

## **CHAPTER 3**

**Transport and Housing Bureau  
Hong Kong Housing Authority  
Housing Department**

**Allocation and utilisation of  
public rental housing flats**

**Audit Commission  
Hong Kong  
30 October 2013**

*This audit review was carried out under a set of guidelines tabled in the Provisional Legislative Council by the Chairman of the Public Accounts Committee on 11 February 1998. The guidelines were agreed between the Public Accounts Committee and the Director of Audit and accepted by the Government of the Hong Kong Special Administrative Region.*

Report No. 61 of the Director of Audit contains 10 Chapters which are available on our website at <http://www.aud.gov.hk>

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# ALLOCATION AND UTILISATION OF PUBLIC RENTAL HOUSING FLATS

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# ALLOCATION AND UTILISATION OF PUBLIC RENTAL HOUSING FLATS

## Executive Summary

1. In Hong Kong, public housing resources are valuable and heavily subsidised. The Hong Kong Housing Authority (HA) is a statutory body established under the Housing Ordinance (Cap. 283) to develop and implement a public housing programme which seeks to achieve the Government's policy objective of meeting the housing needs of people who cannot afford private rental accommodation. The Housing Department (HD) is the executive arm of the HA. As at 31 March 2013, the HA had a stock of about 728,000 public rental housing (PRH) flats, accommodating some 2 million people (710,000 households). The primary role of the HA is to provide subsidised PRH to low-income families. The HA maintains a Waiting List (WL) of PRH applicants. As at 31 March 2013, there were 116,000 general applicants and 112,000 applicants under the Quota and Points System (QPS) on the WL. The Audit Commission (Audit) has recently conducted a review to examine the allocation and utilisation of PRH flats (paras. 1.2, 1.3, 1.4, 1.8, 1.9, 1.12 and 2.2).

### **Allocation of flats to people in need of public rental housing**

2. **WL management.** The Housing Department (HD) manages the allocation of PRH flats through a waiting-list system operating mainly on a first-come-first-served basis. The HA's current target is to maintain the average waiting time (AWT) at around three years for general applicants (including both family applicants and single elderly applicants) and around two years for single elderly applicants. The definition of AWT and the basis of its calculation are not disclosed through common channels accessible to the general public. Audit found that 29% of the general applicants on the WL as at 31 March 2013 had waited for 3 years or more. In particular, 7% had waited for 5 years or more (paras. 1.8, 2.2, 2.15 and 2.24).

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3. **QPS.** The QPS was introduced in September 2005 for the allocation of PRH to non-elderly one-person applicants. Audit found that, as at 31 March 2013, about 30% of the QPS applicants had waited for more than three years. Besides, 57% of the QPS applicants were aged 30 or below. Audit also noted that the feature under the current QPS system of awarding four times as many points to each year of waiting on the WL as compared to each year of age increase at the time of application would encourage more young applicants to apply for PRH early. The QPS has been operating in the current mode for some eight years since its inception. It is an opportune time for the HA to conduct a comprehensive review of the QPS (paras. 2.33, 2.37, 2.38, 2.40 and 2.43).

4. **Processing of applications.** To deter false declarations by applicants, annual random checks on income and assets for 300 applications would be conducted by the Public Housing Resources Management Sub-section (PHRM) of the Estate Management Division of the HD. The agreed timeframe for PHRM's investigation was around three months. Audit noted that, in 2012-13, the average case investigation time was more than five months. Unduly long time taken by PHRM for checking would delay the PRH application and flat allocation process for those affected (paras. 2.73 to 2.75 and 2.78).

### **Maximising the rational utilisation of public rental housing flats**

5. **Unoccupied flats.** Vacant stock of PRH flats is an important source of supply for allocation to eligible applicants. As at 31 March 2013, there were 12,471 unoccupied flats, representing about 1.7% of the total stock of PRH flats. Among these unoccupied flats, 4,370 were "unlettable", 4,137 were "lettable vacant", and 3,964 were "under offer". 21% of the "lettable vacant" flats had been vacant for one year or more, and 2% for five years or more. Audit also found during site visits to housing estates in mid-2013 that many "under offer" flats had been vacant for more than three months. The refurbishment period (with a target turnaround time of 44 days) for some unoccupied flats was quite long (ranging from 5 months to more than 3 years) (paras. 3.2, 3.4, 3.7, 3.10, 3.12 and 3.13).



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6. ***Well-off Tenants Policies.*** To ensure the rational allocation of limited public housing resources, the HA encourages PRH households who have benefited from a steady improvement in their income and assets to return their PRH flats to the HA for reallocation to families that are more in need of the PRH flats. In 1987 and 1996, the HA implemented respectively the Housing Subsidy Policy (HSP) and the Policy on Safeguarding Rational Allocation of Public Housing Resources (SRA), which are collectively referred to as “Well-off Tenants Policies”. The HSP requires tenants who have been living in PRH for 10 years or more to declare their household income biennially. Tenants with a total household income exceeding the prescribed subsidy income limits are required to pay additional rent, and declare assets biennially under the SRA to assess their continuing eligibility for PRH. The Well-off Tenants Policies have been implemented for many years. With reference to the Hong Kong 2011 Population Census Report, many PRH households should have already benefited from considerable improvement in their income over the years. However, as at 31 March 2013, only 3% of PRH households were paying additional rent under the HSP. In view of the long WL and the increasing AWT for PRH in recent years, the HA needs to critically review the Policies for further improvements (paras. 3.26 to 3.28, 3.36, 3.37 and 3.39).

7. ***Under-occupation (UO) of PRH flats.*** The HA has put in place a policy requiring a household with living space exceeding the UO standards to move to another PRH flat of appropriate size. Audit found that, as at 31 March 2013, there were 54,555 UO households, representing about 7.7% of the total number of PRH households. Among these UO households, 42,164 (77%) cases had remained unresolved for two years or more. In particular, 9,224 (17%) cases had remained unresolved for 10 years or more. There were also 2,405 UO households each occupying two or more flats. Among them, there were 9 one-person households each occupying two flats, and 224 two-person households each occupying two flats (paras. 3.43, 3.46, 3.50 and 3.57).

### **Tackling abuse of public rental housing**

8. ***Checking of eligibility.*** In applying for PRH, the applicant must submit the completed application form together with the required supporting documents for preliminary vetting of his eligibility for registration. Audit notes that, while supporting documents relating to the declared income and assets are generally required to be submitted, supporting documents relating to investments and deposits are exempted. Besides, the HD only selects a sample of 300 applications a year for in-depth checking, representing a small percentage of applications on the WL (paras. 4.2, 4.4 and 4.11).

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9. ***Processing of income/asset declarations.*** Under the HSP (see para. 6 above), tenants are required to declare the household income in an income declaration form. The majority of these HSP cases (over 98%) are processed by the estate offices. Under the SRA, tenants are required to declare the household assets in an asset declaration form. PHRM is responsible for reviewing all SRA cases and investigating doubtful HSP cases referred by the estate offices, as well as the randomly selected HSP cases. In the past five years, on average, PHRM checked some 3,700 SRA/HSP cases a year, and some 650 cases (18%) were found with false declarations. The false declaration rate appeared to be high (paras. 4.20, 4.21, 4.23, 4.26 and 4.27).

10. ***Enforcement actions.*** Applicants for PRH and existing PRH tenants are required to declare their household income and/or assets and family particulars in order to assess their eligibility or continuing eligibility under various housing management policies. Prosecution action might be taken against false declaration cases. Audit noted that the prosecution rate was low in the past two years, mainly due to lack of sufficient evidence. There is a need to enhance legal training to equip HD staff with the general knowledge of gathering sufficient evidence and handling false declaration cases (paras. 4.53, 4.63 and 4.67).

### Way forward

11. In September 2012, the Government set up a Steering Committee, chaired by the Secretary for Transport and Housing, to conduct the Long Term Housing Strategy (LTHS) Review. In September 2013, the Committee produced a consultation document on the LTHS with proposed recommendations for three months' public consultation. Audit considers that the Administration needs to take into account Audit's observations and recommendations when examining the way forward for the LTHS Review (paras. 1.10, 5.5 and 5.7).

### Audit recommendations

12. **Audit recommendations are made in the respective sections of this Audit Report. Only the key ones are highlighted in this Executive Summary. Audit has *recommended* that the Director of Housing should:**

## Executive Summary

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### *Allocation of flats to people in need of PRH*

- (a) **enhance the transparency and accountability of the HD's management of the WL for PRH by, for example, publicising the definition of AWT and the basis of its calculation (para. 2.31(a)(i));**
- (b) **conduct investigations periodically to identify long-outstanding cases in which general applicants have waited on the WL for over 3 years (para. 2.31(b));**
- (c) **conduct a comprehensive review of the QPS (para. 2.50(a));**
- (d) **consider screening out ineligible QPS applicants from the WL on a periodic basis (para. 2.50(b));**
- (e) **take measures to expedite PHRM's efforts to conduct the random checking of income and assets (para. 2.79(g));**

### *Maximising the rational utilisation of PRH flats*

- (f) **step up the monitoring of unoccupied flats classified as "under offer" or unlettable (para. 3.24(a));**
- (g) **critically review the Well-off Tenants Policies to see whether the various parameters of the HSP and the SRA can be fine-tuned for further improvements (para. 3.40(b));**
- (h) **step up the HD's efforts in tackling the UO issue, paying particular attention to long-outstanding UO households and households each occupying two or more flats (para. 3.62(a) and (d));**

### *Tackling abuse of PRH*

- (i) **consider requiring applicants to submit supporting documents for major types of declarable assets at the date of application for preliminary vetting (para. 4.17(a));**

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- (j) keep under review the rates of detected false declarations under the HSP and the SRA, and strengthen strategy to deter false declarations (para. 4.35(b)); and
  - (k) analyse periodically the reasons for the low prosecution rates for false declaration cases and take corrective actions as needed (para. 4.68(c) and (d)).
13. Audit has also *recommended* that the Secretary for Transport and Housing should take on board the audit observations and recommendations in this Audit Report in taking forward the LTHS Review (para. 5.8).

### Response from the Administration

14. The Secretary for Transport and Housing, and the Director of Housing agree with the audit recommendations.

## **PART 1: INTRODUCTION**

1.1 This PART describes the background to the audit and outlines the audit objectives and scope.

### ***Hong Kong Housing Authority***

1.2 The Hong Kong Housing Authority (HA — Note 1) is a statutory body established under the Housing Ordinance (Cap. 283) to develop and implement a public housing programme which seeks to achieve the Government's policy objective of meeting the housing needs of people who cannot afford private rental accommodation. The HA sets out in its mission statement that it strives to ensure cost-effective and rational use of public resources in service delivery and allocation of housing assistance in an open and equitable manner.

1.3 The primary role of the HA is to provide subsidised public rental housing (PRH) to low-income families. It plans, builds, manages and maintains PRH flats. As at end of March 2013, the HA had a stock of about 728,000 PRH flats in 204 estates, accommodating some 2 million people (710,000 households) or 30% of Hong Kong's total population. The PRH rent is inclusive of rates, management costs and maintenance expenses. As at 31 March 2013, PRH rents ranged from \$290 to \$3,880 per month with an average rent of about \$1,540 per month. The operating income and expenditure for PRH in 2013-14 are estimated at \$13.7 billion and \$14.7 billion respectively (i.e. an operating deficit of about \$1 billion).

### ***Housing Department***

1.4 The Housing Department (HD), as the executive arm of the HA, provides secretarial and executive support to the HA and its committees. The HD also supports the Transport and Housing Bureau in dealing with all housing-related

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**Note 1:** *As at end of March 2013, the membership of the HA comprised 26 non-official members and four official members. Appointments are made by the Chief Executive of the Hong Kong Special Administrative Region. Six standing committees together with a number of sub-committees are formed under the HA to formulate and oversee policies in specified areas.*

## **Introduction**

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policies and matters. The HD is headed by the Permanent Secretary for Transport and Housing (Housing) who also assumes the office of the Director of Housing. To help forge closer collaboration between the HA and the Government in the provision of public housing services, the Secretary for Transport and Housing and the Director of Housing have respectively assumed the positions of the Chairman and Vice-chairman of the HA. Appendix A shows an extract of the organisation chart of the HD.

1.5 The HD is responsible for the provision of PRH including, among others, the allocation and management of PRH flats. As at 31 March 2013, out of a strength of 8,500 staff in the HD, about 5,000 staff (mainly in the Strategy Division and the Estate Management Division — EMD) were responsible for the allocation and management of PRH flats.

### ***Strategic objectives on PRH***

1.6 The HA's strategic objectives on PRH are to:

- (a) facilitate the cost-effective provision of quality PRH; and
- (b) maximise the rational allocation and eliminate abuse of housing resources with a view to enhancing the turnover of PRH.

### ***Public concern about the long waiting list of PRH applicants***

1.7 Housing has always been a public concern for Hong Kong people. In particular, the community has attached great importance to addressing the housing needs of various sectors, such as the low-income group, first-time home buyers, etc.

1.8 The HA maintains a Waiting List (WL) of PRH applicants. The HA's current target is to maintain the average waiting time (AWT) at around three years for general applicants (including both family applicants and single elderly applicants) and around two years for single elderly applicants (i.e. those aged 60 or above). Non-elderly one-person applicants are placed under the Quota and Points System (QPS). No target is set on the AWT for QPS applicants.

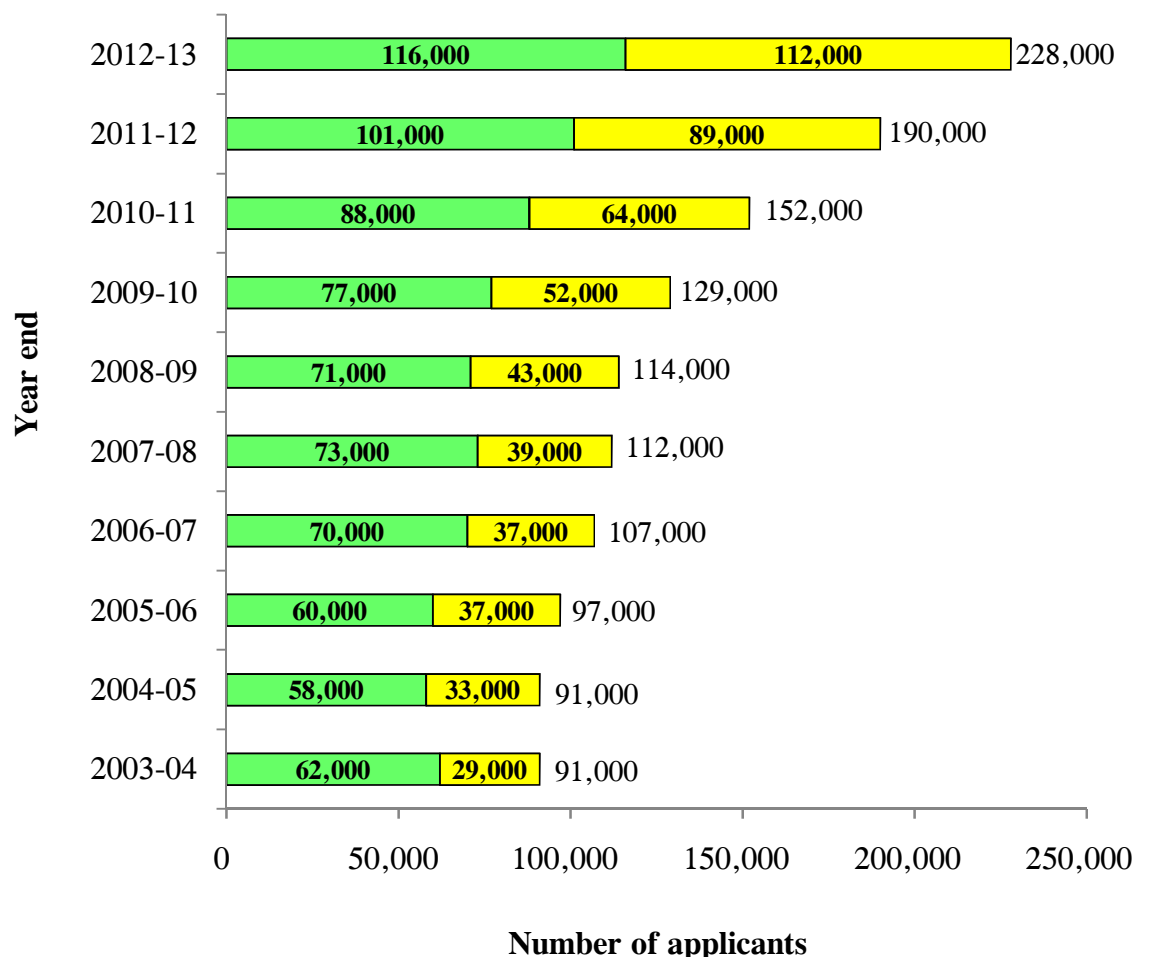
1.9 The increasing number of PRH applications in recent years has caused great concern among the public. As stated in the Policy Address of January 2013, “today we see undergraduates applying for PRH, and the number of WL applications has exceeded 200,000”. As at 31 March 2013, there were a total of about 228,000 applicants on the WL for PRH, reaching an all-time high. Among them, 116,000 (51%) were general applicants and 112,000 (49%) were QPS applicants (Note 2). In the past 10 years, the total number of PRH applications increased by about 1.5 times, while the number of QPS applications increased by about three times (see Figure 1 for details). In particular, the percentage of QPS applications increased from 32% of total applications in 2004 to 49% in 2013.

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**Note 2:** *According to the HD, these are two separate queues under the WL, and the applicants under each queue have different conditions and are subject to different allocation arrangements (see para. 1.8). As such, they should be distinguished from each other.*

Figure 1

**Number of applicants on the WL for PRH  
(2003-04 to 2012-13)**



Legend: ■ General applicants ■ Non-elderly one-person applicants

Source: *Audit analysis of HD records*

***Review of the Long Term Housing Strategy***

1.10 The current-term Government has made housing a top priority. In September 2012, the Government set up a Steering Committee to conduct the Long Term Housing Strategy (LTHS) Review. The LTHS Steering Committee, chaired by the Secretary for Transport and Housing, is tasked to make recommendations on Hong Kong's LTHS for the next 10 years (see paras. 5.4 to 5.6 for details).



## Audit reviews

1.11 *Audit reviews of 2006 and 2007.* In October 2006 and March 2007, Audit completed reviews on the allocation of PRH flats and the management of PRH tenancies respectively. The reviews found that there was room for improvement in a number of areas including handling applications for the allocation of PRH flats, and management of tenancies. The review results were included in Chapters 3 and 5 of the Director of Audit's Report Nos. 47 and 48 respectively.

1.12 Against the above background, and in view of the great public concern about the increasing number of PRH applications in more recent years (see Figure 1 in para. 1.9), the Audit Commission (Audit) commenced a review in April 2013 to examine the allocation and utilisation of PRH flats. The audit fieldwork was completed in September 2013. The audit review focused on the following areas:

- (a) allocation of flats to people in need of PRH (PART 2);
- (b) maximising the rational utilisation of PRH flats (PART 3);
- (c) tackling abuse of PRH (PART 4); and
- (d) way forward (PART 5).

## Acknowledgement

1.13 Audit would like to acknowledge with gratitude the assistance and full cooperation of the staff of the HA and the HD during the course of the audit review.

## **PART 2: ALLOCATION OF FLATS TO PEOPLE IN NEED OF PUBLIC RENTAL HOUSING**

2.1 This PART examines the HD's allocation of flats to people in need of PRH.

### ***Background***

2.2 Public housing resources are valuable and heavily subsidised. According to the HD, the average construction cost for a PRH flat is about \$700,000 (not including the land cost) and it also takes about five years to construct a flat. The HD manages the allocation of PRH flats through a waiting-list system operating mainly on a first-come-first-served basis (see para. 2.7 for details).

2.3 Prior to 1985, one-person applications were not allowed. The restriction was lifted in 1985 mainly in response to the demand from elderly and those affected by redevelopment or living in temporary housing areas. Since then, one-person applications have become a major source of demand for PRH and the average age of one-person applicants has been becoming younger. Many of them are living with their family members while waiting for allocation.

2.4 In September 2005, the QPS (see para. 1.8) was introduced to rationalise and re-prioritise the allocation of PRH to applicants (see para. 2.33 for details). Meanwhile, the number of PRH applications (228,000 as at 31 March 2013) has been increasing, with a large proportion (49% as at 31 March 2013) applying under the QPS (see para. 1.9).

2.5 On the other hand, the supply of PRH flats is limited. On average, only about 22,800 PRH flats (Note 3) are available for allocation each year. The supply

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**Note 3:** *The current plan of the HA is to construct about 79,000 PRH flats in the five years from 2012-13 to 2016-17. In addition, there are on average about 7,000 flats recovered every year from the surrender of flats by existing tenants as well as through enforcement actions against abuse of PRH resources. Including the recovered flats, there would be an average of about 22,800 flats available for allocation each year.*

## **Allocation of flats to people in need of public rental housing**

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has fallen short of the demand for PRH and it will be increasingly difficult for the HD to meet the AWT target of around three years for general applicants (see para. 1.8). Under the circumstances, it is imperative that flats are allocated to people most in need of subsidised PRH. It is also important that PRH flats are allocated in an open and equitable manner in line with the HA's mission statement (see para. 1.2).

2.6 Audit's examination of the HD's allocation of PRH flats has revealed room for improvement in the following areas:

- (a) management of the WL for general applicants (paras. 2.7 to 2.32);
- (b) implementation of the QPS (paras. 2.33 to 2.51); and
- (c) processing of applications (paras. 2.52 to 2.80).

## **Management of the Waiting List for general applicants**

### ***WL for PRH applicants***

2.7 The HA maintains a WL for PRH applicants. Appendix B shows the PRH eligibility criteria for general applicants. In general, PRH flats are allocated to eligible general applicants in accordance with the order their applications are registered on the WL (i.e. on a first-come-first-served basis). Non-elderly one-person applicants are placed under the QPS, and PRH flats are allocated in accordance with points assigned to applicants (see para. 2.33).

2.8 PRH estates are grouped into four districts (i.e. the Urban District, the Extended Urban District, the New Territories District and the Islands District — Note 4). According to the current housing allocation policy of the HA, the HD gives an eligible applicant three housing offers, one at each time, according to the

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**Note 4:** *The Urban District comprises Hong Kong Island and Kowloon. The Extended Urban District includes Kwai Chung, Ma On Shan, Sha Tin, Tseung Kwan O, Tsing Yi, Tsuen Wan and Tung Chung. The New Territories District includes Fanling, Sheung Shui, Tai Po, Tin Shui Wai, Tuen Mun and Yuen Long. The Islands District excludes Tung Chung.*

## **Allocation of flats to people in need of public rental housing**

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applicant's choice of district. If the applicant rejects all the three housing offers without giving acceptable reasons, his application will be cancelled and he will be barred from reapplying for a PRH flat for one year.

2.9 The number of applicants on the WL has been surging over the past 10 years (see Figure 1 in para. 1.9). As at 31 March 2013, there were a total of about 228,000 applications on the WL (see also para. 1.9). Among them, there were about 107,000 (47%) family applications, 9,000 (4%) single elderly applications, and 112,000 (49%) non-elderly one-person applications under the QPS.

### ***AWT for PRH applicants***

2.10 Table 1 shows the current AWT targets set by the HA.

**Table 1**  
**AWT targets for PRH applicants**  
**(August 2013)**

| <b>PRH applicant</b>   | <b>AWT target</b> |
|--|-------------------|
| <b><i>General applicant</i></b>                              | 3 years           |
| (i) Family applicant   | —<br>(Note)       |
| (ii) Single elderly applicant                                | 2 years           |
| <b><i>Non-elderly one-person applicant under the QPS</i></b> | No target         |

*Source: HD records*

*Note: No separate AWT target is set for family applicants who are classified by the HD as one type of general applicants.*

## **Allocation of flats to people in need of public rental housing**

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2.11 Currently the HA defines waiting time for PRH as the period between registration on the WL and the first housing offer, excluding any frozen period (Note 5) in between. The AWT for general applicants (excluding non-elderly one-person applicants) is the average of the waiting times up to first housing offers for all general applicants who were housed in the past 12 months. For the 12 months from 1 April 2012 to 31 March 2013, a total of 13,586 general applicants had accepted PRH flat offers and were housed.

2.12 The AWT target of 3 years for PRH was first announced by the Government in 1997 when the actual AWT was then around 6.5 years. The Government's objective at that time was to gradually reduce the AWT to 3 years by end-2005. Since 2005, the HA has committed to maintaining the 3-year target for AWT for general applicants (excluding QPS applicants) and a target of 2 years for single elderly persons on the WL. According to the HA's published information, the AWTs of the applicants as at 31 March 2013 were 2.7 years for general applicants and 1.5 years for single elderly applicants. Figure 2 shows the trend of AWTs for general applicants and single elderly persons in the past 10 years. It can be seen that since 2008-09, the AWT for general applicants had been increasing.

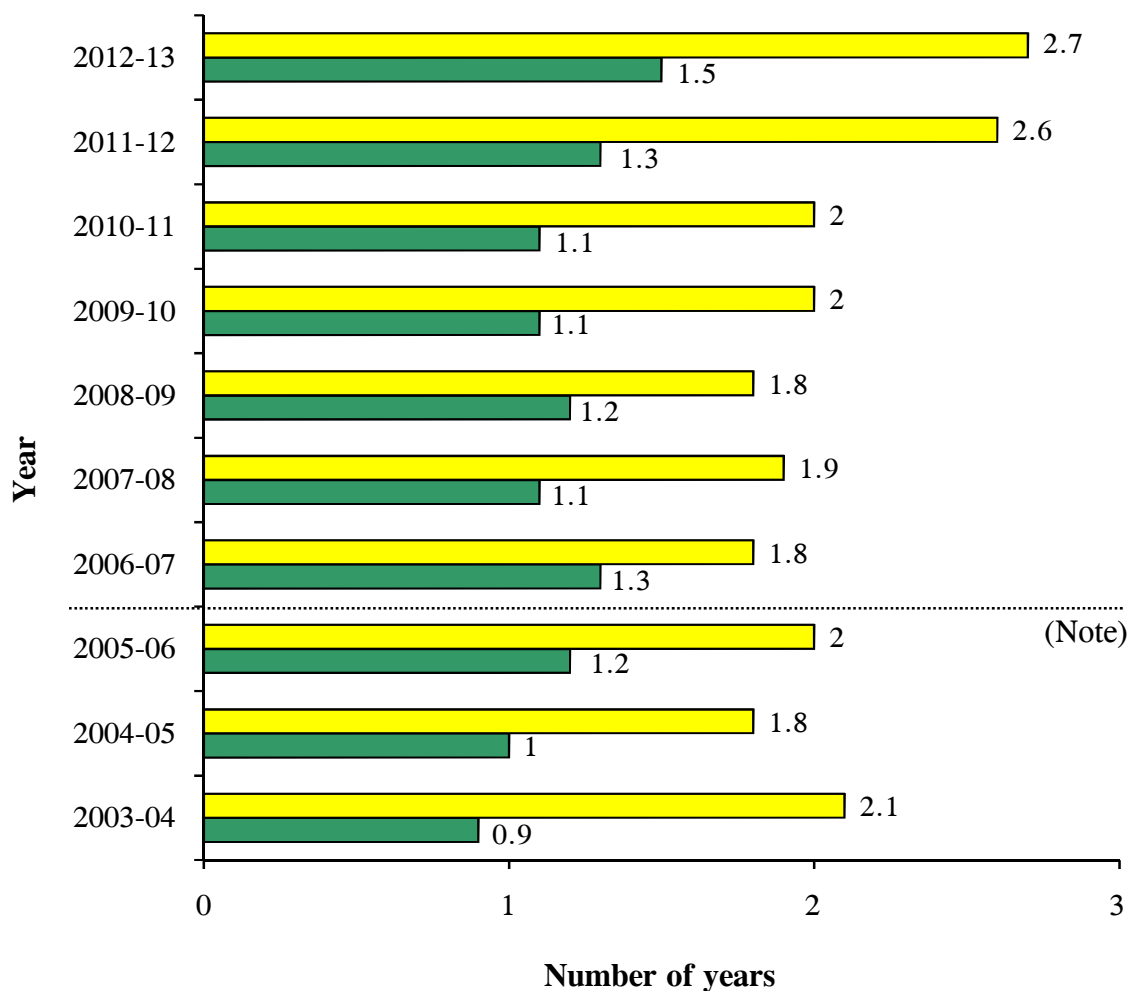
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**Note 5:** *The reasons for freezing the application include the applicant has not yet fulfilled the residence requirement, the applicant is imprisoned, or the applicant has requested to put his/her application on hold pending arrival of family member(s) for family reunion.*

## Allocation of flats to people in need of public rental housing

Figure 2

### AWTs for general and single elderly applicants (2003-04 to 2012-13)



Legend: ■ AWT for general applicants (years)  
■ AWT for single elderly applicants (years)

Source: *HD records*

Note: *In September 2005, the QPS was launched. Thereafter, the QPS applicants and their waiting times were excluded in calculating the AWT for general applicants.*

## **Allocation of flats to people in need of public rental housing**

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2.13 In September 2005, the QPS was launched and non-elderly one-person applicants on the WL were placed under the QPS. The HA did not set any target on the AWT of these QPS applicants. Thereafter, the QPS applicants and their waiting times were excluded in calculating the AWT for general applicants. As such, both the number and the AWT of general applicants should have been reduced accordingly. Because of the above-mentioned changes in the WL, the figures of the AWT for WL applicants before 2005 and the AWT for general applicants on the WL after 2005 may not be directly comparable.

### ***Transparency and accountability in the AWT computation***

2.14 ***Importance of AWT.*** Apart from some exception cases (e.g. cases for compassionate rehousing recommended by the Social Welfare Department, and people affected by clearance/redevelopment), PRH flats are generally allocated to general applicants on a first-come-first-served basis, taking into account their family size and their choice of district. The relative merits of the eligible applicants' housing needs are not duly taken into account. Though the current system may not be entirely satisfactory in this respect, this is mitigated by the fact that the current AWT targets are set at a reasonable timeframe of around 3 years for general applicants and 2 years for single elderly applicants. In other words, all eligible general applicants, irrespective of their relative housing needs, do not have to wait too long for the allocation of PRH flats. The AWT is therefore a key indicator of efficiency and effectiveness for the allocation of PRH flats to meet the housing needs of eligible persons. The transparency and accountability in the computation of AWT is a matter of concern for all stakeholders of the PRH system.

2.15 ***Definition and computation method not adequately publicised.*** Despite the importance of the AWT to PRH applicants, the way the AWT is calculated may not be entirely clear to them. In fact, the definition and computation method of the AWT adopted in 1997 had not been clearly disclosed in any Government papers/publications. Only in recent years had the term "AWT" been defined in the HA's Subsidised Housing Committee (SHC) papers as the period between registration on the WL and the first housing offer. Audit noted that the definition of AWT and the basis of its calculation were not readily disclosed through common channels accessible to the general public (e.g. the HA's website, pamphlets, brochures or the PRH application forms). According to the HD, as the AWT definition and the basis of its calculation have been mentioned on various public

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occasions (e.g. meetings of the Legislative Council and the HA) as well as to the press, such information is considered by the HD to be publicly known. However, for greater transparency and better public accountability, Audit considers that the HD should consider publicising such information so that all applicants fully understand the definition of AWT and the basis of its calculation.

2.16 *AWT for family applicants.* Audit noted that single elderly applicants were included by the HD when calculating the AWT for general applicants. As the HA has committed to providing PRH to the single elderly applicants in two years' time, the inclusion of their waiting times in the AWT computation will shorten the AWT of the general applicants. Audit analysed the data of the 13,586 general applicants housed in the past 12 months ended 31 March 2013, and found that if the waiting times of the single elderly applicants had been excluded from the calculation, the AWT for family applicants on the WL would have become 3.01 years, instead of 2.7 years as stated by the HD. Upon Audit's enquiry as to why the HD did not disclose a separate AWT figure for family applicants (by excluding the waiting times of the single elderly applicants), the HD explained in September 2013 that it was the current policy of the Government and the HA to accord priority to general applicants (which include family applicants and single elderly applicants) over non-elderly one-person applicants. As such, the AWT for general applicants should be presented as a whole (including family applicants and single elderly applicants) to assess how far the target has been attained.

### ***Elapsed time while waiting for PRH***

2.17 In the absence of transparency for AWT, it is quite natural for the general public to interpret the waiting time for PRH as the period between the confirmed receipt of an application by the HD and the date on which the applicant was housed. However, the waiting time for PRH defined by the HD in fact covers only the period between registration on the WL and the first housing offer, excluding any frozen period in between, for applicants who were housed in the past 12 months (see para. 2.11). Such AWT as calculated by the HD is different from the actual waiting time as may be perceived by the applicants. To estimate the actual waiting time as may be perceived by the applicants, Audit analysed a number of time periods not included in the AWT calculation, using the same applicants who were housed by the HD in the past 12 months. These periods include the time lapse:



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- (a) from the confirmed receipt of the applicant's application to the registration date on the WL;
- (b) where applicable, from the first offer to the second offer and from the second offer to the third offer; and
- (c) between acceptance of offer (i.e. date of intake) and commencement of tenancy (Note 6).

Taking into account these additional time periods where applicable, the total waiting time for PRH is referred to as the elapsed time while waiting (ETW) in this Report.

2.18 Audit analysed the data of the 13,586 general applicants housed in the 12-month period ended 31 March 2013. Table 2 shows an analysis of the ETW for these 13,586 applicants. It can be seen that the average ETW for an applicant ranged from 2.91 years (if the applicant accepted the first offer) to 4.12 years (if the applicant accepted the third offer). Figure 3 shows a comparison of the ETW for PRH and the AWT as reported by the HD for 2012-13.

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**Note 6:** *As it is the HD's policy to give a 2-week rent free period to applicants, the date of commencement of tenancy is 14 days after the date of intake. For simplicity, the actual waiting time for PRH will only be counted up to the date of intake.*

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Table 2

**Analysis of the ETW for general applicants  
housed in the 12-month period ended 31 March 2013**

| <b>Stage</b>                              | <b>Average ETW<br/>(year)</b> | <b>Average ETW<br/>(from application to<br/>date of intake)<br/>(year)</b> |
|---|-------------------------------|--|
| From application (Note 1) to registration | 0.21                          | —  |
| From registration to first offer (Note 2) | 2.70                          | 2.91   |
| From first offer to second offer (Note 3) | 0.43                          | 3.34   |
| From second offer to third offer (Note 4) | 0.78                          | 4.12   |

*Source: Audit analysis of HD records*

*Note 1: Some applications might be rejected for a few times by the HD due to insufficient information/documents provided by the applicants (see paras. 2.58 and 2.59). The application date was the date of receipt of an accepted application.*

*Note 2: About 49% of the applicants were housed via the first offer.*

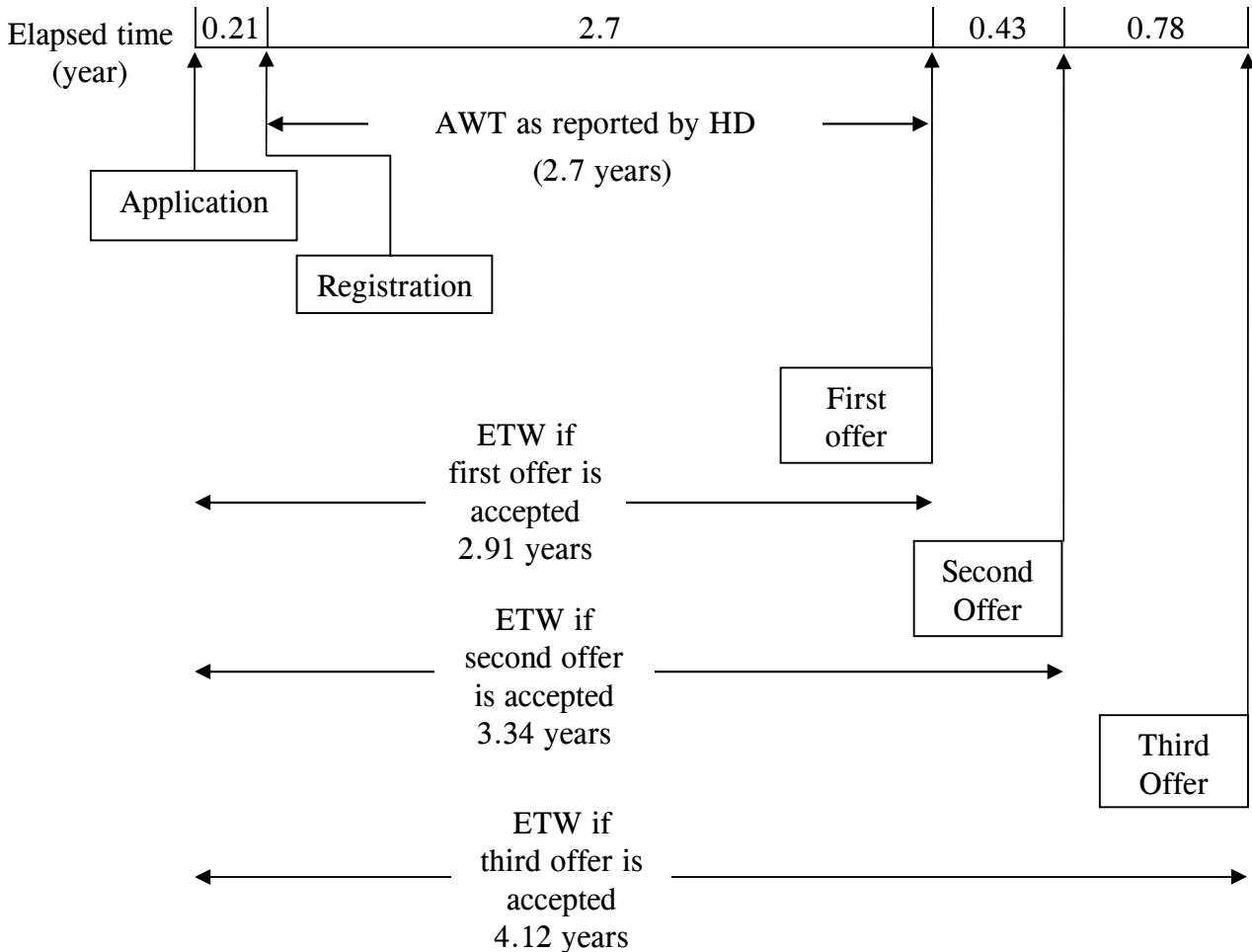
*Note 3: About 36% of the applicants were housed via the second offer.*

*Note 4: About 15% of the applicants were housed via the third offer.*

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**Figure 3**

**Comparison of ETW and AWT for PRH  
(2012-13)**



*Source: Audit analysis of HD records*

2.19 Audit noted that since year 2000, applicants have been given three single offers on different dates instead of “three offers in one go” in the allocation of the PRH flats. It was the HA’s expectation that the whole allocation process would take 9 to 12 weeks to complete. However, as can be seen from Table 2, the average ETW for 2012-13 between the first and second offers was 0.43 year (i.e. over 22 weeks), and that between the first and third offers was 1.21 years (i.e. (0.43 + 0.78) years or over 62 weeks), which had considerably exceeded the HA’s expected timeframe of 9 to 12 weeks at the time of year 2000.

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2.20 The HD currently does not disclose information about the average ETW between the first and second offers or that between the second and third offers. Such information is useful for the applicants in making their decisions on whether to accept the housing offer right away or wait for the next chance (see also paras. 2.18 and 2.19).

2.21 Housing has always been a very important decision that needs to be made by all people in Hong Kong. Audit considers that there is merit for the HD to disclose the average ETW (from the date of receipt of an accepted application to the date the applicant was housed) so as to increase the transparency of the allocation mechanism and help the applicants make better informed decisions.

2.22 Upon Audit's enquiry, the HD explained in September 2013 that:

- (a) while eligible applicants were given three flat offers, the applicants were provided with a housing opportunity at the first offer. It was a matter of personal decision if the applicant declined the first flat offer to wait for subsequent offers. Thus, the waiting time could only be counted up to the first flat offer. The decision as to whether or not to accept the first, second or third offer rested entirely with the applicant and was not under the control of the HD. It was therefore inappropriate for the HD to publish information regarding aspects of waiting time over which it had no control. In the HD's view, it would not help applicants in any event. In particular, the past pattern of acceptance of the second or third offers and the past trend of the time between offers did not represent the situation in the future, which would depend on the prevailing circumstances. The HD considered that it would not improve the transparency of the allocation mechanism and was not necessarily useful for helping the applicants make better informed decisions; and
- (b) the established methodology (see para. 2.11) formed the basis for formulating and maintaining the target of keeping the AWT for general applicants at around three years. It was therefore inappropriate to create another term "ETW for PRH", which might cause confusion.

Audit noted the HD's explanations, but considers that the HD should disclose more information relating to its allocation mechanism to enhance transparency.

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### *Long-outstanding applications on the WL*

2.23 It is worth noting that the three-year AWT target and the AWT reported by the HD are calculated based on the average of the waiting times for all general applicants who were actually housed in the past 12 months (see paras. 2.11 and 2.12). This AWT does not indicate the average ETW for general applicants who are still on the WL for PRH. In fact, some of the applicants currently on the WL have been waiting for much longer than three years. Audit conducted an analysis of the housing situation of the 116,927 general applicants on the WL as at 31 March 2013. Table 3 shows the distribution of the ETW for these applicants. An analysis of the housing offers given to these applicants is shown in Table 4.

**Table 3**

**ETW for general applicants on the WL  
(31 March 2013)**

| <b>ETW<br/>(Note 1)</b> | <b>Number of<br/>general applicants</b> | <b>Percentage of<br/>general applicants</b> |
|-------------------------|---|---|
| Less than 3 years       | 83,270                                  | 71%   |
| 3 to less than 5 years  | 26,090                                  | 22%   |
| 5 to less than 10 years | 7,552                                   | 7%  |
| 10 years or more        | 15<br>(Note 2)                          | —   |
| Total                   | 116,927                                 | 100%  |

*Source: Audit analysis of HD records*

*Note 1: The ETW was counted from the registration date. Frozen periods of the applicants after first offer were included in the ETW.*

*Note 2: For these 15 cases, if frozen periods after first offer were excluded, their ETW would be less than 10 years.*

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**Table 4**

**Housing offers given to general applicants on the WL  
(31 March 2013)**

| Housing offer given  | Number of general applicants (Note 1) | Percentage of general applicants |
|----------------------|---------------------------------------|----------------------------------|
| No offer             | 97,274                                | 83%                              |
| 1st offer            | 8,274                                 | 7%                               |
| 2nd offer            | 8,117                                 | 7%                               |
| 3rd offer            | 2,397                                 | 2%                               |
| Extra offer (Note 2) | 865                                   | 1%                               |
|                      | } 19,653                              |                                  |
| Total                | 116,927                               | 100%                             |

*Source: Audit analysis of HD records*

*Note 1: Frozen cases were included.*

*Note 2: Extra offers would be given only when applicants have acceptable reasons (e.g. medical reasons) for refusing housing offers.*

2.24 Table 3 shows that 29% of general applicants on the WL as at 31 March 2013 had already waited for 3 years or more for the allocation of PRH. In particular, 7% had waited for 5 years or more. Table 4 also shows that 83% of the applicants on the WL had not been given any housing offer yet.

2.25 Audit's further analysis found that out of a total of 116,927 general applicants on the WL as at 31 March 2013, about 12% (13,974) were applicants who had waited for 3 years or more but had not been given any housing offer. In particular, 1,312 (9%) had already waited for 5 years or more. An analysis of the ETW for these 13,974 applicants is shown in Table 5.

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Table 5

**ETW for general applicants  
without any housing offer on the WL  
(31 March 2013)**

| <b>ETW<br/>(Note)</b>   | <b>Number of general applicants</b> |
|-------------------------|-------------------------------------|
| 3 to less than 5 years  | 12,662 (91%)                        |
| 5 to less than 10 years | 1,312 (9%)                          |
| Total                   | 13,974 (100%)                       |

*Source: Audit analysis of HD records*

*Note: The ETW was counted from the registration date.*

2.26 Among the 13,974 general applicants on the WL who had waited for 3 years or more but without any housing offer, about 66% (9,240) of them had reached the investigation stage or had been accepted for allocation (see Appendix C). However, for the other 34% (4,734) applicants, they had waited for more than 3 years but were still awaiting a housing offer. Audit considers that the HD should investigate into the reasons for general applicants who have waited for over 3 years without any housing offer, in particular for those cases with very long waiting time (say 5 years or more).

2.27 In this regard, Audit noted that the HD had carried out a special exercise in 2012 to investigate into those cases (about 1,400 cases) of general applicants on the WL as at end of June 2012 with waiting time of 5 years or more but without any housing offer. Results of the HD's investigation showed that 40% of these cases involved special circumstances of various kinds, including refusal to accept housing offers with reasons (27%), change of household particulars (8%), as well as other circumstances (5%). However, for the other 60% cases (about 860 cases), no mention had been made as to whether there were valid reasons for the long waiting time of these cases or whether they were just omissions. Audit considers that the HD needs to conduct investigations on a periodic basis to identify similar long-outstanding cases of general applicants on the WL.

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### ***Long time taken to arrange housing offers***

2.28 As can be seen from Table 2 in paragraph 2.18, if the first housing offer was not accepted by the applicant, the HD took on average 5 months (0.43 year) to make the second offer and, if still not accepted, the HD took another 9 months (0.78 year) to make the third/final offer. As noted in paragraph 2.19, the whole process of arranging the three housing offers had considerably exceeded the HA's expected timeframe of 9 to 12 weeks at the time of year 2000. It can also be seen from Table 4 in paragraph 2.23 that out of a total of 116,927 general applicants on the WL as at 31 March 2013, 19,653 (17%) had been given at least one housing offer but were still awaiting re-offer of PRH by the HD. The long time taken to arrange the housing offers might be a reason for some of the long-outstanding general applications on the WL as at 31 March 2013.

2.29 Upon Audit's enquiry, the HD explained in September 2013 that allocation started with the high priority applicants no matter whether they were given the first, second or third offers. However, flats might be allocated to a lower priority applicant due to a number of reasons, e.g. the higher priority case had location preference. Furthermore, if an applicant had rejected a flat in a particular estate, he would not be allocated another flat in the same estate in the next offer and, as a result, the pool of flats available for allocation in the subsequent offers was smaller.

2.30 Table 6 shows an analysis of the ETW for the 8,130 general applicants on the WL who had received first offers but were not housed up to 31 March 2013. Audit considers that there is a need for the HD to review these cases on a periodic basis.



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Table 6

ETW for general applicants on the WL  
after receiving first offers but were not housed  
(31 March 2013)

| ETW after receiving the first offer (Note) | Number of general applicants | Percentage of general applicants |
|--|------------------------------|----------------------------------|
| Less than 1 year                           | 6,242                        | 76.8%                            |
| 1 to less than 2 years                     | 473                          | 5.8%                             |
| 2 to less than 3 years                     | 906                          | 11.1%                            |
| 3 to less than 5 years                     | 485                          | 6.0%                             |
| 5 to less than 10 years                    | 23                           | 0.3%                             |
| 10 years or more                           | 1                            | —                                |
| Total                                      | 8,130                        | 100.0%                           |

Source: *Audit analysis of HD records*

Note: *Frozen periods of the applicants after first offer were included in the ETW.*

### Audit recommendations

2.31 **Audit has recommended that the Director of Housing should:**

- (a) **enhance the transparency and accountability of the HD's management of the WL for PRH. For example, the HD may consider:**
  - (i) **publicising the definition of AWT and the basis of its calculation in the HA's website, pamphlets and brochures; and**
  - (ii) **enhancing the transparency of the flat allocation mechanism to help applicants make informed decisions; and**
- (b) **conduct investigations periodically to identify long-outstanding cases in which general applicants have waited on the WL for over 3 years, in particular for those cases with very long waiting time (say 5 years or more), and take necessary follow-up actions.**

### **Response from the Administration**

2.32 The Director of Housing generally agrees with the audit recommendations. He has said that:

- (a) more can be done on publicising the definition of AWT and the basis of its calculation. For example, the HD will consider including this information in the HA's website and the application guidelines in the future;
- (b) in view of the increasing number of PRH applicants and the public's concern over the waiting time of WL applicants, the HA had conducted an analysis of the housing situation of WL applicants in 2011 and again in 2012, based on the data as at end June 2011 and end June 2012 respectively. The analyses included a special exercise to study those cases on the WL with a waiting time of five years or above and without any flat offer. The HD are currently finalising a follow-up analysis of the housing situation of WL applicants as at end June 2013, which is an update of the two previous analyses. This analysis will be carried out annually to allow the HD to monitor the WL situation;
- (c) the HD's special exercise (see (b) above) showed that most of the applicants with longer waiting time opted for flats in the Urban or the Extended Urban Districts. In general, this reflects the popularity of the Urban and the Extended Urban Districts, and thus applicants opting for flats in the two Districts are more likely to have longer waiting time than in other Districts. Households on the WL with three or four persons also tend to have longer waiting time. It is worth noting that there will be a steady supply of newly completed flats in the Urban and Extended Urban Districts. Among the new production from 2013-14 to 2016-17, about 19% would be one/two-person units, 25% would be two/three-person units, 39% would be one-bedroom units (for three/four persons) and 16% would be two-bedroom units (for four persons or above). The new supply would help meet the demand for PRH in the Urban and Extended Urban Districts and for three/four-person households; and

- (d) results of the HD's analysis also showed that many of the cases with longer waiting time involved special circumstances of various kinds, including change of household particulars, refusal to accept housing offer(s) before with reasons, as well as other circumstances such as applications cancelled due to failure to meet income eligibility requirements in the detailed vetting stage, failure to attend an interview and inadequate documentary proof, location preference on social/medical grounds, and applications for Green Form Certificate for purchasing Home Ownership Scheme (HOS) units.

### **Implementation of the Quota and Points System**

2.33 The QPS was introduced in September 2005 for the allocation of PRH to non-elderly one-person applicants (see also paras. 2.3 and 2.4). Under the QPS, the annual allocation is set at 8% of the number of PRH flats to be allocated to WL applicants, subject to a ceiling of 2,000 units. The key features of the QPS are given at Appendix D. Points are assigned to applicants based on three determining factors, namely:

- (a) age of applicants at the time of submitting their PRH applications;
- (b) whether the applicants are PRH tenants; and
- (c) the waiting time of the applicants.

The AWT target of about three years for general applicants is not applicable to applicants under the QPS.

### ***Public concern about the increasing number of PRH applications***

2.34 As at end of March 2013, among the 228,000 applications on the WL for PRH, 112,000 (49%) were non-elderly one-person applications under the QPS. There has been growing public concern about the increasing number of PRH applications (see Figure 1 in para. 1.9).

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### *Large number of young and better educated QPS applicants*

2.35 According to the HA's 2012 Survey on QPS applicants for PRH, as at end of December 2012, among the 106,900 QPS applicants, 67% (71,500) were aged 35 or below. Among these young applicants:

- (a) 34% were students when they applied for PRH;
- (b) 47% had attained post-secondary or higher education; and
- (c) 33% were PRH tenants.

However, for those aged above 35, only 7% of them had attained post-secondary or higher education.

2.36 Based on HD records of QPS applicants, Audit conducted an analysis of the age distribution of these applicants as at 31 March 2013 (see Table 7).

**Table 7**

#### **Age distribution of QPS applicants (31 March 2013)**

| <b>Age</b>   | <b>Number of applicants</b> | <b>Percentage of applicants</b> |
|--------------|-----------------------------|---------------------------------|
| 18 – 22      | 27,283                      | 24% } 57%                       |
| 23 – 30      | 36,132                      | 33% }                           |
| 31 – 35      | 11,355                      | 10%                             |
| 36 – 50      | 26,562                      | 24%                             |
| 51 – 60      | 10,195                      | 9%                              |
| >60          | 1 (Note)                    | —                               |
| <b>Total</b> | <b>111,528</b>              | <b>100%</b>                     |

*Source: Audit analysis of HD records*

*Note: Audit found that this applicant had already been housed since July 2010, but the QPS record of the WL was not updated (see para. 2.49).*

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2.37 As can be seen from Table 7, as at 31 March 2013, 57% of the QPS applicants were aged 30 or below. In particular, 27,283 (24%) applicants were aged 18 to 22, including 1,768 (2%) who were aged 18 (i.e. the minimum eligible age under the QPS). Most of these applicants were students and were living with their families. It appears that many of these young and better educated (see para. 2.35(b)) applicants, particularly students who are dependants themselves living with their parents/family members, may not have a pressing need for PRH.

### ***Built-in incentive encouraging early application for PRH***

2.38 As mentioned in paragraph 2.5, given limited supply of and ever-increasing demand for subsidised PRH, it is imperative that PRH flats are allocated to people most in need of housing assistance. Under the current QPS, the housing needs are assessed with reference to the age of the applicants and whether they are living in PRH. However, the current system tends to encourage young applicants to apply for PRH under the QPS as early as possible (best at the minimum eligible age of 18) despite the fact that they may not have a pressing need for housing. Because each year of waiting under the QPS attracts 12 points, whereas each year of age increase at the time of application attracts only 3 points (see para. 1(a) and (c) in Appendix D), there is a built-in incentive to apply for PRH early under the QPS, and this may have been a catalyst for the increasing number of PRH applications in recent years. Unless such incentive is removed, the number of non-elderly one-person applications under the QPS is expected to continue increasing and the WL will likely become longer and longer.

### ***Sustainability of the QPS***

2.39 Audit analysed the records of the 111,528 QPS applicants registered on the WL as at 31 March 2013 and found that the vast majority of them (96.8%) have not reached any further processing stages.

2.40 Table 8 shows the distribution of the ETW for QPS applicants. It can be seen that about 30% (33,868) of them had already waited for more than three years.

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Table 8

### ETW for QPS applicants on the WL (31 March 2013)

| ETW<br>(Note)           | Number of applicants | Percentage of<br>QPS applicants |
|-------------------------|----------------------|---------------------------------|
| Less than 1 year        | 33,227               | 29.8%                           |
| 1 to less than 3 years  | 44,433               | 39.8%                           |
| 3 to less than 5 years  | 17,606               | 15.8%                           |
| 5 to less than 10 years | 16,041               | 14.4%                           |
| 10 years or above       | 221                  | 0.2%                            |
|                         | } 33,868             | } 30.4%                         |
| Total                   | 111,528              | 100%                            |

Source: *Audit analysis of HD records*

Note: *The ETW was counted from the registration date.*

2.41 Table 9 shows an analysis of the AWTs of those applicants who had been housed through the QPS during the period 2008-09 to 2012-13. It can be seen that no PRH flat had been allocated to any applicant aged below 30, and the majority of the housed applicants were aged 50 or above. Furthermore, the AWT of the QPS applicants had increased from 1.8 years in 2008-09 to 3.6 years in 2012-13. The number of applicants housed had also dropped from 1,991 in 2008-09 to 1,690 in 2012-13.

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**Table 9**

### AWTs of applicants housed through the QPS (2008-09 to 2012-13)

|                  | 2008-09                  |            | 2009-10                  |            | 2010-11                  |            | 2011-12                  |            | 2012-13                  |            |
|------------------|--------------------------|------------|--------------------------|------------|--------------------------|------------|--------------------------|------------|--------------------------|------------|
| <b>Quota</b>     | 2,000                    |            | 1,960                    |            | 1,760                    |            | 1,850                    |            | 1,690                    |            |
| <b>Age group</b> | No. of applicants housed | AWT (year) | No. of applicants housed | AWT (year) | No. of applicants housed | AWT (year) | No. of applicants housed | AWT (year) | No. of applicants housed | AWT (year) |
| Below 30         | —                        | —          | —                        | —          | —                        | —          | —                        | —          | —                        | —          |
| 30 – 39          | 24                       | 1.9        | 11                       | 2.3        | 37                       | 3.6        | 35                       | 4.0        | 37                       | 5.4        |
| 40 – 49          | 580                      | 2.4        | 433                      | 2.5        | 677                      | 3.7        | 548                      | 4.1        | 482                      | 5.2        |
| 50 or above      | 1,387                    | 1.6        | 1,504                    | 1.6        | 1,032                    | 1.9        | 1,264                    | 2.4        | 1,171                    | 2.9        |
| Overall          | 1,991                    | 1.8        | 1,948                    | 1.8        | 1,746                    | 2.6        | 1,847                    | 2.9        | 1,690                    | 3.6        |

*Source: HD records*

2.42 Assuming that there would not be any new applicants or drop-out cases and with a quota of not more than 2,000 units a year, it would take many years to fully meet the demand of the existing QPS applicants (currently more than 100,000 in number). This casts doubt on the effectiveness and sustainability of the current QPS as a means to meeting the great demand for PRH from non-elderly one-person applicants.

2.43 Upon enquiry, the HD informed Audit in September 2013 that:

- (a) it was the policy of the Government and the HA to accord priority to the general applicants over non-elderly one-person applicants. The QPS was therefore introduced to rationalise the limited public housing resources among different groups of applicants, and to give priority to general applicants over the non-elderly one-person applicants. The QPS was not a means to meet the PRH demand from non-elderly one-person applicants per se; and

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- (b) within the QPS, the policy was to offer higher priority for those one-person applicants who were older, have waited for longer time and were not currently living in PRH. The QPS was designed such that those who were older and had waited for longer time would get more points and hence had a higher chance for earlier housing to PRH.

As the QPS has been operating in the current mode for some eight years since its inception in 2005, Audit considers it timely for the HA to conduct a comprehensive review of the QPS to evaluate its effectiveness and to see whether it needs to be fine-tuned or revamped for further improvements.

### ***Screening out ineligible applicants on the WL***

2.44 The number of applications on the WL is an important indicator to reflect the demand for PRH. Ineligible applicants (or applicants who have become ineligible due to changes in circumstances while waiting) on the WL will inflate the demand for PRH and provide misleading management information for the purposes of planning the PRH construction programme and formulating housing policies/initiatives. Therefore, screening out ineligible applications from the WL should be performed periodically and not be deferred to the stage of arranging vetting interviews.

2.45 In 1993, the then Management and Operations Committee (Note 7) of the HA introduced a revalidation check system to manage the WL for PRH to eliminate applicants who had become ineligible due to changes in circumstances before their applications were due for investigation. Existing applicants on the WL who had been registered for more than two years would be asked in writing to confirm their interest in PRH and declare their property ownership. If applicants indicated in their return slips withdrawal, property ownership, or having been re-housed through other categories, their applications would be cancelled. Those who did not respond to the reminders would also have their applications cancelled. This helped to screen out ineligible applications regularly and to obtain a more accurate picture of the demand for PRH.

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**Note 7:** *The Management and Operations Committee was subsequently renamed as the Rental Housing Committee in 1998, and as the Subsidised Housing Committee in 2002.*



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2.46 In year 2000 when the time gap between pre-registration stage and vetting interview stage had been significantly shortened, such revalidation process was rendered redundant. In the event, the revalidation check system was removed.

2.47 Audit noted that the number of QPS applicants aged below 30 had increased by 350% in the past seven years, rising from 13,400 in March 2007 to 60,300 in March 2013. According to the HD, about half of these applicants attained post-secondary or higher education. Some of these younger and better educated applicants may be able to improve their living conditions on their own through income growth and eventually drop out of the QPS. Therefore, using the total number of QPS applicants on the WL to forecast the demand for PRH can be misleading.

2.48 In view of the fact that there were over 110,000 applicants on the WL under the QPS and the time gap between registration and investigation could be as long as more than five years, Audit considers that there is merit in reinstating the revalidation check system to screen out ineligible applicants on a regular basis so that the HA can assess the genuine housing demand of applicants under the QPS.

### ***QPS records of the WL not promptly updated***

2.49 As can be seen from Table 7 in paragraph 2.36, there was one applicant aged over 60 who was still classified under the QPS of the WL as at 31 March 2013. According to the HA's policy, an applicant whose age is over 60 should be classified as a general applicant on the WL under the single elderly persons priority scheme or elderly persons priority scheme. Audit found that in this case, the applicant was already housed in July 2010 but the record was not yet deleted from the QPS records of the WL. Details are given in Case 1.

### Case 1

#### **QPS records of the WL not promptly updated**

1. In January 2009, the applicant was registered on the WL under the QPS.
2. In December 2009, the Social Welfare Department wrote to the HD supporting the applicant's request to change location preference based on social and medical grounds. However, the applicant was not yet due for investigation.
3. In June 2010, the applicant applied for PRH through compassionate rehousing under another application number and she agreed to cancel her application under the QPS. She was housed in July 2010.
4. In June 2013, the HD found that the applicant was still on the WL under the QPS when she reached the stage of vetting interviews for PRH. The HD cancelled the application in July 2013.

#### ***Audit comments***

5. Audit considers that the HD should find out if there are similar cases on the WL who had already been housed in PRH and take necessary follow-up actions. The HD should also check regularly to ensure that the applicants on the WL have not been housed in PRH through other means.

*Source: HD records*

### **Audit recommendations**

- 2.50 **Audit has recommended that the Director of Housing should:**
- (a) **conduct a comprehensive review of the QPS, including, for example:**
    - (i) **examining whether there is room for improvement in the points system of the QPS; and**

## **Allocation of flats to people in need of public rental housing**

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- (ii) **assessing the effectiveness and sustainability of the QPS in achieving its objectives;**
- (b) **consider the need to screen out ineligible QPS applicants from the WL on a periodic basis; and**
- (c) **conduct regular checks to ensure that follow-up actions are promptly taken on applicants on the WL who have been housed in PRH through other channels.**

### **Response from the Administration**

2.51 The Director of Housing generally agrees with the audit recommendations. He has said that:

#### ***Regarding paragraph 2.50(a)***

- (a) for housing issues under HA's purview, including the QPS, the LTHS Steering Committee's recommendations and views of the public collected during the consultation period will be referred to the HA for consideration and implementation (see also paras. 5.8 and 5.9). The HA will take the final decision on any modifications to the QPS;
- (b) the LTHS Steering Committee supports HA's policy that priority should continue to be given to general applicants for PRH flats, and has looked at ways to better manage the PRH demand and refine the existing measures on rationalisation of the existing PRH resources, including the QPS, with a view to increasing PRH supply. Recommendations relating to QPS applicants put forward by the LTHS Steering Committee include:
  - (i) HA should increase the annual PRH quota for applicants under the QPS;
  - (ii) extra points should be allocated to those above the age of 45 with a view to improving their chance to gain earlier access to PRH, and progressively extending the award of additional points to those over 40 and then over 35;

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- (iii) consideration should be given to setting out a roadmap to progressively extend the around three-year AWT target to non-elderly one-person applicants above the age of 35; and
- (iv) HA should explore the feasibility of building dedicated PRH blocks for singletons at suitable fill-in sites within existing PRH estates (such as those with a relatively lower plot ratio and with sufficient infrastructural facilities), provided that it complies with the relevant planning requirements;

### ***Regarding paragraph 2.50(b)***

- (c) the LTHS Steering Committee has recommended, among others, that the HA should develop a mechanism to review the income and assets of QPS applicants and conduct regular reviews accordingly, in order to remove applicants who are no longer eligible from the WL; and

### ***Regarding paragraph 2.50(c)***

- (d) the HD will, subject to resources, conduct regular checks to ensure that follow-up actions are promptly taken on WL applicants who have been housed through other channels.

## **Processing of applications**

2.52 The Applications Sub-section of the Allocation Section under the HD's Strategy Division is responsible for processing PRH applications and allocation of flats. The Applications Sub-section comprises four Units, namely the Administration Unit, the Registration and Civil Service Unit (RCSU), the Waiting List Unit (WLU) and the Lettings Unit (LU) (see Appendix A). The RCSU handles the applications. The WLU conducts interviews with applicants and family members to confirm their eligibility (see para. 2.53), while the LU is responsible for allocating PRH flats.

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2.53 The applicant should submit the completed application form together with the required documents for registration on the WL. The application form and supporting documents are subject to pre-registration vetting by the RCSU. The RCSU examines the application to see if the information is complete and the basic eligibility criteria (see Appendix B) are met. If the application is in order, the RCSU registers the application on the WL and assigns an application number in sequence to the applicant. Otherwise, no registration is made.

2.54 Applications for the allocation of PRH flats are investigated in accordance with the order of registration on the WL and the availability of PRH flats in the district chosen by the applicant. When an application is due for investigation, the WLU arranges a vetting interview (Note 8) with the applicant. After assessing the eligibility of the application, the interviewer makes a recommendation to accept or cancel the application, or arrange follow-up actions. All vetted applications are then checked by an Assistant Housing Manager (AHM) or a Housing Manager (HM), who authorises the acceptance or cancellation of applications, or further actions. The accepted cases are passed to the LU awaiting allocation of PRH flats. Acceptance letters are sent to successful applicants. For cancelled cases, letters of rejection are sent. The procedures for processing PRH applications are shown at Appendix C.

### ***Use of declaration forms***

2.55 All new applications are subject to pre-registration vetting before they are registered on the WL. Each applicant should submit a completed application form, providing the names of the applicant and all family members, and declaring in the application form, among others, their monthly income and net assets owned. In addition, they are required to provide documentary proofs to support the amounts of income and assets declared. Since the HD adopts an honour system for processing applications for registration on the WL for PRH, the vetting officers are not required to verify the amounts and the completeness of income and assets declared by applicants.

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**Note 8:** *The applicant and family members aged 18 or above are invited to attend the interview. During the interview, the applicant and family members are required to declare their income, net asset value and property ownership. They are required to produce standard employment certificates bearing employer's signatures and official chops, to substantiate their declared income.*

## **Allocation of flats to people in need of public rental housing**

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2.56 A total of 17 declaration forms are currently in use for PRH applications (see Appendix E). Audit notes that:

- (a) these declaration forms are not attached to or distributed with the application form and can only be downloaded from the HD's website; and
- (b) their usage and availability are not shown on the application form or the "Information for Applicants" (Note 9). They are also not mentioned in the bilingual video clip (uploaded onto the HA's website) informing applicants how to fill in the application form.

2.57 Declarations by the applicants form a very important part of the honour system adopted by the HD for processing applications (see para. 2.55). Audit noted that many applicants did not use the appropriate declaration forms to support their applications, resulting in the need for re-submissions (see paras. 2.58 to 2.64). They did not seem to know the proper use of these declaration forms provided by the HD. Audit considers that the HD needs to suitably revise the PRH application form, the Information for Applicants, and the video clip to provide guidance to applicants on the availability and the proper use of declaration forms.

### ***Resubmitted applications***

2.58 The HD issues an acknowledgement letter upon receipt of an application. In accordance with its performance pledge, within three months from the confirmed receipt of an application, the HD notifies the applicant in writing as to whether he is successful in registering on the WL for PRH, and allots an application number to the successful applicant.

2.59 If an applicant fails to provide all the required information/documents, the HD will return the application form together with all supporting documents back to the applicant, and the case is regarded as closed. The applicant has to re-apply by using a new application form, or using the returned application form and filling in a new date of application.

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**Note 9:** *The "Information for Applicants" is a booklet distributed together with the application form to potential applicants for PRH flats.*

## Allocation of flats to people in need of public rental housing

2.60 Table 10 shows the applications vetted by the RCSU and the vetting results in the past five years.

**Table 10**

**Applications vetted by the RCSU  
(2008-09 to 2012-13)**

| Year    | Number of applications           |                 |                  |                                    |
|---------|----------------------------------|-----------------|------------------|------------------------------------|
|         | Accepted for registration<br>(a) | Rejected<br>(b) | Returned<br>(c)  | Processed<br>(d) = (a) + (b) + (c) |
| 2008-09 | 40,265                           | 13,349          | 37,492           | 91,106                             |
| 2009-10 | 36,216                           | 11,529          | 32,244           | 79,989                             |
| 2010-11 | 45,733                           | 13,689          | 39,422           | 98,844                             |
| 2011-12 | 62,849                           | 18,219          | 46,482           | 127,550                            |
| 2012-13 | 61,554                           | 15,753          | 46,625           | 123,932                            |
| Total   | 246,617<br>(47%)                 | 72,539<br>(14%) | 202,265<br>(39%) | 521,421<br>(100%)                  |

*Source: HD records*

2.61 It can be seen from Table 10 that, among the some 520,000 applications processed during the period 2008-09 to 2012-13:

- (a) 47% were accepted for registration on the WL;
- (b) 14% were rejected because the eligibility criteria were not met; and
- (c) 39% were returned to applicants because of insufficient information/documents.

The rate of returning applications (39%) was high.

## **Allocation of flats to people in need of public rental housing**

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2.62 Audit analysed those applications which were accepted for registration in the past five years to see the number of times they had to be submitted/resubmitted before the applications were accepted for registration (see Table 11). It can be seen that, on average:

- (a) 55% applications were accepted for registration right away and no resubmission was required;
- (b) 36% applications were accepted for registration upon the first resubmission; and
- (c) 9% applications had to be resubmitted more than once before they were accepted for registration.



## Allocation of flats to people in need of public rental housing

**Table 11**

**Analysis of applications accepted for registration  
(2008-09 to 2012-13)**

| Number of times of resubmission | Number of applications |         |         |         |         |                   |
|---------------------------------|------------------------|---------|---------|---------|---------|-------------------|
|                                 | 2008-09                | 2009-10 | 2010-11 | 2011-12 | 2012-13 | Total             |
| 0<br>(Note)                     | 23,813                 | 19,015  | 23,361  | 35,121  | 34,774  | 136,084<br>(55%)  |
| 1                               | 14,436                 | 13,650  | 17,561  | 22,377  | 20,368  | 88,392<br>(36%)   |
| 2                               | 1,870                  | 2,856   | 3,866   | 4,240   | 4,840   | 17,672<br>(7%)    |
| 3                               | 139                    | 577     | 753     | 889     | 1,167   | 3,525<br>(2%)     |
| 4 or more                       | 7                      | 118     | 192     | 222     | 405     | 944<br>(—)        |
| Total                           | 40,265                 | 36,216  | 45,733  | 62,849  | 61,554  | 246,617<br>(100%) |

*Source: Audit analysis of HD records*

*Note: This means that no resubmission was required and the application was accepted for registration right away.*

2.63 Audit selected for examination five cases which had their applications resubmitted four times or more, and found that:

- (a) all of them had already been applying for registration onto the WL for more than 1 year (ranging from 1.2 to 1.9 years) before they were accepted for registration;
- (b) except for one case, no telephone contact had been made with the applicants;

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- (c) in one case (Case 2), the vetting officer did not give adequate advice to the applicant on the necessary information/documents to be provided, resulting in the resubmission being returned again; and
- (d) in another case (Case 3), the vetting officer mistakenly registered the application on the WL due to inadequate coordination between different vetting officers.

### **Case 2**

#### **Need to provide clearer advice to the applicant**

1. Concerning the applicant's employment certificate, the vetting officer:
  - (a) did not indicate in the first return letter of September 2008 the information/documents that should be provided; and
  - (b) repeatedly stated in the second to fifth return letters (from December 2008 to August 2009) that the employment certificate submitted by the applicant contained mistakes (but did not specify what the mistakes were) and a new certificate was needed, and asked the applicant to make reference to the sample attached.

#### ***Audit comments***

2. Audit considers that the HD should provide clearer advice to the applicant on the HD's requirements.

*Source: HD records*

### Case 3

#### **Inadequate coordination between vetting officers**

1. The applicant owned a property in the Mainland and was asked by the same vetting officer four times (from July 2008 to June 2009) to provide the relevant valuation report, but the applicant failed to provide the report.

2. When the applicant submitted his application for the fifth time in October 2009, he used a new application form and declared that he had no assets in hand. This resubmission was processed by another vetting officer who failed to locate previous return letters for reference and was not aware that the applicant owned a Mainland property. Copies of return letters of all applications were filed in date sequence and were normally not retrieved for reference by vetting officers.

3. The applicant resubmitted his application for the sixth time in January 2010 after rectifying the outstanding matters listed in the fifth return letter by the HD in December 2009. This resubmission was accepted and registration on the WL was made in March 2010.

#### ***Audit comments***

4. Audit considers that the vetting officer who handled the fifth application would have been aware if the applicant owned a Mainland property had been required to make reference to previous return letters or if the officer had consulted her predecessor. The HD should consider requiring the applicants to make reference to previous return letters when resubmitting applications. As the eligibility of the application is in doubt, the HD should reassess the eligibility of this case before further processing.

*Source: HD records*

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2.64 Audit considers that returning application forms to the applicants multiple times should be avoided. This will not only improve customer service to PRH applicants, but also reduce the administration work in handling resubmissions. The HD's processing efficiency can be enhanced if the re-processing of a revised application submitted by the same applicant by a different vetting officer can be obviated. The HD needs to take measures to streamline its processing of applications. The HD also needs to reassess the eligibility of Case 3 before further processing.

### ***Deceased person records not promptly updated***

2.65 Since 1995, the Registrar of Births and Deaths of the Immigration Department has provided the HD, on a monthly basis, with data of deceased persons. The HD conducts data matching with the names of applicants and family members registered on the WL. With effect from April 2009, the Estate Management and Maintenance System (EMMS) of the HD would capture the information of deceased persons provided by the Immigration Department, and such applications are barred from input of acceptance.

2.66 In accordance with the Guidebook for processing PRH applications, an Action Report for Registered Deceased Persons would be generated by the EMMS, listing out the deceased persons who are on the WL at various stages. The Administration Unit would issue the reports to different responsible units for action. The RCSU would handle the cases in the reports at the registration stage and the WLU at other stages. For different family sizes, the total net asset limits, maximum income limits and the flat sizes to be allocated are different. Therefore, the eligibility for and allocation of PRH may be affected for applicants with such deceased persons. Upon receipt of the Action Reports, action would be taken promptly to update all the necessary particulars in the WL records, especially at the investigation stage. The EMMS records would also be updated before passing the cases to other units for action.

2.67 Audit reviewed 10 cases of PRH applications selected from the Action Reports for Registered Deceased Persons and outstanding over 3 months (Note 10) with a view to identifying areas for improvement. In these cases, after receipt of

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**Note 10:** *Cases outstanding mean that the EMMS has captured the information that a person is deceased but the records are not yet deleted from the database.*

## **Allocation of flats to people in need of public rental housing**

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the Action Reports, an average of 116 days had elapsed before the HD initiated the first action (such as contacting the deceased's family members) and 127 days had elapsed before the deceased persons' names were deleted from the WL records.

2.68 Among the 10 cases examined, Case 4 illustrates that the WLU did not take prompt follow-up action to delete the name of the deceased person from the WL records.

### **Case 4**

#### **Deceased person record not promptly updated**

1. The deceased person (an elderly family member of the applicant) passed away on 12 October 2011.
2. On 7 December 2011, the applicant was informed that a flat would be allocated to her.
3. The EMMS record was updated on 1 February 2012 but the WLU did not delete the record of the deceased person.
4. On the day of signing the tenancy agreement (7 May 2012), the applicant submitted the intake declaration form with a forged signature of the deceased person.
5. On 11 May 2012, an HD officer found that the elderly family member had passed away. The case was reported to the police.
6. The applicant was sentenced to 10 weeks' imprisonment (suspended for 2 years) and was fined \$13,000.
7. On 9 July 2012, the flat was surrendered.

*Source: HD records*

## **Allocation of flats to people in need of public rental housing**

2.69 In accordance with the Guidebook for processing the PRH applications, the HMs of the WLU should conduct random checking on approximately 5% of cases in the Action Report.

2.70 Audit reviewed the random check record for deceased persons of the WLU and found that there were no records showing that the checking was conducted regularly. For one team in the WLU, no checking of the records was conducted from July 2010 to May 2012. For another team, no checking of the records was conducted during the periods:

- (a) June to November 2010;
- (b) January to August 2011; and
- (c) October 2011 to September 2012.

2.71 Table 12 shows the number of outstanding cases selected by the Application Sub-section for checking in June 2013. Audit found that the percentage of checking was only 4.4% (below that required by the Guidebook — see para. 2.69). Audit also noted that most cases selected for checking were new cases which had been outstanding for less than one month. However, cases which had been outstanding for 3 months or more were not selected for checking.

**Table 12**

**Outstanding cases selected for checking by the Application Sub-section  
(June 2013)**

|                             | No. of months the case had been outstanding |         |          |          |          |          |          | Total |
|-----------------------------|---|---------|----------|----------|----------|----------|----------|-------|
|                             | 0 month                                     | 1 month | 2 months | 3 months | 4 months | 5 months | 6 months |       |
| No. of outstanding cases    | 134   | 11      | —        | 11       | —        | —        | 1        | 157   |
| Cases selected for checking | 6   | 1       | —        | —        | —        | —        | —        | 7     |

*Source: Audit analysis of HD records*

## **Allocation of flats to people in need of public rental housing**

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2.72 In Audit's view, the HD needs to conduct the random checking of outstanding deceased records on a periodic basis to ensure that follow-up actions are taken promptly. The HD also needs to consider using a risk-based approach in selecting samples for checking. For example, all long-outstanding cases should be selected for checking.

### ***Long time taken for random checking of income and assets***

2.73 To deter false declarations by applicants, annual random checks on income and assets for 300 applications would be conducted by the Public Housing Resources Management Sub-section (PHRM) of the EMD of the HD (see organisation chart at Appendix A). Each year, the Applications Sub-section refers 120 newly registered applications (in registration stage under the purview of the RCSU — see Appendix C) and 180 applications in the process of flat allocation (in allocation stage under the purview of the LU — see Appendix C) to PHRM for checking. These 300 applications are randomly selected by the computer system. The checking of income and assets mainly includes:

- (a) invitation of all household members aged 18 or above for interview and declaration of their income and assets for cases referred from the RCSU. No interviews are arranged for the referrals from the LU (Note 11);
- (b) search of ownership of domestic property of the applicant and family members;
- (c) search of ownership of vehicle of the applicant and family members; and
- (d) business registration search of the applicant and family members, if they are self-employed.

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**Note 11:** *To avoid complaints from the applicants who have recently been interviewed by the WLU and submitted the income certificates and documentary proofs for their assets, PHRM would mainly conduct paper search for cases referred from the LU and would not invite them for interview again.*

## Allocation of flats to people in need of public rental housing

2.74 As agreed between PHRM and the Applications Sub-section at a meeting of August 2009, the investigation time by PHRM would be around three months. However, Audit noted that PHRM took more than three months on average to complete the random check of income and assets for an application. Table 13 shows the average case investigation time (Note 12) for the five years from 2008-09 to 2012-13.

**Table 13**

**Average case investigation time for random checking  
of income and assets by PHRM  
(2008-09 to 2012-13)**

| Year                         | Average case investigation time<br>(No. of days) |                  |
|------------------------------|--|------------------|
|                              | Referral from RCSU                               | Referral from LU |
| 2008-09                      | 109  | 96               |
| 2009-10                      | 127  | 111              |
| 2010-11                      | 135  | 110              |
| 2011-12                      | 142  | 114              |
| 2012-13<br>(up to July 2013) | 156  | 165              |

Source: Audit analysis of HD records

**Note 12:** For this analysis, the investigation time for an application refers to the time between the date the case was received by PHRM and the date it was returned to the RCSU/LU.



## **Allocation of flats to people in need of public rental housing**

2.75 Audit noted that for the period 2008-09 to 2012-13 (up to July 2013), the average case investigation time increased significantly by 43% (from 109 to 156 days) and 72% (from 96 to 165 days) for referrals from the RCSU and the LU respectively. In 2012-13, the average case investigation time was more than five months (156 and 165 days for referrals from the RCSU and the LU respectively), exceeding the agreed timeframe of three months (see para. 2.74).

2.76 Audit conducted analyses of the case investigation time for random checking by PHRM for referrals from the RCSU and the LU (see Tables 14 and 15).

**Table 14**

**Analysis of PHRM's case investigation time  
for referrals from the RCSU**

| Investigation time | 2008-09         | 2009-10 | 2010-11 | 2011-12 | 2012-13       | Total |
|--------------------|-----------------|---------|---------|---------|---------------|-------|
|                    | Number of cases |         |         |         |               |       |
| Up to 3 months     | 67              | 41      | 20      | 31      | 18            | 177   |
| Over 3 to 6 months | 45              | 54      | 82      | 53      | 53            | 287   |
| Over 6 to 9 months | 4               | 21      | 15      | 34      | 23            | 97    |
| Over 9 months      | 4               | 4       | 3       | 2       | 8             | 21    |
| Total              | 120             | 120     | 120     | 120     | 102<br>(Note) | 582   |

*Source: Audit analysis of HD records*

*Note: As at 31 July 2013, there were 18 outstanding cases.*

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Table 15

### Analysis of PHRM's case investigation time for referrals from the LU

| Investigation time | 2008-09         | 2009-10 | 2010-11 | 2011-12 | 2012-13       | Total |
|--------------------|-----------------|---------|---------|---------|---------------|-------|
|                    | Number of cases |         |         |         |               |       |
| Up to 3 months     | 95              | 68      | 66      | 78      | 24            | 331   |
| Over 3 to 6 months | 66              | 101     | 105     | 81      | 57            | 410   |
| Over 6 to 9 months | 9               | 10      | 5       | 20      | 49            | 93    |
| Over 9 months      | —               | 1       | 3       | —       | 10            | 14    |
| Total              | 170             | 180     | 179     | 179     | 140<br>(Note) | 848   |

Source: Audit analysis of HD records

Note: As at 31 July 2013, 33 cases were still under investigation by PHRM.

2.77 As can be seen from Tables 14 and 15, during the period 2008-09 to 2012-13, there were 21 and 14 cases which took over nine months to complete for referrals from the RCSU and LU respectively.

2.78 Unduly long time taken by PHRM for random checking of income and assets would delay the PRH application and flat allocation process for those affected. Audit considers that the HD needs to:

- (a) investigate into the reasons for the unduly long time taken by PHRM for the random checking which exceeded the agreed timeframe of three months (see para. 2.74), particularly the large increase in the average case investigation time in the past few years (see para. 2.75); and
- (b) take measures to expedite PHRM's efforts to conduct the random checking.

## **Audit recommendations**

- 2.79 **Audit has recommended that the Director of Housing should:**
- (a) **consider suitably revising the Information for Applicants and the video clip to provide guidance to applicants on the availability and the proper use of the declaration forms provided by the HD;**
  - (b) **take measures to streamline the HD's processing of applications, in order to avoid frequent returning application forms to the applicants multiple times. For example, the HD should consider:**
    - (i) **communicating with applicants by telephone or interview as far as possible to take necessary follow-up actions;**
    - (ii) **providing applicants with clearer advice on the information required by the HD; and**
    - (iii) **requiring the applicants to make reference to previous return letters when resubmitting applications;**
  - (c) **take measures to ensure that the names of the deceased persons are promptly deleted from the WL for PRH;**
  - (d) **conduct the random checking of outstanding deceased person records on a periodic basis, so as to ensure that follow-up actions are taken promptly;**
  - (e) **consider using a risk-based approach in selecting samples for checking of outstanding deceased person records. For example, all long-outstanding cases should be selected for checking;**
  - (f) **investigate into the reasons for the unduly long time taken by PHRM for the random checking of income and assets, particularly the significant increase in the average case investigation time in the past few years; and**
  - (g) **take measures to expedite PHRM's efforts to conduct the random checking of income and assets.**

### **Response from the Administration**

2.80 The Director of Housing agrees with the audit recommendations. He has said that:

- (a) more guidance can be provided to the applicants. The HD will consider revising the “Information for Applicants” and the video clip to provide more guidance to applicants in respect of the declaration forms;
- (b) the HD has put in place a system to contact the applicant by telephone or by interview if the application has been returned for more than two times. Subject to resources constraints, the HD will continue to do so as far as possible;
- (c) the HD will strive to provide clearer advice to applicants. It will remind applicants to refer to previous return letters when resubmitting applications. HD staff have also been reminded to follow the timeframes and comply with the guidelines on income and assets checks; and
- (d) to tighten monitoring and supervision, the investigator is required to submit written application with justifications to the supervising AHM and HM for extension of the investigation time to 4 months and 6 months respectively if a case cannot be completed within the 3-month timeframe.

## **PART 3: MAXIMISING THE RATIONAL UTILISATION OF PUBLIC RENTAL HOUSING FLATS**

3.1 This PART examines the HA's measures to maximise the rational utilisation of PRH flats, focusing on the following areas:

- (a) management and control of unoccupied flats (paras. 3.2 to 3.25);
- (b) implementation of the Well-off Tenants Policies (paras. 3.26 to 3.41); and
- (c) under-occupation of PRH flats (paras. 3.42 to 3.63).

### **Management and control of unoccupied flats**

3.2 PRH flats are valuable housing resources and the vacant stock is an important source of supply of PRH flats for allocating to eligible applicants on the WL. It is both expensive and time-consuming to build a PRH flat. It is imperative that all PRH flats are fully utilised and their turnover is maximised. The HD manages a large stock of PRH flats. As at 31 March 2013, there were 727,958 PRH flats, of which 715,487 (98%) were let to 710,239 PRH households.

3.3 The LU under the Strategy Division is responsible for overseeing the overall utilisation and letting position of vacated flats. The EMD is responsible for the overall property management and maintenance of PRH. Estate Offices, Property Services Agents and District Tenancy Management Offices (DTMO) under the EMD are responsible for the management of vacant flats. After the tenants are vacated from PRH, the tenancy records in the Domestic Tenancy Management Sub-system (DTMS) would be updated by the DTMO. Through the DTMS, the LU would be notified of the availability of vacant flats for letting. The DTMO and Estate Offices are responsible, among others, for arranging intake of PRH tenants.

## Maximising the rational utilisation of public rental housing flats

### *Unoccupied flats*

3.4 As at 31 March 2013, there were 12,471 unoccupied flats, representing about 1.7% of the total stock of PRH flats. The HD classifies the unoccupied flats as “unlettable”, “lettable vacant” or “under offer” flats (see Table 16).

**Table 16**

**Classification of PRH flats  
(2011 to 2013)**

|                           | Number of PRH flats as at:     |                                |                                |
|---------------------------|--------------------------------|--------------------------------|--------------------------------|
|                           | 31 March 2011                  | 31 March 2012                  | 31 March 2013                  |
| Occupied flats            | 692,329                        | 706,780                        | 715,487                        |
| Unoccupied flats          |                                |                                |                                |
| (a) unlettable flats      | 5,902                          | 6,072                          | 4,370                          |
| (b) lettable vacant flats | 6,658                          | 7,078                          | 4,137                          |
| (c) “under offer” flats   | 3,168                          | 2,438                          | 3,964                          |
| <i>Subtotal</i>           | <i>15,728</i><br><i>(2.2%)</i> | <i>15,588</i><br><i>(2.2%)</i> | <i>12,471</i><br><i>(1.7%)</i> |
| Total                     | 708,057                        | 722,368                        | 727,958                        |

*Source: HD records*

3.5 According to the HD, the vacancy rate of PRH was 0.6%, which was lower than its pledge of 1.5%. However, Audit noted that in calculating the vacancy rate, the HD used the formula “number of lettable vacant flats divided by the lettable stock” and only counted the number of lettable vacant flats as vacant flats (i.e.  $4,137 / (727,958 - 4,370)$ ) as at 31 March 2013). The 4,370 unlettable

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flats and 3,964 “under offer” flats, which were also not occupied by any tenants, had not been included as vacant flats in calculating the vacancy rate. Upon Audit’s enquiry, the HD has explained that the purpose of the vacancy rate is to indicate the extent to which the HD has maximised the use of PRH resources. For those flats already “under offer”, they are being offered to applicants and are expected to be taken up in the near future. As for unlettable flats, they are reserved for a purpose and are not available for letting to PRH applicants. The number of “under offer” and unlettable flats are in any case unavailable for further letting, and thus could not help indicate how well HD is doing in respect of maximising the use of PRH resources. However, for better monitoring of the vacant flats and how well the HA manages vacancy as a whole, Audit considers that the HD should disclose the number of “under offer” and unlettable flats when releasing information on the vacancy rate of the PRH.

### ***Need to closely monitor “under offer” flats***

3.6 Upon enquiry, the HD informed Audit in June 2013 that a PRH flat would be classified as “under offer” when an offer letter was sent by the LU to a prospective tenant who was invited to complete the sign-up formalities in the estate office. In other words, an “under offer” flat is pending take-up by tenants which, according to the offer letter, is to be completed within two weeks from the date of the letter. Regarding the large number of flats under offer (3,964) as at 31 March 2013, Audit had asked for the information of the termination date of their last tenancy in order to determine the vacancy period of these flats. In response, however, the HD said that it was unable to capture such information for the position as at 31 March 2013. This was because the majority of these flats had since been let out and the Applications Sub-section did not keep the last tenancy termination dates for flats that had already been let out. In the event, an ageing analysis for the vacancy periods of these flats could not be performed.

3.7 During site visits to three housing estates in mid-2013, Audit noted that, as at the dates of visit, there were 43 “under offer” flats that had been vacant for more than three months, with 14 more than a year. Audit further examined the distribution of “under offer” flats in all estates and noted that, as at 31 March 2013, nine estates each had more than 50 “under offer” flats.

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3.8 Taking into account the long vacancy periods of the “under offer” flats noted during our site visits and the large number of such flats (see para. 3.7), Audit considers that the monitoring mechanism of “under offer” flats needs to be strengthened. As the LU is responsible for the allocation of flats while the EMD is responsible for their custody, physical upkeep and intake formalities, effective coordination between the LU and the EMD is required to avoid oversight in management control of these “under offer” flats. Audit also considers that the HD needs to speed up the letting of those “under offer” flats which have been vacant for a long time, for example by pooling these flats for the Express Flat Allocation Scheme (EFAS — see para. 3.9). Upon enquiry, the HD informed Audit in September 2013 that the “under offer” flats would be included as targets in pooling flats for the EFAS.

### ***Speeding up the letting of long vacant flats***

3.9 The HD has launched the EFAS since 1997 to speed up the letting of those unpopular or long vacant flats. The EFAS is conducted annually to invite eligible WL applicants to take up the less popular or long vacant flats. Flats offered for letting under the EFAS exercises include those unpopular flats with adverse “Environmental Indicator”, such as loan shark/murder/suicide cases, flats at remote locations, and long vacant flats. Flats with vacant period over nine months are considered as long vacant flats for an EFAS pooling exercise. In the past three years (2010 to 2012), 2,400, 2,200 and 2,500 flats were pooled under the EFAS respectively.

3.10 The HD reported 4,137 vacant flats available for letting as at 31 March 2013 (see Table 16 in para. 3.4). An analysis of the vacancy periods for these vacant flats is shown in Table 17. It can be seen that many (887 or 21%) flats had been vacant for one year or more, and about 2% (30 + 46) for five years or more. Audit also found that there were a number of long vacant flats (i.e. vacant for over 9 months) but had not been put under any EFAS exercises. Out of the 887 flats which had remained vacant for over one year, 470 (53%) flats had not been included in previous EFAS exercises. The situation was unsatisfactory.



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**Table 17**

**Ageing analysis of vacant flats available for letting  
(31 March 2013)**

| Period                  | Number of vacant flats | Number of flats not included in EFAS (Note 1) |
|-------------------------|------------------------|---|
| Less than 1 year        | 3,250                  | (Note 2)                                      |
| 1 to less than 2 years  | 605                    | 362   |
| 2 to less than 5 years  | 206                    | 98  |
| 5 to less than 10 years | 30                     | 9   |
| 10 years or more        | 46                     | 1   |
| Total                   | 4,137 (100%)           | 470   |

*Source: Audit analysis of HD records*

*Note 1: EFAS exercises for the years 2008 to 2012 were taken into account in this analysis.*

*Note 2: There were 413 flats with a vacancy period of over 9 months. They might be considered for inclusion in the 2013 EFAS exercise.*

### ***Long time taken for refurbishment of some vacated flats***

3.11 All vacant flats have to be refurbished before re-letting so as to bring the internal finishes and fitting-out of the flats up to a standard acceptable to the prospective tenants. Since 2006, the HD has issued guidelines to allow the re-letting and refurbishment processes to take place in parallel once a flat is vacated so that a vacant flat can be accepted by a prospective tenant as soon as possible and even before the refurbishment is completed. Normally, the whole process from allocation to intake was expected to be shortened from an average of 57 days to 34 days after a flat is vacated.

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3.12 Estate staff will notify works staff about the out-going tenants' moving-out dates 7 days in advance and arrange joint inspections after the out-going tenants have moved out. Works staff will then issue the works order within 3 days. A flat will be available for advance allocation by the LU upon its physical recovery with works order issued. According to the HD's 2012-13 Corporate Plan, the target of the average turnaround time for vacant flat refurbishment should not exceed 44 days.

3.13 During the site visits to the estates, Audit selected some vacant flats for inspection. Some were Converted One Person (C1P — see para. 3.21) flats and some were normal PRH flats. Refurbishment was being carried out inside these flats. However, Audit noted that the refurbishment period (since tenants vacated from flats up to completion of refurbishment) was quite long (ranging from 5 months to more than 3 years) for these flats. Some examples are shown in Table 18.

**Table 18**

**Refurbishment period for some flats selected for audit inspection  
(August 2013)**

|        | <b>Flat type</b> | <b>Vacant date</b>   | <b>Works order</b>  | <b>Refurbishment completion date</b> |
|--------|------------------|----------------------|---|--------------------------------------|
| Flat 1 | Normal PRH       | Since September 2008 | Issued in July 2011 but works not started until February 2012 | March 2012                           |
| Flat 2 | Normal PRH       | Since May 2010       | Issued in July 2011 but works not started until February 2012 | March 2012                           |
| Flat 3 | C1P              | Since February 2012  | Started in May 2013   | July 2013                            |
| Flat 4 | C1P              | Since January 2013   | Started in June 2013  | July 2013                            |
| Flat 5 | C1P              | Since February 2013  | Started in June 2013  | July 2013                            |

*Source: HD records*

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3.14 The long refurbishment period (including the time pending refurbishment) which had kept these flats vacant for an unreasonably long time was not satisfactory. Upon enquiry, the HD informed Audit in September 2013 that:

- (a) departmental guidelines had set out the timeframe for refurbishment work. On average, the HD was able to meet the pledge of completing refurbishment of vacant flats within 44 days;
- (b) the progress of refurbishment works was under the monitoring of Senior Works Professional and Works Professional in the Bi-monthly Contract Meeting and Weekly Meeting respectively; and
- (c) some vacant flats involved serious water seepage, structural repairs, re-roofing works above the flats and special technical arrangements that required more time for refurbishment. The cases mentioned in Table 18 were special or isolated cases where additional processing time was justified.

3.15 Audit considers that the HD needs to closely monitor the refurbishment period and take measures to minimise the vacancy period.

3.16 In the 1960s, domestic accommodations were allocated to shop tenants as staff quarters to facilitate their business operation. Tenancies of these flats were tied to the main tenancies. The need for providing tied flats as staff quarters to commercial tenants on operational grounds has been diminishing and, effective from 2010, allocation of tied flats would not normally be entertained. The HD has instructed that tied flats once recovered from shop tenants should be converted to domestic flats and returned to the LU for domestic letting. During the site inspection to an estate, Audit found that 16 tied flats had been vacated and recovered in mid-August 2012. In August 2012, the estate staff sought approval for their conversion to domestic flats. In October 2012, site visit was arranged and costs of conversion works were estimated. However, Audit's site inspection in end-May 2013 found that refurbishment works of these 16 flats had still not been completed.

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3.17 Upon enquiry, the HD informed Audit in September 2013 that there was strong request from the shop tenants and the local District Council Councillor for minimising the disturbance while the refurbishment works of these flats above the shops were in progress. Therefore, the renovation work hours were restricted and works were carried out by more phases than usual, resulting in longer time for completion. A works order was issued in August 2013 and the conversion works was expected to be completed by end of September 2013. Audit considers that the HD needs to monitor the refurbishment works to facilitate early letting of the tied flats.

### ***Monitoring of unlettable flats***

3.18 The LU is responsible for overseeing the overall utilisation and letting position of vacant flats reserved. It monitors the reservation and de-reservation of flats. Different divisions of the HD are allowed to keep a pool of reserved flats to meet their operational needs (e.g. for relocating tenants affected by redevelopment). Some of these reserved flats are classified as “unlettable”. Flats reserved for a prolonged period without imminent demand should be released to the LU for disposal. Currently, the Chief Housing Manager (Applications) is responsible for the overall monitoring of the vacant flats withheld from letting. For flats reserved for estate use for over two months, the LU would send a memo to the Regional Chief Manager (RCM) of the EMD to remind estates to promptly return surplus flats to the LU. Approval of the RCM is required for withholding vacant flats from letting over two months. Justifications and the expected “available date” for flat release should be endorsed by the RCM. As at 31 March 2013, there were 4,370 unoccupied flats (see Table 16 in para. 3.4) classified as unlettable due to various reasons. Table 19 shows an analysis of the vacancy period of these unlettable flats as at 31 March 2013.

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**Table 19**

**Analysis of the vacancy period of unlettable flats  
(31 March 2013)**

| Period                  | Reasons of reservation (Note 1) |       |       |       |       |       |       | Total |
|-------------------------|---------------------------------|-------|-------|-------|-------|-------|-------|-------|
|                         | a                               | b     | c     | d     | e     | f     | g     |       |
|                         | (No.)                           | (No.) | (No.) | (No.) | (No.) | (No.) | (No.) |       |
| Less than 1 year        | 210                             | 20    | 576   | 20    | 35    | 49    | 115   | 1,025 |
| 1 to less than 2 years  | 436                             | 27    | 59    | 11    | 5     | 2     | 10    | 550   |
| 2 to less than 5 years  | 620                             | 82    | 88    | 2     | 6     | —     | 16    | 814   |
| 5 to less than 10 years | 418                             | 303   | 8     | 1     | 2     | —     | 33    | 765   |
| 10 years or more        | 171                             | 367   | 24    | —     | 2     | —     | 54    | 618   |
| Unknown (Note 2)        | 12                              | 8     | 60    | 218   | 181   | 1     | 118   | 598   |
| Total                   | 1,867                           | 807   | 815   | 252   | 231   | 52    | 346   | 4,370 |

*Source: HD records*

*Note 1: Reasons of reservation were:*

- (a) *vacant Housing for Senior Citizen (HSC) Type 1 flats pending conversion to ordinary PRH;*
- (b) *vacant CIP flats pending conversion to ordinary PRH;*
- (c) *flats withheld from allocation for operational/management reasons;*
- (d) *flats reserved by the Urban Renewal Authority;*
- (e) *flats under conversion or structural repairs;*
- (f) *flats for enforcement or maintenance of tenancy; and*
- (g) *others (e.g. flats reserved for estate wardens, temporary reservation estate use, sample flats, etc.)*

*Note 2: The termination date of the last tenancy of these flats was not available in the DTMS. According to the HD, data analysis showed that they were new vacant flats or converted flats which did not have last tenancy termination dates.*

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3.19 As can be seen from Table 19, many flats had been vacant for more than one year for various reasons. Among the unlettable flats, 815 flats were withheld from allocation for “operational/management reasons”. Upon enquiry, the HD informed Audit in September 2013 that 672 flats were frozen from letting due to redevelopment or conversion for HOS project. Audit noted that among the remaining 143 reserved flats, 109 (76%) had been reserved for more than one year and no evidence of reservation authority could be found for reserving 35 flats. Audit considers that the estate staff should indicate the expected period of reservation for the reserved flats so that management can properly monitor their use. Besides, there were 598 flats for which the vacancy periods could not be ascertained as their termination dates of the last tenancies were not available in the DTMS. Audit considers that the relevant period of vacancy of these flats should be readily available to facilitate management monitoring of such flats. The HD needs to strengthen the system for monitoring unlettable flats.

### ***Delays in conversion of HSC and C1P flats***

3.20 HSC is a hostel type of PRH with 24-hour warden service. It was first introduced in the 1980s originally for single elderly persons. Normally three tenants were housed in an HSC flat sharing the same kitchen, living room and/or toilet. Due to the unpopularity of these flats, a phasing-out programme to freeze the letting of certain HSC units was introduced in 2006 to convert the recovered units to normal PRH flats.

3.21 Prior to the introduction of HSC, the HD had converted normal flats into smaller units (C1P units) through internal partitioning in order to increase the supply of small flats for single-persons. Unrelated persons were allocated to these units and were required to share the same kitchen and toilet facilities. As there were often disputes among C1P tenants, a phasing-out programme of C1P units was introduced in 2000.

3.22 In 2004, in view of the slow progress of phasing out of C1P flats, the HD instructed that the last remaining tenants of those partially occupied flats should be actively encouraged to take up the entire flats. In Chapter 3 “Allocation of public rental housing flats” of the Director of Audit’s Report No. 47 of October 2006, Audit recommended that the HD should formulate a long-term strategy, closely monitor the overall vacancy position, and convert for beneficial uses for the HSC units. In November 2010, the Internal Audit Unit of the HD also issued an audit

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report on the management and control of vacant flats. The internal audit report stated that management had not drawn up an action plan for frozen HSC units and there were no proactive measures and schedule for phasing out the C1P units. Upon enquiry, the HD informed Audit in September 2013 that:

- (a) over the past 6 years, the HD had been following the directive of the SHC to take proactive measures to encourage HSC tenants to transfer voluntarily. To achieve better results, all HSC Type 1 tenants had been included in the phasing-out programme since 2011; and
- (b) upon review in February 2013, the SHC endorsed the management transfer of all non-elderly tenants of HSC Type 1 flats to further expedite the flat recovery for conversion to PRH flats. Through staff's concerted efforts, the number of non-elderly tenants in the HSC Type 1 units decreased from 163 at end 2012 to 129 in August 2013.

3.23 It can be seen from Table 19 in paragraph 3.18 that there were 807 C1P and 1,867 HSC flats which were classified as unlettable as at 31 March 2013. Many of them had been vacant for over 5 years. The HD needs to step up measures to expedite the implementation of the C1P and HSC phasing-out programmes.

### **Audit recommendations**

3.24 **Audit has recommended that the Director of Housing should:**

- (a) **step up the monitoring of “under offer” flats and unlettable flats, for example by increasing the frequency of the monitoring checks;**
- (b) **expedite the letting of long vacant flats, including the “under offer” flats, by including them in the EFAS;**
- (c) **closely monitor the progress of refurbishment works for vacated flats. In particular, cases involving long periods of refurbishment should be reported to the senior management for attention;**

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- (d) **enhance the monitoring mechanism for flats which have remained unlettable for a long time;**
- (e) **require estate staff to indicate the expected period of reservation for reserving flats as unlettable flats so that the senior management can closely monitor the use of these reserved flats; and**
- (f) **expedite the phasing out of the HSC and C1P flats and their conversion into normal PRH flats for allocation.**

### **Response from the Administration**

3.25 The Director of Housing agrees with the audit recommendations. He has said that:

- (a) system enhancement will be completed in October 2013 to generate batch report for monitoring the conversion progress of C1P and HSC flats; and
- (b) about 90% of the C1P tenants are elderly and the HD will continue to encourage them to move to another flat voluntarily.

### **Implementation of the Well-off Tenants Policies**

#### ***Objective of the Well-off Tenants Policies***

3.26 The Government's housing policy is to provide PRH for low-income families who cannot afford private rental accommodation. To ensure the rational allocation of limited public housing resources, the HA encourages PRH households who have benefited from a steady improvement in their income and assets to return their PRH flats to the HA for reallocation to families that are more in need of the PRH flats. In 1987 and 1996, the HA implemented respectively the Housing Subsidy Policy (HSP) and the Policy on Safeguarding Rational Allocation of Public Housing Resources (SRA). The HSP and the SRA are collectively referred to as "Well-off Tenants Policies". Through the HSP, the HA aims to reduce the housing subsidy to those tenants with income beyond the laid-down limits. For the SRA, the



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HA aims to review the wealthy tenants' continuing eligibility for PRH. Implementing the Well-off Tenants Policies would enhance the turnover rate of PRH flats to avail more flats for the needy families and ensure equitable allocation of PRH resources.

3.27 The HSP requires tenants who have been living in PRH for 10 years or more to declare their household income biennially. Tenants with a total household income:

- (a) of two to three times the Waiting List Income Limit (WLIL) are required to pay 1.5 times net rent plus rates; and
- (b) exceeding three times the WLIL, or those tenants who choose not to declare their household income, are required to pay double net rent plus rates.

The subsidy income limits (above which the tenants are required to pay additional rent) are subject to annual review. The table of subsidy income limits effective from 1 April 2013 is shown at Appendix F.

3.28 According to the SRA, households paying double rent under the HSP have to declare assets biennially at the next cycle of declaration (two years from the last declaration under the HSP). If their total household income and net asset value both exceed the prescribed limits, or those who choose not to declare their assets, they are required to vacate their PRH flats. Households who are required to vacate their PRH flats but have a temporary housing need may stay in the flats for a period of not more than 12 months, during which double rent or market rent, whichever is the higher, is charged.

3.29 The net asset limits (above which the tenants paying double net rent plus rates are required to vacate their PRH flats) are subject to annual review. The net asset limits are currently set at about 84 times of the 2013-14 WLILs. The table of net asset limits effective from 1 April 2013 is shown at Appendix G.

### ***Preparation for biennial declarations***

3.30 Both income and asset declaration exercises are carried out yearly, covering different batches of tenants. For the years 2012-13 and 2013-14, among the total of 710,000 PRH households under the HA, about 343,000 (48%) households were required to declare income and 2,500 (0.4%) households were required to declare assets under the Well-off Tenants Policies.

3.31 The declaration cycle normally starts from 1 April of the year and ends on 31 March of the following year. The HD's local estate offices are responsible for sending and collecting the declaration forms for the biennial income and assets review. The programmes of the two declaration exercises which are generally similar are as follows:

- (a) by 1 April, estate offices issue declaration forms to affected tenants;
- (b) before end of May, tenants submit the completed declaration forms to estate offices;
- (c) by 1 September, estate offices perform preliminary vetting of income declarations and refer doubtful declarations to PHRM for investigation; and
- (d) examination of all declarations and investigation of doubtful declarations by estate offices and PHRM, and notification of the assessment results to tenants by estate offices before end of January of the following year. The new rent will become effective on 1 April of the following year.

### ***Verification of reasons for HSP exemption***

3.32 All tenancy information is maintained in the DTMS. It contains some essential data fields which facilitate the HSP implementation (e.g. date of initial residence, rent review category, exemption reason, etc.). Since these data fields will be used for selection of tenancies for HSP review, it is important to check the accuracy of these data fields before each HSP cycle.

## **Maximising the rational utilisation of public rental housing flats**

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3.33 Under the HSP, households who have lived in PRH for 10 years or more are subject to income review. Households with less than 10 years' residence in PRH should hold rent review category "HSP\_NOT\_DUE" in DTMS indicating that they are not due for income review. The following household categories were exempted from having to declare their income and assets:

- (a) households on shared tenancies;
- (b) households with all members receiving Comprehensive Social Security Assistance; and
- (c) households in which all members are over 60 years old.

As at July 2013, there were about 43,300 households with exemption reasons entered in the DTMS.

3.34 For households to be exempted from the HSP, an exemption indicator is entered in the DTMS so that these households will not be extracted in HSP cycles. Audit however noted during site visits to estates that some households should be subject to HSP review but were excluded because the exemption indicator was incorrectly input or had not been updated. Examples (Cases 5 and 6) are given at Appendices H and I respectively.

3.35 Upon Audit enquiry, the two identified cases were promptly rectified by the estate staff. In July 2013, the HD management staff had further reviewed similar cases and, as a result, amended the exemption codes of some 160 cases. Audit considers that, in future, the HD needs to take measures to ensure that all exemption indicators in the DTMS are correct for the proper implementation of the HSP.

### ***Review of the Well-off Tenants Policies***

3.36 As at 31 March 2013, 20,445 (3%) of PRH households were paying additional rent or market rent under the Well-off Tenants Policies. Among them, 18,109 households were paying 1.5 times rent, 2,321 were paying double rent, and 15 were paying market rent.

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3.37 According to the Hong Kong 2011 Population Census Report, of the 719,511 PRH households in 2011, 188,877 (26%) had income of \$20,000 or more per month (see Table 20 for details) which had exceeded the WL income limit of \$18,310 per month for a 3-person household (Note 13) in 2013-14. Audit noted that the median monthly income for all domestic households in Hong Kong was \$20,200 in 2011. It can also be seen from Table 20 that 116,397 (16%) of the PRH households had income of \$25,000 or more per month which was close to the WL income limit of \$25,360 per month for a 5-person household (Note 14) in 2013-14. It appears that many of these PRH households had already benefited from considerable improvement in their income over the years. As mentioned in paragraph 3.26, the objective of the Well-off Tenants Policies is to encourage the better-off PRH households to return their PRH flats to the HA for reallocation to families that are more in need of subsidised housing. The above analysis shows that more needs to be done in order that this objective can be realised and the scarce PRH resources can be better utilised. In this connection, Audit notes that the HOS has been re-launched since 2012-13. The HD may explore ways to encourage these well-off PRH tenants to purchase HOS flats.

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**Note 13:** *On average, a PRH household comprised 2.85 persons as at 31 March 2013.*

**Note 14:** *As at 31 March 2013, 97% of the PRH households comprised not more than 5 persons.*

**Table 20**

**Distribution of PRH household income  
(2011)**

| Income<br>(\$)   | Number of<br>PRH households |           |
|------------------|-----------------------------|-----------|
| Less than 8,000  | 214,651                     |           |
| 8,000 to 9,999   | 71,767                      |           |
| 10,000 to 14,999 | 137,059                     |           |
| 15,000 to 19,999 | 107,157                     |           |
| 20,000 to 24,999 | 72,480                      |           |
| 25,000 to 29,999 | 46,349                      | } 116,397 |
| 30,000 to 39,999 | 46,746                      |           |
| 40,000 to 59,999 | 19,684                      |           |
| 60,000 to 79,999 | 2,443                       |           |
| 80,000 to 99,999 | 702                         |           |
| 100,000 or more  | 473                         | } 188,877 |
| Total            | 719,511                     |           |

*Source: Hong Kong 2011 Population Census Report*

3.38 Audit also notes that the current rent of PRH is far below the market rent. For example, for the urban district, the rent (inclusive of rates and management fee) is currently set at \$64.4 per square metre (internal floor area). Therefore, the 1.5 times or double net rent plus rates under the HSP (see para. 3.27) might not be able to induce the well-off tenants to vacate the PRH flats.

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3.39 The Well-off Tenants Policies have been implemented for many years (the HSP since 1987 and the SRA since 1996 — see para. 3.26). In view of the long WL and the increasing AWT for PRH in recent years, Audit considers that the HA needs to critically review the Policies to see whether the various parameters of the HSP and the SRA (see paras. 3.27 to 3.29) can be fine-tuned for further improvements. In this regard, Audit notes that the Well-off Tenants Policies have been included as one of the key areas for examination under the Long Term Housing Strategy Review (see paras. 5.4 to 5.6).

### **Audit recommendations**

3.40 **Audit has recommended that the Director of Housing should:**

- (a) **take measures to ensure that all exemption indicators in the DTMS are correctly recorded;**
- (b) **critically review the Well-off Tenants Policies to see whether the various parameters of the HSP and the SRA can be fine-tuned for further improvements; and**
- (c) **explore ways to encourage well-off PRH tenants to purchase HOS flats.**

### **Response from the Administration**

3.41 The Director of Housing agrees with the audit recommendations. He has said that:

- (a) instruction has been issued to remind estate staff to promptly update irregular cases and records in the DTMS and would include tenancies of Elderly Priority Scheme and Shared Tenancies for purification exercise before starting the new HSP declaration cycle;
- (b) the HD will consider offering well-off PRH tenants priority to purchase HOS flats when the new HOS programme is launched later; and

- (c) “Well-off Tenants Policies” is one of the discussion items of the LTHS Steering Committee (see also paras. 5.4 to 5.9). The Steering Committee has taken note that there are divergent views on the Policies in the community. The public consultation document on LTHS further invites public’s views on the Policies and the collected views will be passed to HA for consideration.

### **Under-occupation of public rental housing flats**

#### ***Background***

3.42 The HA’s long-standing policy is to allocate PRH flats to households having regard to their sizes under the established allocation standards. The current allocation standard of PRH flats is no less than 7 square metres (m<sup>2</sup>) of internal floor area per person. Due to subsequent moving-out, decease, marriage or emigration of some family members, the remaining members may enjoy more living space than is allowed under the prevailing under-occupation (UO) standards, rendering the family an under-occupied household (UO household). The UO standards vary with the household sizes. The prevailing UO standards were established in 1992.

3.43 Public housing resources are being keenly sought after by those in need. The HA has put in place a policy requiring a household with living space exceeding the UO standards to move to another PRH flat of appropriate size. According to the HD, the prevailing UO standards are more generous than the maximum allocation standards used in the allocation of PRH flats, in order to avoid rendering households with a small change in the number of family members as UO households (see Table 21).

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Table 21

### Maximum allocation standards and UO standards of PRH flats

| Household size<br>(No. of persons)   | 1    | 2    | 3     | 4     | 5     | 6     |
|--|------|------|-------|-------|-------|-------|
| Maximum allocation standard<br>(internal floor area (m <sup>2</sup> ))                         | 20   | 32   | 35    | 42    | 43    | 52    |
| UO standard<br>(internal floor area (m <sup>2</sup> ))   | > 25 | > 35 | > 44  | > 56  | > 62  | > 71  |
| Most serious UO threshold<br>(up to September 2013)<br>(internal floor area (m <sup>2</sup> )) | > 34 | > 68 | > 102 | > 136 | > 170 | > 204 |

Source: HD records

3.44 In 2007, the HD draws up a transfer priority list based on the UO households' living density and UO duration. From May 2007 to October 2010, households with living density exceeding 35 m<sup>2</sup> per person would be classified as most serious (MS) cases, and households with disabled members or elderly members aged 60 or above had been accorded a lower priority. The MS cases were placed on the top of the transfer priority list while households with disabled or elderly members at the bottom of the UO list. The HD does not require mandatory transfer for non-MS UO cases. From November 2010 to September 2013, the MS UO threshold was changed to 34 m<sup>2</sup> per person.

3.45 Up to September 2013, a total of four housing offers would be given to the MS UO households on transfer. If the household concerned refuses all the four housing offers without justified reasons, its existing tenancy would be terminated by a notice-to-quit. To provide incentives for households to accept offers of smaller flats, the HA would give the households Domestic Removal Allowance and opportunities to transfer to new estates. The HD also offers the same incentives to non-MS UO households on transfer to smaller flats.

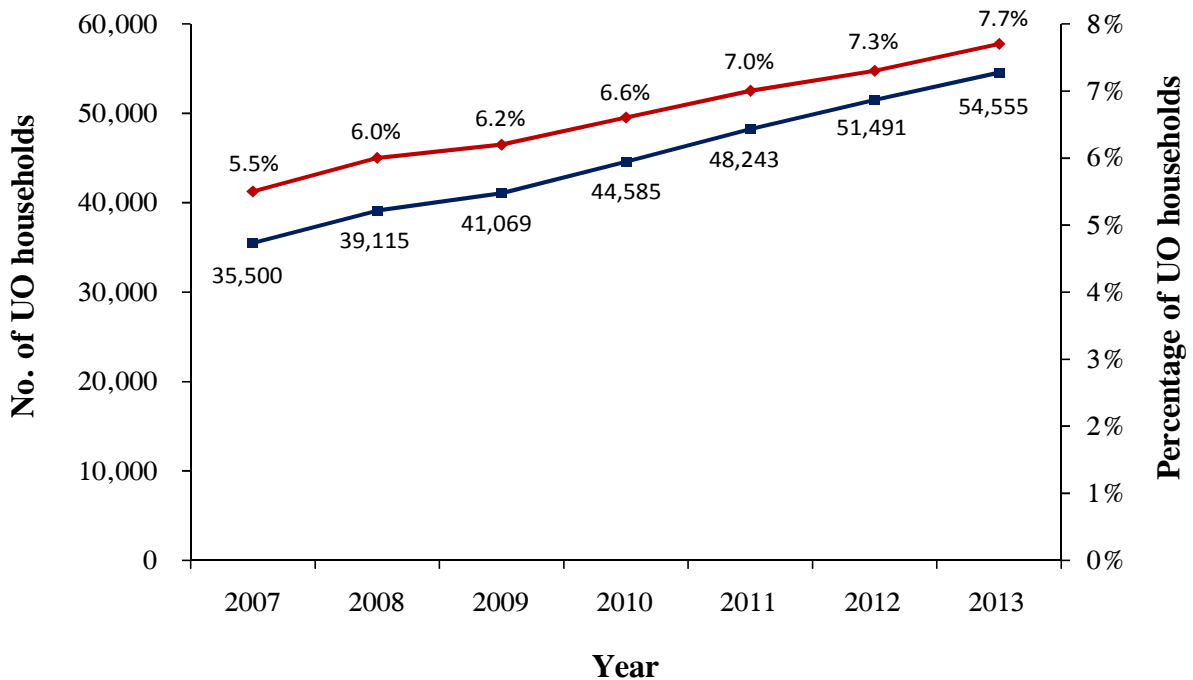


*Inadequate efforts to tackle the UO issue*

3.46 In the past seven years, the number of UO households increased by 54% from 35,500 in 2007 to 54,555 in 2013. The percentage of the number of UO households to the total number of PRH households also increased from 5.5% in 2007 to 7.7% in 2013. Figure 4 shows the increasing trend of the number and percentage of the UO households.

Figure 4

Number and percentage of UO households  
(2007 to 2013)



Source: Audit analysis of HD records

3.47 Table 22 shows an analysis of the number of UO households and the extent of UO as at 31 March 2013. It can be seen that, as at 31 March 2013, 20,845 (38%) of the 54,555 UO households were occupying flats which had exceeded their maximum allocation standards by 50%. In particular, 1,458 (3%) UO households were occupying flats which had far exceeded their maximum allocation standards by 100%.

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Table 22

Number of UO households and the extent of UO  
(31 March 2013)

| Household size<br>(No. of persons) | No. of households occupying flats which exceeded their maximum allocation standards by: |                                       |                     |                                       |                 |                                       | Total number of UO cases |
|------------------------------------|---|---------------------------------------|---------------------|---------------------------------------|-----------------|---------------------------------------|--------------------------|
|                                    | ≤ 50%<br>(No. )   | Actual flat size<br>(m <sup>2</sup> ) | > 50%-100%<br>(No.) | Actual flat size<br>(m <sup>2</sup> ) | > 100%<br>(No.) | Actual flat size<br>(m <sup>2</sup> ) |                          |
| 1                                  | 5,064   | > 25-30                               | 16,166              | > 30-40                               | 1,331           | > 40-68                               | 22,561                   |
| 2                                  | 23,386  | > 35-48                               | 1,223               | > 48-62                               | 36              | > 64-84                               | 24,645                   |
| 3                                  | 4,801   | > 44-52                               | 973                 | > 53-70                               | 48              | > 70-88                               | 5,822                    |
| 4                                  | 276   | > 56-63                               | 422                 | > 63-83                               | 9               | > 85-88                               | 707                      |
| 5                                  | 99  | > 62-64                               | 513                 | > 65-83                               | 34              | > 87-103                              | 646                      |
| 6                                  | 84  | > 71-78                               | 90                  | > 78-99                               | —               | —                                     | 174                      |
| Total                              | 33,710  |                                       | 19,387              |                                       | 1,458           |                                       | 54,555                   |

} 47,206

20,845

Source: *Audit analysis of HD records*

Remarks: *The maximum allocation standards vary with the household sizes (see Table 21 in para. 3.43).*

3.48 Audit analysed the household size of the general applicants on the WL as at 31 March 2013 (see Table 23). It can be seen that a large majority (100,491 or 85.9%) of the 116,927 applicants' households had 2 to 4 persons.

**Table 23**

**Households size of general applicants on the WL  
(31 March 2013)**

| <b>Household size<br/>(No. of persons)</b> | <b>Number of applicants</b> | <b>Percentage</b> |
|--|-----------------------------|-------------------|
| 1  | 9,951                       | 8.5%              |
| 2  | 42,293                      | 36.2%             |
| 3  | 34,765                      | 29.7%             |
| 4  | 23,433                      | 20.0%             |
| 5  | 5,088                       | 4.4%              |
| 6  | 1,116                       | 1.0%              |
| 7 or more                                  | 281                         | 0.2%              |
| Total                                      | 116,927                     | 100%              |

*Source: Audit analysis of HD records*

3.49 According to the HD's allocation standards, flats of internal floor area of about 22 m<sup>2</sup> can be allocated to families with 2 or 3 members, and flats of internal floor area of about 30 m<sup>2</sup> can be allocated to families with 3 or 4 members. Table 23 shows that there was a great demand (100,491 applicants) for such flats of 22 m<sup>2</sup> to 30 m<sup>2</sup> (under the current allocation standards). However, 47,206 one-person or two-person UO households were occupying flats of 25 m<sup>2</sup> to 84 m<sup>2</sup> (see Table 22). Audit further noted that the majority of one-person UO

## Maximising the rational utilisation of public rental housing flats

households were occupying flats intended for 3 to 7 persons, and the majority of two-person UO households were occupying flats for 3 to 9 persons, and thus many of these UO flats can be better utilised. The HD needs to take more rigorous action to deal with the large number of outstanding UO cases.

3.50 Audit also found that, as at 31 March 2013, among the 54,555 UO households, 42,164 (77%) cases had remained unresolved for two years or more. In particular, 9,224 (17%) cases had remained unresolved for 10 years or more. An ageing analysis of the UO cases is shown in Table 24.

**Table 24**

**Ageing analysis of UO cases  
(31 March 2013)**

| Period                  | No. of households | Percentage |
|-------------------------|-------------------|------------|
| Less than 2 years       | 12,391            | 23%        |
| 2 to less than 4 years  | 10,920            | 20%        |
| 4 to less than 6 years  | 10,491            | 19%        |
| 6 to less than 8 years  | 6,640             | 12%        |
| 8 to less than 10 years | 4,889             | 9%         |
| 10 years or more        | 9,224             | 17%        |
|                         | } 42,164          | } 77%      |
| Total                   | 54,555            | 100%       |

*Source: Audit analysis of HD records*

***Slow progress in dealing with MS cases***

3.51 In 2007, the HA endorsed measures to deal with the UO households in order of priorities beginning with handling those MS cases. As at 31 March 2013, about 3% (1,765) of the 54,555 UO households were classified as MS cases.

3.52 Audit noted that among the 1,765 MS cases, 749 (43%) had remained outstanding for two years or more. Table 25 shows an ageing analysis of outstanding MS cases.

**Table 25**

**Analysis of outstanding MS cases  
(31 March 2013)**

| Period                 | No. of households | Percentage |
|------------------------|-------------------|------------|
| Less than 1 year       | 714               | 40%        |
| 1 to less than 2 years | 302               | 17%        |
| 2 to less than 3 years | 710               | 40%        |
| 3 to less than 4 years | 21                | 1%         |
| 4 to less than 5 years | 2                 | 1%         |
| 5 years or more        | 16                | 1%         |
| Total                  | 1,765             | 100%       |

} 749      } 43%

*Source: Audit analysis of HD records*

## Maximising the rational utilisation of public rental housing flats

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3.53 Audit also noted that in about one-third (585) of the 1,765 MS cases, the tenants concerned had not been given any transfer offers by the HD. Of these 585 cases, 91 had been MS cases for two years or more. Upon enquiry, the HD informed Audit in September 2013 that the 585 MS UO households without offers might be attributed to their recently falling into the MS UO category or lack of suitable flats for transfer within the same estate or in estates within the same District Council constituency. Audit considers that the HD should review all outstanding MS cases periodically, paying particular attention to those long-outstanding cases and take appropriate follow-up actions.

### *Transfer of UO households*

3.54 Over the past six years, Audit noted that only 5,512 UO households (i.e. an average of 919 households a year) were successfully transferred by the HD (see Table 26).

**Table 26**

**Successful transfer of UO households  
(2007-08 to 2012-13)**

| <b>Period</b> | <b>Number of MS cases</b> | <b>Number of non-MS cases</b> | <b>Total</b>           |
|---------------|---------------------------|-------------------------------|------------------------|
|               | <b>(a)</b>                | <b>(b)</b>                    | <b>(c) = (a) + (b)</b> |
| 2007-08       | 422                       | 127                           | 549                    |
| 2008-09       | 446                       | 557                           | 1,003                  |
| 2009-10       | 472                       | 501                           | 973                    |
| 2010-11       | 430                       | 329                           | 759                    |
| 2011-12       | 370                       | 817                           | 1,187                  |
| 2012-13       | 365                       | 676                           | 1,041                  |
| <b>Total</b>  | <b>2,505</b>              | <b>3,007</b>                  | <b>5,512</b>           |

*Source: HD records*

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3.55 Up to September 2013, the HA's practice was that a maximum of four housing offers would be given to a MS UO household within two years. The household would be subject to termination of the existing tenancy if all four housing offers were refused without justified reasons. The HD also encourages those non-MS UO households to move to smaller flats. Audit analysed the number of housing offers that had been given to UO households as at 8 June 2013 (see Table 27).

**Table 27**

**Housing offers given to UO households  
(8 June 2013)**

| Number of housing offers given | Number of MS cases<br>(a) | Number of non-MS cases<br>(b) | Total<br>(c) = (a) + (b) |
|--------------------------------|---------------------------|-------------------------------|--------------------------|
| 1                              | 567                       | 468                           | 1,035                    |
| 2                              | 357                       | 320                           | 677                      |
| 3                              | 179                       | 250                           | 429                      |
| 4                              | 69                        | 147                           | 216                      |
| 5 – 8                          | 8                         | 38                            | 46                       |
| Total                          | 1,180                     | 1,223                         | 2,403                    |

*Source: Audit analysis of HD records*

3.56 Audit noted that, out of the 54,555 UO households, only 2,403 (4%) households had been given housing offers. Out of these 2,403 households, 262 (11%) had already been given four or more housing offers. Case 7 gives an example. Upon enquiry, the HD informed Audit in September 2013 that:

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- (a) in line with the existing policy, only MS UO cases with refusal of 4 offers without justified reasons would have their tenancies terminated. Out of 262 cases with 4 or above offers made, only 77 cases were MS UO cases. Among these 77 MS UO cases, 35 cases had already accepted the offer as at 8 October 2013; and
- (b) taking into consideration the uniqueness of each case, special approval had been granted for those deserving MS UO cases for extra offers whereas some MS UO cases were resolved after addition of family members.

Since the implementation of the MS UO policy in 2007 and up to August 2013, the HD had issued notices-to-quit to 4 MS UO households. Subsequently, one tenancy of an MS UO household (upon giving six housing offers) was terminated and three other cases were rectified.

### **Case 7**

#### **More than 4 housing offers given to an MS UO household**

1. The tenant (single non-elderly person) had stayed in the UO flat (with internal floor area of 34.44 m<sup>2</sup>) since February 2007. The HD gave the tenant six housing offers from July 2011 to March 2013. The tenant did not turn up at the estate office for three offers. For the other two offers, the tenant refused to transfer to an old estate and requested extra space. In August 2013, the tenant eventually accepted the sixth offer.

2. Upon enquiry, the HD informed Audit in September 2013 that one of the offers was counted as reasonable refusal and the RCM had granted an extra housing offer to the tenant who eventually accepted it with tenancy commenced in mid-August 2013.

*Source: HD records*



***UO households each occupying more than one PRH flat***

3.57 The HD may allocate two or more PRH flats to a large household if a large PRH flat is not available at the time of allocation. As at 31 March 2013, there were 2,405 UO households each occupying more than one flat (see Table 28). In particular, there were 9 one-person households each occupying two flats, and 224 two-person households each occupying two flats.

**Table 28**

**Number of UO households each occupying more than one PRH flat  
(31 March 2013)**

| No. of flats<br>being occupied | Household size<br>(No. of persons) |     |     |     |     |     | Total |
|--------------------------------|------------------------------------|-----|-----|-----|-----|-----|-------|
|                                | 1                                  | 2   | 3   | 4   | 5   | 6   |       |
| Two flats                      | 9                                  | 224 | 783 | 583 | 624 | 173 | 2,396 |
| Three flats                    | —                                  | —   | —   | 1   | 7   | 1   | 9     |
| Total                          | 9                                  | 224 | 783 | 584 | 631 | 174 | 2,405 |

*Source: Audit analysis of HD records*

3.58 Audit examined a sample of 10 UO households each occupying more than one flat and noted that there were cases in which the HD had not taken adequate action. Case 8 is an example.

### Case 8

#### UO household occupying more than one flat

1. In November 1980, the HD allocated two flats to the household with seven family members. The internal floor area of each flat is 23.13 m<sup>2</sup> (i.e. 46.26 m<sup>2</sup> in total).
2. From 1995 to 2010, the tenant applied for the deletion of five family members on grounds of their marriage or departure from the premises.
3. In June 2013, Audit visited the responsible estate office and reviewed the tenancy file concerned. Audit noted that the remaining two family members (who are husband and wife) had been occupying two flats since May 2010. However, the HD had not taken any action on this UO household with two flats as it was not classified as an MS case under the existing policy.

#### *Audit comments*

4. In view of the long WL and the fact that public housing resources are valuable and heavily subsidised, Audit considers that the HD should step up its efforts to persuade the households occupying two or more flats to surrender at least one flat.

*Source: HD records*

- 3.59 Upon enquiry, the HD informed Audit in September 2013 that:
- (a) of the identified 9 one-person households (see Table 28 in para. 3.57), 1 flat had been recovered while 1 household had become non-UO category upon addition of other family members. The remaining 7 one-person households were either elderly or disabled, i.e. exempted cases under the Prioritised UO policy. The HD would continue to persuade these households to surrender one of the flats or transfer to a flat of suitable size; and

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- (b) according to the former UO policy, the 224 two-person households occupying 2 flats (see Table 28), including the household of Case 8, were regarded as normal UO households. Upon implementation of the enhanced UO policy in October 2013, management transfer would be arranged for some of these households who have exceeded the new Prioritised UO standards.

Audit appreciates the difficulties encountered by the HD in executing its policy intentions. However, the HD needs to step up its efforts to persuade UO households each occupying two or more flats to surrender at least one flat, or transfer to flats of appropriate size.

### *Latest developments*

3.60 In June 2013, the HA endorsed new arrangements for tackling UO in PRH which would take effect from October 2013, as follows:

- (a) revising the Prioritised UO threshold by making reference to a set of prescribed internal floor areas according to family sizes:

| Household size<br>(No. of persons)                                     | 1    | 2    | 3    | 4    | 5    | 6    |
|--|------|------|------|------|------|------|
| Prioritised UO<br>threshold (internal<br>floor area (m <sup>2</sup> )) | > 30 | > 42 | > 53 | > 67 | > 74 | > 85 |

- (b) excluding households with disabled or elderly members aged 70 or above from the UO list;
- (c) placing households with elderly members aged 60 or above but below 70 at the end of the UO list for transfer until the next review;

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- (d) giving a maximum of three housing offers to new Prioritised UO households in the residing estate or other estates in the same District Council constituency area; and
- (e) giving Domestic Removal Allowance upon transfer to smaller flats.

3.61 Out of the 54,555 UO cases as at 31 March 2013, about 26,300 (48%) involved elderly aged 70 or above, or disabled members and would not be regarded as UO cases under the new policy effective from 1 October 2013. Comparing with the current standards for the MS cases, more cases would fall into the prioritised list of MS cases, making a total of 7,581 MS cases (including the existing 1,765 MS cases). Given the increase in number of MS cases and the rising trend of UO households in recent years, the HA needs to expedite its efforts in dealing with the MS cases.

### **Audit recommendations**

3.62 **Audit has *recommended* that the Director of Housing should:**

- (a) **step up the HD's efforts in tackling the UO issue, paying particular attention to long-outstanding UO households;**
- (b) **expedite the HD's efforts in dealing with the MS cases, paying particular attention to long-outstanding MS cases;**
- (c) **consider terminating the existing tenancies of those MS UO households who refused all the housing offers without valid reasons; and**
- (d) **make greater efforts to persuade UO households each occupying two or more flats to surrender at least one flat, or transfer to flats of appropriate size.**

## **Response from the Administration**

3.63 The Director of Housing agrees with the audit recommendations. He has said that:

- (a) the SHC endorsed in 2007 a phased approach in handling UO households and defined the MS UO standard. Having regard to the shortage of small flats, arranging transfer of all UO households was not practicable and would be at the expense of the singleton applicants of the WL as well as other rehousing categories such as estate clearance and Compassionate Rehousing. The UO policy was subsequently reviewed by SHC in 2010 and 2013 which further endorsed the phased approach to tackle MS UO cases first by lowering the yardsticks for management transfer;
- (b) majority of the long-outstanding UO cases belong to the elderly or disabled categories, i.e. non-MS UO cases; and
- (c) upon implementation of the revised Prioritised UO thresholds in October 2013, the HD would exert greater efforts to arrange management transfer for those households occupying 2 or more flats with living density exceeding the prescribed thresholds.

## **PART 4: TACKLING ABUSE OF PUBLIC RENTAL HOUSING**

4.1 This PART examines the HA's measures to tackle abuse of PRH, focusing on the following areas:

- (a) checking of eligibility of applicants (paras. 4.2 to 4.18);
- (b) processing of household declarations under the Well-off Tenants Policies (paras. 4.19 to 4.36);
- (c) flat inspections under the Biennial Inspection System (paras. 4.37 to 4.52); and
- (d) enforcement actions (paras. 4.53 to 4.69).

### **Checking of eligibility of applicants**

4.2 In applying for PRH, the applicant must submit the completed application form together with the required supporting documents to the Applications Sub-section for preliminary vetting of his eligibility for registration. Vetting officers in the RCSU then check if the information and documents are consistent with the income and assets declared and whether the amounts meet the eligibility criteria.

4.3 In completing the application form, the applicant and all family members (including those aged below 18) are required to declare:

- (a) their average monthly income; and
- (b) the net value of assets they own, including:
  - (i) land;
  - (ii) landed properties;

- (iii) vehicles;
- (iv) taxi/public light bus licences;
- (v) investments (Note 15);
- (vi) business undertakings; and
- (vii) deposits and cash in hand (Note 16).

### ***Supporting documents for preliminary vetting***

4.4 Audit notes that, while the applicants are required to provide supporting documents relating to the declared income and assets, in practice, supporting documents relating to investments and deposits (items (v) and (vii) of para. 4.3(b)) are exempted for pre-registration vetting.

4.5 Upon Audit's enquiry in July 2013, the HD said that the reasons behind the exemption of submission of supporting documents for investments and deposits were that:

- (a) although no supporting documents were required at this stage, a declaration on the net asset value had to be submitted together with the application. Such arrangement would strike a balance between

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**Note 15:** *These include listed shares, bonds, futures, paper gold, certificates of deposits, deposits with brokers, mutual fund and unit trust fund, etc. The value of these investment instruments is calculated at their closing price per unit as at the date of declaration. In addition, savings or investment-linked insurance schemes are also included. The present cash value of these insurance schemes should be reported.*

**Note 16:** *These include, in both local and foreign currencies, all fixed and savings/current accounts deposits, and cash in hand at a value of HK\$5,000 or above, and the amount that has been withdrawn or can be withdrawn from Mandatory Provident Fund/Provident Fund, as at the date of declaration.*

## **Tackling abuse of public rental housing**

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streamlining the application and vetting procedures and safeguarding against false statements by applicants, and was considered to be sufficient at the registration stage; and

- (b) at the interview stage, applicants were required to produce supporting evidence on investments and deposits. If HD staff had any suspicion, he would ask applicants to produce evidence on investments and deposits as at the date of application for checking.

4.6 Audit considers that the HD's justifications for the exemption from submitting supporting documents for investments and deposits may need to be revisited for the following reasons:

- (a) investments and deposits are the most common types of assets usually possessed by PRH applicants. It is questionable why supporting documents are required for other assets that are seldom possessed by low-income applicants (e.g. land and taxi), but not required for assets they usually possess;
- (b) the explanations given by the HD (see para. 4.5) can equally apply to all types of declarable assets. It failed to explain why investments and deposits should be exempted;
- (c) if supporting documents are required to be submitted for investments and deposits, the applicant will need to provide passbooks and bank statements. These documents would help verify the accuracy of other financial information provided by the applicants, e.g. monthly income and other assets; and
- (d) if false declarations relating to value of investments and deposits at the date of application are found at the interview stage, the applicant concerned might be prosecuted and have his application cancelled. Submission of supporting documents at the date of application for investments and deposits will deter applicants from taking the risk of making false declarations. An illustration is given in Case 9.



**Case 9**

**False declaration on bank deposits reported**

1. The applicant and his family applied for PRH in March 2009. He and his wife declared on the application form that their assets only included deposits and cash in hand of some \$2,000 and \$960 respectively. The case was registered in May 2009.

2. The case was due for investigation in April 2012. During the vetting interview, the applicant and his wife provided their bank passbooks for checking, which showed that the deposits on the application date had significantly exceeded the amounts declared on the application form, and had also exceeded the applicable asset limit for applying PRH.

3. The application was cancelled and referred to the Prosecutions Section for action in May 2012 on grounds of making false declaration.

***Audit comments***

4. The applicant and his wife might not make the mistake or false declaration if they were required to submit supporting documents at the date of application for the amount of deposits declared in the application form.

*Source: HD records*

4.7 Audit considers that the HD needs to require applicants to submit supporting documents for major types of declarable assets at the date of application for preliminary vetting (see also para. 4.60).

***In-depth checking of selected applications***

4.8 As mentioned in paragraph 2.73, to deter false declarations of applicants, random checks on income and assets for some applications are conducted by PHRM. Each year, the Applications Sub-section refers 120 newly registered applications and 180 applications in the process of flat allocation to PHRM for in-depth checking.

## Tackling abuse of public rental housing

4.9 The false declaration rate detected by PHRM varied between referrals from the RCSU and LU as shown in Tables 29 and 30 respectively.

**Table 29**

**Results of PHRM checking on new applications  
(2008-09 to 2012-13)**

|                              | No. of cases checked | No. of cases with false declarations detected (%) | Enforcement action by RCSU              |   |
|------------------------------|----------------------|---|---|---|
|                              |                      |   | No. of cases with application cancelled | No. of cases referred to Prosecutions Section |
| 2008-09                      | 120                  | 1 (0.8%)  | 1                                       | 1   |
| 2009-10                      | 120                  | 7 (5.8%)  | 7                                       | 7   |
| 2010-11                      | 120                  | 11 (9.2%)   | 11                                      | 11  |
| 2011-12                      | 120                  | 12 (10.0%)  | 12                                      | 12  |
| 2012-13<br>(up to 31.7.2013) | 102<br>(Note 1)      | 36 (35.3%)  | 15<br>(Note 2)                          | 15<br>(Note 2)                                |
|                              |                      | } 67  | } 46                                    | } 46  |

*Source: Audit analysis of HD records*

*Note 1: As at 31 July 2013, there were 18 outstanding cases.*

*Note 2: As at 31 July 2013, the RCSU was following up 21 cases returned from PHRM.*

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**Table 30**

**Results of PHRM checking on  
applications in the process of flat allocation  
(2008-09 to 2012-13)**

|                              | No. of cases checked (Note 1) | No. of cases with false declarations detected (%) | Enforcement action by WLU               |   |
|------------------------------|-------------------------------|---|---|---|
|                              |                               |   | No. of cases with application cancelled | No. of cases referred to Prosecutions Section |
| 2008-09                      | 170                           | 2 (1.2%)  | 1                                       | 0   |
| 2009-10                      | 180                           | 0 (0%)  | 0                                       | 0   |
| 2010-11                      | 179                           | 1 (0.6%)  | 0                                       | 0   |
| 2011-12                      | 179                           | 3 (1.7%)  | 2                                       | 2   |
| 2012-13<br>(up to 31.7.2013) | 140<br>(Note 2)               | 3 (2.1%)  | 0<br>(Note 3)                           | 0<br>(Note 3)                                 |
|                              |                               | } 9   | } 3                                     | } 2   |

*Source: Audit analysis of HD records*

*Note 1: In some years, less than 180 cases were checked, e.g. only 170 cases in 2008-09. It was because offer letters were issued to some selected cases before checking, and the relevant files were passed to in-take office for action. The HD did not select additional cases to make good the shortfalls.*

*Note 2: As at 31 July 2013, 33 cases were still under investigation by PHRM.*

*Note 3: As at 31 July 2013, the WLU was following up 1 case returned from PHRM.*

4.10 Tables 29 and 30 show that:

- (a) newly registered applications had a high rate of false declaration detected (35% in 2012-13) as compared with applications in the process of flat allocation (2% in 2012-13); and

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- (b) the rates of detected false declarations for both types of applications were increasing in recent years (particularly 2012-13).

4.11 Audit notes that the HD only selects a small sample of applications for in-depth checking of PRH applicants (120 from newly-registered applications and 180 from applications in the process of flat allocation) each year. In total, only 300 applications a year were selected for in-depth checking, representing only a small percentage of the number of applications on the WL. By comparison, the HD selects, on average, some 3,700 cases a year for checking by PHRM on income and assets declared by households under the Well-off Tenants Policies (see para. 4.27). In view of the high and increasing rates of detected false declaration from in-depth checking of new applicants, the HD needs to consider increasing the sample size for checking by PHRM.

4.12 Audit also noted that, in checking cases referred from the LU, there were shortfalls below the selected number of 180 cases, due to files in use for in-take procedures (see Note 1 to Table 30). Given the small sample size, Audit considers that there is a need to select additional cases to make good the shortfalls.

### ***Follow-up actions on false declarations***

4.13 New applications with false declarations detected by PHRM will be passed back to the RCSU for follow-up actions (such as cancellation of application and referral to the Prosecutions Section). Applications in the process of flat allocation (with detailed vetting conducted by the WLU, pending flat offer from the LU) with false declarations detected by PHRM will be passed to the WLU for reassessment of their eligibility, and their status will be reverted to investigation stage.

4.14 Tables 29 and 30 in paragraph 4.9 also show the enforcement action taken by the RCSU and the WLU on cases with false declarations detected by PHRM:

- (a) among the 67 newly registered applications detected by PHRM to contain false declarations over the past five years, the RCSU followed up 46 cases as at end of July 2013 (see Table 29). All of these 46 applications were

cancelled and referred to the Prosecutions Section for further enforcement action; and

- (b) among the 9 applications in the process of flat allocation detected by PHRM to contain false declarations over the past five years (see Table 30), the WLU had followed up 8 cases up to the end of July 2013. In 1 case, the WLU did not find any false declarations. For the other 7 cases, the WLU cancelled the applications on 3 cases and referred 2 cases to the Prosecutions Section for further enforcement action.

4.15 Upon enquiry, Audit was informed that the practice adopted by the RCSU in handling false declaration cases, irrespective of whether the irregularities had affected the applicants' eligibility for applying PRH, was to cancel the application and refer the case to the Prosecutions Section. On the other hand, the WLU adopted a different practice. The WLU would cancel the application only if the irregularities found had affected the applicant's eligibility for PRH, otherwise it would be processed for flat allocation. Moreover, referrals to the Prosecutions Section would be made for cancelled cases only if the WLU considered that there was sufficient evidence that the false declaration was made intentionally.

4.16 In comparison, the RCSU has adopted a more stringent practice on new applicants than that adopted by the WLU on applicants due for flat allocation. The difference in practice might invite questions about the fairness in treating applicants with false declarations found in different stages of the application process. Audit considers that the HD needs to align the practices within the Applications Sub-section between the RCSU and the WLU in handling false declaration cases identified by PHRM.

### **Audit recommendations**

4.17 **Audit has *recommended* that the Director of Housing should:**

- (a) **consider requiring applicants to submit supporting documents for major types of declarable assets at the date of application for preliminary vetting;**

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- (b) **remind Applications Sub-section and PHRM to select additional cases to make good any shortfalls in the selected cases to meet the pre-determined sample size for in-depth checking of applicants;**
- (c) **consider increasing the sample size for in-depth checking by PHRM on new applications in view of the high rates of detected false declarations; and**
- (d) **align the practices within the Applications Sub-section between the RCSU and the WLU in handling false declaration cases identified by PHRM to ensure fairness in treatment.**

## **Response from the Administration**

4.18 The Director of Housing agrees with the audit recommendations. He has said that:

- (a) the HD puts more emphasis on the detailed vetting before allocation. Therefore, in the preliminary vetting stage, the HD requires supporting documents on major declarable assets only. However, applicants need to make declarations on all assets at the time of application. During the detailed investigation stage, supporting documents on all assets are required for vetting and if the HD finds discrepancy on the value of these assets as at the time of application, it will cancel the application on the basis of false information and consider prosecution; and
- (b) the management will revise the sample size of random check cases to optimise the use of PHRM's staff resources amidst various challenging tasks.

## **Processing of household declarations under the Well-off Tenants Policies**

### ***Income and asset declarations***

4.19 The HA's Well-off Tenants Policies comprise the HSP and the SRA. The HSP aims to reduce the housing subsidy to those tenants with income beyond the

laid-down limits. The SRA aims to review the wealthy tenants' continuing eligibility for PRH (see paras. 3.26 to 3.29 for details).

4.20 Under the HSP, tenants are required to declare the income of all household members every two years in an income declaration form. The types of income to be declared include:

- (a) employment income (including income from overseas working members);
- (b) self-employment and business income;
- (c) average monthly interest/bonus/dividends from fixed deposits/savings insurance/investments;
- (d) income from land and landed properties;
- (e) monthly net income from commercial vehicles; and
- (f) other income (such as monthly pension, Comprehensive Social Security Assistance payment, and financial support from relatives and friends).

4.21 Under the SRA, tenants are required to declare the assets of all household members every two years in an asset declaration form. The types of assets in Hong Kong, the Mainland or overseas to be declared include:

- (a) land and landed properties (such as parking spaces and domestic/commercial/industrial properties);
- (b) vehicles;
- (c) taxi and public light bus licences;
- (d) investments (such as listed shares, bonds, funds, investments/savings insurance and paper gold);
- (e) bank deposits and cash in hand; and

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- (f) business undertakings.

### ***Need to strengthen the monitoring mechanism***

4.22 Each HSP 2-year cycle involves around 343,000 households (see also para. 3.30). On average, some 171,500 households are required to make declarations each year. The HD adopts an honour system whereby tenants are only required to state their household income in the income declaration forms without having to produce supporting evidence. The estate office, headed by a HM who is assisted by a number of AHMs and Housing Officers (HOs), is responsible for estate management matters. In respect of the biennial income declaration exercises, the HOs check the declaration forms and determine the rent payable levels. The AHMs/HMs review the declaration forms that have been checked by the HOs. Cases with doubts necessitating detailed checking would be referred to PHRM for in-depth investigation (see also para. 3.31).

4.23 As the majority of HSP cases (over 98%) are processed by the local estate offices, it is important for management to ensure consistency in practice and closely monitor the work performed by estate office staff for the proper and timely completion of the work. In May 2013, Audit asked the HD Headquarters about the work progress/completion timetable of all estates in respect of the submission of income declarations for the last HSP review cycle (i.e. April 2012 to March 2013). The HD said that such information was not readily available. During the visit to three selected housing estates (see para. 3.7), Audit also could not find such information at the estate offices.

4.24 Guidelines laid down for following up the submission of declaration forms from tenants were not strictly complied with. Upon enquiry, the HD informed Audit in September 2013 that HMs of the estates were required to develop a work plan and monitor the progress of their staff in each HSP review. They were requested to complete all the HSP cases within the designated timeframe and refer doubtful cases to PHRM. Computer reports on outstanding cases would be generated for follow-up by HMs of the estates and District Senior Housing Manager. However, Audit notes that no returns are required to be submitted by the estate offices to the Headquarters on the progress or completion of HSP review, and on the review results.



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4.25 According to the HD Management Branch Instruction, the HMs are required to conduct a minimum of 5% random checks on those cases approved by the AHMs for quality control purpose. During visits to three estate offices, Audit noted in two estate offices that the 5% random checks were properly conducted with proper records prepared. However, in one estate office, records of random check were not available for inspection. Upon enquiry, the HM replied that only 6 cases (0.5% of the total) had been subject to random check, falling short of the 5% requirement.

### *Need to strengthen strategy to deter false declarations*

4.26 PHRM is responsible for reviewing all SRA cases and investigating doubtful HSP cases referred by the estate offices, as well as the HSP cases randomly selected by computer for checking. Table 31 shows the number of such cases checked by PHRM in the past five years.

**Table 31**

**SRA and HSP cases checked by PHRM  
(2008-09 to 2012-13)**

| Year    | No. of households subject to declaration | No. of cases checked by PHRM |                                      |                             |                       | No. of false declaration cases detected |                                      |
|---------|--|------------------------------|--------------------------------------|-----------------------------|-----------------------|---|--------------------------------------|
|         |  | All SRA cases                | HSP cases referred by estate offices | HSP cases randomly selected | Total                 | (e)                                     | (f) = $\frac{(e)}{(d)} \times 100\%$ |
|         |  | (a)                          | (b)                                  | (c)                         | (d) = (a) + (b) + (c) |   |                                      |
| 2008-09 | 147,936                                  | 1,434                        | 415                                  | 2,214                       | 4,063                 | 651                                     | (16%)                                |
| 2009-10 | 142,411                                  | 1,596                        | 671                                  | 1,436                       | 3,703                 | 604                                     | (16%)                                |
| 2010-11 | 156,820                                  | 1,845                        | 440                                  | 1,360                       | 3,645                 | 690                                     | (19%)                                |
| 2011-12 | 149,748                                  | 1,440                        | 450                                  | 1,711                       | 3,601                 | 671                                     | (19%)                                |
| 2012-13 | 183,834                                  | 1,517                        | 632                                  | 1,444                       | 3,593                 | 644                                     | (18%)                                |
| Average | 156,150                                  | 1,566                        | 522                                  | 1,633                       | 3,721                 | 652                                     | (18%)                                |

Source: HD records

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4.27 From 2008-09 to 2012-13, on average, about 156,000 households were required to submit their income/asset declarations to the HD each year. During the period, PHRM checked, on average, some 3,700 cases (or 2.4% of the households subject to declarations) a year, and some 650 cases (18% of the sample checked) were found to contain false declarations. For 2012-13, among the 644 cases with false declarations, 154 were SRA cases, 374 were HSP cases referred by estate offices and 116 were HSP cases randomly selected by PHRM. The false declaration rate appeared to be high. The HD needs to strengthen the strategy to deter false declarations.

### ***Areas for improvement in in-depth checking and follow-up actions***

4.28 PHRM conducts in-depth investigation of suspected false declaration cases. The process of such investigation includes the collection of supporting documents and interview with the suspected offenders to establish the offence. In conducting the in-depth checking of the HSP and SRA cases, PHRM normally obtains the following documents for checking:

- (a) employment certificates with income details from the employers concerned (for HSP cases only);
- (b) property records with the Land Registry;
- (c) vehicle ownership details from the Transport Department;
- (d) company records with the Companies Registry; and
- (e) financial status search with major local banks.

4.29 Enforcement actions will be taken on false declaration cases. For first-time offenders without involving real or potential gain/benefit, PHRM will return the case files to estate offices for issuing warning letters. For false declaration cases involving real or potential gain/benefit, or a relapse of the offence, PHRM will collect further evidence for submission to the Prosecutions Section for consideration of prosecution action.

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4.30 Audit randomly selected 58 cases (32 HSP and 26 SRA cases) for reviewing the PHRM checking, involving 49 cases with false declarations. Audit found that there were inadequacies in checking by PHRM as follows:

- (a) in 46 cases, no financial status search with major local banks was performed;
- (b) in 44 cases, no company search with Companies Registry was performed;
- (c) in 31 cases, no checking against the Transport Department records for vehicle ownership was performed; and
- (d) in 4 cases, even though income could not be verified, no further evidence from other sources was obtained (e.g. requesting tax returns or Mandatory Provident Fund contribution statements from tenants).

4.31 PHRM has issued guidelines for the steps and procedures to be performed in checking individual cases. Upon enquiry, the HD informed Audit in September 2013 that:

- (a) the search of financial records, company records and the Transport Department records would only be conducted if and when the circumstances warranted; and
- (b) the checking officers had the discretion to decide on the necessary documents to be obtained for conducting the checking.

4.32 Audit considers that PHRM should lay down more detailed investigation guidelines for the steps and procedures to be performed and the evidence or supporting documents to be gathered in conducting in-depth checking.

4.33 In the selected cases, Audit also noted inadequacies in taking follow-up actions as follows:

- (a) in 36 cases, no warning letters were issued by estate offices to the offenders because no real or potential gain of benefit was involved;

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- (b) in 6 cases involving repeated offences, submission of the cases to the Prosecutions Section was not done; and
- (c) in 2 cases, the rent undercharged was not recovered from the tenants.

4.34 Audit found that appropriate actions were not taken on the above cases due to omissions. There is a need for the HD to strengthen supervisory controls over follow-up actions on false declaration cases.

### **Audit recommendations**

4.35 **Audit has recommended that the Director of Housing should:**

- (a) **strengthen the mechanism by issuing more detailed guidelines on conducting and monitoring of HSP reviews conducted by estate offices;**
- (b) **keep under review the rates of detected false declarations under the HSP and the SRA, and strengthen strategy to deter false declarations;**
- (c) **issue more detailed guidelines to PHRM staff and closely monitor the investigation for conducting in-depth checking; and**
- (d) **strengthen supervisory controls over follow-up actions on false declaration cases.**

### **Response from the Administration**

4.36 The Director of Housing agrees with the audit recommendations. He has said that:

- (a) HD staff have been reminded to comply with the detailed guidelines to follow up the submission of declaration forms from tenants in each HSP exercise. The management would further strengthen the overall monitoring of the implementation of HSP;

- (b) the HD has strengthened the efforts in deterring false declarations by:
  - (i) deploying 30 additional experienced staff to increase the number of checks for one year;
  - (ii) increasing the publicity budget from \$2 million in 2012-13 to \$4 million in 2013-14; and
  - (iii) publicising convicted false declaration cases to draw public attention;
- (c) the HD will fine-tune the current in-house guidelines for conducting in-depth checking and remind staff for compliance. Supervisors of PHRM will closely monitor the investigation and offer advice to HOs in doubtful cases; and
- (d) frontline staff will be reminded to observe the existing guidelines on handling false declarations. The computer system for tenancy management has been enhanced to closely monitor the progress of false declaration cases once discovered.

### **Flat inspections under the Biennial Inspection System**

4.37 The HD is committed to safeguarding proper utilisation of subsidised PRH resources. Therefore, estate staff should endeavour their best efforts to detect any tenancy abuse cases for subsequent flat recovery upon tenancy enforcement actions taken. To address the potential abuse problem, the HD relies much on the flat inspections conducted by estate staff and considers the flat visit to be the most direct and effective means of detecting tenancy abuses such as non-occupation, occupation by unauthorised persons and subletting.

4.38 Pursuant to section 22 of the Housing Ordinance, estate staff are authorised to enter and inspect any flat in the estate. Before November 2008, tenants were required to declare their family particulars and occupancy position (OP) on a biennial basis under an honour system. On return of completed forms, estate officers would carry out flat visits to verify the information on the forms. Estate staff were required to fill in a form recording the result of each inspection

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checking, among others, personal particulars of tenants, their relationship, marital status, the persons met, unauthorised persons seen, disabled persons, car ownership, the flat conditions with its defects and actions required, unauthorised installations and high-loading electrical appliances inside the flat.

4.39 With effect from 1 November 2008, the HD has implemented the Biennial Inspection System to replace the previous declaration system. Under the arrangement, all PRH tenants are no longer required to complete the declaration forms. The estate staff would make use of a Personal Digital Assistant (PDA) incorporated with a tailor-made Mobile Application System for Housing Management (MASHM) to conduct the flat inspection. Within a 24-month cycle, all flat inspections in the respective estates have to be completed. The estate staff also need to ascertain the OP when a tenancy has changes in household members, (e.g. addition or deletion of household members).

4.40 The HD has issued guidelines and procedures for estate staff to conduct flat inspections. To prepare for the inspections, estate staff should download the necessary tenancy information from the MASHM to the PDA in the office. During the flat visit, the estate staff should check the OP of the household concerned against HD record and input the findings into the PDA. The details recorded should include names of the persons met (their identities should be checked against their identification documents) in the flat. This inspection record is to facilitate follow-up action and HM's endorsement.

4.41 After the preliminary investigation, management staff may refer suspected cases of tenancy abuse with prima facie evidence to PHRM for conducting in-depth investigations. They may include night and morning checks and special visits to the suspected alternative accommodation of the defaulting tenants in the private sector so as to establish misuse/abuse of public flats. The visit report by PHRM should indicate clearly the date, time and persons seen, a sketch of the layout of the flat, and other relevant information. Findings by PHRM would be reported to the HMs concerned for considering termination of tenancy or other follow-up actions.

### ***Inconsistent practices for flat inspection***

4.42 During the audit visits to three estates (see para. 3.7), Audit staff accompanied the estate staff in conducting biennial inspection visits. Audit noted

that although there were general guidelines on conducting the biennial inspection, the practices of different estate officers varied. There were no standard checklists. The estate staff assessed the general situation of each inspection and determined whether follow-up work was required.

4.43 In one estate, the estate staff entered the flats, enquired the persons seen, checked their identification documents, inspected the layout of the flats and occasionally gave advice on home safety. In the other two estates, the estate staff mostly stood outside the PRH flats, enquired the persons seen and sought information of other family members. They did not enter the flats and did not always ask for identification documents for verification of tenant status.

4.44 It was also noted that some estate staff input into the PDA for unsuccessful visits (i.e. no one answered the door) but others did not do so. The number of unsuccessful visits could be an important indication of flat non-occupation. For example, in one case, the HD staff could only contact the tenant after more than 20 unsuccessful visits and it was found out to be a non-occupation case for termination of tenancy. Audit noted some other cases in other estates, after several unsuccessful visits, the estate staff recorded “others” in the inspection report (see para. 4.46) and took no further action. Audit considers that there should be standard procedures and checklists for conducting the inspection and specific guidelines for follow-up action on doubtful cases (e.g. repeated unsuccessful visits).

### *Supervisory checking on inspections*

4.45 The MASHM is a computer system that helps the HM ensure that all tenancies are inspected within the 24-month cycle. The MASHM reports showed the result codes (e.g. “occupancy position in order, no action required”, “case referred to PHRM” or “others”).

4.46 Audit noted that inspection results with the inspection code “others” were mostly cases in which no one was seen in the flats. However, no further action was taken for most of these cases. On the other hand, there were cases with inspection code “in order” but in fact no person was seen in the flats. Audit could not find any specific guidelines or procedures for the staff to record the inspection results or follow up cases with special codes on the MASHM reports. Although all the flats

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appeared to have been visited under biennial inspection, the objective to identify tenancy abuse might not have been fully achieved.

### ***Inspections with only one household member found***

4.47 Audit selected some 30 households (each with more than one household member) from each of the three estates visited and checked their biennial inspection records for the last cycle from November 2010 to October 2012. Audit found that the percentages of cases where only one member was seen during the inspection were high (ranging from 68% to 91%). In view of this, Audit considers that the HA should assess the risk of tenancy abuses in such cases, and consider taking additional measures. In this connection, Audit noted that a deceased member of a family could remain unnoticed for many years (see Case 10).

### **Case 10**

#### **Deceased member of a family remained unnoticed**

1. A tenancy was owned by a father who lived with his son. In 1995, the son applied to be the principal tenant and claimed that his father was hospitalised in the Mainland.
2. An OP declaration was made by the son in 2000. He claimed that his father regularly resided in the PRH flat. There had not been any OP declarations/inspection records in the case file since then.
3. The first biennial inspection under the MASHM was conducted on 2 February 2010 and the father was not seen during the inspection.
4. In 2011, the father was invited to attend a birthday meetings of centenarians. In 2012, the son revealed the fact that his father had already passed away in the Mainland in 1996.
5. In 2012, the HD enquired with the Immigration Department for the death of the father but no death record was available because he died in the Mainland. The deceased person was deleted from the tenancy. The HD considered that timely action had been taken to delete the deceased person from the tenancy once the case was discovered.

*Source: HD records*



### *Need to monitor follow-up inspections closely*

4.48 For some inspections where irregularities on OP were noted, there should be follow-up flat inspections and corresponding actions to clarify or rectify the situation. For example, for cases where the elderly persons were admitted to the residential care homes, estate staff should follow up in accordance with the HD's instructions. That is, the elderly person is allowed to opt for deletion or surrender of flat within six months upon confirmation of being admitted into the residential care homes. Retention of name will be permitted only for good reasons. The normal termination of tenancy procedures would follow if the elderly tenant fails to make an option or effect the deletion after the six-month period.

4.49 Audit selected a few cases with admission of elderly household members into elderly care homes for over six months, and found that follow-up inspections were not always conducted by estate staff to confirm the OP. Audit considers that estate staff should conduct follow-up inspections in accordance with the laid-down procedures, and take necessary tenancy actions accordingly.

4.50 Other cases requiring follow-up inspections include successful appeal against notice-to-quit. Audit examined two such cases where the tenants were granted conditional residence on condition that they had to reside regularly in the flats. For one case, five flat inspections were conducted by DTMO staff but the tenant was seen only at the last visit. For the other case, no flat inspection was conducted by DTMO staff. Audit considers that DTMO staff should conduct special inspections according to laid-down procedures.

### **Audit recommendations**

4.51 **Audit has recommended that the Director of Housing should:**

- (a) **adopt a standard checklist with detailed instructions for conducting flat inspections to ensure consistency in checking practices among estates and among estate staff;**
- (b) **instruct estate staff to input correctly the details and code of inspection results for supervisory checking;**

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- (c) **keep in view the percentage of cases where only one household member was seen during flat inspections and consider the need for additional measures for following up such cases; and**
- (d) **remind estate staff to follow laid-down procedures to conduct follow-up flat inspections for warranted cases (e.g. admission of elderly household members to residential care homes, and cases involving conditional residence).**

## **Response from the Administration**

4.52 The Director of Housing agrees with the audit recommendations. He has said that:

- (a) the HD would enhance the existing guidelines and remind frontline staff to observe them when conducting flat inspections and follow-up inspections, particularly in recording unsuccessful visits (see para. 4.44), and in referring suspected tenancy abuse cases to PHRM for in-depth investigations;
- (b) HD staff are trained to detect occupancy irregularities by observations of bedding facilities and the like during flat inspections. Depending on the site situation at the material time, such as tenants' sentiment or their engagement in some activities (e.g. cooking and playing mahjong), the HD staff will exercise discretion of not to enter the flat and arrange a re-visit later; and
- (c) regarding paragraph 4.50, the management staff has conducted inspections during the period under observation. In addition to flat inspections, water and electricity readings were also taken to verify the OP of the flats.

## **Enforcement actions**

### *Handling of suspected false statement cases*

4.53 Applicants for PRH and existing PRH tenants are required to declare their household income and/or assets and family particulars in order to assess their eligibility or continuing eligibility under various housing management policies. Should they knowingly make any false statements, they commit an offence under section 26(1) of the Housing Ordinance and are liable to a fine up to \$50,000 and six months' imprisonment upon conviction.

4.54 The HD has issued a circular and instructions to promulgate workflow and guidelines on handling suspected false statements. To establish false statement cases, the two main elements to be proved are “falsity of the information” and “knowingly”. A case for prosecution has to be proved beyond reasonable doubt that the defendant did make a statement that he knew to be false at the material time. In order to take prosecution action regarding a false statement case, it is important to gather sufficient evidence.

4.55 PHRM acts as a central team to conduct in-depth investigations including the taking of cautioned statements on false statement cases. The Prosecutions Section of the Legal Service Sub-division is delegated the authority by the Department of Justice for taking prosecution action for various offences under the Housing Ordinance and other Ordinances.

4.56 Table 32 shows an analysis of false declaration cases referred to the Prosecutions Section for action in 2012.

**Table 32**

**False declaration cases referred to  
Prosecutions Section in 2012  
(19 July 2013)**

| <b>Action for case received</b> | <b>Number of cases</b> |
|---------------------------------|------------------------|
| No prosecution                  | 470                    |
| Pending investigation           | 23                     |
| Prosecution taken               |                        |
| Convicted cases                 | 84                     |
| Acquitted cases                 | 2                      |
| Outcome pending                 | 5                      |
|                                 | } 91                   |
| Total                           | 584                    |

*Source: HD records*

***Time bar for prosecution action***

4.57 Most of the offences under the Housing Ordinance are summary offences and there is a time bar for their prosecution. Under section 29A of the Ordinance, different statutory time-bar periods apply for the prosecutions of various offences. Both the date of discovery of the offence and the date of commission of the offence are relevant for the determination of time bar. No prosecution can be taken if the time bar has passed. To ensure timely prosecution action, the relevant files and documents should be passed to the Prosecutions Section at least two months before the expiry of the time bar.

4.58 Based on the statistics kept by the Prosecutions Section, it was revealed that, for 28 (2%) and 12 (2%) cases in 2011 and 2012 respectively, the relevant files and documents were submitted to the Prosecutions Section after the time bar. For another 61 (5%) and 57 (10%) cases in 2011 and 2012 respectively, the relevant files and documents were passed to the Prosecutions Section less than two months from the expiry of the time bar. The late submission of relevant files and documents to the Prosecutions Section will hinder the latter to take timely prosecution actions within the time bar.

### *Sufficiency of evidence for prosecution*

4.59 When considering whether to institute a prosecution action, it is important that there is sufficient evidence to support the charge. The evidence must be admissible, substantial and reliable to establish the offence committed by an identifiable person. Such evidence includes documents of the subject matter of offence (e.g. declaration forms), other supporting documents pointing to the falsity (e.g. employment certificate and bank statements), interview records/statements obtained in the course of investigations, and the relevant witness statements. The officer interviewing the offender may be required to serve as a prosecution witness to give evidence in court.

4.60 The HD adopts an honour system in processing declarations from PRH applications and tenant's declarations, and only requests applicants/tenants to supply minimal supporting documents. Without full supporting documents, Audit considers that it is often difficult for the HD staff to detect any false statements at an early stage. It may require more time for the staff to carry out investigation work for collecting evidence. Audit scrutiny of cases which had been processed by the Prosecutions Section showed that such cases were not laid before court mainly because of insufficient evidence.

4.61 Apart from the "falsity" element, the existence of the "knowingly" element is also decisive for successful prosecution. The prosecution has to prove beyond reasonable doubt that the defendant did make a statement that he knew to be false at the material time. Records of the Prosecutions Section showed that very often it might be difficult to prove the "knowingly" element, thus resulting in the decision of no prosecution.

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4.62 With a view to establishing the “knowingly” elements, the EMD of the HD has recently required its staff to use a “Checklist” during interview for initial clarification of doubtful points. The Prosecutions Section also advised HD staff using the Checklist to record the interview when conducting investigation. The Checklist is to record the details of interview and to ensure that the interviewee fully understands what particulars he/she is required to furnish and what particulars have been declared about himself/herself on the declaration forms. However, the Checklist was seldom used. Audit noted that so far the Checklist was adopted in only two cases and the Prosecutions Section had successfully prosecuted and convicted offenders of these two cases.

### ***Prosecution of WL applicants making false declarations***

4.63 WL applicants found by the Applications Sub-section to have knowingly given false information would normally have their applications cancelled and would be referred to the Prosecutions Section for prosecution action (see para. 4.15). Table 33 shows an analysis of false declaration cases referred by the Sub-section to the Prosecutions Section for action in the past five years.

**Table 33**

**False declaration cases related to WL applicants  
(31 July 2013)**

| Year    | Cases referred to Prosecutions Section<br>(a)<br>(No.) | Cases prosecuted<br>(b)<br>(No.) | Cases not prosecuted due to           |   | Prosecution rate<br>(e) = (b)/(a) × 100%<br>(%) |
|---------|--|----------------------------------|---------------------------------------|---|---|
|         |  |                                  | insufficient evidence<br>(c)<br>(No.) | expiry of time bar (Note 1)<br>(d)<br>(No.) |   |
| 2008-09 | 218  | 105                              | 113                                   | —   | 48%   |
| 2009-10 | 378  | 117                              | 261                                   | —   | 31%   |
| 2010-11 | 316  | 68                               | 244                                   | 4   | 22%   |
| 2011-12 | 344<br>(Note 2)  | 46                               | 298                                   | —   | 13%   |
| 2012-13 | 229<br>(Note 3)  | 32                               | 195                                   | 2   | 14%   |
| Overall | 1,485  | 368                              | 1,111                                 | 6   | 25%   |

1,117

*Source: Audit analysis of HD records*

*Note 1: After the statutory time-bar date, the Prosecutions Section can no longer prosecute the offender irrespective of whether there is strong and sufficient evidence.*

*Note 2: As at 31 July 2013, 4 cases were pending feedback from the Prosecutions Section and thus excluded.*

*Note 3: As at 31 July 2013, 127 cases were pending feedback from the Prosecutions Section and thus excluded.*

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4.64 Table 33 shows that:

- (a) the prosecution rate had decreased over the past five years, from 48% in 2008-09 to 14% in 2012-13; and
- (b) for the 1,117 cases with no prosecution action, 1,111 (99%) cases were due to insufficient evidence and 6 (1%) cases were due to lapse of the time bar before submission of the suspected cases to the Prosecutions Section.

4.65 On the other hand, Audit noted that the conviction rates of those prosecuted cases were very high (over 90% as calculated from Table 32 in para. 4.56) but the prosecution rate was low (14% in 2012-13 as shown in Table 33). Upon Audit's enquiry in September 2013, the Prosecutions Section analysed the reasons for the low prosecution rate for applicants making false declarations, and concluded that the main reason was insufficient evidence to prove the knowingly element of the offences. To further improve the enforcement work, the Prosecutions Section suggested the following:

- (a) to avoid misunderstanding to the requirements of the declaration forms, the completion guidelines should clearly and explicitly state the requirements. This was particularly important in cases where the information required is the net asset value and related income of insurance, securities and business, etc. at the material time. It was believed that both the falsity contained in the information so provided and the presence of the knowingly element could be more easily or readily detected and proved if the requisitions made could be improved as such;
- (b) the presence of an interviewing officer and the use of checklist to record the interviewing process even at the registration stage pointing to the knowingly element of the suspected offence were essential to secure a conviction; and
- (c) to strengthen the prosecution's case in similar cases, a responsible officer should go through the items on the application form with each of the signing parties, and the responsible officer should sign on the application form to acknowledge that he/she had done so.



4.66 Audit examined five cases with no prosecution action taken (Note 17) to identify areas for improvement. Audit noted that:

### *3 cases due to insufficient evidence*

- (a) in two cases, the details/causes for insufficient evidence were not provided to the initiating offices in the files. Further examination revealed that the cause for insufficient evidence might be attributable to the fact that the two suspected offenders refused to give any cautioned statement at their respective meeting with the HD in August 2012;
- (b) in one case, an applicant for PRH WL registration was suspected to have made false statements on an HD form by concealing his daughter's job and related income in November 2008 when applying for deletion of a household member. However, unlike the PRH WL application form, the HD form used for applying for deletion of household members did not contain a clause indicating that it was a declaration requiring the provision of true and correct information, which was subject to legal liabilities of knowingly making false statements. Besides, no investigation interview was conducted in connection with the completion of the HD form. In the event, the HD concluded that prosecution action could not be taken because there was no legal basis to do so. This case has highlighted the need to take measures to ensure that the relevant information provided in the declaration forms can be used, if necessary, as evidence for prosecution; and

### *2 cases due to expiry of time bar*

- (c) in the two cases, the alleged offences were committed at the time of making declarations on application forms on 25 April 2005 and 2 October 2005 respectively. The alleged offences were discovered on 5 July 2011 and 24 October 2011 respectively which were about two and half months and three weeks later than the time-bar date which lapsed on 24 April 2011 and 1 October 2011 respectively.

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**Note 17:** *Any decision of the Prosecutions Section not to prosecute (e.g. because of the lack of sufficient evidence) needs the endorsement of the Assistant Director (Legal Service).*

## **Tackling abuse of public rental housing**

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4.67 In this connection, Audit noted that from April 2008 to August 2013, legal training had been provided to a total of 135 staff of the Applications Sub-section. Audit considers that there is a need to enhance legal training on areas such as the kind of evidence that should be taken and how interviews with applicants should be conducted in order to equip the staff of the Applications Sub-section with the general knowledge of gathering sufficient evidence for handling false declaration cases.

### **Audit recommendations**

4.68 **Audit has *recommended* that the Director of Housing should:**

- (a) take measures to ensure that HD staff are aware of and observe the requirements to submit relevant files and documents to the Prosecutions Section for taking prosecution action at least two months before the time bar;**
- (b) require HD staff to use the Checklist to record the interview with applicants/tenants when conducting investigation;**
- (c) continue to analyse periodically the reasons for the low prosecution rates for false declaration cases;**
- (d) take measures to ensure that the relevant information provided in the declaration forms can be used, if necessary, as evidence for prosecution, including for example, reviewing all forms relating to PRH application so that all declaration forms include a clause indicating that the declarations made therein are subject to legal liabilities of knowingly making false statements, and if necessary, conducting investigation interviews in connection with the completion of the HD forms; and**
- (e) further enhance legal training (including experience sharing seminars) for staff of the Applications Sub-section and housing estates in order to equip them with better knowledge on gathering sufficient evidence for handling false declaration cases.**

## **Response from the Administration**

4.69 The Director of Housing agrees with the audit recommendations. He has said that:

- (a) the HD will remind staff to observe the timeframe for prosecution action, and to use the Checklist during initial investigation for establishment of the knowingly element and recording interviews/statements;
- (b) PHRM staff will caution each interviewee before starting the investigation interview and require the interviewee to declare his income/assets instantly on requisite forms. They will record details of rigorous checking on income/assets declarations in the investigation report;
- (c) the HD will review the declaration forms which can serve as evidence for prosecution; and
- (d) the HD supports enhanced legal training for staff and will send more staff to attend the training subject to resources consideration.

## **PART 5: WAY FORWARD**

5.1 This PART explores the way forward for the allocation and utilisation of PRH flats.

### **Areas for improvement**

5.2 In Hong Kong, public housing resources are valuable and heavily subsidised. As at end of March 2013, the HA had a stock of about 728,000 PRH flats, accommodating some 2 million people. PRH is the primary housing solution for the grassroots and there has been an increasing demand for PRH flats in recent years. It is necessary to ensure that PRH flats are allocated in a fair and rational manner so that the limited public resources are used to assist those with genuine housing needs.

5.3 In this review, Audit has examined the HA's efforts in prioritising the allocation of PRH flats in order to help those with the most pressing housing needs, and in maximising and rationalising the use of existing PRH flats. Audit has identified a number of areas that call for improvement. Key areas for improvement include:

#### **Part 2: Allocation of flats to people in need of PRH**

##### ***Management of the WL for general applicants***

- (a) enhancing the transparency and accountability of the HD's management of the WL for PRH, for example, by publicising the definition of AWT and the basis of its calculation;
- (b) conducting investigations periodically to identify long-outstanding cases in which general applicants have waited on the WL for over 3 years;

(to be continued)

(Cont'd)

***Implementation of the QPS***

- (c) need to conduct a comprehensive review of the QPS;
- (d) considering the need to screen out ineligible QPS applicants from the WL on a periodic basis;

***Processing of applications***

- (e) taking measures to streamline the HD's processing of PRH applications;
- (f) investigating into the reasons for the unduly long time taken by PHRM for the random checking of income and assets, and taking measures to expedite PHRM's efforts to conduct the checking;

**Part 3: Maximising the rational utilisation of PRH flats**

***Management and control of unoccupied flats***

- (g) stepping up the monitoring of both the "under offer" flats and the unlettable flats;
- (h) expediting the phasing out of the HSC and C1P flats and their conversion into normal PRH flats for allocation;

***Implementation of the Well-off Tenants Policies***

- (i) taking measures to ensure that all exemption indicators in the DTMS are correctly recorded;
- (j) need to critically review the Well-off Tenants Policies to see whether the various parameters of the HSP and the SRA can be fine-tuned for further improvements;

***Under-occupation of PRH flats***

- (k) stepping up the HD's efforts in tackling the UO issue, paying particular attention to long-outstanding UO households and those UO households each occupying two or more flats;
- (l) expediting the HD's efforts in dealing with the MS cases;

(to be continued)

(Cont'd)

### **Part 4: Tackling abuse of PRH**

#### ***Checking of eligibility of applicants***

- (m) requiring applicants to submit supporting documents for major types of declarable assets at the date of application for preliminary vetting;
- (n) increasing the sample size for in-depth checking by PHRM on new applications;

#### ***Processing of household declarations under the Well-off Tenants Policies***

- (o) strengthening the mechanism with detailed guidelines on conducting and monitoring of HSP reviews conducted by estate offices;
- (p) keeping under review the rates of detected false declarations under the HSP and the SRA, and strengthening strategy to deter false declarations;

#### ***Flat inspections under the Biennial Inspection System***

- (q) adopting a standard checklist with detailed instructions for conducting flat inspections;
- (r) reminding estate staff to follow laid-down procedures to conduct follow-up flat inspections for warranted cases;

#### ***Enforcement actions***

- (s) need to continue to analyse periodically the reasons for the low prosecution rates for false declaration cases; and
- (t) further enhancing legal training (including experience sharing seminars) for staff of the Applications Sub-section and housing estates.

## **Review of the Long Term Housing Strategy**

5.4 The LTHS Steering Committee (see para. 1.10) examined a number of key issues at its meetings held during the period November 2012 to August 2013, including:

- (a) an assessment of the WL for PRH;
- (b) an assessment of the changing housing needs of different groups in the community and measures to address and prioritise such needs;
- (c) a review of both public and private housing demand; and
- (d) measures to optimise the use of public housing resources.

5.5 The Steering Committee completed its comprehensive assessment of housing demand and review of the housing policies in order to address the changing housing needs of the community. In September 2013, the Committee produced a consultation document on the LTHS for three months' public consultation. The public consultation would end in December 2013, and the Committee would submit a report on the public consultation thereafter. The Government would then take into account views expressed in the consultation document as well as those received from the public in formulating the LTHS and relevant policy measures.

5.6 As stated in the consultation document, in terms of the housing strategy, the premise is to continuously increase housing supply, stabilise the property market, attach importance to the functions of public housing and promote social mobility. To this end, a number of recommendations are proposed. According to the Steering Committee, the Government has not reached any conclusions on the recommendations set out in the consultation document. The Steering Committee's key recommendations relating to PRH are summarised as follows.

The Steering Committee has *recommended* that the HA should:

***WL for PRH***

- (a) strive to maintain the AWT target, despite the possibility of occasional departure from the target;

(to be continued)

(Cont'd)

***QPS***

- (b) develop a mechanism to review the income and assets of QPS applicants and to conduct regular reviews accordingly, in order to remove applicants who are no longer eligible from the WL;

***Well-off Tenants Policies***

- (c) consider further reviewing and updating the Well-off Tenants Policies;

***Under-occupation policy in PRH estates***

- (d) consider offering say, a three-month rent waiver to UO households as a further incentive for them to move to smaller flats in addition to the existing Domestic Removal Allowance;
- (e) formulate a programme for handling the UO cases; and

***Measures to tackle abuse of PRH***

- (f) allocate additional resources in order to implement further measures to detect and tackle tenancy abuse cases.

5.7 The HA is playing a key role in the housing sector in Hong Kong. The provision of PRH is the primary role of the HA. This audit review has highlighted various issues of concern relating to the allocation and utilisation of PRH flats, and suggests measures for improvement. In this connection, the Transport and Housing Bureau needs to take into account the results of the public consultation as well as the audit observations and recommendations in this Audit Report when examining the way forward for the LTHS Review.



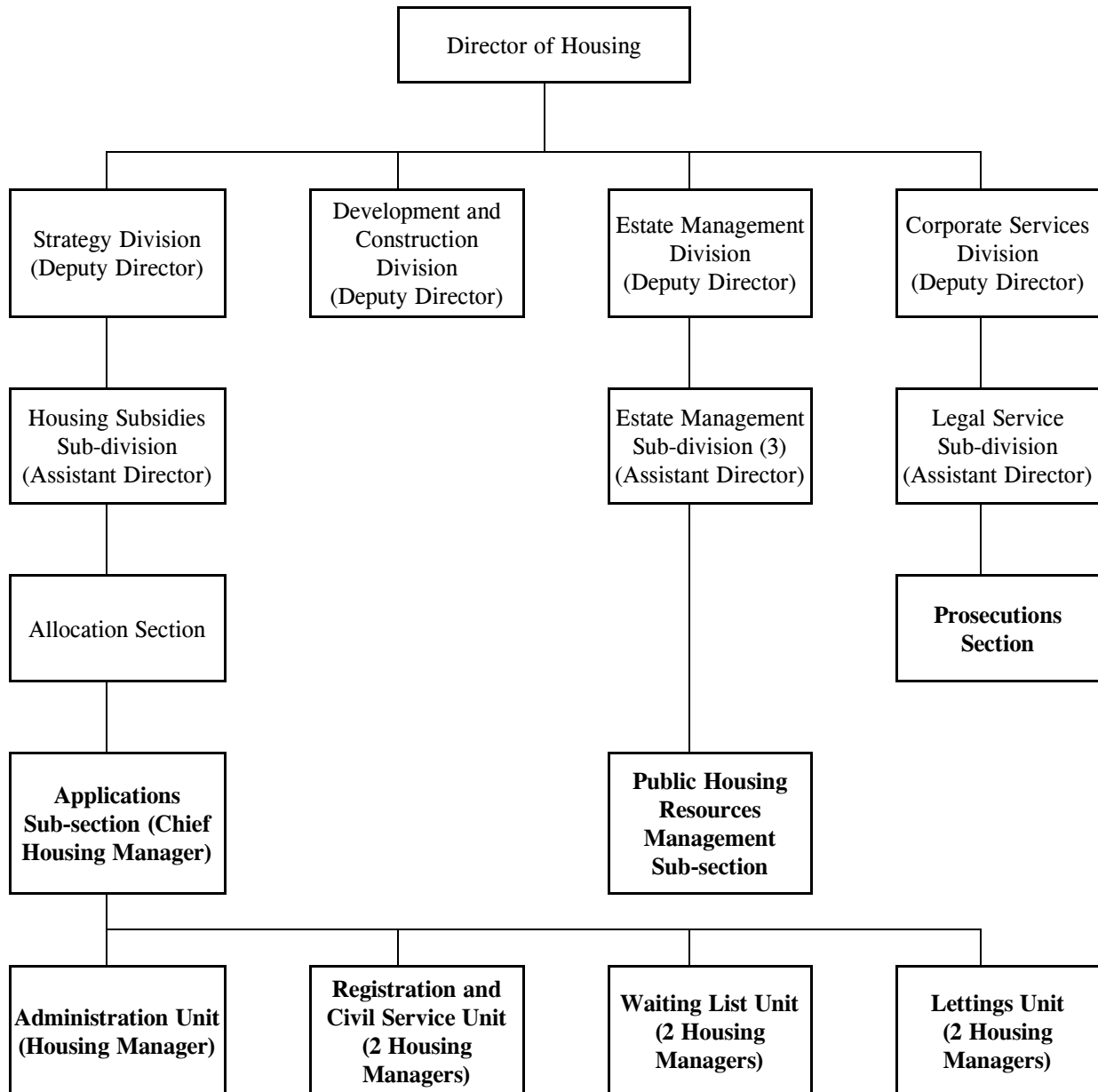
## **Audit recommendation**

5.8        **Audit has *recommended* that the Secretary for Transport and Housing should take on board the audit observations and recommendations in this Audit Report in taking forward the LTHS Review.**

## **Response from the Administration**

5.9        The Secretary for Transport and Housing agrees that Audit's observations and recommendations should be taken on board in taking forward the LTHS review. The LTHS Steering Committee's recommendations and all of the views collected during the consultation period will be referred to the HA for consideration and implementation.

**Housing Department  
 Organisation chart (extract)  
 (September 2013)**



Source: HD records

## **Eligibility criteria for the allocation of PRH flats**

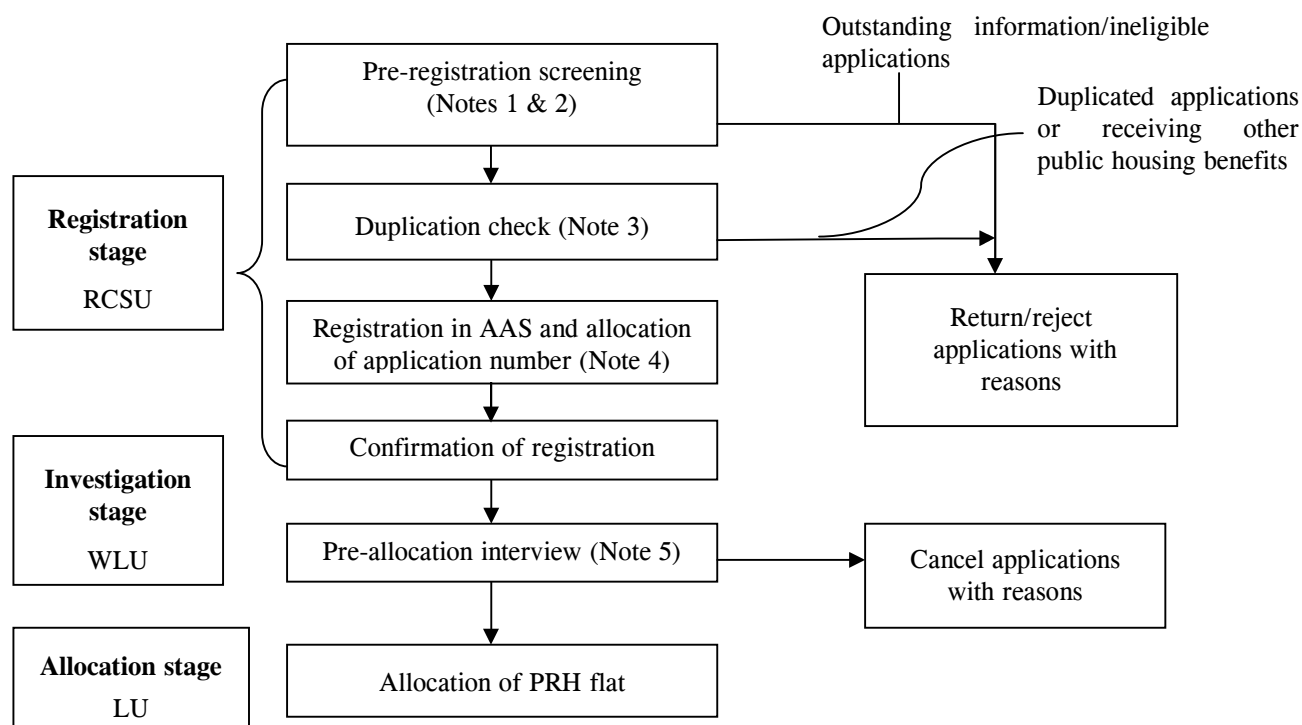
The key eligibility criteria for general applicants are as follows:

- (a) the applicant must be 18 years of age or over. The applicant and family members must be residing in Hong Kong and have the right to land in Hong Kong without subject to any conditions of stay. Family members who are not living and have not landed in Hong Kong cannot be included in the applications;
- (b) the relationship between the applicant and family members must be either husband and wife, parents, children, grandparents, grandchildren, unmarried brothers and sisters or other dependent relatives who are willing to live with the applicant;
- (c) the applicant and family members must not own or co-own any domestic property in Hong Kong (Note);
- (d) the total monthly income and net asset value of the applicant and family members must not exceed the income and total net asset value limits laid down by the HA;
- (e) the applicant must not be an ex-owner/ex-joint owner or former recipients of various subsidised home ownership schemes (such as the HOS and the Home Purchase Loan Scheme); and
- (f) at the time of flat allocation, at least half of the family members included in the application must have lived in Hong Kong for seven years and all family members must be still living in Hong Kong. Children under the age of 18, regardless of the place of birth, are deemed as having satisfied the seven-year residence rule, provided that one of their parents has lived in Hong Kong for seven years. They are also deemed as having fulfilled the seven-year residence requirement if they have established Hong Kong birth status as permanent residents.

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**Note:** *Domestic property includes uncompleted private domestic property, roof-top structure approved by the Building Authority, domestic building lots and Small House Grants approved by the Lands Department in Hong Kong.*

## Procedures for processing PRH applications



Source: HD records

Note 1: **Pre-registration screening.** The vetting officer checks submitted supporting documents (employment certificate, copy of Hong Kong Identity Card, documentary proofs of relationship etc.) against application. Applications with insufficient information or not fulfilling the eligibility requirements are returned to applicants/rejected with reasons.

Note 2: **Basic eligibility requirements:**

- (a) resided in Hong Kong for seven years;
- (b) fulfilment of the income/asset limits; and
- (c) does not own any domestic property in Hong Kong immediately before submission of application and during the application period.

Note 3: **Duplication check.** The vetting officer keys in the Hong Kong Identity Card numbers of applicants and household members to the Application and Allocation System (AAS) to check any duplicated application or receiving other public housing benefits.

Note 4: **AAS.** The system was launched in 2008 to facilitate the management of the WL and keep track of the applications.

Note 5: **Pre-allocation Interview.** The WLU selects applications due for allocation for pre-allocation interviews.

## **Key features of the Quota and Points System**

### ***Points System***

1. Points are assigned to applicants based on three determining factors, namely, age of the applicants at the time of submitting their PRH applications, whether the applicants are PRH tenants, and the waiting time of the applicants. Details are:
  - (a) zero point will be given to applicants aged 18. Three points will be given to those aged 19; six points to those aged 20 and so forth;
  - (b) for applicants living in PRH (including those living in rental housing operated by the Housing Society), 30 points will be deducted; and
  - (c) one additional point will be received when the concerned applicant has waited on the WL for one more month.
  
2. The relative priority of the applicants on the WL will be determined according to the points he/she has received. The higher the number of points accumulated, the earlier will the applicant be offered a flat.

### ***Annual Allocation Quota***

3. Over the 10-year period from 1995/96 to 2004/05, the average percentage of flats allocated to non-elderly one-person applicants on the WL is about 8% of the total number of flats allocated to WL applicants. SHC decided to set the annual allocation quota for non-elderly one-person WL applicants at 8% of the number of flats to be allocated to WL applicants subject to a ceiling of 2 000 units.

*Source: HD records*

*Remarks: QPS applicants switching to family applicants comprising two or more persons can carry half of their waiting time accumulated, subject to a maximum of 1.5 years.*

### **Declaration forms for PRH applications**

1. Person whose spouse has not been given the right to land in Hong Kong
2. Applicant who is proceeding with divorce
3. Family member who is proceeding with divorce
4. Grandparent who has guardianship of grandchild(ren) under 18 years old
5. Person who has no fixed employer
6. Person who is self-employed without holding a Business Registration Certificate
7. Person who holds a Business Registration Certificate
8. Person who owns a business vehicle
9. Person who owns a fish boat for living
10. Person who rents a taxi/public light bus
11. Person who is employed to work in a fish boat
12. Divorced person who receives/pays maintenance fee
13. Person who is unemployed
14. Person who has investment items
15. Person who has invested on insurance policy
16. Person who has fixed deposit
17. Person who is bankrupt with property ownership

*Source: HD records*

*Remarks: The declaration forms are to be used by individual applicants where applicable.*

**Subsidy income limits for PRH tenants  
 (effective from 1 April 2013)**

| Household size<br><br>(No. of persons) | Subsidy Income Limits (per month)   |  |
|--|---|--|
|  | Households with income between the following ranges are required to pay 1.5 times net rent plus rates | Households with income exceeding the following limits are required to pay double net rent plus rates |
|  | (\$)  | (\$)   |
| 1                                      | 17,761 — 26,640   | 26,640   |
| 2                                      | 27,501 — 41,250   | 41,250   |
| 3                                      | 36,621 — 54,930   | 54,930   |
| 4                                      | 44,281 — 66,420   | 66,420   |
| 5                                      | 50,721 — 76,080   | 76,080   |
| 6                                      | 56,801 — 85,200   | 85,200   |
| 7                                      | 63,261 — 94,890   | 94,890   |
| 8                                      | 67,621 — 101,430  | 101,430  |
| 9                                      | 75,701 — 113,550  | 113,550  |
| 10 or more                             | 79,481 — 119,220  | 119,220  |

Source: HD records

**Net asset limits for PRH tenants  
(effective from 1 April 2013)**

| <b>Household size<br/>(No. of persons)</b> | <b>Net Asset Limit<br/>(84 times 2013-14 WLIL)<br/>(\$)</b> |
|--|---|
| 1  | 750,000 (Note)  |
| 2  | 1,160,000 (Note)  |
| 3  | 1,540,000 (Note)  |
| 4  | 1,860,000   |
| 5  | 2,140,000   |
| 6  | 2,390,000   |
| 7  | 2,660,000   |
| 8  | 2,850,000   |
| 9  | 3,180,000   |
| 10 or more                                 | 3,340,000   |

*Source: HD records*

*Note: The net asset limits for small households at sizes of one-person to three-person with all members aged over 55 are the same as that of a four-person household, i.e. \$1,860,000.*



## **Case 5**

### **Exemption indicator not updated in Estate A**

1. In March 1982, the HD granted the tenancy to the subject household with four family members. In April 1986, the HD further approved an addition of the tenant's mother (74 years old) into the tenancy. In April 1992, the household had been living in PRH for 10 years and was required to declare household income biennially under the HSP.

2. In June 2013, Audit visited the estate office and reviewed the subject tenancy file. Audit noted that there were three members with ages ranging from 34 to 63 still living in the PRH flat, and thus the household should be subject to the biennial income declaration. However, no such income declaration forms could be found in the file. Upon Audit enquiry, the estate staff explained that an exemption reason "EPS — Elderly Priority Scheme" was captured by the computer and thus the household had not been included in the HSP review exercise.

3. As there was no procedure for the HD to cross-check the exemption reasons against its updated tenancy records, the estate office was not aware that the exemption reason was incorrectly input. As a result, the household had not been required to declare household income biennially since 1992 (i.e. 11 HSP cycles had so far been omitted).

#### ***Audit comments***

4. In Audit's view, in each biennial household income review, the HD should check the validity of the exemption reasons captured in its computer system. Besides, the HD should also collect relevant evidence during their biennial inspections of household premises.

*Source: HD records*

## **Case 6**

### **Exemption indicator not updated in Estate B**

1. In March 1978, the HD granted the subject flat which accommodated two separate families on a sharing basis at the time of a re-housing exercise. The tenants of both families subsequently got married, one in 1983 and the other in 1985, and the two families had their own children. In December 1993, the HD approved the household splitting request of a family to another separate flat. In 1994, the household should be subject to declaration of household income biennially under the HSP as the tenants had been living in the PRH flat for 10 years and the exemption reason became invalid after the household splitting.

2. In June 2013, Audit visited the estate office and reviewed the subject tenancy file. Audit noted that there were four members with ages ranging from 26 to 63 living in the flat, and should be subject to the household income declaration. Upon Audit enquiry, the estate staff explained that an exemption code “SHT — Sharing Tenancy” was captured by the computer and thus the household had not been included in the HSP review exercise.

3. As there was no procedure for the HD to cross-check the exemption reasons against its updated tenancy records, the estate office was not aware that the exemption reason was incorrectly input. As a result, the household had not been required to declare household income biennially since 1994 (i.e. 10 HSP cycles had so far been omitted).

#### ***Audit comments***

4. In Audit’s view, in each biennial household income review, the HD should check the validity of the exemption reasons captured in its computer system. Besides, the HD should also collect relevant evidence during their biennial inspections of household premises.

*Source: HD records*

## Acronyms and abbreviations

|                |  |
|----------------|--|
| AAS            | Application and Allocation System                |
| AHM            | Assistant Housing Manager                        |
| Audit          | Audit Commission                                 |
| AWT            | Average waiting time                             |
| C1P            | Converted One Person                             |
| DTMO           | District Tenancy Management Offices              |
| DTMS           | Domestic Tenancy Management Sub-system           |
| EFAS           | Express Flat Allocation Scheme                   |
| EMD            | Estate Management Division                       |
| EMMS           | Estate Management and Maintenance System         |
| ETW            | Elapsed time while waiting                       |
| HA             | Hong Kong Housing Authority                      |
| HD             | Housing Department                               |
| HM             | Housing Manager                                  |
| HO             | Housing Officer                                  |
| HOS            | Home Ownership Scheme                            |
| HSC            | Housing for Senior Citizen                       |
| HSP            | Housing Subsidy Policy                           |
| LTHS           | Long Term Housing Strategy                       |
| LU             | Lettings Unit                                    |
| m <sup>2</sup> | Square metres                                    |
| MASHM          | Mobile Application System for Housing Management |

**Appendix J**  
(Cont'd)

|      |  |
|------|--|
| MS   | Most serious   |
| OP   | Occupancy position   |
| PDA  | Personal Digital Assistant   |
| PHRM | Public Housing Resources Management Sub-section                        |
| PRH  | Public rental housing  |
| QPS  | Quota and Points System  |
| RCM  | Regional Chief Manager   |
| RCSU | Registration and Civil Service Unit                                    |
| SHC  | Subsidised Housing Committee   |
| SRA  | Policy on Safeguarding Rational Allocation of Public Housing Resources |
| UO   | Under-occupation   |
| WL   | Waiting List   |
| WLIL | Waiting List Income Limit  |
| WLU  | Waiting List Unit  |