



14 May 2007

Mr. Lesetja Kganyago
The Director General
National Treasury
Pretoria

Dear Sir/Madam

APPLICATION FOR SURPLUS RETENTION: FINANCIAL YEAR ENDED 31 MARCH 2004.

The Auditor General hereby applies for retention of the surplus of R36.3 million as reflected in the audited financial statements for the year ended March 2004.

In terms of the Public Audit Act (PAA) paragraph 38(4), the Auditor general may, after consultation with National Treasury and by agreement with the oversight mechanism, at the end of a financial year retain for working capital and general reserve requirements, any surplus as reflected in the financial statement or a portion thereof. The portion of a surplus not retained must be paid into the National Revenue Fund.

As indicated in the attached notes on the funding statement of 31 March 2004, the office made a deficit of R0.9 million which is within the acceptable norm. As a result of the deficit on the funding statement the Auditor-General would not be in a position to transfer the net surplus of R 36 308 000 realised as per income statement for the year ended 31 March 2004 and indicated on page 25 of the annual report for 2004 (attached).

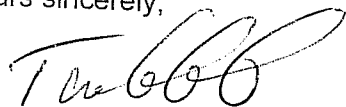
Causes for the delay in submitting this application is, inter alia,

- a. The PAA was implemented effective 01 April 2004 but was only assented to by the State President on 14 December 2004.
- b. The Auditor-General was granted time by Ad-Hoc committee on the Auditor-General to first develop an impact study on the PAA, which was completed by end of 2006 and was only recently shared with the Standing Committee on the Auditor-General (SCoAG).
- c. The principles for retention of surplus are incorporated into the Auditor-General budget and strategic plan 2007-2010 (RP225/2006), and agreed in principle with National Treasury.

Although SCoAG agreed to the principles as set out in paragraph 7.2.2.1 of the budget and strategic plan (page 45) to be used for retention of surplus only as from the 2006/07 financial year. I kindly request for the same principles to be applied in respect of the surplus of R 36 308 000 for the year end 31 March 2004 to be retained.

Should any further information be required the Auditor-General would be obliged to supply such information.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'T Nombembe', written in a cursive style.

T Nombembe
Auditor-General

Telephone: (012) 426 8135
Fax: (012) 426 8136
Email: terencen@agsa.co.za

Attachment: Funding Statement 2003/2004