

CHAPTER 9

Social Welfare Department

Support for Self-reliance Scheme

**Audit Commission
Hong Kong
27 October 2015**

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. 65 of the Director of Audit contains 10 Chapters which are available on our website at <http://www.aud.gov.hk>

Audit Commission
26th floor, Immigration Tower
7 Gloucester Road
Wan Chai
Hong Kong

Tel : (852) 2829 4210
Fax : (852) 2824 2087
E-mail : enquiry@aud.gov.hk

SUPPORT FOR SELF-RELIANCE SCHEME

Contents

	Paragraph
EXECUTIVE SUMMARY	
PART 1: INTRODUCTION	1.1 – 1.14
Audit review	1.15
General response from the Government	1.16
Acknowledgement	1.17
PART 2: MONITORING AND REPORTING ON ACHIEVEMENT OF SCHEME OBJECTIVES	2.1
Monitoring achievement of Scheme objectives	2.2 – 2.14
Audit recommendations	2.15
Response from the Government	2.16
Reporting on achievement of Scheme objectives	2.17 – 2.21
Audit recommendations	2.22
Response from the Government	2.23

	Paragraph
PART 3: COMMISSIONING NON-GOVERNMENTAL ORGANISATIONS TO PROVIDE EMPLOYMENT ASSISTANCE SERVICES	3.1
Procedures for commissioning non-governmental organisations	3.2 – 3.9
Audit recommendation	3.10
Response from the Government	3.11 – 3.12
Specifying service requirements	3.13 – 3.22
Audit recommendations	3.23
Response from the Government	3.24
PART 4: PROVISION OF EMPLOYMENT ASSISTANCE SERVICES	4.1 – 4.2
Providing strengthened employment assistance services	4.3 – 4.11
Audit recommendations	4.12
Response from the Government	4.13
Monitoring attendance and deterring abuse	4.14 – 4.20
Audit recommendations	4.21
Response from the Government	4.22

	Paragraph
PART 5: MONITORING AND EVALUATING PROJECT PERFORMANCE	5.1
Project performance	5.2 – 5.9
Audit recommendations	5.10
Response from the Government	5.11
Compliance with guideline requirements	5.12 – 5.13
Audit recommendations	5.14
Response from the Government	5.15
Appendices	Page
A : Social Welfare Department: Organisation chart (extract) (30 June 2015)	58
B : Acronyms and abbreviations	59

SUPPORT FOR SELF-RELIANCE SCHEME

Executive Summary

1. The Comprehensive Social Security Assistance (CSSA) Scheme is administered by the Social Welfare Department (SWD). It provides cash assistance to people who cannot support themselves financially. In 2014-15, CSSA payments made by the SWD totalled \$20.7 billion, \$1.2 billion of which were related to unemployment cases. To encourage and assist employable CSSA recipients to secure employment and achieve self-reliance, the SWD has since June 1999 implemented the Support for Self-reliance (SFS) Scheme. Before January 2013, the SFS Scheme included various employment assistance programmes. In January 2013, the SWD integrated the various employment assistance programmes into an Integrated Employment Assistance Programme for Self-reliance (IEAPS). The IEAPS provides four categories of services to employable CSSA recipients, namely, Ordinary Employment Assistance Services for unemployed persons (Category I services), Strengthened Employment Assistance Services for selected recipients of Category I services (Category II services), New Dawn Project Services for single parents and child carers (Category III services), and Special Training and Enhancement Programme for unemployed youths (Category IV services). Currently, 26 non-governmental organisations (NGOs) operate 41 projects under the IEAPS to provide these services, with each project serving specified districts. The cost of commissioning the NGOs was about \$95 million a year. The Audit Commission (Audit) has recently conducted a review of the SWD's administration of the SFS Scheme.

Monitoring and reporting on achievement of Scheme objectives

2. *Monitoring achievement of Scheme objectives.* In reporting the effectiveness of the SFS Scheme to the Legislative Council (LegCo) in 2001, the Government indicated that the CSSA unemployment caseload was the target of the Scheme. There had been a downward trend in CSSA unemployment cases since 2003. However, there were still 17,505 CSSA unemployment cases as at June 2015, representing about three times the 6,074 cases as at June 1995. The SWD should continue to monitor the number of unemployment cases. For evaluation of IEAPS projects, the SWD has built in a monitoring mechanism. The SFS Scheme participants' job-securing rate and off-CSSA-net rate are two useful indicators. There are merits in closely monitoring the two rates. In particular,

Executive Summary

Audit findings revealed lower job-securing rate and off-CSSA-net rate in some IEAPS projects (see para. 9 below). Audit also noted that, for evaluating the effectiveness of the SFS Scheme, there were a number of limitations in the SWD's computer information system, rendering it difficult for the SWD to conduct comprehensive data analysis of the profile of Scheme participants (paras. 2.2 to 2.13).

3. ***Need for regular performance reporting.*** The SWD has set performance requirements (e.g. minimum job-securing rates) on each category of services under the IEAPS. The effective operation of the Scheme helps reduce public expenditure on CSSA. However, the SWD has not released the performance targets or indicators for the services to report on the overall performance of the Scheme (para. 2.17).

4. ***Need to ensure a proper basis for assessing and reporting performance.*** In March 2015, in respect of questions raised in the LegCo Finance Committee's examination of the 2015-16 Estimates, the SWD provided data on the job-securing rate and off-CSSA-net-rate of 30,997 CSSA recipients who newly joined the IEAPS during January 2013 to December 2014. Audit noted that there were some other 20,000 CSSA recipients who had been enrolled in the previous programmes and were transferred to receive employment assistance under the IEAPS when it commenced in January 2013. The SWD should have included them in the total number of IEAPS participants in order to properly assess and report the performance of the IEAPS under the SFS Scheme (paras. 2.18 to 2.20).

Commissioning non-governmental organisations to provide employment assistance services

5. ***Commissioning the same NGOs to operate the extended IEAPS.*** The contracts for 41 IEAPS projects covering the period January 2013 to March 2015 were awarded to 26 NGOs using the "quality-based allocation system". Under the system, the SWD invited NGOs to operate the IEAPS projects at fixed contract sums. It received 105 project proposals from 32 NGOs, and selected 41 project proposals from 26 NGOs for awarding contracts. In January 2015, the SWD invited the same 26 NGOs to continue running the IEAPS projects till March 2017. Contracts for the extended IEAPS were subsequently awarded to the 26 NGOs.

Executive Summary

There were no records indicating that the SWD had evaluated the overall performance of the 26 NGOs in a comprehensive manner before inviting them. Audit findings also revealed relatively poorer performance of some NGOs (see para. 9 below) (paras. 3.4, 3.6 and 3.7).

6. *Unused service capacity for Category I and III services.* The IEAPS contracts specified the required service capacity (in terms of the number of service recipients) for each project. From January 2013 to March 2015, only 61% of the total service capacity of Category I services and 70% of that of Category III services were used. According to the contracts, the SWD may require NGOs to provide additional services if the number of service recipients is under 90% of the service capacity. However, the SWD had not adequately done so (paras. 3.14, 3.16 and 3.20).

Provision of employment assistance services

7. *Projects not meeting contract requirements.* Classroom training and work exposure services are two key components of Strengthened Employment Assistance Services (Category II services) for selected unemployed persons (e.g. those with low employability due to low motivation). The IEAPS contracts specified the total number of classroom training hours and work exposure service sessions required to be provided by NGOs. Audit noted that, for the 41 projects in January 2013 to March 2015, the total shortfall for classroom training was 10,716 hours (6% of total requirement) and that for work exposure services was 151,188 sessions (23% of total requirement). It is important that the provision of Category II services is maximised to help enhance the employability of the largest possible number of unemployed CSSA recipients (paras. 4.3 to 4.5 and 4.11).

8. *Need to enhance actions to address the risk of abuse.* From a review of 90 cases, Audit noted a number of occasions on which service recipients had been exempted from attending activities of service programmes because they had claimed that they were taking up casual employment on the same day. However, there were no records indicating that the SWD or the NGOs had considered the risk of abuse and taken action to verify such claims. Audit also noted incidents of insufficient evidence used to support exemption for reasons other than casual employment (e.g. not providing sick leave certificates in accordance with the requirement) (paras. 4.15 and 4.17).

Executive Summary

Monitoring and evaluating project performance

9. *Some projects had lower job-securing rates.* Audit noted that during January 2013 to March 2015, some projects did not meet the performance requirements specified in the IEAPS contracts. In particular, four projects in Category I and II services had job-securing rates less than 15%, compared with the required minimum of 20% (for Category I services) specified in the IEAPS contracts. Moreover, four projects in Category III services had job-securing rates less than 20%, compared with the required minimum of 40%. Notwithstanding the poorer performance of some projects, all the NGOs were commissioned by the SWD to continue operating their projects after expiry of the original IEAPS contracts (see para. 5 above) (para. 5.6).

10. *Non-compliance with SWD procedural guidelines.* Audit examination of the files and records of three IEAPS projects revealed instances of non-compliance with the SWD procedural guidelines (e.g. service recipients did not attend at least two work exposure service sessions per week as required). The non-compliance could reduce the effectiveness of the IEAPS (paras. 5.12 and 5.13).

Audit recommendations

11. **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 Social Welfare should:**

Monitoring and reporting on achievement of Scheme objectives

- (a) **continue to monitor the number of CSSA unemployment cases and IEAPS participants' job-securing rate and off-CSSA-net rate (para. 2.15(a));**
- (b) **explore ways to conduct regular analysis of the profile of SFS Scheme participants more efficiently for evaluating the Scheme effectiveness (para. 2.15(b));**
- (c) **report the performance targets and indicators for the SFS Scheme, and review the proper basis for assessing and reporting performance of the IEAPS (para. 2.22);**

Executive Summary

Commissioning NGOs to provide employment assistance services

- (d) **commission NGOs to provide welfare services on a competitive basis, taking into account NGOs' past performance (para. 3.10);**
- (e) **critically review the methodology for setting service capacity for IEAPS contracts, and put any unused capacity to gainful use (para. 3.23(a) and (b));**

Provision of employment assistance services

- (f) **take effective measures to help NGOs meet the requirements on classroom training hours and work exposure service sessions as specified in the contracts, and tighten the monitoring of their provision of these services (para. 4.12(a) and (c));**
- (g) **take measures to ensure that staff of the SWD and the NGOs adequately verify service recipients' justifications for not attending activities under the IEAPS having regard to the risk of abuse (para. 4.21(a));**

Monitoring and evaluating project performance

- (h) **pay particular attention to IEAPS projects having relatively poorer performance, ascertain the underlying reasons and take appropriate measures to improve their performance (para. 5.10(b)); and**
- (i) **regularly remind NGOs of the need to comply with the SWD procedural guidelines and conduct more sample checks on compliance (para. 5.14).**

Response from the Government

12. The Director of Social Welfare agrees with the audit recommendations.

PART 1: INTRODUCTION

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

Comprehensive Social Security Assistance Scheme

1.2 The Comprehensive Social Security Assistance (CSSA) Scheme is administered by the Social Welfare Department (SWD). It provides cash assistance to people who cannot support themselves financially to meet basic needs. An applicant must pass both income and asset tests. If an applicant is living with any other family members, the application must be made on a family basis, and the total income and assets of all family members are taken into account in determining the family's eligibility for assistance.

1.3 The amount of cash assistance is determined on a case-by-case basis to meet basic needs, as follows:

- (a) ***Single person cases.*** The SWD assesses the recognised needs of the applicant to determine the maximum amount of cash assistance. The actual amount of cash assistance is the maximum amount less his assessable income (see para. 1.7(c)). If his assessable income is equal to or greater than the maximum amount, the applicant is not eligible for CSSA; and
- (b) ***Family cases.*** The SWD assesses the recognised needs of the family to determine the maximum amount of cash assistance. The actual amount of cash assistance is the maximum amount less the total assessable income of all family members (see para. 1.7(c)). If the total assessable income of all family members is equal to or greater than the maximum amount, the family is not eligible for CSSA.

1.4 ***Classification of CSSA cases.*** The SWD classifies CSSA cases by nature of case (i.e. the main reason for the individual or family to apply for CSSA). For consistency of classification, it has established a set of rules for determining the nature of each case. For example, for a three-member family comprising the

Introduction

unemployed applicant (Note 1), his wife who is disabled and his father aged 65, the SWD will classify the case as an unemployment case because the breadwinner of the family is unemployed. For a two-member single-parent family comprising the mother and her unemployed son aged below 18 and not receiving full-time education, the SWD will classify the case as a single parent case. As at 31 March 2015, there were 251,099 CSSA cases, 18,021 (7%) of which were classified as unemployment cases. In 2014-15, CSSA payments made by the SWD totalled \$20.7 billion, \$1.2 billion (6%) of which were related to unemployment cases. Table 1 shows the details.

Table 1

CSSA cases and payments classified by nature of case

Nature of case	No. of cases as at 31 March 2015	Payment in 2014-15 (\$ million)
Old age	148,664 (59%)	11,594 (56%)
Single parent	29,284 (12%)	3,107 (15%)
Ill health	24,754 (10%)	2,205 (11%)
Permanent disability	18,221 (7%)	1,492 (7%)
Unemployment	18,021 (7%)	1,218 (6%)
Low earnings	7,302 (3%)	715 (3%)
Others	4,853 (2%)	338 (2%)
Total	251,099 (100%)	20,669 (100%)

Source: SWD records

Note 1: *A CSSA recipient is classified as “unemployed” if he works less than 120 hours a month or his monthly earnings are below the prescribed level set by the SWD (currently \$2,010).*

1.5 ***Number of CSSA recipients.*** As at 31 March 2015, the 251,099 CSSA cases involved 159,075 (63%) single person cases and 92,024 (37%) family cases. As the 92,024 family cases involved a total of 218,385 persons (2.4 persons per family on average), there were in total 377,460 CSSA recipients (159,075 + 218,385).

Support for Self-reliance Scheme

1.6 As at 31 March 2015, there were 18,021 CSSA unemployment cases (see para. 1.4). Before June 1999, unemployed CSSA recipients were only required to register with the Labour Department for employment assistance and call at the SWD monthly to declare their employment status. The SWD has since June 1999 implemented the Support for Self-reliance (SFS) Scheme, aiming at encouraging and assisting employable CSSA recipients to secure employment and achieve self-reliance.

1.7 ***SFS Scheme between June 1999 and December 2012.*** Prior to January 2013, the Scheme consisted of three components:

- (a) ***Employment assistance programmes.*** Initially, SWD staff operated an employment assistance programme to help unemployed CSSA recipients access information on job vacancies and employment-related services and to monitor their personalised action plans to find work. Starting 2001, the SWD had also commissioned non-governmental organisations (NGOs) to operate special employment assistance programmes for different categories of CSSA recipients. With effect from October 2008, NGOs operated all employment assistance programmes, comprising the Integrated Employment Assistance Scheme for unemployed persons, the New Dawn Project for single parents and child carers, and the Special Training and Enhancement Programme for unemployed youths;
- (b) ***Community work programme.*** SWD staff arranged unpaid community work (e.g. cleaning of country parks) to help unemployed CSSA recipients build up their self-esteem and work habit, and prepare for rejoining the workforce; and

Introduction

- (c) ***Disregarded earnings arrangement.*** A certain amount of earnings from employment was not regarded as income in calculating the actual amount of cash assistance (see para. 1.3). This ensured that CSSA recipients who worked were financially better off than those who did not work (Note 2), encouraging them to find jobs and remain in employment.

1.8 ***SFS Scheme since January 2013.*** With effect from January 2013, the Scheme consists of two components:

- (a) ***Integrated Employment Assistance Programme for Self-reliance (IEAPS).*** In January 2013, the SWD integrated the various employment assistance programmes (see para. 1.7(a)) and the community work programme (see para. 1.7(b)) into the IEAPS. The services provided under the IEAPS are detailed in paragraphs 1.9 to 1.12; and
- (b) ***Disregarded earnings arrangement.*** As before, a certain amount of earnings from employment is not regarded as income in calculating the actual amount of cash assistance (see para. 1.7(c)).

Services provided under the IEAPS

1.9 The IEAPS was first launched in January 2013 for 27 months till March 2015, with 26 NGOs commissioned to provide one-stop integrated employment assistance services to employable CSSA recipients on a family basis. In April 2015, the SWD extended the IEAPS for 24 months till March 2017, commissioning the same 26 NGOs to provide the services.

1.10 There are currently 41 projects operated by the 26 NGOs under the IEAPS, with each project responsible for serving CSSA recipients within specified districts in Hong Kong. Each of the 26 NGOs runs one to four projects.

Note 2: *For example, if the maximum amount of cash assistance for a CSSA recipient is \$6,000 per month, his monthly earnings from employment are \$5,000 and the disregarded earnings are \$2,500, the actual amount of cash assistance is \$3,500 [i.e. \$6,000 – (\$5,000 – \$2,500)]. His total monthly income of \$8,500 (i.e. \$5,000 + \$3,500) is more than the maximum amount of cash assistance of \$6,000 that will be received if he does not work and relies entirely on CSSA.*

1.11 There are four categories of services under the IEAPS, catering to different CSSA recipients (see Table 2). Category I to III services are provided under each of the 41 projects. Category IV services are provided under 10 projects only because of the smaller number of target service recipients.

Table 2

Services provided under the IEAPS

Category	CSSA recipients required to receive services	Key services provided
I	<p>Unemployed persons</p> <ul style="list-style-type: none"> • Aged 15 to 59 • Able-bodied • Including single parents or child carers whose youngest child is aged above 14 	<p><i>Ordinary Employment Assistance Services</i></p> <p>(a) Regular work plan interviews (twice a month for persons aged below 50 and once a month for persons aged 50 or above) to help set up plans to actively seek full-time paid employment and obtain information on labour market, and to review efforts in job search</p> <p>(b) Direct job matching services</p> <p>(c) Post-employment support to help sustain full-time paid employment</p>
II	<p>Unemployed persons</p> <ul style="list-style-type: none"> • Assessed and selected by NGOs from Category I service recipients (e.g. service recipients with low employability due to low motivation and educational attainment) 	<p><i>Strengthened Employment Assistance Services</i></p> <p>(a) Ordinary employment assistance services (see Category I services above)</p> <p>(b) A maximum of 20 hours of classroom or small group training/session on basic social/soft skills (e.g. communication and stress management) and job seeking and related skills (e.g. interviewing techniques and application letter writing)</p> <p>(c) One to three phases (168 hours per phase) of work exposure on outdoor or indoor tasks in different settings (e.g. gardening, counter service, clerical work, job attachment and voluntary work), including training, briefing, orientation, debriefing or review sessions</p>

Introduction

Table 2 (Cont'd)

Category	CSSA recipients required to receive services	Key services provided
III	<p>Single parents and child carers</p> <ul style="list-style-type: none"> • Aged 15 to 59 • Able-bodied • Youngest child aged 12 to 14 <p>(Single parents and child carers whose youngest child is aged below 12 are not required to participate in the SFS Scheme. For single parents and child carers whose youngest child is aged 12 to 14, they may choose to be sanctioned with a deduction of \$200 CSSA payment per month instead of receiving the services.)</p>	<p><i>New Dawn Project Services</i></p> <ul style="list-style-type: none"> (a) Regular interviews (at least once a month) to help set up plans to actively seek jobs and obtain information on labour market and other support services (b) Direct job matching services (c) Provision of information on after-school-care arrangement (d) A maximum of 20 hours of classroom or small group training/session on basic social/soft skills and job seeking and related skills (e) Job attachment and voluntary work on a need basis to enhance employability (f) Post-employment support to help sustain paid employment
IV	<p>Unemployed youths</p> <ul style="list-style-type: none"> • Selected by SWD and NGOs from Category I service recipients • Aged 15 to 29 <p>(The NGOs are required to provide the services to selected youths for not less than nine months.)</p>	<p><i>Special Training and Enhancement Programme</i></p> <ul style="list-style-type: none"> (a) Structured motivational/disciplinary training (e.g. adventure training, wild camping, hiking, mountaineering and military training) (b) Training/coaching/activity sessions such as small group sharing, workshop or job-related training class at least once every two weeks (c) Job search guidance, job attachment services and job matching services (d) Post-placement support to help sustain full-time paid employment/return to mainstream schooling

Source: SWD records

1.12 Unemployed persons and single parents and child carers on CSSA are required to receive the services under the IEAPS until they have:

- (a) (for unemployed persons) found paid employment with working hours not less than 120 per month and earnings not less than the prescribed level set by the SWD (currently \$2,010); or
- (b) (for single parents and child carers) found paid employment with working hours not less than 32 per month.

According to the SWD, the types of occupation secured by IEAPS participants mostly included labourer, waiter/waitress, salesperson, cleaner and watchman/guard.

SWD's administration of the SFS Scheme

1.13 The SWD's Social Security Field Units and SFS Section are responsible for the administration of the SFS Scheme, as follows:

- (a) ***Social Security Field Units.*** At present, there are 41 Social Security Field Units located in different districts (Note 3). They process and manage CSSA cases, among others, including referring CSSA recipients to NGOs for employment assistance services and following up on the services provided by NGOs to individual CSSA recipients; and
- (b) ***SFS Section.*** The SFS Section coordinates the work of different parties under the SFS Scheme, and monitors the performance of NGOs.

Appendix A shows an extract of the SWD organisation chart. Between January 2013 and March 2015, the IEAPS under the SFS Scheme provided employment assistance services to some 54,000 CSSA recipients (Note 4). The cost of commissioning NGOs to operate the IEAPS was about \$95 million a year.

Note 3: *There are 6 Units located in Hong Kong and Islands, 16 in Kowloon and 19 in the New Territories.*

Note 4: *A person was counted as a participant when he first joined the IEAPS and as an additional participant whenever he rejoined the IEAPS.*

Introduction

1.14 Administering the SFS Scheme under the CSSA Scheme is part of the work under the SWD's Social Security programme. The resources employed are as follows:

- (a) for the entire Social Security programme, the staff establishment is about 2,300 in 2015-16. These include all the staff in 41 Social Security Field Units over the territory, which operate the CSSA Scheme (including services under the IEAPS) and the Social Security Allowance Scheme and emergency relief service, and in centralised units responsible for service development and review, operating the Traffic Accident Victims Assistance Scheme, the Criminal and Law Enforcement Injuries Compensation Scheme, the Emergency Relief Fund and the Social Security Appeal Board, managing and developing the Computerised Social Security System, fraud prevention and investigation, etc; and
- (b) for the SFS Section, the staff establishment of 21 is responsible for administering the SFS Scheme as well as the CSSA Scheme in relation to able-bodied unemployed recipients and children.

The SWD does not have a breakdown on resources for the administration of the SFS Scheme alone.

Audit review

1.15 In April 2015, the Audit Commission (Audit) commenced a review of the SWD's administration of the SFS Scheme. The review has focused on the following areas:

- (a) monitoring and reporting on achievement of Scheme objectives (PART 2);
- (b) commissioning NGOs to provide employment assistance services (PART 3);
- (c) provision of employment assistance services (PART 4); and
- (d) monitoring and evaluating project performance (PART 5).

Audit has found room for improvement in the above areas and has made a number of recommendations to address the issues.

General response from the Government

1.16 The Director of Social Welfare agrees with the audit recommendations. The Secretary for Labour and Welfare has taken note of the comments made by Audit. He has said that the Labour and Welfare Bureau:

- (a) will continue to attach great importance to facilitating employment of those who are able to work, to promote their self-reliance on one hand and to provide labour supply to drive our economy against an ageing population on the other;
- (b) plans to launch the Low Income Working Family Allowance in around mid-2016 which is designed to provide a basic allowance to eligible low income families. This basic allowance is tied to employment and working hours to encourage self-reliance. A higher amount will be granted to those who work more, while families with children will receive an additional allowance; and
- (c) will conduct an evaluation of the Low Income Working Family Allowance one year after its implementation, and will consider the future of the SFS Scheme in that context.

Acknowledgement

1.17 Audit would like to acknowledge with gratitude the assistance and full cooperation of the staff of the SWD during the course of the audit review.

PART 2: MONITORING AND REPORTING ON ACHIEVEMENT OF SCHEME OBJECTIVES

2.1 This PART examines the monitoring and reporting on the achievement of the objectives of the SFS Scheme. The following issues are discussed:

- (a) monitoring achievement of Scheme objectives (paras. 2.2 to 2.16); and
- (b) reporting on achievement of Scheme objectives (paras. 2.17 to 2.23).

Monitoring achievement of Scheme objectives

2.2 The SFS Scheme, consisting of the employment assistance programmes and the disregarded earnings arrangement, aims to encourage and assist employable CSSA recipients to secure employment and achieve self-reliance (see paras. 1.6 to 1.8). During the initial years of operation of the Scheme, the Government had periodically evaluated the effectiveness of the Scheme in helping the participants regain employment, improve awareness of social responsibilities, improve awareness of the need to re-establish self-reliance, and understand the importance of employment. The Government reported to the Legislative Council (LegCo) Panel on Welfare Services on several occasions, as follows:

- (a) *Evaluation reports (December 2000 and June 2001).* At the Panel meeting in June 2000, Members requested a review of the effectiveness of the SFS Scheme. The Government conducted a review with the assistance of an external research team, and provided the Panel with a mid-term evaluation report in December 2000 and a final report in June 2001. The reports concluded that the SFS Scheme had been effective, highlighting that between June 1999 and November 2000:
 - (i) the proportion of Scheme participants having found employment was five times higher than the proportion of CSSA recipients having found employment before introducing the Scheme; and
 - (ii) the number of CSSA unemployment cases dropped by 27%;

Monitoring and reporting on achievement of Scheme objectives

- (b) ***Updated information (December 2002).*** In December 2002, the Government reported to the Panel that the SFS Scheme had triggered an unprecedented downward trend in CSSA unemployment cases. However, due to unfavourable economic conditions and rising unemployment, the downward trend had reversed since April 2001. The external research team engaged by the Government found that the majority of Scheme participants considered the Scheme useful. The Government recognised the need to review from time to time the measures put in place to help CSSA recipients back to work;
- (c) ***Report on intensified SFS measures (June 2004).*** In June 2004, the Government reported to the Panel that intensified SFS measures (e.g. commissioning NGOs to run intensive employment assistance projects) had been introduced since June 2003. The results suggested that the measures were meeting the objectives of assisting unemployed CSSA recipients to become more self-reliant. In particular, a downward trend in CSSA unemployment cases emerged in October 2003; and
- (d) ***Evaluation study (June 2005).*** In June 2005, the Government reported to a Subcommittee under the Panel that an external research team had been commissioned to conduct an evaluation study of the SFS measures, including the intensive employment assistance projects run by NGOs (see (c) above). The Government was studying the recommendations for improving the effectiveness of the measures. The paper highlighted that CSSA unemployment cases had increased from 4,866 to 45,231 over 10 years from 1994 to 2004.

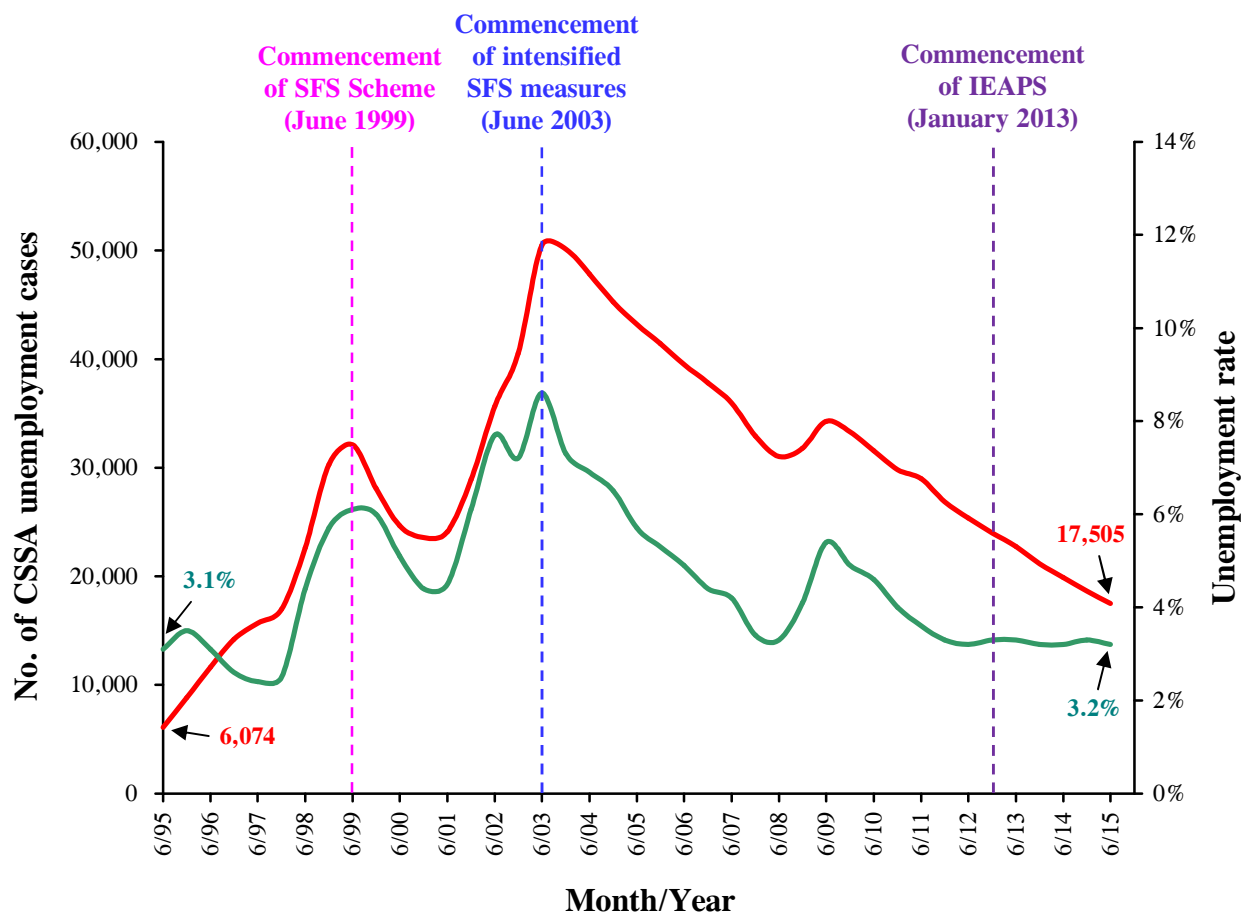
Unemployment cases

2.3 Audit noted that in the paper submitted to the LegCo Panel in June 2001 (see para. 2.2(a)), the Government indicated that the CSSA unemployment caseload was the target of the SFS Scheme, and the reduced number of unemployment cases was believed to be the combined effect of various factors including the SFS Scheme, various tightening measures under the CSSA Scheme and the external economic environment.

2.4 Figure 1 shows Audit analysis of the number of CSSA unemployment cases and unemployment rate in Hong Kong between June 1995 and June 2015.

Figure 1

CSSA unemployment cases and unemployment rate in Hong Kong
(June 1995 to June 2015)



Legend: — CSSA unemployment cases
— Unemployment rate in Hong Kong

Source: *Audit analysis of SWD records and the unemployment statistics compiled by the Census and Statistics Department.*

Remarks: *In May 2011, a statutory minimum wage of \$28 per hour was introduced. The minimum wage was increased to \$30 per hour in May 2013 and \$32.5 per hour in May 2015.*

Monitoring and reporting on achievement of Scheme objectives

2.5 It can be seen from Figure 1 that:

- (a) between June 1995 and June 2003, the number of CSSA unemployment cases increased from 6,074 to about 50,000, and had since declined to 17,505 in June 2015; and
- (b) after the implementation of the SFS Scheme in June 1999, the number of CSSA unemployment cases largely moved in the same direction as the unemployment rate.

2.6 The downward trend in CSSA unemployment cases is encouraging. In Audit's view, the SWD should continue to monitor the number of unemployment cases. Although the number of job vacancies in Hong Kong has remained at a high level in recent years (85,893 in March 2015), as at June 2015, there were still 17,505 unemployment cases, representing about three times the 6,074 cases as at June 1995.

IEAPS participants' job-securing rate and off-CSSA-net rate

2.7 In January 2013, the SWD integrated the previous employment assistance programmes and commissioned 26 NGOs to operate the IEAPS for 27 months from January 2013 to March 2015 (see paras. 1.8(a) and 1.9). According to the SWD:

- (a) the SFS Scheme has been found to be effective in helping participants improve awareness of social responsibilities, improve awareness of the need to re-establish self-reliance, and understand the importance of employment;
- (b) the SWD has built in a monitoring mechanism for on-going and systematic evaluation of the performance of the NGOs operating the IEAPS projects, including collecting performance summaries from the NGOs and issuing benchmark reports to them on a quarterly basis; and

Monitoring and reporting on achievement of Scheme objectives

- (c) the performance of the NGOs was generally satisfactory. With the new model of the IEAPS projects having been running for only 27 months, the SWD invited the 26 NGOs to continue running the IEAPS projects for another 24 months from April 2015 to March 2017. This helped ensure continuity of the service and minimised disruption to the support for able-bodied unemployed CSSA recipients.

2.8 For SFS Scheme participants who have secured employment, depending on their earnings, they may leave the CSSA net or become CSSA recipients with low earnings (see para. 1.4). As the SFS Scheme aims to encourage and assist employable CSSA recipients to secure employment and achieve self-reliance (see para. 1.6), SFS Scheme participants' job-securing rate (i.e. the percentage of participants having secured employment) and off-CSSA-net rate (i.e. the percentage of participants having left the CSSA net) are two useful indicators, among other considerations (see para. 2.7(a)), for evaluating the effectiveness of the Scheme. Table 3 shows the job-securing rate and off-CSSA-net rate under the IEAPS for the period from January 2013 to March 2015.

Monitoring and reporting on achievement of Scheme objectives

Table 3

**IEAPS participants' job-securing rate and off-CSSA-net rate
(January 2013 to March 2015)**

Category of services	No. of participants (Note 1) (a)	No. of participants having secured employment (Note 2) (b)	Job-securing rate (c) = $\frac{(b)}{(a)}$	No. of participants having left CSSA net (d)	Off-CSSA-net rate (e) = $\frac{(d)}{(a)}$
Category I and II services for unemployed persons (Ordinary and Strengthened Employment Assistance Services)	49,358	9,201	18.6%	1,749	3.5%
Category III services for single parents and child carers (New Dawn Project Services)	4,092	1,549	37.9%	223	5.4%
Category IV services for unemployed youths (Special Training and Enhancement Programme)	663	374	56.4%	76	11.5%
Overall	54,113	11,124	20.6%	2,048	3.8%

Source: SWD records

Note 1: A person was counted as a participant when he first joined the IEAPS and as an additional participant whenever he rejoined the IEAPS.

Note 2: For unemployed persons, the number represented those having secured full-time paid employment for at least one month. For single parents and child carers, the number represented those having secured full-time or part-time paid employment for at least one month. For unemployed youths, the number represented those having secured full-time paid employment or returned to mainstream schooling for at least one month.

Monitoring and reporting on achievement of Scheme objectives

2.9 It can be seen from Table 3 that the majority of the IEAPS participants were provided with Category I and II services (i.e. Ordinary and Strengthened Employment Assistance Services for unemployed persons), with a job-securing rate of 18.6% and an off-CSSA-net rate of 3.5% for the period from January 2013 to March 2015 (i.e. 27 months). According to the SWD:

- (a) between October 2008 and December 2012 (i.e. 51 months), the employment assistance services for unemployed persons were provided by NGOs under the previous Integrated Employment Assistance Scheme, (see para. 1.7(a)), with a job-securing rate of 21.5% and an off-CSSA-net rate of 7.1%;
- (b) it was not appropriate to compare directly the job-securing rate and off-CSSA-net rate before and after the implementation of the IEAPS because the IEAPS was a different operating mode integrating various employment assistance projects previously implemented under the SFS Scheme and, among others, the length of the periods concerned (51 months for the previous Scheme and 27 months for the IEAPS) was not the same; and
- (c) whether the participants could secure employment depended on a number of factors. Besides, the personal characteristics and circumstances of CSSA recipients also affected their chances of returning to work and moving up the job ladder.

2.10 The IEAPS is a new operating mode for providing employment assistance services. Its cumulative result is also yet to be seen. There are merits in closely monitoring the participants' job-securing rate and off-CSSA-net rate under the IEAPS. In particular, Audit findings in PART 5 revealed relatively poorer performance of some of the 41 projects under the IEAPS for the period from January 2013 to March 2015 (see paras. 5.5 to 5.7).

Need for regular data analysis

2.11 Regular analysis of the profile of SFS Scheme participants (such as their gender, age, education level, duration of stay on CSSA for being unemployed, duration of stay on CSSA for other reasons such as being a single parent, and number, duration and earnings of any previous jobs secured under the SFS Scheme)

Monitoring and reporting on achievement of Scheme objectives

can derive useful management information for evaluating the effectiveness of the SFS Scheme and identifying room for improvement. For example, for a particular category of SFS Scheme participants, an upward trend in the duration of stay on CSSA for being unemployed would suggest that more should be done to encourage and assist them to secure employment.

2.12 Audit noted that there were a number of limitations in the SWD's computer information system, rendering it difficult for the SWD to conduct comprehensive data analysis regularly and efficiently. For example:

- (a) the SWD maintained records of CSSA recipients in its Computerised Social Security System, which was rolled out in 2000. Records of SFS Scheme participants were maintained separately in a standalone computerised database;
- (b) since CSSA-related data (e.g. duration of stay on CSSA and past employment records) were maintained only in the Computerised Social Security System, such data of SFS Scheme participants could be analysed only on a need basis by conducting matching of records of the SFS Scheme database and the System; and
- (c) updating of the SFS Scheme database was done by individual NGOs. The SWD had found that the information might not always be accurate and complete.

2.13 The SWD informed Audit in July 2015 that:

- (a) the SWD was in the process of developing a new Computerised Social Security System to replace the existing one. The new system, expected to be rolled out in early 2018, would incorporate key records of SFS Scheme participants; and
- (b) NGOs had been regularly collecting and collating data of IEAPS participants under individual projects for the purpose of providing suitable training programmes and employment assistance services as well as targeted job-searching support according to the participants' educational

Monitoring and reporting on achievement of Scheme objectives

background/skills. To safeguard the accuracy and completeness of the SFS Scheme database, the SWD had made enhancement (e.g. input validation) in April 2015.

In Audit's view, the SWD needs to explore ways to conduct regular analysis of the profile of SFS Scheme participants more efficiently for evaluating the effectiveness of the SFS Scheme.

2.14 In addition, collecting views from SFS Scheme participants is also useful for monitoring the effectiveness of the Scheme. Audit noted that it had not been the SWD's practice to regularly collect views from Scheme participants. The SWD had done so through engaging external research teams in the past when conducting evaluation of the Scheme for reporting to LegCo Panel (see para. 2.2(a), (b) and (d)). In Audit's view, as the IEAPS is a new scheme integrating the previous employment assistance programmes, the SWD should consider collecting views from the participants of the IEAPS.

Audit recommendations

2.15 **Audit has recommended that the Director of Social Welfare should:**

- (a) **continue to monitor the number of CSSA unemployment cases and IEAPS participants' job-securing rate and off-CSSA-net rate under the extended IEAPS currently in operation;**
- (b) **explore ways to conduct regular analysis of the profile of SFS Scheme participants more efficiently for evaluating the effectiveness of the Scheme; and**
- (c) **consider collecting views from participants of the IEAPS.**

Response from the Government

2.16 The Director of Social Welfare agrees with the audit recommendations. She has said that the SWD will:

Monitoring and reporting on achievement of Scheme objectives

- (a) continue to monitor the number of CSSA unemployment cases as well as IEAPS participants' job-securing rate and off-CSSA-net rate under the extended IEAPS currently in operation;
- (b) explore more efficient ways to conduct regular data analysis of the participants, such as their gender, age, and education level, for evaluating the effectiveness of the SFS Scheme. To safeguard the accuracy and completeness of the SFS Scheme database, the SWD made enhancement in April 2015 and has also started using a database management system since July 2015 to strengthen database management and facilitate more comprehensive data analysis; and
- (c) draw up a feedback form for collecting views from IEAPS participants.

Reporting on achievement of Scheme objectives

Need for regular performance reporting

2.17 The SFS Scheme aims to encourage and assist employable CSSA recipients to secure employment and achieve self-reliance. The cost of commissioning NGOs to operate the IEAPS was about \$95 million a year. The SWD has set performance requirements (e.g. minimum job-securing rates) on each category of services under the IEAPS (see paras. 5.2 and 5.3). The effective operation of the Scheme helps reduce public expenditure on CSSA. Since the implementation of the Scheme in June 1999, the SWD has not released the performance targets or indicators for the services, in its Controlling Officer's Report or website, to measure and report on the overall performance of the Scheme. In Audit's view, to enhance transparency and accountability, the SWD needs to do so.

Need to ensure a proper basis for assessing and reporting performance

2.18 From time to time, at LegCo meetings and when the annual Estimates of Expenditure of the Government were submitted to the LegCo Finance Committee for examination, LegCo Members raised questions about the performance of the SFS Scheme. Audit noted that in March 2015, in respect of 11 questions raised by LegCo Members in the Finance Committee's examination of the 2015-16 Estimates, the SWD provided the following data on the performance of the IEAPS during January 2013 to December 2014:

Monitoring and reporting on achievement of Scheme objectives

- (a) 30,997 able-bodied CSSA recipients participated in the IEAPS;
- (b) 9,930 or 32% participants had successfully secured employment or returned to mainstream schooling; and
- (c) 1,870 or 6% participants had successfully left the CSSA net.

2.19 Upon enquiry, the SWD informed Audit in June 2015 that:

- (a) the 30,997 participants referred to CSSA recipients who newly joined the IEAPS during January 2013 to December 2014; and
- (b) there were some 20,000 CSSA recipients who had been enrolled in the previous employment assistance programmes of the SFS Scheme and were transferred to the IEAPS to receive employment assistance when these previous programmes were integrated into the IEAPS in January 2013. The 30,997 participants did not include these transferred CSSA recipients.

2.20 Audit considers that the transferred CSSA recipients were part of the participants of the IEAPS. The SWD should have included them in the total number of IEAPS participants in order to properly assess and report the performance of the IEAPS under the SWD's SFS Scheme. Moreover, without properly taking these transferred CSSA recipients into account, the job-securing rates and off-CSSA-net rates for individual projects under the IEAPS cannot fully reflect the performance of the projects (see paras. 5.4 and 5.5).

2.21 The SWD did not have readily available records showing what the data would have been for the period January 2013 to December 2014 had the transferred CSSA recipients been included. For the whole IEAPS period from January 2013 to March 2015 (i.e. including the three months ending March 2015 — see Table 3 in para. 2.8), the data were as follows:

- (a) the number of participants of the IEAPS (including CSSA recipients transferred from previous employment assistance programmes) from January 2013 to March 2015 was 54,113;

Monitoring and reporting on achievement of Scheme objectives

- (b) of the 54,113 participants, 11,124 (20.6%) had successfully secured employment or returned to mainstream schooling; and
- (c) of the 54,113 participants, 2,048 (3.8%) had successfully left the CSSA net.

When the transferred CSSA recipients were included in the number of participants of the IEAPS, both the job-securing rate and the off-CSSA-net rate would become lower than those reported by the SWD (see para. 2.18(b) and (c)).

Audit recommendations

2.22 **Audit has recommended that the Director of Social Welfare should:**

- (a) **report the performance targets and indicators for the SFS Scheme with a view to enhancing transparency and accountability; and**
- (b) **review the proper basis and data required for assessing and reporting performance of the IEAPS.**

Response from the Government

2.23 The Director of Social Welfare agrees with the audit recommendations. She has said that the SWD will:

- (a) report targets and indicators relating to the SFS Scheme as recommended; and
- (b) ensure that the previous participants transferred to a newly integrated scheme are included in performance assessment and reporting.

PART 3: COMMISSIONING NON-GOVERNMENTAL ORGANISATIONS TO PROVIDE EMPLOYMENT ASSISTANCE SERVICES

3.1 This PART examines issues relating to the commissioning of NGOs to provide employment assistance services for CSSA recipients under the IEAPS, focusing on the following areas:

- (a) procedures for commissioning NGOs (paras. 3.2 to 3.12); and
- (b) specifying service requirements (paras. 3.13 to 3.24).

Procedures for commissioning non-governmental organisations

SWD procedures for commissioning NGOs

3.2 According to the Guide to Procurement issued by the Financial Services and the Treasury Bureau (FSTB), achieving best value for money and maintaining open and fair competition are the twin policy objectives for government procurement. The Stores and Procurement Regulations (SPRs) made by the Financial Secretary/Secretary for Financial Services and the Treasury under the Public Finance Ordinance (Cap. 2) stipulate that departments should normally adopt open tendering for procuring general services exceeding \$1.43 million (Note 5).

3.3 However, the Government modified the framework for the allocation of welfare services in January 2001 with a view to, inter alia, enhancing accountability in the use of public funds, shifting emphasis from input control to output and outcome, and addressing the issue of NGOs “perpetually” owning the service once funding is allocated. The 2001 framework specifies that:

Note 5: *The 41 projects under the IEAPS had contract sums ranging from about \$3 million to \$9 million (totalling \$224 million).*

Commissioning non-governmental organisations to provide employment assistance services

- (a) competitive bidding is still required on price and quality for a defined type of welfare services (new service units offering meal service, home care, enhanced home care, elderly day care and residential care for the elderly); and
- (b) a “quality-based allocation system” is adopted for all other welfare services. NGOs would have to compete on the basis of service quality while the price for the subvented service would be fixed by the SWD.

According to the FSTB, many types of social welfare services have been delivered by NGOs through government subventions and subvention arrangements are not subject to the SPRs. The LegCo Panel on Welfare Services was briefed on the framework. In the light of the Government’s policy decision in 2001, welfare services under (a) above have been subject to the procurement regime and the SPRs; those under (b) are not.

3.4 The SWD has generally adopted a “quality-based allocation system” for commissioning NGOs to provide welfare services on a competitive basis. According to the SWD:

- (a) under the system, the SWD fixes the contract sum for a welfare service and invites NGOs to submit proposals for providing the service. A committee (chaired by a directorate officer of the SWD — Note 6) evaluates the quality of the proposals received and recommends suitable NGOs to the Director of Social Welfare for allocating the service. Services are allocated on the basis of time-defined contracts (Note 7); and
- (b) the contracts for the 41 projects under the IEAPS (covering the period January 2013 to March 2015 — see paras. 1.9 and 1.10) were awarded to 26 NGOs using the “quality-based allocation system”. The SWD posted on its website in 2012 an invitation of proposal to operate the IEAPS at fixed contract sums. A project selection committee was set up

Note 6: *Members of the committee may include representatives of the Labour and Welfare Bureau and other government bureaux/departments and SWD staff.*

Note 7: *According to the SWD, this aims to give both the Government and the welfare sector an opportunity to review and reengineer the service in the overall context of welfare service planning.*

Commissioning non-governmental organisations to provide employment assistance services

to evaluate 105 project proposals received from 32 NGOs. Members of the committee included representatives of the Labour and Welfare Bureau and the Labour Department and SWD staff. The committee selected 41 project proposals from 26 NGOs. The Director of Social Welfare approved the award of contracts to the 26 NGOs.

3.5 As regards how the SWD set the contract sums for the 41 projects under the IEAPS, records provided by the SWD to Audit indicated that factors such as past contract amount and inflation had been taken into account when determining the unit costs and hence the contract sum.

Commissioning the same NGOs to operate the extended IEAPS

3.6 In January 2015, the Chief Executive announced in his 2015 Policy Address that the IEAPS would be extended upon its expiry in March 2015 for two years (i.e. till March 2017). The SWD invited the 26 NGOs to continue running the 41 projects for the period of extension, at revised contract sums fixed by the SWD. On receiving their confirmation of acceptance of invitation, the SWD awarded new contracts to the 26 NGOs for the period April 2015 to March 2017.

3.7 The SWD has in place a monitoring mechanism for on-going evaluation of the performance of the NGOs operating the IEAPS projects (see para. 2.7(b)). According to the SWD, based on the on-going monitoring, the performance of the NGOs was found to be generally satisfactory. However, there were no records indicating that the SWD had evaluated the overall performance of the 26 NGOs in a comprehensive manner, vis-à-vis the performance of each other, before inviting them to continue running the 41 projects. Audit findings in PART 5 revealed relatively poorer performance of some NGOs (see paras. 5.5 to 5.7).

3.8 Audit noted that the total contract sum for the 41 projects under the extended IEAPS (24 months) was \$196 million (averaging \$8.17 million per month), compared with \$224 million for the original IEAPS (27 months) (averaging \$8.30 million per month). On the setting of the contract sum, as in the case of the original IEAPS, factors such as past contract amount and inflation had been taken into account when determining the unit costs and hence the contract sum.

Commissioning non-governmental organisations to provide employment assistance services

3.9 Audit considers that inviting the same NGOs to operate the extended IEAPS at the pre-set contract sum, without open and fair competition, did not provide assurance that the SWD would obtain the best value for money.

Audit recommendation

3.10 **Audit has *recommended* that the Director of Social Welfare should commission NGOs to provide welfare services on a competitive basis, taking into account NGOs' past performance in the selection process.**

Response from the Government

3.11 The Director of Social Welfare agrees with the audit recommendation. She has said that:

- (a) under the “quality-based allocation system”, in assessing NGOs' proposals for providing welfare services, the SWD will look for value-added services to be provided to service users; and
- (b) inviting the same 26 NGOs to continue running the IEAPS projects for another 24 months from April 2015 to March 2017 helped ensure continuity of the service and minimised disruption to the support for able-bodied unemployed CSSA recipients.

3.12 The Secretary for Financial Services and the Treasury has said that:

- (a) the contract renewal should not be automatic even if the performance of the existing operators has been taken into account; and
- (b) the SWD may wish to review the effectiveness of the “quality-based allocation system”, particularly whether measures are in place to track the performance of NGOs, and whether NGOs have been allowed to “perpetually” own a service, even though other better performing NGOs do exist and want to compete for service.

Specifying service requirements

3.13 The 26 NGOs commissioned to operate the 41 projects under the IEAPS were required to comply with the service requirements on the projects as specified in the contracts, including the service districts, categories of services, service capacity, staffing, insurance and statistical returns. Audit examination has revealed room for improvement. Details are in paragraphs 3.14 to 3.22.

Unused service capacity for Category I and III services

3.14 For each of the 41 projects, the IEAPS contracts specified the required service capacity (in terms of the number of service recipients) for Category I, III and IV services where applicable (see Table 4 — Note 8). According to the contracts:

- (a) the NGOs were required to provide services according to the number of service recipients specified, up to 110% of the service capacity if necessary; and
- (b) the NGOs might be required to provide additional services if the number of service recipients was under 90% of the service capacity. In such circumstances, no additional payment would be made.

Note 8: *For Category II services, the IEAPS contract specified the required number of classroom training hours and work exposure sessions (see para. 4.3).*

**Commissioning non-governmental organisations
to provide employment assistance services**

Table 4

**Service capacity specified in IEAPS contracts
(January 2013 to March 2015)**

Category of services	Service recipients	No. of projects providing services	Service capacity specified (No. of service recipients)		
			Range	Average	Total for all projects
I	Unemployed persons	41	500 to 1,200	815	33,400 (Note 1)
III	Single parents and child carers	41	50 to 310	143	5,880 (Note 2)
IV	Unemployed youths	10	40 to 80	60	600 (Note 2)

Source: Audit analysis of SWD records

Note 1: The service capacity was the number of service recipients at any one time during the contract period.

Note 2: The service capacity was the number of service recipients for the contract period.

3.15 Audit noted from SWD records that, from January 2013 to March 2015, almost all projects had unused service capacity for Category I and III services (see Table 5).

**Commissioning non-governmental organisations
to provide employment assistance services**

Table 5

**Projects with unused service capacity
(January 2013 to March 2015)**

Category of services	Service recipients	No. of projects providing services	No. of projects with unused service capacity				Total
			< 10% unused	10% to < 30% unused	30% to < 50% unused	50% or more unused	
I	Unemployed persons	41	–	6	32	3 (Note 1)	41
III	Single parents and child carers	41	5	8	17	8 (Note 2)	38
IV	Unemployed youths	10	1	–	–	–	1

Source: Audit analysis of SWD records

Note 1: The highest percentage of unused service capacity was 53%, involving two projects.

Note 2: The highest percentage of unused service capacity was 82%, involving one project.

3.16 The total used and unused service capacity for the 41 projects are summarised below:

- (a) **Category I services.** Of the total service capacity of 33,400 service recipients, 20,370 (61%) were used and 13,030 (39%) were unused; and
- (b) **Category III services.** Of the total service capacity of 5,880 service recipients, 4,092 (70%) were used and 1,788 (30%) were unused.

**Commissioning non-governmental organisations
to provide employment assistance services**

3.17 Records provided by the SWD to Audit indicated that, in setting the service capacity for each of the 41 projects, the SWD had made reference to past average caseload figures in projecting the potential caseload under the service contracts.

3.18 In extending the IEAPS for 24 months till March 2017, the SWD had adjusted downwards the service capacity for Category I and III services (see Table 6) whereas the monthly cost on average remained roughly the same (see para. 3.8). Similarly, SWD records indicated that reference had been made to past average caseload figures in projecting the potential caseload under the service contracts.

Table 6

Changes in the service capacity specified in IEAPS contracts

Category of services	Service recipients	No. of projects providing services	Total service capacity specified (No. of service recipients)		
			Jan 2013 to Mar 2015	Apr 2015 to Mar 2017	Increase/ (Decrease)
I	Unemployed persons	41	33,400	27,200	(6,200)
III	Single parents and child carers	41	5,880	4,440	(1,440)
IV	Unemployed youths	10	600	650	50

Source: Audit analysis of SWD records

Commissioning non-governmental organisations to provide employment assistance services

3.19 Audit noted the following:

- (a) **Category I services.** The adjusted total service capacity of 27,200 service recipients was significantly higher than the used capacity of 20,370 service recipients for the previous contract period from January 2013 to March 2015 (see para. 3.16(a)). Also, according to SWD records, there were only some 20,000 unemployed CSSA recipients as at March 2015. It is likely that there will be unused service capacity, given the downward trend in CSSA unemployment cases (see para. 2.5(a)); and
- (b) **Category III services.** The adjusted total service capacity of 4,440 service recipients was slightly higher than the used capacity of 4,092 service recipients for the last contract period (see para. 3.16(b)).

3.20 The IEAPS contracts have involved payments to the 26 NGOs aggregating \$224 million for January 2013 to March 2015 and \$196 million for April 2015 to March 2017. It is important that the service capacity is properly set and its use is maximised. Upon enquiry, the SWD informed Audit in September 2015 that, perhaps reflecting a tight labour supply, the number of CSSA cases, including the number of unemployment cases, had registered a continuous decrease since April 2011 and September 2009 respectively, and this had resulted in a reduced number of CSSA recipients required to participate in employment assistance services. In Audit's view, the SWD needs to:

- (a) critically review the methodology for setting service capacity for the current and past contracts to identify what lessons can be learned for future exercises; and
- (b) closely monitor the use of the service capacity for the current contracts. According to the contracts, the SWD may require NGOs to provide additional services if the number of service recipients is under 90% of the service capacity (see para. 3.14(b)). However, the SWD had not adequately done so under the past contracts. According to the SWD, since November 2014, it had asked NGOs to take on extra work (e.g. collecting information and checking relevant supporting documents). For the current contracts, the SWD needs to put any unused capacity to more gainful use, such as enhancing Category II services (see paras. 4.3 to 4.12) and/or Category IV services for unemployed youths, which has a limited capacity (see Case 1).

Case 1

A youth who might benefit from special training

1. Youth A had been enrolled in the previous employment assistance programmes of the SFS Scheme due to unemployment.

2. In January 2013 when the IEAPS was launched, Youth A was enrolled in the IEAPS. Up to March 2015 when the contract period of the IEAPS ended and after the commencement of the new contract period in April 2015, Youth A has continued to participate in the IEAPS/extended IEAPS.

3. Records indicated that Youth A had been unemployed since June 2006, when he graduated from secondary school at age 20. As at June 2015, he had been unemployed for 9 years. However, he did not receive special training under Category IV services of the IEAPS/extended IEAPS.

Audit comments

4. Audit noted that, during January 2013 to March 2015, 7,042 unemployed youths were newly enrolled in the IEAPS and many of them could be potential target participants for Category IV services. However, as the capacity for Category IV services for unemployed youths was only 600 service recipients (see Table 4 in para. 3.14), potential target participants might not have the chance to receive such services. The SWD needs to explore with the NGOs whether they are able to offer more capacity for Category IV services and reduce the unused capacity in the other categories.

Source: SWD records

Commissioning non-governmental organisations to provide employment assistance services

Scope for more specific requirements on staffing and insurance

3.21 **Staffing.** The IEAPS contracts specified that the NGOs should provide different types of staff which should include, among others, project manager, caseworker(s) and supporting/clerical staff in sufficient number to meet the service requirements. Audit noted different practices among the 41 projects under the IEAPS, as follows:

- (a) **Qualification of caseworkers.** Caseworkers were responsible for providing employment assistance services. Of the 41 projects, 25 (61%) required caseworkers to be registered social workers while 16 (39%) did not have such requirement; and
- (b) **Ratio of service recipients to caseworkers.** Of the 41 projects, 14 (34%) had the ratio of service recipients to caseworkers not lower than 200 to 1, the highest ratio being 375 to 1 (Note 9). The remaining 27 (66%) projects had the ratio lower than 200 to 1, the lowest ratio being 110 to 1.

The qualification of caseworkers and the ratio of service recipients to caseworkers could affect the quality of employment assistance services. In Audit's view, the SWD should assess the need to provide further guidance.

3.22 **Insurance.** The IEAPS contracts specified that the NGOs should make provision for appropriate employees compensation insurance, public liability insurance and group personal accident insurance, etc to cover service recipients, staff, visitors and other related persons throughout the contract period. Audit analysis of the 41 projects under the IEAPS revealed different practices, as follows:

- (a) for 10 projects, the public liability insurance covered the NGOs only and did not cover the Government;
- (b) for four projects, group personal accident insurance had not been arranged for recipients of work exposure service under Category II services and Category IV services for youths; and

Note 9: *The number of service recipients specified in the contract (i.e. service capacity) was used for calculating the ratios.*

Commissioning non-governmental organisations to provide employment assistance services

- (c) according to the insurance policies, the indemnity limit for each claim differed widely among the 41 projects. For public liability insurance, the indemnity limit ranged from \$6.5 million to \$50 million. For group personal accident insurance, the indemnity limit ranged from \$3 million to \$200 million. It is worth noting that the projects were of similar nature and their service capacity did not differ widely (see Table 4 in para. 3.14).

Audit recommendations

3.23 **Audit has *recommended* that the Director of Social Welfare should:**

- (a) **critically review the methodology for setting service capacity for the current and past IEAPS contracts to identify what lessons can be learned for future exercises;**
- (b) **closely monitor the use of the service capacity for the current IEAPS contracts and put any unused capacity to gainful use;**
- (c) **assess the need to provide further guidance on the qualification of caseworkers and the ratio of service recipients to caseworkers; and**
- (d) **assess the need to provide further guidance on insurance for IEAPS projects.**

Response from the Government

3.24 The Director of Social Welfare agrees with the audit recommendations. She has said that:

- (a) the SWD will review the methodology for setting service capacity with a view to maximising resources in providing employment assistance services for CSSA recipients;

Commissioning non-governmental organisations to provide employment assistance services

- (b) the actual number of CSSA unemployment cases is very much dependent on factors like the current situation of the economy and labour market as well as the resources available to and family condition of unemployed persons, which are beyond the SWD's control; and

- (c) for Category III services, some target single parents or child carers chose to be sanctioned with the deduction of CSSA payment instead of receiving the services (see Table 2 in para. 1.11). This led to a further drop in the number of enrolment of service recipients.

PART 4: PROVISION OF EMPLOYMENT ASSISTANCE SERVICES

4.1 This PART examines the following issues relating to the provision of employment assistance services for CSSA recipients under the IEAPS:

- (a) providing strengthened employment assistance services (paras. 4.3 to 4.13); and
- (b) monitoring attendance and deterring abuse (paras. 4.14 to 4.22).

Categories of services and enrolment arrangement

4.2 As mentioned in paragraph 1.11, under the IEAPS there are four categories of employment assistance services provided by the NGOs to CSSA recipients. The enrolment arrangement is as follows:

- (a) ***Category I services (Ordinary Employment Assistance Services).*** The SWD refers unemployed persons to the NGOs;
- (b) ***Category II services (Strengthened Employment Assistance Services).*** The NGOs are required to assess and select suitable service recipients of Category I services to receive Category II services;
- (c) ***Category III services (New Dawn Project Services).*** The SWD refers single parents and child carers to the NGOs; and
- (d) ***Category IV services (Special Training and Enhancement Programme).*** The SWD and the NGOs select unemployed youths receiving Category I services to receive Category IV services instead where appropriate.

For Category I, III and IV services, the IEAPS contracts specified the service capacity (in terms of the number of service recipients) required to be provided by NGOs (see paras. 3.14 to 3.20).

Providing strengthened employment assistance services

Contract requirements on Category II services

4.3 Classroom training and work exposure services are the two key components of Category II services. For each of the 41 projects under the IEAPS, the contracts specified the total number of classroom training hours and work exposure service sessions (Note 10) required to be provided by the NGO concerned. For the contract period January 2013 to March 2015, the required classroom training hours ranged from 2,700 hours to 6,480 hours, the average being 4,399 hours. The required work exposure service sessions ranged from 9,720 sessions to 23,328 sessions, the average being 15,836 sessions.

4.4 According to the contracts, in selecting service recipients of Category I services to receive Category II services, the NGOs might give priority to those with low employability due to low motivation, low educational attainment, low skill level and lack of relevant work experience and confidence. The contracts also required that the NGOs should even out the classroom training hours and work exposure service sessions during the contract period as far as possible.

Projects not meeting contract requirements

4.5 Audit noted that the classroom training hours and work exposure service sessions provided by some projects in the contract period January 2013 to March 2015 fell short of the requirements (see Table 7). The total figures are summarised below:

- (a) ***Classroom training.*** The total shortfall was 10,716 hours, representing 6% of the total requirement of 180,360 hours for the 41 projects; and
- (b) ***Work exposure services.*** The total shortfall was 151,188 sessions, representing 23% of the total requirement of 649,296 sessions for the 41 projects.

Note 10: *A work exposure service session had a duration of 3.5 hours. A whole-day work exposure training was counted as two sessions.*

Provision of employment assistance services

Table 7

**Projects not meeting contract requirements on
classroom training hours and work exposure service sessions
(January 2013 to March 2015)**

Type of Category II services	Service recipients	No. of projects providing services	No. of projects not meeting requirements				
			< 10% shortfall	10% to < 30% shortfall	30% to < 50% shortfall	50% or more shortfall	Total
Classroom training	Unemployed persons	41	2	5	5	2 (Note 1)	14
Work exposure			1	11	10	6 (Note 2)	28

Source: Audit analysis of SWD records

Note 1: The highest percentage of shortfall was 65%, involving one project. According to the SWD, the project served a district which had a significant number of participants who had no fixed abode or moved around frequently (e.g. street sleepers and discharged prisoners). The high mobility of the participants had limited the number of participants for selection to receive Category II services. Moreover, around 35% of the participants were within the age of 50 and 59 with low education level, who were more reluctant to attend training activities.

Note 2: The highest percentage of shortfall was 72%, involving one project. According to the SWD, around 40% of the participants were aged 50 or above, who might not be suitable for work exposure services that required relatively high physical input. Moreover, the project involved unemployed CSSA recipients from a Social Security Field Unit which covered scattered areas with participants living in a number of different locations. It could be difficult for the NGO to arrange work exposure services for a group of recipients at the same time.

4.6 Upon enquiry, the SWD informed Audit in September 2015 that:

- (a) the number of CSSA cases, including the number of unemployment cases, registered a continuous decrease since April 2011 and September 2009 respectively. The NGOs inevitably could only select suitable participants from a smaller pool of recipients to receive Category II services; and

Provision of employment assistance services

- (b) social characteristics of the local community and the participants also affected NGOs' arrangement of classroom training and work exposure services for the participants (Note 11).

Audit examination of three projects

4.7 In this audit review, Audit selected three projects for examination (i.e. Projects A to C operated by NGOs A to C respectively). The three projects were responsible for serving CSSA recipients within different districts in Hong Kong, Kowloon, and the New Territories respectively.

4.8 Between June and August 2015, Audit conducted inspection visits to the offices of the three NGOs and examined their files and records of employment assistance services provided to a total of 90 CSSA recipients during January 2013 to March 2015. The 90 CSSA recipients comprised 60 unemployed persons, 15 single parents or child carers, and 15 unemployed youths.

4.9 Audit noted that Projects A to C were among those projects not meeting the contract requirements on classroom training hours and work exposure service sessions (see Table 7 in para. 4.5). Of the 60 unemployed persons examined by Audit, only 31 had been provided with Category II services, comprising 8 (40%) of the 20 persons under Project A, 6 (30%) of the 20 persons under Project B and 17 (85%) of the 20 persons under Project C. Audit noted that many of the remaining 29 unemployed persons might also benefit from Category II services to enhance their employability (e.g. those who had been unemployed for a long time). Case 2 shows an example.

Note 11: *For example, some of the districts had a significant number of participants who had no fixed abode or moved around frequently.*

Case 2

**A long-term unemployed person who might benefit from Category II services
(Project B)**

1. Person A was unemployed. She began to receive CSSA in July 2003, and had since been enrolled in the SFS Scheme. In January 2013 when the IEAPS was launched, she was enrolled in Project B to receive Category I services.

2. Records indicated that Person A had received only primary education. She took up casual jobs intermittently in 2004, 2006 and 2007. She also took up a full-time job for one and a half months in 2011. Afterwards, she had not taken up any employment.

3. In spite of her unemployment history and primary education background, Person A had not been selected by NGO B to receive Category II services. As at March 2015, she was still receiving only Category I services. Upon enquiry, the SWD informed Audit in September 2015 that, according to NGO B, Person A was not selected to receive Category II services because she was assessed to have motivation to work with satisfactory job-interviewing skills.

Audit comments

4. Given Person A's unemployment history and low education level, Category II services may help her enhance her employability.

Source: Audit analysis of SWD and NGO B records

Need to maximise the provision of Category II services

4.10 Classroom training and work exposure services under Category II services are strengthened employment assistance services for encouraging and assisting unemployed CSSA recipients to secure employment and achieve self-reliance. To ensure that Category II services are provided as intended, on a quarterly basis, the SWD collected performance summaries from NGOs, and issued benchmark reports to them comparing their provision of Category II and other

Provision of employment assistance services

services against the required level. NGOs were required to submit an action plan for remedial action if their achievements fell behind the requirement. To review the progress of the action plan, the SFS Section conducted visits to the NGOs concerned. The SWD also conducted other monitoring visits to NGOs to check on their performance (see paras. 5.8 and 5.9).

4.11 It is important that the provision of Category II services is maximised to help enhance the employability of the largest possible number of unemployed CSSA recipients. Given the many projects not meeting the requirements on classroom training hours and work exposure service sessions as specified in the IEAPS contracts (see para. 4.5), in Audit's view, the SWD needs to help NGOs meet the requirements (e.g. issuing additional guidelines on selecting unemployed CSSA recipients to receive Category II services), and tighten the monitoring of classroom training and work exposure provided by NGOs (Note 12).

Audit recommendations

- 4.12 **Audit has *recommended* that the Director of Social Welfare should:**
- (a) **ascertain the reasons for some projects under the IEAPS not providing the number of classroom training hours and work exposure service sessions as specified in the contracts, with a view to taking effective measures to help the NGOs meet the requirements;**
 - (b) **remind the NGOs of the need to comply with the contract requirement of providing the specified number of classroom training hours and work exposure service sessions; and**
 - (c) **tighten the monitoring of the classroom training and work exposure services provided by the NGOs and take effective follow-up actions when an NGO is not meeting the requirements.**

Note 12: *According to the contract, NGOs should even out the classroom training hours and work exposure sessions during the contract period. Therefore, the interim performance of an NGO can indicate whether it is meeting the requirements.*

Response from the Government

4.13 The Director of Social Welfare agrees with the audit recommendations.

Monitoring attendance and deterring abuse

4.14 Service recipients of the IEAPS are required to actively seek jobs and attend all the activities of their service programmes (e.g. work plan interviews, classroom training and work exposure services). Service recipients may be exempted from attending the activities on special occasions, such as pregnancy (Note 13), sickness and taking up casual employment.

Need to enhance actions to address the risk of abuse

4.15 Audit examination of Projects A to C revealed a number of occasions (involving 10 of the 90 cases examined) on which service recipients had been exempted from attending the activities of their service programmes because they had claimed that they were taking up casual employment on the same day. According to the SWD guidelines, exemption should be granted for taking up casual employment. However, there were no records indicating that the SWD or the NGOs had considered the risk of abuse and taken action to verify such claims. Case 3 shows a case in which the service recipient claimed to have taken up casual employment regularly while receiving CSSA cash assistance.

Note 13: *Female service recipients can be exempted from attending the activities during the four-week period immediately before the expected date of confinement, and in the six-week period immediately after the date of confinement.*

Case 3

A service recipient claimed to have taken up casual employment regularly (Project B)

1. Person B, a CSSA recipient, had been enrolled in the SFS Scheme for a long time due to unemployment. During March 2011 to December 2012, under the community work programme of the Scheme, he was required to perform three days of community work a week. He claimed that the community work clashed with his casual employment as a labourer. The SWD exempted him from community work.

2. In January 2013 when the IEAPS was launched, Person B was enrolled in Project B to receive Category I services. During January 2013 to March 2015, he continued to claim that he was working as a casual labourer. He was not selected for Category II services, and was not required to attend classroom training and work exposure service sessions.

3. Records indicated that Person B claimed to have been hired by an employer for about 9 to 15 days a month, with about 2 hours' working time each day. He also claimed to be earning less than \$1,000 each month, which was disregarded in calculating his CSSA payment (see para. 1.8(b)). To support his claim, as a standard practice, Person B submitted a self-declared Record of Casual Work showing the employment details (e.g. date, hours and nature of work).

4. There were no records showing that the SWD or NGO B had taken actions (e.g. contacting the employer and finding out more details about the casual employment) to verify the claims of Person B, nor had the rationale for not taking actions been recorded.

Audit comments

5. Given the risk of abuse, more should have been done to verify Person B's claims when granting exemption.

Source: Audit analysis of SWD and NGO B records

Provision of employment assistance services

4.16 Not verifying service recipients' claimed employment could be contrary to SWD requirements. According to the SWD's "Guidelines to enhance the verification of information reported by IEAPS service recipients", SWD staff should conduct in-depth enquiries/verification for doubtful cases where, for example:

- (a) the salary is significantly low;
- (b) there are merely one to two working hours in each working day; and
- (c) the reported working days always fall on the dates scheduled for programme activities.

Person B's case met these criteria and thus in-depth enquiries/verification should have been conducted.

4.17 Audit also noted incidents of insufficient evidence used to support exemption for reasons other than casual employment. For example, of the 90 cases Audit examined:

- (a) in five cases (seven occasions), the service recipients had claimed to have been sick but did not provide the sick leave certificates. The SWD guidelines stated that for a period not more than three consecutive months, NGOs could grant exemption for sickness with valid and acceptable sick leave certificates; and
- (b) in seven cases, the service recipients had not provided sufficient documents to support other reasons for exemption. For example, a service recipient claiming to have attended an employment training course organised by a training body only showed a course timetable downloaded from the Internet as supporting evidence.

Upon enquiry, the SWD informed Audit in September 2015 that as most service recipients had low educational attainment, low motivation and low confidence, it was understandable that caseworkers exercised professional judgement and flexibility in granting exemption taking into account individual case circumstances to allow time for the recipients to develop their confidence and job skills in order to become self-reliant.

Provision of employment assistance services

4.18 Audit notes the service recipients' need for flexibility and time to develop their confidence and job skills. However, in order to instil the discipline and work habits contemplated by the employment training courses, Audit considers that the SWD needs to enhance the verification and follow-up of cases in which service recipients are exempted from attending programme activities.

Sanction not correctly imposed

4.19 As a sanction, and with a view to helping re-engage service recipients who have dropped out from programme activities, the SWD will suspend the CSSA entitlement of the service recipient (and that of his family members where applicable) during the period of non-attending programme activities without approval. This has the effect of reducing the CSSA payment to the service recipient. However, Audit noted that the SWD had not always correctly determined the period of suspending CSSA entitlement (sanction period). Case 4 shows an example.

Case 4

Incorrect determination of sanction period

1. On 13 June 2014, Person C, who was unemployed and a CSSA recipient, did not attend a work plan interview under Project B. The chronology of events is as follows:

Date	Event
18.6.2014	NGO B informed the SWD of her non-attendance.
17.7.2014	She turned up at the SWD to discuss her non-compliance (Non-compliance Affirmation Interview).
31.7.2014	She attended an interview at NGO B to start off her work planning again (Re-compliance Review Interview).

2. According to SWD sanction rules, the sanction period should comprise:

- (a) **27.6.2014 to 16.7.2014 (20 days)**. This period started on the 8th working day after the SWD was informed of the non-attendance, and ended on the day before the Non-compliance Affirmation Interview (Note 1); and
- (b) **17.7.2014 to 30.7.2014 (14 days)**. This period started on the day of the Non-compliance Affirmation Interview, and ended on the day before the Re-compliance Review Interview (Note 2).

However, SWD staff determined the sanction period as 14 days (see para. 2(b)).

Audit comments

3. CSSA entitlement was only suspended for 14 days, instead of 34 days (20+14) in accordance with the SWD sanction rules. The cash assistance paid to Person C in excess of the amount computed in accordance with SWD sanction rules amounted to \$2,633.

Source: Audit analysis of SWD records

Note 1: The sooner a service recipient turns up to discuss the case, the shorter the sanction period will be.

Note 2: The sooner a service recipient starts off work planning again, the shorter the sanction period (subject to a 14-day minimum) will be.

Provision of employment assistance services

4.20 Of the 90 cases Audit examined, suspension of CSSA entitlement had been exercised in 40 cases. Among these 40 cases, the period of sanction was not correctly determined in 4 (10%) cases. In Audit's view, the SWD needs to ensure that sanction is correctly imposed in accordance with SWD sanction rules to meet the intended objectives.

Audit recommendations

4.21 **Audit has recommended that the Director of Social Welfare should:**

- (a) **take measures to ensure that staff of the SWD and the NGOs adequately verify service recipients' justifications (e.g. taking up casual employment and falling sick) for not attending the activities of their service programmes under the IEAPS having regard to the risk of abuse;**
- (b) **ensure that sanction is correctly imposed in accordance with SWD sanction rules to meet the intended objectives; and**
- (c) **take appropriate follow-up actions on the four cases identified by Audit where the period of sanction was not correctly determined, and ascertain whether there were other similar cases.**

Response from the Government

4.22 The Director of Social Welfare agrees with the audit recommendations and will follow up accordingly. She has said that:

- (a) proper verification should be made if there are doubts on the documents and information provided to support exemption of service recipients from attending activities of their service programmes. Requirements for proper verification for exemption purpose are clearly stated in procedural guidelines. Reminder and refresher training will be provided for both NGOs and the Social Security Field Units on proper case handling. In addition, the SWD will increase the number of exempted cases to be checked in coming monitoring visits by the SFS Section; and

Provision of employment assistance services

- (b) all four cases identified by Audit where the period of sanction was not correctly determined have been reassessed with necessary actions taken by the Social Security Field Units concerned. Reminder and refresher training in correctly determining the sanction period will be organised for the Social Security Field Units.

PART 5: MONITORING AND EVALUATING PROJECT PERFORMANCE

5.1 This PART examines the monitoring and evaluation of the performance of IEAPS projects in delivering employment assistance services, focusing on the following areas:

- (a) project performance (paras. 5.2 to 5.11); and
- (b) compliance with guideline requirements (paras. 5.12 to 5.15).

Project performance

5.2 The IEAPS contracts have set out performance requirements on each of the four categories of services. The SWD has also provided the NGOs with procedural guidelines detailing the requirements on the day-to-day operation of the projects under the IEAPS. The NGOs are required to submit monthly and quarterly performance data/reports (e.g. number of classroom training hours and work exposure service sessions provided, and number of jobs secured by service recipients) for evaluation by the SWD. SWD staff also conduct monitoring visits to the NGOs.

Performance requirements set out in IEAPS contracts

5.3 The NGOs were required to meet the performance requirements set out in the IEAPS contracts. Table 8 shows the key requirements.

Monitoring and evaluating project performance

Table 8

**Performance requirements set out in IEAPS contracts
(January 2013 to March 2015)**

Category of services	Service recipients	No. of projects providing services	Minimum job-securing rate (Note)	
			Employment for at least 1 month	Employment for at least 3 months
I	Unemployed persons	41	20%	15%
II	Unemployed persons	41	40%	30%
III	Single parents and child carers	41	40%	30%
IV	Unemployed youths	10	45%	35%

Source: SWD records

Note: For Category I and II services, the rate represented the percentage of service recipients having secured full-time paid employment. For Category III services, the rate represented the percentage of service recipients having secured paid employment with at least 32 working hours in a month. For Category IV services, the rate represented the percentage of service recipients having secured full-time paid employment or returned to mainstream schooling.

Remarks: While the SWD tracked the off-CSSA-net rates of service recipients (i.e. the percentage of service recipients having left the CSSA net), the IEAPS contracts did not set out performance requirements on off-CSSA-net rates. According to the SWD, whether the service recipients could leave the CSSA net depends on a number of factors including the economy and labour market condition which are beyond the control of the NGOs.

Monitoring and evaluating project performance

Need to improve collection of performance information

5.4 The SWD required the NGOs to report quarterly on the number of jobs secured by service recipients of their projects. Using the data, the SWD compiled performance information (job-securing rates and off-CSSA-net rates) for monitoring and evaluating project performance under the IEAPS. Audit noted room for improvement, as follows:

- (a) ***Data for Category II services not collected.*** Category II services were strengthened employment assistance services for selected unemployed persons, aiming at enhancing their employability. The IEAPS contracts had specified the minimum job-securing rates for recipients of Category II services (see para. 5.3). However, the SWD only collected data on the number of jobs secured by unemployed persons as a whole (i.e. comprising those receiving either Category I or Category II services). The SWD did not require NGOs to submit separate data on the number of unemployed persons receiving Category II services and the number of jobs they had secured; and

- (b) ***Service recipients transferred from previous programmes not properly taken into account.*** There were some 20,000 CSSA recipients transferred from previous employment assistance programmes of the SFS Scheme to the IEAPS upon its commencement in January 2013 to receive employment assistance (see para. 2.19(b)). However, the SWD did not properly take these transferred CSSA recipients into account in the compilation of job-securing rates and off-CSSA-net rates for the IEAPS (Note 14). Therefore, the job-securing rates and off-CSSA-net rates did not form an adequate basis for evaluating project performance under the IEAPS.

In Audit's view, the SWD needs to, on a regular basis, collect separate data for Category II services from the NGOs and compile comprehensive performance information covering all service recipients to effectively monitor and evaluate project performance under the IEAPS.

Note 14: *In compiling the job-securing/off-CSSA-net rates, the SWD did not include the 20,000 CSSA recipients in the total number of service recipients for all projects. However, those among the 20,000 CSSA recipients having secured employment/left the CSSA net were included in the calculation of the rates.*

Monitoring and evaluating project performance

Some projects had lower job-securing and/or off-CSSA-net rates

5.5 Due to the limitations mentioned in paragraph 5.4, the job-securing rates and off-CSSA-net rates compiled by the SWD cannot fully reflect individual project performance under the IEAPS. Nevertheless, the compiled rates provided indications on the relative performance of different projects. Tables 9 and 10 show the details.

Table 9

**Job-securing rates of projects under IEAPS
(January 2013 to March 2015)**

Category of services	Service recipients	No. of projects providing services	No. of projects					
			Job-securing rate (see Note below and para. 5.4)					
			< 10%	10% to < 15%	15% to < 20%	20% to < 30%	30% to < 40%	40% or higher
I and II	Unemployed persons	41	2	2	1	11	16	9
III	Single parents and child carers	41	—	1	3	10	7	20
IV	Unemployed youths	10	—	—	—	—	1	9

Source: Audit analysis of SWD records

Note: The rate covered jobs secured for at least 1 month (see Note to Table 8 in para. 5.3).

Monitoring and evaluating project performance

Table 10

**Off-CSSA-net rates of projects under IEAPS
(January 2013 to March 2015)**

Category of services	Service recipients	No. of projects providing services	No. of projects					
			Off-CSSA-net rate (see para. 5.4)					
			0% to <1%	1% to <2%	2% to <4%	4% to <7%	7% to <10%	10% or higher
I and II	Unemployed persons	41	3	9	12	4	3	10
III	Single parents and child carers	41	6	4	11	11	6	3
IV	Unemployed youths	10	—	—	—	3	2	5

Source: Audit analysis of SWD records

5.6 Tables 9 and 10 show that some projects had relatively poorer performance, including those not meeting the performance requirements specified in the IEAPS contracts. In particular, Audit noted the following:

- (a) **Category I and II services.** For the four projects with the poorest job-securing rates, their rates were less than 15%, compared with the minimum job-securing rate of 20% for employment of at least one month (for Category I services), as specified in the IEAPS contracts (see Table 8 in para. 5.3); and
- (b) **Category III services.** For the four projects with the poorest job-securing rates, their rates were less than 20%, compared with the minimum job-securing rate of 40% for employment of at least one month as specified in the IEAPS contracts. Of the four projects, three were among the four projects mentioned in (a) above.

Monitoring and evaluating project performance

The projects in (a) and (b) above had 4,650 service recipients in total, and were operated by five different NGOs. Audit noted that, notwithstanding the poorer performance of some projects, all 26 NGOs were commissioned by the SWD to continue operating their projects for 24 months after expiry of the original IEAPS contracts in March 2015.

5.7 Upon enquiry, the SWD informed Audit in September 2015 that past performance of the NGOs had been taken into account in selecting them to continue implementing the IEAPS. While Audit noted the SWD's effort in monitoring the project performance (see paras. 4.10 and 5.2), Audit considers that the SWD needs to pay particular attention to projects having relatively poorer performance (particularly those which did not meet the performance requirements specified in the IEAPS contracts), ascertain the underlying reasons and take appropriate measures to improve their performance. The SWD also needs to take full account of the past performance of the NGOs in future exercises of commissioning NGOs to provide employment assistance services.

Risks not adequately taken into account in monitoring visits

5.8 According to the SWD guidelines, SWD staff should conduct four monitoring visits for each of the 41 projects. During January 2013 to March 2015, SWD staff conducted monitoring visits for all 41 projects. In 21 projects, four visits were conducted, whereas in 20 projects, only three visits were conducted.

5.9 Upon enquiry, the SWD informed Audit in September 2015 that, during January 2013 to March 2015, the staff establishment for conducting monitoring visits should be 203 man-months. However, there were only 173 man-months available due to high turnover of contract staff. With a 15% staff shortfall, the SWD adopted a risk-based approach and arranged fewer monitoring visits to NGOs with satisfactory performance. Audit noted that four visits were not conducted for two of the five projects mentioned in paragraph 5.6. In Audit's view, the SWD should enhance its risk-based approach in conducting monitoring visits. More monitoring visits should be conducted for projects with relatively poorer performance, with a view to helping the NGOs concerned improve their performance on a timely basis.

Audit recommendations

- 5.10 **Audit has recommended that the Director of Social Welfare should:**
- (a) **regularly collect separate performance data for all Category II services from the NGOs and compile comprehensive performance information covering all service recipients to effectively monitor and evaluate project performance under the IEAPS;**
 - (b) **in monitoring and evaluating the performance of individual projects, pay particular attention to those having relatively poorer performance, ascertain the underlying reasons and take appropriate measures to improve their performance;**
 - (c) **take full account of the past performance of the NGOs in future exercises of commissioning NGOs to provide employment assistance services; and**
 - (d) **enhance the risk-based approach in conducting monitoring visits, visiting more projects with relatively poorer performance.**

Response from the Government

5.11 The Director of Social Welfare agrees with the audit recommendations. She has said that:

- (a) in April 2015, the SWD started collecting separate data for Category II services from the NGOs on a regular basis and compiling comprehensive performance information to monitor and evaluate project performance under the extended IEAPS; and
- (b) the SWD will continue to closely monitor the NGO operators having relatively poorer performance and take appropriate measures to improve their performance. The SWD will also take full account of the past performance of the NGOs in future exercises of commissioning NGOs to provide employment assistance services.

Compliance with guideline requirements

Non-compliance with SWD procedural guidelines

5.12 Audit examination of files and records of Projects A to C revealed instances of non-compliance with the SWD procedural guidelines. Table 11 summarises Audit findings.

Table 11

**Audit findings on non-compliance with SWD procedural guidelines
(Projects A to C)**

SWD requirement	No. of cases	Irregularity
<i>Enrolment of service recipients referred by SWD</i>		
1. NGOs should make initial contact with target service recipients within 3 working days from the date of referral.	14	There was a delay in making initial contact, ranging from 1 to 12 working days.
2. NGOs should interview target service recipients within 15 working days from the date of referral.	3	There was a delay in conducting the interviews, ranging from 1 to 3 working days.

Monitoring and evaluating project performance

Table 11 (Cont'd)

SWD requirement	No. of cases	Irregularity
<i>Provision of Category I, II and III services</i>		
3.	Service recipients should record the progress made in job searching in a Job Seeker's Diary for review by caseworkers of NGOs.	<p>Progress in job searching was not properly recorded or reviewed, including cases in which:</p> <p>(a) Job Seeker's Diaries were not submitted to caseworkers;</p> <p>(b) Job Seeker's Diaries did not show such crucial information as company name or employer's telephone number; or</p> <p>(c) caseworkers did not record that they had verified the Job Seeker's Diaries.</p>
	1	
	10	
	21	
<i>Provision of Category II services</i>		
4.	Service recipients should attend at least 2 work exposure service sessions (3.5 hours each) per week.	Service recipients did not always attend at least 2 work exposure service sessions per week.
5.	Service recipients should complete at least one phase (48 sessions of 3.5 hours each) of work exposure services.	Service recipients did not complete at least one phase of work exposure services.

Source: Audit case studies

5.13 Non-compliance with the SWD procedural guidelines could reduce the effectiveness of the IEAPS in assisting service recipients to secure employment and achieve self-reliance. In Audit's view, the SWD needs to regularly remind the NGOs of the need to comply with the SWD procedural guidelines. The SWD also needs to require its staff to conduct more sample checks during monitoring visits to the NGOs and take appropriate follow-up actions on any irregularities identified.

Audit recommendations

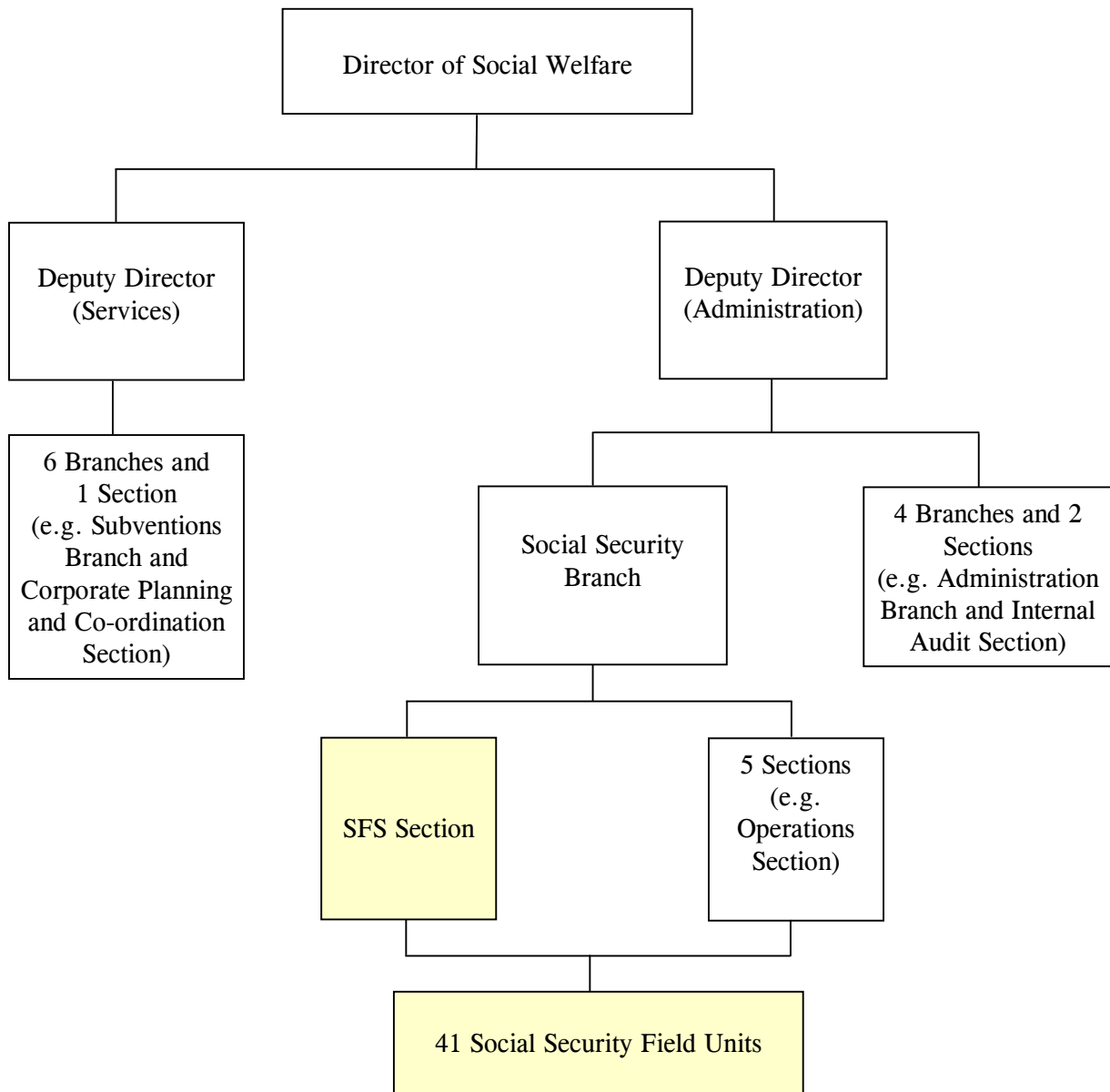
5.14 **Audit has *recommended* that the Director of Social Welfare should:**

- (a) **regularly remind the NGOs of the need to comply with the SWD procedural guidelines; and**
- (b) **require SWD staff to conduct more sample checks on compliance with the SWD procedural guidelines during monitoring visits to the NGOs and take appropriate follow-up actions on any irregularities identified.**

Response from the Government

5.15 The Director of Social Welfare agrees with the audit recommendations.

**Social Welfare Department
Organisation chart (extract)
(30 June 2015)**



Source: SWD records

Acronyms and abbreviations

Audit	Audit Commission
CSSA	Comprehensive Social Security Assistance
FSTB	Financial Services and the Treasury Bureau
IEAPS	Integrated Employment Assistance Programme for Self-reliance
LegCo	Legislative Council
NGOs	Non-governmental organisations
SFS	Support for Self-reliance
SPRs	Stores and Procurement Regulations
SWD	Social Welfare Department