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來函檔號 Your Ref.: CB(4)/PAC/R55

27 January 2011

Ms Miranda HON  
Clerk, Public Accounts Committee  
Legislative Council  
Room 1006, 10/F  
Murray Road Multi-storey Carpark Building  
Admiralty  
Hong Kong

Dear Ms HON,

**The Director of Audit's Report on the  
results value for money audits (Report No. 55)**

**Administration of the Direct Subsidy Scheme (Chapter 1)  
and Governance and administration of Direct Subsidy  
Scheme schools (Chapter 2)**

Thank you for your letter of 27 January 2011 requesting the Audit Commission (Audit) to provide information on the actual situation and the reason for the inconsistency between:

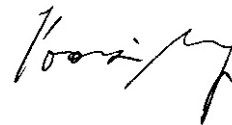
- (a) the statement in the Secretary for Education's letter dated 8 December 2010 (R55/1&2/GEN8) to the Public Accounts Committee that "According to the information provided by the School (i.e. School A) to EDB in August 2010, the SMC of the School had acquired the tax exemption status with effect from 7 June 2010."; and
- (b) the situation reported in paragraph 3.19 of Chapter 1 of the Audit Report that "Up to 30 June 2010, the SMCs/IMCs of three DSS schools that commenced operation in 2004/05 to 2008/09 (including School A) had not yet acquired the tax exemption status under the Inland Revenue Ordinance."

We would like to inform the Committee that the actual situation and the reason for the inconsistency were as follows:

- (a) on 16 July 2010, the Education Bureau (EDB) informed Audit via an e-mail that, as at 30 June 2010, the governing bodies of three Direct Subsidy Scheme schools (including School A) had not yet acquired the tax exemption status under the Inland Revenue Ordinance;
- (b) in a letter of 29 July 2010, School A was informed of the granting of the tax exemption status with effect from 7 June 2010 by the Inland Revenue Department; and
- (c) on 9 August 2010, School A informed the EDB of the exemption obtained from the Inland Revenue Department. However, the EDB had not relayed the updated information to Audit until December 2010.

We trust that the above facts have explained the reason for the inconsistency. A Chinese translation and a soft copy of this letter will be forwarded to you shortly.

Yours sincerely,



(S C POON)  
for Director of Audit

c.c. Secretary for Financial Services and the Treasury (Fax No.: 2537 3210)  
Secretary for Education (Attn: Mrs Michelle WONG) (Fax No.: 2834 7365)