

Report No. 47 of the Director of Audit – Chapter 3

ALLOCATION OF PUBLIC RENTAL HOUSING FLATS

Summary

1. The Housing Authority (HA) was established as a statutory body in April 1973 under the Housing Ordinance (Cap. 283). The primary role of the HA is to provide subsidised public rental housing (PRH) flats for low-income families that cannot afford private rental accommodation. The HA also provides interim housing (IH) flats and transit centres (TCs) as temporary accommodation for families facing short-term problems in finding suitable accommodation. As at 31 March 2006, the HA provided 682,316 PRH flats for 2.02 million people. The Housing Department (HD) acts as the executive arm of the HA in implementing the housing policies. The HD is responsible primarily for the provision of PRH flats, IH flats and TCs, and the assessment of eligibility of various forms of public housing assistance.

Handling of applications for the allocation of public rental housing flats

2. **Verification of declared income and assets.** The Audit Commission (Audit) noted that: (a) the staff of the HD had not critically checked the balances in the bank-books and bank statements to ensure that the declared income and assets of the applicant and family members were correct; and (b) applicants and family members were required to produce their tax returns and other remuneration records only if their applications were considered as doubtful cases. *Audit has recommended that the Director of Housing should: (a) remind the staff of the HD to critically examine the bank-books and bank statements produced by applicants and family members; (b) consider requiring applicants and family members to produce records of Mandatory Provident Fund contributions and tax returns to substantiate their declared income; and (c) consider keeping copies of such records for future reference or further checking.*

3. **Delay in deleting the names of deceased persons.** Audit analysed HD report of the deceased applicants and deceased family members as at 8 April 2006. It was found that, after more than one month, the Allocation Section of the HD had not taken follow-up action to delete the names of 57 deceased persons from the Waiting List (WL). *Audit has recommended that the Director of Housing should: (a) issue guidelines that the names of deceased applicants and deceased family members should be promptly deleted from the WL;*

and (b) ensure that HD staff expedite action to ascertain whether those applicants, especially those applicants under the elderly priority schemes, are still eligible for the allocation of PRH flats after the death of a family member.

4. ***In-depth checking of selected applications.*** Audit found that the Task Force Against Abuses of Public Housing Resources (Task Force) had only conducted in-depth checking on the assets of applicants and family members. The Task Force did not check the income of applicants and family members in respect of applications referred to it by the Allocation Section. *Audit has recommended that the Director of Housing should require the Task Force to check the income, in addition to the assets, of applicants and family members in respect of applications referred to it by the Allocation Section.*

5. ***Investigation cases referred to the Task Force.*** For the years from 2003-04 to 2005-06, the Allocation Section processed, on average, 36,228 applications each year. Only 11 suspicious cases were referred by the Allocation Section to the Task Force for in-depth checking. Audit noted that the HD had not issued guidelines on referral of suspicious cases by the Allocation Section to the Task Force for in-depth checking. *Audit has recommended that the Director of Housing should issue guidelines on the referral of all suspicious cases by the Allocation Section to the Task Force for in-depth checking.*

6. ***Prosecution of PRH applicants.*** Audit found that in recent years, there was a drop in the number of prosecutions on those applicants who had been found to have given false information. The number of prosecution cases dropped from 113 in 2000-01 to 34 in 2004-05. Despite the high conviction rates (i.e. from 94% to 100%), the prosecution rates dropped from 74% in 2000-01 to 39% in 2004-05. *Audit has recommended that the Director of Housing should step up: (a) prosecution action against persons who knowingly make a false statement in an application for the allocation of a PRH flat; and (b) publicity efforts on the convicted cases in order to achieve a better deterrent effect.*

Reservation of public rental housing flats

7. ***Flats reserved by the Urban Renewal Authority (URA).*** The number of PRH flats taken up by people affected by the URA projects (i.e. clearerees) was much lower than that reserved by the URA. On average, only 20% of the reserved PRH flats for the years from 2002-03 to 2005-06 were taken up by clearerees. *Audit has recommended that the Director of Housing should, in consultation with the URA: (a) critically review the existing arrangement of reserving and forecasting the demand for PRH flats each year; and (b) ensure that PRH flats not taken up by clearerees are returned promptly to the HA.*

8. **Flats withheld for major repair.** Audit found that as at 19 May 2006, because of major repair works, 128 flats had been withheld from letting for three months or more, including 99 (77%) flats withheld for six months or more. *Audit has recommended that the Director of Housing should expedite action to complete major repair works in flats and release them for letting.*

Provision of housing for senior citizens

9. **High vacancy rate of housing for senior citizens (HSC) units.** The vacancy rate of HSC units had increased from 17% as at 31 March 2001 to 25% as at 31 March 2006. The number of vacant HSC units increased by 836 (52%) from 1,602 as at 31 March 2001 to 2,438 as at 31 March 2006. *Audit has recommended that the Director of Housing should, in consultation with the HA: (a) formulate a long-term strategy to address the problem of vacant HSC units; (b) take expeditious action to reduce the number of vacant HSC units; and (c) continue to offer vacant HSC units to other applicants on the WL through the normal allocation process and the Express Flat Allocation Scheme (EFAS).*

10. **Delay in putting the HSC units in Tin Shui Wai to beneficial uses.** As at 31 March 2006, 161 (82%) of the 197 HSC units in Tin Chak Estate in Tin Shui Wai had remained vacant, including 157 units vacant for more than five years. *Audit has recommended that the Director of Housing should expedite action to put the vacant HSC units in Tin Chak Estate to other beneficial uses.*

Provision of interim housing flats and accommodation in transit centres

11. **IH flats.** As a licence condition, households living in IH flats (i.e. IH licensees) are required to apply for registration on the WL. Those with total monthly income or net asset value exceeding the maximum limits specified by the HA, or with domestic property ownership, are ineligible for the allocation of PRH flats. They are allowed to stay at IH flats for one year to look for alternative accommodation. Audit found that as at 31 March 2006: (a) out of 4,111 IH licensees, 775 (19%) licensees had not been registered on the WL and 573 (14%) licensees had cancelled or withdrawn their registrations; (b) the total monthly income of 241 (42%) out of the 573 IH licensees had exceeded the maximum limits specified by the HA but the HD had not requested them to move out from their IH flats; (c) 227 (94%) of these 241 IH licensees had stayed at IH flats for more than one year; and (d) 1,954 (32%) out of 6,156 IH flats in the four IH estates had remained vacant. *Audit has recommended that the Director of Housing should: (a) take effective measures to ensure that all IH licensees promptly apply for registration on the WL and take prompt follow-up action on all cancellation or withdrawal of registration cases; (b) ascertain the reasons for not requiring IH licensees to move out from the IH flats after staying for more than one year and review the justifications for exemption; and (c) expedite action to explore the feasibility of converting vacant IH flats into other beneficial uses.*

12. **TCs.** The HD operates the Wong Chuk Hang TC and the Po Tin TC. Residents not fulfilling the eligibility criteria for PRH flats may stay at TCs for a maximum of three months. Audit found that: (a) during the period from December 2000 to May 2006, the average vacancy rate of the Po Tin TC was 81%, while that of the Wong Chuk Hang TC was 92%; (b) as at 31 May 2006, 68 out of 122 residents at the Po Tin TC and all the 8 residents at the Wong Chuk Hang TC had stayed at the TCs for more than three months; and (c) the HD had planned to close the Wong Chuk Hang TC by November 2006 upon satisfactory rehousing of all residents. *Audit has recommended that the Director of Housing should: (a) review the demand for temporary accommodation in the Po Tin TC and explore the feasibility of converting the surplus accommodation into other beneficial uses; (b) expedite action to ascertain the eligibility of the residents staying at the TCs for the allocation of PRH flats; and (c) expedite action to rehouse the 8 residents at the Wong Chuk Hang TC so that the site can be returned to the Government as soon as possible.*

Letting of less popular flats

13. **Identification of less popular flats.** Audit found that before the launching of an EFAS exercise, not all estate offices had returned the standard forms and information about vacant flats with unfavourable factors to the Allocation Section. *Audit has recommended that the Director of Housing should introduce control measures to ensure that, before the launching of an EFAS exercise, all estate offices provide the necessary information about less popular flats for the Allocation Section.*

14. **Acceptance of less popular flats by applicants.** In the first ten EFAS exercises, the acceptance rates of less popular flats ranged from 14.1% to 41%, with an average acceptance rate of 33.7%. The average acceptance rate was low. *Audit has recommended that the Director of Housing should: (a) consider offering more chances to applicants for them to select less popular flats pooled in the EFAS exercises; and (b) consider relaxing the allocation standard on flat size in the EFAS exercises in warranted cases.*

15. **Remedial actions to improve the conditions of less popular flats.** Audit found that: (a) the HD had not taken any action to modify the toilets of less popular flats, other than the one-person units, in Po Tin Estate; and (b) in the tenth EFAS, 1,214 (77%) out of the 1,586 unselected flats had remained vacant for over one year, including 485 (31%) flats vacant for over three years. *Audit has recommended that the Director of Housing should: (a) take prompt remedial actions to increase the chances of letting less popular flats, including carrying out of modification works in warrant cases; and (b) explore the possibility of converting vacant less popular flats into other beneficial uses.*

Response from the Administration

16. The Director of Housing agrees with all the audit recommendations.

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