

WORKING FAMILY ALLOWANCE SCHEME

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1. The Working Family Allowance (WFA) Scheme has been enhanced and renamed from the Low-income Working Family Allowance Scheme with effect from 1 April 2018. WFA Scheme aims at encouraging self-reliance and easing inter-generational poverty by supporting low-income working households which are not on the Comprehensive Social Security Assistance and have longer working hours. To qualify for WFA, a household must meet the requirements for working hours, and income and asset limits. Different rates of allowances are provided based on the monthly aggregate working hours of the household (i.e. Basic Allowance, Medium Allowance or Higher Allowance) and household income (i.e. full-rate, 3/4-rate or half-rate). Each eligible child within the household may be granted Child Allowance. A WFA application is made on a household basis and covers the immediate past 6 calendar months. Since the introduction of WFA Scheme and up to September 2024, over 770,000 applications had been received with some 700,000 applications approved and about \$11 billion granted. As of September 2024, there were about 51,000 active WFA households (i.e. households which had been approved with WFA and submitted latest applications in the past 6 months), involving around 173,000 persons, including about 72,000 children.

2. The Working Family Allowance Office (WFAO) of the Working Family and Student Financial Assistance Agency (WFSFAA), comprising 457 civil servants and 253 non-civil service contract staff, is responsible for implementing WFA Scheme. In 2023-24, the expenditure for WFAO was \$2,201 million (including approved WFA of \$1,713 million, one-off WFA extra payment of \$79 million and operational expenses of \$409 million). The Audit Commission (Audit) has recently conducted a review to examine the implementation of WFA Scheme.

Processing of applications

3. *Need to further encourage online submission of applications.* An applicant may submit an application for WFA by post, in person, using drop-in boxes,

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or through WFAO's electronic-submission system which was rolled out in September 2019. While the use of electronic-submission for WFA application increased from 4% in 2019-20 (from September 2019) to 54% in 2024-25 (up to September 2024), around 46% of the applications were still submitted by non-electronic means. For these applications, a contractor had been engaged by WFAO to input the information in the application forms (e.g. income and assets of applicants/household members) for uploading to WFAO's computer system, namely, the Working Family Allowance Management System (WFAMS). The cost for engaging the contractor was \$1.6 million in 2023-24 (paras. 1.8 and 2.7).

4. *Need to improve monitoring of processing time of applications.* WFAO has stipulated in its Operational Manual some internal timeframes for processing applications by stages. For example, Vetting Officers should submit recommendations to Vetting Supervisors for approval within 20 working days upon receipt of applications, receipt of complete information, or the applicants' deadlines for reply for providing information. According to WFAO, as the circumstances of individual cases were unique, no timeframe had been set on the overall processing time of applications. Audit noted that for the period from 2022-23 to 2024-25 (up to September 2024), some applications were with longer processing time. For example, of the 277,230 processed applications with complete information, the processing time from receipt of complete information to completion of processing was over 30 days in 13,563 (4.9%) applications, ranging from 31 to 519 days (averaging 44 days). Audit examined 105 applications received in 2022-23 to 2024-25 (up to September 2024) and noted that:

- (a) in 21 (20%) applications, the time taken for Vetting Officers to submit recommendations to Vetting Supervisors for approval exceeded the internal stipulated timeframe by 6 to 331 working days (averaging 63 working days). According to WFAO, the longer time taken was because the previous applications from the same applicants approved with WFA were either under special investigation or internal review; and
- (b) in 9 (9%) applications, WFAO did not contact the applicants to request for supplementary information (e.g. bank statements) until 21 to 372 working days (averaging 105 working days) after receipt of applications. In 6 of these 9 applications, WFAO did not contact the applicants to clarify irregularities noted in the supporting documents until 21 to 159 working days (averaging 45 working days) after receipt of the related documents. While according to WFAO, the longer time taken was due to various

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reasons (e.g. cross-checking of voluminous transactions in bank statements against supporting documents), the reasons were not documented in WFAMS/casefiles (paras. 2.11, 2.12 and 2.14 to 2.16).

5. ***Need to ensure consistent practice in vetting applications.*** Audit noted some inconsistent practices in vetting applications. Among the 105 applications examined by Audit, in 1 application, the rental deposit paid by the applicant for her public rental housing unit was included as household assets, whereas it was not included for 67 applicants who also resided in public rental housing units. Besides, in 3 applications, the applicants/their household members had reported the balances of electronic-wallet as household assets. However, in 3 other applications, while there were electronic-wallet transactions shown in the bank statements, WFAO did not request the applicants to report the electronic-wallet balances as household assets (para. 2.20).

6. ***Need to review timeframe for reporting quality assurance (QA) checks results and strengthen improvement measures identified in QA checks.*** WFAO conducts QA checks on processed applications selected on a random basis by WFAMS as part of the control mechanism to ensure that they are in order. Audit noted that:

- (a) the overall percentage of applications failing QA checks (i.e. applications found with errors) for the period from April 2018 to September 2024 was 13%, with percentages ranging from 9% to 18%. The percentage of applications that failed QA checks in 2024 (up to September) had increased to 15% (13% in 2023);
- (b) according to the Summary of Quality Assurance Checking Result of Working Family Allowance Applications (the Summary Report) for 2023, the 558 errors found in applications that failed QA checks were mostly caused by input errors, or some vetting staff had not exercised sufficient due care in analysing the information/proof provided by applicants or might have difficulty in fully comprehending various types of documentary proof and therefore had made inaccurate assessments; and
- (c) the Summary Report is compiled on an annual basis and the 2023 report was issued in April 2024 (i.e. 4 months after the year-end) (paras. 2.24 to 2.27).

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7. ***Room for improvement in handling rejected applications.*** For the period from 2018-19 to 2024-25 (up to September 2024), the rejection rates of applications averaged at 5.6%, ranging from 4.4% to 6.5%. Audit noted that for the period 2022-23 to 2024-25 (up to September 2024):

- (a) the major reason for rejection was “Rejected (No Response)” (i.e. WFAO has requested an applicant for supplementary information but the required information or clarification is not received after the deadline for reply), which accounted for 82% of the rejected applications;
- (b) about 16% of the rejected applications were due to failure in meeting eligibility criteria (e.g. working hour requirements) and rejections due to this reason were on an increasing trend; and
- (c) in 9 (60%) of the 15 rejected applications examined by Audit, the reasons for rejection were internally classified as “Rejected (No Response)”. In 5 (56%) of the 9 cases, the applicants had replied to WFAO but the applications were finally rejected because of insufficient supporting information/documents provided to satisfy WFAO’s requirements (paras. 2.32, 2.33 and 2.35).

Follow-up on processed applications

8. ***Need to review target percentage of high-risk cases for special investigation.*** WFAO has set up a Special Investigation Section (SI Section) to conduct special investigation of selected cases. According to WFAO, SI Section aims to, among others, detect and investigate suspected fraud cases so as to ensure that the limited public resources are utilised to support households that are most in need. A risk-based approach is adopted for conducting special investigation, under which an overall target percentage has been set on conducting in-depth investigation on high-risk cases (including cases randomly selected by WFAMS from the pool of post-payment applications meeting one or more of the risk rules prescribed by WFAO, all internal referrals, all external referrals and all SI-initiated cases). A lower target percentage is applied for conducting authentication on random selection of cases which do not meet the risk rules. According to WFAO, the target percentages had been met for the years from 2018-19 to 2024-25 (up to September 2024). In the same period, the percentage of special investigation cases arising from internal referrals had increased exponentially (e.g. from 19% in 2019-20 to 59% in 2023-24). By contrast, the percentage of special investigation cases arising from randomly selected cases

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meeting risk rules decreased from 34% in 2019-20 to 6% in 2023-24. Audit noted the following issues:

- (a) ***Decrease in proportion of high-risk current year applications with special investigation conducted.*** When a referral was made, it was common for some or all of the previous applications of the same applicant to be retrieved and referred for investigation. Each previous application of the same applicant covering a claim period of 6 months would be counted as one case. Among the high-risk cases selected for special investigation, there was a decreasing trend in the proportion of current year applications (i.e. applications with disbursement made in the same year as the commencement of the special investigation) from 73% in 2019-20 to 16% in 2023-24;
 - (b) ***Decrease in number of applicants involved in high-risk cases selected for special investigation.*** The number of applicants involved in high-risk cases selected for special investigation was on a decreasing trend, with a decrease of about 9% in 2023-24 compared to 2019-20; and
 - (c) ***Decrease in percentage of high-risk cases selected for special investigation from applications meeting the risk rules.*** There was a decreasing trend in the percentage of high-risk cases being selected for special investigation from the pool of applications meeting the risk rules prescribed by WFAO, which are reviewed regularly and considered by WFAO as effective in identifying possible fraud risks. This may pose a risk of some high-risk and current year fraud cases being undetected (paras. 3.2, 3.3 and 3.5 to 3.11).
9. ***Need to improve management information for reviewing risk rules.*** As at 9 December 2024, of the cases with special investigation commenced during the period from the launch of WFA Scheme in 2018-19 to 2024-25 (up to September 2024), 84% of the cases had been completed and 16% were on-going. Audit noted that:
- (a) of the completed cases, 41% of the cases involved under-reported items, comprising 22% of the cases not affecting the amount of allowance disbursed, 18% of the cases involving recovery of overpaid allowance (involving an amount of \$20.1 million) and 1% of the cases suspected to involve fraud and referred to the enforcement agency for investigation

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(involving overpaid allowance of \$1.4 million). The percentage of special investigation cases with under-reported items ranged from 24% in 2018-19 to 52% in 2023-24;

- (b) while checkboxes are available in WFAMS for inputting over-payment reasons (e.g. unreported assets or unreported income from work), there was no additional breakdown tier of the types of under-reported items (e.g. for unreported assets, whether they were related to unreported bank accounts or cash values of insurance policies);
- (c) the risk rules for identifying applications with possible fraud risks should be reviewed on a half-yearly basis and are updated when necessary. Audit noted that there was no documentation showing that statistics/analyses on special investigation results had been reviewed during the latest review meeting on risk rules in October 2024; and
- (d) the percentage of special investigation cases randomly selected from applications meeting the risk rules and subsequently detected with under-reported items had been on a decreasing trend since 2021-22, decreasing from 25% to 14% in 2023-24 (paras. 3.12 to 3.15).

10. ***Need to shorten processing time of special investigation cases.*** For special investigation cases commenced during the period from the launch of WFA Scheme in 2018-19 to 2024-25 (up to September 2024), the longest processing time of cases completed as at 9 December 2024 was 1,301 days (i.e. 3.6 years), averaging 210 days. As for the on-going special investigation cases, the longest time elapsed from case commencement and up to September 2024 was 1,221 days (i.e. 3.3 years), averaging 231 days. Audit examined 50 special investigation cases conducted in the period from 2021-22 to 2024-25 (up to September 2024) and noted that:

- (a) in 7 (35%) of the 20 on-going cases examined (with elapsed time ranging from 567 to 1,221 days and averaging 960 days), there were long time lags between the follow-up actions taken with applicants and/or the corresponding organisations regarding information search (e.g. bank search). For example, in a case with an elapsed time of 567 days since commencement, since issuing correspondences to insurance companies in November 2023 and up to September 2024 (i.e. 10 months), there was no evidence showing that WFAO had followed up on the case; and

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- (b) no internal timeframe had been set on processing of special investigation cases, and WFAMS did not issue alerts (e.g. reminding case officers to take actions within a specified timeframe after the last follow-up action). There was also no management information on the processing time on special investigation cases (paras. 3.17, 3.19 and 3.20).

11. ***Room for improvement in issuing notifications and consent forms.*** According to WFAO's guidelines, for performing information search to verify/collect information about household members, WFAO needs to seek prescribed consent and will adopt a consistent and prudent approach by asking each household member to sign a consent form on verification of personal information. It is WFAO's practice to issue a Notification on Assessment and Verification to the applying household to inform the applicant/household members that the application is under investigation. Audit examined 50 special investigation cases and noted room for improvement. For example, among the 48 cases with notifications/consent forms issued, the time lag between the commencement of investigation and issuance of notifications/consent forms varied significantly, ranging from 0 to 683 days (averaging 55 days). In 6 (13%) cases, the time lags were over 3 months (paras. 3.22 to 3.24).

12. ***Need to issue notifications for review/appeal cases within stipulated timeframes.*** According to the Guidance Notes for Applications under WFA Scheme, an applicant for WFA who is not satisfied with the application results may apply in writing to WFAO for a review within 4 weeks from the issue of the Notification of Application Result. If the applicant is not satisfied with the review results, he/she may apply in writing to WFAO for an appeal within 6 weeks from the issue of the Notification of Review Result. In the period from 2018-19 to 2024-25 (up to September 2024), WFAO processed 839 review cases and 2 appeal cases. The timeframes for issuing Acknowledgement of Receipt of Application for Review/Appeal and Notification of Review/Appeal Result are set out in the Operational Manual. Audit examined 30 review/appeal cases (comprising 20 approved cases, 7 withdrawn cases and 3 rejected cases) processed in the period from 2022-23 to 2024-25 (up to September 2024) and noted that there were delays in issuing both types of notifications. For example, while the timeframe for issuing Acknowledgement of Receipt of Application for Review/Appeal is within 10 days from the receipt of application, delays were found in 6 (20%) of the 30 cases, ranging from 1 to 20 days (averaging 8 days) (paras. 3.29 to 3.31).

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13. *Need to maintain proper documentation on processing withdrawal of review/appeal cases.* An applicant may request for withdrawal of his/her application for review/appeal. Audit examination of the 7 withdrawn review/appeal cases revealed areas for improvement. For example, according to the Operational Manual, before issuing a Notification of Withdrawal of Application for Review/Appeal to an applicant, an assessment should be made that the case does not warrant in-depth investigation or does not involve restitution of overpaid allowance. However, in all the 7 withdrawn cases examined, there was no documentation showing that such assessment had been performed (paras. 3.34 and 3.35).

Other related issues

14. *Need to set and publicise performance measures for WFA Scheme.* WFSFAA administered various student financial assistance schemes and WFA Scheme. For the former, it published a number of performance targets and indicators in the Controlling Officer's Reports and on website for the various schemes. However, WFSFAA had not publicised any performance pledges or targets/indicators for WFA Scheme. For example, timeframe had not been set on the overall processing time of WFA applications (see para. 4) (para. 4.3).

15. *Need to review provision of outreaching activities.* WFAO organises outreaching activities, including information booths, briefing sessions and form-filling sessions, for promoting WFA Scheme and facilitating the public to apply for WFA. For the period from 2018-19 to 2024-25 (up to September 2024), WFAO conducted a total of 718 outreaching activities, with an attendance of about 93,000. Audit noted that there is a need to review the provision of form-filling sessions and information booths. For example, of the 164 form-filling sessions conducted in the period from 2018-19 to 2024-25 (up to September 2024), 46 (28%) sessions were attended by 5 persons or fewer. With regard to the districts where the sessions were offered, since 2019-20, except for 3 sessions, all the other sessions had been provided in Sham Shui Po. While Kwun Tong and Yuen Long were among the top three districts in terms of successful applicants' residential districts since the launch of WFA Scheme, Yuen Long had not been covered in all years and no sessions had been conducted in Kwun Tong since 2020-21. There is also a need to keep under review service hours of information booths. For the 421 information booths set up in the period from 2018-19 to 2024-25 (up to September 2024), only 24 (6%) booths were open at weekends or after office hours on weekdays (paras. 4.9 to 4.14).

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16. ***Need to ascertain reasons for higher rejection rates and provide more assistance to ethnic minorities (EM) applicants.*** According to WFAO, various efforts had been made to facilitate EM applicants' easy understanding of WFA Scheme (e.g. translating guidelines of the Scheme into 8 languages). Audit noted that from 2018-19 to 2024-25 (up to September 2024), the rejection rates for EM applicants over the years (average: 10.2%) were consistently higher than the overall rejection rates (average: 5.6%). Audit considers that WFSFAA needs to ascertain the reasons for the higher rejection rates of EM WFA applicants and provide appropriate assistance to them accordingly (paras. 4.15 to 4.17).

17. ***Need to keep under review WFA Scheme.*** According to the Government, upon the launch of WFA Scheme, it has constantly kept the Scheme under review. Enhancements have been made aiming at improving the effectiveness of the Scheme and better supporting low-income working families (e.g. an increase in allowance rates by 15% across the board with effect from the claim month of April 2024). Audit noted that the number of WFA applications had been on a decreasing trend since the peak in 2020-21. According to the Government, the number of WFA applications and active households might be affected by multiple factors, including the prevailing economic situation and labour market conditions, as well as eligible applicants' individual circumstances and keenness to apply for WFA. In this audit review, Audit has identified room for improvement in the administration of WFA Scheme. Having regard to the developments of WFA Scheme, WFSFAA needs to, in collaboration with the Labour and Welfare Bureau, take into account the audit observations and recommendations in this Audit Report, keep under review the operation of WFA Scheme with a view to enhancing the Scheme as appropriate (paras. 4.22 to 4.24).

Audit recommendations

18. **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 Head, WFSFAA should:**

Processing of applications

- (a) **continue to explore measures to further enhance the process on receipt of WFA applications, including exploring feasibility of making better**

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use of technology and encouraging electronic-submission of applications (para. 2.9);

- (b) take measures to expedite the processing of WFA applications as far as practicable (e.g. exploring ways to enhance WFAMS), and ensure that staff collect and/or clarify necessary information for processing WFA applications in a timely manner and record all contacts with applicants (para. 2.22(a) and (b));
- (c) take measures to ensure that consistent practices are adopted by staff in the vetting process, including regularly reviewing the list of items to be counted as household assets and providing more staff training; and enhance the list of items counted/not counted as household assets in the Guidance Notes for Applications under WFA Scheme by including more common examples (para. 2.22(d) and (e));
- (d) further strengthen efforts to enhance the quality and accuracy of vetting of WFA applications (para. 2.29(a));
- (e) review the timeframe and frequency for compiling and submitting the Summary of Quality Assurance Checking Result of Working Family Allowance Applications (para. 2.29(b));
- (f) provide more pertinent reasons for rejection of applications and make continued efforts to facilitate WFA applicants' understanding of the eligibility criteria (para. 2.36(a));

Follow-up on processed applications

- (g) review the selection of cases for special investigations and take follow-up actions as appropriate (para. 3.27(a));
- (h) conduct further analyses on special investigation results and make use of such information in reviewing the risk rules (para. 3.27(b));
- (i) upon reviewing the special investigation results, formulate measures as appropriate to improve WFAO's risk management and application vetting process (para. 3.27(c));

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- (j) explore measures to shorten the processing time of special investigation cases as appropriate (para. 3.27(d));
- (k) review and monitor the practice of issuing Notification on Assessment and Verification and the consent forms to applicants and household members in WFAO's guidelines, including setting a reference timeframe for issuing the relevant documents, and consider adding an alert function in WFAMS to help ensure compliance with the timeframe (para. 3.27(e));
- (l) enhance the Operational Manual by specifying more clearly the timeframe for issuing the Acknowledgement of Receipt of Application for Review/Appeal, and take measures to ensure that review and appeal cases are handled in a timely manner, including complying with the timeframes of issuing acknowledgements/notifications as stipulated in the Operational Manual (para. 3.37(a));
- (m) take measures to ensure that proper documentation is maintained for processing review and appeal cases and in handling withdrawal requests, such as stipulating requirements in the Operational Manual to record the assessment made on withdrawal requests (para. 3.37(b));

Other related issues

- (n) take measures to improve the performance management and reporting for WFA Scheme, including setting performance targets/indicators in the Controlling Officer's Reports and/or on website and publicising the achievements thereon (para. 4.6);
- (o) review the provision of outreaching activities, including keeping under review the arrangement of outreaching activities and the service hours of information booths and taking follow-up actions as appropriate (para. 4.20(a));
- (p) ascertain the reasons for the higher rejection rates of EM WFA applicants and provide appropriate assistance to them accordingly (para. 4.20(b)); and

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- (q) **in collaboration with the Secretary for Labour and Welfare, take into account the audit observations and recommendations in this Audit Report, keep under review the operation of WFA Scheme with a view to enhancing the Scheme as appropriate (para. 4.25).**

Response from the Government

- 19. The Head, WFSFAA agrees with the audit recommendations.