provision within the specified timeframe are 92.8% and 98%. According to the explanation of the service contractor, it failed to provide services within the specified timeframe because one of its offices had suspended its services for 5 days due to the identification of a COVID-19 confirmed case in early October, while the remaining cases were due to the loss of contact with the applicant, multiple rescheduling of interview because of absence of the applicant, or failure of the applicant to attend the interview owing to hospitalisation, etc., leading to failure of the service contractor to complete the assessment procedures in time. SWD has requested the service contractor to formulate enhancement plans, including stepping up internal monitoring, strengthening manpower deployment and enhancing means to contact applicants, with a view to improving its service performance.

[Internal reference: 141 out of 152 referrals and 196 out of 200 referrals were handled by the Service Contractor within the time frame in October and November 2020 respectively]

- 6) According to paragraph 2.15, Audit examined the monthly service statistics report prepared by the service contractor on the Hong Kong, Kowloon and Islands (HKKI) region in January 2020, and found that of 2 843 service users receiving rent assistance in the HKKI region, the caseworkers of the service contractor conducted visits to 156 (5.5%) service users. However, of the 156 visits, 74 (47%) were unsuccessful attempts (i.e. the service users were not at home). Would the Government inform this Committee

of the follow-up actions if the service users are not at home when caseworkers of the service contractor conduct visits?

- A: According to the service contract, the service contractor shall conduct comprehensive assessments and home visits prior to approval of each rent assistance case, and conduct monthly spot checks on 5% of the total number of service users receiving accommodation assistance in that month in order to ensure the proper use of the assistance. In May 2020, the service contractor established an Internal Audit and Investigation Unit (IAIU) to strengthen its monitoring on the use of accommodation assistance. In the event of unsuccessful visits due to service users not being at home, the investigator will revisit the service user concerned. The service contractor will immediately suspend the accommodation assistance to service users of dubious cases or who cannot be reached in the 2 said visits.
- 7) According to paragraph 2.32(a), in two cases, the actual rents paid by the service users exceeded the standard rate of rent assistance by about \$800 and \$1,200 respectively. Upon enquiry by the service contractor in the vulnerability and needs assessment, the service users refused to disclose the source of financial support. According to paragraph 2.32(b), in another two cases, the actual rents paid by the service users exceeded the standard rate of rent assistance by about \$200 and \$500 respectively. There was no documentary evidence indicating that the service contractor had asked for the sponsorship information. Regarding the suspected cases concerned, what are the follow-up actions of the Government?
- A: Regarding the situation mentioned in paragraphs 2.32(a) and (b), SWD has requested the service contractor to adopt more stringent measures in vetting the financial status of applicants. Subject to the result of vetting, SWD will consider suspending the applications for humanitarian assistance or deducting the amount applied from NRCs who refuse to provide information. Besides, if service user has provided false information for the purpose of receiving accommodation assistance, the service contractor will commence formal investigation, and report to SWD or refer the case to the Police for follow-up.
- 8) According to paragraph 3.2, SWD has commissioned the food contractor since February 2017 through open tendering. Would the Government advise the eligibility of tenderer, the total number of tenders received and

whether the number of eligible potential contractors in the market has been evaluated?

A: Complying with the Agreement on Government Procurement of the World Trade Organization and the Stores and Procurement Regulations, SWD has conducted two open tendering exercises for the provision of food assistance to NRCs under the “Supply of Food by Electronic Purchase to the Social Welfare Department” (food contract). In the tender documents, the Government has not required the tenderers to have relevant experience or qualifications, but they will have to meet the minimum requirements in terms of the number of outlets and geographical distribution. SWD evaluated that there were at least over 100 potential contractors in local and overseas market. Two tenders from local market were received in each of the two tendering exercises.

9) According to Table 10 of paragraph 3.8, the percentage of late submission of monthly statistical reports and monthly payment reports by the food contractor reached 97% during the period from 1 February 2017 to 31 August 2019. According to Table 11 of paragraph 3.14, the percentage of late submission of monthly certification reports by the service contractor reached 100% during the period from 1 June 2019 to 31 March 2020. According to paragraph 3.15, SWD indicated that sometimes the service contractor had to clarify with the food contractor on inconsistencies in the statistical reports, resulting in longer time taken to certify correct the reports. In this connection, has the Government conducted reviews and made improvements with the food contractor, such as facilitating statistical work and certification through application of information technology?

A: Upon SWD’s reflection of the situation, the food contractor has redeployed designated manpower to handle matters relating to the food contract. Therefore, there has not been any delay in the submission of the monthly statistical reports since May 2020. SWD will continue to adopt appropriate monitoring measures. Meanwhile, to expedite the completion of certification reports by the service contractor, SWD will liaise with the service and food contractors on improvement plans, including reviewing the workflows for statistical work and certification, and studying the feasibility of providing basic data by the service contractor to the food contractor before it submits the monthly reports, with a view to improving the accuracy of the reports.

10) Regarding matters relating to misuse of electronic tokens (e-tokens) in paragraphs 3.29 to 3.33, will the Government inform this Committee of the following:

- (a) whether service users and salespersons of food outlets of the food contractor know that bulk purchases of non-staple food will be regarded as misuse of e-tokens?
- (b) what measures have been taken by the Government to ensure that both service users and salespersons of food outlets are fully aware of the relevant terms of using e-tokens?
- (c) whether there were conflicts between frontline salespersons and service users in the past? If so, what were the relevant figures and what corresponding measures were taken?

A: Before issuing e-tokens to service users, the service contractor will state clearly the proper use of e-tokens and consequences of misuse. Service users' purchase receipts will also be verified during the monthly contract renewal to confirm whether they have misused the e-tokens. Besides, relevant terms and conditions of use are provided on the back of each e-token. The food contract has also specified that the food contractor shall formulate a staff training guideline so as to assist frontline staff in understanding the proper use of e-tokens and procedures of data checking. According to SWD's record, except for 1 complaint received in relation to poor attitude of frontline staff, SWD has not received any report on conflicts between frontline staff and service users.

Part 4: Other administrative issues

11) According to Note 16 of paragraph 4.2, under the service contracts signed before 2017, the contractor undertook that not less than 77% of the total service fee (i.e. the contract sum) should be spent in the provision of assistance to the service users. Has the above commitment been included in the service contracts signed after 2017? If not, what are the reasons?

According to the 3 periods (from 1 February 2017 to 31 March 2020) listed in Table 16 of paragraph 4.3, the proportion of assistance provided to service users to the total contract sum had declined continuously (71%, 68% and 65% respectively), reflecting that the proportion of administrative cost had increased continuously. Would the Government advise on the reasons for that?

A: Unlike previous service contracts under which the service contractor undertook to provide all types of humanitarian assistance to NRCs, the humanitarian assistance have been split into two contracts since February 2017, namely “Administering and Delivery of Assistance for Non-refoulement Claimants” (the service contract) and “Supply of Food by Electronic Purchase to the Social Welfare Department” (the food contract). The amounts listed in Table 16 only included the assistance directly provided to service users (except for food assistance) and administrative cost paid to the service contractor. As the amount of food assistance provided to service users is not taken into account, the proportion of assistance provided to service users to the total contract sum worked out based on Table 16 cannot fully reflect the actual situation.

If the amount of food assistance is included in the total amount of assistance, the actual proportion of direct assistance provided to service users to the total contract sum during the above 3 periods (i.e. from 1 February 2017 to 31 March 2018, from 1 April 2018 to 31 January 2019, and from 1 February 2019 to 31 March 2020) will be 78%, 76% and 73% respectively, which are similar to those figures in the contracts before 2017. It is worth noting that under the service contracts, the administrative cost payable is calculated on a sliding scale (i.e. the greater the total number of service users, the lower the administrative cost per service user that the service contractor can apply for). As the total number of service users had decreased from 2017 to 2019, the unit administrative cost per service user would slightly increase.

12) According to paragraph 4.9, SWD indicates that there has been a lack of market interest in tendering for the service contract. Since 2010, service contracts had been awarded through open tendering. In each tender exercise, only 1 tenderer submitted a tender. According to paragraph 4.10, Audit Commission noted that tenderer’s experience had been stated as an essential requirement in the tender documents. This might have hindered other organisations to participate in tendering. According to paragraph 4.12, SWD agrees with the Audit recommendations, and according to paragraph 4.12(b), SWD will remove the tenderer’s experience as an essential requirement in submitting the tender when issuing the invitation in the next round of tendering. Apart from removing the tenderer’s experience, has the Government conducted a comprehensive review in this respect, including consultation with various stakeholders, such as potential contractors? What measures have been taken by SWD to enhance the competitiveness of tendering? If so, what

are the details? What measures will be taken in future to promote competitiveness?

A: Apart from removing the tenderer's experience as a basic requirement in the next round of tendering, SWD has adopted different strategies to attract more tenderers to participate in the tendering process, whereby enhancing competitiveness. These include actively inviting potential tenderers in the market to participate in the tender exercise, splitting the original service contract into 3 contracts to attract the participation of potential contractor of smaller scale, etc. SWD will continue to monitor the situation and implement measures where practicable to enhance the competitiveness of tendering.

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