

EU-CHINA SOCIAL PROTECTION REFORM PROJECT

COMPONENT 3

**FRAUD IN SOCIAL ASSISTANCE: IDENTIFICATION,
COPING STRATEGY AND PREVENTION**

VOLUME ON 2017 RESEARCH

TOPIC 3.2.4



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Social Protection Reform Project
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3.2.4 Research on Preventing Fraud in China's Social Assistance Program

Assessment report

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GLOSSARY

DiBao: Also known as the Minimum Living Standard Guarantee - a cash transfer program to provide a benefit to people whose household income per capita is below the minimum living standard.

Medical assistance - a social assistance program to provide medical treatment for people in need

WuBao: Also known as the Five Guarantees - a comprehensive social assistance program in the rural areas of China to provide food, clothes, habitation, medical treatment and burial service for the no income childless and infirm old persons

Special social assistance programs: a social assistance program for persons who have special social assistance needs, including medical assistance, housing assistance and education assistance. The benefits under these programs only cover expenses for certain purposes.

EXECUTIVE SUMMARY

The types of social assistance fraud have a variety of characteristics in China. There are different types of social assistance fraud. Social assistance fraud can be divided into DiBao fraud, medical assistance fraud, WuBao fraud and fraud in the other special social assistance programs. One of the most typical, most significant and the most problematic is DiBao fraud. From the perspective of who commits the fraud, social assistance fraud can be committed by an applicant and/or beneficiary, by those involved in the management of social assistance and other types of fraud.

Social assistance fraud by a beneficiary refers to those people who originally do not meet the requirements of the social assistance system who get the benefit by concealing, tampering with or falsifying evidence. Fraud by the management staff normally has two purposes: the purpose of social control fraud is to seek personal gain as a result of fraud. Fraud from other groups of people is generally committed by the criminal groups. The amount of fraud is relatively large.

There are many causes for the occurrence of social assistance fraud in China. Social assistance fraud is affected by the design of the social assistance system and the social assistance targeting mechanism. There is a lack of supervision and management, there is also a lack of the legal system's construction as well as cultural and environmental factors. Among them, the social assistance targeting mechanism being inaccurate and the inadequate supervision and management of social assistance fraud are the direct and dominant reasons. Technical and data support are the technical reasons for social assistance fraud. The failure to receive a social assistance benefit and the judicial system's construction are important incentives for social assistance fraud. The design of the social assistance system and cultural environment factors are the deep reasons for social assistance fraud.

Some local practices provide good experiences about anti-fraud in social assistance practices. The cooperation between different departments to build up an information verification system is a critical part of fraud prevention. This helps to verify the qualification of a beneficiary precisely. The supervision system is also important in preventing fraud. Comprehensive supervision and reporting channels, including telephone, Microblog, WeChat, the official website, e-mail have been set up in some cities in China.

The penalty for social assistance fraud in China is not so effective due to the lack of practical and detailed legislation. The internal control system is critical in social assistance management. Some local governments establish policies or regulations to control the behavior of management staff and their relatives to make sure that no malfeasance or corruption happens in practice with social assistance. The introduction of a third party into the process of carrying out independent supervision of the implementation of social assistance has begun to be piloted in many Chinese cities.

The governance of social assistance fraud involves multiple dimensions and levels and requires a high degree of compound management and governance. Social assistance fraud is not simply a matter of fraud. Social assistance fraud is more reflected in the abuse of social assistance resources and its services. Therefore, the essence of the governance of social assistance fraud is to improve the social assistance system and to guarantee the accuracy of social assistance targeting. Therefore, the governance of social assistance fraud does not rely on harsh laws, but it relies on the continuous improvement of the social assistance system. Among the possible suggestions are using information technology, creating a network platform to build a social assistance precision identification mechanism; improving the supervision and the reporting system in China's social assistance; encouraging and promoting social participation in social assistance services, its supervision and correcting errors that are made.

Improving the institutional environment for Anti-Fraud in Social Assistance in China is also an important task for the problems of China's social assistance fraud lie in the inadequacy of the institutional structure and flaws in the nature of the system's operation. The setting of qualification standards should be improved. Special assistance should be optimized. More resources should be delivered to social assistance and the current regulations and the legal system relating to social assistance should be improved.

1. FRAUD IN THE CHINESE SOCIAL ASSISTANCE PROGRAM: ITS FORM AND ITS CAUSES

1.1 Analyzing the form of, and behavior related to, fraud in China's social assistance program

The form that social assistance fraud takes has a variety of characteristics when viewed from different perspectives. There are different types of social assistance fraud. Social assistance fraud can be divided into DiBao fraud, medical assistance fraud, WuBao fraud, and fraud in the other social assistance programs. One of the most typical, most significant and the most problematic fraud relates to DiBao. From the point of view of classifying those defrauding the system, social assistance fraud can be divided into fraud by applicants and beneficiaries, fraud by the social assistance managers and other types of fraud.

1.1.1 Fraud by the beneficiaries of social assistance

The so-called social assistance applicant fraud, refers to the social assistance fraud behavior shown by an applicant for social assistance. Specifically, this refers to the people who originally did not meet the requirements for getting a benefit under the social assistance system getting the benefit by hiding, tampering, and falsifying the related evidence. In this category, some people even bribe the staff of the social assistance department to get access to social assistance eligibility.

This kind of fraud is widely found in the various assistance programs, especially in DiBao. For example, according to the study on DiBao in Anyang City in Henan Province, the scammers found that DiBao was mainly gained by separating the elderly parents from their children. Field visits indicated that other members of the family had the ability to take care of parents without income and thus constituted an act of receiving social assistance by falsifying the DiBao qualifications. In the case of income surveys, it is difficult for the investigators to review their non-fixed income because the income of many rural migrant workers is temporary and uncertain. So the applicant is able to meet the qualifications to receive DiBao through omission, concealment and other ways.

This kind of social assistance fraud is not only in the application step of social assistance, but also in the process associated with withdrawing from social assistance. Under China's social assistance system, a social assistance beneficiary should no longer accept social assistance when they no longer meet the social assistance conditions. However, due to the problems with the management of social assistance in China, people who are not eligible for social assistance continue to receive

social assistance, resulting in social assistance fraud. In the investigation of DiBao in Yangcheng County in Shanxi Province, it was found that many social assistance beneficiaries had surpassed the standard of social assistance because of an increase in their personal or household income. Therefore they should stop receiving DiBao. But they still continued to receive DiBao because they did not want to, or could not, issue a corresponding proof of income, or did not want to declare their own income. In medical assistance, some poor people receiving treatment under medical insurance for some reason find it difficult to get reimbursement, so they will join the criminals in falsifying medical reimbursement documents to get medical assistance compensation.

In short, the problems exposed from real life show that social assistance applicant fraud is mainly by the concealment of an applicant's/beneficiary's real income situation, which if public would not lead to them meeting the conditions to receive social assistance.

It should be noted that this type of social assistance fraud is mostly done in order to take advantage of the assistance benefit. Some people themselves are really in difficulty. The money they get from the fraud is often used only for themselves or their families to fulfill their basic needs. But the accumulation of these phenomenon can cause huge damage to the social assistance system.

1.1.2 Fraud by the staff of Social Assistance departments

Social assistance projects are different from social insurance projects. Social assistance applicants do not need to meet the contribution qualifications, so the social assistance management staff who review the qualifications for a social assistance benefit have a lot of authority. This power is more obvious under the principle of local management of the social assistance, so that the social assistance management staff have sufficient space for fraud and abuse the system for personal gain. The fraud perpetrated by the social assistance management staff can be divided into two types: the purpose of social control for fraud and to seek personal gain from the fraud. The latter is more significant. In social assistance management for the purpose of social assistance, fraud refers to social assistance management personnel who authorise a benefit to a specific individual or a group of people by relaxing the social assistance eligibility requirements or forging the qualifications of the targeted individual or groups so that they can receive a social assistance benefit. "Renqingbao" and "guanxbao" are the more typical forms.

"Human security" means that the recipient of the aid has a direct social relationship with the management personnel, so that the aid is improperly given as a "gift". For example, some village cadres, in the process approving social assistance allowances, will focus on the relationship between the households and the gifts of the people, rather than on the low-income families with life difficulties. To seek personal gain through social assistance fraud, refers to the social assistance management staff making use of institutional or regulatory loopholes to get an extra economic benefit. For example, in some cases of rural DiBao, some of the management staff retain the social assistance payments of the DiBao beneficiaries and take these benefits for themselves.

Such social assistance fraud also appears in medical assistance, especially in the rural medical assistance program. In 2015, in Baisha County in Hainan Province a medical assistance fraud occurred. Wu is a staff member of the Hainan Provincial Civil Affairs Department who has the authority to audit the medical assistance program. Wu uses this power to seduce many beneficiaries of social assistance through the falsification of the medical assistance approval form. He collected more than 1.2 million medical assistance allowances and made a total profit of 0.83million Yuan.

1.1.3 Other people's social assistance fraud

There are some people who are not directly related to the management of the social assistance program and who generally are not related to the applicants for social assistance who misuse the design of the social assistance system to cheat their way to a social assistance benefit. This type of

fraud is generally committed by criminal groups and the extent of this fraud is relatively large. In reality, the field of medical assistance is where third-party fraud is more prominent. And fraud in the field of medical assistance often coexists with health insurance fraud.

For example, criminals use the information of the poor to falsify medical materials and documents for reimbursement. They cheat the medical assistance and medical insurance systems to get a benefit. It should be pointed out that this kind of fraud is often associated with the fraud by social assistance management staff - the latter provide false material to the former who can then use that social assistance information.

1.2 Analyzing the various causes and conditions relating to Fraud in China's Social Assistance

There are many reasons for the existence of social assistance fraud in China. Social assistance fraud is affected by the social assistance system's design, by the social assistance targeting mechanism, a lack of supervision and management, a lack of legal system construction and cultural environment factors. Among them, the social assistance targeting mechanism being inaccurate and there being inadequate supervision and management of social assistance fraud are the direct and dominant reasons. Technical and data support are the technical reasons for social assistance fraud. The lack of receipt of social assistance and the lack of judicial system construction are important incentives for people to commit social assistance fraud. The social assistance system's design and cultural environment factors are the deep reasons for social assistance fraud.

1.2.1 The Failure of the Social Assistance Targeting Mechanism

The reason why social assistance fraud exists is because of the fact that the social assistance targeting mechanism fails. If the social assistance targeting mechanism is highly effective and can ensure accuracy in social assistance payments, then it can avoid the common forms of social assistance fraud. The problem with social assistance targeting mechanism is mainly due to technical reasons, but they are also related to the design of the mechanism.

From a technical perspective, the social assistance targeting mechanism involves a series of standards and techniques that identify whether or not individuals meet the requirements for social assistance. The current level of social assistance fraud is largely due to the difficulty of identifying the applicant's real living conditions. It is difficult for the social assistance agencies to correctly identify the evidence provided by the applicant.

In the DiBao program, this problem is prevalent. Because low-income groups are usually not in formal employment, their income is unstable and temporary. Therefore, it is very difficult to identify their real income and it is difficult to put an end to the applicant's concealment of his income. As the income of agricultural production is not easy to account for, and the income of a large number of migrant workers is difficult to investigate, the rural DiBao management staff find it difficult to identify the applicant's real income situation. Investigating an applicant's real income and their asset status requires multi-department integration and large amount of work. The difficulty of identifying the social assistance applicant will also affect the effectiveness of the social assistance withdrawal mechanism.

From the point of the targeting mechanism's design, the current social assistance targeting mechanism's standard design is not good enough. It is easy to exclude those people who should be assisted but it is also easy to indulge those people should not be assisted. For example, when conducting a household survey, the income situation of the household is measured by the hukou as a whole. In practice there are two exceptions - the children have the ability to support their parents but deliberately set up the hukou alone for no income parents so that the parents get social assistance.



The children do not bear any obligation to support the elderly but because the parents and children are in the same hukou so the no-income parents cannot get any social assistance. For example, when examining the medical assistance status of a patient, some of the conditions that are likely to lead to poverty are not included in the list of medical assistance. This results in the patient being unable to obtain assistance.

1.2.2 Lack of supervision and management

Insufficient supervision and management are important causes of social assistance fraud. The identification of the social assistance qualifications cannot be smart, digitalized, or applicative. Therefore the social assistance management staff become the actual operator of social assistance targeting.

At present, China's social assistance supervision and management failure is reflected in three ways. First, the number of social assistance regulators is insufficient. At present, China's social assistance system is managed by the Civil Affairs Departments at all levels. The number of social assistance management staff is not enough to cope with the huge number of beneficiaries. Therefore it is difficult to carry out effective supervision and auditing. Therefore, the management and supervision of the social assistance system is difficult to be achieved in a timely and accurate manner. Even if there is a problem, it is difficult to immediately identify it. The number of social assistance management staff is inadequate and therefore makes the management of the power of more concentrated. In practice, the process of social assistance review, implementation and supervision is often only undertaken by a small number of people.

Second, the supervision of the feedback mechanism is not smooth. The public has difficult in achieving the effective supervision of social assistance and its supervision. This is little capacity to monitor any reports of fraud that are submitted by the public. The social assistance supervision mechanism is not perfect nor is the effect ideal. The set up of the supervisions of social security is unclear.

Third, the authority of social assistance in a local area is too concentrated. This leads to an abuse of power. In the less developed areas, the authority for conducting social assistance audits was decentralized. This leads to low levels of efficiency of the supervision. The local authorities have the right to decide on the requirements to receive social assistance, resulting in rent-seeking space and the breeding of a large number of abuse-seeking behaviors.

1.2.3 Lack of technical means and data support

The targeting mechanism of the social assistance program and its auditing require precise and detailed data and advanced analytical tools. In the current practice of social assistance in China, the targeting, review and tracking mechanism of the applicants is still relatively simple. This is especially prominent in the rural areas or in the underdeveloped areas. This is mainly manifested in the lack of an adequate understanding of the overall economic situation of the beneficiaries of social assistance, especially their family assets, informal labor income, non-local work income etc.

To fully understand the assets of the social assistance applicants needs the full cooperation of different departments including housing, public security, banking, transportation so as to collect multi-sectoral data. This is undoubtedly difficult to achieve in the underdeveloped areas where the basic data may be inadequate.

Data needs to be analyzed using technical tools. A lack of electronic, networked working conditions and technical facilities, will hinder social assistance data storage and delivery and the effective implementation of social assistance governance. These phenomena induce social assistance fraud.

1.2.4 The imperfections of the judicial system for social assistance

The imperfections of the judicial system for social assistance makes the cost of social assistance fraud relatively low thereby increasing the difficulty of social assistance fraud prevention. The construction of the social assistance judicial system has two aspects, one is the legal provisions and the other is law enforcement.

At present, social insurance has introduced the "Social Insurance Law" but for social assistance there is still no relevant legislation. There are only the "Social Assistance Interim Regulations", the "Urban Residents Minimum Living Security Ordinance" and other policies. The legal constraints are not adequate. For example, under the "Interim Provisions on Social Assistance", individuals who cheat to fulfill the DiBao qualification requirement get punishment only by the term *"the People's Government at the county level is to give education or a warning, to recover their falsely claimed DiBao. If the case is bad, the punishment should be more than 1 times but no more than 3 times"*. And this punishment in practice will not really be implemented.

Although the fraud, depending on the amount of money involved, may violate the civil law or the criminal law, it is in fact difficult to punish fraud by individuals because the law does not blame the public. The lack of law enforcement is another manifestation of why the legal system for social assistance is not ideal. For example, to identify social assistance beneficiaries, and investigate social assistance fraud often requires help from public security departments in the investigation, data supply, and enforcement. However, in reality, the judiciary's coordination with the civil affairs sector is often inadequate. The civil service is very limited, so it is difficult to obtain the real income situation of social assistance applicants.

1.2.5 The problem in the design of the social assistance system

The imperfection in the design of social assistance system is one of the primary reasons for the existence of social assistance fraud.

At present, China's social assistance system has become more and more effective, but there are still some problems between the system design and the policy cohesion. First, the design of China's social assistance standards is not effective enough. The benefit standards are low and the differences in the different regions are great. The social assistance system regards the absolute poverty line as the standard for social assistance. For the relatively poor groups it is difficult to get full help so it is difficult to avoid the "poverty trap." This makes those who do not meet the social assistance standards try to fulfill the qualification by illegal means. And this phenomenon is more obvious in the rural areas for it is more difficult to set the proper standards in the rural DiBao.

Second, China's social assistance system has the characteristic of a welfare overlay. The access to medical assistance, unemployment assistance, housing assistance, education assistance and other special assistances is dependent upon often on being eligible to obtain the DiBao qualifications as a prerequisite. This phenomenon has led many people to cheat the DiBao system to be able to qualify for the other social assistances.

Third, by the reason of policy, technology and other factors, the targeting mechanism for the social assistance system is not effective. It is difficult to accurately target the beneficiaries of social assistance. In fact, in the developed cities where the management is better, the prevention of social assistance fraud is much better than in the rural areas, thanks to using higher, advanced technology.

1.2.6 Cultural environment factors

Cultural environment factors contribute to the formation of social assistance fraud in many ways. "Runqinbao" and "Guanxbao" largely reflect the influence of human society and the familiarity of society on the practice of aid under the condition of inadequate systems intervention. This situation

in respect of rural social assistance fraud is the most outstanding performance. The social assistance policy implementation, the legal constraints, the lack of supervision and control in the rural areas, constructed by a "diversity pattern" which takes the network close to the base and has become the main content and the allocation, of social assistance resources. In this context, the so-called "rescue fraud" seems to be a false proposition. Its performance is nothing more than the normal state of compliance with the value rules of society. In addition, the Chinese people often have some kind of mentality that is not related to the rich and the poor, and the mentality of the rule is not strong. This also encourages the phenomenon of invisible social assistance fraud. In a lot of social assistance fraud cases, the peoples may not be tried to get this assistance money but by taking advantage of the people's mentality.

2. ANTI-FRAUD IN SOCIAL ASSISTANCE IN CHINA: GOVERNANCE AND POLICY IMPLICATIONS

2.1 Chinese anti-fraud in social assistance: local practices

2.1.1 Accurately identify social assistance fraud through cooperation with different departments

The first step in preventing social assistance fraud is the precise collection and verification of information on the social assistance applicants. However, the income and asset information of individuals and families of social assistance applicants is often scattered in various fields and is managed by different departments. This creates difficulties in identifying the social assistance qualification. With the increasing diversity of people in big cities, interpersonal relationships are increasingly alienated and individual independent reporting and staff verification based survey methods are gradually ineffective. There is a need to integrate data from multiple administrations.

Beijing has officially run the Resident Economic Information Checking Information System since 2015. The system gets information from the Beijing Municipal Civil Affairs Bureau, the Public Security Bureau, the Housing and Urban Construction Bureau and other departments. By using the system staff can accurately query the economic situation of residents in Beijing, such as income, assets (motor vehicles, real estate, etc), or whether there is an individual business and other comprehensive family economic information. The system collects data from the IESS, Housing Construction Committee, Public Security Bureau, Trade and Industry Bureau, banking, securities, insurance and other departments and institutions, a total of more than 10 departments. Through this system, you can inquire about the real economic status of residents who apply for DiBao. The system integrates and utilizes the information resources scattered in the various government departments to realize the accurate examination of the public expenditure programs such as social assistance, social welfare and social security in Beijing. After the system went live, Beijing incorporated 16 million DiBao applicants into the system for screening in the first place. All new DiBao applicants must also be verified by the system¹.

In 2015, Shanxi Province promulgated and implemented the "Shanxi Province, Minimum Living Guarantee for Family Economic Status Verification Method." Under this policy more than 10 sets of data is collected from the Public Security Bureau, Social Security Bureau, Land and Resources Bureau, Housing and Urban Construction Bureau, Bureau of Agriculture, financial supervision, Insurance Regulatory Bureau, Trade and Industry Bureau, the tax department, housing provident fund and other departments and institutions. The information checking system is used to check the DiBao applicants' household registration, motor vehicles, employment, insurance, housing, agricultural machinery, agricultural subsidies, deposits, securities, provident fund and other information and to check on the authenticity of the applicant's family economic status statement.

¹ Beijing Civil Affairs Bureau, social assistance section.

Xi'an launched a joint investigation mechanism for the economic situation of its residents. The Xi'an Civil Affairs Bureau cooperates with eight departments to identify both urban and rural DiBao applicants family economic situation.

Changle County in Shandong Province established a minimum living security management information system for urban and rural residents. The system is jointly established by 13 departments of the county public security bureau, social security bureau, housing management bureau, industry and commerce bureau, taxation and banking department. The system is used to examine the qualifications of DiBao applicants. The social assistance management staff can seek help from any department to check on the relevant information of the applicant. Relevant departments will answer to the civil affairs staff within five working days after being issued with a verification request for real-time inspection, and the exact information will be sent back to the Civil Affairs Bureau.

Chongqing has introduced different ways to identify the information on beneficiaries. Firstly, the identify procedure should be authorized by the beneficiary when they apply for social assistance benefits. They should also submit a document to authorize the related management departments to have the right to identify the economic information including income, assets etc.. To check that information, Chongqing has established a Verification Center to manage the identify procedure. When the social assistance management department wants to check certain information, they should firstly authorise this Verification Center so that the Center will have the right to conduct the verification procedure. To verify the information, Chongqing combines the household survey and internet technology. Verification is done through data exchange and information sharing on the applicant and his family's income and property status so as to compare the information. According to the requirement of the Chongqing Government, all the applications should be investigated at the community level, and 30 per cent of the applications should be spot checked at county level. The qualified applications will be checked by Verification Center to investigate the family's information, income, assets, consumption, social insurance etc².

In order to verify the information of social assistance applicants, Longxi County in Gansu province established an integrated identity system to integrate information across the different departments and administrative levels and combined different verification methods like the household survey and the information survey. The county civil affairs bureau is using information from the Public Security Bureau, the Human Resources and Social Security Bureau, the Housing Management department, Financial regulatory authorities, business administration, to build the Family Economic Information Database and to collect data on such areas as automobiles, houses, business and income support. There are some 146,854 items that have been collected as references for the qualification verification of applicants.

In its rural social assistance management, Longxi County also makes use of the Family Economic Information Database to check out the information on the rural DiBao and the Five Guarantees beneficiaries. The information checked by the Database will be transferred back to villages and towns. If any beneficiary is not qualified to get social assistance according to the database, the local government should restart a household survey to re-check the situation of the beneficiary³.

Heilongjiang Province has established a Family Economic Status Checking Information System. The System is built on information from the Civil Affairs Department, the Public Security Department, the Business Administration department and the Human Resources and Social Security

² Chongqing Civil Affairs Bureau, social assistance section.

³ Gansu Longxi Civil Affairs Bureau



Department. The Family Economic Status Check Information System has helped to promote the efficiency and accuracy of the DiBao qualification verification procedure⁴.

More departments like the Tax Department and the Housing Department will become involved in the System. According to the policy, every DiBao beneficiary should be verified by the system, as well as all new applicants for DiBao.

Currently around 2.3 million beneficiaries of the different social assistance programs are verified by the System regularly. Anyone who fails the verification process under the System has to exit the DiBao program promptly.

Weinan City in Sha'anxi province has removed the authority to review DiBao qualifications from the village level to the town level. Every DiBao applicant at the town level should be involved in the household survey and be spot checked at the county level. Social supervision is required. A low - income family economic reconciliation system has been built to verify the deposit, housing and vehicle information of a DiBao family. Unannounced visits are also conducted by the Discipline Inspection Department, Audit Department and the Financial Department. Besides, if the DiBao beneficiary happens to be relative of a government official, then that should be put on the public record.

Yantai City in Shandong Province has established a demographic mechanism for verifying the qualification of DiBao applicants in the rural areas. Specifically a committee for verification is formed including people who work in the Civil Affairs Authority, public security authority, NPC deputies, CPPCC members and representatives of villagers. They decide whether the applicant is qualified for a DiBao benefit. Since the rural area is lacking an information verification system based on advanced technology, this kind of committee can be an effective way to verify the income, assets and employment information about the applicants⁵.

This type of measures is based on modern information technology and the Internet to build a mechanical based on multi-sectoral information data terminal. Carry out all the practice and experience of exploring the practice of social assistance in social assistance under the guidance of the Ministry of Civil Affairs department specifically indicated that China civil affairs departments to actively encourage grassroots daring pilot exploration, in social assistance to enhance the performance, enhance the difficulties of the masses of the social assistance effect gain a sense of accumulated a great amount of experience, the effectiveness of various means and perfect social assistance the system of social assistance, blocking fraud vulnerabilities, improve the effectiveness of the measures for the administration of relief society has achieved positive results. The exploring of practice has accumulated valuable experience for the further improvement of the legal system of social assistance and management system, especially the use of information technology means to improve supervision, to achieve accurate identification of relief object, accurate relief of social assistance, to further enhance the level of management services, has achieved remarkable results. This can fully and quickly audit and track the applicant's economic situation so as to achieve accurate social assistance targeting and reduce the fraud from social assistance applicants concealing or falsifying their income information. These measures require highly technical conditions in the Civil Affairs Bureau. The related departments also need the appropriate technical and data reserves. These often only apply to the more developed cities or capital cities in China. In recent years, in the area of social assistance in the developed cities, social assistance fraud has indeed been better contained.

⁴ Heilongjiang Civil Affairs Bureau, social assistance section

⁵ Shandong Yantai Civil Affairs Bureau.

2.1.2 Establish a diversified supervision mechanism

Social assistance supervision is an important guarantee to prevent social assistance fraud. With the development of information technology, a wide range of social assistance supervision activities become possible by implementing a combination of traditional supervision and non-traditional supervision. Beijing Municipal Civil Affairs Bureau clearly put forward the "people can be real or anonymous report." No matter whether the report's information is detailed, accurate, or even an anonymous report, the report will be checked carefully by the Civil Affairs Bureau. Staff from Beijing Municipal Bureau of Civil Affairs using real-name reports and anonymous reports can both expand the collection and mastery of information. The Civil Affairs Bureau has set up comprehensive supervision and reporting channels, including telephone, Microblog, WeChat, the government website, e-mail, etc., to the greatest extent possible so as to facilitate public supervision and reporting.

When complaints are received and reflected the questions (clues), will be promptly verified by the community who will publish a typical case. The Beijing Municipal Civil Affairs Bureau organizes the district government and a third party institution to investigate the social assistance applicants.

The introduction of social workers and other third party social organizations to participate in the verification process for social assistance, on the one hand could avoid the harassment behavior among the civil affairs system self-verification process and on the other hand could build up the social supervision mechanism in social assistance work.

In 2013, the Ministry of Civil Affairs released its "Notice on Establishing and Perfecting the Long - Term Mechanism for Supervision and Inspection of Social Assistance". According to the notice, every district should establish a mechanism to make sure that the authorities in the different level take responsibility for the management of social assistance. The social assistance management authorities at the different levels should follow the principle of "Whoever is in charge is responsible". Staff who do not take responsibility and who subsequently cause an incident will be punished by Law and party discipline.

The Notice claims that the working state of the social assistance authorities should be made public. The Ministry of Civil Affairs will report to The State Council about the working state of social assistance regularly. The Notice also required the development of a reporting system at the provincial level. The reporting system should be managed by special staff. If some reported incident is severe, then the Ministry of Civil Affairs will form a working group to help to investigate the case. Social supervision is also encouraged according to the Notice. The Notice also requires establishing a social assistance management performance evaluation system. The performance of the social assistance system in certain provinces will be included into the Government's performance appraisal. The management performance system should be well designed so that it can reflect the social assistance management procedure as well as the results. The result of the evaluation of a certain province is regarded as a critical index in deciding the social assistance subsidies from the central government. Good performance will be rewarded.

In 2016, the new DiBao applicants' family economic status checking report in Inner Mongolia was referred back to the DiBao information system through a dedicated line. The DiBao information system and the family economic status checking system is to achieve consistency. This measure strengthens the accuracy of the application procedure for social assistance. In March 2016, the autonomous region established a system of periodic reviews of the family economic situation of social assistance applicants. DiBao beneficiaries, poor people and other special social assistance beneficiaries will be checked about their family members, social security contributions, pension, public security household registration, vehicle-related information. In order to ensure the timeliness of the identification of the family economic status of social assistance applicants and to curb the



occurrence of "social assistance fraud", the autonomous region's civil affairs office has formulated the data docking scheme, standardized the operation process and implemented the work responsibly. In October 2016, the region completed the checking that the DiBao information system and the family economic status checking system data worked together. Since then, the region's new DiBao applicants in the county (city or district) should be checked by the information system about their family economic situation and be issued with a check report. The county (city, district) civil affairs department will be based on the audit report for approval. Applicants who have not been audited could not pass the approval test.

Kunming city in Yunnan province has established the "Kunming Resident's Economic Status Checking Centre". The checking center mainly has three ways to conduct a check: First, the network information checking. Through the checking information platform the comparison line and the household economic status checking network system, checks of the applicant's income and property information can be made.

Second, check information can be checked using a portable device. Those departments which do not have the information network conditions, can use the encrypted U disk to verify the applicant's income and property information.

Third, conducting field investigations and verification. For the audit of social assistance applications among the Town and District levels, the staff use the household survey, neighborhood visits, letters and evidence, etc. to check the applicant's income and property information⁶.

Wenchang City in Hainan province has established a reporting system for social assistance. The reporting methods involve telephone, letters, networks and face-to-face reports. Any problem with social assistance, including social assistance fraud, is encouraged to be reported to the authorities. The local government is in charge of handling the reports based on the principle of "Whoever is in charge is responsible". If there happens to be fraud, education and admonition should be used before punishment. If the Civil Affairs authority receives such a report, it should investigate and verify the reported case immediately. But in order to make the report procedure more efficient, some exceptions are provided. The report will not be handled if the report does not identify a certain person; if the reporter does not report the case level by level; if the reporter does not report in time etc. The reported case should be closed within 60 days, except if it is a complicated one. If the whistleblower is not satisfied with the result, he can require the authority to re-investigate the case within 30 days. The authority should not inform any person or organization related to the reported case about the handling of the case before the case is finished. The documents and the evidence related to the case should be restored carefully⁷.

Hefei city, in Anhui province announced its "Measures for Verification of Reporting on Social Assistance in Hefei" in 2015. The Measures put forward some new policies about reporting and supervision. The reported case should be recorded and accepted in the first place. The contact information of the social assistance authority should be announced on the network.

In Yantai City in Shandong province the result of the verification made by the verification committee should be publicized at the village level, including the basic family information, household economic survey, the amount of the benefit, etc. If the DiBao beneficiary also receives other social assistances like medical assistance or housing assistance, he also needs to be verified and supervised specifically. The reporting of improper behaviors is encouraged, and will be re-investigated by the authority over time. In order to ensure the qualification of the beneficiary, a review system has also been built. The review frequency is based on the income situation of

⁶ Yunnan Kunming Civil Affairs Bureau, social assistance section.

⁷ Hainan Wenchang Civil Affairs Bureau.

beneficiary's family. Specifically, there is a review once a year if the family income is stable and a review once a month if the family has the possibility of having other sources of income, or has an unstable income. Some special review should be promoted when a special event which will change the income status of the family happens to the family including the retirement of parents, graduation of a child, etc. Special records should be kept if the beneficiary has a relationship with government officials.

According to the policy, if the beneficiary is a relative of a government official at the village level, then the household survey for this beneficiary will be handled by the higher level government. The supervision involves cooperation with a variety of departments including the financial department and the review department. The supervision will be carried out by different means including special inspection, unannounced visits and social supervision. Tip-offs are encouraged. Every report should be verified carefully in time, and the reporter should be protected.

The main purpose of such measures is to monitor the eligibility of social assistance applicants. These measures use a variety of channels to restrain the troubleshooting "leaky" unqualified applicants. On the one hand, government uses the social security information verification system established by the government in real-time to update and review the actual asset status of the social assistance applicants and on the other hand, adopts a diversified reporting mechanism to broaden the social supervision mechanism.

2.1.3 Establish and improve the social assistance fraud penalty mechanism

Social assistance fraud requires not only steps to prevent a fraud but those who commit a fraud also need to be punished afterwards. The policy related to the mechanism of social assistance fraud in China is mainly based on the "Interim Measures for Social Assistance" and the practices of the various districts. It is possible to increase the costs of fraudsters by means of refunds, fines and increased restrictions on social assistance eligibility.

Beijing Municipal Civil Affairs Bureau has severely punished improper DiBao applicants. In accordance with the regulations, these people need to firstly refund the previously received allowance, calculated from the day that they received the benefit, and in accordance with the laws to receive an extra punishment afterwards. For example, if a fraud case is detected, the fraudster will not be eligible for DiBao again for a period of six months and a fine may be imposed of up to three hundred per cent of the amount obtained fraudulently. The fraudster may also be held criminally responsible. This depends on the amount of money involved in the fraud. Beijing has established a recording system for social assistance management staff and their close relatives, to investigate and deal with corruption in social assistance. The Beijing government has also strengthened the policy advocacy, and actively reviews social assistance applicants to actively identify the program and to prevent the omission of any individuals who should be eligible for social assistance⁸.

Suqian City in Jiangsu Province issued a directive "Suqian City Social Assistance Applicants to be Punished for Dishonesty and Rewarded for Honesty". This policy prescribes four types of social assistance applicant dishonesty. These include, firstly, deliberately concealing the real income of the family and the manipulation of the family's population, or providing false application materials during the application or falsely claiming a social assistance benefit. Secondly, family members such as children who have the ability to support their parents, but who do not fulfill their maintenance obligations. Thirdly, social assistance management staff making improper reports or providing other assistance to applicants maliciously. Fourthly, other cases of dishonesty⁹.

⁸ Beijing Civil Affairs Bureau, social assistance section.

⁹ Jiangsu Suqian Civil Affairs Bureau.



For those who have been dishonest but eligible for social assistance benefit, or have received an allowance, the Social Assistance department will raise the frequency of the verification of their economic situation. When it is confirmed that the applicant's economic situation has improved, the allowance will be stopped.

According to the regulations, if the social assistance applicant has no illegal or dishonest records and has received some rewards, the applicants will receive extra allowance. In addition, if the social assistance applicant has had no behavior that is dishonest, he can disagree with the social assistance management and provide relevant evidence to prove his innocence.

Chongqing in May 2016 began the implementation of the "Chongqing Urban and Rural Residents Minimum Living Security Regulations". These clearly state that those committing DiBao fraud will be held criminally responsible.

In Xi'an City, in Sha'anxi province the urban and rural DiBao program will introduce a "one step" service management window. Applicants need to provide the relevant supporting documents, and provide their family economic status commitment, and be confirmed by the civil affairs department as to their family economic income and property status and provide a verification authorization. The application will be reviewed by the town government (or district office) in the first place, and then be transferred to the county or municipal civil affairs departments to verify the authenticity and credibility of the application. Applicants who are not eligible for social assistance should be promptly excluded. Applicants who have already received the allowance may also be able to conduct a quick review through the system if they are reported. Such measures directly deal with social assistance fraud caused by individual or family concealment. The first step is to establish a comprehensive information verification mechanism for false social assistance qualification information verification and investigation. The second is to establish a reward and punishment mechanism to encourage non-eligible applicants to withdraw their application and to make social assistance fraud subject to a fine or criminal punishment¹⁰.

Longxi County in Gansu province has combined the information system and the household survey to tackle the fraud in the DiBao area. For those people who provide false information to receive a DiBao benefit their DiBao benefit will be cancelled. According to its verification process, Longxi County has already cancelled 136 households for their misbehavior in DiBao.

Recently, some DiBao beneficiaries in Shanghai took advantage of the social assistance medical subsidy by falsifying the evidence of their medical treatment. In order to stop this misbehavior, Shanghai has announced new regulations. According to these new regulations, anyone who cheats the social assistance subsidy by falsifying critical information will be answerable under the law, the benefit will be stop immediately, and the benefit received illegally will be recovered.

These kinds of direct response and relief measures of fraud are caused by an individual or a family or the survey conditions. First of all, there is a need to establish a comprehensive information verification mechanism to verify, investigate and reduce the conditions relating to false information. Secondly, there needs to be an incentive mechanism to encourage those who do not meet the conditions for receiving assistance to remove themselves from social assistance and for there to be a clear system for recovering the fraud and establishing criminal liability and civil compensation.

2.1.4 The establishment of a social assistance management internal control mechanism

One of the main causes and main sources of social assistance fraud is the abuse, and omission, by the social assistance management agencies. Therefore, some areas prescribe the internal control mechanism for social assistance management agencies, to prevent corruption and omission. In the

¹⁰ Xi'an Civil Affairs Bureau, social assistance section.

development of the social assistance fund allocation program, the staff needs to be in contact with the financial sector in the first place, calculate the distribution of funds according to a certain formula, and then calculate the amount of funds allocated to a certain county. The plan shall be submitted to the Civil Affairs Bureau at provincial level for review and discussed in meetings. The meetings will be held at various administrative levels and strictly recorded in accordance with the regulations. The conclusions of each meeting need to be made available online. In addition, the Hebei Provincial Civil Affairs Office expresses the view that the implementation of social assistance, including the use of its funds, the rules for qualification, etc., should be made public on the Internet.

Qinghai Provincial Civil Affairs Department set up a unified social assistance report center. The municipalities and counties should strictly trace and supervise the handling of the report. The Civil Affairs departments at all levels will carry out special inspections every year to strengthen the DiBao supervision. The urban and rural DiBao performance appraisal, supervision and inspection results will be linked with the rewards related to the staff. At the same time, Qinghai Province established a contact system, covering the Civil Affairs Bureau and a number of other departments. At the contact system, the situation relating to DiBao supervision in the different areas will be announced. If there are problems in the DiBao supervision, the person in charge of the supervision will take responsibility, or answer to the party discipline mechanism or by law¹¹.

In Changchun City in Jilin Province, the regulations related to the approval procedure and the day-to-day management of DiBao has been transferred to the district level. And the community (or village) will no longer be responsible for a DiBao application and its audit work. The district and the community will form a joint audit team, to review the applicant's actual economic situation, family property, income and expenditure, and confirm the DiBao applicant's qualifications publicly. This not only greatly reduces the burden on the community, but also makes the DiBao application, approval and distribution program independent. This effectively prevents fraud. Changchun City has strengthened the transparency and impartiality of the DiBao program. The government requires all DiBao families to be made public. Application conditions, application procedures, policies and regulations must be promptly announced so as to accept social supervision. The government further standardizes the DiBao hearing system, strengthens its supervision and increases the punishment for fraud. In addition, the government has established the DiBao accountability system¹².

Yichang City in Hubei province has announced a social assistance responsibility policy to enhance the internal control of social assistance management. The responsibility for social assistance should be clarified and supervised by every level of government from the county level to the village level. The counties and district governed by Yichang city have provided some experiences about this topic. The Wujiagang district holds verification meetings regularly each month. The meeting not only focuses on the verification of the social assistance management, but also aims at increasing the ability of the management staff. Dangyang County has established a social assistance fund management mechanism. The social assistance fund is independently used for certain purposes¹³.

The delivery of the benefit should be in compliance with the special procedure to ensure the safety and transparency of the fund. For the towns governed by the Dayang County, the social assistance fund should be investigated and supervised by the County Civil Affairs Authority every year.

Since 2017, Liaoyuan in Liaoning province has carried out a special review of the social assistance fund. This review group focuses on the usage of the social assistance fund at every administration level. The review group uses the data collected by different departments including the financial

¹¹ Qinhai Civil Affairs Bureau.

¹² Changchun Civil Affairs Bureau, social assistance section

¹³ Hubei Yichang Affairs Bureau.



bureau, the education bureau, the housing bureau and the social security bureau to calculate the number of beneficiaries as well as the benefit levels. It will check whether these data are in line with the national standards. During the review, big data technology has been used to check the real economic situation of the beneficiaries. The micro data such as provident fund record, social security contribution, automobile registration etc have all been used to verify the qualification of the beneficiaries. As for the details relating to benefit delivery, the details of the account, the method for the benefit delivery, the bank record of benefit are also checked¹⁴.

After the review, the authority which has conducted the review is required to submit a “rectification” report. This report will help the review group to adapt the report for use by authorities in the future.

The innovative practice of the internal control mechanism of social assistance has played an active role in further optimizing the system design and improving the implementation of various policies and measures.

2.1.5 Third-party social institutions and social organizations participating in social assistance services and supervision

Social assistance fraud mainly comes from the social assistance applicants and the social assistance management staff. Social assistance is a non-contributory program, and the management authority belongs to the region. This means that social assistance is difficult for the higher levels of government to carry out effective supervision. It is often difficult for social assistance applicants to deal with the willingness of the staff to manage the social assistance program. Therefore, the introduction of a third party into the implementation of social assistance to carry out independent supervision in many cities has begun to be piloted.

At present, the Beijing Municipal Civil Affairs Bureau and Social Workers have reached a cooperation agreement. The social workers will check the status of a DiBao applicant’s assets by unannounced visits. In addition to the verification, the social organization is also involved in social assistance work performance appraisal, offering a comprehensive assessment of the county community social assistance policy implementation, management, capital use etc.

In Ningbo in Zhejiang province, the government and the social organizations jointly established a service platform for social assistance, in order to integrate the talent, information, technology, capital and other advantages through the alliance of government and society. Ningbo 81890 help service center joined more than 740 service enterprises, containing more than 100,000 registered volunteers. At present, the number of this kind of social organization service platforms has reached 138. Ningbo government also introduced a corresponding management approach to ensure the standardization of service project management. Whether it is government buying services or using public investment, there is a need for precise management¹⁵.

The government has established a series of production projects from project suggestion, design, and review, subscription to project implementation, supervision and then to final performance evaluation. The project solicitation studies the urgent needs of services to address the problem, and to ensure the accuracy of the service. Performance evaluation is commissioned by third parties to the social assistance applicants to carry out satisfaction evaluations and project funding audits. The project implementation’s results measure social assistance applicants’ satisfaction levels.

¹⁴ Liaoning Liaoyuan Civil Affairs Bureau.

¹⁵ Ningbo Civil Affairs Bureau, social assistance section.

2.2 Building the framework for anti-fraud in China's social assistance program

The governance of social assistance fraud involves multiple dimensions and levels, and requires a high degree of compound management and governance. Social assistance fraud is not simply a matter of fraud; social assistance fraud is more reflected in the abuse of social assistance's resources and services. Therefore, the essence of the governance of social assistance fraud is to improve the social assistance system and to guarantee the accuracy of social assistance's targeting. Therefore, the governance of social assistance fraud does not rely on harsh laws, but relies on the continuous improvement of the social assistance system.

2.2.1 Using information technology and network platforms to build precision in the social assistance identification mechanism

The accurate identification of social assistance applicants will prevent social assistance fraud in the first place. The failure of the social assistance applicant targeting procedure will lead to the misbehavior of the social assistance applicants, provide the opportunity for social assistance fraud, or even encourage social assistance fraud. The accuracy of the identification mechanism used to identify a social assistance applicant is not enough. On the one hand, it lacks appropriate incentives for the means of the household survey and an accurate information collection mechanism; on the other hand, it lacks the operability for a review and a withdrawal mechanism. This results in people not being eligible for social assistance getting the benefit.

To achieve the correct identification of social assistance applicants, we need to upgrade the technical means and improve the management mechanism. The provinces and municipalities should integrate the civil affairs departments, the human resources and social security departments, the transportation departments, the housing and construction departments, banks, health departments, the securities departments and other departments, to jointly build a social assistance data verification system. We can then use this system to carefully review the data, such as family, health status, labor capacity, and economic income, for assessing social assistance applicants.

After the system is developed, it is necessary to make timely changes in the data, strengthen the dynamic management, and solve the problems of social assistance applicant identification and moral hazard caused by an information asymmetry. We also need to build a similar system at the county level as a further step.

In addition to using government sector data, some developed areas may consider obtaining evidence from a wider range of data sources when receiving reports about social assistance fraud. For example, using the Alipay, WeChat and other network payment systems to verify whether the social assistance applicant's consumption surpasses the social assistance standard, to check whether they are engaged in internet-based occupations (such as Uber drivers, take-away distribution staff, Taobao shopkeeper, etc.).

In addition, the credit system of the social assistance system should be established on the basis of the information verification system and incorporated into the social credit system. Thus, a market mechanism can be achieved as the punishment of the default, so as to guide citizens to self-restraint and self-management. The information verification system and society can form a two-way cooperation - on the one hand from the social market and other paths to access information and on the other hand sending information back to the community, so that the social assistance information moves back into an applicant's personal basic information. For example, employers, banks and other departments can check from the information verification system whether a certain individual has been entitled to social assistance benefits.



2.2.2 Improving supervision and the reporting system in China's social assistance system

The abuse of power and omissions by social assistance management staff is an important reason that social assistance fraud exists. It is because of the fact that the social assistance operation is not standardized that management staff have too much authority. Therefore, we need to strengthen the supervision and standardize the approval and verification processes of social assistance. It is suggested that information technology and a network of social assistance management should be implemented in the developed areas.

It is suggested that the use of modern technology to promote social assistance management should be highlighted, so that social assistance's management can achieve standardization, to reduce subjective interference, and help to overcome the social assistance management problems. The Government and the Civil Affairs departments at all levels should strengthen the responsibilities of social assistance managers and set up a spot checking system in conjunction with the financial and the auditing departments.

It is recommended that the social assistance funds should be cleaned up, reconciled and supervised. There should be increased penalties for those violating the social assistance program. Staff should strictly behave in conformity with the "Civil Service Law", the "Civil Procedure Law", the "Criminal Procedure Law", the "Social Assistance Interim Regulations" and other relevant laws and regulations in the implementation of social assistance. In the area of social regulation, a special supervisory hotline is required to allow anonymous reporting and the protection of the privacy of the whistleblower. It is recommended to establish multi-channel, diversified reporting channels, including e-mail, a WeChat public account, a Microblog and other pathways. At the same time we also need to monitor the network report itself. It is proposed to cooperate with the network supervisory department to establish a network monitoring work station and to verify that the social supervision has not been reported directly but by a network media like BBS. It is recommended to use the mass media such as network, Microblog and a WeChat public account to distribute the use of social assistance funds and social assistance procedures to ensure the openness and transparency of the social assistance process and the supervision and reporting process. It is proposed to promote the studying of social assistance for the poor population in the evaluation index system of government work at all levels.

2.2.3 Encourage and promote social participation in social assistance services, supervision, and error correction

China has had a fine tradition of mutual aid since ancient times. Social forces participate in social assistance. It is the inheritance and development of this traditional fashion in the new period. In November 2013 the third Plenary Session of the 18th CPC Central Committee, decided to promote national governance systems and governance capacity modernization "as the overall goal of deepening the reform and promoting the transformation of social assistance from the traditional" modern management to "governance". The social assistance providers of governance are government departments, social organizations, enterprises and individuals in accordance with the relevant laws and policies. They rely on their own efforts to maintain the basic life of the citizens, to coordinate their different interests and to take joint action to provide material assistance or services to the public, in order to meet the demand, process and condition of realizing public interests or maintenance in the management of public order. Its main characteristics are pluralism, content, systematicness, mode participation and objective publicity and its core is the cooperation and governance of plural subjects in social assistance affairs.

The main body of social assistance fraud is committed by recipients object and by management. Fraud by these two entities is inter-related to each other. Within these types of fraud the behavior is reflected in the regulatory problems and rescue practice. In the process of person action caused by

the need to introduce more objective and less interest interference, third parties involved in the rescue anti-fraud process, accurate relief service delivery, accurate identification of relief object, and the precision of supervision and relief work.

2.2.3.1 Establishing a third party social assistance identification mechanism

Although some developed areas have established a social assistance information verification mechanism, those mechanisms are difficult to copy in the less developed areas. Practice shows that these areas are the current areas where there is frequent social assistance fraud. Social assistance programs are very flexible in these areas. The phenomenon of rent-seeking is common. Therefore, it is recommended that a third party be introduced to carry out independent verifications. The higher levels of government may entrust third party organizations, such as social work organizations or other voluntary organizations to carry out social assistance supervision. This kind of supervision can be carried out by means of a combination of unannounced visits and can be used to collect information collected by the social organizations engaged in welfare work (such as supporting the work, etc.) and present it to the relevant departments as the verification basis. Third-party institutions are not directly under the jurisdiction of the local civil affairs departments. They have a more applicative understanding of social assistance and can collect information on social assistance to assist the applicant in their accurate investigation of social assistance.

2.2.3.2 Establishing a third - party social assistance management and supervision mechanism

Third-party institutions can achieve an effective supervision of social assistance in the rural areas, thereby reducing the impact of social assistance management agencies who do not act or abuse their power. Rural areas can improve the accuracy and fairness of social assistance through third-party regulators. For example, farmers can report to the higher authorities through the third-party organizations to reflect the current social assistance concerning the existence of fraud. Third-party organizations can also directly review the social assistance treatment to ensure it is in line with policy requirements.

2.2.3.3 Establishing and improve the role for social organizations in social assistance

The participation of social organizations in social assistance lacks legal support and institutional incentives. Therefore, the participation of social organization in social assistance is inefficient, making it difficult to achieve the established goals. Therefore, we need to ensure that social organizations, in accordance with the law, can obtain legal support, financial subsidies and tax incentives. In order to strengthen the legal protection of social organizations participating in social assistance, we have, on the one hand in accordance with the "Interim Measures for Social Assistance", to encourage social organizations to participate in social assistance whilst on the other hand, we need to guide social organizations to participate in social assistance according to law. It is recommended to clarify the social assistance responsibilities of social organizations, standardize the procedures of social assistance and strengthen its supervision so as to improve the efficiency of social organizations' participation in social assistance.

2.3 Improving institutional environment for anti-fraud in China's social assistance

At present, the causes of China's social assistance fraud are mostly due to the design of the social assistance system as well as the implementation of social assistance policies.

2.3.1 Improving the setting of the qualification standard

Social assistance fraud is partly due to inaccurate targeting, which used to be explained by the failure of implementation.

However, the real problem behind it is the inaccurate standard setting, resulting in various kinds of positioning failure and social assistance fraud. A mature system design is the foundation of

effective execution. It helps to cut cost and to reduce rent-seeking behavior. An inaccurate policy orientation leads to too much discretion in the implementation process, especially at the in grass-roots level and in undeveloped areas. Practice shows that even in the same community, the terms relating to social assistance qualification may be explained in different ways. Therefore, a precise system will lead to precise execution.

The inaccuracy of social assistance qualification lies not only in the data, but also refers to the match at the macroscopic level between the social development requirements and the local poverty characteristics. At present, China still has "income-based poverty" as the main standard and ignores capacity-based, expenditure-based or opportunity-based poverty. In this case, the latter have no choice but to adjust to the present standard, which seems quite inexcusable. Therefore, the complete qualification standard is based on income, but is also complemented by an expenditure demand as well. First of all, the minimum living security system is to protect the right of survival, of which equality is the primary value. Therefore, the localization of the minimum living security system should be abolished. Urban and rural division restrictions should also be replaced by a combination. In the meantime, the condition of the actual living or work areas, rather than the level of household consumption, should serve as the criteria for ensuring the fairness of the outcome.

Secondly, the entry- exit mechanism of the minimum living security system should be improved. Assistance is not just "negative" help, but is also to nurture self-help awareness to make the beneficiaries live independently. On the one hand, different assistance thresholds should be set according to the capacity of the income-based poor population. A "work welfare" system could be introduced to set the maximum duration of continuous relief to prevent welfare dependency; Social assistance payments should decrease proportionally in cases of continuous rejection for no reason to taking up employment. On the other hand, a remission period and a qualification retention period should be set. Payments would continue in the remission period but would stop in the qualification retention period. Beneficiaries would completely withdraw from the minimum living security system at the end of the qualification retention period. For those who got out of work again during these two periods, proving their unemployment would guarantee the continuous payment of the minimum living allowance. A specific package of assistance should be developed for the special needs and causes of the expenditure-based poor population. The "household operating standard" put forward by some scholars could also be used in the design of the social assistance standard. The causes of expenditure-based poverty could be medical care, education, sudden risk etc. Therefore, all of these expenses should be included in the poverty-approved index system. In the meantime, the bundled implementation of the DiBao qualification together with the medical, educational and other special assistances should be abolished so as to extend the social assistance coverage to the expenditure-based poor people. Differentiated types of social assistance should be provided based on the difference of requirements and difficulties of the expenditure-based poor people to ensure the match of resources and requirements both in contents and degrees, and more importantly, lead to an ultimately effective outcome.

2.3.2 Improving the precision of special assistance targeting

The persons committing social assistance fraud are often the poor people.

They conduct fraud not out of a very strong subjective viciousness, but just to obtain a piece of their own social assistance. It is so inexcusable that this kind of fraud exists in the way of acquiescence in practice and is seldom punished with tough laws. The current social assistance eligibility criteria are too simplistic, significantly tilting towards subsistence allowances. In this case, beneficiaries of different needs all tend to focus on the subsistence allowances. In fact, China's social assistance system includes income assistance (such as DiBao and the five guarantees), special assistance (such as medical assistance, educational assistance and housing assistance), temporary assistance (such as

disaster assistance) and other supplementary assistance (such as private charity). However, in the actual process of examination, the qualification is decided by whether the claimant has the subsistence allowances, thus obscuring the boundaries of income-based relief and expenditure-type social assistance. Therefore, the system's construction should be based on the needs for security and improving the classification and differentiating the relief system.

Efforts should be made to classify the project, to update its content, to improve the intensity and the range and to achieve an allocation based on demand. A new evaluation system, specialized in information and data, should be established based on considerations of both income and expenditure and emphasizing the roles of basic living assistance in income-based poverty and special assistance in expenditure-based poverty to offset and prevent poverty. The establishment of a comprehensive social assistance information system will serve as the basis for the integration and development of a cohesive mechanism among the medical, housing, employment, judicial assistance and other special assistances. It helps to make some deduction and improve the resource efficiency. However, the social assistance classification and the special assistance are in greater need of open, transparent and timely services. Compared to income subsidies, the special assistance is more temporary and targeted, thus its dynamic management for optimization is demanded in the acquisition and cancellation of the assistance qualification. The five guarantees system for special populations and the social assistance system for beggars should be abolished, split according to the contents and levels, and integrated into the other social assistance projects to avoid superposition.

2.3.3 Increase input and allocate resources

One of the causes of social assistance fraud lies in the insufficient input and the limited resources. In the case of inadequacy, it is hard to ensure sufficiency especially in poorer areas, which demand more with scarcer resources. This phenomenon is partly related to the principle of territorial management of the relief system and the central/local fiscal and taxation system. Under the principle of taxation and territorial management, the decentralization of the social assistance authority is driven by the information advantage of local government, but the "responsibility anthropomorphism" indicates that the central government strengthens the local political control through resource superiority, resulting in increased management costs and weakened government credibility. From the perspective of China's national conditions, the key to maintaining social assistance in the vertical, inter-governmental symmetry is to rationally allocate the financial authority to all levels of government and departments. The allocation of financial expenditure in the social assistance program should be based on the distribution of administrative functions in the relevant legal norms, so as to ensure the consistency of rights.

First of all, the social assistance financial expenditure ratio of all levels of government should be clarified. China's revenue-sharing fiscal system means that neither the central government nor the local government can bear all the responsibility for social assistance expenditure alone.

In the meantime, the bottom-up integration trend for social assistance financial authority empowers the central government with the major financial expenditure responsibility. In many countries, the central government shares a financial burden ratio more than 50 %. Some Chinese scholars also suggest that "the central Government should bear a proportion of between 60 % and 90 % and that local government bears between 10 % and 40 %." Secondly, all levels of government bear different expenditure responsibilities in the specific assistance process. Modern social assistance focuses not only on helping poor people to get an income supply, but also on helping the vulnerable people have the ability to make a living.

Sources of social assistance funds should be broadened to ensure the smooth development of social assistance work. Firstly, a social assistance fund sharing mechanism should be established. The establishment of a sound central-provincial-district (township) financing system is required. In the



comprehensive consideration of the number of beneficiaries, the financial situation and other factors, financing the responsibility for financing social assistance ought to be clarified among all levels of government. Transfer payments should be further enhanced in poverty-stricken areas. Secondly, more social forces should take part in social assistance with the government playing the leading role. This would establish a government-led, private capital and charitable organizations-joint trend. In addition, the social assistance function of community organizations should be enhanced. Social donations, charitable organizations and other channels to raise funds should be developed to raise more money and optimize their use.

2.3.4 Improving the current regulations and the legal system for social assistance

The "Interim Measures for Social Assistance" enacted from February 21, 2014, marks the beginning of discussion on social assistance legislation in the form of administrative regulations. As the first administrative regulation about social assistance system since the founding of New China, the "Interim Measures" build a reasonable framework for the social assistance system and contributes to the pace of standardization and legalization. It also acts as important sign of the maturing of the social assistance system, and the most authoritative legal text against social assistance fraud as well. However, the "Interim Measures" also fails on account of its limited binding scope. For example, the legislation level of the "Interim Measures" is not high enough. The strong awareness of territorial management and the clause on too much authorization hinder its implementation. The vague liability-sharing system between the central and regional governments weakens its overall control. As to illegal acts, the "Interim Measures" clarifies the relevant legal liability in Chapter 12. Legal liability contains two aspects. On one hand, the punishment of illegal acts by relevant social assistance agencies and staff, such as the confiscation of illegal income, applying sanctions to persons directly in charge, etc. On the other hand, there should be a punishment of illegal acts by beneficiaries, for instance, to stop the assistance for who cheat on the bailout funds, to recover the illegal income, and to impose a certain amount of fine. However, according to relevant provisions of the "Interim Measures", these penalties are soft, thereby weakening the dignity of the law. For example, the provisions of Article 68 stipulate that a person who has defrauded the bailout funds CAN be entitled to a fine of less than one time but not more than three times the amount of the illegally obtained social assistance amount. This provision is not only soft in the amount of the fine, the word "CAN" is also subject to interpretation in legal terms, similar to the meaning of "may or may not", that is, either impose a fine or not. As a result, the lower legislative level, combined with the weak penalties and lax enforcement, sabotages the effectiveness of supervision.

Therefore, it is necessary to further improve the legal system of social assistance, so as to maintain the healthy operation of the social assistance system and provide a reliable legal basis for social assistance fraud regulation. Firstly, the punishment levels for illegal acts should be increased to defend the dignity of the law. At present, the legal consciousness of our government and the public is relatively weak, and the principle of ruling the country according to law has not yet been deeply rooted. If the punishment of the offender is not tough enough, the law will not be effectively implemented and the rights and interests of the law-abiding party will not be protected as well. Therefore, the punishment should be strengthened. For example, as to the illegal acts of assistance agencies squeezing, privately dividing or embezzling relief funds, it is not only necessary to recover the illegal income, but there should also be punishment of the direct parties concerned according to the "crime of fraud" defined in Article 384 of "the People's Republic of China Criminal Law". This would ensure the enforcement of the law and guarantee the strict obedience and smooth implementation of the "Interim Measures".

Secondly, an integrated set of unified national social security fraud clauses should be established. Based on the operational characteristics of the social assistance system, it is inevitable to carry out

the jurisdictional management with the help of an enabling clause. However, these clauses should be only based on the specific operation of the standard establishment and funds contribution process, instead of casual adjustment according to circumstances. Strict agreement on the "Interim Measures" clauses is indispensable, as is a judicial explanation from the central government, to regulate the connotation, the extension, the enforcement and the punitive measures for social assistance fraud.

Thirdly, the legislative level of the "Interim Measures" should be improved and the cooperation with the public security system should be strengthened. As the law at the highest level of the social assistance system, its legislative level is low, resulting in relatively lighter punishments for social assistance fraud. The public security system is only involved in the case of third-party fraud or serious corruption. However, social assistance fraud often takes the form of nothing more than an omission or a concealment. This means that the really powerful law enforcement agency rarely intervenes. Therefore, the Anti-fraud mechanism only works when the legislative level is enhanced, the clauses are clearly clarified and the relevant agencies play an effective role. Although the overall impact of social assistance fraud is terrible, when it comes to individuals, the circumstance is less severe. In this case, the role of judicial authority is one of deterrence rather than one of combat. This would reduce motive and increase the cost.

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APPENDIX: INTERNATIONAL EXPERIENCE OF ANTI-FRAUD MEASURES IN SOCIAL ASSISTANCE**Anti-fraud experience in the EU****1. The basic principles of the anti-fraud strategy of the EU**

The anti fraud strategy of the European Commission is applicable to the budget of income and expenditure. The main guiding principles and standards are as follows: first, abide by the moral standards. Ethical standards of the European Commission and other EU fund management agencies must abide by the highest standards of integrity and standards. Their staff must also abide by these standards and fully train the risk of fraud and the ability to counter fraud.

Second, increase transparency. This is a powerful weapon in combating fraud. The use of EU funds should be released as soon as possible in the format that is easy to be reviewed. It should conform to the data protection regulations and facilitate the analysis and comparison of anti fraud.

Third, the design of the fraud prevention project is the first step to effectively prevent fraud. Therefore, the related feasibility study and impact assessment should include the analysis of potential fraud risk. In the implementation phase of the project, the cost efficiency and risk monitoring and control mechanism should be able to appropriately slow down the risk of fraud.

Fourth, effective investigative ability. Appropriate tools and incentives are important for the effective detection of fraud. In the event of suspected fraud, anti fraud organizations need to be careful to obtain the necessary information, cooperate with the censorship and follow the rules of management. In addition, anti fraud organizations need to get effective and timely information from the investigation entities, so as to take preventive measures as early as possible, so as to prevent any violation or fraud from continuing to affect the EU budget. Whistle blowers, witnesses and insiders need a simple, safe and fast process of reporting fraud.

Fifth, administrative approval and judicial adjudication must be completed in due process and in a reasonable time. In order to make the action more independent, the EU regulations need to provide a higher standard mechanism for the use of due process. In addition to an appropriate award, an individual who has been convicted or punished must be deprived of the illegal income and return the proceeds of deception.

Sixth, the good cooperation between the internal and external personnel, the cooperation between the European Union member governments and all the related service institutions is a prerequisite for effective cracking down on fraud. Especially in the common management system, the European Commission must take into account the important role of the service implementers.

2. Fraud Prevention and Fraud Risk Control

Prevention and detection of fraud and irregularities are applicative to be achieved through the internal control process within the Commission that is applicable at all management levels. All entities managing EU funds are legally bound to prevent irregularities and fraud affecting the EU budget.



In practical terms, the Commission, the Member States and other implementing partners have an obligation to put in place management and internal control procedures designed to prevent and detect irregularities, errors and fraud.

The controls aimed at preventing and detecting fraud are part of those intended to ensure the legality and regularity of transactions. This Anti-Fraud Strategy should not, therefore, result in an additional layer of controls. It is necessary nonetheless to ensure that the internal control systems in place adequately cover the risk of fraud. While the legal framework already provides a full set of requirements to ensure the regularity and legality of the procedures, further improvements are needed in order to address specific exposure to fraud in a satisfactory manner. The Commission's central, and certain management, services have developed risk analysis tools which are also suited to managing fraud risks, but these need to be reviewed regularly in order better to address these issues. The Commission will actively promote fraud risk management and will monitor the practical results stemming from the fraud prevention measures which are already in place.

Under each management mode, committee services will be established by Olaf's assistance, so that they can reasonably guarantee that they will find significant violations and fraudulent practices. In particular, conditions should be created to identify suspected operations or operators through specific indicators (red flags). These services will assess the need for improved fraud risk assessment by establishing a more systematic and formal fraud risk identification procedure. At the same time, in order to make the most of the available resources, they should use intelligent tools to introduce intelligent controls, which are adapted to their needs appropriately. For example, these tools have concentrated existing data on existing data linked to closed or ongoing EU funded projects. This is useful for the purpose of preventing fraud risk, but it can also detect plagiarism and fraudulent dual funds. Only when the relevant information system contains complete, consistent and reliable data on EU funds, these tools will be fully effective. In determining the business needs of the new IT system, the possibility of analyzing the data to prevent fraud risk should also be considered.

The communication between commission services to improve the risk of fraud can be improved. The review used by the early warning system will make it more effective in the direct management of the anti fraud tools. It should be set up to carry out a wider exchange of information with the outside world.

The EU for awareness raising and training will regularly improve its potential fraud awareness among its staff, especially project managers, financial staff and auditors, as well as the staff of the EU. It will work closely with the EU external action agency and other EU agencies to promote this policy. It will disseminate information on the early warning system, on reporting fraud procedures and in combating fraud measures. These measures include preventing fraud and irregularities by taking timely and appropriate actions to prevent them from continuing to happen, mainly in the most concerned institutions and entities. The information to be transmitted should include information on anti fraud measures and Olaf. All personnel working in project management and financial business have the responsibility to prevent and detect fraud and should undergo adequate training, including training in anti fraud matters.

3. The anti-fraud process of the European Commission Services

The European Commission Service has coordinated its internal control systems and processes to make them conform to the principle of proportionality. The Department's anti-fraud strategy should illustrate the whole process of anti-fraud. Including fraud prevention investigation, and the European Union anti-fraud office and the Commission Services Department, the return of property and punishment. Departments also adjust these elements to meet specific fraud risk and specific circumstances. It can be based on the existing department strategy and appropriately add some content at the right time. The European Commission has also implemented regional strategies for different risks, and a new case is an action plan on the smuggling of alcohol and tobacco at the Eastern European Union border. The European Commission will also promote the EU institutions (including the EU foreign affairs department, the office, the office of the joint management mechanism, in close collaboration, improve) standards of anti-fraud strategy of EU institutions.

The EU OLAF Report 2015, EU; Pfiiborský M. The New Commission Anti-Fraud Strategy: revamped fight against fraud at EU level[C]// ERA Forum. Springer-Verlag, 2011:373 – 386; GAO: Data Analytics to Address Fraud and Improper Payment, 2017 USA; Social Assistance Anti-Fraud In Torton, 2000

Anti-fraud experience in Social Assistance in USA

The social assistance system in the United States is relatively complex, and the social assistance projects are very rich, including foods assistance, medical assistance, disaster relief, and temporary, local social assistance projects. The US social assistance system has more diversified service providers. For example, their medical assistance projects, women and children nutritional supplements, nutritional supplement relief projects have third-party social organizations to participate. Therefore, the US social assistance anti-fraud strategy is also more abundant. These strategies take full advantage of modern technology.

The anti-fraud measures from selected Indiana and Wisconsin states in the USA

Indiana

The Family and Social Services Administration (FSSA) takes responsibility for anti-fraud in the Medic assistance and the public assistance programs. The FSSA Chief of Investigations takes all reports where concerned individuals, employees, sub-beneficiaries and contractors wish to report a fraud concern.

Reports can be made anonymously, and all reports are kept completely confidential. If you suspect fraud by a recipient, service provider, healthcare professional or employee for any of the assistance programs listed below, please contact us at the Fraud Hotline. The list includes SNAP (food assistance), medic assistance and other state health care plans, TANF (cash assistance), Child Care Development Fund (CCDF), other FSSA public assistance programs.



Wisconsin

Individuals and families applying for the state's health care and nutrition public assistance programs are required to provide proof of certain information so that their local agency case worker can determine if they are eligible for the programs. It is mandatory for case workers to verify some information that the applicant provides and other information is verified only if the local agency case worker determines the information is questionable. Information is considered to be questionable if there are inconsistencies in the statements provided by the applicant or the worker has information from another source that is inconsistent with the information provided by the applicant. Information must be verified at application, at review, when a person is added or deleted, or when a change in verified information is reported, like a change in employment. Applicants and members are frequently able to self-report their self-employment information because of the limitations in what verification of self-employment income and assets that local agency caseworkers can request based on current laws, regulations, technology, guidelines and waivers from the FNS and CMS. In some cases, the information that is self-reported is not entirely accurate. As a result, Governor is directing the Department to strengthen fraud prevention in the state's public assistance programs.

The U.S. revenue investigation law enforcement agency (IREA)'s anti-fraud

IREA is the largest law enforcement agency in the United States to conduct public service investigations. IREA is responsible for the investigation and verification of public services, especially public assistance projects in the US. Its technology and data analysis capabilities in fraud prevention are ahead of the US. Some of the big city in the United States, such as New York City, the city, the diversity of social assistance programs (including cash assistance, medical assistance, nutritional supplements and other relief items), especially IREA rely on the comprehensive investigation service. The research and innovation of IREA is mainly embodied in two aspects. First, support field research through abundant and accurate data matching and data analysis; second, identify potential frauds by using advanced surveys, interviews and detection processes. IREA is the first United States to use field surveys and data analysis to prevent cash aid fraud. The qualification audit bureau set up by IREA is the best operation Department. This department not only tries to discriminate and control fraud, but also focuses on fraud prevention, and ensures the privacy and basic dignity of the parties in the process. The IREA is funded by the three level governments of the city, the state and the federal government. According to the rules of IREA, rescue object needs to truthfully report some information, including whether part-time or full-time work (whether registration); address mapping; changes in the number of household members; other welfare items of income (such as child care allowance, subsidy, disability subsidy, supplemental income benefit and unemployment insurance, pension benefit, refugee allowance); commercial insurance, bank accounts, personal assets and other income. Once a fraud is found, the fraudsters may be in jail, and the amount of all fraudulent proceeds needs to be returned, and they will be excluded from all rescue projects.

The EU OLAF Report 2015, EU; Pfiiborský M. The New Commission Anti-Fraud Strategy: revamped fight against fraud at EU level[C]// ERA Forum. Springer-Verlag, 2011:373 – 386; GAO: Data Analytics to Address Fraud and Improper Payment, 2017 USA; Social Assistance Anti-Fraud In Torton, 2000

Social Assistance Anti-fraud Measures in Canada

Increased penalties for fraud convictions were incorporated in the Ontario Works Act (OWA). Under the Act, “Applicants, participants and dependents convicted of social assistance fraud will be ineligible to receive benefits for three months on the first conviction and six months on subsequent convictions. When the period of ineligibility is imposed, the three and six-month time periods are mandatory and not negotiable.”

Ontario’s current penalties are already among the most severe, if not the most severe, in Canada. By comparison, in Alberta, there is no ineligibility period. A person convicted of fraud is still eligible for assistance if they are in need. Restitution is on a case by case basis, and varies according to the circumstances of the case and the court decision.

In British Columbia, a recipient convicted of fraud may receive a three-month disqualification, although individual circumstances may mitigate this penalty. Quebec deducts a certain portion of the individual’s benefit when clients are convicted of fraud, but the client remains eligible to receive assistance.

Toronto Social Services (TSS) also provides fraud-control strategies. Allegations related to a client’s eligibility for financial assistance, or to the level of entitlement a client is receiving, come from a range of sources, including front-line workers, special reviews of files conducted on high risk cases, or information provided through the fraud hotline or third parties. A secondary review worker, whose job it is to examine past and present eligibility for financial benefits, investigates allegations in each local office. A thorough review of the client’s file is undertaken, and all pertinent information provided by the client is reconfirmed. Wherever possible, verification of this information is sought from independent third party sources, whether through information sharing agreements TSS has established with other government agencies (e.g., Revenue Canada), or through other services such as credit bureau services. Clients may also be contacted to provide additional information, or to explain any discrepancies.

According to TSS, how and whether potential fraud cases are referred for criminal charges involves a series of steps and decisions. Where a review conducted by a secondary review worker indicates possible fraud, the case is referred to the Division’s centralized Fraud Control Unit. Cases are referred only if there is clear evidence of intent to defraud. The Unit then conducts a more intensive review of these cases. If evidence of fraud is sustained, cases are forwarded to the Special Review Committee (SRC), an arms-length body made up of representatives from the City of Toronto Police Fraud Squad, the Crown Attorney’s Office, the City of Toronto Legal Division, and TSS’s Fraud Control Unit.

The EU OLAF Report 2015, EU; Přeborský M. The New Commission Anti-Fraud Strategy: revamped fight against fraud at EU level[C]// ERA Forum. Springer-Verlag, 2011:373 – 386; GAO: Data Analytics to Address Fraud and Improper Payment, 2017 USA; Social Assistance Anti-Fraud In Torton, 2000



3.2.4 Fraud in Social Assistance: Identification, Coping Strategy and Prevention

EU best practice report

Stephane Pacaud, EU-China SPRP expert

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INTRODUCTION

Since this part of the Social Protection Reform Project deals with social assistance in China, the purpose of this document is to describe the main part of the anti-fraud scheme for the Allocation to Adults with Disabilities and Income French Active Solidarity. First of all, however, it is important to summarize the French institutional framework for the fight against fraud. A growing effort has been made in France since the beginning of the 2000's to fight social benefits fraud. The fight against tax fraud is obviously much older. The general architecture of the mechanism can be summarized as follows:

- At the political level, the National Council Against Fraud chaired by the Prime Minister brings together, in addition to the competent ministers, parliamentarians, the presidents of the social protection organizations and the trade union organizations. The Directors General of the relevant central administrations also attend this Council. It defines the National Plan for the Fight against Fraud to public finances - taxes and social protection.
- The National Delegation to the Fight Against Fraud is subordinated to the Minister of Budget and Public Accounts. It implements the plan decided by the Council. To do this, it coordinates the actions of state administrations, on the one hand, and that of the social protection organizations, on the other hand, in the fight against fraud.
- Each administration or National Social Security Fund has its anti-fraud structure.
- Each local representative of these administrations or organizations has its anti-fraud structure.
- At the local level, an anti-fraud departmental operational committee coordinates, the actions of the local services of the State and those of the local agencies of the social protection organizations in the field of the fight against fraud.

The two services covered by this paper are social minima. These are the closest to China's DiBao. The approximate similarities relate to the conditions of attribution and the indirect rights open to the beneficiaries of these services.

The allowance for disabled adults: in French Allocation adultes handicapés (Aah), is managed, on behalf of the State, by the Family Allowance Funds and the Agricultural Social Mutuality Fund. These organizations award this benefit, subject to resources, in the light of the decision of the "Departmental House of Disabled Persons" which defines the degree of disability of the applicant.

The granting of the Active Solidarity Income (Rsa) is based on two institutions:

- Departments which are the responsible authorities of the Rsa,
- Local agencies for family allowances, which process 90% of cases and pay this benefit on behalf of the Departments.

Beneficiaries of the allowance for disabled adults and the Rsa have an automatic right to open health insurance, basic scheme and supplementary scheme accounts. Rsa beneficiaries are supposed to either look for a job or to take training or an apprenticeship to get into society and find a job. The allowance for adults with disabilities and the Rsa are means-tested. These obviously include resources, but also income from capital and possible elements of the level of lifestyle. The evaluation of the financial possibilities of the beneficiaries takes into account the composition of the household. Finally, but this is less praising in China, the Aah and the Rsa are paid provided the recipient does not leave the national territory for more than six months for the Aah and three months for the Rsa.

The whole of this mechanism is obviously the object of numerous frauds. About 70% of the benefits fraud perpetrated under the Family Allowance Funds relate to these two benefits.



The French anti-fraud system is of a general nature. It is not particularly centred on the Aah or the Rsa. However, the latter is subject to increased vigilance on the part of managers.

There are other non-contributory benefits: the compensation of the unemployed at the end of their entitlements, and the solidarity allowance for the elderly in particular. But these mechanisms are relatively unrelated to the Chinese mechanism. The fight against fraud under these benefits will not be treated in this document.

1. LEGAL FRAMEWORK GOVERNING THE FIGHT AGAINST FRAUD

France is a country with a strong legal tradition. For several centuries, both the written law and customary law coexisted. Since the revolution of 1789 the written law has become pre-eminent. This trend was completed in the early nineteenth century with the establishment of various codes including the civil code (1804) and the social security code (1946). Those codes are updated very often. To understand the French legal structure one must look at:

- The French legal "pyramid" (1)
- The French definition of fraud that results and the summary typology of frauds (2)

1.1 The legal "pyramid"

At the top of the French legal edifice is the Constitution of 4 October 1958. The main purpose of this text is to fix the organization of public authorities. It is interesting to note, however, that this text includes a preamble that incorporates not only the 26th of August 1789 Declaration of Human Rights, but also the preamble to the 27th of October 1946 Constitution and the 1st of June 2004 Environmental Charter. Article 11 of the preamble to the 1946 Constitution states: "... Any human being who, because of his age, his physical or mental condition or his economic situation, is unable to work has the right to obtain from the community the proper means of existence."

In addition, the 1958 Constitution determines the respective areas of competence of Parliament and the Government. Under Article 34, Parliament lays down the rules on the determination of crimes and offenses and the penalties applicable to them. This text also determines the fundamental principles of the social security law and the powers of the local authorities. Since the entry into force of the 1996 Ordinances, Parliament also votes annually on the Social Security Financing law. Therefore the fight against social security fraud and social assistance very often requires the use of the law. In practice, the law passed by Parliament almost always refers to decrees of application. These are taken by the Government after the opinion of the Council of State and the signature of the President of the Republic. The Laws or their Decrees of Application may also refer to Ministerial Orders issued and signed by the competent Ministers.

Finally, when all the texts are applicable it is up to the National Social Security organisations to write application circulars for the local agencies.

This legislative process can therefore take place over a period that can be long. Nevertheless, these texts, supplemented by the decisions of the courts, have resulted in a legal definition of Fraud and its sanctions.

The large number of texts and their variety have meant that texts dealing with a common subject are grouped in Codes. These can have several hundred pages. Thus, in the subject matter of this document, the main texts are found in the Social Security Code, particularly concerning the allowance for disabled adults and the Code of Social Action and Families for Active Solidarity Income. The possibilities of administrative or financial penalties are also found in these two codes. The Penal Code, on the other hand, defines the penal sanctions incurred by the perpetrators of fraud against the social protection organizations and the local authorities.

1.2. Operational definition and summary typology of fraud

In France, the definition of fraud has become quite clear. It has been specified several times by the public authorities. It is also included in a 2009 circular published by the National Delegation to the Fight against Fraud.

A case must have three components to qualify as fraudulent.

A: There must first be a fact.

There are three main categories:

1.2.1 False declaration, incomplete declaration, omission, or non-declaration

- A false declaration is proven when the beneficiary knowingly gives erroneous information, verbally or in writing, in order to obtain the undue payment of a benefit or to obtain the collection of an amount greater than that to which he has by law. The Fund must prove that this is not an error. Misrepresentation is distinguished from forgery or use of false document by the fact that the information on the document is inaccurate, but the document itself has not been modified. Examples include: a declaration of isolation of a beneficiary living in a union, the communication of total absence of financial resources while the recipient is working.

- An incomplete declaration is characterized by the fact that the applicant does not give all the information. We can mention: the non-declaration of the resources of a dependent, part of the estate or bank assets.

- An omission or a non-declaration are established when it is possible to prove that the recipient did not bring to the attention of the local agency an event having consequences on the payment of the benefits. Examples include the non-reporting of a return to work by an RSA beneficiary, or the departure of a dependent from the household.

1.2.2 False documents and the use of false documents

According to the definition under the French Penal Code, "constitutes a false or fraudulent alteration of the truth, likely to cause harm and accomplished by any means whatsoever, in writing or other medium of expression of thought that has the objective to, or which may have the effect of, proving a right or fact with legal consequences ". The falsification can relate to any document, of public origin, private, or commercial. By way of example, mention may be made of:

- the modification of an address on a telephone or energy water bill, the modification of the information appearing on documents of civil status: identity, nationality, date of birth, the creation of documents, by using elaborate printing materials, that gives an official appearance (residence permit, civil status documents).

1.2.3 The scam

Whether committed or not in an organized group, according to the Penal Code, "fraud is the fact, either by the use of a false name or false quality, or by the abuse of a quality by fraudulent practices, to mislead a natural or legal person and thereby determine, to the prejudice or injury of a third party, to remit funds, securities or any other service or to perform an act involving an obligation or discharge ". The scam is therefore a ploy, more or less subtle, which can obviously include false declarations and false documents. It is distinguished from the other two situations above by the complex nature of the maneuver. The domain of the swindle being infinite, we can give some cases:

A: Creation of a dispensary for the edition of false documents, (civil status documents, salary slips, fictitious consumer credits, false invoices). The scam will be qualified if the scams are multiple and/or paid.

B: A legal or administrative text is necessary to punish the facts described above. These texts are in the different codes as mentioned above.

C: Finally, and this is in practice the most delicate, it is up to the one who invokes fraud to prove a fraudulent intention.

This intention proves itself when there is the use of false documents, a simple scam or a scam organized by a group of persons. Things become more complex when it comes to false declarations or non-declarations. It is indeed difficult to objectify the intention about a false declaration. The declaration that will be considered false may have been made in good faith by the beneficiary. Under the French legislation which is complex this is a frequent assumption.

Beyond an obvious case: absence or the absence of marriage or divorce, the notion of "marital life" and therefore the composition of the home can appear subjective. The Court of Cassation, the highest French civil court, gave criteria to assess the good faith of the beneficiary. In order for a fraudulent intent to occur in a false declaration or non-declaration, the information intended for the beneficiaries must be understandable and available. In addition, the organization invoking the fraud must establish that the beneficiary was able to carry out the steps correctly. Thus there will not be fraudulent intent if the recipient clearly does not understand the French. It will be the same if he was hospitalized or in prison when carrying out the administrative formalities.

To be complete, it should be added that the legislation was in the process of being adopted at a time when these lines were written that gave a "right to make mistakes" to public service users. The general principle is that in the absence of bad faith, or obvious fraud, the user can not be sanctioned if he regularizes his situation.

2. IDENTIFICATION OF RISKS OF FRAUDS

Once Social Security was established the risk of fraud was identified. However, originally, the French system implanted in the control systems, the traditional practices of the public sphere. Corps of auditing agents had been established both in terms of the receipt of contributions and for the payment of benefits. In order to maintain all its credibility as a financial manager, the organization of family allowances continued the efforts undertaken for several years. The fight against fraud is the corollary of the fight against the non-use of rights. These two actions help to ensure the fair payment of benefits.

2.1 The management of the risk of fraud within the organization of family allowances

The fight against fraud is integrated into the overall risk management policy. Indeed, the type of fraud-related risks are quite similar to what is observed in the field of the payment of benefits without fraud being involved.

It is essential to secure the incoming data in the information system. Benefits, including active solidarity income, are paid on the basis of criteria defined by the Law or the text of the Regulations. These criteria are considered as fulfilled on the basis of a declaration by the recipients of benefits, third parties such as "owners" of houses or flats who rent the house or the flat to the beneficiary of allowances tax administration or the unemployment insurance institution. This essentially declarative character involves control procedures. The amount of benefit has changed significantly the evolution of the administrative and financial situation of the beneficiaries. Around 48% of active solidarity income recipients see their situation change during the year. This may result in the removal or increase of the benefit.

In these circumstances, the checks relate to:

- Their civil status
- Their residence in France
- Their family situation
- Their professional situation
- Their financial resources
- Their housing.

The information transmitted by an administration is deemed to be reliable because the administrations concerned also have their own devices to fight against fraud. Whenever possible, data recovery at source is preferred. The coming year's data on financial resources will be collected directly from employers, in particular.

For the recipients of a benefit a special effort is made towards preventing errors and fraud.

This is to secure a large number of situations for the recipients and to let them know that their statements can be verified by any means. We see deterrence as a dissuasive effect of securing and a pedagogical effect of recovery.

This axis is based on two ideas:

- A recipient who knows that the process can be controlled, will be more likely to be dissuaded from omitting, voluntarily or not, to declare information.
- A controlled beneficiary may be, in the future, more attentive to the accuracy of these statements.

This emphasis on prevention implies that a large number of beneficiaries can be controlled (coverage rate controls), in order to implement this deterrent effect. This is why the National Fund sets the local agencies quantitative targets for controls.

2.2 The establishment of a unified anti-fraud procedure

All the activities of the family allowance organization have been cut into processes. This approach also concerns the fight against fraud.

A process details the tasks to be performed to contribute in an activity. An assessment of the level of risk is performed for each task. In order to mitigate the occurrence of these risks and therefore, the resulting financial consequences, "good practices" must be carried out by local agencies.

The effective implementation of the process is subject to audits by the National Fund and the State.

Regarding the fight against fraud, the process has several major purposes:

- Ensure the correct identification and correct characterization of suspected fraud situations to ensure their appropriate treatment until the recovery of the resulting undue payments
- Reaching objective qualification fraud
- Control the workload of processing a fraud case
- Improve fraud management tools
- Homogenize the processing of a fraud file to ensure the equal treatment of all beneficiaries throughout the country.

In order to achieve these goals, numerical indicators are tracked using a computerized dashboard.



The process is divided into tasks grouped into four main activities.

2.2.1 Organize

This mission consists first of all in defining the governance of the fight against fraud within the local agency. It is then a question of determining and to implement the plan to the local agency in the fight against fraud. The local agencies must check the effective application of this plan. Each local agency must send every year a report to the national organisation in which the results of the fight against fraud must appear.

2.2.2 To avoid

Most of the prevention of fraud involves an active communication policy. The targets are national and local media, benefit recipients, partners (social services, local authorities), and local agency employees who are not directly involved in the fight against fraud.

2.2.3 Manage

This is the description of the tasks from the detection of fraud to its actual qualification. The detection can be done following reports inside or outside the agency, detection of inconsistencies between the declarations of beneficiaries and other elements of their file. When fraud is suspected, the case must be examined to determine whether there is fraud.

2.2.4 Punish

The French anti-fraud system has three levels of penalties. A simple warning will punish the less serious cases. A financial penalty or even a complaint to the courts will sanction the most serious cases.

These activities will be detailed later in this document.

2.3 Risks of social assistance benefits fraud

The social assistance benefits studied in this document essentially involve three risks.

2.3.1 Resource fraud

As in all countries with a social assistance system, France makes the payment of this type of benefit subject to the absence or the virtual absence of financial resources. The first difficulty lies in undeclared work. Its often episodic nature makes it difficult to detect. Then there is a second difficulty in the nature of the resources to be taken into account. French law considers that the resources to be taken into account are income. These are obviously wages but also capital income. Sums that may be significant but not generating revenue will be generally excluded from the field of resources to be taken into account. There is a procedure for estimating the lifestyle. It consists in excluding from the benefit of the social minima the persons possessing expensive property: real estate, objects of art, luxury vehicles. But this practice remains little used. Indeed, the estimation or the knowledge of these goods raises real difficulties.

2.3.2 The fraud relating to the composition of the household

The notion of marital life is imprecise. The law considers as a home not only two married people, but also unmarried persons who have a stable and continuous life in common. The notion of a stable and continuous life is difficult to objectify with certainty if the people decide to commit fraud. To benefit from social assistance two people living as a couple will declare themselves isolated to prevent the resources of one of them from being taken into account. In the same way of thinking, the notion of persons in charge of the beneficiary, and therefore part of the household composition, is sometimes difficult to objectify in the case of adults.

2.3.3 Residence fraud

Social assistance benefits are paid initially provided that the claimants actually reside on French territory. French legislation has two cases. To benefit from the active solidarity income, the beneficiary must not have left the territory for more than three months. On the other hand, to benefit from the allowance for disabled adults, it is necessary to reside on the national territory for at least six months during the calendar year. Given the ease of travel to a foreign country and therefore departing from France, these conditions are very difficult to verify. There are two types of problems. Firstly, travel within the European Union does not require passports or visas. Then a beneficiary with dual French and foreign nationality will have two passports. By traveling only with his foreign passport, he will make it almost impossible to control his dates of entry into and exit from the French territory.

Beyond these three risks, the allowance for adults with disabilities assumes that the person is medically recognized as disabled. There are frauds on this medical condition. They are not managed by the local agencies for familial allowances. The medical condition is checked by the local administrative authority - the Department.

2.3.4 Statistical evaluation of fraud

It is obvious that a system, as efficient as it is, can not pretend to detect the entirety of the fraud. This is due to two reasons. The first is the character, by hypothesis hidden, of fraud. The second is its definition itself. Indeed, as explained above, fraud must have been committed intentionally. This is not always easy to objectify in a country where many social assistance recipients do not understand French well. Moreover, the French legislation is complex. This can be an opportunity for false statements without there being fraudulent intent.

Despite these limitations, the organization of family allowances carries out a statistical evaluation of fraud every year. To do this a representative sample of files is selected. About 7,000 cases are concerned. These files are the subject of a study and thorough checks. Under these conditions it is estimated that fraud accounts for about 3% of recipients.

Finally, it is not sure that fraud has increased significantly in recent years. The increase in results is rather due to improved fraud detection procedures.

2.3.5 Internal fraud

As in any financial organization the Social Security is exposed to the fraud of its employees. It has never been objectified that this fraud is very important. Nevertheless, anti-fraud schemes are in place.

First of all, there is a separation between the agents carrying out the administrative management of the file, ranging from the administrative management of the file to the calculation of the amount of the benefits, and the employees in charge of the control and the actual payment of the sums. This separation is very old in the French public sphere. Informatic procedures take this separation into account.

However, there can be no question of controlling all files. Controls are made according to the principle of reasonable assurance. Any fact that will result in a modification of benefit entitlements will be checked using the elements and files available within the local agency.

Finally, targeted files with a higher risk component will be carefully checked. This targeting is done by data mining.

3. THE PREVENTION OF FRAUD

The social organizations have engaged in fraud prevention policies. Indeed, fraud has three consequences that have become less and less acceptable as the effectiveness of anti-fraud policies increases. With the financial consequences of the fraud being known there is a strong demand of the opinion from the public powers in order to limit it as much as possible. The recovery of amounts wrongly paid for fraud is often very difficult. Lastly, the workload that the fight against fraud entails for the social organizations increases in proportion to the number of detected frauds. These three disadvantages obviously mitigate to ensure that fraud does not occur. This is the goal of prevention policies.

3.1 The multi-vector communication policy

The policy of communication towards the beneficiaries uses several means. For several years campaigns in the national media (mainly radio) insist on the risk of fraud. These actions are at the initiative of the National Delegation to the Fight Against Fraud but also National Social Security Funds. Family Allowance Fund websites and claim forms draw attention to the potential for agency controls and to the potential for penalties for fraud. The National Fund for Family Allowances has published a "charter of control". This charter describes the rights and duties of recipients and controllers. The risks incurred in case of fraud are also mentioned. This document, given to beneficiaries in the case of control, is also available on the family allowances organisation's website. Finally, at the request of the social welfare organizations, the courts may order fraudsters to publish the contents of a judgment in the press at their own expense. Similarly, judgments can give organizations the ability to publish the content of judgments on the organizations' premises and on their websites.

3.2 Institutional partnerships

Institutional partnerships for fraud prevention are linked at national and departmental level. At the national level, it is essentially, as explained in part 2, to organize data collection at the source by computer data exchanges. At the local level, the French departments and local agencies providing family benefits are partners with other social organizations and local authorities. Without pretending to be exhaustive, some examples of local collaboration will be given. Since social assistance benefits are income-related, it is important, in the case of doubt, to ask the local agency for health insurance benefits. Such benefits are paid to employees. There may therefore be an anomaly or fraud if this employee also receives social assistance benefits provided by the local family allowance agency. Similarly, local social services that do not depend on local agencies are informed in order to prevent error or fraud. They are often best able, out of all restraints, to explain the legislation to beneficiaries in difficulty who would be tempted by fraud.

3.3 Training of agents of local agencies

Until now the training of enforcement officers in the fight against fraud was integrated into the overall training process. It was clear that this approach needed to be changed. The maintenance or even the evolution of the skills of the technicians in charge of the prevention and treatment of fraud is essential. Fraud mechanisms are evolving. In addition, fraud management is integrated into the IT tools for debt management and fraud. These tools are constantly evolving. Finally, the introduction of fraud management within a process, as described in Part 2, is changing the business of the managers of fraud cases. Also, a dedicated training program is being built, as part of the establishment of a complete training system entitled "Claims, recourse, fraud." It is addressed to agents in charge of fraud files. It will be primarily for new officers in the field of fraud management. In a framework common to all social protection organizations, the National Delegation for the Fight Against Fraud Office organizes training sessions on the detection of false

documents. This is essential so as to ensure that employees of local agencies are able to detect fake documents of civil status and identity of French and foreign claimants.

3.4 Prevention by use of computer procedures

3.4.1 Several computer applications contribute to the prevention of fraud. Among them two can be cited as an example. For the past ten years, social protection organizations have been using computerized data exchanges to prevent fraud. Beyond the procedures securing the incoming data defined in Part 2, two devices are worth mentioning. First of all, France has gradually put in place an identity management system. It is managed by the National Old Age Insurance Fund. Its management is done on behalf of the National Institute of Statistics and Economic Studies. It includes the main elements of the identification of individuals. Its identifier is the Inter Regime Number. As in China this number is significant. It traces the sex, the year and the month of birth, the place of birth in France or abroad of people.

Partly based on this system, the organization responsible for the payment of family benefits has developed a national file of beneficiaries. It includes all persons concerned with family benefits. All members of the household are included in this file. This has the consequence of preventing fraud. In France family benefits are paid by the local agency at the beneficiary's residence. Before the use of the national file, fraud could consist of using false addresses and of receiving benefits from several local agencies at the same time. This has become almost totally impossible because the national file will warn one local agency that the family is already known by another local agency. Then the Ministry of the Interior has set up a computer procedure for managing the residence permits needed by foreigners to certify their rights to reside on the national territory. The right to benefits is in particular subordinated to that of having the right to reside in France.

Local agencies providing family benefits can view this file. Within certain limits, it is likely to limit the documentary fraud relating to residence permits. It should also be noted that this file does not concern European Union nationals since they can stay in France without a residence permit.

3.4.2 The development of a specific request makes it possible to better dissuade the desire to commit fraud. As has been said in an earlier part, fraud presupposes the intention of committing it. However, benefit recipients sometimes unduly receive benefits for longer or shorter periods without a fraudulent intent being proven. A computer query allows you to list the recipients for whom notifications of undue payments have been made in the recent past. The facts must have been prolonged for more than six months. There must also be repetition. If these conditions are met, and the wrong payment is not due to the local agency, a warning letter is sent to the recipient. This letter also reminds him of his obligations under the family benefits legislation. The advantage of this approach is that the recipient can not invoke his ignorance if he persists with his attitude. The intention will then be better established. Moreover, the number of frauds committed after the application of this procedure is very small.

4. DETECTION OF FRAUD

Since the early 2000's the fight against fraud has become an important issue in France. This is true both for public administrations and services and for private companies. Everyone has implemented their fraud detection procedures. As a result, there are many sources of fraud detection. But one of the difficulties is that after a possible fraud detection, you have to prove it. Many classifications of fraud detection methods are possible. This section will describe the reports and the search procedures.

4.1 The reports

In their day-to-day business, some government departments and institutions may suspect fraud relating to social benefits. When this is the case they make reports including one to the organization providing family benefits. French law explicitly allows these reports. The details of this legislation will not be described here. It is complex and can be found in a number of the many codes that bring together the texts of French law. These reports are not one way. Government departments and institutions can ask social welfare organizations for information on benefit recipients. Reports include police services, diplomatic posts, and other social organizations.

4.1.1 The police and intelligence services

a) On the occasion of searching for and repressing crimes and offences of a common right the police can discover frauds within the social benefits. The two main fraud mechanisms are forged documents and hidden financial resources. The main types of business are hidden work, trafficking of all kinds, including, of course, drug trafficking. There are national protocols signed between the police, the gendarmerie and the social agencies prescribing a simplified procedure for reporting. From a practical point of view, reports are made locally by the local police services to the local family allowance agencies and other local social security agencies.

b) As part of their intelligence activity some specialized services may suspect fraud in the social benefits. Only the services providing the greatest amount of information will be mentioned here.

- When they are fighting against terrorism, the intelligence services communicate to the social agencies the details of people who may have left the territory to go to combat zones. There is fraud insofar as the family benefits are paid on the condition of residing on the territory.

- In the fight against the illegal financing of terrorism, drug trafficking and tax evasion, the specialized finance service "TRACFIN" reports to the social organizations on the movements of funds that are deemed abnormal. These are frauds with benefits provided under the means of resources. The presence of large sums in the recipients' bank accounts as well as regular cash inflows are incompatible with the receipt of social assistance benefits.

4.1.2 The services of the Ministry of Foreign Affairs

French law allows consulates to pay two types of social benefits. They are paid according to financial resources. It is first of all social aid for the French living abroad and being without resources. Then French families living abroad can get scholarships for their children. Fraud can be harmful to both the local agencies providing the family benefits and the consular services. Indeed, applicants for these benefits abroad may not report to the Consulate that they receive family benefits in France. This allows them to accumulate benefits paid in France and abroad. From the point of view of the organization providing family benefits, fraud lies primarily in the fact that the claimants reside abroad. They are no longer entitled to family benefits provided in France.

4.1.3 Other institutions and local authorities

In addition to computer procedures, social protection agencies and local authorities can detect social assistance fraud. This is the case first of the departmental authorities. As they are co-responsible with the local agencies for family benefits for the follow-up of the beneficiaries of the active solidarity income they can have knowledge of frauds with this service. The same is true for other social protection organizations. These reports are often made in the context of undeclared work detection.

4.2 The research procedures

The search and detection of fraud can be done either using computer processes or controls.

4.2.1 Computer processes

a) The exchanges of data:

As explained in Part 2, the organization providing family benefits uses computer exchanges with other administrations and institutions.

Exchanges of files with the tax administration make it possible to know the income declared by the recipients to the tax administration. There is a time lag due to the annual nature of the tax returns and the processing time required by the tax administration. For example, in October 2017 the exchange includes income tax returns made in May 2017. These statements concern the 2016 income. This gap does not pose any problem when it comes to calculating family benefits excluding social assistance. French legislation incorporates this deadline into the calculation of these family benefits. On the other hand, for each active solidarity income, this exchange can only be used to detect inconsistencies or even a posteriori frauds.

On the other hand, the exchanges with the institution serving the insurance benefits against unemployment are monthly. They make it possible to update the situation of beneficiaries receiving active solidarity income who would benefit from unemployment benefits.

In the event of a discrepancy between the outcome of the exchanges referred to above and the situation of the recipient, as known to the local agency, checks are carried out.

It is a question of ensuring that the known activity of the local agency is in accordance with the resources and the family and professional situations transmitted by the tax administration and the institution providing insurance benefits against unemployment. These transactions are annual and quarterly. From a quantitative point of view, all file exchanges represented 48 million situations in 2016. Inconsistencies were suspected in about 1.2 million cases. These situations have been controlled. These checks are justified in 6 out of 10 cases. They may lead to a claim for reimbursement of benefits paid incorrectly. These undue payments in the vast majority of cases are not fraudulent. For completeness it happens that these controls lead the local agencies to pay additional benefits to the recipient.

b) The selection of risky files: Since 2012, the organization in charge of the management of family benefits uses a data mining selection procedure. Without going into too much detail, the principle is to use statistical models to determine risk factors. These include age, gender, income level, marital status, employment status. The weight given to each factor is determined by the experience of the file review. Among the files that come as a file to be controlled will be one that reaches a certain level of risk. This method has given excellent results in the efficiency of controls. Between 2012 and 2016 the increase of the effectiveness of controls is important. 52 percent of recipients' home checks were successful in 2012 compared to 84 percent in 2016. Over the same period, the effectiveness of the checks on files went from 9 percent to 29 percent. As with file exchanges, these controls did not detect only fraud.

c) Specific computer queries: On the occasion of the detection of certain types of fraud, the organization responsible for the payment of family benefits has implemented specific computer queries. They aimed to see if a type of fraud discovered in one region was found in the rest of the country. Some results have been obtained. But the system still needs to be refined.

d) Management of reoffenders: As soon as a fraud is committed by a recipient to the detriment of a local agency, the computer system keeps track of it. If fraud is again committed to the prejudice of the same agency the recidivism will appear immediately. In addition, the French population is quite mobile. A family can be affiliated in several local agencies according to the changes of its residences in several periods.

If, as stated above, dual affiliation is impossible, it should be verified that the recipient did not commit fraud to the detriment of local agencies with which he was previously affiliated. Since 2011 there is a national base of fraud cases within the organization serving family benefits. It can be consulted by any local agency by their authorized employees. In addition, during a change of local agency, the electronic file is also transferred. The file includes the benefits unduly paid. It also includes the status, fraudulent or not, of the undue payment. The notion of fraud thus appears.

4.2.2 The controls

There are basically two types of controls. The first one is checks on files inside the agency. These are administrative controls that lead to file regularization but rarely to the detection of fraud. This is why only the home checks of the beneficiaries will be described here. These are administrative controls that lead to file regularization but rarely to the detection of fraud. This is why only the home checks of the beneficiaries will be described here. The organization responsible for the payment of family benefits has about 660 control agents. This number must be used to cover 12.8 million families. Of these, about 4 million receive the social assistance benefits that are the subject of this paper. 165,000 families were subject to a home control in 2016. These 165,000 families are those who are in receipt of active solidarity income. Control officers are attached to local agencies. They have a special status. They have a special accreditation from the State. In addition they are sworn in front of the local court. This means that the findings in their reports are valid until proven otherwise. Control Officers have received special training for their task. They can go to the recipients' homes. The recipients are not required to let them in. However, in the case of refusal, the benefits may be suspended and, where appropriate, financial penalties for the obstruction of the controls may be applied by the Director of the local agency. Families to be controlled are selected either following a report from a local agency employee or by data mining. In almost all cases benefit recipients are warned of the occurrence of control. On this occasion they are asked to prepare some documents that will justify their financial and professional family situation. Unexpected controls are exceptional.

The control procedure is carried out in three stages:

- The control officer must first prepare the check. For this he has several tools. The law allows him to obtain information from administrations, banks, and many public or private services without the need for professional secrecy. Obviously this last rule does not apply to medical secrecy in particular. In addition, he can access several IT portals including that of the entire social protection system. Finally he can take any other step prior to his meeting with the family. When visiting the beneficiary's home, he/she must check the family's entire situation relating to the aspects likely to influence the payment of family benefits. This may concern both the composition of the home and the resources and housing. He must collect the observations of the recipient.
- Following his control the controller prepares a report in which he notes his findings and the documents consulted at the address of the recipient. If he suspects a fraud he mentions it on his report. If the check had been requested following a suspicion of fraud by the local agency, but the controller considers that there is no fraud, he also indicates that. It can also happen that, following a control, it is necessary to pay more family benefits because the recipient did not know his rights. The report is then sent to the management of the local agency who will decide what to do next.

5. CHALLENGING AND PUNISHING FRAUD

Once a suspected fraud has been addressed by the devices described above it is necessary, on the one hand, to qualify or not qualify the case of fraud and, secondly, to sanction it appropriately.

5.1 The qualification of the fraud

As explained in Part 1, there are several difficulties in qualifying a fraudulent case. Situations are often subjective and the applicable law complex. It follows from this complexity that a fraudulent qualification will not necessarily be confirmed. This is why, beyond the texts, the case law of the courts is an essential element of the assessment of the case. In order to guarantee the strictest objectivity, the local agencies have an organization dedicated to this mission.

5.1.1 The jurisprudence (case law) of the courts

There can be no question here of describing all the difficulties of applying the right to social assistance benefits. An example is the appreciation of marital life quoted in part 2. In fact, comparable situations are found in many countries. As in many systems, the resources to be taken into account in determining the right to assistance are those of the whole household. To define the focus it is necessary to define the concept of couple. A couple consists of two people of opposite sex or not. They live maritally in a stable and continuous way. They pool their resources and their expenses to contribute to the expenses of the household.

If people are married this does not raise too many difficulties. In the opposite case it is necessary to establish the existence of a couple as defined above. Following several cases brought before the courts and the evolution of the legislation, the concept of a couple is now defined in contrast to the notion of isolation. This means that an adult lives in a relationship of a couple if he/she can not establish that he/she is isolated.

Those who can be considered as isolated include a widowed person, those divorced, separated or single, those who does not live as a well-known and permanent couple and those who do not put in common his resources and his costs together with a spouse, concubine or partner of civil solidarity.

It is clear that such a definition requires an assessment on a case by case basis in the event of a dispute.

5.1.2 The organization of the local agencies to qualify the fraud

In view of the difficulties summarized above the decision was taken not to let the appreciation of these cases to be in the hands of a single person.

First of all, the national body managing family allowances ensures a legal watch and distributes circulars on the application of the law. Then, within the local agencies, employees from different departments meet to assess the applicable law and whether or not to describe something as a fraud. These are most often legal officers and managers of the services managing the daily files of recipients. These meetings lead a decision on to whether or not the file is of a fraudulent nature and whether to propose a sanction.

5.2 The policy of sanctioning fraud

As previously stated, fraud can be sanctioned by a warning, a financial penalty, or a complaint to the courts. In order to guarantee the homogeneity of the sanctions policy throughout the territory, there are several dispositions.

Firstly the law specifies that from a certain financial amount the local agency must file a complaint. This amount is 26,500 Euros (200.00 yuan).

Where there are particularly serious cases, local agencies may appeal to the courts if the damage suffered as a result of the fraud is less than that amount. These are frauds related to resources from drug trafficking, organized gang scams or forgery. These cases are summarized in the sanctions scale described below.

5.2.1 The criminal procedure

In the French Penal Code frauds with social benefits are judged as offences. A false statement, a simple scam or an organized gang, the use of forged documents can be committed outside the field of social protection. But the penalties provided for these offences are aggravated if they are committed to the detriment of a welfare organization. As an example we can mention the scam. It is punishable by 375,000 Euros fine and 5 years imprisonment in jail. If it is committed to the prejudice, in particular of a welfare organization, the penalties are brought to a fine of 750.000 Euros of fine and to 7 years of imprisonment in jail. It goes without saying that a sentence handed down by a court can be appealed. The French judicial organization provides for a higher court - the "court of cassation" which verifies the exact application of the law by the Court of Appeal without going back on the facts.

5.2.2 The administrative penalties

If the local agency does not file a complaint with the courts, a scale of sanctions issued by the national organization managing family benefits sets the sanctions to be applied. The criteria are the amount of the prejudice, the presence or not of recidivism, the type of fraud (omission, false declaration, fraud), the family and the financial situation.

In the application of this scale, the local agency that has not filed a complaint may either issue a warning or a financial penalty. In all cases, the fraudulent recipient will have to repay the sums received improperly.

The amount of the financial penalty depends upon the amount of damage suffered by the local agency and the type of fraud. When the penalty becomes important, the local agency has a certain margin of appreciation. Indeed, the financial situation of the beneficiary must also be taken into account. The repayment of undue benefits can already be difficult. It therefore becomes inefficient to pronounce a financial penalty that may never be repaid.

The Social Security Code which establishes the penalty procedure provides for an appeals process, including jurisdictional trials, open to the recipient against which a penalty has been imposed. These are civil court and not criminal court trials.

Lastly, the Social Security Code prohibits local agencies from reducing or cancelling a debt resulting from fraud.

5.2.3 The intervention of the defender of rights

There is an institution in France called the "defender of rights". Its role is provided for by the Constitution in particular. He can be compared to the Ombudsman in other countries. Without any recourse to the courts, it ensures the respect of the rights and liberties by the administrations of the State, the local authorities and the public establishments in particular.

It can be seized upon by any person who feels aggrieved by the administrative action and therefore by that of the social protection organizations. The Defender of Rights may mediate disputes between the individuals and the administrations or organizations managing a public service. It is within this framework that the social protection organizations can go back on the financial penalties pronounced after a fraud.

6. LIMITS OF FIGHT AGAINST FRAUD

There are several limitations in enforcing the fight against fraud policies. They relate to the local agency's possibilities of actions, partnerships, and legislation.

6.1 The possibilities of the local agencies

When social security was instituted the purpose was the payment of benefits. Gradually the demands of the public have increased. Local agencies have been asked to pay benefits more and more quickly. Similarly the mistakes of local agencies are less and less tolerated. Public expectations for physical and telephone reception have increased. Over the years, the relationship of the local social security agencies with the public has become more and more similar to the relationships of businesses with their customers.

At the same time, the social security organizations have been forced to reduce their wage costs and thus their numbers. The very important computerization has allowed them to reach a good level of service with less staff.

Given these constraints, national social security organizations set time, quality, and anti-fraud targets for the local agencies. The first two objectives are partly inconsistent with the third. The time spent fighting against fraud will not be directly used in the service of the recipient who is the priority. It is understandable that the means available to combat fraud can not be unlimited. This is all the more understandable since all the statistical studies show that 95 to 97 percent of public service users are honest and do not commit fraud. As a result, over-multiplying security controls and procedures is unnecessary in the vast majority of cases. In addition, these procedures and controls are experienced as unnecessary constraints for a large majority of users.

It should be noted, however, that thanks to computerized procedures, the objectives of quality of service and the fight against fraud are less difficult to reconcile. The recovery of information directly from the administrative authorities, and no longer from the recipients, has two advantages. It simplifies the life of the recipient who no longer has a procedure to perform. It prevents the production of false documents or false information from the recipient since it is outside the process of data collection.

6.2 The limits of the partnership

As previously explained, organizations have a broad partnership network and the ability to obtain information without encountering professional secrecy. In practice things are more complex.

If the computer procedures work well it is not the same for the manual interrogations who work on a case by case basis. Partnership practices are becoming more widespread. As a result, some services are in great demand.

This is particularly the case for tax departments, banks and energy suppliers. They can not easily deal with all requests. Moreover, when it comes to companies, they are caught in a conundrum. If they respond to a request to prove fraud they do not serve their customers. A customer who has been informed that his bank has provided information to the Social Security will be tempted to change banks. This is facilitated by the possibility of becoming an internet client of a bank abroad. This bank will probably not respond to requests from the French Social Security.

Moreover, professional secrecy can not be opposed by Social Security. Such a refusal is theoretically sanctioned by the law. But, in fact, these sanctions are never enforced. Social Security organizations should take the case to court. The relatively low level of penalties incurred means that these procedures are not enforced.

6.3 The legislation

For forty years France has adopted legislation relating to information technology and freedoms. Similar legislation exists in the countries of the European Union. They are instituted to reconcile computer treatments with the respect for privacy. In France the control of the application of this legislation is carried out by the National Commission "Informatique et Libertés". Its powers are very extensive. First of all, an administration wishing to set up a computer procedure must request



the authorization of this commission. This authorization procedure can be lengthy. It can last several months, or even years, if the Commission considers itself insufficiently informed. It has the possibility to ask all information useful to an administration requesting an authorization to implement a computer processing. The Commission will be very vigilant in the case where the treatment will use sensitive information such as a disability situation, nationality, physical location in telecommunications and internet. In the same way the commission will be very attentive in the case where the data processing will have as an objective the exchange of information between administrations and outside the borders of France. The Commission then has the power of control and investigation in the offices of the administrations. It can also perform a check at the request of a user who suspects an irregularity in the computer processing set up by the administration. To be authorized by the Commission, the treatment must meet two conditions. On the one hand, the law must authorize this treatment. On the other hand, the terms of the data processing must not exceed what is strictly necessary for the purposes defined by the Law.

PER CENT

In conclusion, it can be said that the French system of combating fraud, especially relating to social assistance, has improved in the recent years. These improvements have been in two directions. First of all, the law has opened up many possibilities for controls and investigations by the social organizations. Before the entry into force of all these laws, social organizations were almost considered as organizations of common law: without special powers. The second is the development of computer procedures, file exchanges, portals and webservices which have greatly facilitated the fight against fraud while maintaining a good quality of service. We are far from having exploited all the resources of computing. Experiences of using Big Data are underway within the French family allowance organization.

The consequence of these developments is a strong increase in the results obtained in the fight against fraud. In 5 years the number of cases of fraud detected to the detriment of family allowances has increased from 15,000 to 43,000. This figure is to be compared to the number of beneficiaries who, during the period, was around 11.5 million families. At the same time the amount of financial damage detected has increased. It went from 101 million Euros (800 million yuan) to 276 million Euros (2.2 billion yuan). These amounts are to be compared to some 70 billion Euros of benefits paid (560 billion yuan). To finish with the figures it is necessary to note the evolution of the policy of sanction of the fraud with regard to the organization of the family allowances. In 2011 the filing of complaints in court accounted for 16 percent of fraud cases as against 5 percent in 2016. However the financial penalties accounted for 29 percent of the sanctions in 2011 as against 68 percent in 2016. Warnings accounted for about 50 percent of the sanctions in 2011 as against 25 percent in 2016. The sanctions policy has therefore hardened the refocusing on financial penalties.

As it appears in the statistical table, there is almost a maximum in terms of the results to be obtained in the fight against fraud. We are, in some ways, in a phase of decreasing efficiency. It would probably require a lot more resources, human and legal in particular, to significantly increase the results of the fight against fraud. That is why it seems that we need to direct our efforts to preventing fraud. Fraud prevention will thus occupy an increasing place in our thoughts and actions.

The mechanisms described in these pages obviously concern the French practice. Let's hope that China can draw some ideas from it. It must be borne in mind, however, that the Chinese context is very different. Some frauds are difficult to commit in China: residence fraud in particular. Similarly, the process of democratic discussion, as surprising as it is for a European, is a pretty effective defense against fraud concerning financial resources and household composition. Collaboration between France and China could concern computer systems and organizational changes in the administrative structures and process.

ANNEX 1

Data from CNAF (France).

Proportion of cases of frauds by type of benefit.

Benefits	Proportion of frauds in number of cases	Financial mass proportion
Minimum social income benefits	70 %	74,1 %
Including active solidarity income	62 %	62 %
Including disabled adults allowance	1,4 %	3 %
Housing	19,7 %	19,5 %
Family allowances and other benefits	9,5 %	6,4 %
Other specific social action	0,02 %	Non significant

Evolution in the financial value of detected frauds

Years	Amounts (in millions of Euros)	Amounts (in millions of Yuan: around 1 Euro = 8 Yuan)	% of increase
2011	101,15	809,2	12,58 %
2012	119,13	953,04	17,77 %
2013	141,4	1.131,2	+ 18,74 %
2014	209,6	1.676,8	+ 48,21 %
2015	247,8	1.982,4	+ 18,22 %
2016	275,4	2.203,2	+ 11,14%

Evolution in the number of detected cases of fraud

Years	Number of cases of frauds	% of increase
2011	15.011	14 %
2012	17.974	19,73 %
2013	20.937	+ 16,48 %
2014	32.828	+ 56,51 %
2015	39.934	+ 21,66 %
2016	42.959	+ 7,57%



3.2.4 Fraud in Social Assistance: Identification, Coping Strategy and Prevention

Policy recommendation report

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1. IMPROVING THE LEGAL SYSTEM OF SOCIAL ASSISTANCE TO PREVENT FRAUD

As the first administrative regulation about social assistance system since the founding of the New China, the "Interim Measures" builds a legal framework for the social assistance system. However, it also fails to provide for an effective legal system for social assistance. For example, the legislation level is low when compared with other laws. According to the policy, legal liability contains two aspects: On one hand, the punishment for illegal acts by social assistance agencies and their staff; on the other hand, the punishment to illegal acts by the beneficiaries. However, according to the policy, the penalties are light and hard to enforce. Therefore, it is necessary to further improve the legal system of social assistance, so as to maintain the healthy operation of the social assistance system and provide a reliable legal basis to prevent social assistance fraud.

Firstly, the punishment level for illegal acts should be increased. For example, it is not only necessary to recover the illegal income gained, but there should also be punishment according to the "crime of fraud" defined in Article 384 of "Criminal Law". This would ensure the enforcement of the law and to guarantee the effectiveness of the "Interim Measures". Secondly, an integrated set of unified national social security fraud clauses should be established. Thirdly, the legislative level of the "Interim Measures" should be improved and the cooperation with the public security system should be strengthened. Social assistance fraud often takes the form of nothing more than omission or concealment, which makes a powerful law enforcement agency unwilling to take action. Therefore, the Anti-fraud mechanism will only work when the legislative level of the social assistance policies is enhanced, the clauses are clearly clarified and the law enforcement agencies play an effective role. Although the overall impact of social assistance fraud is terrible, when it comes to individuals, the circumstances are less severe. In these cases, the role of the judicial authority is deterrence rather than combatting fraud, so as to reduce the motive and increase the cost.

2. ESTABLISHING A SOCIAL ASSISTANCE PRECISE TARGETING MECHANISM

2.1 Improving the social assistance identification mechanism

The poverty targeted by the social assistance system not only includes income poverty, but also the lack of economic rights, cultural rights and social rights. So that if we want to set up a proper identification mechanism for social assistance, it should be a comprehensive one that includes the various standards needed to identify the different kinds of poverty. Sometimes both direct standards like income or assets and indirect standards should be taken. Specifically, different means like means testing and a target indicator should be the important elements of the identification mechanism. The traditional means tested method should always be the basis of the identification mechanism, though it has a high cost related to information management. The target indicator method should be a good complementary identification mechanism if the proper indexes are built. From The practice in some rural areas in China is that the household electricity consumption level is taken as an index to judge poverty. With the development of statistics and analytical tools, more and more indirect indicators can be built. These can include the consumption records of online shops. Those indicators can achieve a better and more precise identification of the living standard of social assistance applicants.

2.2 Establishing a demand associated identification mechanism for social assistance

The low effectiveness of special assistance (i.e. the assistance programs that focus on specific kinds of social assistance like medical, housing, education) might cause Dibao fraud in practice. So that establishing a demand associated identification mechanism is important. To identify the various demands on social assistance, a special assistance package may be an effective way. Special

identification indicators linked to special assistance need like medical, housing and education should be built. The innovation mechanism is needed to accurately locate the disbursement type. Suggestions for the special needs of the causes of poverty and expenditure based poverty can form a targeted assistance package. The causes of expenditure type poverty mainly include medical treatment, education and sudden risk. Therefore, these major fixed expenditures should be included in the system of poverty verification. We should improve the classified protection and case assistance, and provide differentiated assistance for the needs and difficulties of the beneficiary poor household, so as to ensure that the relief resources are consistent with the needs of the relief in content, and to ensure that the rescue results are scientific and effective.

3. ESTABLISHING A SOCIAL ASSISTANCE INFORMATION AND COMPREHENSIVE SERVICE PLATFORM

The social assistance information platform should be built to collect personal information from the various departments including banks, the stock market, the tax authority, the business department, the housing department, the social security department, etc.. The information service platform can collect, restore and trace personal information of social assistance applicants or beneficiaries to achieve precise management. The information platform should be built on the different administrative levels. The information platform contains the administrative system, electronic database, decision system, financial system and social assistance management authority system. The information from those systems is exchanged and shared through the information platform. Each administrative level should build a platform to exchange and share information from the different levels. The information in the platform will be the most important evidence of social assistance qualification identification and the detection of social assistance fraud. The use of the information platform could also be expanded to social assistance policy making and the supervision of social assistance practice based on the information collected. The safety of the information collected by platform should be ensured to avoid the leakage of personal information.

4. IMPROVING THE SUPERVISION MECHANISM OF SOCIAL ASSISTANCE BENEFICIARIES

The supervision mechanism is important to prevent social assistance fraud, for it can make sure that the beneficiary withdraws from social assistance when things getting better. The first way is to improve the employment promotion mechanism to encourage a social assistance beneficiary to go back to work. Secondly, establish a benefit withdrawal mechanism according to the categories of assistance. Thirdly, supervise the beneficiaries by different pathways.

4.1 Establishing work promotion and benefit withdraw mechanism for beneficiaries

The work promotion mechanism is critical to the social assistance system for it helps people get move away from social assistance and stand on their own. The work promotion mechanism should contain a transition period in accordance with an income and time duration. For example, if a DiBao beneficiary receives income for twice as long as the local average income for more than 6 months, he should not receive a DiBao benefit afterwards. The qualification period for social assistance can cover the period when the beneficiary starts to work, in order to encourage him to work since he would not lose the DiBao benefit immediately. If the beneficiary became unemployed again in the qualification period, he could get the DiBao benefit without re-application. The benefit withdrawal mechanism should be established for different categories based on the identification of beneficiaries. For a beneficiary who has no capacity for employment, the benefit withdrawal will happen only when he has passed away. For beneficiary who has difficulty in finding job or has special assistance needs, a job finding service or special assistance should be provided.

4.2 Establishing a beneficiary supervision system

Tracing and supervising the situation of a beneficiary is integral to fraud prevention. For those areas which have the ability to establish an information platform, the supervision can be achieved automatically through income, assets, medical and housing information from the platform. For areas, especially rural areas which are not able to establish a social assistance information platform, supervision should be undertaken by specially trained personnel with different means. Third party institutions could also be an important source of supervision, for they can provide an investigation openly and secretly. In addition, making the names of beneficiaries more public way every year is also a good way for supervising the beneficiary.

5. IMPROVING THE SOCIAL ASSISTANCE PUNISHMENT SYSTEM

The discussion on the prevention of social assistance fraud is mostly focussed on the identification of the fraud phenomenon and does not pay much attention to the punishment of those who commit social assistance fraud. Currently there is no effective punishment mechanism against social assistance fraud. Some policies have items about how to punish social assistance fraud, but they are just too light to deter those people who are willing to take advantage of social assistance. Sometimes even this slight punishment is not able to be implemented. For example, according to the social assistance policies, the level of punishment for social assistance fraud is only 3 times the amount of benefit, which is almost nothing. There is a great incentive for people to cheat the social assistance system. The problem of the low cost of social assistance is caused by the fact that this kind of fraud is not applicable to criminal law. If people were to be punished under the criminal law, then no matter how small the fraud was, they would carry this conviction record for all of their life, which would make it quite difficult for them to live a normal life. Based on that, one effective way to make the punishment more efficient is to put the punishment under the criminal law, so as to be considered as the crime of fraud. Another effective way to punish social assistance fraud is to build up a credit system, or include social assistance fraud into the credit records. Cheating the social assistance system to get a benefit would lead to a blemished credit history. People who cheat the social assistance system would be notified about his social relationship through different means like SMS, WeChat etc. This would embarrass them quite a lot.

6. IMPROVING LOCAL SOCIAL ASSISTANCE CAPACITY BUILDING AND SERVICING

Misconduct and abuse of power is one of the important sources of social assistance fraud, so that the management of social assistance should be improved, especially at the local administrative levels.

6.1 Make the responsibility for social assistance clear among the related authorities

Due to the governance structure of government, the responsibility related to social assistance is fragile. For example, the Civil Affairs department is only a coordinating authority relating to policy. The responsibility of the actual social assistance, such as the distribution of information, resources and services is separated to other authorities like the health department, the education department, the housing department, the human resources and social security department, etc.. But in practice, the Civil Affairs authority is always regarded as the management authority for social assistance, although it has no special rights to order other authorities take responsibility. Accordingly, passing the buck is common in social assistance practice, so that improvements should be taken in order to clearly identify the responsibility of the different authorities and force them to coordinate with each other.

6.2 Preventing the moral hazard related to social assistance management staff

Two kinds of methods could be taken to prevent the moral hazard of social assistance management staff. One is to create a separation of power related to social assistance. The power of the social assistance applicant's identification, the power of censorship and the power of social assistance fund management should be separated. The decisions should be checked by upper level authorities before being implemented. Another kind of method is to make the social assistance management automatically use the latest technology. For example, social assistance management staff could only do their jobs based on the information provided by an information platform. The information platform can even take over the decision making in some situations, so that there will be no power associated with staff.

6.3 Improve the capacity of social assistance management staff

The ability of social assistance management staff has a big impact on the social assistance services. Four aspects should be taken into consideration to improve the ability of management staff. Firstly, there is a need to build an effective training system to make the management staff more effective and more professional and build a turnover mechanism to retain good staff. Secondly, improve the regulation and the supervision, by combining different approaches including publicity, reporting, supervision, identification and management. Thirdly, establish an information platform to collect and share information among the departments, establish an online office system and improve the information management ability. Fourthly, improve the financial investment on the social assistance system to recruit more professional staff and build up better working conditions.

6.4 Improve the information management system of social assistance

Social assistance information should not only be collected, but also well managed. The information from the different authorities should be gathered together to maximise good use. Firstly, the information should be transferred through the authorities smoothly to avoid repeated censorship. Secondly, management information should be open to the public to be under the supervision of the public or a third party. Thirdly, information including policies and procedures should be well organized so that they can be found easily. Fourthly, establish a management platform for applying for social assistance benefit on line, so that the applicants can find out how long the application will be checked.

7. ENCOURAGE SOCIAL ORGANIZATIONS TAKE PART IN THE PREVENTION OF SOCIAL ASSISTANCE FRAUD

7.1 Lower the barrier for social organization to take part in social assistance services

Firstly, simplify the registration procedure for social organizations, especially those providing special services to social assistance including supervision and identification. Secondly, support social organization through policies and funding. For example, provide a tax preference to social organizations which help fight fraud, and provide funding or techniques to improve the capacity of the social organizations. At the same time, stricter supervision for social organizations should also be put on the agenda, so as to prevent misbehavior like information leverage.

7.2 Encourage social organizations to participate in social assistance service by the Government purchasing their services

Social organizations can provide human resources which can complement the Government. The Government purchasing social services can be a effective way to encourage more social organizations to provide services to prevent social assistance fraud. For example, we can outsource the identification of social assistance applicants or information management to a review institution. Rural areas can improve the accuracy and fairness of social assistance through third-party

regulators. For example, farmers can report to the higher authorities through the third-party organizations to reflect the current social assistance in the existence of fraud.

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3.2.4 Fraud in Social Assistance: Identification, Coping Strategy and Prevention

Policy Recommendation Report

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INTRODUCTION

The main target of this report is the prevention of fraud in the Guaranteed Minimum Income Schemes (GMIS) in the European Union (EU). The focus will be on Germany with a discussion of the mechanisms to prevent fraud in selected other European countries. The German example is based on the law governing GMIS.

Based on the findings of the European examples and the discussions held in Beijing, some recommendations for the prevention of fraud in DiBao, the Chinese minimum income scheme, will be developed.

1. HISTORY OF GERMAN GMIS

The German GMIS was introduced in the 1880s. Before this, the guilds and other similar institutions provided among a number of other services a form of social assistance for its members. These forms of social assistance are considered as the predecessors of the German social insurance scheme, as the GMIS is named in Germany. With the Industrial Revolution a large influx into the industrialised cities occurred, creating a working class, which came increasingly under the influence of socialism. At the time the ruling system was the German empire, which saw socialism as a threat to its authority. The imperial Chancellor Otto von Bismarck introduced the German social insurance scheme to placate the working classes. As a first step he introduced medical insurance. A number of other measures followed, including the coverage against accidents and inability to work due to accidents, and a pension scheme.¹⁶ With the course of time the social insurance scheme was developed further with an eye of alleviating the plight of workers. This social insurance scheme is considered the first worldwide. Other countries followed later.

2. OBJECTIVES OF THE MODERN GERMAN GMIS

Prior to the introduction of the current GMIS, there were two parallel subsistence benefits: the federally funded unemployment assistance scheme for those who remained unemployed after receiving unemployment benefits, and the community funded social assistance scheme for all others, particularly those who had never worked. This coexistence of the two social benefits has caused many problems in practice:

- The integration benefits for the unemployed were often inadequate and there was no coordination between the different providers, especially because of the fact that data exchange was not possible for data protection reasons.
- Since the unemployment benefit depended on the income previously earned, the level could vary greatly. Sometimes it was so low that supplementary social assistance became necessary. The criteria for income and asset accounting and the reasonableness of work differed considerably between the two social benefits.
- While recipients of the unemployment benefit in the health, long-term care and pension insurance were compulsorily insured, recipients of social assistance were generally not pension insured and got only health and care insurance if they were compulsorily insured by a previous employment. Recipients of social assistance were not covered by health insurance and could only receive health care benefits through health assistance.
- A major problem was a clear definition of the responsibilities between the unemployment assistance and the social assistance. Each institution held the other responsible.
- Both services had high costs that were not covered by the contributions to the unemployment insurance and had to be financed from taxpayers' money. Social welfare in

¹⁶ Ayaß, Wolfgang (2010) Sozialdemokratische Arbeiterbewegung und Sozialversicherung bis zur Jahrhundertwende. In: Becher, Ulrich (et al) Sozialstaat Deutschland. Geschichte und Gegenwart. Bonn. Pp. 17 - 43

particular burdened communities in the structurally weak regions which had many unemployed.

- For both social benefits different jurisdictions were responsible: the unemployment benefit fell under the social court. For social assistance, the administrative jurisdiction was responsible.¹⁷

The current GMIS was intended to create a social benefit for all employable unemployed persons, which is borne solely by the Federal Government through the Federal Employment Agency. Social assistance remained for those persons who are not entitled to the GMIS, in particular, because they are not able to work.

3. THE FIGHT AGAINST FRAUD IN GERMANY

The overall objective is to guarantee a life in dignity while holding those able to work accountable. The key motto of the GMIS is "Promote and Request" to assure a life in dignity¹⁸ and to facilitate the beneficiary's integration into the job market¹⁹.

In Germany the following guiding principles rule the granting of GMIS and also the fight against fraud:

- The GMIS applicant/beneficiary has the obligation to cooperate with the job centre. This means that he or she has to provide all the required documentation, has to appear at the different meetings that are set, comply with the set agreements. He or she has to inform the job centre of all relevant changes.
- Data privacy is protected. The job centre can only access data from other ministries or agencies when there is a founded suspicion of fraud or in the event of a court case.
- A life in dignity must be assured.

The fight against fraud in Germany is supported by an analysis of the expected amount of fraud in the catchment area of each job centre. The municipality and the Federal Employment Agency agree with each job centre manager on an annual quota of fraud detection, as the German system is very much dependent on the persistence and initiative of the employees of the job centre. Upon reaching or approaching the set quota, benefits in terms of career opportunities are defined. There is a newspaper article that claims that even payment is agreed upon for the job centre manager.²⁰

4. LEGAL BASIS AND BUDGETING

The legal basis for the current GMIS is the second book of the social law (in German: Sozialgesetzbuch II or SGBII).

As a rule, GMIS is implemented through the so-called job centres, where the Federal Employment Agency covers social benefit payments whereas the municipalities bear the costs for accommodation, services for education and participation in society like participation in cultural activities, one-time benefits and the accompanying services.

5. QUALIFYING CONDITIONS

6.1 Beneficiaries

Beneficiaries are employable unemployed. These are people who are at least 15 years of age and who have not yet reached the standard retirement age, they are able to work, they are in need of

¹⁷ Deutscher Bundestag, Drucksache 15/1516

¹⁸ §1 Sozialgesetzbuch (SGB) II

¹⁹ §3 SGB II

²⁰ <https://www.bz-berlin.de/artikel-archiv/4000-euro-praemie-fuer-harte-jobcenter-chefs>

help and they have their habitual residence in the Federal Republic of Germany. Benefits are also given to persons living with employable beneficiaries as a household such as their children. A person who is unable to work is defined as someone who cannot work at least three hours a day under the usual conditions of the general job market due to illness or disability.²¹

Those in need of assistance are those, who cannot secure their livelihood from their income or assets and who do not receive the required help from others, in particular from relatives such as their children or their parents or other social benefits such as housing allowance or child allowance. This means that the working poor also qualify for GMIS.²²

As GMIS beneficiary must accept all work proposed by the job centre, unless he or she is physically, mentally or emotionally unable to do so, or if doing so would endanger the upbringing of their child or their partner's child or if it were incompatible with caring for a relative. The reasons for an alleged unacceptability of certain work must always be substantiated with the relevant documentary proof.

No benefits are received by employable beneficiaries who have moved away – for example going on holidays - without the prior consent of the personal contact person at the job centre, as they are no longer available for integration into job market. Those persons who are also excluded from GMIS include those who live in an institution and those who are disabled for more than 6 months or pensioners as they receive benefits other than GMIS.

Foreigners have the same entitlements as Germans. However, no benefits are receivable by foreigners, who do not have a residence or habitual residence in Germany²³, such as tourists or seasonal workers, who do not hold a work permit. Foreigners with a residence permit in line with international law and for humanitarian or political reasons also qualify for GMIS²⁴. Foreigners and their families who came to Germany with the purpose of finding employment do not qualify for GMIS.²⁵

6.2 Setting the benefit level

The individual benefit level is calculated on the basis of several factors and is dependent on current needs. The level is established based on a survey of the expenses of the lowest quintile of the population – excluding social assistance beneficiaries – i.e. not based on a consumer basket but on actually effected expenses of the lowest quintile. In addition, expenses for accommodation including heating are calculated by local government, which is responsible for covering this part of the GMIS. In addition, the number of children is taken into consideration plus the income of the applicant in case there is any or that of other household members. Current needs are established on January 1 of each year and published in the official gazette. The current level of income is considered as an adequate gap to GMIS so that there is no disincentive to work created.

6.3 The definition of a household

Benefits are calculated for a household. Therefore, the definition of household is key.

As household, in general, is one or a number of people who form a unit and who live together and pool economic resources. A household can have the following members:

- Employable beneficiaries

²¹ §8, paragraph 1 SGB II

²² §26 SGB II

²³ §7 paragraph 7, SGB II

²⁴ §7 SGB II

²⁵ §7 SGB II

- Parents or a parent living in the household of an unmarried, able-bodied child under the age of 25 and the household partner of that parent (i.e. not married)
- Partner of the GMIS entitled person who is
 - not a permanently separated spouse
 - not a permanently separated partner (i.e. not married)
- a person who lives together with an eligible GMIS beneficiary in a household assuming mutual responsibility for each other
- Unmarried children belonging to the household of the persons mentioned above, if the children are under the age of 25 and cannot secure their livelihood from their own income or property.²⁶

A household is not constituted in the case of subleases, shared apartments for example in the case of students or company.²⁷

The calculation of a benefit is based on the needs of a household and not of the individuals in the household. Fraud in this area is the most common.

6.4 Coordination with other forms of social benefits

The granting of GMIS is subordinate to other social benefits. The beneficiary has to request all social benefits that are available to him or her, thus reducing the need for GMIS. Should the beneficiary refuse to apply for those other social benefits, the job center can apply for the beneficiary²⁸. This is in particular applicable in case of a beneficiary who is 63 years old and deemed to not find employment. In this case she or he will be receiving his or her pension even against his or her will.²⁹ As in Germany the pensionable age has been raised in steps to 67, this might entail a reduction in their pension payment.

6.5 Application

GMIS will only be granted on an application and only after the application has been submitted. One-time benefits as well as the benefits for education and participation must be requested separately³⁰. The application for GMIS becomes effective on the first of the month after application.³¹ The decision regarding the application will be communicated to the applicant. He or she can raise an objection against the decision within one month of notification.

The local job center that is responsible for the applicant is the one in whose area the applicant has his habitual residence. If no habitual residence is detectable, for example with the homeless, the job center is responsible, in whose area the applicant actually resides.³²

Applicants have a duty to cooperate³³. This is the major difference between the German and the Belgium and French systems. The job centres in Germany do not have access to the data of the different Ministries due to the protection of personal data. The only way to access data from other ministries is when there is a court case and the judge requests this kind of inquiry by lifting the duty of secrecy which protects the individual's data privacy.

In addition, employers and certain third parties, such as the applicant's dependents have an obligation to inform and cooperate with the job centre. If employers or third parties do not comply

²⁶ §7 SGB II

²⁷ Directive by the Federal Agency with regard to §9 SGB II

²⁸ §24 SGB II

²⁹ §12a SGB II

³⁰ §24 SGB II

³¹ §37 SGB II

³² §36 SGB II

³³ §60 SGB II

with their obligation to co-operate, the job centre can impose a fine of up to EUR 2,000 against them and can also claim damages³⁴. If a beneficiary does not disclose a change in their circumstances after filing the application, the job centre can impose a fine of up to € 5,000³⁵.

The benefits are to be granted for a period of six months³⁶. This period can be extended to twelve months in the event that there are changes in the beneficiary's conditions. The benefits are transferred to the account of the beneficiary. If the beneficiary instead requests payment by check, the resulting costs are to be deducted from the payments to be made, unless the beneficiary can demonstrably not open an account with a bank, for example due to a private insolvency. After the period of 6 or 12 months the beneficiary can apply again for GMIS.³⁷

7. BENEFIT LEVEL FOR CURRENT NEEDS

7.1 Definition of current needs

Due to inflation and changes in current needs, the benefit levels have been rising over the years.

Table 1: GMIS benefits based on current needs assessment for the different types of households and household members

Specific households and household	2014	2015	2016	2017
Adult single person	391 €	399 €	404 €	409 €
Adult single parent	391 €	399 €	404 €	409 €
Adult with minor partner	391 €	399 €	404 €	409 €
Single person up to the age of 24 or adult person up to the age of 24 with a minor partner, which have moved without the approval of the job centre	313 €	320 €	324 €	327 €
Adult partners of a marriage, civil partnership, marriage or marriage like-partnership each	353 €	360 €	364 €	368 €
Child below 6 years	229 €	234 €	237 €	237 €
Child between 6 and 13 years	261 €	267 €	270 €	291 €

³⁴ §62 SGB II

³⁵ §63 SGB II

³⁶ §41 SGB II

³⁷ §41 SGB II



Child between 14 and 17 years	296 €	302 €	306 €	311 €
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Source: Annual current GMIS needs' assessment

The benefits listed below are available for all GMIS beneficiaries.

7.2 Cost for accommodation and heating

In addition to the standard requirements covering current needs, the actual costs of accommodation and heating are recognized as far as they are appropriate. In particular the level of rents in the local housing market have to be taken into account. Costs for an inappropriate apartment are only recognized as long as it is not possible or unreasonable for the beneficiary to reduce costs by changing residence, renting or otherwise, but usually for not more than six months.

Only 80 percent of the current needs are recognized for the under 25-year-olds who move from their parents' place without the approval of the job centre. Usually they are not entitled to the housing benefit and initial furnishing. Only in grave cases are these costs covered by the job centre.³⁸

7.3 Additional regular benefits granted based on need

Additional benefits based on need can be granted. The sum of the first four benefits listed below may, however, not exceed the amount of the standard benefit.³⁹

- Additional benefits are granted for single parents. These benefits are calculated as 12 percent per child, the maximum additional benefit can only reach 60 percent, i.e. cover 5 children. If a child is under the age of seven or two children are under the age of 16, the additional benefit at least 36 per cent. The child does not have to be the biological child, and the additional benefit can also be claimed for the education of foster children and grandchildren. It is not necessary that the caregiver is a biological parent or he or she hold custody. It is only dependent on the actual circumstances.
- In the case of separated parents who alternate the right of access to the child, the additional benefit goes to the parent, who provides the greater care to the child. If both parents exercise exactly the same proportion of the child's upbringing, then both parents receive half the additional benefit.
- Expectant mothers from the 13th week of pregnancy have a claim to additional benefits amounting to 17 per cent of the standard benefits.
- Disabled persons able to work receive additional benefits for schooling and education or other additional support to obtain a job equal to 35 percent of the standard benefit. Disabled children are not entitled to the additional benefits.⁴⁰

Additional requirements for costly nutrition are recognized by an appropriate amount. The basis is always a medical certificate, from which the disease, the need for the special prescribed diet and the causal relationship between the disease and the health food must emerge. A retroactive granting of benefits to the time before the medical diagnosis is excluded. The German Association has made recommendations for the granting of health care allowances in social assistance, which the authority can fall back on. It provides recommendations for some metabolic diseases.

Persons who require additional benefits for unavoidable expenses on a continuous basis are also entitled for additional benefits. These can be for example:

³⁸ §22 SGB II

³⁹ §21 SGB II

⁴⁰ §23 SGB II

- care products for atopic dermatitis, sanitary products associated with an outbreak of HIV infection
- Cleaning and household help for wheelchair users
- Other comparable hardship cases⁴¹

No additional benefits are granted for clothing and shoes in large sizes or for a special disease-related nutritional expenditure, which is not recurrent but is disease-outbreak related.

7.4 One-off benefits

One-off benefits include

- Initial furnishing and household appliances
- Initial provision of clothing and initial provision of clothing for pregnancy and a new-born child
- Purchase and repair of orthopaedic footwear, repair of therapeutic equipment and equipment, and hire of therapeutic equipment⁴²

These requirements will be provided on request. Also persons who do not receive GMIS can take advantage of these one-off benefits, however, they might be asked to bear a reasonable share of the costs.

7.4.1 Initial furnishing and household appliances

A request for assistance towards the initial furnishing of an apartment, which is not already covered by the existing furniture and appliances, must be requested separately. This occurs typically in the case of the divorce or the separation of non-marital partners when two households have to be provided with household items.

When a child moves out from the parental home, this can lead to an initial supply of household items. In special cases, however, a substitute need can also be considered. In cases such as imprisonment and homelessness, or when the recipient came from abroad, he or she has the entitlement to an initial furnishing and household appliances.

The initial setting up of an apartment should provide for an orderly household and a life in dignity. The initial equipment for the apartment includes furnishings (furniture, curtains, lamps) and household appliances (washing machine, cooker, refrigerator, vacuum cleaner, iron). Individual costs for items such as bed, bedding, wardrobe, lamps are also included.

Not included are entertainment equipment such as a television. A computer is not included unless the person requires it for his or her job.

The job centre has discretionary power in this case whether it provides the items listed above in cash or in kind. In the case of a cash benefit, the job centre can calculate a lump sum. Keeping the economics in mind, the job centre can also consider second-hand items and used furniture.

The beneficiary is not obliged to immediately request the initial equipment and does not forfeit his claim by delaying a claim. Likewise, the initial equipment may also refer to a single piece of furniture and not necessarily to a complete household.

⁴¹ §21 AGB II

⁴² §20 SGB II



7.4.2 Clothes

A need for an initial provision of clothing is granted only under certain circumstances. This includes, for example, a heavy weight gain or weight loss, which makes it impossible to use the old clothes.

There is an initial provision of maternity clothes during pregnancy and for a new-born child. It also includes the necessary furniture such as a cupboard, a stroller and a cot.

Costs for orthopaedic footwear are covered with regards to the client's contribution requested by the health insurance. Therapeutic devices are all devices that have a medical purpose, such as respirators. Eyeglasses are also included in that the repair of glasses is covered through a one-off payment.

7.5 Loan

Under certain circumstances, the beneficiary may be granted a loan, which might be needed to assure a life in dignity. This is the case, for example, when there is a threat of power being cut off due to accumulated debts to the power provider. In addition, a loan can be granted to cover the time from taking up employment to the first salary payment.

7.6 Health insurance and long-term care insurance

Health insurance contributions are fully covered by GMIS. The contributions to private long-term care insurance are also to be paid up to the amount of half the contribution to the basic tariff. Contributions to the statutory long-term care insurance are also to be covered.⁴³

8. INCOME

All income in money is considered as income when assessing the eligibility for GMIS and/or setting the GMIS benefit level. In kind benefits are not considered. Only those incomes that are actually available as "ready funds" may be taken into account. This is not the case, for example, in case of a home savings contract if the beneficiary cannot access the interest generated. Impounded income can only be considered if the seizure can be legally undone. A loan is not an income because it has to be repaid and thus it is not permanently available to the beneficiary. However, social benefits granted on a loan basis are considered as income if they serve as a form of livelihood (for example a student's loan).

An overview of income to be taken into account can be assessed by the beneficiary with the support of the "free-allowance calculator" at the website of the Federal Ministry of Labor and Social Affairs.

Income not taken into account includes:

- the basic pension
- Pensions and subsidies, which are provided for damage to the person's body and health, up to the amount of the corresponding basic pension under the Federal Care Act
- A compensation payment for pain and suffering
- Benefits of free welfare, provided that they do not significantly affect the situation of the beneficiary (e.g. public kitchens)
- Donations from third parties, if the consideration would be grossly unreasonable and they do not significantly affect the situation of the beneficiary, such as compensation for a blood donation

⁴³ Federal Social Court 27.09.2011, 01.01.2009, 18.09.2009, 24.02.2011, 13.04.2011, 20.08.2009

- An injury pension, if the payment entitles the holder to benefits under the Federal Pension Act, up to the amount of the corresponding basic pension⁴⁴

If a person entitled to GMIS benefits or the persons living within the same household own recoverable assets, there is no entitlement to GMIS if the value of the property exceeds certain allowances. Recovery is not required, when it would be obviously uneconomic or it would create a special hardship for those affected. All assets are to be taken into account with regard to their market value, regardless of the tax regulations.

Income from the estate such as interest or dividends are considered income.

Personal allowance permitted for GMIS beneficiaries are delineated in the table below.

Table 2: Personal allowance

Personal allowance	For each completed year	Minimum amount	Maximum amount
Basic personal allowance (for adult GMIS beneficiary and their partners)	150 €	3.100 €	9.750 € (born 1957 and before) 9.900 € (born 1958–1963) 10.050 € (born after 1964)
Basic personal allowance (for underage GMIS beneficiaries)	—	3.100 €	3.100 €
Basic personal allowance for retirement for GMIS beneficiaries of working age starting at the age of 15 (including their partner)	750 €	—	48.750 € (born 1957 and before) 49.500 € (born 1958–1963) 50.250 € (born after 1964)
Basic personal allowance for necessary purchases (for each GMIS beneficiary)	—	750 €	750 €

Source: §12 SGB II

There following are considered as protected property and are therefore are not part of the estate:

- Adequate household goods,
- A suitable motor vehicle for every eligible working-age person living in the household (market value of about EUR 7,500 is considered adequate). More expensive vehicles must be decided on a case-by-case basis.
- Retirement provisions promoted under federal law, including interest
- A self-occupied house or apartment of reasonable size owned by the GMIS beneficiary
- Funds for the prompt acquisition or preservation of a reasonably sized house or apartment intended for residential use by a disabled or a dependent person

⁴⁴ Federal Social Court 19.10.2016, 25.06.2015, 17.10.2013, 17.10.2013

- Items and rights, as far as selling them is obviously uneconomical or would mean a particular hardship for the person concerned. For assessing appropriateness, the living conditions at the time of applying for GMIS are set as standard

9. INTEGRATION ASSISTANCE AND JOB PLACEMENT

The job centre concludes with the GMIS beneficiary an integration agreement, which determines the support required for their integration into the labour market and also which efforts the beneficiary must at least undertake in order to find work and how he or she will prove his or her efforts. If the beneficiary refuses to sign the integration agreement, no sanctions exist. However, the job centre can unilaterally impose the measures through an administrative act contestable at the social court.⁴⁵

GMIS beneficiaries profit from integration assistance like reintegration into the labour market. Additional benefits are specifically provided such as:

- Childcare, debt counselling, psychosocial support, addiction counselling⁴⁶
- Financial start-up for self-employed. Job opportunity with additional expense allowance, also called one-euro job⁴⁷
- Placement in the public funded employment sector⁴⁸

There is no legal entitlement to specific integration services. The personal contact person at the job centre chooses the necessary and appropriate instruments. The choice does not have to be justified by the job centre.

10. SANCTIONS

10.1 Sanctions for breach of duty (big sanctions)

A sanction for a breach of duty is justified in the case where the GMIS beneficiary, despite prior instructions related to the legal consequences, violates the integration agreement, rejects a reasonable work opportunity, training or job opportunity or does not participate in other reasonable activities. The legal consequences must be explained to the GMIS beneficiary in concrete, correct, and understandable terms. It must clarify which immediate and concrete effects the breach of duty may have. In the event that this was not the case, the GMIS beneficiary cannot be sanctioned. A penalty is also pre-empted, if there is an important reason for the behaviour of the beneficiary.

In certain other cases, a penalty is possible even without the prior explanation of the legal consequences. For example, if a beneficiary intentionally caused his need for assistance, because he or she resigned from a job.

The benefit reductions due to a penalty are:

- In the case of a simple breach of duty, the GMIS will be reduced by 30 percent of the regular benefit
- At the first repeated breach of duty, the GMIS is reduced by 60 per cent of the regular benefit.
- In case of each additional breach of duty all benefits are cut, including for both housing and health insurance.

⁴⁵ §15 SGB II

⁴⁶ §16a SGB II

⁴⁷ §16b SGB II

⁴⁸ §16c SGB II

More stringent conditions apply to the under-25-year-olds. In this case, all the entire regular benefit is cut at the time of the first breach of duty.

At the first repeated breach of duty the housing allowance is cut. The job centre may agree to reimburse the costs for housing if the GMIS beneficiary subsequently agrees to comply with his obligations. For the same reason, the duration of the penalty can be reduced to six weeks.

If sanctions reduce the GMIS benefit by more than 30 percent, the basic social security institution can grant additional benefits in kind such as in the form of food vouchers, in the event that the beneficiary applies for them. The job centre must approve this application in the case where underage children live in the household of a GMIS beneficiary.

If more than one person lives in a household of need and if the penalty of a member affects the shared costs of the accommodation, they must be compensated for by a corresponding increase in the housing allowance for the other members of the household as otherwise an unlawful collective punishment would be exerted.⁴⁹

10.2 Sanctions for failure to report (small sanctions)

A sanction for a failure to report occurs when a beneficiary, despite prior instructions as to the legal consequences, does not report upon the invitation of the job centre or does not attend the foreseen public medical consultation.

In the event of such a sanction, the GMIS benefit will be reduced by 10 percent, which will be added to any existing sanction for a breach of duty. Since there are no repeated breaches of duty in this case, multiple sanctions can be imposed at 10 percent of the GMIS benefit. Each of these sanctions will expire after three months. In total benefits may not be lowered by more than 30 percent.⁵⁰

10.3 Frequency of sanctions

In 2015, there were 4,327,206 GMIS beneficiaries⁵¹ in Germany, out of which a total of 978,809 sanctions were imposed. The majority of these were small sanctions due to a failure to report (around 75 percent). 131,520 GMIS beneficiaries were affected by at least one sanction in 2015, i.e. 4 percent of all GMIS beneficiaries. The average reduction of benefits was 19.4 percent. 6,963 GMIS beneficiaries were affected by full-scale sanctions, i.e. 0.16 percent of all GMIS beneficiaries. The frequency of sanctions varies by region. The highest is in Berlin.⁵²

11. ADMINISTRATIVE PROCEDURE

Disputes in the area of GMIS fall under the jurisdiction of the social court. Before a dispute is submitted to the social court, preliminary proceedings (also called pre-trial proceedings) must first be conducted. GMIS beneficiaries can apply for independent legal counselling at the local social court.⁵³

⁴⁹ §31 SGB II

⁵⁰ §32 SGB II

⁵¹ <https://de.statista.com/statistik/daten/studie/1396/umfrage/leistungsempfaenger-von-arbeitslosengeld-ii-jahresdurchschnittswerte/>

⁵²

https://statistik.arbeitsagentur.de/nn_1021952/SiteGlobals/Forms/Rubrikensuche/Rubrikensuche_Form.html?view=processForm&resourceId=210368&input_=&pageLocale=de&topicId=1023378&year_month=aktuell&year_month.GROUP=1&search=Suchen

⁵³ §14 SGB II

12. RE-PAYMENT OF GMIS BENEFITS

If the circumstances of the GMIS beneficiary change whilst receiving GMIS benefits, the job centre can reclaim the unlawfully received GMIS and other benefits retroactively and adjust or cancel its approval of GMIS. Excess benefits received must be repaid to the job centre.^{54 55}

13. GMIS OF FRANCE AND BELGIUM

In Belgium the GMIS has two major elements that are in place to combat fraud. Eligibility is based on application and a subsequent home visit conducted by a professional social worker sworn to professional secrecy. In addition, the “Cross Roads Bank for Social Security (CBSS)” is an IT based system that allows the checking of the personal data of the applicant as registered with different Ministries. This is in stark contrast to the German system, where social workers might conduct home visits when it comes to checking the need for one-off benefits and for specific services. In Germany the rule of data protection does not allow the standard checking of applicants’ data.

Also in France there is the Electronic Exchange of Social Security Information (EESSI) for checking the information of GMIS applicants.

14. POLICY RECOMMENDATIONS

The German GMIS aims to enter or re-enter the employable unemployed into the labour market.

It is an integrated system, which provides a basic support based on the current needs for people who require help. Based on the specificities of the household, additional support is granted. Entry conditions into the GMIS are clearly defined. The entire GMIS is based on the social law and supported by social courts.

In contrast to other countries, the agency responsible for running the German GMIS is not able to retrieve data on an applicant from other ministries such as the Ministry of Finance for a tax statement. It is the responsibility of the applicant to provide this information, which is then checked by the job centre. Only when inconsistencies or doubts arise and a founded suspicion of fraud is formed, can the job centre access data from other ministries. The same is true in the event of a court case. Sanctions are clearly defined. However it should be noted that the person requiring help can always reapply – no so called “black lists” exist.

The system might appear to be “soft”, however with a 3.04 percent rate of identified fraud it is working.

Based on the above, the following recommendations are given:

The social assistance law should be further developed

The Chinese GMIS should first and foremost finalise the social law. This challenge is known to the Chinese experts. The currently applicable “Social Assistance Interim Regulations” with only 7 pages, does not sufficiently cover all the eventualities and do not provide a sufficient basis for the enforcement of the regulation.⁵⁶

The law should aim to integrate the different social assistance measures that currently appear to be fragmented.

Income and asset assessments for a Dibao benefit should make use of all available data

⁵⁴ §40 SGB II

⁵⁵ §34 SGB II

⁵⁶ Lin Yi (August 2017) Research on anti-fraud in social assistance in China, p. 9

A challenge will be the verification of the estate and income of an applicant for the Chinese GMIS. In the cities, this data is available. However, in the countryside this proves to be much more of a challenge. The Ministry of Agriculture has established an inventory, however, the inventory has to be dynamic and the income generated from the assets will have to be established and in the case of barter to be monetised.

Base the Dibao criteria fully on the legal provisions stating the selection criteria and use democratic discussion for the final assessment of lists produced through the computerised assessment of cases

Currently the Chinese GMIS uses a pre-selection procedure and democratic discussions. There individual cases are assessed. The assumption is that the participants know each other and their living conditions. However, in cities this is no longer the case. This bears the risk that certain individuals or groups are stigmatised and thus excluded despite their need. In addition, poverty is assessed on a relative basis relevant to the locality, meaning that in clear terms, that what is considered poor in one location might not be considered poor in another. The democratic discussion is an important instrument in the Chinese political and administrative system. It is proposed, that the selection criteria be based on the to be developed social assistance law are developed which allow the establishment of eligibility based on the available information. This information is compiled in a list on a regular basis and is submitted for democratic discussion. This would allow for excluding or including beneficiaries.

Setting clear fraud detection procedures and offering staff incentives for fraud detection

The prevention of fraud conducted by the staff of the Ministry of Civil Affairs or at the provincial/local level could employ the setting of incentives for local managers by agreement on quotas for the detection of fraud. This would assure an extra source of income for the staff. The employment of civil society organisations for the detection of fraud, by acting as inspectors, is not recommended. It raises the concern, who will inspect the inspectors. It should also be kept in mind that at the local level, particularly in the rural areas, the personnel with the required qualifications might be very hard to identify. In addition, these personnel might be locally strongly linked through family ties or other means, putting into question their true impartiality.

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